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Post Hearing Information Pack of



濱江服務

BINJIANG SERVICE

Binjiang Service Group Co. Ltd.

濱江服務集團有限公司

(Incorporated in the Cayman Islands with limited liability)

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濱江服務

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Binjiang Service Group Co. Ltd.

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(Incorporated in the Cayman Islands with limited liability)

[REDACTED]

Number of [REDACTED] under the [REDACTED] : [REDACTED] Shares (subject to the [REDACTED])
Number of [REDACTED] Shares : [REDACTED] Shares (subject to adjustment)
Number of [REDACTED] Shares : [REDACTED] Shares (subject to adjustment and the [REDACTED])
Maximum [REDACTED] : HK\$[REDACTED] per [REDACTED], plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)
Nominal value : US\$0.0001 per Share
Stock code : [REDACTED]

Sole Sponsor, [REDACTED]



A CITIC Securities Company

[REDACTED]

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[REDACTED]

EXPECTED TIMETABLE⁽¹⁾

[REDACTED]

EXPECTED TIMETABLE⁽¹⁾

[REDACTED]

EXPECTED TIMETABLE⁽¹⁾

[REDACTED]

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SUMMARY

This summary aims to give you an overview of the information contained in this document. As it is a summary, it does not contain all the information that may be important to you and is qualified in its entirety by and should be read in conjunction with the full document. You should read the whole document before you decide to invest in the [REDACTED].

There are risks associated with any investment. Some of the particular risks in investing in the [REDACTED] are set forth in the section headed “Risk Factors” of this document. You should read that section carefully before you decide to invest in the [REDACTED].

OVERVIEW

We are a reputable property management service provider in China with a focus on high-end residential properties. Through our accumulation of industry experience since our establishment in 1995, we have grown from a local residential property management service provider in Hangzhou, Zhejiang province, to one of the leading premium property management service providers in the Yangtze River Delta. According to CIA, we were ranked second in Hangzhou, fifth in Zhejiang province, and tenth in the Yangtze River Delta in terms of GFA under management for high-end properties in 2017.

As of August 31, 2018, we had 35 subsidiaries and branches covering 15 cities across Zhejiang province and Shanghai in China, providing property management services to approximately 48,000 property units. Our total GFA under management amounted to 10.8 million sq.m. with a total of 68 managed properties, including 51 residential properties and 17 non-residential properties, as of August 31, 2018. Our contracted GFA, excluding GFA under management, amounted to 7.1 million sq.m. as of August 31, 2018. We were awarded the 2018 Leading Brand for Specialized Service Operations of China Property Service Industry (2018中國物業服務專業化運營領先品牌企業) and a Certificate of China Property Management Brand Value of RMB1.886 billion by CIA for our well-established industry recognition and professional service quality. We were ranked 32th among the top 100 property management companies in China in 2018, according to the China Real Estate Top 10 Research Team and CIA.

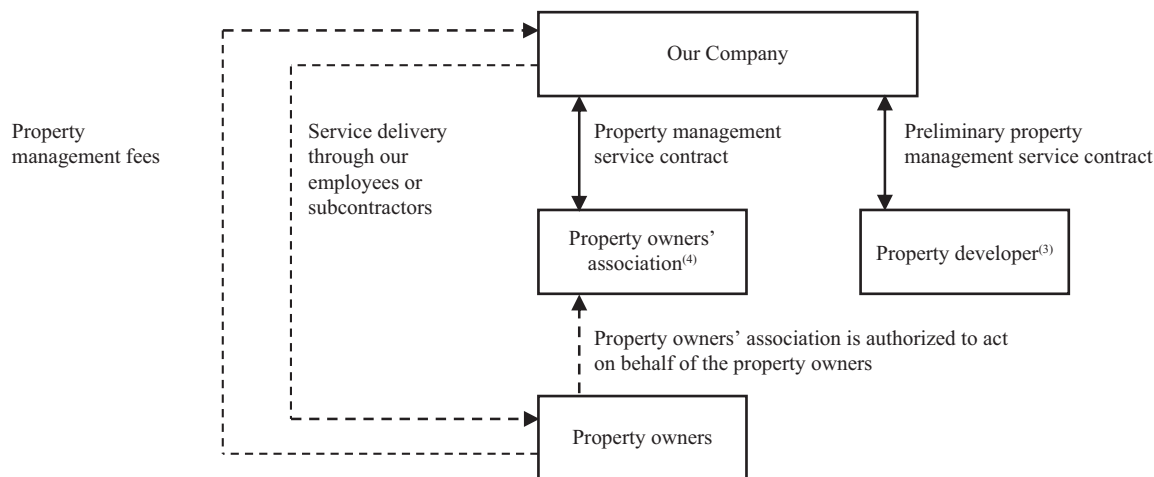
OUR BUSINESS MODEL

Our three main business lines, namely, property management services, value-added services to non-property owners, and value-added services to property owners, form an integrated service spectrum covering the entire value chain of property management.

- *Property management services.* We provide property management services, including security, cleaning, gardening, repair, maintenance and ancillary services to common area of residential and non-residential properties, including commercial properties, office buildings, corporate headquarter buildings, public facilities and industrial parks.

SUMMARY

The diagram below illustrates our relationship with various contracting parties under our property management service contracts.



Notes:

- (1) Solid lines indicate binding agreements were entered into between the parties.
- (2) Dotted lines indicate no agreements were entered into between the parties.
- (3) Property developer enters into the preliminary property management service contract with us. Such contract is legally binding on the future property owners in accordance with PRC laws.
- (4) Property owners' association enters into the property management service contract on behalf of property owners with us. Such contract is legally binding on all property owners in accordance with PRC laws.

- *Value-added services to non-property owners.* We provide value-added services to non-property owners, mainly to property developers. These services refer to pre-delivery services, consulting services and community space services. Pre-delivery services include cleaning, assisting with quality check and security services for completed properties, displaying units and providing property sales venues management services to property developers at the pre-delivery stage of a sale of property. Consulting services include advising property developers at the early and construction stages on project planning, design management and construction management to enhance functionality, comfort and convenience. Community space services include (i) assisting advertisement companies with regards to advertisement placements in the community spaces in our managed properties, and (ii) managing community venues in our managed properties.
- *Value-added services to property owners.* We also provide value-added services to property owners. These services include community value-added services, customized interior furnishing services and property agent services. For our community value-added services, in view of the different functions in residential and non-residential properties, we provide additional services that are tailored to our customers' needs. For residential properties, we provide personal training at our club houses. For non-residential properties, including commercial properties, office buildings, corporate headquarter buildings, public facilities and industrial parks, we provide business center and/or parking lot management services. In addition, seeing the growth potential of high-end customized interior

SUMMARY

furnishing service market, we plan to further leverage our service concept “Living Home (生活家)” to provide elegant, modern, stylish and customized interior furnishing services to our customers.

The revenue contribution and gross profit margin by each business segment during the Track Record Period are set forth in the table below:

	Year ended December 31,									Eight months ended August 31,					
	2015			2016			2017			2017			2018		
	Revenue		Gross Profit Margin*	Revenue		Gross Profit Margin*	Revenue		Gross Profit Margin*	Revenue		Gross Profit Margin*	Revenue		Gross Profit Margin*
	RMB'000	%	%	RMB'000	%	%	RMB'000	%	%	RMB'000	%	%	RMB'000	%	%
Property management services	102,351	64.4	9.3	151,154	66.9	9.8	218,246	62.5	15.5	138,251	64.6	17.6	199,357	64.9	15.8
Lump sum basis	100,101	63.0	7.3	148,573	65.8	8.3	215,570	61.7	14.4	136,207	63.8	16.5	197,277	64.2	15.0
Commission basis	2,250	1.4	95.0	2,581	1.1	99.3	2,676	0.8	100.0	2,044	0.8	100.0	2,080	0.7	99.1
Value-added services to non-property owners	43,991	27.7	20.6	56,550	25.0	27.7	100,744	28.8	42.1	55,590	26.0	47.2	84,443	27.5	48.6
Value-added services to property owners	12,524	7.9	60.5	18,220	8.1	63.1	30,274	8.7	46.1	20,029	9.4	45.3	23,344	7.6	57.9
Total	158,866	100.0	16.5	225,924	100.0	18.6	349,264	100.0	25.8	213,870	100.0	27.9	307,144	100.0	28.0

* Gross profit margin by each business segment is calculated by dividing gross profit of each business segment by the corresponding revenue of each business segment for the financial year/period indicated.

For property management services, we adopt two revenue models under which we charge property management fees on a lump sum basis or commission basis. For lump sum basis, we record all the fees as revenue and all the expenses incurred in connection with providing the property management services as cost of sales. For commission basis, we retain as our revenue (i) a pre-determined percentage of the total property management fees or (ii) a fixed amount, with reference to our assessment of the collectability of property management fees. Generally, customers are required to pay the next 12 months’ property management fees (each a “**billing period**”) before the property is handed over to the customers. Subsequent payments are required to be made prior to commencement of the next billing period. Our average property management fee in 2015, 2016 and 2017 and the eight months ended August 31, 2018 amounted to approximately RMB3.39 per sq.m./month, RMB3.80 per sq.m./month, RMB3.88 per sq.m./month and RMB3.98 per sq.m./month, respectively. Our average property management fee in Hangzhou in 2015, 2016 and 2017 and the eight months ended August 31, 2018 amounted to approximately RMB3.65 per sq.m./month, RMB4.21 per sq.m./month, RMB4.40 per sq.m./month and RMB4.44 per sq.m./month, respectively. Our average property management fee in Zhejiang province (excluding Hangzhou) in 2015, 2016 and 2017 and the eight months ended August 31, 2018 amounted to approximately RMB2.62 per sq.m./month, RMB2.84 per sq.m./month, RMB2.77 per sq.m./month and RMB2.86 per sq.m./month, respectively. In particular, during the Track Record Period, our average property management fee for residential properties was above the industry average in China, according to CIA. See “Business — Our

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Services — Revenue Model of Property Management Services” and “Business — Our Strengths — We are one of the leading high-end property management service providers in the Yangtze River Delta” for details.

For value-added services to non-property owners, we normally determine our service fee rates by taking into account, among others, (i) our budgeted expenses, such as the headcount and positions of the personnel we deploy, (ii) the types and locations of properties, and (iii) GFA under management of properties. Our service fees for our value-added services to non-property owners are pre-transaction negotiated and fixed. For pre-delivery service, customers are generally required to pay six months’ fees upon entering into the contract or before we deliver our services. For property sales venue labor fees, customers are generally required to make monthly payments. For consulting services, customers are generally required to pay annually before a designated date of each year. For community space services, customers are generally required to prepay the service fees in advance for the following year within one month after entering into the service contracts.

For value-added services to property owners, we offer community value-added services, customized interior furnishing services and property agent services. Among them, (i) we charge service fees for our community value-added services; (ii) we charge a price for furniture sold through our customized interior furnishing services and (iii) we are entitled to receive a commission based on the rent or selling price of property agent services. For community value-added services, customers are generally required to pay in a timely manner after the service is provided. For customized interior furnishing services, customers are required to pay in advance. For property agent services, customers are required to pay when the service is provided.

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

	Year ended December 31,						Eight months ended August 31,			
	2015		2016		2017		2017		2018	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Hangzhou	82,838	80.9	118,125	78.1	170,658	78.2	109,020	78.9	158,775	79.6
Zhejiang province (excluding Hangzhou)	19,513	19.1	33,029	21.9	47,588	21.8	29,231	21.1	40,582	20.4
Total	102,351	100.0	151,154	100.0	218,246	100.0	138,251	100.0	199,357	100.0

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The table below sets forth the breakdowns of (i) our total GFA under management and (ii) the number of our managed properties by type of developers at different stages as of the dates indicated:

	As of December 31,						As of August 31,	
	2015		2016		2017		2018	
	GFA ('000 sq.m.)	Number	GFA ('000 sq.m.)	Number	GFA ('000 sq.m.)	Number	GFA ('000 sq.m.)	Number
Properties developed by								
Binjiang Group⁽¹⁾	5,264	30	6,183	35	6,807	39	7,826	45
— Preliminary stage	4,069	21	4,599	24	5,027	27	5,372	30
— Property owners’ associations stage	1,195	9	1,584	11	1,780	12	2,454	15
Properties developed by independent third party property developers	267	1	709	6	1,797	12	2,992	23
— Preliminary stage	267	1	561	5	1,515	10	2,518	20
— Property owners’ associations stage	—	—	148	1	282	2	474	3
Total	5,531	31	6,892	41	8,604	51	10,818	68

Note:

(1) Refers to properties developed solely or co-developed with other parties by subsidiaries or joint ventures of Binjiang Group.

The table below sets forth the breakdown of our property management services revenue by type of developers at different stages for the periods indicated:

	Year ended December 31,						Eight months ended August 31,			
	2015		2016		2017		2017		2018	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Properties developed by Binjiang Group⁽¹⁾	100,738	98.4	138,960	91.9	179,186	82.1	114,210	82.6	150,823	75.7
— Preliminary stage	90,616	88.5	116,914	77.3	146,036	66.9	92,355	66.8	105,590	53.0
— Property owners’ associations stage	10,122	9.9	22,046	14.6	33,150	15.2	21,855	15.8	45,233	22.7
Properties developed by independent third party property developers	1,613	1.6	12,194	8.1	39,060	17.9	24,041	17.4	48,534	24.3
— Preliminary stage	1,613	1.6	8,044	5.3	28,693	13.1	17,281	12.5	36,488	18.3
— Property owners’ associations stage	—	—	4,150	2.8	10,367	4.8	6,760	4.9	12,046	6.0
Total	102,351	100.0	151,154	100.0	218,246	100.0	138,251	100.0	199,357	100.0

Note:

(1) Refers to properties developed solely or co-developed with other parties by subsidiaries or joint ventures of Binjiang Group.

SUMMARY

The table below sets forth our (i) contracted GFA, (ii) GFA under management, and (iii) number of managed properties as of the dates indicated:

	As of December 31,			As of August 31,
	2015	2016	2017	2018
Contracted GFA ⁽¹⁾ ('000 sq.m.)	8,470	10,198	13,675	17,925
GFA under management ('000 sq.m.)	5,531	6,892	8,604	10,818
Number of managed properties	31	41	51	68

Note:

- (1) Our contracted GFA is larger than GFA under management as it not only includes GFA currently being managed by us under signed property management service contracts, but also GFA to be managed by us under signed property management service contracts. For example, as of August 31, 2018, our contracted GFA amounted to 17.9 million sq.m. while our GFA under management only amounted to 10.8 million sq.m. The difference was mainly attributed to our newly engaged property management service contracts which have not been delivered. While GFA under management can demonstrate our current business scale, contracted GFA is also significant to our operation as it can be used as a guide to our resources planning and an indicator of future revenue growth.

The table below sets forth the breakdowns of (i) our total GFA under management and (ii) the number of our managed properties by type of properties as of the dates indicated:

	As of December 31,						As of August 31,	
	2015		2016		2017		2018	
	GFA ('000 sq.m.)	Number	GFA ('000 sq.m.)	Number	GFA ('000 sq.m.)	Number	GFA ('000 sq.m.)	Number
Residential properties	5,217	27	6,401	34	7,593	40	9,491	51
Non-residential properties	314	4	491	7	1,011	11	1,327	17
Total	5,531	31	6,892	41	8,604	51	10,818	68

The table below sets forth the breakdown of (i) our total GFA under management and (ii) the number of our managed properties by revenue model as of the dates indicated:

	As of December 31,						As of August 31,	
	2015		2016		2017		2018	
	GFA ('000 sq.m.)	Number	GFA ('000 sq.m.)	Number	GFA ('000 sq.m.)	Number	GFA ('000 sq.m.)	Number
Lump sum basis	4,656	23	5,902	31	7,686	43	10,071	59
Commission basis	875	8	990	10	918	8	747	9
Total	5,531	31	6,892	41	8,604	51	10,818	68

OUR COMPETITIVE STRENGTHS

We believe we have achieved our success to date and are well-positioned to achieve future growth due to the following competitive strengths: (i) we are one of the leading high-end property management service

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providers in the Yangtze River Delta; (ii) our diversified property management portfolio and service offerings generated wide sources of revenue; (iii) our service quality helps achieve wide recognition from customers and increases our brand value; (iv) benefiting from the steady and long-term business cooperation with Binjiang Group; and (v) experienced and professional management team as well as human resources policies designed to cultivate outstanding employees.

OUR BUSINESS STRATEGIES

We intend to pursue the following strategies to further position ourselves as a leading comprehensive property management service provider: (i) continue to expand our business scale in high-end market through multiple channels; (ii) continue to deliver diversified and differentiated value-added services tailored to the needs of our customers; (iii) continue to optimize management centralization and standardization and adopt advanced technologies to enhance our operating efficiency and ensure service quality; and (iv) continue to attract, develop and retain talent to support our business growth.

OUR CUSTOMERS AND SUPPLIERS

We have a large, growing and loyal customer base primarily consisting of (i) property owners and residents of the properties we manage, (ii) property developers and (iii) property management companies in China. In 2015, 2016 and 2017 and the eight months ended August 31, 2018, revenue from our largest customer, Binjiang Group, amounted to RMB46.1 million, RMB50.4 million, RMB65.1 million and RMB37.6 million, representing 29.0%, 22.3%, 18.6% and 12.2% of our total revenue, respectively. During the same periods, revenue from our top five customers collectively amounted to RMB56.7 million, RMB63.2 million, RMB85.6 million and RMB53.9 million, representing 35.7%, 28.0%, 24.5% and 17.5% of our total revenue, respectively.

Our major suppliers are primarily (i) subcontractors for our property management services which provide mainly cleaning and security services, and (ii) merchants offering selected products and services for our value-added services to property owners. In 2015, 2016 and 2017 and the eight months ended August 31, 2018, purchase from our single largest supplier amounted to RMB1.0 million, RMB1.5 million, RMB3.3 million and RMB29.2 million, representing 0.7%, 0.8%, 1.3% and 13.2% of our total cost of sales, respectively. During the same periods, purchase from our five largest suppliers amounted to RMB3.9 million, RMB6.0 million, RMB12.5 million and RMB45.7 million, representing 2.9%, 3.3%, 4.8% and 20.7% of our total cost of sales, respectively.

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The following discussion and analysis set out the summary of our financial information for the periods indicated and should be read together with the consolidated financial information in Appendix I to this document, including the accompanying notes, and the information set out in the section headed “Financial Information” in this document.

SUMMARY

Selected Items of Consolidated Statements of Comprehensive Income

	Year ended December 31,			Eight months ended August 31,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Revenue	158,866	225,924	349,264	213,870	307,144
Cost of sales	(132,727)	(183,868)	(259,181)	(154,265)	(221,026)
Gross profit	26,139	42,056	90,083	59,605	86,118
Profit from operations	15,241	29,469	77,839	52,913	68,528
Profit before taxation	15,386	29,615	77,209	52,915	67,947
Profit for the year/period	11,469	22,106	57,552	39,521	50,746

During the Track Record Period, our revenue continued to increase primarily due to an increase in the number of managed properties, GFA under management and value-added service projects for non-property owners as we expanded our business by exploring new engagements. The premium price charged for new property management projects and the price increase for existing property management projects also contributed to the increased revenue, despite the fact that property management fees of certain properties in old residential areas and those under preliminary property management service contracts are still subject to price control by provincial governments. See “Risk Factors — Risks Relating to Our business and Industries — Our pricing of property management fees under preliminary property management service contracts and for affordable housing is subject to PRC laws and regulations” for details. In addition, we maintained a close relationship with Binjiang Group and actively explored new engagement opportunities with independent third party property developers. As a result, our average property management services revenue per project for properties developed by Binjiang Group and independent third party property developers increased each year from 2015 to 2017.

On the cost side, the main factor affecting our cost of sales was our staff costs. The amount of staff costs was mainly affected by the increase in the staff headcount and salaries due to the expansion of our operations and an increase in the average amount of compensation.

Our overall gross profit margin was affected by the factors affecting each of our segments as well as fluctuation in our business mix. The increase in gross profit margin for property management services was primarily affected by an increase in average fee rates and slightly offset by an increase in our relevant cost of sales. Our value-added services to non-property owners and property owners contributed a significant portion of our gross profit during the Track Record Period, representing 62.6% and 63.4% of our total gross profit in 2017 and the eight months ended August 31, 2018, respectively. The increase in gross profit margin for our value-added services to non-property owners was primarily affected by (i) a rapid increase in our revenue from pre-delivery services and consulting services; and (ii) a business growth in advertising services which have higher gross profit margin. The increase in gross profit margin for our value-added services to property owners was primarily due to a significant growth in our revenue for community value-added services. See “Financial Information — Consolidated Statements of Profit or Loss and Other Comprehensive Income” for details.

SUMMARY

Selected Items of Consolidated Statements of Financial Position

	As of December 31,			As of August 31,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets	6,557	9,230	15,839	15,203
Current assets	115,814	222,962	373,550	494,818
Total assets	122,371	232,192	389,389	510,021
Total equity	30,973	53,569	111,187	165,047
Non-current liabilities	—	813	—	—
Current liabilities	91,398	177,810	278,202	344,974
Total equity and liabilities	122,371	232,192	389,389	510,021
Net current assets	24,416	45,152	95,348	149,844

Summary of Consolidated Statements of Cash Flows

	Year ended December 31,			Eight months ended August 31,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Net cash generated from operating activities	3,751	100,792	142,710	11,489	85,849
Net cash (used in)/generated from investing activities	(1,971)	(2,996)	(6,308)	(122,527)	959
Net cash generated from financing activities	—	490	—	—	3,072
Net increase/(decrease) in cash and cash equivalents	1,780	98,286	136,402	(111,038)	89,880
Cash and cash equivalents at the beginning of the year/period	67,481	69,261	167,547	167,547	303,949
Effect of foreign exchange rate changes	—	—	—	—	42
Cash and cash equivalents at the end of the year/period	69,261	167,547	303,949	56,509	393,871

To utilize our cash-on-hand on a short-term basis, we invest in low-risk wealth management products. These wealth management products have historical yield rates ranging from 2.3% to 3.6% per annum. To further reduce potential risks, we have implemented an internal policy in relation to purchase and disposal of financial products. Our policy focuses on avoiding undue risks in the purchase of financial products and requires that such purchase be made only when there is a surplus of cash. Purchase of financial products needs to be approved by the Board. See “Financial Information — Description of Selected Items in Our Consolidated Statements of Profit or Loss and Other Comprehensive Income — Other Revenue and Other Net Income.”

SUMMARY OF KEY FINANCIAL RATIOS

We monitor certain operating and financial ratios that we believe are commonly used in the property management service industry and important for benchmarking us against our competitors.

SUMMARY

Key Financial Ratios

The table below sets forth a summary of our key financial metrics during the Track Record Period:

Financial metric	As of and for the year ended December 31,			As of and for the eight months ended
	2015	2016	2017	August 31, 2018
Gross profit margin ⁽¹⁾	16.5%	18.6%	25.8%	28.0%
Adjusted net profit margin ⁽²⁾	7.2%	9.8%	16.5%	18.8%
Return on equity ⁽³⁾	37.0%	41.9%	51.7%	N/M ⁽⁴⁾
Return on total assets ⁽⁵⁾	9.4%	9.6%	14.7%	N/M ⁽⁴⁾
Current ratio ⁽⁶⁾	1.27x	1.25x	1.34x	1.43x

Notes:

- (1) Excluding the [REDACTED] expenses.
- (2) Adjusted net profit margin is calculated as adjusted profit for the year/period, after excluding [REDACTED] expenses, divided by revenue.
- (3) Profit attributable to equity shareholders of our Company for the period divided by the total equity attributable to equity shareholders of our Company as of the end of the year.
- (4) The ratios are not meaningful because the profit for the period only represented eight months of profits.
- (5) Profit attributable to equity shareholders of our Company for the period divided by the total assets as of the end of the year.
- (6) Current assets divided by current liabilities.

[REDACTED] INVESTMENT

Our [REDACTED] investor, Mr. Yang Xianbiao (楊賢彪) (“Mr. Yang”), has invested in our Company since December 2017. Immediately following the completion of the [REDACTED] (assuming that the [REDACTED] is not exercised), Mr. Yang will be interested in [REDACTED] Shares through Sea Faith, representing approximately [REDACTED]% of the issued share capital of our Company. For further details, please see the section headed “Our History and Development—[REDACTED] Investments” in this document.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Immediately following the completion of the [REDACTED] (assuming that the [REDACTED] is not exercised), Great Dragon will directly and together hold [REDACTED]% of the enlarged issued share capital of our Company. Great Dragon is beneficially owned as to 100% by Cantrust (Far East) Limited (through its nominee company) as trustee of Bright Cloud Trust, a discretionary trust established by Mr. Qi as settlor. Mr. Qi and his family members are the discretionary beneficiaries of Bright Cloud Trust. As Mr. Qi as the appointor has the power to appoint or remove the trustee in its place, he is in actual control of Bright Cloud Trust. Therefore, Mr. Qi and Great Dragon are deemed to be our Controlling Shareholders within the meaning of the Listing Rules.

None of our Controlling Shareholders is interested in any business which is, whether directly or indirectly, in competition with our business. To ensure that competition will not exist in the future, each of our Controlling Shareholders has entered into the Deed of Non-Competition in favor of our Company to the effect that each of them will not, and will procure each of their respective associates not to, directly or indirectly participate in, or hold any right or interest, or otherwise be involved in any business which may be in competition with our business.

SUMMARY

Our Group secures a majority of preliminary property management service engagements mainly through a standard tender process regulated by applicable PRC laws and regulations. We believe that we are capable of carrying on our business independently from our Controlling Shareholders and their respective associates (other than our Group) after [REDACTED] due to our management, operational and financial independence. For further details, see “Relationship with Controlling Shareholders – Independence from Our Controlling Shareholders.”

We have entered into a number of agreements with our connected persons which will constitute continuing connected transactions under Chapter 14A of the Listing Rules upon [REDACTED]. For further details, please refer to the section headed “Connected Transactions” in this document.

[REDACTED] STATISTICS

[REDACTED] Size:	Initially [REDACTED]% of the enlarged issued share capital of our Company
[REDACTED] Structure:	Approximately [REDACTED]% for [REDACTED] (subject to reallocation) and approximately [REDACTED]% for [REDACTED] (subject to reallocation and the [REDACTED])
[REDACTED]:	Up to [REDACTED] additional Shares to be allotted and issued by the Company, representing [REDACTED]% of the number of [REDACTED] initially available under the [REDACTED]
[REDACTED] Per Share:	HK\$[REDACTED] to HK\$[REDACTED] per [REDACTED]

	<u>Based on Minimum Indicative [REDACTED] of HK\$[REDACTED]</u>	<u>Based on Maximum Indicative [REDACTED] of HK\$[REDACTED]</u>
Market capitalization of our Shares ⁽¹⁾	HK\$[REDACTED] million	HK\$[REDACTED] million
Unaudited pro forma adjusted net tangible asset per Ordinary Share ⁽²⁾	HK\$[REDACTED]	HK\$[REDACTED]

Notes:

- (1) The calculation of market capitalization is based on [REDACTED] Shares expected to be in issue immediately upon completion of the [REDACTED] (assuming that the [REDACTED] is not exercised).
- (2) The unaudited pro forma adjusted net tangible asset value per Share has been arrived at after adjustments referred to in the section headed “Appendix II - Unaudited Pro Forma Financial Information” and on the basis of [REDACTED] Shares in issue at the [REDACTED] immediately upon the completion of the [REDACTED] (assuming that the [REDACTED] is not exercised).

SUMMARY

FUTURE PLANS AND [REDACTED]

We estimate that we will receive net proceeds from the [REDACTED] of approximately HK\$[REDACTED] million after deducting the underwriting fees and expenses payable by us in the [REDACTED], assuming an [REDACTED] of HK\$[REDACTED] per Share, being the mid-point of the indicative [REDACTED] range of HK\$[REDACTED] to HK\$[REDACTED] per Share in this document. We intend to use the net proceeds we will receive from the [REDACTED] for the following purposes:

<u>Amount (HK\$ in million)</u>	<u>Approximate % of Total Estimated Net Proceeds</u>	<u>Intended Use</u>
[REDACTED]	[REDACTED]	Acquiring (i) other property management companies which have good market recognition, reputation and development potential, and with revenue exceeding RMB50.0 million or net profit exceeding RMB10.0 million; and (ii) companies which are engaged in property management related business
[REDACTED]	[REDACTED]	Developing our management service systems
[REDACTED]	[REDACTED]	Investing in asset management platform to engage in the operation of long-term apartments and industrial parks
[REDACTED]	[REDACTED]	Establishing joint venture companies or platform, and expanding existing cooperating platforms in order to expand market shares in the local markets
[REDACTED]	[REDACTED]	Working capital and general corporate purpose

Please see “Future Plans and Use of Proceeds” for further details.

[REDACTED] EXPENSES

The total [REDACTED] expenses (including underwriting commissions) in relation to the [REDACTED] are estimated to be approximately HK\$[REDACTED] million (RMB[REDACTED] million) (assuming an [REDACTED] of HK\$[REDACTED] per Share, being the mid-point of the indicative [REDACTED] range of HK\$[REDACTED] to HK\$[REDACTED] per Share in this document and the [REDACTED] is not exercised). The [REDACTED] expenses incurred in 2018 and [REDACTED] expenses expected to be incurred in 2019 are RMB[REDACTED] million and RMB[REDACTED] million, respectively. During the Track Record Period, we incurred RMB[REDACTED] million [REDACTED] expenses, of which RMB[REDACTED] million was recognized in our consolidated statements of profit or loss and other comprehensive income and RMB[REDACTED] million is expected to be charged against equity upon the [REDACTED]. We incurred an additional RMB[REDACTED] million from August 31, 2018 to December 31, 2018, of which (i) RMB[REDACTED] million was charged to our consolidated statements of profit or loss and other comprehensive income in 2018 and (ii) RMB[REDACTED] million is expected to be charged against equity upon the [REDACTED]. Among the RMB[REDACTED] million expected to be incurred in 2019, (i) RMB[REDACTED] million is expected to be charged to our consolidated statements of profit or loss and other comprehensive income in 2019 and (ii) RMB[REDACTED] million is expected to be charged against equity upon the [REDACTED]. These [REDACTED] expenses mainly comprise professional fees paid to our legal advisors and the reporting accountants for their services rendered in relation to the [REDACTED] and the [REDACTED], the sponsor fees for the Sole Sponsor for the services rendered in relation to the [REDACTED] and the [REDACTED].

SUMMARY

PROFIT ESTIMATE FOR THE YEAR ENDED DECEMBER 31, 2018

Our Directors estimate, on the bases set out in Appendix III to this document, certain profit estimate data of the Company for the year ended December 31, 2018 as follows:

Estimated consolidated profit attributable to equity shareholders of the Company	not less than RMB[REDACTED] million
Unaudited pro forma estimated earnings per Share	not less than RMB[REDACTED]

The profit estimate, for which our Directors are solely responsible, has been prepared by them based on our consolidated results for the eight months ended August 31, 2018 as set out in the Accountants’ Report in Appendix I to this document and our unaudited consolidated results for the four months ended December 31, 2018. The calculation of the unaudited pro forma estimated earnings per Share is based on the unaudited estimated consolidated profit attributable to equity shareholders of the Company for the year ended December 31, 2018, assuming a total of [REDACTED] Shares were in issue and outstanding during the year ended December 31, 2018.

DIVIDENDS

During the Track Record Period, Binjiang Property declared a dividend of RMB15.0 million, which was subsequently converted into paid-in capital of Binjiang Property. Except for this, we did not declare any dividends, and we currently do not have any pre-determined dividend payout ratio. In order to return capital to our Shareholders in line with our growth, we intend to adopt a general dividend policy of declaring and paying dividends with reference to our results of operations, cash flows, financial position, statutory and regulatory restrictions on the payment of dividends by us, future prospects and other factors that we may consider relevant. Holders of the Shares will be entitled to receive such dividends pro rata according to the amounts paid up or credited as paid up on the Shares. The declaration, payment and amount of dividends will be subject to our discretion. The recommendation of dividend payments will also be subject to the absolute discretion of our Board, and, after [REDACTED], any declaration of final dividend for the year will be subject to the approval of our Shareholders. See “Financial Information — Dividends and Distributable Reserves — Dividends” for details.

RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGE

Subsequent to August 31, 2018 (being the date of our latest audited consolidated statements of financial position as set out in the Accountants’ Reports in Appendix I to this document), we had expanded our property management portfolio to Jiangsu and Jiangxi, covering 19 cities across four provinces and municipalities in China. Our aggregate GFA under management increased by approximately 1.4 million sq.m. from approximately 10.8 million sq.m. as of August 31, 2018 to approximately 12.2 million sq.m. as of the Latest Practicable Date. In addition, we have entered into 16 new property management service contracts from August 31, 2018 to the Latest Practicable Date, of which nine are with Binjiang Group with contracted GFA of approximately 1.8 million sq.m. The 16 property management service contracts that we obtained are all under the lump sum basis and represents contracted GFA of approximately 3.1 million sq.m. We also obtained 11 new value-added services to non-property owners, including nine pre-delivery service contracts and two consulting service contracts, during the same period.

SUMMARY

Our Directors have confirmed that, since August 31, 2018 and as of the date of this document, there has been no material adverse change in our financial or trading position or document and no event has occurred that would materially and adversely affect the information shown in our consolidated financial statements set out in the Accountants’ Reports included in Appendix I to this document.

SUMMARY OF MATERIAL RISK FACTORS

We are subject to a number of risks, including but not limited to risks relating to our business and industries, risks relating to doing business in the PRC and risks relating to the [REDACTED]. As different investors may have different interpretations and standards for determining the materiality of a risk, you should read the entire “Risk Factors” section carefully before you decide to invest in the [REDACTED]. Some of the major risks we face include: (i) we may not be able to grow our property management portfolio as planned, which may have a material adverse effect on our business, financial condition and results of operations; (ii) we may not procure new property management service contracts at desirable pace or price; (iii) increase in staff costs and subcontracting costs can slow down our growth and reduce our profitability; (iv) our preliminary property management service contracts or property management service contracts may not be renewed or may be terminated, which could have a material adverse effect on our business, financial condition and results of operations; and (v) we may not be able to successfully collect property management fees from property developers and property owners, and as a result, may incur impairment losses on our receivables.

DEFINITIONS

In this document, unless the context otherwise requires, the following terms shall have the meanings set out below.

[REDACTED]

“Articles” or “Articles of Association”	the Articles of Association of our Company (as amended from time to time), conditionally adopted on February 21, 2019 with effect from the [REDACTED], a summary of which is set out in Appendix IV
“Binhe Property”	Hangzhou Binhe Property Management Co., Ltd.* (杭州濱合物業管理有限公司), a company established in PRC with limited liability on January 31, 2018 and an indirectly owned subsidiary of our Company
“Binjiang Agent”	Hangzhou Binjiang Real Estate Agent Co., Ltd.* (杭州濱江房地產經紀有限公司), a company established in PRC with limited liability on March 18, 2009, an indirect wholly-owned subsidiary of our Company
“Binjiang Catering”	Hangzhou Binjiang Catering Management Limited* (杭州濱江餐飲管理有限公司), a limited liability company established in PRC on July 18, 2011 and is wholly-owned by Binjiang Holdings. It is therefore our connected person
“Binjiang Decoration”	Hangzhou Binjiang Interior Decoration Co., Ltd.* (杭州濱江家居裝飾有限公司), a company established in PRC with limited liability on May 11, 2017, an indirect wholly-owned subsidiary of our Company
“Binjiang Group”	Binjiang Holdings and its subsidiaries
“Binjiang Holdings”	Hangzhou Binjiang Investment Holdings Co., Ltd.* (杭州濱江投資控股有限公司), a limited liability company established in PRC on October 8, 2006. It is an associate of our Controlling Shareholder, Mr. Qi, and is therefore our connected person
“Binjiang Property”	Hangzhou Binjiang Property Management Co., Ltd.* (杭州濱江物業管理有限公司), a limited liability company established in PRC on April 7, 1995, an indirect wholly-owned subsidiary of our Company
“Binjiang Real Estate”	Hangzhou Binjiang Real Estate Group Co., Ltd.* (杭州濱江房產集團股份有限公司), a limited liability company established in PRC on August 22, 1996, the shares of which listed on the Shenzhen Small & Medium Enterprise Board of Stock Exchange (Stock code: 002244). It is controlled by Mr. Qi, our Controlling Shareholder and therefore our connected person

DEFINITIONS

“Binjiang Real Estate Group”	Binjiang Real Estate and its subsidiaries
“Binjiang Services (HK)”	Binjiang Services Group (Hong Kong) Co., Ltd. (濱江服務集團(香港)有限公司), a company incorporated in Hong Kong with limited liability on August 28, 2017, a wholly-owned subsidiary of our Company
“Binjiang Venture Capital”	Hangzhou Binjiang Venture Capital Investment Limited* (杭州濱江創業投資有限公司), a limited liability company established in PRC on May 26, 2011 and is wholly-owned by Binjiang Holdings. It is therefore our connected person
“Binrui Decoration”	Hangzhou Binrui Decoration Co., Ltd.* (杭州濱瑞裝飾有限公司), a company established in PRC with limited liability on September 12, 2016 and an indirectly owned subsidiary of our Company
“Binshang Fitness”	Hangzhou Binshang Fitness Co., Ltd.* (杭州濱尚健身有限公司), a company established in PRC with limited liability on May 29, 2018 and an indirectly wholly-owned subsidiary of our Company
“Binwan Decoration”	Hangzhou Binwan Interior Decoration Co., Ltd.* (杭州濱萬家居裝飾有限公司), a company established in PRC with limited liability on May 9, 2017 and an indirectly wholly-owned subsidiary of our Company
“Binyi Hotel”	Hangzhou Binyi Hotel Management Co., Ltd.* (杭州濱怡酒店管理有限公司), a company established in PRC with limited liability on October 28, 2016 and an indirectly wholly-owned subsidiary of our Company
“Board” or “Board of Directors”	the board of directors of our Company
“Bright Cloud Trust”	an irrevocable trust established on November 19, 2018 by Mr. Qi (as the settlor) for the benefit of himself and his family members designated by him
“BVI”	British Virgin Islands
“Cayman Companies Law” or “Companies Law”	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, as amended or supplemented or otherwise modified from time to time
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or a general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant

DEFINITIONS

“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“China” or “the PRC”	the People’s Republic of China excluding, for the purpose of this document, Hong Kong, Macau and Taiwan
	[REDACTED]
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended or supplemented or otherwise modified from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended or supplemented or otherwise modified from time to time
“Company” or “our Company”	Binjiang Service Group Co. Ltd. 濱江服務集團有限公司, a company incorporated in the Cayman Islands with limited liability on July 6, 2017, and, except where the context otherwise requires, all of its subsidiaries, or where the context refers to the time before it became the holding company of its present subsidiaries, its present subsidiaries
“Controlling Shareholders”	Mr. Qi and Great Dragon
“Deed of Indemnity”	the deed of indemnity dated February 21, 2019 and entered into by our Controlling Shareholders in favor of our Company (for itself and as trustee for its subsidiaries), details of which are included in the section headed “Appendix V — Statutory and General Information — D. Other Information — 1. Tax and other indemnities”
“Deed of Non-Competition”	the deed of non-competition dated February 21, 2019 and entered into by our Controlling Shareholders and our Company (for itself and as trustee for its subsidiaries), details of which are included in the section headed “Relationship with Controlling Shareholders”
“Director(s)”	the director(s) of our Company
“EIT”	enterprise income tax
“EIT Law”	the PRC Enterprise Income Tax Law
	[REDACTED]
“Great Dragon”	Great Dragon Ventures Limited, a company incorporated in the BVI with limited liability on March 28, 2017, our Controlling Shareholder

DEFINITIONS

“Great Splendor Trust” an irrevocable trust established on November 19, 2018 by Mr. Mo (as the settlor) for the benefit of himself and his family members designated by him

[REDACTED]

“Group”, “our Group”, “we”, “our” or “us” our Company and our subsidiaries or, where the context so requires, in respect of the period before our Company became the holding company of our present subsidiaries, the business operated by such subsidiaries or their predecessors (as the case may be)

“Haoyu” Haoyu Ventures Limited (好運創投资有限公司), a company incorporated in the BVI with limited liability on April 3, 2017, our substantial shareholder

“HK\$” or “Hong Kong dollars” or “HK dollars” or “cents” Hong Kong dollars and cents respectively, the lawful currency of Hong Kong

“HKSCC” Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchange and Clearing Limited

“HKSCC Nominees” HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC

“Hong Kong” or “HK” the Hong Kong Special Administrative Region of the PRC

[REDACTED]

“Hong Kong Underwriters” the underwriters of the [REDACTED] listed in the section headed “Underwriting — Hong Kong Underwriters” in this document

“Hong Kong Underwriting Agreement” the underwriting agreement dated [REDACTED], relating to the [REDACTED] and entered into among our Company, the Sole Sponsor, [REDACTED], the Controlling Shareholders and the Hong Kong Underwriters as further described in the section headed “Underwriting — Underwriting Arrangements and Expenses” in this document

DEFINITIONS

“IFRS” International Accounting Standards, International Financial Reporting Standards, amendments and the related interpretations issued by the International Accounting Standards Board

“independent third party(ies)” person(s) or company(ies) and their respective ultimate beneficial owner(s), who/which, to the best of our Directors’ knowledge, information and belief, having made all reasonable enquiries, is/are not connected with our Company or our connected persons as defined under the Listing Rules

“Industry Report” the industry report issued by China Index Academy, the industry consultant

[REDACTED]

“International Underwriters” the group of underwriters, led by the [REDACTED], that is expected to enter into the International Underwriting Agreement to underwrite the [REDACTED]

“International Underwriting Agreement” the international underwriting agreement relating to the [REDACTED], which is expected to be entered into among our Company, the Sole Sponsor, [REDACTED], the Controlling Shareholders and the International Underwriters on or about [REDACTED], as further described in the section headed “Underwriting — [REDACTED]”

[REDACTED]

“Jovial Success” Jovial Success Global Holdings Limited (欣成環球控股有限公司), a company incorporated in the BVI with limited liability on April 3, 2017, our substantial shareholder

“Latest Practicable Date” February 19, 2019, being the latest practicable date prior to the printing of this document for the purpose of ascertaining certain information contained in this document

[REDACTED]

DEFINITIONS

“[REDACTED] Committee”	the [REDACTED] Committee of the Stock Exchange
“[REDACTED]”	the date, expected to be on or about [REDACTED], on which the Shares are [REDACTED] on the Stock Exchange and from which [REDACTED] in the Shares are permitted to commence on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time
“Macau”	the Macau Special Administrative Region of the PRC
“Main Board”	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange
“Memorandum” or “Memorandum of Association”	the memorandum of association of our Company (as amended from time to time), adopted on February 21, 2019, a summary of which is set out in Appendix IV to this document
“MOFCOM”	Ministry of Commerce of the PRC (中華人民共和國商務部)
“Mr. Mo”	Mr. Mo Jianhua (莫建華), one of our non-executive Directors and one of our substantial shareholders
“Mr. Qi”	Mr. Qi Jinxing (戚金興), one of our Controlling Shareholders
“Mr. Zhu”	Mr. Zhu Lidong (朱立東), our chairman of Board, president chief executive officer and one of our executive Directors
“Mr. Zhu HM”	Mr. Zhu Huiming (朱慧明), one of our substantial shareholders
“NDRC”	National Development and Reform Commission (中華人民共和國發展和改革委員會)

[REDACTED]

DEFINITIONS

[REDACTED]

“PBOC”	People’s Bank of China (中國人民銀行)
“PRC Government” or “State”	the central government of the PRC, including all political subdivisions (including provincial, municipal and other regional or local government entities) and its organs or, as the context requires, any of them
“PRC Legal Advisers”	Zhejiang T&C Law Firm, the legal adviser to our Company as to the laws of the PRC

[REDACTED]

“document”	this document being issued in connection with the [REDACTED]
“Regulation S”	Regulation S under the U.S. Securities Act
“Reorganization”	the reorganization of the Group in preparation of the [REDACTED], details of which are set out in the section headed “Our History and Development”
“RMB”	Renminbi, the lawful currency of the PRC
“Robust”	Robust Class Limited (興品有限公司), a company incorporated in the BVI with limited liability on June 28, 2017, our direct wholly-owned subsidiary
“SAFE”	State Administration of Foreign Exchange of the PRC (中華人民共和國外匯管理局)

DEFINITIONS

“SAIC”	State Administration of Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局)
“SAMR”	State Administration for Market Regulation (國家市場監督管理總局)
“SAT”	State Administration of Taxation of the People’s Republic of China (中華人民共和國國家稅務總局)
“Sea Faith”	Sea Faith Holdings Limited (海信控股有限公司), a company incorporated in the BVI with limited liability on April 26, 2017, our shareholder
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO” or “Securities and Futures Ordinance”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
“Shareholder(s)”	holder(s) of Shares
“Shares”	ordinary shares in the capital of our Company with nominal value of US\$0.0001 each
	[REDACTED]
“Splendid Force Trust”	an irrevocable trust established on November 19, 2018 by Mr. Zhu HM (as the settlor) for the benefit of himself and his family members designated by him
	[REDACTED]
“State Council”	the PRC State Council (中華人民共和國國務院)
“Stock Borrowing Agreement”	the stock borrowing agreement expected to be entered into between the [REDACTED] and Great Dragon on or around the [REDACTED]
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Track Record Period”	the years ended December 31, 2015, 2016 and 2017 and eight months ended August 31, 2018
“Underwriters”	the Hong Kong Underwriters and the International Underwriters
“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
“U.S.” or “United States”	the United States of America

DEFINITIONS

“U.S. Securities Act”	the United States Securities Act of 1933, as amended and supplemented or otherwise modified from time to time, and the rules and regulations promulgated thereunder
“US\$”, “USD” or “U.S. dollars”	United States dollars, the lawful currency for the time being of the United States
“Warrantors”	the Controlling Shareholders
	[REDACTED]
“Zhejiang Binhe”	Zhejiang Binhe Property Management Co., Ltd.* (浙江濱禾物業管理有限公司), a limited liability company established in PRC on February 14, 2019 and an indirectly owned subsidiary of our Company
“Zhuocai Advertising”	Hangzhou Zhuocai Advertising Co., Ltd.* (杭州卓采廣告有限公司), a company established in PRC with limited liability on February 28, 2018, an indirect wholly-owned subsidiary of our Company
“%”	per cent.

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

Unless the content otherwise requires references to “2015”, “2016” and “2017” in this document refer to our financial year ended December 31 of such year.

If there is any inconsistency between the Chinese names of the entities or enterprises established in the PRC mentioned in this document and their English translations, the Chinese names (as appropriate) shall prevail. The English translations of the Chinese names of such PRC entities or enterprises are provided for identification purposes only.

* *for identification purpose only*

GLOSSARY

This glossary contains terms used in this document in connection with us. As such, these terms and their meanings may not correspond to standard industry meanings or usage of these terms.

“average property management fee”	revenue from property management services under lump sum basis for a period divided by the average GFA recorded on the property ownership certificates under lump sum basis
“CAGR”	compound annual growth rate
“China Real Estate Top 10 Research Team”	a reputable research group that conducts the China top 10 property management companies research. The published results of the research project has become an important standard for assessing the ability of property management companies
“commission basis”	a revenue generating model for our property management services whereby our fee income from property management services consists only of a specified percentage, or a fixed amount, of the total management fees payable by the property owners or property developers, or cost of sales
“common area”	common areas in residential properties, mainly include green spaces, walkway, water storage facilities, waste collection facilities, fire facilities, public lighting facilities, security monitoring facilities, parking lots, swimming pools, club houses and lifts
“contracted GFA”	GFA managed or to be managed by us under signed property management service contracts
“GFA”	gross floor area
“GFA under management”	GFA currently being managed by us under signed property management service contracts
“high-end properties”	residential properties within the specified area with a monthly property management fee per sq.m. not less than the 75 th percentile of the monthly property management fee per sq.m. charged by the residential properties managed by the top 100 property management companies in such area
“lump sum basis”	when the management fees are charged on a lump sum basis, all property management fees collected will be recorded as revenue and all expenses incurred in providing property management services will be recorded as costs or expenses
“sq.m.”	square meters

GLOSSARY

“top 100 property management companies”

an annual ranking of China-based property management companies by overall competitiveness published by CIA based on a number of key indicators, including management scale, operational performance, service quality, growth potential and social responsibility

“Yangtze River Delta”

as of the Latest Practicable Date, includes Shanghai, Jiangsu province and Zhejiang province for the purpose of this document

FORWARD-LOOKING STATEMENTS

This document contains certain forward-looking statements and information relating to our Company and our subsidiaries that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this document, the words “aim”, “anticipate”, “believe”, “could”, “estimate”, “expect”, “going forward”, “intend”, “may”, “ought to”, “plan”, “project”, “seek”, “should”, “will”, “would” and the negative of these words and other similar expressions, as they relate to the Group or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our management with respect to future events, operations, liquidity and capital resources, some of which may not materialize or may change. These statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this document. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing our company which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- our business prospects;
- future developments, trends and conditions in the industry and markets in which we operate;
- our business strategies and plans to achieve these strategies;
- general economic, political and business conditions in the markets in which we operate;
- changes to the regulatory environment and general outlook in the industry and markets in which we operate;
- the effects of the global financial markets and economic crisis;
- our ability to reduce costs;
- our dividend policy;
- our profit estimate and other prospective financial information;
- the amount and nature of, and potential for, future development of our business;
- capital market developments;
- the actions and developments of our competitors; and
- change or volatility in interest rates, foreign exchange rates, equity prices, volumes, operations, margins, risk management and overall market trends.

Subject to the requirements of applicable laws, rules and regulations, we do not have any and undertake no obligation to update or otherwise revise the forward-looking statements in this document, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions,

THIS DOCUMENT IS IN DRAFT FORM, INCOMPLETE AND SUBJECT TO CHANGE, AND THE INFORMATION MUST BE READ IN CONJUNCTION WITH THE SECTION HEADED “WARNING” ON THE COVER OF THIS DOCUMENT.

FORWARD-LOOKING STATEMENTS

the forward-looking events and circumstances discussed in this document might not occur in the way we expect or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this document are qualified by reference to the cautionary statements in this section.

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

RISK FACTORS

You should carefully consider all of the information set out in this document before making an investment in the Shares, including the risks and uncertainties described below in respect of our business and our industry and the [REDACTED]. You should pay particular attention to the fact that we are a company incorporated in the Cayman Islands and that our principal operations are conducted in China and are governed by a legal and regulatory environment that in some respects differs from what prevails in other countries. Our business could be affected materially and adversely by any of these risks.

RISKS RELATING TO OUR BUSINESS AND INDUSTRIES

We may not be able to grow our property management portfolio as planned, which may have a material adverse effect on our business, financial condition and results of operations.

We have experienced growth and significantly expanded our business in recent years. Our GFA under management increased from approximately 5.5 million sq.m. as of December 31, 2015 to approximately 10.8 million sq.m. as of August 31, 2018. As a result, our total revenue grew from RMB158.9 million in 2015 to RMB225.9 million in 2016 and further to RMB349.3 million in 2017, representing a CAGR of 48.3% from 2015 to 2017. Our total revenue increased by 43.6% from RMB213.9 million for the eight months ended August 31, 2017 to RMB307.1 million for the eight months ended August 31, 2018. We have been expanding our property management portfolio primarily through securing new property management service contracts. We seek to continue to grow our property management portfolio. However, there is no assurance that we are able to grow our property management portfolio as planned. In addition, our expansion is based upon our forward-looking assessment of market prospect. We cannot assure you that our assessment will always turn out to be correct. Our growth may be affected by a number of factors beyond our control, such as China’s general economic condition, developments in the real estate market, changes in the supply and demand of the property management service industry and our ability to obtain external financing. Also, our current and planned operations, personnel, systems, internal procedures and controls may not be adequate to support our future growth and expansion. Our growth has placed and will continue to place significant demands on our management and our administrative, operational and financial resources. To accomplish our growth strategies and manage the future growth of our operations, we will be required to enhance our service quality, improve our operational and financial systems, and expand, train and manage our growing employee base. We will also need to maintain and expand our relationship with our customers, subcontractors, suppliers and other third parties. When we expand into a new geographic market, we may have limited knowledge of the local property management service market, which could be substantially different from those we currently operate in. We may not have established relationship with local suppliers, subcontractors and other business partners as we do in our established markets. We may be unable to rely on our goodwill in a new market, and may face intense competition from the local property management companies. If we are unable to execute our growth strategies or manage our growth effectively, we may not be able to take advantage of market opportunities or respond to competitive pressures, which may materially and adversely affect our business prospects and results of operations.

We may not procure new property management service contracts at desirable pace or price.

During the Track Record Period, we procured almost all of our new property management service contracts through tender processes. Property developers and the property owners’ general meetings choose property

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management companies depending on a number of factors, including but not limited to the quality of services provided, pricing and the operating history of the property management company. There is no assurance that we will be able to procure new property management service contracts in the future.

Furthermore, most of our property management service contracts during the Track Record Period were related to the management of properties developed by Binjiang Group. The number of our managed properties solely or co-developed by Binjiang Group amounted to 30, 35, 39 and 45 in 2015, 2016 and 2017 and the eight months ended August 31, 2018, respectively. Revenue from the properties solely or co-developed by Binjiang Group contributed to 98.4%, 91.9%, 82.1% and 75.7% in 2015, 2016 and 2017 and the eight months ended August 31, 2018, respectively. We won nine projects from Binjiang Group in the period from August 31, 2018 to the Latest Practicable Date, amounting to approximately 1.8 million sq.m. of contracted GFA. Going forward, based on the public available information on Binjiang Group’s development plan, our relationship with Binjiang Group and our capabilities, we expect to be engaged for up to 14 new property management service contracts for properties solely or co-developed by Binjiang Group and delivered from 2021 onward, representing up to 2.6 million sq.m. of contracted GFA in 2019. Any adverse development in the operations of Binjiang Group or its ability to develop new properties may negatively impact our ability to procure new property management service contracts. We cannot assure you that Binjiang Group will engage us as their property management service provider for any property they develop. If we are not able to increase the number of managed properties developed by independent third party property developers, our results of operations and growth prospects may be materially and adversely affected.

Increase in staff costs and subcontracting costs can slow down our growth and reduce our profitability.

Our staff costs included in cost of sales amounted to RMB106.3 million, RMB149.4 million, RMB207.6 million and RMB134.4 million, which represented the largest component of our cost of sales and accounted for approximately 80.1%, 81.2%, 80.1% and 60.8% of our total cost of sales in 2015, 2016 and 2017 and the eight months ended August 31, 2018, respectively. Staff costs included in administrative expenses amounted to RMB7.4 million, RMB8.2 million, RMB8.9 million and RMB4.2 million, accounting for approximately 66.0%, 63.4%, 61.4% and 22.1% of our total administrative expenses in 2015, 2016 and 2017 and the eight months ended August 31, 2018, respectively. In addition, we outsource certain functions, such as security and cleaning services, to subcontractors. In 2015, 2016 and 2017 and the eight months ended August 31, 2018, subcontracting costs amounted to RMB6.0 million, RMB8.7 million, RMB16.1 million and RMB57.6 million, representing approximately 4.5%, 4.7%, 6.2% and 26.1% of our total cost of sales, respectively. To maintain and improve our profitability, it is important for us to control and manage our staff costs and subcontracting costs. However, we face rising pressures in relation to staff costs and subcontracting costs from various aspects, such as the general trend of wage increase in China. The average staff compensation in the regions where we operate has been increasing in recent years, resulting in upward pressure on our staff costs and the fees we pay to our subcontractors. In addition, during the Track Record Period and up to the Latest Practicable Date, for our property management fees under lump sum basis, we are solely responsible for all the expenses associated with providing our property management services, including staff costs and subcontracting costs. To the extent we are unable to increase our property management fees to pass the increases in staff costs or subcontracting costs onto our customers, our business, financial condition and results of operations may be materially and adversely affected.

RISK FACTORS

As we continue to expand our operations, we also expect to increase our workforce by retaining and continuously recruiting qualified employees. The competition for recruiting qualified employees in the property management service industry in China is intense and can result in higher wages offered in our recruitment and employee retention process, which subsequently resulting in an increase in our staff costs and subcontracting costs. Any future inability to recruit and retain qualified employees and subcontractors may also delay the growth in our property management portfolio, and could also materially and adversely impact our property management operations at our existing property management portfolio.

Our preliminary property management service contracts or property management service contracts may not be renewed or may be terminated, which could have a material adverse effect on our business, financial condition and results of operations.

Revenue from our property management services amounted to RMB102.4 million, RMB151.2 million, RMB218.2 million and RMB199.4 million, representing approximately 64.4%, 66.9%, 62.5% and 64.9% of our total revenue in 2015, 2016 and 2017 and the eight months ended August 31, 2018, respectively. Our property management services are provided under the preliminary property management service contracts we enter into with property developers and property management service contracts we enter into with the property owners' associations. Approximately 29.0%, 29.3%, 27.5% and 26.5% of the total number of our managed properties had established property owner's association in 2015, 2016 and 2017 and the eight months ended August 31, 2018, respectively. Our preliminary property management service contracts expire when the property management service contracts we enter into with the property owners' association become effective. Our property management service contracts typically have a term ranging from one to three years and can only be terminated for cause within the term of the contracts. In relation to our preliminary property management service contracts, there is no assurance that the relevant property owners' associations will enter into property management service contracts with us. Once the property owners' associations enter into property management service contracts with other companies, our preliminary property management service contracts will automatically terminate. In relation to our property management service contracts, there is no assurance that such contracts will not be terminated prior to expiration for cause or renewed upon expiration. In the event of such termination or non-renewal, our business, results of operations and financial condition could be materially and adversely affected. Furthermore, the growth of our value-added services to property owners depends in part on the number of our managed properties under our property management services. As a result, termination or non-renewal of our preliminary property management service contracts or property management service contracts could also adversely affect the performance of our value-added services to property owners.

Moreover, during the Track Record Period, we continued to provide property management services to some properties for which the relevant preliminary property management service contracts or property management service contracts have already expired and are in the process of being renewed. During the Track Record Period, we had one expired property management service contract for which we continue to provide services and the revenue generated from it amounted to RMB3.7 million for the eight months ended August 31, 2018. Although we maintained a high collection rate for the property management fees under those expired property management service contracts, the expired property management service contracts are no longer enforceable. In the future, we may be unable to recover our fees or expenses incurred associated with providing

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property management services for those properties. If we are required to cease the provision of our property management services under the instructions of the property owners’ associations, our business, results of operations and financial condition may be materially and adversely impacted.

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

We may encounter difficulties in collecting property management fees from property developers and property owners in communities where the vacancy rate is relatively high. Although we seek to collect overdue property management fees through various collection measures we implemented, we cannot assure you that such measures will be effective. Before accepting new engagements, we assess the historical collection rates of management fees in these properties. However, there is no assurance that such assessment would enable us to accurately predict our actual collection rate.

Although our management’s estimation and the related assumptions have been made in accordance with the information currently available to us, such estimation or assumptions may need to be adjusted if new information becomes known. Our allowance for impairment of trade receivables amounted to RMB1.2 million, RMB1.7 million, RMB1.8 million and RMB2.2 million as of December 31, 2015, 2016 and 2017 and August 31, 2018, respectively. During the same periods, our impairment loss recognized on trade receivables amounted to RMB0.7 million, RMB0.5 million, RMB0.1 million and RMB0.5 million, respectively. In the event that the actual recovery is lower than expected, or that our allowance for impairment of trade receivables becomes insufficient in light of the new information, we may need to make more allowance for impairment, which may in turn materially and adversely affect our business, financial condition and results of operations.

We may fail to recover all payments on behalf of property owners, which may have a material adverse effect on our business, financial condition and results of operations.

During the Track Record Period, we have made payments on behalf of property owners for our managed properties in specific circumstances such as utility charges. Management judgment is required to determine our ability to settle such payments on behalf of property owners as we may not be able to recover such payments. We take into consideration a number of factors, including, among other things, (i) subsequent settlement status, (ii) creditworthiness of the property owners, (iii) the financial performance of the underlying properties, and (iv) collection rate of the property management fee in estimating future cash flows from such properties. We make provisions for impairment on receivables when we are unable to recover such payment from the property owners. There is no guarantee that we will maintain or improve the recovery rate of our payments on behalf of property owners through our collection policy. A substantial increase in the payments on behalf of property owners and impairment loss from the same could materially and adversely affect our business, financial condition and results of operations.

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

During the Track Record Period, we charged a majority of our property management fees on a lump sum basis where we were paid a fixed amount of management fees regardless of the actual amount of property

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management expenses we may incur. Our GFA under management under lump sum basis accounted for 84.2%, 85.6%, 89.3% and 93.1% of our total GFA under management in 2015, 2016 and 2017 and the eight months ended August 31, 2018, respectively. Our revenue from the managed properties under lump sum basis contributed to 97.8%, 98.3%, 98.8% and 99.0% in 2015, 2016 and 2017 and the eight months ended August 31, 2018, respectively. In the event that the property management fees we collect are less than the management expenses we incurred, we may be unable to recover the shortfall from property developers and owners. We suffered from one loss-making property management service contract in 2015, 2016 and 2017 and the eight months ended August 31, 2018, during which it generated revenues of approximately RMB2.0 million, RMB3.0 million, RMB3.0 million and RMB2.1 million, respectively, and incurred a total loss of RMB5.1 million. We suffered from another loss-making property management service contract in 2017 and the eight months ended August 31, 2018, during which it generated revenues of approximately RMB1.0 million and RMB2.8 million, respectively, and incurred a total loss of RMB2.0 million. We do not consider these losses were material to our business. However, we may continue to suffer losses in the future, which could result in a material adverse effect on our profitability, financial condition and results of operations.

We rely on suppliers and subcontractors to perform some of our services to customers, and we may be exposed to liabilities arising from or relating to disputes and claims in relation to products and services provided by our suppliers and subcontractors.

We rely on our suppliers and subcontractors to perform some parts of our property management services, primarily including security and cleaning services. In 2015, 2016 and 2017 and the eight months ended August 31, 2018, our subcontracting costs amounted to RMB6.0 million, RMB8.7 million, RMB16.1 million and RMB57.6 million, representing approximately 4.5%, 4.7%, 6.2% and 26.1% of our total cost of sales, respectively. We may not be able to monitor such services directly and efficiently. Subcontractors may act in contrary to our instructions and/or requests, or be unable or unwilling to fulfill their obligations in accordance with the subcontracting agreements. The substandard services provided by our subcontractors could damage our reputation, result in additional expenses in looking for substitute subcontractors, cause business disruptions and potentially expose us to litigation and damage claims from our customers. In addition, we may also be required to indemnify customers for work performed by our subcontractors. We may be able to recover such amounts from the subcontractor pursuant to the subcontracting agreement; however, there is no guarantee that we will be able to do so. In addition, when our existing subcontracting agreements expire, there can be no assurance that we will be able to renew such agreements or find suitable replacements in a timely manner and on terms favorable to us, or at all. The occurrence of any of such events could materially and adversely affect our service quality, our reputation, as well as our business, financial condition and results of operations.

Moreover, for the value-added services we provide to property owners, we may become, or may be joined as, a party in litigation or other proceedings brought against merchants or other service providers we referred to the property owners. These proceedings could involve claims alleging, among other things, the failure of products and services provided by our suppliers to conform to required quality standards, false or misleading representations made by our suppliers in relation to the products and services provided, property damage or personal injuries arising from the products and services provided by our suppliers in connection with the products and services provided. We may be required to pay damages as a result of such litigation or other proceedings. We

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may also be subject to administrative fines and ordered to cease sales of the relevant products and services. In the event of serious offenses, our business license may be suspended or revoked, and we may be investigated or even prosecuted under PRC criminal laws. Although our agreements with our suppliers provide that they will indemnify us for any liability attributable to their own or their employees' conduct, we may not be able to effectively enforce or collect under such contractual obligations. Any of the foregoing events could materially affect the operation of our value-added services to property owners, harm our brand and reputation, divert our management's attention and other resources, which will have a material adverse effect on our business, financial condition and results of operations.

Future acquisitions can expose us to risks which may result in a material adverse effect on our business, financial condition and results of operations.

In the future, we plan to seek and evaluate opportunities to acquire other property management companies and other businesses that may complement our existing service offerings to expand our business scale and integrate their operations into our business. However, acquisitions involve inherent risks and uncertainties, including, without limitation, potential ongoing financial obligations and hidden or unforeseen liabilities in connection with the target, inability to apply our business model or standardize business processes with the acquisition targets, failure to achieve the intended acquisition objectives or benefits, diversion of resources and management attention from managing our existing business operations, and increase in depreciation and amortization costs arising from the acquired property, plant and equipment and intangible assets as a result of the acquisition. In addition, there can be no assurance that we will be able to identify suitable acquisition opportunities. Even if we can, we may not be able to complete the acquisitions on terms favorable to us and in a timely matter, or at all. As a result, our competitiveness and growth prospects could be materially and adversely affected. Furthermore, we may face difficulties in integrating acquired operations as we continue to expand our operations through acquisition. Such post-acquisition difficulties could disrupt our business operations, distract our management or increase our operating expenses, any of which could materially and adversely affect our business, financial condition and results of operations.

Damage to the common areas of our managed properties could adversely affect our reputation, business, financial condition and results of operations.

The common areas of our managed properties, such as the walkway, outdoor open space, green spaces, car park, elevator shaft and water storage facilities, may be damaged in a variety of ways that are beyond our control, including but not limited to natural disasters and intentional or unintentional human actions. Under PRC laws and regulations, each residential community is required to establish a special fund to pay the costs for the repair and maintenance of common areas that are jointly-owned by all property owners. However, there is no assurance that such special fund will be sufficient to cover all of the repair and maintenance costs. If we face any difficulties in the collection process, our business, financial condition and results of operations could be materially and adversely affected. In addition, we may also need to divert management attention and resources to assist the police and other governmental authorities in their investigations in connection with any damage to the common areas of our managed properties. Furthermore, as we intend to continue to grow our property management portfolio, we cannot assure you that the likelihood of such incidents occurring will not increase as our business scale increases.

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Our pricing of property management fees under preliminary property management service contracts and for affordable housing is subject to PRC laws and regulations.

During the Track Record Period, some of our managed properties were subject to price control. For more details, see “Regulatory Overview — Property Management Services — Property Management Service Charges.” In December 2014, the National Development and Reform Commission of the PRC issued the Circular of NDRC on the Opinions on Relaxing Price Controls in Certain Services (the “Circular”) (《國家發展改革委關於放開部分服務價格意見的通知》) (發改價格[2014]2755號), which requires provincial-level price administration authorities to abolish all price control or guidance policies on residential properties other than affordable housing and preliminary property management service contracts. Property management fees for affordable housing, housing-reform properties and properties in old residential areas and management fees under preliminary property management service contracts remain subject to price guidance imposed by provincial-level price administration departments and the administrative departments of housing and urban-rural development. Although we expect the price controls on residential properties to relax over time pursuant to the Circular, our property management fees will continue to be subject to price controls until local regulations implementing the Circular are passed. Government price control policies may have a negative impact on our earnings and profitability as such restrictions may lower the prices we may charge. In addition, since we charge property management fees for part of the properties managed by us in terms of the GFA under management on a lump sum basis, our business, financial condition and results of operations may be materially and adversely affected if we are unable to increase the level of our property management fees sufficiently to pass any increases in costs to our customers.

We may fail to provide our value-added services to property owners satisfactorily, which may impact our ability to attract and retain sufficient interest from property owners and residents.

To grow our value-added services to property owners, we plan to attract more property owners and residents in our managed properties and local merchants around such properties. We regularly seek to introduce different products and services from local merchants. As we may have limited experience with such new products and services, we cannot assure the property owners and residents will respond favorably to them. If we fail to provide satisfactory value-added products and services in order to attract or retain sufficient interests from property owners and residents as planned, the property owners and residents may not choose our value-added services or turn to competing service providers. In such event, we will not be able to successfully develop our value-added services to property owners or introduce more revenue-generating value-added and other services, and our business, financial condition and results of operations could be materially and adversely affected.

We operate in a highly competitive industry and we may not be able to compete successfully against our competitors.

The property management service industry in China is highly fragmented. According to CIA, as of August 31, 2018, there were over 0.1 million property management companies in China, which generally provide property management services to residential and commercial properties. We compete against other property management companies in China, especially the top 100 property management companies, with respect to a wide

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range of factors, including, among others, service quality, brand recognition, innovation, cost efficiency and financial resources. Moreover, our value-added services to property owners face competition from other companies providing similar services to customers. Competition in our industry may intensify as our competitors expand their product and service offerings, or as new competitors enter into the same markets in which we currently operate or intend to operate. Our competitors may have better track records, greater brand recognition, longer operating histories and greater financial, technical and other resources. As a result, these competitors may be able to devote more resources to the development, promotion and sale of their services. There can be no assurance that we will be able to continue to compete effectively or maintain or improve our market position, and such failure could have a material adverse effect on our business, financial condition and results of operations.

All of our operations are concentrated in the Yangtze River Delta, and we are susceptible to industry trends and developments in this region.

All of our operations are concentrated in the Yangtze River Delta, especially Hangzhou. As of December 31, 2015, 2016 and 2017 and August 31, 2018, the total GFA under management located in the Yangtze River Delta accounted for almost all of our total GFA under management. During the Track Record Period, our property management services revenue generated from our managed properties in the Yangtze River Delta amounted to almost all of our total property management services revenue. Though we have further expanded to other key economics regions and cities in China, we expect that the Yangtze River Delta will still continue to account for a significant portion of our operations in the near future. If the Yangtze River Delta experiences any adverse economic conditions, such as an economic downturn, natural disaster, contagious disease outbreak, terrorist attack, or if the local governmental authorities adopt regulations that place additional restrictions on the property management service industry, our business, financial condition and results of operations could be materially and adversely affected.

We are exposed to risks in relation to work safety and any major occurrence of accidents could materially and adversely affect our reputation, business, financial condition and results of operations.

Work injuries and accidents may occur when we provide the property management services. For example, when our employees provide repair and maintenance services to the elevators of our managed properties, there are inherent risks of work injuries or accidents due to the dangerous nature of the services. See “Business — Health, Safety and Environmental Matters” for details. During the Track Record Period and up to the Latest Practicable Date, we did not experience any work injury incident in the course of our operations that resulted in a material and adverse effect on our business, financial condition and results of operations. Nevertheless, there can be no assurance that any such incident, which could result in property damage, personal injury or even death to the property owners and residents, our employees or employees of our subcontractors, will not occur in the future. In such event, we may be held liable for the losses. We may also be exposed to claims of negligent or reckless behavior on the part of our employees or employees of our subcontractors. Although we typically require our subcontractors to maintain accident personal injury insurance policies, there is no assurance that any such insurance coverage will be sufficient or available to cover the damages, liabilities or losses we may be exposed to as a result of such incidents or accidents. We may also experience interruptions to our business operations. Any of the foregoing could materially and adversely affect our reputation, business, financial condition and results of operations.

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We are affected by PRC policies, laws and regulations in the real estate industry.

We derived a significant portion of our revenue from the provision of our property management services during the Track Record Period. The performance of our property management services is primarily dependent on the number of our managed properties and GFA under management, which rely on the development of the real estate market in China. Therefore, the growth potential of our property management services is, and will likely continue to be, affected by PRC policies, laws and regulations on the real estate industry. For more details, see “Regulatory Overview.” The PRC government has implemented a series of measures to control the economic growth in recent years, including introducing various restrictive measures to discourage speculative investments in the real estate market, such as imposing controls over the land supply for property development, foreign exchange controls, restrictions against property development financing, additional taxes and levies on property sales and foreign investments in the real estate market in China. Such government measures may negatively affect the development and sales of the properties, thus limiting our growth potential and resulting in a material adverse effect on our business, financial condition and results of operations.

Our business may be adversely affected if we fail to obtain or experience material delays in obtaining the requisite government approvals and licenses.

We are required to obtain and maintain certain licenses, permits, certificates and approvals in order to provide property management and certain other services that we currently offer. See “Business — Licenses, Permits and Certificates” for details. We must meet specific conditions in order for the government authorities to issue or renew the relevant certificates and permits. We cannot guarantee that we will be able to quickly adapt to new rules and regulations that may come into effect from time to time or that we will not encounter material delays or difficulties in fulfilling the necessary conditions to obtain or renew all necessary certificates or permits for our operations in a timely manner, or at all, in the future. Therefore, in the event that we fail to obtain or renew, or encounter significant delays in obtaining or renewing the necessary government approvals for any of our operations, we will not be able to continue our business, and our financial condition and results of operations may be adversely affected.

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

Our success depends upon the efforts of our Directors, senior management and other key employees. For example, our chairman, Mr. Zhu, has over 15 years of experience in the real estate industry and was recognized as the bidding expert of Hangzhou Property Management as well as the Chinese Excellent Professional Manager. With his extensive experience and in-depth knowledge, he is in charge of designing our business strategies, setting our operational goals and managing our resources to achieve such goals. If any of our Directors, senior management and other key employees terminate their service with us and we are unable to promptly identify and appoint or employ a qualified replacement, our business, financial condition and results of operations may be materially and adversely affected. In addition, the future growth of our business will depend in part on our ability to recruit, train and retain qualified personnel in all aspects of our business, such as corporate management personnel, property management personnel and information technology personnel. If we are unable to recruit,

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train and retain qualified personnel, our growth may be limited and our business, financial condition and operating results could be materially and adversely affected.

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

As we expand our operations into new geographic markets and new products and services, such as customized interior furnishing services, we expect to become subject to an increasing number of laws and regulations. In addition, as the size and scope of our operations increase, the risk of non-compliance with the various laws and regulations and the potential for penalties or fines from the potential non-compliances would increase. If we fail to comply with the applicable laws and regulations, we may be subject to penalties by the competent authorities. The laws and regulations applicable to our business, whether national, provincial or local, may also change in ways that would materially increase the costs of compliance. Any failure to comply with such laws and regulations could result in significant financial penalties, which could have a material adverse effect on our business, financial condition and results of operations.

If we fail to protect our intellectual property rights, our business, financial condition and results of operations would be severely harmed.

We consider our intellectual property rights are important to our business, serve as the key to customer loyalty and essential to our future growth. The success of our business depends substantially upon our continued ability to develop our brand, trade names and trademarks to increase brand recognition and to further develop our brand. The unauthorized reproduction of our trade names or trademarks could diminish the value of our brand and our market reputation and competitive advantages. We rely on a combination of trademarks, trade secrets, confidentiality procedures and contractual provisions to protect our intellectual property rights. Nevertheless, these afford limited protection and preventing unauthorized use of proprietary information can be difficult and expensive. The enforceability, scope and validity of laws governing intellectual property rights in China are uncertain, and could involve substantial risks to us. If we were unable to detect unauthorized use of, or take appropriate steps to enforce, our intellectual property rights, it could have a material adverse effect on our business, financial condition and results of operations.

Our business relies on the proper operation of our information technology systems. Any malfunction of such for an extensive period could materially and adversely affect our business.

Our business relies on the proper functioning of our information technology systems. We employ various automation devices, such as remote video surveillance cameras, building access systems and carpark security systems. Many factors such as power outages and damage to our equipment may cause interruptions to our centralized monitoring system and other automation devices. Our equipment may also be damaged by unforeseeable events and unexpected natural disasters. In addition, we need to constantly upgrade and improve our information technology systems to keep up with the continuous growth of our operations and business. Although we did not experience any information technology system breakdown during the Track Record Period, we cannot assure you that our information technology systems will not be interrupted in the future. Moreover, we

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cannot guarantee that the information security measures we currently maintain are adequate or that our information technology systems can withstand intrusions from or prevent improper usage by third parties. Any malfunction to a particular part of our information technology systems may result in a breakdown throughout our network and our ability to continue our operations smoothly may be negatively affected, which in turn could adversely affect our results of operations. Furthermore, we may not always be successful in developing, installing, running or implementing new software or advanced information technology systems as required by our business development. Significant capital expenditure may be required, and we may not be able to benefit from the investment immediately. All of these may have a material adverse impact on our profitability.

Fluctuations in amounts of government grants may lead to volatility in our profit.

Our unconditional grants received from local government to encourage our development amounted to RMB0.2 million, RMB0.2 million, RMB0.4 million and RMB0.4 million, or 1.3%, 1.1%, 0.6% and 0.9% of our profit for the year/period, for 2015, 2016 and 2017 and the eight months ended August 31, 2018, respectively. Such government grants include financial subsidies and financial awards from various local governments in the PRC. Government grants fluctuated during the Track Record Period because such grants were subject to the sole discretion of the relevant government authorities. There can be no assurance that we will continue to receive government grants, or at all. Accordingly, we may experience additional fluctuations in our government grants, which may lead to volatility in our profit. For more information, see “Financial Information — Description of Selected Items in Our Consolidated Statements of Profit or Loss and Other Comprehensive Income — Other Revenue and Other Net Income” and Note 6 to the Accountants’ Report in Appendix I to this document.

We may be required to make additional contributions of social security fund and/or housing provident fund under PRC laws and regulations.

Under relevant PRC laws and regulations, we are required to make social security fund and housing provident fund contributions for our employees. During the Track Record Period, we did not make the social security fund and housing provident fund contributions for our employees in full. In 2015, 2016 and 2017 and the eight months ended August 31, 2018, the carrying amount of our provisions for social security fund and housing provident fund contributions amounted to RMB0.8 million, RMB0.9 million, RMB5.0 million and RMB0.1 million, respectively. As advised by our PRC Legal Advisers, in respect of outstanding social security contributions, the relevant PRC authorities may demand us to pay the outstanding social security funds within a stipulated time limit and we may be liable to a late payment fee equal to 0.05% of the outstanding amount for each day of delay; if we fail to make such payments, we may be liable to a fine of one to three times the amount of the outstanding contributions. In respect of the outstanding housing provident fund contributions, we may be demanded by the relevant authorities to pay the underpaid amount to the housing provident funds within a prescribed time limit. If we fail to make the contributions within the time limit, further application will be made by the relevant authorities to the people’s court for compulsory enforcement.

We cannot assure you that we will not be subject to any further rectification measures for these non-compliance incidents, nor can we assure you that there are no, or will not be any, employee complaints against us. In addition, we may incur additional expenses to comply with such laws and regulations by the PRC government or relevant local authorities.

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We may incur additional cost to comply with the new policy regarding the tax bureau to collect social insurance and may be required by the tax bureau to make additional social insurance contributions.

On July 20, 2018, China’s Central Committee and the State Council released the Reform Plan on the National and Local Taxation Collection and Management System (the “**Taxation Collection Reform Plan**”). The Taxation Collection Reform Plan places the responsibility of calculating and collecting social insurance premiums solely on the tax bureau from January 1, 2019. The impact of the newly adopted Taxation Collection Reform Plan is still uncertain as advised by our PRC Legal Advisers. We may incur additional cost to comply and be required by the tax bureau to make additional social insurance contributions, which may have a material adverse impact on our business, financial condition and results of operations.

Our rights to use our leased properties could be challenged by third parties, or we may be forced to relocate due to title defects, or we may be liable for failure to register our lease agreements, which may result in a disruption of our operations and subject us to penalties.

As of the Latest Practicable Date, we leased 46 properties with a total GFA of approximately 4,546 sq.m. from lessors who were unable to provide valid ownership certificates or other sufficient ownership documents. As of the Latest Practicable Date, these leased properties accounted for approximately 57.8% of our total leased properties by GFA. These leased properties are being used as offices and staff quarters. Any dispute or claim in relation to the titles of the properties that we occupy, including any litigation involving allegations of illegal or unauthorized use of these properties, could require us to relocate our offices and staff quarters occupying these properties. If any of our leases are terminated or voided as a result of challenges from third parties or the government, we would need to seek alternative premises and incur relocation costs. Any relocation could disrupt our operations and adversely affect our business, financial condition, results of operations and growth prospects. In addition, there can be no assurance that the PRC government will not amend or revise existing property laws, rules or regulations to require additional approvals, licenses or permits, or impose stricter requirements on us to obtain or maintain relevant title certificates for the properties that we use. For more details, see “Business — Properties — Leased Properties.”

As of the Latest Practicable Date, we had not completed the administrative filings of the lease agreements relating to 69 properties we leased. According to applicable PRC administrative regulations, the lessor and the lessee of a lease agreement are required to file the lease agreement with relevant governmental authorities within 30 days after the execution of the lease agreement. If the filing is not made, the governmental authorities may require that the filing be made within a stated period of time, failing which, they may impose a fine ranging from RMB1,000 to RMB10,000 for each agreement that has not been properly filed. According to applicable PRC administrative regulations, lessors of the related leases need to provide us with certain documents (such as property ownership certificates, their business licenses or identification information) in order to complete the administrative filing. There can be no assurance that the lessors of our leased properties will be cooperative in the process of completing the filings. If we fail to complete the administrative filings within a period required by the relevant governmental authorities and relevant authorities determine that we shall be liable for failing to complete the administrative filings of all the relevant lease agreements, the total amount of potential penalty is expected to be RMB69,000 to RMB690,000.

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We may require additional funding to finance our operations and future acquisitions, which may not be available on terms acceptable to us or at all.

We may require additional cash resources to finance our continued growth or other future developments, including any investments or acquisitions we may decide to pursue. To the extent that our funding requirements exceed our financial resources, we will defer planned expenditures or seek additional financing. There can be no assurance that we will be able to obtain additional funds on terms acceptable to us, or at all. In addition, our ability to raise additional funds in the future is subject to a variety of uncertainties, including, but not limited to:

- our future financial condition, results of operations and cash flows;
- general market conditions for capital raising and debt financing activities; and
- economic, political and financial condition in China and globally.

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

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

We believe our insurance coverage is in line with the industry practice in China and we did not experience any material insurance claims in relation to our business during the Track Record Period and up to the Latest Practicable Date. For more details regarding our insurance policies, see “Business — Insurance.” However, our insurance coverage may not adequately protect us against all potential losses and liabilities that we may incur in the course of our business operations, which may result in adverse effects on our business. Moreover, there are certain types of losses or liabilities for which there are no insurance policies in China available at commercially practicable terms, such as losses suffered due to business interruptions, earthquakes, typhoons, flooding, war or civil disorder. If we are held responsible for any such damages, liabilities or losses due to insufficiency or unavailability of insurance, there could be a material adverse effect on our business, financial condition and results of operations.

We are required to adhere to national health and safety standards, and in the event that we are unsuccessful at meeting these standards, our business, financial condition, results of operations and brand image would be negatively affected.

We cannot guarantee that our procedures, safeguards and training will be completely effective in meeting all relevant health and safety requirements. A failure to meet relevant government requirements could occur in

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our operations or those of our subcontractors or suppliers. During the Track Record Period, we have been fined due to the violation of relevant fire safety regulations. See “Business — Health, Safety and Environmental Matters” for details. This could result in fines, suspension of operations, loss of permits, and in more extreme cases, criminal proceedings against us and/or our management. Moreover, negative publicity could be generated from false, unfounded or nominal liability claims. Any of these failures or occurrences could negatively affect our business, financial condition, results of operations and brand image.

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

We may, from time to time, be involved in disputes with and subject to claims from, among others, the property owners and residents as well as guests of our managed properties. For example, property owners may take legal action against us if they believe that our services are below the standards set forth in the relevant preliminary property management service contracts or property management service contracts. Furthermore, we may from time to time be involved in disputes with and subject to claims by other parties associated with our business operations, such as our subcontractors, suppliers and employees, or other third parties who sustain injuries or damages at the premises of our managed properties. Such disputes and claims may lead to legal or other proceedings or result in negative publicity against us and damage our reputation. We may also incur substantial costs and have to divert management attention and other resources from our business operations to defend ourselves in such proceedings. Any such dispute, claim or proceeding may have a material adverse effect on our business, financial condition and results of operations.

RISKS RELATING TO DOING BUSINESS IN THE PRC

The economic, political and social conditions in China, as well as government policies, laws and regulations, could affect our business, financial condition and results of operations.

Substantially all our business operations are in China and substantially all of our revenue is derived from our operations in China. Accordingly, our results of operations and prospects are, to a significant degree, subject to economic, political and legal developments in China. The economy of China differs from the economies of most developed countries in many respects, including the extent of government involvement, its level of development, its growth rate and its control over foreign exchange. China’s economy has been transitioning from a planned economy to a more market-oriented economy. In recent years, the PRC government has implemented measures emphasizing market forces for economic reform, the reduction of state ownership of productive assets and the establishment of sound corporate governance in business enterprises. However, a portion of productive assets in China is still owned by the PRC government. The PRC government continues to play a significant role in regulating industrial development. It also exercises significant control over China’s economic growth through the allocation of resources, controlling payment of foreign currency-denominated obligations, setting monetary policies and providing preferential treatments to particular industries or companies. All of these factors could affect the economic conditions in China and, in turn, our business.

While the Chinese economy has experienced significant growth in the past 20 years, growth has been uneven across both geographic regions and the various sectors of the economy, growth rates have begun to

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decelerate, and growth may not continue. We cannot predict whether our results of operations and financial condition could be materially and adversely affected by changes in economic conditions in China, or the PRC governmental monetary policies, interest rate policies, tax regulations or policies and regulations.

Uncertainties with respect to the PRC legal system could limit the legal protections available to you and us.

Our operating subsidiaries are incorporated under the laws of the PRC. The PRC legal system is based on written statutes. Prior court decisions may be cited for reference but have limited precedential value. In 1979, the PRC government began to promulgate a comprehensive system of laws and regulations governing economic matters in general, such as foreign investment, corporate organization and governance, commerce, taxation and trade. As substantially all of our businesses are conducted in China, our operations are principally governed by PRC laws and regulations. However, since the PRC legal system continues to rapidly evolve, the interpretations of many laws, regulations and rules are not always uniform and enforcement of these laws, regulations and rules involves uncertainties, which may limit legal protections available to us. We cannot predict the effect of future developments in the PRC legal system, including the promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof, or the preemption of local regulations by national laws. These uncertainties could limit the legal protections available to us and other foreign investors, including you. In addition, any litigation in China may be protracted and result in substantial costs and diversion of our resources and management attention.

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

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

We rely on dividends paid by our subsidiaries for our cash needs, and any limitation on the ability of our subsidiaries to make payments to us could have a material adverse effect on our ability to conduct our business.

We conduct all of our business through our consolidated subsidiaries incorporated in China. We rely on dividends paid by these consolidated subsidiaries for our cash needs, including the funds necessary to pay any

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dividends and other cash distributions to our Shareholders, to service any debt we may incur and to pay our operating expenses. The payment of dividends by entities established in China is subject to limitations. Regulations in China currently permit payment of dividends only out of accumulated profits as determined in accordance with accounting standards and regulations in China. Each of our PRC subsidiaries is also required to set aside at least 10% of its after-tax profit based on PRC laws and regulations each year to its general reserves or statutory capital reserve fund until the aggregate amount of such reserves reaches 50% of its respective registered capital. Our statutory reserves are not distributable as loans, advances or cash dividends. We anticipate that in the foreseeable future our PRC subsidiaries will need to continue to set aside 10% of their respective after-tax profits to their statutory reserves. In addition, if any of our PRC subsidiaries incurs debt on its own behalf in the future, the instruments governing the debt may restrict its ability to pay dividends or make other distributions to us. Any limitations on the ability of our PRC subsidiaries to transfer funds to us could materially and adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our business, pay dividends and otherwise fund and conduct our business.

In addition, under the EIT Law, the EIT Implementation Rules, the Notice of the State Administration of Taxation on Negotiated Reduction of Dividends and Interest Rates, or Notice 112, which was issued on January 29, 2008, the Arrangement between the PRC and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and Prevention of Fiscal Evasion, or the Double Taxation Arrangement (Hong Kong), which became effective on December 8, 2006, and the Announcement of the State Administration of Taxation on the Determination of “Beneficial Owners” in the Tax Treaties, or Notice 9, which became effective on April 1, 2018, dividends from our PRC subsidiaries paid to us through our Hong Kong subsidiary may be subject to a withholding tax at a rate of 10%, or at a rate of 5% if our Hong Kong subsidiary is considered as a “beneficial owner” that is generally engaged in substantial business activities and entitled to treaty benefits under the Double Taxation Arrangement (Hong Kong). Furthermore, the ultimate tax rate will be determined by treaty between the PRC and the tax residence of the holder of the PRC subsidiary. We are actively monitoring the withholding tax and are evaluating appropriate organizational changes to minimize the corresponding tax impact.

Dividends payable by us to our foreign investors and gains on the sale of our Shares may become subject to withholding taxes under the PRC tax laws.

Under the EIT Law and EIT Implementation Rules, our foreign corporate Shareholders may be subject to a 10% income tax upon any gains realized from the transfer of their Shares and dividend distributable to such foreign corporate Shareholder, if such income is regarded as income from “sources within the PRC.” According to the EIT Implementation Rules, whether income generated from transferring equity investments is to be regarded as sources within the PRC or from foreign territory shall depend upon the locations in which the enterprises accepting the equity investment are located. However, it is unclear whether income received by our Shareholders will be deemed to be income from sources within the PRC and whether there will be any exemption or reduction in taxation for our foreign corporate Shareholders due to the promulgation of the EIT Law. If our foreign corporate Shareholders are required to pay PRC income tax on the transfers of our Shares that they hold or on the gains on the sale of our Shares by them, the value of our foreign corporate Shareholders’ investments in our Shares may be materially and adversely affected.

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We may be classified as a “resident enterprise” for PRC EIT purposes, which could result in unfavorable tax consequences to us and our non-PRC Shareholders.

The EIT Law provides that enterprises established outside of China whose “de facto management bodies” are located in China are considered “resident enterprises” and are generally subject to the uniform 25% EIT rate on their worldwide income. In addition, a circular issued by the State Administration of Taxation on April 22, 2009 regarding the standards used to classify certain Chinese-invested enterprises controlled by Chinese enterprises or Chinese group enterprises and established outside of China as “resident enterprises” clarified that dividends and other income paid by such “resident enterprises” will be considered to be PRC source income, subject to PRC withholding tax, currently at a rate of 10%, when recognized by non-PRC enterprise shareholders. This circular also subjects such “resident enterprises” to various reporting requirements with the PRC tax authorities. Under the implementation regulations to the EIT, a “de facto management body” is defined as a body that has material and overall management and control over the manufacturing and business operations, personnel and human resources, finances and properties of an enterprise. In addition, the circular mentioned above sets out criteria for determining whether “de facto management bodies” are located in China for overseas incorporated, domestically controlled enterprises. However, as this circular only applies to enterprises established outside of China that are controlled by PRC enterprises or groups of PRC enterprises, it remains unclear how the tax authorities will determine the location of “de facto management bodies” for overseas incorporated enterprises that are controlled by individual PRC residents like us and some of our subsidiaries. Therefore, although substantially all of our management is currently located in the PRC, it remains unclear whether the PRC tax authorities would require or permit our overseas registered entities to be treated as PRC resident enterprises. We do not currently consider our Company to be a PRC resident enterprise. However, if the PRC tax authorities disagree with our assessment and determine that we are a “resident enterprise”, we may be subject to EIT at a rate of 25% on our worldwide income and dividends paid by us to our non-PRC Shareholders as well as capital gains recognized by them with respect to the sale of our Shares may be subject to a PRC withholding tax. This will have an impact on our effective tax rate, a material adverse effect on our net income and results of operations, and may require us to withhold tax on our non-PRC Shareholders.

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

On February 3, 2015, the PRC State Administration of Taxation issued the SAT Circular No. 7, which abolished certain provisions in the Circular on Strengthening the Administration of Enterprise Income Tax on Non-PRC Resident Enterprises’ Share Transfers (《關於加強非居民企業股權轉讓所得企業所得稅管理的通知》) (“SAT Circular No. 698”), previously issued by the State Administration of Taxation on December 10, 2009 and completely abolished by the Announcement on Issues concerning the Withholding of Enterprise Income Tax at Source on Non-Resident Enterprises (《關於非居民企業所得稅源泉扣繳有關問題的公告》) issued by the State Administration of Taxation on October 17, 2017 and became effective from December 1, 2017. SAT Circular No. 7 provides comprehensive guidelines relating to indirect transfers by a non-PRC resident enterprise of assets (including equity interests) of a PRC resident enterprise (“**PRC Taxable Assets**”). For example, SAT Circular No. 7 specifies that the PRC tax authorities are entitled to reclassify the nature of an indirect transfer of PRC

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Taxable Assets, when a non-PRC resident enterprise transfers PRC Taxable Assets indirectly by disposing of equity interests in an overseas holding company directly or indirectly holding such PRC Taxable Assets. The PRC tax authorities may disregard the existence of such overseas holding company and consider the transaction to be a direct transfer of PRC Taxable Assets, if such transfer is deemed to have been conducted for the purposes of avoiding PRC EIT and lack any other reasonable commercial purpose. Although SAT Circular No. 7 contains certain exemptions (including (i) where a non-resident enterprise derives income from the indirect transfer of PRC Taxable Assets by acquiring and selling shares of a listed overseas holding company which holds such PRC Taxable Assets on a public market; and (ii) where there is an indirect transfer of PRC Taxable Assets, but if the non-resident enterprise had directly held and disposed of such PRC Taxable Assets, the income from the transfer would have been exempted from PRC EIT under an applicable tax treaty or arrangement), it remains unclear whether any exemptions under SAT Circular No. 7 will be applicable to the transfer of our Shares or to any future acquisition by us outside of the PRC involving PRC Taxable Assets, or whether the PRC tax authorities will reclassify such transaction by applying SAT Circular No. 7. SAT Circular No. 7 may be determined by the tax authorities to be applicable to our Reorganization, if such transaction were determined by the tax authorities to lack reasonable commercial purpose. As a result, we may be subject to tax under SAT Circular No. 7 and may be required to expend valuable resources to comply with SAT Circular No. 7 or to establish that we should not be taxed under SAT Circular No. 7, which may have a material adverse effect on our business, financial condition, results of operations and growth prospects.

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

Most of our Directors and executive officers reside within China, and all of our assets and substantially all of the assets of those persons are located within China. It may not be possible for investors to effect service of process upon us or those persons inside China or to enforce against us or them in China any judgments obtained from non-PRC courts unless in accordance with the provisions of the international treaties concluded or acceded to by the foreign country and the PRC. China does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts in the United States, the United Kingdom, Japan or most other western countries. However, judgments rendered by Hong Kong courts may be recognized and enforced in China if the requirements set forth by the Arrangement on Mutual Recognition and Enforcement of Judgments in Civil and Commercial Matters by Courts of Mainland and of the Hong Kong Special Administrative Region Pursuant to Agreed Jurisdiction by Parties Concerned (《關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》) are met. Therefore recognition and enforcement in China of judgments of a court in any of these jurisdictions other than Hong Kong in relation to any matter not subject to binding arbitration provisions may be difficult or impossible.

Fluctuations in the value of the Renminbi and the PRC government’s control over foreign currency conversion may adversely affect our business and results of operations and our ability to remit dividends.

Substantially all of our revenue and expenditures are denominated in Renminbi, while the net proceeds from the [REDACTED] and any dividends we pay on our Shares will be in Hong Kong Dollars. Fluctuations in the exchange rates between the Renminbi and the Hong Kong Dollar or U.S. Dollar will affect the relative

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purchasing power in Renminbi terms. Fluctuations in the exchange rates may also cause us to incur foreign exchange losses and affect the relative value of any dividend distributed by us. Currently, we have not entered into any hedging transactions to mitigate our exposure to foreign exchange risk.

Movements in Renminbi exchange rates are affected by, among other things, changes in political and economic conditions and China’s foreign exchange regime and policy. PBOC regularly intervenes in the foreign exchange market to limit fluctuations in Renminbi exchange rates and achieve certain exchange rate targets and policy goals. From mid-2008 to mid-2010, Renminbi traded within a narrow range against U.S. Dollar. In June 2010, the People’s Bank of China announced the removal of the *de facto peg*. We cannot assure you that Renminbi will not appreciate or depreciate significantly in value against Hong Kong Dollar or U.S. Dollar in the future.

In addition, conversion and remittance of foreign currencies are subject to PRC foreign exchange regulations. It cannot be guaranteed that under a certain exchange rate, we shall have sufficient foreign exchange to meet our foreign exchange needs. Under China’s current foreign exchange control system, foreign exchange transactions under the current account conducted by us, including the payment of dividends, do not require advance approval from SAFE, but we are required to present relevant documentary evidence of such transactions and conduct such transactions at designated foreign exchange banks within China that have the licenses to carry out foreign exchange business. Foreign exchange transactions under the capital account, however, must be approved by or registered with SAFE or its local branch. The PRC government may also at its discretion restrict access in the future to foreign currencies for current account transactions. Any insufficiency of foreign exchange may restrict our ability to obtain sufficient foreign exchange for dividend payments to Shareholders or satisfy any other foreign exchange obligation. If we fail to obtain approvals from the SAFE to convert Renminbi into any foreign exchange for any of the above purposes, our potential offshore capital expenditure plans and even our business, may be materially and adversely affected.

Failure by our Shareholders or beneficial owners who are PRC residents to make any required applications and filings pursuant to regulations relating to offshore investment activities by PRC residents may prevent us from being able to distribute profits or inject capital and could expose us and our PRC resident Shareholders to liability under the PRC laws.

The Circular on Relevant Issues concerning Foreign Exchange Administration of Overseas Investment and Financing and Return Investments Conducted by Domestic Residents through Overseas Special Purpose Vehicles (《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) (“SAFE Circular No. 37”), which was promulgated by SAFE and became effective on July 4, 2014, requires a PRC individual resident (“PRC Resident”) to register with the local SAFE branch before he or she contributes assets or equity interests in an overseas special purpose vehicle (“Offshore SPV”) that is directly established or controlled by the PRC Resident for the purpose of conducting investment or financing. Following the initial registration, the PRC Resident is also required to register with the local SAFE branch for any major change in respect of the Offshore SPV, including, among other things, any major change of a PRC Resident shareholder, name or term of operation of the Offshore SPV, or any increase or reduction of the Offshore SPV’s registered capital, share transfer or swap, merger or division. Failure to comply with the registration procedures of SAFE Circular No. 37 may result

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in penalties and sanctions, including the imposition of restrictions on the ability of the Offshore SPV’s Chinese subsidiary to distribute dividends to its overseas parent.

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

Economic growth in the PRC has, during certain periods, been accompanied by periods of high inflation, and the PRC government has implemented various policies from time to time to control inflation. For example, the PRC government introduced measures in certain sectors to avoid overheating of the PRC economy, including increasing interest rates and capital reserve thresholds at PRC commercial banks. The effects of the stimulus measures implemented by the PRC government since the global economic crisis that commenced in 2008 and the continued growth in the overall economy since then have resulted in sustained inflationary pressures. If these inflationary pressures continue and are not mitigated by PRC government measures, our cost of sales will likely increase, and our profitability could be materially reduced, as there is no assurance that we would be able to pass any cost increases onto our customers. Measures adopted by the PRC government to control inflation may also slow economic activity in the PRC and reduce demand for our products and decrease our revenue growth and adversely affect our results of operations.

We face risks of health epidemics and other natural disasters, which could severely disrupt our business operations.

Our business could be affected by the outbreak of H1N1, or the swine flu, avian influenza, severe acute respiratory syndrome, or SARS, or another epidemic. Beginning in 2013, there were reports of outbreaks of highly pathogenic avian flu, caused by the H7N9 virus, in various parts of the PRC. An outbreak of avian flu in the human population could result in a widespread health crisis that could adversely affect the economy and financial markets of China. Additionally, any recurrence of SARS, similar to the occurrence in 2003 which affected the PRC, Hong Kong, Taiwan, Singapore, Vietnam and certain other countries and regions, would also have similar adverse effects. Such disruptions could adversely affect our business operations and earnings.

Our operations are also vulnerable to natural disasters or other catastrophic events, including wars, terrorist attacks, snowstorms, earthquakes, typhoons, fires, floods, power failures and shortages, water shortages, hardware failures, computer viruses, and similar events which may or may not be foreseeable or otherwise within our control. If any natural disaster or catastrophic event were to strike in the future in China, especially in the areas where our operations are located, we might suffer losses as a result of business interruptions and our business, financial condition and results of operations might be materially and adversely affected.

RISKS RELATING TO THE [REDACTED]

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

Prior to the [REDACTED], there has not been a public market for our Shares. An active public market may not develop or be sustained after the [REDACTED]. The initial [REDACTED] range for our Shares was the result of, and the [REDACTED] will be the result of, negotiations among us and the [REDACTED] on behalf of the Underwriters and may not be indicative of prices that will prevail in the trading market after the [REDACTED].

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We have applied to list and deal in our Shares on the Stock Exchange. However, even if approved, being [REDACTED] on the Stock Exchange does not guarantee that an active trading market for our Shares will develop or be sustained. If an active market for our Shares does not develop after the [REDACTED], the market price and liquidity of our Shares may be adversely affected. As a result, you may not be able to resell your Shares at prices equal to or greater than the price paid for the Shares in the [REDACTED].

The market price and trading volume of our Shares may be volatile, which could result in substantial losses for investors purchasing Shares in the [REDACTED].

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

- actual and anticipated variations in our results of operations;
- changes in securities analysts’ estimates or market perception of our financial performance;
- announcement by us of significant acquisitions, dispositions, strategic alliances or joint ventures;
- recruitment or loss of key personnel by us or our competitors;
- market developments affecting us or the property management service industry;
- regulatory or legal developments, including litigation;
- the operating and stock price performance of other companies, other industries and other events or factors beyond our control;
- fluctuations in trading volumes or the release of lock-up or other transfer restrictions on our outstanding Shares or sales of additional Shares by us; and
- general economic, political and stock market conditions in Hong Kong, China and elsewhere in the world.

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

Since there will be a gap of several days between [REDACTED] and [REDACTED] of our [REDACTED], the price of our [REDACTED] could fall below the [REDACTED] when the [REDACTED] commences.

The [REDACTED] of our Shares is expected to be determined on the [REDACTED]. However, our Shares will not commence trading on the Stock Exchange until they are delivered, which is expected to be five

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Hong Kong business days after the pricing date. As a result, investors may not be able to sell or deal in our Shares during that period. Accordingly, holders of our Shares are subject to the risk that the price of our Shares could fall below the [REDACTED] when the trading commences as a result of adverse market conditions or other adverse developments, that could occur between the time of sale and the time trading begins.

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

Based on the [REDACTED], the [REDACTED] is expected to be higher than the net tangible book value per Share prior to the [REDACTED]. Therefore, you will experience an immediate dilution in pro forma net tangible book value per Share. In addition, we may issue additional Shares or equity-related securities in the future or to raise additional funds, finance acquisitions or for other purposes. If we issue additional Shares or equity-related securities in the future, the percentage ownership of our existing Shareholders may be diluted. In addition, such new securities may have preferred rights, options or pre-emptive rights that make them more valuable than or senior to the Shares.

Our future dividend policy is subject to the discretion of our Directors.

According to the provisions of the Articles of Association and the Companies Law of the Cayman Islands, any declaration of dividends is subject to our results of operations, working capital and cash position, future business and profitability, surplus and capital requirements, as well as our general financial condition and any other factors which our Board of Directors may consider to be relevant. Any future declarations and payments of dividends will be at the discretion of our Directors and may require the approval of our Shareholders.

There can be no assurance if and when we will pay dividends in the future.

Subject to Shareholders' approval, our Board of Directors shall, at their discretion, formulate the distribution of dividends. A decision to declare or to pay any dividends and the amount of any dividends will depend on various factors, including but not limited to our results of operations, cash flows and financial condition, operating and capital expenditure requirements, distributable profits as determined under IFRS, our Articles of Association, market conditions, our strategic plans and prospects for business development, contractual limits and obligations, payment of dividends to us by our operating subsidiaries, taxation, and any other factors determined by our Board of Directors from time to time to be relevant to the declaration or suspension of dividend payments. Therefore, our dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by us in the future. For more information, see “Financial Information — Dividends and Distributable Reserves — Dividends” for details.

Our Controlling Shareholders may exert substantial influence over our operation and may not act in the best interests of our independent Shareholders.

Immediately upon completion of the [REDACTED] (assuming that the [REDACTED] is not exercised), our Controlling Shareholders will together control approximately [REDACTED]% of our

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issued share capital, without taking into account of the Shares which may be issued upon the exercise of the [REDACTED]. Therefore, they will be able to exercise significant influence over all matters requiring Shareholders’ approval, including the election of directors and the approval of significant corporate transactions. They will also have veto power with respect to any shareholder action or approval requiring a majority vote except where they are required by relevant rules to abstain from voting. Such concentration of ownership also may have the effect of delaying, preventing or deterring a change in control of our Group that would otherwise benefit our Shareholders. The interests of the Controlling Shareholders may not always coincide with our or your best interests. If the interests of the Controlling Shareholders conflict with the interests of us or our other Shareholders, or if the Controlling Shareholders choose to cause our business to pursue strategic objectives that conflict with the interests of us or other Shareholders, we or those other Shareholders, including you, may be disadvantaged as a result.

Sale, or perceived sale, of substantial amounts of our Shares in the public market could adversely affect the prevailing market price of our Shares.

The Shares held by our existing Shareholders are subject to certain lock-up periods expiring six and 12 months after the date on which trading in our Shares commences on the Stock Exchange, details of which are set out in “Underwriting.” Our existing Shareholders may dispose of Shares that they may own now or in the future. Sales of substantial amounts of our Shares in the public market, or the perception that these sales may occur, could materially and adversely affect the prevailing market price of our Shares.

Facts and statistics in this document relating to the PRC economy and the industry in which we operate may not be fully reliable, and statistics in the document provided by CIA are subject to assumptions and methodologies set forth in the “Industry Overview.”

Facts and statistics in this document relating to China and the industry in which we operate, including those relating to the PRC economy and the property management service industry in China, are derived from various publications of governmental agencies or industry associations, or an industry report prepared by CIA and commissioned by us. We cannot guarantee, however, the quality or reliability of these materials. We believe that the sources of these information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading in any material respect or that any material fact has been omitted that would render such information false or misleading. The information has not been independently verified and no representation is given as to its accuracy and completeness. Investors should not place undue reliance on such facts or statistics.

We were incorporated under the laws of the Cayman Islands and these could provide different protections to minority Shareholders than the laws of Hong Kong.

Our corporate affairs are governed by our Memorandum and Articles, and by the Companies Law and the common law of the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders could differ from those established under statutes or judicial precedent in Hong Kong or

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other jurisdictions with which minority Shareholders are more familiar. Such differences could mean that minority Shareholders could have different protections than they would have under the laws of Hong Kong or other jurisdictions with which minority Shareholders are more familiar.

You should read the entire document carefully and we strongly caution you not to place any reliance on any information contained in press articles or other media regarding us and the [REDACTED].

There may have been prior to the publication of this document, and there may be subsequent to the date of this document but prior to the completion of the [REDACTED], press and/or media regarding us, our business, our industry and the [REDACTED]. None of us, the [REDACTED], the Sole Sponsor, [REDACTED], or any other person involved in the [REDACTED] has authorized the disclosure of information about the [REDACTED] in any press or media and none of these parties accepts any responsibility for the accuracy or completeness of any such information or the fairness or appropriateness of any forecasts, views or opinions expressed by the press and/or other media regarding our Shares, the [REDACTED], our business, our industry or us. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information, forecasts, views or opinions expressed in any such publications. To the extent that such statements, forecasts, views or opinions are inconsistent or conflict with the information contained in this document, we disclaim them. Accordingly, you should make your investment decisions on the basis of the information contained in this document only and should not rely on any other information.

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

In preparation for the [REDACTED], our Company has sought the following waivers from strict compliance with the relevant provisions of the Listing Rules.

MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, we must have sufficient management presence in Hong Kong. This normally means that at least two of the executive Directors must be ordinarily resident in Hong Kong. Since substantially all of our Company’s business operations and management are located in the PRC, there is no need to appoint executive Directors based in Hong Kong. As all of our executive Directors currently reside in the PRC, we do not and, for the foreseeable future, will not have sufficient management presence in Hong Kong for the purpose of satisfying the requirement under Rule 8.12 of the Listing Rules.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has agreed to grant, a waiver from strict compliance with the requirements under Rule 8.12 of the Listing Rules. In order to maintain effective communication with the Stock Exchange, we will put in place the following measures in order to ensure that regular communication is maintained between the Stock Exchange and us:

- (a) pursuant to Rule 3.05 of the Listing Rules, we have appointed two authorized representatives who will act as our principal channel of communication with the Stock Exchange. The two authorized representatives are Ms. Zhong Ruoqin, our executive Director, the secretary to the Board and one of our joint company secretaries and Ms. Ko Mei Ying, another joint company secretary of the Company. Both authorized representatives: (i) are, and will be, readily contactable by telephone, facsimile and/or email to deal promptly with any enquiries which may be made by the Stock Exchange; (ii) have the means to contact all the Directors (including the independent non-executive Directors) promptly at all times, as and when the Stock Exchange wishes to contact the Directors on any matters; and (iii) are to act at all times as the principal channel of communication between the Stock Exchange and us. We will inform the Stock Exchange promptly in respect of any change in the Company’s authorized representatives;
- (b) Southwest Securities (HK) Capital Limited, our compliance advisers, will act as an additional channel of communication with the Stock Exchange;
- (c) our Directors who are not ordinarily resident in Hong Kong, possess or will apply for valid travel documents to visit Hong Kong for business purposes and would be able to come to Hong Kong and meet with the Stock Exchange upon reasonable notice; and
- (d) each Director will provide their respective mobile phone numbers, office phone numbers, email address and fax numbers to the Stock Exchange.

**WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES AND
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CONTINUING CONNECTED TRANSACTIONS

We have entered into, and are expected to continue, certain transactions that will constitute non-exempt continuing connected transactions of our Company under the Listing Rules upon the [REDACTED]. Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted, waivers in relation to certain continuing connected transactions between us and certain connected persons under Chapter 14A of the Listing Rules. See “Connected Transactions.”

WAIVER IN RELATION TO JOINT COMPANY SECRETARIES

Pursuant to Rule 3.28 of the Listing Rules, a new applicant for primary [REDACTED] on the Stock Exchange must have a company secretary who is an individual and who, by virtue of his academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of company secretary.

According to Note 1 of Rule 3.28 of the Listing Rules, the Stock Exchange considers the following academic or professional qualifications to be acceptable:

- (a) a member of The Hong Kong Institute of Chartered Secretaries;
- (b) a solicitor or barrister (as defined in the Legal Practitioners Ordinance); and
- (c) a certified public accountant (as defined in the Professional Accountants Ordinance).

Further, under Note 2 of Rule 3.28 of the Listing Rules, the Stock Exchange will consider the following factors of the individual in assessing “relevant experience”:

- (a) length of employment with the issuer and other issuers and the roles he played;
- (b) familiarity with the Listing Rules and other relevant law and regulations including the SFO, Companies Ordinance, Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Codes on Takeovers and Mergers and Share Buy-backs;
- (c) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Listing Rules (i.e. taking no less than 15 hours of relevant professional training in each financial year of the Company); and
- (d) professional qualifications in other jurisdictions.

We have appointed Ms. Zhong Ruoqin as one of the joint company secretaries of the Company. Ms. Zhong is the executive director and the secretary to the Board of our Company. She is primarily responsible for

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

formulating and supervising operational strategies and plans, deciding and executing the board resolution, undertaking business objectives of the Board. See “Directors, Senior Management and Employees” for details. However, Ms. Zhong does not possess the qualifications as stipulated in the notes of Rule 3.28 of the Listing Rules and may not be able to solely fulfill the requirements of the Listing Rules. Nonetheless, the Company believes that, having regard to Ms. Zhong’s knowledge and past experience in handling our corporate matters, she has a thorough understanding of the operations of the Company and is able to perform her duties as a joint company secretary of the Company. Ms. Ko Mei Ying, another joint company secretary, will provide guidance and assistance to Ms. Zhong for an initial period of three years from the [REDACTED] so as to fully comply with the requirements set forth under Rules 3.28 and 8.17 of the Listing Rules.

Further, Ms. Zhong undertakes to take no less than 15 hours of relevant professional training in each financial year of the Company.

Ms. Ko will work closely with Ms. Zhong to jointly discharge the duties and responsibilities as joint company secretaries and assist Ms. Zhong to acquire the relevant experience as required under Rules 3.28 and 8.17 of the Listing Rules. In addition, we will ensure Ms. Zhong has access to relevant training and support to familiarize herself with the Listing Rules and the duties required for a joint company secretary of a Cayman Islands issuer [REDACTED] on the Stock Exchange.

We have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver under and in respect of Rules 3.28 and 8.17 of the Listing Rules. The waiver is valid for an initial period of three years from the [REDACTED] and will be revoked immediately if Ms. Ko ceases to provide assistance and guidance to Ms. Zhong as our joint company secretary during the three years after the [REDACTED] or upon the expiry of the three-year period after the [REDACTED], whichever occurs first.

Prior to the end of the three year period, the Company will liaise with the Stock Exchange. The Stock Exchange will revisit the situation and the expectation that the Company should be able to demonstrate to the Stock Exchange’s satisfaction that Ms. Zhong, having had the benefit of Ms. Ko’s assistance for the last three years, will have acquired the relevant experience within the meaning of Rules 8.17 and 3.28 of the Listing Rules, so that a further waiver will not be necessary.

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

The auditors and reporting accountants of the Company have prepared the accountants’ report of the Group for each of the three financial years ended December 31, 2017 and the eight months ended August 31, 2018.

Section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance requires all prospectuses to include an accountants’ report which contains the matters specified in the Third Schedule to the

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Companies (Winding Up and Miscellaneous Provisions) Ordinance. According to paragraph 27 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Company is required to include in the document a statement as to the gross trading income or sales turnover (as may be appropriate) of the Group during each of the three financial years immediately preceding the issue of the document. According to paragraphs 31(1) and (3) of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Company is required to include in the document a report by auditors of the Company with respect to the financial results of the Group for each of the three financial years immediately preceding the issue of the document.

Rule 4.04(1) of the Listing Rules requires the Company to include in the document an accountants' report covering the consolidated results of the Group in respect of each of the three financial years immediately preceding the issue of the document or such shorter period as may be acceptable to the Stock Exchange.

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

Guidance Letter GL-25-11 issued by the Stock Exchange has provided the conditions for granting a waiver from strict compliance with Rule 4.04(1) of the Listing Rules as follows:

- (1) the applicant must [REDACTED] on the Stock Exchange within three months after the latest year end;
- (2) the applicant must obtain a certificate of exemption from the SFC on compliance with the requirements of Section 342(1) in relation to paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance;
- (3) a profit estimate for the latest financial year (which must comply with Rules 11.17 to 11.19 of the Listing Rules) must be included in the document or the applicant must provide justification why a profit estimate cannot be included in the document; and
- (4) there must be a directors' statement in the document that there is no material adverse change to the Company's financial and trading positions or prospect with specific reference to the trading results from the end of the stub period to the latest financial year end.

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Pursuant to the relevant requirements set forth above, our Company is required to produce three full years of audited accounts for the years ended December 31, 2016, 2017 and 2018. However, an application was made to the Stock Exchange for a waiver from strict compliance with Rule 4.04(1) of the Listing Rules, and such waiver was granted by the Stock Exchange on the conditions that:

- (i) our Company’s shares will be [REDACTED] on the Stock Exchange on or before March 31, 2019;
- (ii) our Company will obtain a certificate of exemption from the SFC on compliance with the relevant Companies (Winding Up and Miscellaneous Provisions) Ordinance requirements;
- (iii) a profit estimate for the financial year ended December 31, 2018 will be included in this document; and
- (iv) there will be a directors’ statement in this document that there is no material adverse change to our Company’s financial and trading positions or prospects with specific reference to the trading results from August 31, 2018, being following day after the end of the stub period, to December 31, 2018, being the latest financial year end of our Company.

An application has also been made to the SFC for a certificate of exemption from strict compliance with the requirements under section 342(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraphs 27 and 31 of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance and a certificate of exemption has been granted by the SFC under section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance on the conditions that:

- (i) the particulars of the exemption are set out in this document;
- (ii) this document will be issued on or before [REDACTED]; and
- (iii) our Company’s shares will be [REDACTED] on the Stock Exchange on or before March 31, 2019.

The applications to Stock Exchange for a waiver from strict compliance with Rule 4.04(1) of the Listing Rules and to the SFC for a certificate of exemption from strict compliance with the requirements under section 342(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraphs 27 and 31 of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance were made on the grounds, that strict compliance with the above requirements would be unduly burdensome and the exemption would not prejudice the interest of the investing public given the followings:

- (i) there would not be sufficient time for our Company and our reporting accountant, KPMG, to complete the audit work on the full financial information for the year ended December 31, 2018 for inclusion in this document. If the financial information is required to be audited up to December 31, 2018, our Company and our reporting accountant would have to undertake a considerable amount of

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

work to prepare, update and finalize the financial information to be included in this document and to update the relevant disclosures in this document to cover such additional period; and

- (ii) our Company has included in this document (a) the Accountants’ Report covering the three years ended December 31, 2015, 2016 and 2017 and eight months ended August 31, 2018 as set out in Appendix I to this document, (b) a profit estimate for the full financial year ended December 31, 2018 in Appendix III to this document; and (c) information regarding our Group’s recent developments subsequent to the Track Record Period and up to the Latest Practicable Date. As such, our Company is of the view that all material information that is necessary for the Shareholders and the potential investors to make an informed assessment of the activities, assets and liabilities, financial position, management and prospects of our Group has been disclosed in this document.

In particular, our Directors confirmed that all information necessary for the public to make an informed assessment of the activities, assets and liabilities, financial position, management and prospects of our Group has been disclosed in this document, and that, as such, the granting of the certificate of exemption from strict compliance with the requirements under section 342(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraphs 27 and 31 of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance will not prejudice the interest of the investing public. Furthermore, our Directors and the Sole Sponsor, after conducted sufficient due diligence, confirmed that there had not been any material adverse change in the financial or trading positions or prospects of our Group since August 31, 2018 and up to the date of this document, and that there is no event since August 31, 2018 and up to the date of this document which will materially affect the information shown in the Accountant’s Report set out in Appendix I to this document, the section headed “Financial Information” in this document and other parts of this document.

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INFORMATION ABOUT THIS DOCUMENT AND THE GLOBAL OFFERING

[REDACTED]

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INFORMATION ABOUT THIS DOCUMENT AND THE GLOBAL OFFERING

[REDACTED]

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INFORMATION ABOUT THIS DOCUMENT AND THE GLOBAL OFFERING

[REDACTED]

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INFORMATION ABOUT THIS DOCUMENT AND THE GLOBAL OFFERING

[REDACTED]

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

DIRECTORS

<u>Name</u>	<u>Residential Address</u>	<u>Nationality</u>
Executive Directors		
ZHU Lidong (朱立東)	Room 1102, Block 2, Building 2 Sunshine Coast Shangcheng District Hangzhou, China	Chinese
ZHONG Ruoqin (鍾若琴)	Room 402, Unit 1, Building 5 Triumphal Arch Apartment Jiangan District Hangzhou, China	Chinese
Non-Executive Directors		
MO Jianhua (莫建華)	Room 1801, Building 8 The Golden Coast No. 6 Fuchun Road, Shangcheng District Hangzhou, China	Chinese
CAI Xin (蔡鑫)	Room 401, Block 3, Building 16 Wandailan Court Xingzhou Garden Xingzhou Road, Xingzhou Community Wenxin Street, Xihu District Hangzhou, China	Chinese
Independent Non-Executive Directors		
DING Jiangang (丁建剛)	Room 1101, Block 1, Building 1 Haiyue Jinzonglv Haiyueqiao Community, Nanxing Street Shangcheng District Hangzhou, China	Chinese
LI Kunjun (李坤軍)	Room 402, Block 1, Building 8 Meilin Court, Zijinting Garden Xihu District Hangzhou, China	Chinese
CAI Haijing (蔡海靜)	Room 602, Block 2, Building 2 Fengle Apartment No. 19, Fenghe Lane Shangcheng District Hangzhou, China	Chinese

Further information about the Directors and other senior management members are set out in the section headed “Directors, Senior Management and Employees.”

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

PARTIES INVOLVED IN THE [REDACTED]

Sole Sponsor

CLSA Capital Markets Limited

18/F, One Pacific Place

88 Queensway

Hong Kong

[REDACTED]

Legal Advisers to Our Company

As to Hong Kong laws:

Simpson Thacher & Bartlett

35/F, ICBC Tower

3 Garden Road

Central

Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

As to PRC laws:

Zhejiang T&C Law Firm

8/F, Block A

Dragon Century Square

No. 1 Hangda Road

Hangzhou

Zhejiang, PRC

As to Cayman Islands laws:

Conyers Dill & Pearman

PO Box 2681

Grand Cayman KY1-1111

Cayman Islands

Legal Advisers to the Sole Sponsor and the Underwriters

[REDACTED]

Auditor and Reporting Accountants

KPMG

8th Floor

Prince’s Building

10 Chater Road

Central

Hong Kong

Industry Consultant

China Index Academy

Tower A

No. 20 Guogongzhuang Middle Street

Fengtai District

Beijing

[REDACTED]

CORPORATE INFORMATION

Registered Office	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Head Office in the PRC	Room 1201-1, Block 1 New Town Times Square Jiangan District Hangzhou, China
Principal Place of Business in Hong Kong	40 th Floor, Sunlight Tower No. 248 Queen’s Road East Wanchai, Hong Kong
Company’s Website	www.hzbjwy.com <i>(The information on the website does not form part of this document)</i>
Joint Company Secretaries	Ms. Zhong Ruoqin Room 402, Unit 1, Building 5 Triumphal Arch Department Jiangan District Hang Zhou, China Ms. Ko Mei Ying (<i>HKICS</i>) 40 th Floor, Sunlight Tower No. 248 Queen’s Road East Wanchai, Hong Kong
Authorized Representatives	Ms. Zhong Ruoqin Room 402, Unit 1, Building 5 Triumphal Arch Apartment Jiangan District Hangzhou, China Ms. Ko Mei Ying 40 th Floor, Sunlight Tower No. 248 Queen’s Road East Wanchai, Hong Kong
Audit Committee	Ms. Cai Haijing (<i>Chairman</i>) Mr. Ding Jiangang Mr. Li Kunjun
Remuneration Committee	Mr. Ding Jiangang (<i>Chairman</i>) Mr. Mo Jianhua Ms. Cai Haijing

CORPORATE INFORMATION

Nomination Committee Mr. Zhu Lidong (*Chairman*)
Mr. Ding Jiangang
Mr. Li Kunjun

Strategy Committee Mr. Mo Jianhua (*Chairman*)
Mr. Zhu Lidong
Ms. Zhong Ruoqin
Mr. Cai Xin
Mr. Ding Jiangang
Mr. Li Kunjun

[REDACTED]

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Principal Banks **China Construction Bank Corporation**
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China Agricultural Bank Corporation
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Hangzhou, China

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

We believe that the sources of information are appropriate and we have taken reasonable and cautious care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading in any material respect or that any fact has been omitted that would render such information false or misleading in any material respect. We, the Sole Sponsor, [REDACTED], the Underwriters or any of our or their respective directors, senior management, representatives or any other person involved in the [REDACTED] have not independently verified such information and have made no representation as to the accuracy and completeness thereof. The relevant information and statistics may not be consistent with such other information and statistics compiled within or outside China. As a result, such information should not be unduly relied upon.

SOURCES OF INFORMATION

We have engaged CIA, an independent third party, to conduct a study of the property management service industry in China. We agreed to pay CIA a fee of RMB0.8 million for the preparation of the CIA report, and our Directors consider that such fee reflects market rates.

CIA is the leading independent property research institution with offices in 75 cities nationwide. Currently, CIA has more than 600 experienced research analysts covering real-time property transaction data in more than 600 cities across China. CIA has prepared the industry report based on its self-developed database, CREIS China Index Database (“CREIS 中指數據”), the database of fdc.fang.com and various government publications. These databases and government publications have been widely used and relied upon in the PRC property market. While preparing the industry report and regional ranking information, CIA has relied on the assumptions that (i) all published data by the Statistics Bureaus are accurate; (ii) all collected information relating to residential sales transactions from the relevant local housing administrative bureaus are accurate; and (iii) where subscribed data is obtained from renowned public institutions, CIA has relied upon the expertise of such institutions.

Our Directors confirm that, to the best of our knowledge, there is no adverse change in the market information since the date of the CIA report and up to the Latest Practicable Date, which may qualify, contradict or have an impact on the information as disclosed in this section.

CHINA’S PROPERTY MANAGEMENT SERVICE INDUSTRY OVERVIEW

Background Introduction of Property Management Service Industry

Development of Property Management Service Industry: The history of China’s property management service market can be traced back to the early 1980s. The property management service market has experienced a rapid growth over the past few decades. The official promulgation of the Provisions on Property Management

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(《物業管理條例》) in June 2003 provided a legal framework for regulating the property management service market. The official promulgation of the Property Law (《物權法》) in March 2007 further provided the regulation for property management service industry at the state level. According to the Administrative Measures on Property Management Company Fees (《物業服務收費管理辦法》), which were jointly promulgated by NDRC and the Ministry of Housing and Urban-Rural Development on November 13, 2003 and came into effect on January 1, 2004, property management companies are permitted to charge property owners fees for the maintenance and management of properties and ancillary facilities, and for compliance with price management regulations and other relevant standards.

Revenue Sources of Property Management Services: The revenue of property management services refers to all the income generated by property management service providers through their property management services and other business activities, which includes property management fees and other service fees, of which property management fee is the main source of revenue for most property management service providers.

Property management fee refers to the direct income generated from repair, management services and other basic property management services provided to property owners and/or users by property management service providers during their property management activities, which includes fees for property management and property major maintenance.

Other service fee refers to indirect revenue generated from other business activities, such as value-added services, other than traditional property management services. Such indirect revenue is mainly from community services, consulting services and other businesses. In particular, community service fees include service fees for community e-commerce services, community property agent services, community housekeeping services, community elder nursing services and other community services.

Revenue Model of Property Management Service Providers: The fees for the property management services can be charged either under lump sum basis or commission basis. The lump sum basis refers to the revenue model requiring property owners to undertake the fixed property management expenses and property management service providers to enjoy or assume the surplus or deficit. The commission basis refers to the revenue model that property management service providers may collect service fees in the proportion or amount as agreed from the property management income in advance, the rest of which shall be exclusively used in the items as stipulated in the property management service contracts, and the property owners shall enjoy or assume the surplus or deficit. In addition, community space services provide additional sources of revenue. Community space services allow for the public spaces of managed properties to be fully utilized and may include maintenance, hosting, elder nursing, concierge services and consulting services to advertisement companies with regards to strategy and advertisement placements in the community spaces.

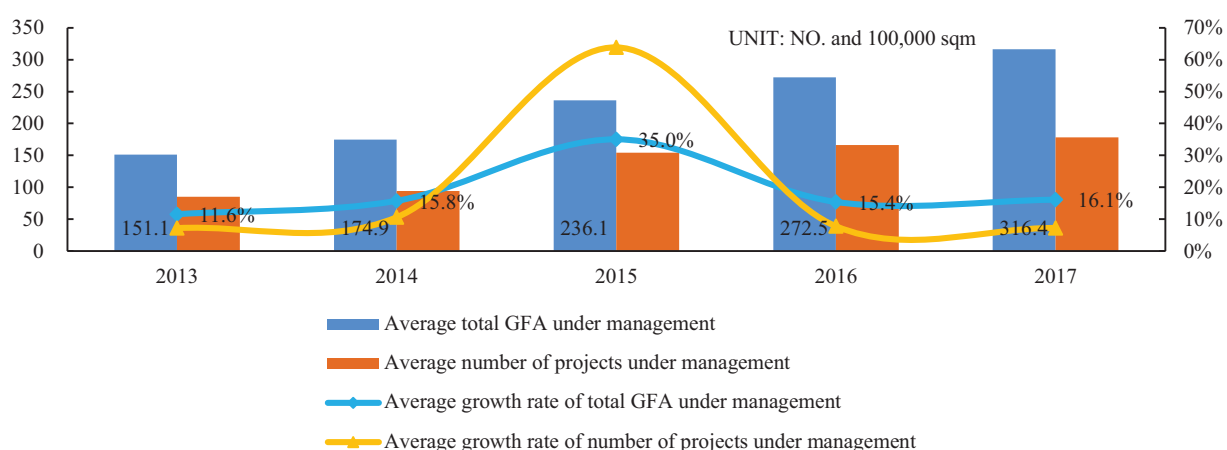
Market Trends of Property Management Service Industry

Increased GFA and Concentration for Property Management Services: According to CIA, the degree of concentration of the property management service market has been increasing as some companies begin to enhance management standards and core competitiveness through consolidation and to expand their service

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platform to achieve synergy and economies of scale. The total GFA under management of the property management service industry is expected to grow at a CAGR of 6.4% from 24.6 billion sq.m. in 2017 to 29.6 billion sq.m. in 2020. The total GFA under management of top 100 property management companies in aggregate increased from 1.5 billion sq.m. in 2013 to 6.3 billion sq.m. in 2017. Further, the average total GFA under management by top 100 property management companies reached 31.6 million sq.m. in 2017, with a CAGR of 20.3% from 2013 to 2017. The average number of projects under management by top 100 property management companies increased from 85 in 2013 to 178 in 2017, with a CAGR of 20.3%. The market share of top 100 property management companies in terms of total GFA under management increased from approximately 16.3% in 2013 to 32.4% in 2017, representing an increase in the degree of concentration in property management service industry. The chart below sets forth the trend of top 100 property management companies’ business scale from 2013 to 2017.

Trend of Top 100 Property Management Companies’ Business Scale, 2013-2017



Source: CIA

Diversification of Non-residential Property Type with a Focus on Residential Properties: Property management service companies in China have diversified their type of non-residential properties under management, but the majority of property under their management remains residential properties. GFA of residential properties under management by top 100 property management companies constituted 69.9% of their total GFA under management in 2017. GFA under management of non-residential properties, including commercial properties, office buildings, public properties, industrial parks, schools, hospitals and other types of properties, by top 100 property management companies constituted from 35.7% to 30.2% of their total GFA under management from 2013 to 2017. The diversification happened with respect to the types of properties within the non-residential category, from the initial management of commercial properties and office buildings to the inclusion of public properties, industrial parks, schools and hospitals. The chart below sets forth the type of properties under management by top 100 property management companies in terms of GFA under management from 2013 to 2017.

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Type of Properties Under Management by Top 100 Property Management Companies in Terms of Total GFA Under Management, 2013 – 2017



Source: CIA

Increased Average Property Management Fee: According to CIA, the average residential property management fee for the top 100 property management companies has continued to increase. From 2014 to 2017, the average property management fee for the top 100 property management companies remained relatively stable. Based on this trend and the abovementioned expected CAGR of 6.4% for the total GFA under management of the property management service industry from 2017 to 2020, the market size of the property management services is expected to grow at a CAGR of 6.4% from 2017 to 2020. Property management fees for all properties amounted to RMB4.26 per sq.m./month in 2017, based on which the market size of property management services is expected to reach RMB1.5 trillion by 2020. Residential properties had service fees of RMB2.30 per sq.m./month in 2017. The chart below sets forth the average property management fees and average residential property management fees for the top 100 property management companies from 2014 to 2017.

Average Property Management Fees and Average Residential Property Management Fees for the Top 100 Property Management Companies, 2014-2017



Source: CIA

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Enhanced Standardization and Diversified Services: The quality of property management services varies significantly due to a lack of uniform standard for property management services. As a result, an increasing number of leading companies are making investments in information technology, such as mobile interconnection and big data, to standardize and enhance the efficiency of property management services. Companies are also utilizing an internet plus strategy, under which companies utilize social media, mobile app and other technology tools to enhance their business collaborations, achieve effective consolidation and distribution of community resources and expand or diversify community value-added services, such as house-keeping, community elder nursing, consulting services, among others.

MARKET DRIVERS OF CHINA’S PROPERTY MANAGEMENT SERVICE MARKET

Rapid Urbanization and Increasing Per Capita Disposable Income: The growth of rapid urbanization and per capita disposable income has a positive effect on Chinese property owners and residents’ purchasing power and development of real estate market, which results in increasing demand for property management. Therefore, increasing per capita disposable income and rapid urbanization have been one of the main drivers for the property management service market. From 1996 to 2017, the urbanization rate in China has increased from 30.5% to 58.5%, with approximately 22.1 million increase in urban population every year. The Yangtze River Delta, Zhejiang province and Hangzhou are among the most economically dynamic regions in China. They are well developed with a high urbanization rate and urban per capita annual disposable income. In 2017, the urbanization rate in the Yangtze River Delta, Zhejiang province and Hangzhou reached 71.4%, 68.0% and 76.8%, respectively, far above the urbanization rate in China. The urban per capita annual disposable incomes of Yangtze River Delta, Zhejiang province and Hangzhou were all approximately 1.4 times as much as the national average, reaching RMB49,689, RMB51,261 and 56,276 in 2017, respectively. The table below sets forth the population, urbanization and urban per capita disposable income in China, Yangtze River Delta, Zhejiang province and Hangzhou from 2013 to 2017.

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Population, Urbanization and Urban Per Capita Disposable Income (China, Yangtze River Delta, Zhejiang Province and Hangzhou), 2013 – 2017

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
China					
Total Population (millions)	1,360.7	1,367.8	1,374.6	1,382.7	1,390.1
Urban Population (millions)	731.1	749.2	771.2	793.0	813.5
Urbanization Rate	53.7%	54.8%	56.1%	57.4%	58.5%
Urban Per Capita Annual Disposable Income (RMB)	26,467	28,843	31,194	33,616	36,396
Yangtze River Delta					
Total Population (millions)	158.5	159.0	159.3	160.1	161.1
Urban Population (millions)	107.7	109.4	110.7	112.9	115.0
Urbanization Rate	68.0%	68.8%	69.5%	70.5%	71.4%
Urban Per Capita Annual Disposable Income (RMB)	35,844	38,978	42,346	45,800	49,689
Zhejiang Province					
Total Population (millions)	55.0	55.1	55.4	55.9	56.6
Urban Population (millions)	35.2	35.8	36.5	37.5	38.5
Urbanization Rate	64.0%	64.9%	65.8%	67.0%	68.0%
Urban Per Capita Annual Disposable Income (RMB)	37,080	40,393	43,714	47,237	51,261
Hangzhou					
Total Population (millions)	8.8	8.9	9.0	9.2	9.5
Urban Population (millions)	6.6	6.7	6.8	7.0	7.3
Urbanization Rate	74.9%	75.1%	75.3%	76.2%	76.8%
Urban Per Capita Annual Disposable Income (RMB)	39,310	44,632	48,316	52,185	56,276

Source: National Bureau of Statistics of China; CIA

Continuous Development of Real Estate Market: With the continuation of urbanization and the growth of per capita disposable income of urban residents, the development potential for real estate market grows continuously. Accordingly, the further development of real estate market drives the demands for property management services for existing properties. According to CIA, it is common that property management companies obtain property management service contracts from their associated property developers in China. According to National Bureau of Statistics of China, the contracted sale GFA of commodity properties in China increased from 1.3 billion sq.m. in 2013 to 1.7 billion sq.m. in 2017, with a CAGR of 6.9%. The newly-commenced construction GFA of commodity properties in China amounted to 1.8 billion sq.m. in 2017, and the completed GFA of commodity properties in China amounted to 1.0 billion sq.m. in 2017. The table below sets forth the general information of China real estate market from 2013 to 2017, demonstrating the growth of the real estate market in China.

General Information of China Real Estate Market, 2013 – 2017

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Contracted Sale GFA of Commodity Properties (million sq.m.)	1,305.5	1,206.5	1,284.9	1,573.5	1,694.1
Newly-commenced Construction GFA of Commodity Properties (million sq.m.)	2,012.1	1,795.9	1,544.5	1,669.3	1,786.5
Completed GFA of Commodity Properties (million sq.m.)	1,014.3	1,074.6	1,000.4	1,061.3	1,014.9

Note:

- (1) Commodity properties include residential properties, commercial properties and other properties and exclude second-hand properties.

Source: National Bureau of Statistics of China; CREIS China Index Database

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Support of Favorable Government Policies: Chinese government promulgated a series of policies to support the development of property management service market. National Development and Reform Commission issued the Opinions on Relaxing Fees Controls in Several Services (《放開部分服務價格意見的通知》) in 2014, which requires the provincial-level price administration authorities to abolish any price control or guidance policies on residential properties other than affordable housing. It is expected that the favorable government policies will encourage the development of property management service market continuously. The Urban Real Estate Law (《城市房地產管理法》) defines a real estate developer as an enterprise which engages in the development and sale of real estate for the purpose of making profit. Ministry of Housing and Urban-Rural Development repealed the Measures for the Administration on Qualifications of Realty Management Enterprises (《物業服務企業資質管理辦法》) in March 2018, which ended the qualification requirement for property management companies. Instead, the National Technical Committee for Standardization Property Management Services initiated to establish national standards for property management service industry. The Guiding Opinions of the State Council on Accelerating Development of the Lifestyle Services Industry to Promote Consumption (《關於加快發展生活性服務業促進消費結構升級的指導意見》) issued by the State Council in November 2015 proposed to move towards standardizing the lifestyle services industry. The Report on the Work of the Government (《政府工作報告》) stated the Chinese government’s support for, among others, elder nursing, health and education, which are crucial segments of property management services. Further, the Chinese government has adopted the internet plus initiative, which would improve service quality and help industries become more innovative.

COMPETITIVE LANDSCAPE

The property management service market remains a competitive and fragmented industry, with the top 100 property management companies accounting for approximately 32.4% of the total GFA under management of property management service market in China in 2017. In 2018, according to CIA, in terms of comprehensive strength, we were ranked 32th among the property management companies in China. With a brand value of RMB1.886 billion in 2018, we were certified as “Leading Property Management Service Enterprise on Professional Operation of 2018” by CIA. Our GFA under management increased from 5.5 million sq.m. as of December 31, 2015 to 10.8 million sq.m. as of August 31, 2018. We maintain our service quality throughout the rapid expansion. According to CIA, we were ranked first each year in terms of customer satisfaction in Hangzhou from 2013 to 2016, and were ranked second in 2017. In terms of customer loyalty, we were ranked second in Hangzhou in 2017, according to CIA.

Currently, our major market layouts locate in the Yangtze River Delta, mainly in Zhejiang province. Within Zhejiang province, Hangzhou is our hub city with radiation in Quzhou, Jinhua, Shaoxing and Jiaxing. In particular, we have established our market presence in the high-end market.

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Ranking Information of High-end Property Market in Yangtze River Delta (In Terms of Market Scale), 2017

Ranking	Name	GFA Under Management (million sq.m.)
1	Company A	More than 31.0
2	Company B	More than 26.0
3	Company C	More than 13.0
4	Company D	More than 13.0
5–9	*****	More than 5.5
10	Our Company	5.0

Source: CIA

Ranking Information of High-end Property Market in Zhejiang Province (In Terms of Market Scale), 2017

Ranking	Name	GFA Under Management (million sq.m.)
1	Company A	More than 20.0
2	Company B	More than 8.0
3	Company C	More than 7.5
4	Company D	More than 6.0
5	Our Company	5.0
6–10	*****	More than 1.4

Source : CIA

Ranking Information of High-end Property Market in Hangzhou (In Terms of Market Scale), 2017

Ranking	Name	GFA Under Management (million sq.m.)
1	Company A	More than 6.6
2	Our Company	4.0
3	Company B	More than 3.8
4	Company C	More than 3.3
5	Company D	More than 3.0
6–10	*****	More than 0.6

Source : CIA

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ENTRY BARRIERS IN CHINA

While being relatively low, there still exists certain entry barriers to the property management service market due to the increase in demand for “good living conditions.” These entry barriers, which will be elaborated in more details below, include brand value, management quality, capital requirements for technology and talent.

Brand value: The competition within the property management service industry has intensified due to the increase in household expenses, the overall elevation of the service standard in the property management service industry and the expectation of better property management services. As a result of the intensified competition, brand reputation has become an important asset for property management companies, particularly in the high-end property management service market. Property management companies achieve brand value and create good word-of-mouth publicity by providing quality property management services. Larger brand influence and deeper brand penetration from existing brands in the market as well as higher expectation of quality services from customers all lead to a higher entry barrier created by brand value.

Management quality: With property management service becoming more professional and standardized, the competition in the industry has intensified, and an experienced, capable and stable management team has become an important requirement. To gain a competitive advantage in the market, property management service providers must have higher property management standards and use special management systems, such as information technology systems and financial management systems, in order to be better positioned to manage large and high-end projects or businesses and industrial park projects. Doing so requires a certain level of management standard, which is harder to achieve for smaller property management service providers, putting them at a disadvantage.

Capital requirements: Due to the increase in business scale in the property management service industry, automation and smart technology have become progressively more prevalent. The majority of the good property management providers are in the process of replacing labor with smart management systems and equipment for intensive physical work, establishing property information management systems and popularizing the concept of smart community. The increase in management efficiency, the heavier reliance on technology and the shift towards becoming a capital-intensive industry have further raised the capital requirement entry barrier to the property management service industry.

Talent: Property management service industry is a labor-intensive industry. Thus, talent acquisition is one of the core competitive elements in the property management service industry. Having mid- to high-level management personnel, professional and technical personnel, a healthy amount of long-term and steady talents, and sufficient human resources are important success factors for property management companies. Further, with the increased usage of big data and the internet in the property management service industry, property management companies have been constantly developing innovative business models and non-traditional value-added services. As a result, professional and technical personnel have been playing progressively larger roles in the property management service industry.

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POTENTIAL THREATS AND CHALLENGES TO THE PROPERTY MANAGEMENT SERVICE INDUSTRY

The property management service industry has a relatively low entry barrier, which allows more competition to enter the market. Further, middle to large-sized companies in the industry are competing fiercely for market shares by increasing their scales and differentiating their services.

Since the end of 2017, certain large PRC internet companies have entered the community services and high-quality lifestyle industries, which competes against the property management service industry. Other internet companies and vertically-integrated companies are also entering the community services industry seeking to gain market share.

As basic wages rise, the labor cost in the property management service industry also increases. As a result, the ability of property management companies to profit may be adversely affected.

INDUSTRY INFORMATION REGARDING OPERATION OF LONG-TERM SERVICE APARTMENTS AND INDUSTRIAL PARKS

Long-term service apartments: Since 2017, the PRC government has been adopting policies to develop the long-term service apartment market. For example, to support the construction of rental apartments, the government has increased the supply of land for lease and lowered the cost of acquiring land, particularly for tier one cities. As a result of the favorable policies towards long-term service apartments, the domestic long-term service apartment market has been booming. The rental market in China is sizable and is driven mainly by the demand from the floating population, which comprises 180 million people (including college graduates who are residents) looking to rent apartments. According to CIA, the floating population in China is expected to increase to 242 million by 2020. According to CIA, the size of the rental market in China is RMB1.38 trillion in 2017. In particular, the Yangtze River Delta has always had a relatively high urban per capita annual disposable income, and as a result, has high demand for apartments for rent. Shanghai, Suzhou, Ningbo, Hangzhou and Nanjing, the major cities in the Yangtze River Delta, have an aggregate rental market of over RMB450 billion in 2017.

Long-term service apartment companies can be categorized into five types based on their industry background: real estate companies, agencies, hotels, entrepreneurs and property management companies. What sets property management companies apart from the others is that they do not rely on the price difference in rent to profit. Rather, property management companies focus more on achieving higher class decorations, standardizing service procedures and increasing brand premium. While there are many players in the long-term service apartment market, this market is still very fragmented. Future opportunities in the long-term service apartment market will be concentrated in the tier one and two cities, leading to intense competition.

Industrial parks: The development of industrial parks has been contributing to China’s economic growth. As of 2017, China had a total of 483 national level development zones, near a thousand provincial level development zones and 15 billion sq.m. of planned construction zones. Together, they generated approximately RMB15 trillion as of 2017, which accounts for approximately 25% of China’s GDP.

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In recent years, industrial park property management services have become an important part of the industrial park economy and industrial park service chain. Specifically, industrial park property management services have become much more comprehensive, encompassing services such as the management of smart buildings, energy centers and energy-efficient buildings. Further, industrial park property management services have contributed to the improvement of the industrial park investment environment, industry development and service park economy.

Aside from the traditional property management service projects, industrial park property management services also include other services, such as asset management, facility management, environment management and industrial park business and energy management. Hence, industrial park property management services require a higher level of specialization and professionalism, and in turn, will generally have premium prices than for residential properties.

The market for industrial park property management services has experienced robust growth, which is consistent with the trend of the overall property management service market. From 2014 to 2017, GFA under management for industrial parks accounted for over 4.0% of total GFA under management. It is expected that the GFA under management for industrial parks will exceed 1.2 billion sq.m. with market size over RMB50.0 billion by 2020.

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FOREIGN INVESTMENT

Law of the PRC on Wholly Foreign-owned Enterprise (《中華人民共和國外資企業法》) (Order No. 39 of the President), which was promulgated and came into effect on April 12, 1986, and was amended on October 31, 2000 and September 3, 2016, and the Detailed Rules for the Implementation of the Law of the PRC on Wholly Foreign-owned Enterprises (《中華人民共和國外資企業法實施細則》), which was promulgated and came into effect on December 12, 1990, and was amended on April 12, 2001 and February 19, 2014, stipulate the establishment, change, approval procedures of the wholly foreign-owned enterprises.

According to the Interim Administrative Measures for the Record-filing of the Incorporation and Change of Foreign-invested Enterprises (《外商投資企業設立及變更備案管理暫行辦法》) (Order No. 3 [2016] of MOFCOM), which was promulgated and came into effect on October 8, 2016, and was amended on July 30, 2017 and June 29, 2018, the record-filing administration is applicable to the establishment and change of foreign-invested enterprises that do not involve special administrative measures for access, and the enterprises shall submit the filing information on the establishment and change of foreign-invested enterprises online when they handle the registration of establishment and change with the authorities of industry and commerce and market supervision and management. The filing authorities shall start to handle the filing procedures from the time when it obtains the filing information forwarded by the authorities of industry and commerce and market supervision and management.

The Interim Provisions on Investment Made by Foreign-invested Enterprises in PRC (《關於外商投資企業境內投資的暫行規定》) (Order No. 6 [2000] of the Ministry of Foreign Trade and Economic Cooperation and the SAIC) which was promulgated on July 25, 2000, came into effect on September 1, 2000, and was amended on May 26, 2006 and October 28, 2015, stipulates that the domestic investment of foreign-invested enterprises shall comply with the requirements set out in the Interim Provisions on Guiding the Direction of Foreign Investment (《指導外商投資方向暫行規定》) which was already replaced by the Catalog for the Guidance of Foreign Investment Industries (《外商投資產業指導目錄》) and the Catalog for the Guidance of Foreign Investment Industries which was already partly repealed by the Special Administrative Measures for the Access of Foreign Investment (Negative List) (《外商投資準入特別管理措施 (負面清單)》).

Pursuant to the Catalog for the Guidance of Foreign Investment Industries (2017 Revision) (《外商投資產業指導目錄 (2017年修訂)》) (Order No. 4 [2017] of NDRC and the MOFCOM) which was amended on June 28, 2017 and came into effect on July 28, 2017, the industries invested by foreign investors are classified into two categories: encouraged industries and the industries included in special administrative measures for the access of foreign investment (i.e. negative list) (including restricted industries and prohibited industries).

The Special Administrative Measures for the Access of Foreign Investment (Negative List) (2018 Edition) (《外商投資準入特別管理措施 (負面清單) (2018年版)》) (Order No. 18 of NDRC and MOFCOM) which was promulgated on June 28, 2018 and came into effect on July 28, 2018, abolished the portion of special administrative measures for the access of foreign investment in the Catalog for Guidance of Foreign Investment Industries (2017 Revision). Foreign investors shall not invest in the fields for which foreign investment is prohibited in the Special Administrative Measures for the Access of Foreign Investment (Negative List) (2018

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Edition). Investment in non-prohibited fields of investment in the Special Management Measures for Foreign Investment Access (Negative List) (2018 Edition) shall obtain foreign investment access permit. Any industry not falling into any of the encouraged, restricted or prohibited industries is a permitted industry for the foreign investment. Property management services are a permitted foreign investment industry.

PROPERTY MANAGEMENT SERVICES

Qualifications of Property Management Enterprises

According to the original Regulations on Property Management (《物業管理條例》) (Order No. 379 of the State Council), which was promulgated on June 8, 2003, came into effect since September 1, 2003, and was amended on August 26, 2007 and February 6, 2016, the State adopts a qualification administration systems for enterprises engaged in property management activities.

According to the Decision of the State Council on Canceling the Third Batch of Administrative Licensing Items Designated by the Central Government for Implementation by Local Governments (《國務院關於第三批取消中央指定地方實施行政許可事項的決定》) (Guo Fa [2017] No. 7), which was promulgated and came into effect on January 12, 2017, qualification accreditation of property management enterprises of Level 2 or below was canceled.

According to the Decision of the State Council on Canceling a Group of Administrative Licensing Items (國務院關於取消一批行政許可事項的決定) (Guo Fa [2017] No.46), which was promulgated and came into effect on September 22, 2017, qualification accreditation of property management service enterprises of Level one was canceled.

According to the Notice of the General Office of Ministry of Housing and Urban-Rural Development on Effectively Implementing the Work of Canceling the Qualification Accreditation for Property Management Enterprises (住房城鄉建設部辦公廳關於做好取消物業服務企業資質核定相關工作的通知) (Jian Ban Fang [2017] No.75), which was promulgated and came into effect on December 15, 2017, application, change, renewal or re-application of the qualifications of property management enterprises shall not be accepted, and the qualifications obtained already shall not be a requirement for property management enterprises to undertake new property management projects in any way. The Decision of Ministry of Housing and Urban-Rural Development on Abolishing Measures for the Administration on Qualification of Property Management Enterprises (《住房城鄉建設部關於廢止〈物業服務企業資質管理辦法〉的決定》) (Order No. 39 of Ministry of Housing and Urban-Rural Development) which was promulgated and came into effect on March 8, 2018, abolished Measures for the Administration on Qualification of Property Management Enterprises and canceled the accreditation of qualifications of property management enterprises.

The Decision of the State Council on Revising and Repealing Certain Administrative Regulations (《國務院關於修改和廢止部分行政法規的決定》) which was promulgated and came into effect on March 19, 2018, deleted the requirements on qualifications of property management enterprises in Regulations on Property Management. According to the Regulations on Property Management (2018 Revision) which was promulgated and implemented on March 19, 2018, the requirements on qualifications of property management enterprises has been canceled.

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Appointment of the Property Management Enterprises

According to the Property Law of the PRC (《中華人民共和國物權法》) (Order No. 62 of the President), which was promulgated on March 16, 2007 and came into effect on October 1, 2007, the property owners can either manage the buildings and affiliated facilities by themselves or engage a property management enterprise or custodians. As regards the property management enterprise or any other custodian hired by the developer, the owners are entitled to make a replacement according to relevant laws. Property management enterprises or other custodians shall manage the buildings and ancillary facilities within the building area based on the agreement with the owners and shall be subject to the supervision of the owners. According to the Regulation on Property Management (《物業管理條例》), a general meeting of the property owners of a community can engage or dismiss the property management enterprise with affirmative votes of owners who own more than half of the total GFA of the community and who account for more than half of the total number of the property owners. The property owners' association may enter into a property management service contract on behalf of owners with the property management enterprise engaged in the owners' general meeting. Before the engagement of a property management enterprise by property owners and a general meeting of the property owners, a written preliminary property management service contract should be entered into between the developer and the selected and engaged property management enterprise. The preliminary property management service contract may stipulate the contract term. However, if the property management service contract entered into by and between the property owners' association and the property management enterprise comes into force within the term of the preliminary property management service, the preliminary property management service contract shall be terminated automatically.

According to the Regulation on Property Management and Interim Measures for Bid-Inviting and Bidding Management of Preliminary Property Management (《前期物業管理招標投標管理暫行辦法》) (Jian Zhu Fang [2003] No. 130) which was promulgated on June 26, 2003 and came into effect on September 1, 2003, the developer of residential buildings and non-residential buildings located in the same property management area shall engage qualified property management enterprises through bid-invitation and bidding. In cases where there are less than 3 bidders or the property scale is relatively small, the developer can hire qualified property management enterprise through agreement with the approval of the real estate administrative department of the local government of the place where the property is located. Where a developer fails to hire a property management enterprise through bid-invitation and bidding or selects a enterprise by agreement without the approval of the relevant government authorities, the real estate administrative department of the local government above the county level shall order it to rectify within a prescribed time limit, issue a warning and impose with the penalty of no more than RMB100,000.

According to Interpretation of the Supreme People's Court on Several Issues concerning the Specific Application of Law in Hearing Cases of Property Management Service Disputes (《最高人民法院關於審理物業服務糾紛案件具體應用法律若干問題的解釋》) (Fa Shi [2009] No. 8), which was promulgated on May 15, 2009 and came into effect on October 1, 2009, the preliminary property management service contract entered into by a developer and a property management enterprise pursuant to relevant laws and regulations and the property management service contract entered into by the owners' association and the property management enterprise hired by the owners' general meeting pursuant to relevant laws and regulations shall be binding on the property

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owners. Where any property owner pleads against such contract as he/she is not the contract party thereto, it shall not be supported by the people's court. The court shall support a claim if property owners' association or property owners appealed for the court to confirm the clauses of property management service contracts which exempt the responsibility of property management enterprise, or which aggravate the responsibility or exclude the rights of property owners' association or property owners are invalid.

Property Management Service Charges

According to the Regulation on Property Management, the property owners shall pay property management fee based on the agreement of the property management service contract. As for the properties which have been completed but have not been sold or delivered to the purchasers of the properties, property management fee shall be paid by the developer.

According to Administrative Measures on Property Management Service Charges (《物業服務收費管理辦法》) (Fa Gai Jia Ge [2003] No. 1864), which was promulgated on November 13, 2003 and came into effect on January 1, 2004, property management service charges shall be priced under the government's guidance and market regulation respectively based on the nature and characteristics of different properties. In what way the charges are priced shall be determined by competent price departments under the people's governments of all provinces, autonomous regions and municipalities, in concert with the competent departments of real estate.

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

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

According to the Provisions on Clearly Marking the Prices of Property Services (《物業服務收費明碼標價規定》) (Fa Gai Jia Ge [2004] No.1428) which was promulgated on July 19, 2004 and came into effect on October 1, 2004, property management enterprises shall clearly mark the price, state service items and charging standards and relevant information on services (including property services under the property management service contract and the services entrusted by property owners in addition to the services under property management service contract) provided to the owners in accordance with this Provisions on Clearly Marking the Prices of Property Services. If the charging standard under the principle of clearly marking the price for property management services changes, property management enterprises shall adjust all relevant information one month before implementing the new standard and indicate the date of implementing the new standard.

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According to the Circular of National Development and Reform Commission on the Opinions on Relaxing Price Controls in Certain Services (《國家發展改革委關於放開部分服務價格意見的通知》) (Fa Gai Jia Ge [2014] No. 2755), which was promulgated and came into effect on December 17, 2014, the price control on property management fee of non-government-supported houses was canceled. Property management fees for government-supported houses, housing-reform properties and properties in old residential areas and service fees under preliminary property management shall implement government guidance prices by price departments of provincial level and the administrative departments of housing and urban-rural development based on actual situation.

According to the Notice of Price Bureau of Zhejiang Province on Publishing the Pricing Catalog of Zhejiang Province (2018) (《浙江省物價局關於公布浙江省定價目錄的通告(2018)》) (Zhe Jia Fa [2018] No. 2), which was promulgated on January 5, 2018 and came into effect on March 1, 2018, other than that the preliminary property management charges of ordinary housing in municipal districts to which government guidance prices continue to be applicable, the price control on the preliminary property management charges of ordinary housing in non-municipal districts has been canceled.

Property Management Service Outsourcing

According to the Regulation on Property Management, a property management enterprise may entrust a special service business within the property management area to a professional service enterprise, but it shall not entrust all the property management businesses within such area to third parties.

Real Estate Brokerage

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

According to the Administrative Measures for Real Estate Brokerage (《房地產經紀管理辦法》) (Order No. 8 of the Ministry of Housing and Urban-Rural Development, the NDRC and the Ministry of Human Resources and Social Security), which was promulgated on January 20, 2011, came into effect on April 1, 2011, and was amended on March 1, 2016, sufficient number of real estate agents shall be equipped to establish real estate brokerage agencies and their branches. Real estate brokerage agencies and their branches shall go to the competent housing and urban-rural development (real estate) authority for handling the filing formalities within 30 days from the date of receiving business licenses.

According to the Circular of National Development and Reform Commission on the Opinions on Relaxing Price Controls in Certain Services, the price control on the commission received by real estate agents for the intermediate services provided by them was canceled.

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Labor and Social Security

According to the Labor Law of the PRC (《中華人民共和國勞動法》) (Order No. 28 of the President), which was promulgated on July 5, 1994, came into effect on January 1, 1995, and was amended on August 27, 2009 and December 29, 2018, an employee shall not work for more than eight hours a day and no more than 44 hours a week on average, and shall have at least one day’s rest for a week. The foresaid working hours are subject to extension to the extent as permitted by the law. Where an employer failed to comply with the stipulations on working hours, it may adopt other rules on working hours and rest with the approval of the labor administrative department. According to the Measures of the Ministry of Labor on Examination and Approval for the Flexible Working Hour System and the Working Hour System of Comprehensive Calculation Adopted by Enterprises (《勞動部關於企業實行不定時工作制和綜合計算工時工作制的審批辦法》) (Lao Bu Fa [1994] No. 503), which was promulgated on December 14, 1994, and came into effect on January 1, 1995, enterprises that practice the irregular working hour system due to the nature of their operation may adopt the working hour system of comprehensive-calculated working hours and other methods of work and rest.

The Labor Contract Law of the PRC (《中華人民共和國勞動合同法》) (Order No. 65 of the President), which was promulgated on June 29, 2007, came into effect on January 1, 2008, and was amended on December 28, 2012, stipulates that, to establish labor relationship with employees, employers are required to enter into written labor contracts with employees. Enterprises and organizations are forbidden to force the employees to work beyond the statutory time limit, and employers shall pay employees for overtime work in accordance with national regulations. In addition, the wages shall not be lower than local standards on minimum wages and shall be paid to the employees timely.

According to the Social Insurance Law of PRC (《中華人民共和國社會保險法》) (Order No. 35 of the President), which was promulgated on October 28, 2010 and came into effect on July 1, 2011 and was amended on December 29, 2018, the Interim Regulations on Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》) (Order No. 259 [1999] of the State Council), which was promulgated and came into effect on January 22, 1999, the Regulation on Work Injury Insurance (《工傷保險條例》) (Order No.375 [2003] of the State Council), which was promulgated on April 27, 2003, came into effect on January 1, 2004 and was amended on December 20, 2010, the Regulations on Unemployment Insurance (《失業保險條例》) (Order No. 258 [1999] of the State Council), which was promulgated and came into effect on January 22, 1999, and the Trial Measures on Employee Maternity Insurance of Enterprises (《企業職工生育保險試行辦法》) (Lao Bu Fa [1994] No. 504), which was promulgated on December 14, 1994 and came into effect on January 1, 1995, the enterprises in the PRC shall provide their employees with benefit programs including basic pension insurance, unemployment insurance, maternity insurance, work injury insurance and basic medical insurance. Employers must carry out social insurance registration at the local social insurance agency, provide social insurance and pay or withhold the relevant social insurance premiums for or on behalf of employees. For employers failing to conduct social insurance registration, the administrative department of social insurance shall order them to make corrections within a prescribed time limit; if they fail to do so within the time limit, employers shall have to pay a penalty over one time but no more than three times of the amount of the social insurance premium payable by them, and their executive staffs and other directly responsible persons shall be fined RMB500 to RMB3,000. Where an employer fails to pay social insurance premiums in full or on time, the social insurance premium

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collection agency shall order it to pay or make up the balance within a prescribed time limit, and shall impose a daily late fee at the rate of 0.05% of the outstanding amount from the due date; if still failing to pay within the time limit prescribed, a fine of one time to three times the amount in default will be imposed on them by the relevant administrative department.

According to the Regulations on Administration of Housing Provident Fund (《住房公積金管理條例》) (Order No. 262 of the State Council), which was promulgated and came into effect on April 3, 1999, and was amended on March 24, 2002, an employer which hires employees is required to make registration with the relevant housing provident fund administration office. When an employer fail to pay up housing provident fund contributions in full amount as due, the housing provident fund administration office shall order such enterprise to pay up within a prescribed time limit; where the payment and deposit has not been made after the expiration of the time limit, an application may be made to a people’s court for compulsory enforcement.

INTELLECTUAL PROPERTY RIGHTS

The Patent Law 《中華人民共和國專利法》

According to the Patent Law of the PRC (Order No. 11 of the President of the PRC), which was promulgated on March 12, 1984, came into effect on April 1, 1985, and was amended on September 4, 1992, August 25, 2000 and December 27, 2008, and the Implementation Regulations of the Patent Law of the PRC (Order No. 306 of the State Council), which was promulgated on June 15, 2001, came into effect on July 1, 2001, and was amended on December 28, 2002 and January 9, 2010, the State Intellectual Property Office is responsible for administrating the nationwide patent work. The patent system of the PRC adopts the principle of “first to file”, i.e. where two or more applicants file applications for patent for the identical invention or creation respectively, the patent right shall be granted to the applicant whose application was filed first. If one wishes to file application for patent for invention or utility models, the following three standards must be met: novelty, creativity and practicability. The validity period of a patent for invention is 20 years, while the validity period of utility models and design is 10 years. Others may use the patent after obtaining the permit or proper authorization of the patent holder, otherwise such behavior will constitute an infringing act of the patent right.

Trademark Law

According to the Trademark Law of the PRC (《中華人民共和國商標法》) (Order No. 10 of the Standing Committee of the National People’s Congress), which was promulgated on August 23, 1982, came into effect on March 1, 1983 and was amended on February 22, 1993, October 27, 2001 and August 30, 2013, and the Implementation Regulations of the PRC Trademark Law (《中華人民共和國商標法實施條例》) (Order No. 358 of the State Council), which was promulgated on August 3, 2002, came into effect on September 15, 2002, and was amended on April 29, 2014, the Trademark Office of the State Administration for Industry and Commerce of PRC shall be responsible for the registration and administration of trademarks throughout the country. A trademark seeking for registration shall be so distinctive as to be distinguishable and shall not infringe upon the prior legitimate rights of others. A registered trademark has a validity period of 10 years. Trademark registrants may apply for renewal of registration, and the validity of a renewed registered trademark is the following

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10 years. Trademark registrants may, by signing a trademark license contract, authorize others to use their registered trademarks. The trademark license contract shall be submitted to the trademark office for record-filing, and the trademark office shall publish the filing records. For trademarks, trademark law adopts the principle of “first to file” while handling trademark registration. Where a trademark under registration application is identical with or similar to the trademark of another party that has, in respect of the same or similar goods or services, been registered or, after examination, preliminarily approved, the application for trademark registration may be rejected. Anyone who applies for trademark registration shall not impair any existing prior right of anyone else, or forestall others in registering a trademark which others have already begun to use and which has “some influence.”

The Copyright Law

According to the Copyright Law of the PRC (《中華人民共和國著作權法》) (Order No. 31 of the President of the PRC), which was promulgated on September 7, 1990, came into effect on June 1, 1991 and was amended on October 27, 2001 and February 26, 2010, and the Implementation Regulations of the Copyright Law of PRC (《中華人民共和國著作權法實施條例》) (Order No. 359 of the State Council), which was promulgated on August 2, 2002, came into effect on September 15, 2002, and was amended on January 8, 2011 and January 30, 2013, it is stipulated that works of citizens, legal persons or other organizations in the PRC, including literature, art, natural sciences, social sciences, engineering technologies and computer software created in writing or oral or other forms, whether published or not, all enjoy the copyright. Copyright holder can enjoy multiple rights, including the right of publication, the right of authorship and the right of reproduction. The Measures for the Registration of Computer Software Copyright (《計算機軟件著作權登記辦法》) (Order No. 1 of the National Copyright Administration), which was promulgated and came into effect on February 20, 2002, regulates the registration of software copyright, the exclusive licensing contract and transfer contracts of software copyright. The National Copyright Administration is mainly responsible for the registration and administration of software copyright nationwide and recognizes the China Copyright Protection Centre as the software registration organization. The China Copyright Protection Centre will grant certificates of registration to computer software copyright applicants in compliance with the regulations of the Measures for the Registration of Computer Software Copyright and the Regulations on Protection of Computers Software (《計算機軟件保護條例》) (Order No. 339 of the State Council), which was promulgated on December 20, 2001, came into effect on January 1, 2002, and was amended on January 8, 2011 and January 30, 2013).

Domain

According to the Administrative Measures for Internet Domain Names (《互聯網域名管理辦法》) (Order No. 43 of the Ministry of Industry and Information Technology), which was promulgated on August 24, 2017 and came into effect on November 1, 2017, the Ministry of Industry and Information Technology is responsible for managing and supervision of internet network domain names of China. The principle of “first to file” is applied for domain registration services. An agency of domain name registration that provides domain registration services shall require the applicant to provide the true, accurate and complete information about the domain name holder’s identity for the registration purpose. Upon the completion of the registration process, the applicant will become the holder of the relevant domain name.

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TAXATION

EIT

According to the PRC Enterprise Income Tax Law (《中華人民共和國企業所得稅法》) (Order No. 63 [2007] of the President), which was promulgated on March 16, 2007, came into effect on January 1, 2008 and was amended on February 24, 2017, December 29, 2018, and Regulation on the Implementation of the EIT Law (《中華人民共和國企業所得稅法實施條例》) (Order No. 512 [2007] of the State Council), which was promulgated on December 6, 2007 and came into effect on January 1, 2008, enterprises are divided into resident enterprise and non-resident enterprise. A resident enterprise refers to an enterprise that is legally established inside the PRC, or which is established under the law of a foreign country (region) but whose actual management body is inside the PRC. Non-resident enterprises refer to the enterprises established under the laws of a foreign country (region) with the actual management body outside the PRC but with establishments or offices in the PRC or income originating from the PRC if without establishments or offices in the PRC. A resident enterprise shall pay the EIT on its incomes arising from both the PRC and overseas at the tax rate of 25%. A non-resident enterprise having offices or establishments inside the PRC shall pay EIT on its incomes earned by such offices or establishments from inside the PRC as well as its incomes which is earned outside the PRC but is actually associated with such offices or establishments at the tax rate of 25%. A non-resident enterprise having no office or establishment inside the PRC, or whose incomes have no actual connection to its office or establishment inside the PRC shall pay EIT on its incomes derived from inside the PRC at the reduced rate of 10%.

According to the Arrangements between the Mainland of the PRC and Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》), which was promulgated and came into effect on August 21, 2006), if a company incorporated in Hong Kong holds 25% equity interests or more in a PRC company, its dividend obtained from the company incorporated in the PRC shall be taxed with a lower tax rate of 5% as the withholding tax. According to the Public Notice of the State Administration of Taxation on Issues Relating to Beneficial Owner in the Tax Treaty (《國家稅務總局關於稅收協定中「受益所有人」有關問題的公告》) (SAT Public Notice [2018] No. 9), which was promulgated on February 3, 2018 and came into effect on April 1, 2018, if the company’s activities do not constitute substantive business activities, it will be analyzed according to the actual situation of the specific case, which may not be conducive to the determination of its “beneficiary owner” capacity, and thus may not enjoy the concessions under the tax treaty.

According to the Public Notice on Several Issues concerning the Enterprise Income Tax on Income from the Indirect Transfer of Assets by Non-Resident Enterprises (《關於非居民企業間接轉讓財產企業所得稅若干問題的公告》) (SAT Public Notice [2015] No. 7), which was promulgated and came into effect on February 3, 2015, where a non-resident enterprise indirectly transfers equities and other assets of a PRC resident enterprise to avoid the EIT obligation by making an arrangement with no reasonable business purpose, such indirect transfer shall be redefined and recognized as a direct transfer in accordance with the provisions of the EIT Law. Where the EIT on the income from the indirect transfer of real estate or equities shall be paid in accordance with the provisions of this Public Notice, the entity or individual that directly assumes the obligation to make relevant payments to the transferor according to the provisions of the relevant laws or as agreed upon in the contract shall be the

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withholding agent. If the equity transferor fails to declare and pay tax payable of indirectly transferred taxable property income in the PRC on time or in full amount, and the withholding agent fails to withhold the tax, in addition to recovering the tax payable, the equity transferor should be charged with interest on a daily basis according to the provisions of the EIT Implementation Rules.

Income Tax in Relation to Dividend Distribution

According to the Arrangement between the Mainland of the PRC and Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income, the 5% withholding tax rate shall apply to dividends paid by a PRC company to a Hong Kong tax resident, provided that such Hong Kong tax resident directly holds at least 25% of the equity interests in the PRC company. The 10% withholding tax rate applies to dividends paid by a PRC company to a Hong Kong tax resident if such Hong Kong tax resident directly holds less than 25% of the equity interests in the PRC company. According to the Circular of the State Administration of Taxation on Relevant Issues relating to the Implementation of Dividend Clauses in Tax Agreements (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》) (Guo Shui Han [2009] No.81), which was promulgated and came into effect on February 20, 2009, the following requirements shall be satisfied before a fiscal resident of the other party to a tax agreement can be entitled to such tax agreement treatment as being taxed at a tax rate specified in the tax agreement for the dividends paid to it by a Chinese resident company: (i) such a fiscal resident who obtains dividends should be a company as provided in the tax agreement; (ii) the entire equity interests and voting shares of the Chinese resident company directly owned by such a fiscal resident reaches a specified percentage; and (iii) the equity interests of the Chinese resident company directly owned by such a fiscal resident, at any time during the twelve consecutive months prior to receipt of the dividends, reach a percentage specified in the tax agreement.

Value-added Tax

According to the Temporary Regulations on Value-Added Tax of the PRC (《中華人民共和國增值稅暫行條例》) (Order No. 134 of the State Council), which was promulgated on December 13, 1993, came into effect on January 1, 1994 and was amended on November 5, 2008, February 6, 2016 and November 19, 2017), entities and individuals engaging in sale of goods or the processing, repair and assembly services, sale of services, intangible assets, immovables and importation of goods in the PRC shall be taxpayers of Value-added Tax, the tax rate for taxpayers engaging in sale of services and intangible assets shall be 6% unless otherwise stipulated.

According to the Circular on Trial Scheme for the Conversion of Business Tax to Value-added Tax (《關於印發<營業稅改征增值稅試點方案>的通知》) (Cai Shui [2011] No.110), which was promulgated and came into effect on November 16, 2011, the State began to launch taxation reforms in a gradual manner with commencement from January 1, 2012, whereby the collection of VAT in lieu of business tax items was implemented on a trial basis in regions showing significant radiating effects in economic development and providing outstanding reform examples, beginning with production service industries such as transportation and certain modern service industries.

According to the Circular on Comprehensively Promoting the Pilot Program of the Collection of Value-added Tax in Lieu of Business Tax (《關於全面推開營業稅改征增值稅試點的通知》) (Cai Shui [2016] No.36),

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which was promulgated on March 23, 2016 and came into effect on May 1, 2016, upon approval of the State Council, the pilot program of the collection of VAT in lieu of business tax shall be promoted nationwide in a comprehensive manner starting from May 1, 2016, and all business tax payers engaged in the building industry, the real estate industry, the financial industry and the life service industry shall be included in the scope of the pilot program with regard to payment of value-added tax instead of business tax. For general service income, the applicable VAT rate is 6%.

FOREIGN EXCHANGE

According to the Administrative Regulations on Foreign Exchange (《外匯管理條例》) (Order No. 193 of the State Council), which was promulgated on January 29, 1996, came into effect on April 1, 1996, and was amended on January 14, 1997 and August 5, 2008, Renminbi is generally freely convertible for payments of current account items, such as trade and service-related foreign exchange transactions and dividend payments, but is not freely convertible into foreign currency for capital account items, such as direct investment or engaging in the issuance or trading of negotiable securities or derivatives unless the prior approval by the competent authorities for the administration of foreign exchange is obtained. In accordance with the Foreign Exchange Administrative Regulations and Administrative Regulations on Settlements, Sales and Payments of Foreign Exchange (Yin Fa [1996] No. 210), which was promulgated on June 20, 1996 and came into effect on July 1, 1996, foreign-invested enterprises in the PRC may purchase foreign exchange without the approval of the SAFE for paying dividends by providing certain evidencing documents (board resolutions, tax certificates, etc.), or for trade and services-related foreign exchange transactions by providing commercial documents evidencing such transactions. Those enterprises are also allowed to retain foreign currency (subject to a cap approved by the SAFE) to satisfy foreign exchange liabilities. In addition, foreign exchange transactions involving overseas direct investment or investment and trading in securities, derivative products abroad are subject to registration with the competent authorities for the administration of foreign exchange and the approval or filings with the relevant government authorities (if necessary).

According to the Circular on the Management of Offshore Investment and Financing and Round Trip Investment By Domestic Residents through Special Purpose Vehicles (《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) (Hui Fa [2014] No.37) (the “**SAFE Circular No. 37**”), which was promulgated and came into effect on July 4, 2014, the SAFE carry out registration administration for domestic resident’s establishment of special purpose vehicles (each a “**SPV**”). A SPV is defined as “offshore enterprise directly established or indirectly controlled by the domestic resident (including domestic institution and individual resident) with their legally owned assets or equity of the domestic enterprise, or legally owned offshore assets or equity, for the purposes of investment and financing.” “Round Trip Investments” refer to “the direct investment activities carried out within the PRC by a domestic resident directly or indirectly via a SPV, such as establishing a foreign-invested enterprise or project within the PRC through a new entity, merger or acquisition and other ways, while obtaining ownership, control, operation and management and other rights and interests.” Before a domestic resident contributes its legally owned onshore or offshore assets or equity to a SPV, the domestic resident shall conduct foreign exchange registration for offshore investment with the local branch of the SAFE, and in the event of any change of basic information such as the domestic individual shareholder, name, operation term, or if there is a capital increase or decrease, equity transfer or swap, merge, spin-off or

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other material changes, the domestic resident shall complete foreign exchange alteration of the registration formality for offshore investment in a timely manner. In addition, according to the procedural guidelines as attached to the SAFE Circular No. 37, the principle of review has been changed to “the domestic individual resident is only required to register the (first level) SPV directly established or controlled by him.”

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

According to the provisions of the Circular on Reforming the Management Approach regarding the Settlement of Foreign Exchange Capital of Foreign-invested Enterprises (《關於改革外商投資企業外匯資本金結匯管理方式的通知》) (Hui Fa [2015] No.19) (the “**SAFE Circular No. 19**”), which was promulgated on March 30, 2015 and came into effect from June 1, 2015, the foreign exchange capital of foreign-invested enterprises shall be subject to the Discretionary Foreign Exchange Settlement (“Discretionary Foreign Exchange Settlement”). The Discretionary Foreign Exchange Settlement refers to the foreign exchange capital in the capital account of a foreign-invested enterprise for which the rights and interests of monetary contribution has been confirmed by the local foreign exchange bureau (or for which the account entry of monetary contribution has been registered by the banks) can be settled at the banks based on the actual operational needs of the foreign-invested enterprise. The proportion of Discretionary Foreign Exchange Settlement of the foreign exchange capital of a foreign-invested enterprise is temporarily determined as 100%. The Renminbi converted from the foreign exchange capital will be kept in a designated account and if a foreign-invested enterprise needs to make further payment from such account, it still needs to provide supporting documents and go through the review process with the banks. Furthermore, the SAFE Circular No. 19 stipulates that the use of capital by foreign-invested enterprises shall follow the principles of authenticity and self-use within the business scope of enterprises. The capital of a foreign-invested enterprise and capital in Renminbi obtained by the foreign-invested enterprise from foreign exchange settlement shall not be used for the following purposes: (I) directly or indirectly used for payment beyond the business scope of the enterprises or payment prohibited by relevant laws and regulations; (II) directly or indirectly used for investment in securities unless otherwise provided by relevant laws and regulations; (III) directly or indirectly used for granting entrusted loans in Renminbi (unless permitted by the scope of business), repaying the inter-enterprise borrowings (including advances by third parties) and repaying bank loans in Renminbi that have been sub-lent to a third party; and (IV) paying the expenses related to the purchase of real estate that is not for self-use (except for the foreign-invested real estate enterprises).

According to the provisions of the Circular on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Accounts (《關於改革和規範資本項目結匯管理政策的通知》) (Hui Fa [2016] No.16) (the “**SAFE Circular No. 16**”), which was promulgated and came into effect on June 9, 2016, enterprises incorporated in the PRC may also convert their foreign debts from foreign currency to Renminbi on self-discretionary basis. The SAFE Circular No. 16 provides an integrated standard for conversion of foreign exchange under capital account items (including but not limited to foreign currency capital and foreign debts) on a discretionary basis which applies to all enterprises incorporated in the PRC. The SAFE Circular No. 16

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reiterates the principle that Renminbi converted from foreign currency-denominated capital of a company may not be directly or indirectly used for purposes beyond its business scope or prohibited by PRC laws or regulations, while such converted Renminbi shall not be provided as loans to its non-affiliated entities neither.

MERGER AND ACQUISITION OF DOMESTIC ENTERPRISES BY FOREIGN INVESTORS

According to the Merger and Acquisition of Domestic Enterprises by Foreign Investors in the PRC (《關於外國投資者併購境內企業的規定》) (Order No. 10 [2006] of the MOFCOM, State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會), the SAT, the SAIC, the China Securities Regulatory Commission and the SAFE), which was promulgated on August 8, 2006, came into effect on September 8, 2006 and was amended on June 22, 2009, a foreign investor is required to obtain necessary approvals when (i) a foreign investor acquires equity interests in a domestic non-foreign invested enterprise thereby converting it into a foreign-invested enterprise, or subscribes for new equity interests in a domestic enterprise via an increase of registered capital thereby converting it into a foreign-invested enterprise; or (ii) a foreign investor establishes a foreign-invested enterprise which purchases and operates the assets of a domestic enterprise, or which purchases the assets of a domestic enterprise by agreement and injects those assets to establish a foreign-invested enterprise. In the case where a domestic company or enterprise, or a domestic natural person, through an overseas company established or controlled by it/him, acquires a domestic company that is related to or connected with it/him, approval from MOFCOM is required.

According to the Interim Administrative Measures for the Record-filing of the Incorporation and Change of Foreign-invested Enterprises, the merger and acquisition of domestic non-foreign-invested enterprises by foreign investors shall, if not involving special access administrative measures and affiliated mergers and acquisitions, complete the record-filing procedures in accordance with the measures.

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History

Our history can be traced back to 1995, with an initial focus on providing complementary property management support to Binjiang Group, a leading comprehensive property developer in China. Benefiting from Binjiang Group’s business expansion and extensive industry experience, we have experienced significant growth and have expanded our footprint from Hangzhou to other regions in Zhejiang province since 2008.

We are now recognized as one of the leading regional high-end property management service providers with a solid market positioning in the Yangtze River Delta, one of the most economically prosperous regions in China, according to CIA.

Business Development Milestones

The following events are the key business milestones of our Group since its establishment:

Year	Events
1995	<ul style="list-style-type: none">• Hangzhou Binjiang Property Management Co., Ltd. was founded and started to provide complementary property management support to Binjiang Group
2004	<ul style="list-style-type: none">• We started to provide property management services
2007	<ul style="list-style-type: none">• We were elected as a China Property Management Institute Unit Member (中國物業管理協會會員單位) for the China Property Management Institute (中國物業管理協會)• We started to provide value-added services to non-property owners as well as property owners
2008	<ul style="list-style-type: none">• We received Property Management Service Industry National Level One Qualification (國家一級物業管理資質) from the Ministry of Housing and Urban-Rural Development• We were awarded Top 10 Hangzhou Property Service Enterprises (杭州市十佳物業服務企業) by Hangzhou Real Estate Authority
2009	<ul style="list-style-type: none">• We won the property management service contract of the Golden Coast, a high-end property developed by Binjiang Group
2010	<ul style="list-style-type: none">• Qing Chun Development Mansion, a non-residential project managed by us, was awarded National Property Management Demonstration Pilot Mansion (全國物業管理示範大廈) by the Ministry of Housing and Urban-Rural Development• We won the property management service contract for a high-end residential community, the Shaoxing Golden Home, our first project outside Hangzhou
2011	<ul style="list-style-type: none">• Hangzhou Golden Home, a residential project managed by us, was awarded National Property Management Demonstration Pilot Community (全國物業管理示範住宅小區) by the Ministry of Housing and Urban-Rural Development

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Year	Events
2013	<ul style="list-style-type: none">Hangzhou New City Century Square, a non-residential project managed by us, was awarded National Property Management Demonstration Pilot Mansion (全國物業管理示範大廈) by the Ministry of Housing and Urban-Rural Development
2015	<ul style="list-style-type: none">We were awarded China Top 100 Property Management Companies (物業管理綜合實力百強企業) by China Property Management Institute (中國物業管理協會)We were awarded The Best Property Management Consultant Companies (最佳物業管理顧問單位) by China Property Management Institute (中國物業管理協會)
2016	<ul style="list-style-type: none">We were selected as the property management provider for Hangzhou Yuefu Community by its owner’s association
2017	<ul style="list-style-type: none">We are awarded China Top 100 Property Management Companies (中國物業服務百強企業) by China Index Academy

OUR SUBSIDIARIES

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

Binjiang Property

Binjiang Property is our principal PRC holding company and is mainly engaged in property management business. Binjiang Property was established in the PRC on April 7, 1995 with an initial registered capital of RMB3,000,000. As of the date of establishment, Binjiang Property was owned as to 60% by Hangzhou Binjiang Real Estate Asset Management Co., Ltd. (杭州濱江房屋資產管理有限公司) (formerly known as Hangzhou Binjiang Real Estate Construction Development Co., Ltd. (杭州濱江房屋建設開發公司)) (“**Binjiang Construction**”), a company wholly owned by Binjiang Real Estate, a company controlled by Mr. Qi, since 1999, and as to 40% by Hangzhou Zhongda Auto Co., Ltd. (杭州中達車業有限公司) (“**Zhongda Auto**”) (formerly known as Hangzhou Zhongda Trade Company (杭州中達貿易公司)), a company directly owned as to 66.7% by independent third parties and as to 33.3% by Binjiang Construction since 1999.

On April 25, 2001, Zhongda Auto, entered into an equity transfer agreement with Binjiang Real Estate, pursuant to which Zhongda Auto transferred its 40% interest in Binjiang Property to Binjiang Real Estate at a consideration of RMB1,200,000. The consideration was determined after arm’s length negotiation with reference to the registered capital of Binjiang Property. Upon completion of such transfer, Binjiang Property became wholly owned by Binjiang Real Estate, 40% directly owned by itself and 60% indirectly owned through Binjiang Construction.

As of January 1, 2015, Binjiang Property was wholly owned by Binjiang Real Estate, with a registered capital of RMB5,000,000. On January 6, 2017, Binjiang Property increased its registered capital from RMB5,000,000 to RMB20,000,000 by way of conversion of distributable profits into share capital of Binjiang Property.

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On February 10, 2017, Binjiang Real Estate entered into an equity transfer agreement with Binjiang Holdings, an indirect shareholder of Binjiang Property, pursuant to which Binjiang Real Estate transferred all its equity interest in Binjiang Property to Binjiang Holdings at a consideration of RMB306,426,400. The consideration was determined after arm’s length negotiation with reference to the valuation report issued by an independent valuer and was fully paid up on March 7, 2017. Upon completion of such transfer, Binjiang Property became wholly owned by Binjiang Holdings. Mr. Qi has been the controlling shareholder of Binjiang Holdings since its establishment in October 2006 and the controlling shareholder of Binjiang Real Estate since 1999.

As part of the Reorganization and through various transfers, Binjiang Property was owned as to 99% by Binjiang Holdings and as to 1% by Binjiang Services (HK) on December 1, 2017, and has been wholly owned by Binjiang Services (HK) since December 26, 2017. Binjiang Property became an indirect wholly-owned subsidiary of our Company pursuant to the Reorganization. For further details, please refer to “— Reorganization” below.

Binjiang Agent

Binjiang Agent is principally engaged in providing real estate agent services and was established in the PRC on March 18, 2009 with an initial registered capital of RMB500,000. As of the date of establishment, Binjiang Agent was wholly owned by Binjiang Property, an indirect wholly-owned subsidiary of our Company.

On April 5, 2016, Binjiang Agent increased its registered capital from RMB500,000 to RMB1,000,000 by way of capital injection of Binjiang Property, which was fully paid up on July 18, 2016. There has been no change in the shareholding of Binjiang Agent since its establishment.

Binyi Hotel

Binyi Hotel is principally engaged in providing hotel management services and was established in the PRC on October 28, 2016 with an initial registered capital of RMB500,000. As of the date of establishment, Binyi Hotel was wholly owned by Binjiang Property. There has been no change in the shareholding of Binyi Hotel since its establishment.

Binrui Decoration

Binrui Decoration is principally engaged in interior decoration business and was established in the PRC on September 12, 2016 with an initial registered capital of RMB1,000,000. As of the date of establishment, Binrui Decoration was owned as to 51% by Binjiang Property, and as to 49% by Hangzhou Yintairuiqi Display Arts Co., Ltd. (杭州尹泰瑞祺陳設藝術有限公司) (“**Yintairuiqi Display**”), an independent third party save for it being a substantial shareholder of Binrui Decoration. There has been no change in the shareholding of Binrui Decoration since its establishment.

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Binjiang Decoration

Binjiang Decoration is principally engaged in interior decoration business and was established in the PRC on May 11, 2017 with an initial registered capital of RMB10,000,000. As of the date of establishment, Binjiang Decoration was wholly owned by Binjiang Property.

On May 17, 2017, Binjiang Decoration decreased its registered capital from RMB10,000,000 to RMB5,000,000. Binjiang Decoration remains wholly owned by Binjiang Property.

Binwan Decoration

Binwan Decoration is principally engaged in interior decoration business and was established in the PRC on May 9, 2017 with an initial registered capital of RMB10,000,000. As of the date of establishment, Binwan Decoration was wholly owned by Binjiang Property.

On May 17, 2017, Binwan Decoration decreased its registered capital from RMB10,000,000 to RMB5,000,000. Binwan Decoration remains wholly owned by Binjiang Property.

Binhe Property

Binhe Property is principally engaged in property management business and was established in the PRC on January 31, 2018 with an initial registered capital of RMB5,000,000. As of the date of establishment, Binhe Property was owned as to 51% by Binjiang Property and as to 49% by Hangzhou Jianggan District Civil Construction Comprehensive Development Co., Ltd. (杭州市江幹區城市建設綜合開發有限公司) (“**Civil Construction**”), an independent third party save for it being a substantial shareholder of Binhe Property. There has been no change in the shareholding of Binhe Property since its establishment.

Zhuocai Advertising

Zhuocai Advertising is principally engaged in advertising business and was established in the PRC on February 28, 2018 with an initial registered capital of RMB1,000,000. As of the date of establishment, Zhuocai Advertising was wholly owned by Binjiang Property. There has been no change in the shareholding of Zhuocai Advertising since its establishment.

Binshang Fitness

Binshang Fitness is principally engaged in providing fitness services and was established in the PRC on May 29, 2018 with an initial registered capital of RMB1,000,000. As of the date of establishment, Binshang Fitness was owned as to 51% by Binjiang Property and as to 49% by Zhuocai Advertising, an indirect wholly-owned subsidiary of our Company. There has been no change in the shareholding of Binshang Fitness since its establishment.

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Zhejiang Binhe

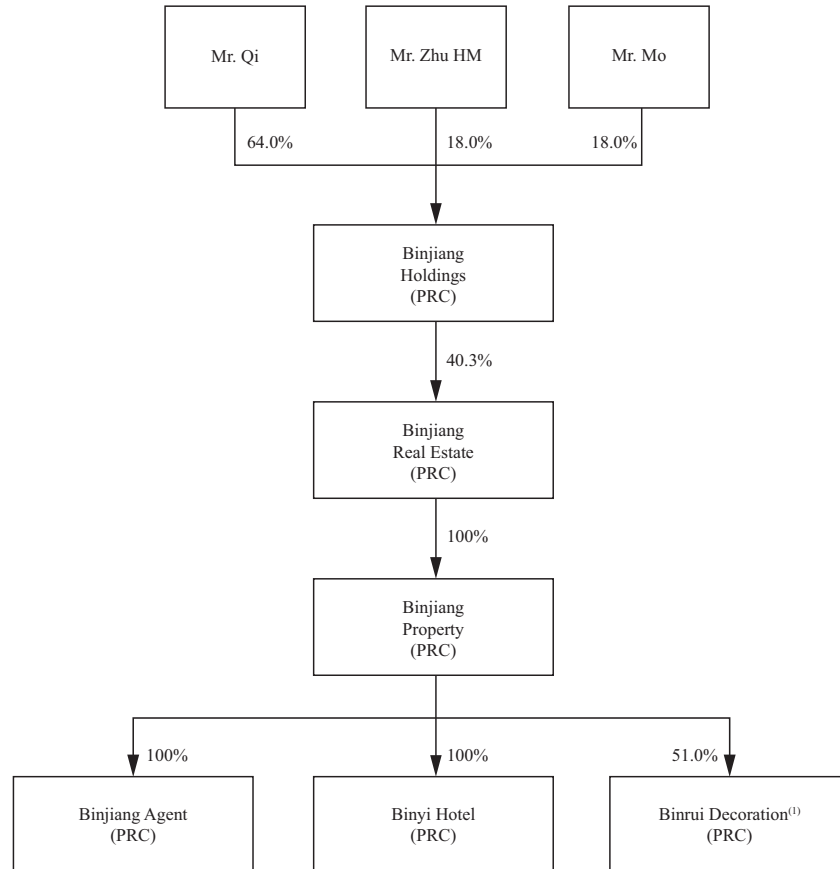
Zhejiang Binhe is principally engaged in providing property management and was established in the PRC on February 14, 2019 with an initial registered capital of RMB10,000,000. As the date of establishment, Zhejiang Binhe was owned as to 51% by Binjiang Property and as to 49% by Zhejiang Ruiyuan Property Management Co., Ltd. (浙江瑞源物業管理有限公司) (“**Ruiyuan Property**”), an independent third party save for it being a substantial shareholder of Zhejiang Binhe. Therefore has been no change in the shareholding of Zhejiang Binhe since its establishment.

As advised by our PRC legal advisor, all the transfers, establishments and relevant changes of capital described under the section entitled “— Our Subsidiaries” have been approved by and/or registered with the relevant PRC government authorities in each case in accordance with PRC laws, rules and regulations.

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REORGANIZATION

The following diagram illustrates our shareholding structure before the Reorganization:



Note:

- (1) The remaining equity interest in Binrui Decoration is held as to 49% by Yintairuiqi Display, who is an independent third party save for it being a substantial shareholder of Binrui Decoration.

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To streamline our Group structure, the following Reorganization steps were implemented to establish our Group:

1. Incorporation of our Company

On July 6, 2017, our Company was incorporated in the Cayman Islands under the Cayman Companies Law as an exempted company with limited liability. As of the date of incorporation, the authorized share capital of our Company was US\$50,000 divided into 50,000 ordinary shares of par value US\$1.00 each, of which one Share was issued to Vistra (Cayman) Limited, the incorporation agent, at par value and transferred on the same date to Sea Faith.

On February 21, 2019, each ordinary share of par value US\$1.00 each was sub-divided into 10,000 Shares of par value US\$0.0001 each, and our Company has increased its authorized share capital to US\$100,000 divided into 1,000,000,000 Shares of par value US\$0.0001 each through the creation of 500,000,000 additional Shares of par value US\$0.0001 each. Accordingly, the issued 20,000 shares of the Company with par value of US\$1.00 each were subdivided into 200,000,000 shares with par value of US\$0.0001 each thereafter.

2. Establishment of offshore companies

Sea Faith was incorporated in the BVI on April 26, 2017 and is authorized to issue of 50,000 shares with a par value of US\$1.00 each. On May 8, 2017, one share was allotted and issued to Mr. Yang for a consideration of US\$1.00 at par value. Upon completion of such allotment, Sea Faith became wholly owned by Mr. Yang. There has been no shareholding changes since the incorporation of Sea Faith.

Robust was incorporated in the BVI on June 28, 2017 and is authorized to issue 50,000 shares with a par value of US\$1.00 each. On August 7, 2017, one share was allotted and issued to our Company for a consideration of US\$1.00 at par value. Upon completion of such allotment, Robust became a wholly-owned subsidiary of our Company. There has been no shareholding changes since the incorporation of Robust.

Binjiang Services (HK) was incorporated in Hong Kong on August 28, 2017 with an issued share capital of HK\$10,000 divided into 10,000 shares of HK\$1.00 each. On August 28, 2017, 10,000 Shares were allotted and issued to Robust for a consideration of HK\$10,000. Upon completion of such allotment, Binjiang Services (HK) became a wholly-owned subsidiary of Robust. There has been no shareholding changes since the incorporation of Binjiang Services (HK).

Great Dragon was incorporated in the BVI on March 28, 2017 and is authorized to issue 50,000 shares with a par value of US\$1 each. On April 25, 2017, one share was allotted and issued to Mr. Qi for a consideration of US\$1.00 at par value. Upon completion of such allotment, Great Dragon became wholly owned by Mr. Qi. Details of the shareholding changes of Great Dragon are set out in “— 7. Establishment of family trusts.”

Jovial Success was incorporated in the BVI on April 3, 2017 and is authorized to issue 50,000 shares with a par value of US\$1.00 each. On April 25, 2017, one share was allotted and issued to Mr. Zhu HM for a

OUR HISTORY AND DEVELOPMENT

consideration of US\$1.00 at par value. Upon completion of such allotment, Jovial Success became wholly owned by Mr. Zhu HM. Details of the shareholding changes of Jovial Success are set out in “— 7. Establishment of family trusts.”

Haoyu was incorporated in the BVI on April 3, 2017 and is authorized to issue 50,000 shares with a par value of US\$1.00 each. On April 25, 2017, one share was allotted and issued to Mr. Mo for a consideration of US\$1.00 at par value. Upon completion of such allotment, Haoyu became wholly owned by Mr. Mo. Details of the shareholding changes of Haoyu are set out in “— 7. Establishment of family trusts.”

3. Transfer of 1% of equity interest of Binjiang Property by Binjiang Holdings

On December 1, 2017, Binjiang Holdings entered into an equity transfer agreement with Binjiang Services (HK), a company indirectly wholly owned by Mr. Yang, pursuant to which Binjiang Holdings transferred 1% of its equity interest in Binjiang Property to Binjiang Services (HK) at a consideration of RMB3,064,264. The consideration was determined after arm’s length negotiation with reference to the valuation in the amount of RMB306,426,400 as contained in the valuation report issued by an independent valuer and was fully paid up on February 8, 2018. Upon completion of such transfer, Binjiang Property became owned as to 99% by Binjiang Holdings and as to 1% by Binjiang Services (HK), and was converted into a Sino-foreign equity joint venture.

4. Allotment and issue of Shares of our Company

On December 25, 2017, our Company allotted and issued an aggregate of 9,999 Shares at par, increasing the issued share capital of our Company from US\$1 to US\$10,000. Among them, 6,336 Shares, 1,782 Shares, 1,782 Shares and 99 Shares were issued to Great Dragon, Jovial Success, Haoyu and Sea Faith, respectively. Upon completion of the allotment and issue of Shares, our Company became owned as to 63.36% by Great Dragon, as to 17.82% by Jovial Success, as to 17.82% by Haoyu, and as to 1% by Sea Faith.

5. Transfer of 99% of equity interest of Binjiang Property by Binjiang Holdings

On December 26, 2017, Binjiang Holdings entered into an equity transfer agreement with Binjiang Services (HK), an indirect wholly-owned subsidiary of our Company, pursuant to which Binjiang Holdings transferred 99% of its equity interest in Binjiang Property to Binjiang Services (HK) at a consideration of RMB83,420,000. The consideration was determined after arm’s length negotiation with reference to the net assets value of Binjiang Property as of October 31, 2017 in the amount of RMB84,260,000 and was fully paid up on May 22, 2018. Upon completion of such transfer, Binjiang Property became wholly owned by Binjiang Services (HK), and was converted into a wholly foreign owned company.

The basis of consideration for the transfer of 99% interest differs from the transfer of 1% interest above as the consideration for the transfer of 99% interest was determined with reference to the net assets value of Binjiang Property as of October 31, 2017 whereas the consideration for the transfer of 1% interest was determined with reference to the valuation (adopting income approach) prepared by an independent third party valuer taking into account the future income, future risks, competitiveness, human resources and issues related to its future development.

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6. Allotment and issue of Shares of our Company

On May 18, 2018, our Company allotted and issued an aggregate of 10,000 new Shares, increasing the issued share capital from US\$10,000 to US\$20,000. Among them, 6,336 Shares, 1,782 Shares, 1,782 Shares and 100 Shares were issued to Great Dragon, Jovial Success, Haoyu and Sea Faith at a consideration of HK\$66,191,962, HK\$18,616,489, HK\$18,616,489, and HK\$3,810,374 respectively. The consideration was determined with reference to the aggregated amount of the net asset value of the management account as of November 2017 and the valuation report prepared by an independent third-party valuer. Upon completion of the allotment and issue of Shares, our Company remained owned as to 63.36% by Great Dragon, as to 17.82% by Jovial Success, as to 17.82% by Haoyu, and as to 1% by Sea Faith, respectively.

On May 18, 2018, Robust allotted and issued one share, increasing the number of new shares issued by it from one to two. The new share was issued to our Company at a consideration of HK\$107,235,314. The consideration was determined with reference to the aggregated amount of the net asset value of the management account as of November 2017 and the valuation report prepared by an independent third-party valuer. Robust remains a wholly owned subsidiary of our Company.

On May 18, 2018, Binjiang Services (HK) allotted and issued an aggregate of 10,000 new shares, increasing the issued share capital from HK\$10,000 to HK\$20,000. The shares were issued to Robust at a consideration of HK\$107,235,314. The consideration was determined with reference to the aggregated amount of the net asset value of the management account as of November 2017 and the valuation report prepared by an independent third-party valuer. Binjiang Services (HK) remains a wholly-owned subsidiary of Robust.

7. Establishment of family trusts

As part of their family wealth planning, Mr. Qi, Mr. Zhu HM and Mr. Mo each established their respective family trusts to hold their interests in our Company:

- (a) Bright Cloud Trust was established by Mr. Qi (as the settlor) and Cantrust (Far East) Limited (“**Cantrust**”) (as the trustee), for the benefit of himself and family members designated by Mr. Qi, on November 19, 2018. Mr. Qi transferred all of his equity interest in Great Dragon to Cantrust as trustee for Bright Cloud Trust at nil consideration on December 7, 2018 and Cantrust subsequently transferred the same to its nominee company at US\$1 on January 11, 2019.
- (b) Splendid Force Trust was established by Mr. Zhu HM (as the settlor) and Infiniti Trust (Asia) Limited (“**Infiniti Trust**”) (as the trustee), for the benefit of himself and family members designated by Mr. Zhu HM, on November 19, 2018. Mr. Zhu HM transferred all of his equity interest in Jovial Success to Infiniti Trust as trustee for Splendid Force Trust at nil consideration on December 7, 2018 and Infiniti Trust subsequently transferred the same to its nominee company at US\$1 on January 11, 2019.
- (c) Great Splendor Trust was established by Mr. Mo (as the settlor) and Infiniti Trust (as the trustee), for the benefit of himself and family members designated by Mr. Mo, on November 19, 2018. Mr. Mo

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transferred all of his equity interest in Haoyu to Infiniti Trust as trustee for Great Splendor Trust at nil consideration on December 7, 2018 and Infiniti Trust subsequently transferred the same to its nominee company at US\$1 on January 11, 2019.

Our PRC advisors have confirmed that all the required consents, approvals, authorizations or filings have been made or obtained for the completion of our Group’s reorganization in respect of PRC companies mentioned above and such reorganization complies with PRC Laws.

[REDACTED] INVESTMENT

On December 1, 2017, Binjiang Holdings entered into an equity transfer agreement with Binjiang Services (HK), which was then indirectly wholly owned by Mr. Yang. Pursuant to the equity transfer agreement, Binjiang Services (HK) acquired 1% of equity interest in Binjiang Property at a consideration of RMB3,064,264. For details, please see “— Reorganization — 3. Transfer of 1% of equity interest of Binjiang Property by Binjiang Holdings” above.

On December 25, 2017, our Company allotted and issued 99 Shares to Sea Faith, a company wholly owned by Mr. Yang, at par value. On May 18, 2018, our Company allotted and issued 100 Shares to Sea Faith for a consideration of HK\$[REDACTED]. Such consideration was determined after arm’s length negotiation with reference to the valuation report issued by an independent valuer. The consideration was offset by a loan with the same amount provided by Sea Faith to the Company.

Upon the completion of the [REDACTED] investment described above, Binjiang Property became indirectly owned as to 1% by Mr. Yang.

OUR HISTORY AND DEVELOPMENT

Further details of the [REDACTED] investment are set out below:

Name of investor	Mr. Yang
Date of investment agreement	December 1, 2017
Amount of consideration paid	HKD [REDACTED]
Payment date of consideration	February 8, 2018
Cost per Share paid	HKD [REDACTED]
Discount to the [REDACTED]⁽¹⁾	[REDACTED]%
Use of proceeds	The proceeds are intended to be utilized towards our general working capital. As of the Latest Practicable Date, none of the proceeds from the [REDACTED] investments had been utilized.
Strategic benefits	The [REDACTED] investment contributed the necessary offshore funding needed to acquire Binjiang Property to be our subsidiary, which is a high-end property management service provider in real estate industry with extensive experience.
Shareholding in our Company immediately following completion of the [REDACTED] (assuming the [REDACTED] is not exercised)	[REDACTED]% (through Sea Faith)

Note:

- (1) The discount percentages are based on an [REDACTED] of HK\$[REDACTED], being the mid-point of the indicative range of the [REDACTED] between HK\$[REDACTED] and HK\$[REDACTED].

The consideration and the percentage of the Shares issued and allotted to Mr. Yang were determined on an arm’s length basis as a result of negotiations among the parties. With respect to the [REDACTED] investment, Mr. Yang has not been granted any special rights in relation to our Company. Mr. Yang will not be subject to any lock-up after [REDACTED].

Background of Sea Faith

Mr. Yang is a private investor who became acquainted with our Group through business and social events in Zhejiang province, the PRC. He directly holds 100% equity interest in Sea Faith, which is a company incorporated in the BVI with limited liability. Following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised), Mr. Yang will be interested in [REDACTED] Shares through Sea Faith, representing [REDACTED]% of the total number of our Shares in issue. Neither Mr. Yang nor Sea Faith will be a substantial shareholder of our Company, and other than investment in our Group, Mr. Yang and Sea Faith are parties independent of our Company and its connected persons, hence the Shares held by Mr. Yang through Sea Faith will be treated as part of the public float of our Company following [REDACTED] for the purpose of Rule 8.08 of the Listing Rules.

OUR HISTORY AND DEVELOPMENT

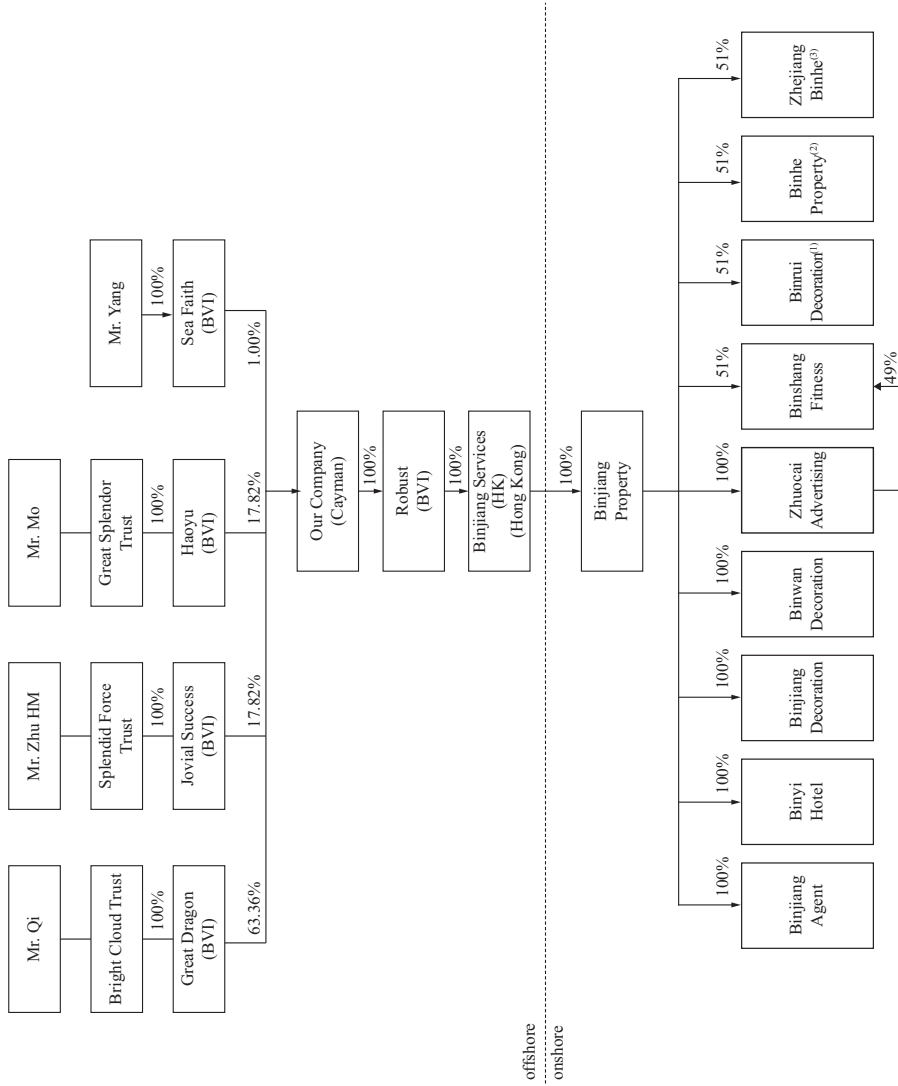
Confirmation by the Sole Sponsor

Based on its review of the relevant agreements, the Sole Sponsor is of the view that the terms of the [REDACTED] investment as described above are in compliance with (i) the Interim Guidance on the [REDACTED] investment issued by the Stock Exchange in October 2010 and as updated in March 2017 in the Guidance Letter GL29-12; (ii) the Guidance Letter HKEx-GL43-12 issued by the Stock Exchange in October 2012 and as updated in July 2013 and March 2017; and (iii) the Guidance Letter HKEx-GL44-12 issued by the Stock Exchange in October 2012 and as updated in March 2017.

OUR HISTORY AND DEVELOPMENT

Our Group’s Shareholding Structure After the Reorganization

The following diagram illustrates our shareholding structure after the Reorganization and immediately prior to the [REDACTED]:



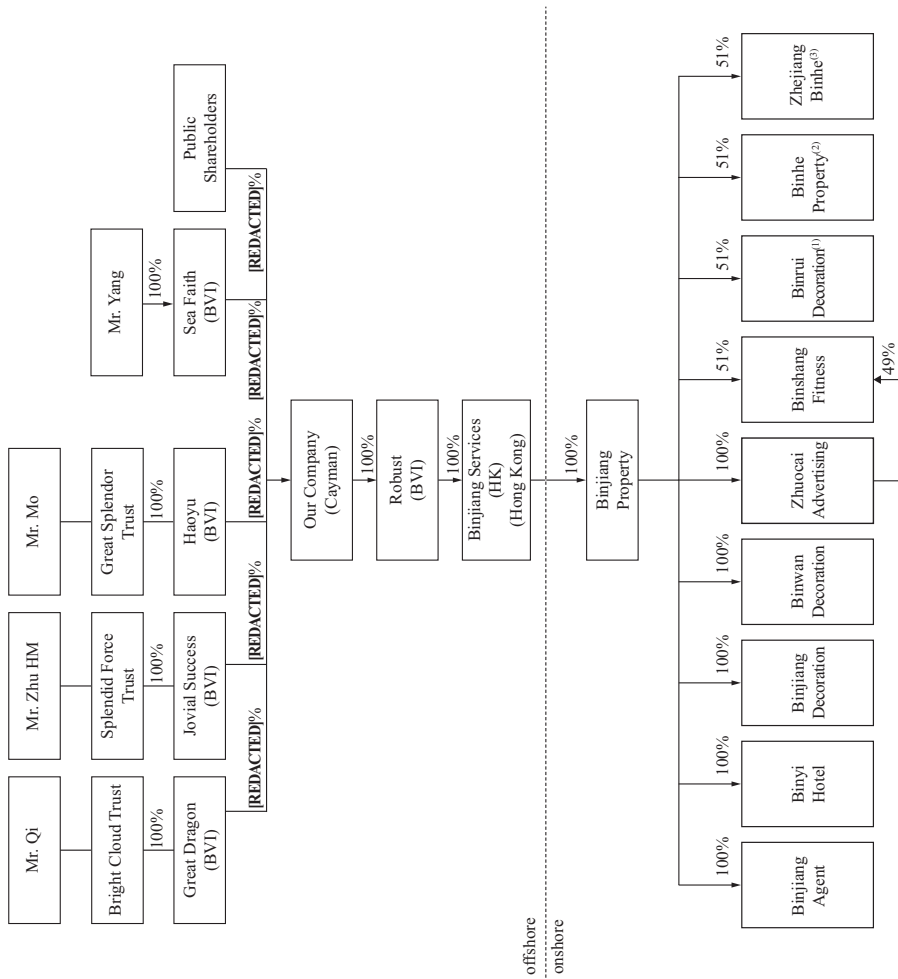
Notes:

- (1) The remaining equity interest in Binrui Decoration is held as to 49% by Yintairuiqi Display, an independent third party save for it being a substantial shareholder of Binrui Decoration.
- (2) The remaining equity interest in Binhe Property is held as to 49% by Civil Construction, an independent third party save for it being a substantial shareholder of Binhe Property.
- (3) The remaining equity interest in Zhejiang Binhe is held as to 49% by Ruiyuan Property, an independent third party save for it being a substantial shareholder of Zhejiang Binhe.

OUR HISTORY AND DEVELOPMENT

Our Group’s Shareholding Structure After the [REDACTED]

The following diagram illustrates our shareholding structure, immediately following the [REDACTED]:



Notes:

- (1) The remaining equity interest in Binnui Decorator is held as to 49% by Yintairuiqi Display, an independent third party save for it being a substantial shareholder of Binrui Decoration.
- (2) The remaining equity interest in Binhe Property is held as to 49% by Civil Construction, an independent third party save for it being a substantial shareholder of Binhe Property.
- (3) The remaining equity interest in Zhejiang Binhe is held as to 49% by Ruiyuan Property, an independent third party save for it being a substantial shareholder of Zhejiang Binhe.

OUR HISTORY AND DEVELOPMENT

PRC REGULATORY REQUIREMENTS

Our PRC legal advisors have confirmed that all relevant registers in respect of the equity transfers of our PRC subsidiaries as described above have been obtained and the procedures and steps involved are in compliance with relevant PRC laws and regulations.

SAFE Registration in the PRC

Pursuant to the Circular on the Administration of Foreign Exchange Involved in the Investment and Financing and Round-trip Investment Conducted by PRC Residents via Special Purpose Vehicles (《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) (“SAFE Circular No. 37”) issued by SAFE on July 4, 2014, where the PRC individual residents conduct investment in offshore special purpose vehicles with their legitimate onshore and offshore assets or equities, they must register with local SAFE branches with respect to their investments. SAFE Circular No. 37 also requires the PRC residents to file changes to their registration where their offshore special purpose vehicles undergo material events such as the change of basic information including PRC residence, name and operation period, as well as capital increase or decrease, share transfer or exchange, merger or division. Accordingly, as Mr. Qi, Mr. Zhu HM and Mr. Mo, being ultimate beneficial shareholders of our Company during the process of the Reorganization, have each established an investment holding company in the BVI, through which they indirectly hold shares in our Company during the process of the Reorganization, such act is subject to registration in accordance with SAFE Circular No. 37.

Accordingly, as advised by our PRC legal advisors, each of Mr. Qi, Mr. Zhu HM and Mr. Mo has duly complied with the requirements under SAFE Circular No. 37 and SAFE Circular No. 13, and the registrations stipulated there under were completed in November 2017.

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OVERVIEW

We are a reputable property management service provider in China with a focus on high-end residential properties. Through our accumulation of industry experience since our establishment in 1995, we have grown from a local residential property management service provider in Hangzhou, Zhejiang province, to one of the leading premium property management service providers in the Yangtze River Delta. According to CIA, we were ranked second in Hangzhou, fifth in Zhejiang province, and tenth in the Yangtze River Delta in terms of GFA under management for high-end properties in 2017.

As of August 31, 2018, we had 35 subsidiaries and branches covering 15 cities across Zhejiang province and Shanghai in China, providing property management services to approximately 48,000 property units. Our total GFA under management amounted to 10.8 million sq.m. with a total of 68 managed properties, including 51 residential properties and 17 non-residential properties, as of August 31, 2018. Our contracted GFA, excluding GFA under management, amounted to 7.1 million sq.m. as of August 31, 2018. We were awarded the 2018 Leading Brand for Specialized Service Operations of China Property Service Industry (2018中國物業服務專業化運營領先品牌企業) and a Certificate of China Property Management Brand Value of RMB1.886 billion by CIA for our well-established industry recognition and professional service quality. We were ranked 32th among the top 100 property management companies in China in 2018, according to the China Real Estate Top 10 Research Team and CIA.

Our diversified and integrated service offering comprises the followings:

- *Property management services.* We provide property management services, including security, cleaning, gardening, repair, maintenance and ancillary services to common areas at residential and non-residential properties, including commercial properties, office buildings, corporate headquarter buildings, public facilities and industrial parks.
- *Value-added services to non-property owners.* We provide value-added services to non-property owners, mainly to property developers. These services refer to pre-delivery services, consulting services and community space services. Pre-delivery services include cleaning, assisting with quality check and security services for completed properties, displaying units and providing property sales venues management services to property developers at the pre-delivery stage of a sale of property. Consulting services include advising property developers at the early and construction stages on project planning, design management and construction management to enhance functionality, comfort and convenience. Community space services include (i) assisting advertisement companies with regards to advertisement placements in the community spaces in our managed properties, and (ii) managing community venues in our managed properties.
- *Value-added services to property owners.* We also provide value-added services to property owners. These services include community value-added services, customized interior furnishing services and property agent services. For our community value-added services, in view of the different functions in residential and non-residential properties, we provide additional services that are tailored to our

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customers’ needs. For residential properties, we provide personal training at our club houses. For non-residential properties, including commercial properties, office buildings, corporate headquarter buildings, public facilities and industrial parks, we provide business center and/or parking lot management services. In addition, seeing the growth potential of high-end customized interior furnishing service market, we plan to further leverage our service concept “Living Home (生活家)” to provide elegant, modern, stylish and customized interior furnishing services to our customers.

The table below summarizes when customers are required to pay service fees for each of our business segments.

Segments	Payment time
Property management services	Generally, customers are required to pay the next 12 months’ property management fees (each a “ billing period ”) before the property is handed over to the customers. Subsequent payments are required to be made prior to commencement of the next billing period.
Value-added services to non-property owners	<ul style="list-style-type: none">• For pre-delivery services, customers are generally required to pay six months’ fees upon entering into the contract or before we deliver our services. For property sales venue labor fees, customers are generally required to make monthly payments.• For consulting services, customers are generally required to pay annually before a designated date of each year.• For community space services, customers are generally required to prepay the service fees in advance for the following year within one month after entering into the service contracts.
Value-added services to property owners	<ul style="list-style-type: none">• For community value-added services, customers are generally required to pay in a timely manner after the service is provided.• For customized interior furnishing services, customers are required to pay in advance.• For property agent services, customers are required to pay when the service is provided.

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The revenue contribution and gross profit margin by each business segment during the Track Record Period is set forth in the table below:

	Year ended December 31,									Eight months ended August 31,					
	2015			2016			2017			2017			2018		
	Revenue	Gross Profit Margin*		Revenue	Gross Profit Margin*		Revenue	Gross Profit Margin*		Revenue	Gross Profit Margin*		Revenue	Gross Profit Margin*	
RMB'000	%	%	RMB'000	%	%	RMB'000	%	%	RMB'000	%	%	RMB'000	%	%	
Property management services	102,351	64.4	9.3	151,154	66.9	9.8	218,246	62.5	15.5	138,251	64.6	17.6	199,357	64.9	15.8
Value-added services to non-property owners	43,991	27.7	20.6	56,550	25.0	27.7	100,744	28.8	42.1	55,590	26.0	47.2	84,443	27.5	48.6
Value-added services to property owners	12,524	7.9	60.5	18,220	8.1	63.1	30,274	8.7	46.1	20,029	9.4	45.3	23,344	7.6	57.9
Total revenue . . .	158,866	100.0	16.5	225,924	100.0	18.6	349,264	100.0	25.8	213,870	100.0	27.9	307,144	100.0	28.0

* Gross profit margin by each business segment is calculated by dividing gross profit of each business segment by the corresponding revenue of each business segment for the financial year/period indicated.

For more details, see “Financial Information — Description of Selected items in Our Consolidated Statements of Profit or Loss and Other Comprehensive Income.”

Our property management service segment is our primary business, which enables us to source customers and expand business scale for our other business segments. Our value-added services to non-property owners also allow us to gain early access to property development projects, establish and cultivate business relationships with the property developers, assist us in gaining a stronger position to secure engagements for property services. Our value-added services to property owners increase our involvement with customers, broaden our revenue sources and enhance our future growth potential. Through our diversified and integrated service offerings, we are able to meet customers’ needs, enlarge our revenue base, improve market positioning and create a closed-loop value chain.

We have experienced significant growth during the Track Record Period in terms of revenue and profit for the year/period. Our revenue increased from RMB158.9 million in 2015 to RMB225.9 million in 2016 and further to RMB349.3 million in 2017, representing a CAGR of 48.3% from 2015 to 2017. Our revenue increased from RMB213.9 million for the eight months ended August 31, 2017 to RMB307.1 million for the eight months ended August 31, 2018. Our profit for the year increased from RMB11.5 million in 2015 to RMB22.1 million in 2016 and further to RMB57.6 million in 2017, representing a CAGR of 123.8% from 2015 to 2017. Our profit for the period increased from RMB39.5 million for the eight months ended August 31, 2017 to RMB50.7 million for the eight months ended August 31, 2018.

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OUR STRENGTHS

We believe we have achieved our success to date due to the following competitive strengths.

We are one of the leading high-end property management service providers in the Yangtze River Delta

We are one of the leading regional high-end property management service providers with a solid market position in the Yangtze River Delta, which is, one of the most economically prosperous regions in China with high urbanization rate and per capita annual disposable income, according to CIA. Our over 14 years of property management service experience dated back to 2004 in Hangzhou. We were ranked one of the top three high-end property management service providers in Hangzhou in 2017, according to CIA. Subsequently, we expanded our footprint to Shaoxing in 2008 and have since established a wide geographic coverage and reputable brand recognition in the Yangtze River Delta. We were ranked fifth in Zhejiang province and 10th in Yangtze River Delta in 2017, according to CIA.

As of August 31, 2018, we set up 35 branches and subsidiaries covering 15 cities across Zhejiang province and Shanghai in China, providing property management services to approximately 48,000 property units. Our total GFA under management increased from 5.5 million sq.m as of December 31, 2015 to 6.9 million sq.m as of December 31, 2016, to 8.6 million sq.m. as of December 31, 2017, and further to 10.8 million sq.m as of August 31, 2018. Our contracted GFA, excluding GFA under management, amounted to 7.1 million sq.m. as of August 31, 2018. The number of our managed properties increased from 31 properties as of December 31, 2015 to 41 properties as of December 31, 2016, to 51 properties as of December 31, 2017, and further to 68 properties as of August 31, 2018. Approximately 66.1% of our managed residential properties are high-end properties as of December 31, 2017.

As a result of the recognition of the high quality of our services, we were able to charge a premium average property management fee for our residential properties, which accounted for a majority of our managed properties. Our average property management fee in 2015, 2016 and 2017 and the eight months ended August 31, 2018 amounted to approximately RMB3.39 per sq.m./month, RMB3.80 per sq.m./month, RMB3.88 per sq.m./month and RMB3.98 per sq.m./month, respectively. Our average property management fee in Hangzhou in 2015, 2016 and 2017 and the eight months ended August 31, 2018 amounted to approximately RMB3.65 per sq.m./month, RMB4.21 per sq.m./month, RMB4.40 per sq.m./month and RMB4.44 per sq.m./month, respectively. Our average property management fee in Zhejiang province (excluding Hangzhou) in 2015, 2016 and 2017 and the eight months ended August 31, 2018 amounted to approximately RMB2.62 per sq.m./month, RMB2.84 per sq.m./month, RMB2.77 per sq.m./month and RMB2.86 per sq.m./month, respectively. Our average property management fee for residential properties in 2015, 2016 and 2017 and the eight months ended August 31, 2018 amounted to approximately RMB3.35 per sq.m./month, RMB3.78 per sq.m./month, RMB3.77 per sq.m./month and RMB3.83 per sq.m./month, respectively, which were above industry averages in China in each respective period, according to CIA. The average property management fee for residential properties for the top 100 property management companies in China in 2015, 2016 and 2017 amounted to RMB2.24 per sq.m./month, RMB2.31 per sq.m./month and RMB2.30 per sq.m./month, respectively, according to CIA. In particular, the average property management fee for residential properties in Hangzhou amounted to RMB2.11 per sq.m./month,

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RMB2.24 per sq.m./month and RMB2.29 per sq.m./month in 2015, 2016 and 2017, respectively. We have received various honors and awards, such as Hangzhou Property Industry Contribution Award by Hangzhou Property Management Institute in 2017, Hangzhou Outstanding Property Management Residential Community by Hangzhou Property Management Institute consecutively from 2015 to 2018, 2018 Leading Brand for Specialized Service Operations of China Property Service Industry (2018中國物業服務專業化運營領先品牌企業) and a Certificate of China Property Management Brand Value of RMB1.886 billion by CIA. See “— Awards and Recognitions” for details. In addition, we were ranked 32th among the top 100 property management companies in China in terms of overall strength in 2018, according to CIA and the China Real Estate Top 10 Research Team, up eight places since 2017. Our brand name has served, and will continue to serve, as a strong basis for us to solidify our existing market position, maintain a high renewal rate and generate new engagement opportunities from customers as well as more business opportunities with industry participants.

Our diversified property management portfolio and service offerings generated wide sources of revenue

Based on our abundant industry experience and commitment to promote our brand recognition, we have diversified our property management portfolio by extending services to non-residential properties which comprised commercial properties, office buildings, corporate headquarter buildings, public facilities and industrial parks. As of August 31, 2018, we managed 17 non-residential properties including five solely or co-developed by Binjiang Group and 12 developed by other independent third party property developers, with a total GFA under management of 1.3 million sq.m. Our non-residential property projects include local landmark projects such as Heart of Yiwu, a one-stop lifestyle urban complex for cultural and leisure activities. We also expanded our service to public facilities like Jiubao culture and sports center. Our engagements with landmark properties demonstrated our capability to provide sophisticated and superior services to high-profile properties, and well-positioned ourselves to capitalize on future business opportunities from more non-residential projects. We have achieved significant growth in revenue from property management services to non-residential properties which amounted to RMB3.2 million, RMB3.2 million, RMB19.4 million and RMB28.3 million in 2015, 2016 and 2017 and the eight months ended August 31, 2018, respectively. The percentage of revenue contribution from non-residential properties, which is calculated by dividing revenue contribution from non-residential properties by the corresponding total revenue for the year/period, increased from 3.1% for 2015 to 14.2% for the eight months ended August 31, 2018.

In order to maintain our overall competitiveness in the high-end property market, we endeavor to enhance the experience and satisfaction of property owners and residents at our managed properties. Other than the traditional property management services, we provided a wide range of community value-added services, such as repair, maintenance and house cleaning and property agent services. We constantly search for high-quality service providers to meet the exquisite life standards of our customers. For example, to tailor to our customers' needs, we provide customized interior furnishing services. Through the “Internet + Community” online platform, we brought our property management services online and are able to deliver an integrated service to our customers. We also provide community news and value-added services through this online platform, such as daily commodities purchase and extracurricular service, which can benefit from our existing large customer base in our managed properties in order to add new revenue streams to our business. We believe our continual efforts in enhancing the experience of property owners and residents at our managed properties will greatly contribute to

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our brand value and customer stickiness. Revenue from our value-added services to property owners increased at a CAGR of 55.7% from RMB12.5 million in 2015 to RMB30.3 million in 2017, and increased by 16.5% from RMB20.0 million for the eight months ended August 31, 2017 to RMB23.3 million for the eight months ended August 31, 2018. Revenue from our value-added services to property owners accounted for approximately 7.9%, 8.1%, 8.7% and 7.6% of our total revenue in 2015, 2016 and 2017 and the eight months ended August 31, 2018, respectively.

We also provided consulting services and sales-assistance services at pre-delivery stage to property developers, which enabled us to gain early access to property development and establish and cultivate business relationship with the property developers, putting us in a stronger positioning to secure engagements for property management services. We not only maintain our relationship with Binjiang Group but also explore more opportunities with independent third party developers. As of August 31, 2018, we had 40 projects of value-added services to non-property owners, including 16 projects from independent third party developers. Revenue from our value-added services to non-property owners increased at a CAGR of 51.3% from RMB44.0 million in 2015 to RMB100.7 million in 2017, and increased by 51.8% from RMB55.6 million for the eight months ended August 31, 2017 to RMB84.4 million for the eight months ended August 31, 2018. Furthermore, leverage our brand recognition and high-quality service standards, we were able to expand our consulting services to other property management service providers. We export our successful experience under our brand “Binjiang Home” to guide them and to enhance their service quality. For example, Dongling Property Management Company Limited entered into a two-year contract with us in July 2016 to help with their property management service project and to improve their service standard. In July 2018, in light of our good cooperative relationship, Dongling Property Management Company Limited renewed their contract with us for another year.

Our service quality helps achieve wide recognition from customers and increases our brand value

We have established a strong brand in the property management service industry by leveraging our expertise and in-depth knowledge of the local markets and by providing high-quality property management services tailored to our customers. We implement management systems and standards based on our know-how, which we believe has contributed to the recognition of our brand name and quality of our services in the management of high-end properties.

We believe our well-established market leadership and our extensive experience position us to capture greater market share in the growing property management service industry in China. Our annual customer satisfaction rates were above industry average, according to CIA. We were ranked first from 2012 to 2016 and second in 2017 in terms of customer satisfaction rates in Hangzhou, according to CIA. During the Track Record Period, our renewal rates with respect to property management service contracts, calculated as the number of renewed property management service contracts in a given period divided by the number of expiring property management service contracts in the same period, reached 100.0%. In 2015, 2016 and 2017 and the eight months ended August 31, 2018, our collection rate of property management fees, calculated by dividing the property management fees we actually received by the total property management fees payable to us for the same periods, was approximately 82.3%, 96.4%, 98.8% and 84.1%, respectively. According to CIA, our renewal rates and collection rates were both above the industry average rates. Benefiting from our excellent service quality, during

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the Track Record Period, we were also able to raise our property management fees in selected properties we managed. We raised the property management fees for five, three, three and five times in 2015, 2016 and 2017 and the eight months ended August 31, 2018, respectively. Among these properties, there were three residential properties that we further raised the property management fees consecutively.

Despite the intense competition in the property management service industry, we believe our high-end focus, high brand value, high-quality service and high customer satisfaction rates enable us to secure many large-scale and high-profile property projects, including the ones solely developed by Binjiang Group and co-developed by Binjiang Group and other independent third party property developers. Our bidding success rate for properties solely developed by Binjiang Group reached 100.0% during the Track Record Period. Our bidding success rate for properties co-developed by Binjiang Group and other independent third party property developers was also 100.0% during the Track Record Period. The number of these co-developed managed properties increased from seven properties as of December 31, 2015 to eight properties as of December 31, 2016 and 2017, and further to 14 properties as of August 31, 2018.

Moreover, our outstanding brand recognition helped us achieve significant growth during the Track Record Period with respect to property management engagements from independent third party property developers. The number of our managed properties from independent third party property developers amounted to one property as of December 31, 2015, six properties as of December 31, 2016, 12 properties as of December 31, 2017, and 23 properties as of August 31, 2018, accounting for 4.8%, 10.3%, 20.1% and 27.7% of our total GFA under management as of the same dates, respectively.

Benefiting from the steady and long-term business cooperation with Binjiang Group

Our long-term business cooperation with Binjiang Group, a leading property developer in China, has benefited and will continue to benefit us due to Binjiang Group’s large project reserve. According to CIA, Binjiang Group has been awarded China Top 100 Real Estate Developers jointly by Enterprise Research Institute under the Development Research Center of the State Council, Property Research Institute of Tsinghua University and CIA each year since 2007 and was ranked 25th in 2017. Its contracted sales amounted to approximately RMB61.5 billion in 2017, increased by 67.7% from 2016. Its GFA delivered reached 2.0 million sq.m. in 2017, increased by 75.2% from 2016. Binjiang Group mainly focus on high-end properties, which provides us with abundant project resources in our focus market. From 2017 to the Latest Practicable Date, Binjiang Group had developed or planned to develop 43 projects with a total land bank amounted to approximately 6.2 million sq.m., including 4.5 million sq.m. under construction and 1.7 million sq.m. of land parcels held for future development.

As of August 31, 2018, we managed 97.8% of the properties solely or co-developed by Binjiang Group. We won nine projects from Binjiang Group in the period from August 31, 2018 to the Latest Practicable Date, amounting to approximately 1.8 million sq.m. of contracted GFA. Going forward, based on the public available information on Binjiang Group’s development plan, our relationship with Binjiang Group and our capabilities, we expect to be engaged for up to 14 new property management service contracts for properties solely or co-developed by Binjiang Group and delivered from 2021 onward, representing up to 2.6 million sq.m. of contracted GFA in 2019. Given our close business relationship with Binjiang Group, we believe the risk that Binjiang Group will not

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award property management service contracts to us after the [REDACTED] is low. In addition, we provided value-added services to non-property owners, such as pre-delivery services, consulting services and community space services, to Binjiang Group during the Track Record Period. Binjiang Group obtained all of these value-added services to non-property owners from us during the Track Record Period for its residential properties, which amounted to 5.3 million sq.m., 6.2 million sq.m., 6.8 million sq.m. and 7.8 million sq.m. as of December 31, 2015, 2016 and 2017 and August 31, 2018, respectively. We believe that our long-term and stable business relationship with Binjiang Group will position us well to continue to benefit from its extensive and large project reserve, in particular expanding our market share in the high-end properties market, providing clear drivers for the continuing growth of our property management portfolio and further development of our value-added services to non-property owners.

Experienced and professional management team as well as human resources policies designed to cultivate outstanding employees

Our professional management team and comprehensive human resource policies are the keys to our achievements. Our management team has abundant industry experience in the property management and value-added services industry. For example, our chairman, Mr. Zhu, has over 15 years of experience in the real estate industry and was recognized as the bidding expert of Hangzhou Property Management as well as the Chinese Excellent Professional Manager. With his extensive experience and in-depth knowledge, he is in charge of designing our business strategies, setting our operational goals and managing our resources to achieve such goals. Our executive Directors and key senior management members have on average more than ten years of experience in the property management and have been instrumental to the success and growth of our business.

To sustain our growth, we have established a talent development system covering both internal training and external recruitment. Our internal training features differentiated employee cultivation, performance assessment and incentive schemes which tailor to the needs of different positions from entry-level staff to senior management with varying skill sets and career pursuits. We also focus on external recruitment to expand our talent pool and nurture management for the future. We have systematic recruiting programs to spot suitable candidates and provide them with well-rounded trainings. Through regular performance reviews, stipends and bonuses, we incentivize our employees and boost productivity by ensuring compensation is tied to performance to motive employees and optimize employee remuneration. Our human resources policies have help build a cohesive corporate culture, which will not only attract diversified talent but also help retain key employees required for our business expansion.

BUSINESS STRATEGIES

We intend to further strengthen and position ourselves as a leading comprehensive property management service provider based in China. Specifically, we plan to pursue the following strategies to achieve our objectives:

Continue to expand our business scale in high-end market through multiple channels

According to CIA, the current property management service industry in China is highly fragmented. We intend to leverage our successful experience in the high-end market in the Yangtze River Delta and utilize our

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well-established service management systems and standards to expand our market share in our existing markets and further penetrate new markets. We plan to selectively evaluate opportunities in several key satellite cities surrounding Hangzhou area, namely Ningbo, Wenzhou, Huzhou and Taizhou, which are densely populated with high per capita disposal income. Once we have established a presence in a new regional market, we plan to grow our presence rate in the market with a view to enhance our economies of scale. For example, the numbers of our managed properties in Jinhua-Yiwu area and Shaoxing-Shangyu area increased from five properties to 11 properties during the Track Record Period.

We seek to increase our property management portfolio through multiple channels. We will continue to leverage our existing business relationship with Binjiang Group for our organic growth. Also, we will proactively pursue new engagements from independent third party property developers by capitalizing on our reputable brand, diversified property portfolio, high-quality services and solid customer relationship. We will cultivate our newly-established relationship with these independent third party property developers and gradually expand our cooperation with them. Furthermore, we will continue to expand our property portfolio to attract more potential engagements. Currently, we plan to focus on new residential properties, business complex, hotels, service apartments, office buildings and sports and culture centers, which require high-quality service and match our brand positioning. In addition to growing our business through organic growth initiatives, we intend to explore selective strategic investment, acquisition and joint venture opportunities. According to CIA, the property management service industry in China currently has a low market concentration rate with a large number of competitors providing comparable services. Therefore, our Directors believe that it will not be difficult to identify suitable acquisition targets in the industry. Leveraging on our successful and extensive experience in Zhejiang province, we intend to acquire property management companies located in major cities in the Yangtze River Delta to further increase our market share in the existing market, and also in new cities such as Shenzhen to expand our geographical coverage. In particular, we plan to acquire (i) other property management companies which have good market recognition, reputation and development potential. We will mainly target property management companies focusing on public facilities and office buildings; and (ii) companies which are engaged in property management related businesses, such as security, cleaning, gardening and maintenance services. We believe that the acquisition of property management companies will improve our brand and market influence, economies of scale and the diversity of our managed properties. Further, the acquisition of property management related businesses will improve our management in the relevant fields, lower costs and diversify our source of revenue. We will also actively seek opportunities to partner with local government to obtain property management mandate for non-residential properties such as office buildings, government facilities or industrial parks. See “Future Plans and Use of Proceeds” for details. We believe that these cooperation and acquisitions can increase our business scale, enhance resources allocation and expand our geographic coverage.

Continue to deliver diversified and differentiated value-added services tailored to the needs of our customers

We intend to continue to develop our value-added services to improve customer living experience and satisfaction, as well as enhance our service innovation and value creation capability in building a personalized community ecosphere.

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To improve our services, we will further standardize our service procedures and pursue customization. We will tailor to the needs of the property owners and residents and provide professional value-added services, such as housekeeping, customized travel agent and customized family dining service under our service concept “Living Home (生活家)”, which focuses on providing customized design. We will continue to use our fitness clubs to provide personal fitness classes. In particular, having witness the growing demands for the high-end customized interior furnishing services in our managed properties, we have established two subsidiaries engaging in customized interior furnishing services under our service concept “Living Home (生活家)” and set up a joint venture with a design company to provide customized decoration upgrade and elegant, modern and stylish interior decoration to our customers. We will upgrade our service concept “Living Home (生活家)” to provide decoration replacement and maintenance, garden maintenance and housekeeping services. We seek to maintain and explore more cooperation with industry-renowned merchants as well as to replicate any successful cooperation model from one residential community to another.

To enhance our service quality and increase our touchpoints with customers, we plan to launch and promote “smart living community” through the cooperation with elite internet companies. Besides providing smart access control, online payment and repairing and delivering services on the “Internet + Community” comprehensive service platform, we will utilize this platform to provide more value-added services, such as community retailing, social advertising and extracurricular activities. Our existing large customer base in our managed properties can provide many business opportunities to our value-added services in order to add new revenue streams to our business.

Moreover, leveraging our experience in property management and operation, we will actively develop service apartment rental services and industrial park property management services to nurture new business and growth drivers. We will selectively focus on high-quality properties located in areas and cities where most properties located in the Yangtze River Delta with strong recurring cash flow, for which we provide tailored management and operation services in order to maximize the return and preserve asset value. We plan to establish an asset management platform to engage in the operation of industrial parks, which also contain long-term service apartments as ancillary facilities. According to CIA, the industrial park management services and long-term service apartment markets in China have relatively low market concentration rates and are currently at a stage where market players are racing to gain market share. Currently, the majority of market players in industrial park management service market are comprehensive property management companies, which treat industrial park property management as a way to diversify and supplement their other businesses. The remaining market players are companies that focus solely on industrial park property management and are generally subsidiaries of real estate developers looking to expand their service chain and ensure the stable operation of the industrial parks; these market players usually only provide services to their parent companies and are not actively seeking to gain market share.

We will establish a subsidiary or enter into a joint venture to oversee the operation of the asset management platform which focuses on industrial park management. We will be responsible for the project planning, design, renovation, business development and customer service in the industrial parks. Once we identify a suitable project, we will spend approximately ten days to evaluate the project, after which we will spend approximately 45 days for project planning and design. In the next three years, we plan to use our subsidiary or joint venture to

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rent old warehouses and office buildings of no less than 30 thousand sq.m. through public tenders in the asset trading market and by negotiating with property owners and property developers. We will rely on the quality of our services and property management capabilities to compete with other companies and secure the rental contracts, the terms of which are expected to range from 15 to 20 years. After entering into the rental contracts with property owners and property developers, we plan to renew the old warehouses and office buildings to an integrated multifunctional industrial park for business, residence and leisure. Approximately 10% of the industrial park area will be used for long-term service apartments. Further, our subsidiary or joint venture will enter into a property management service contract with a property management service provider, the term of which is expected to be two to three years. In the meantime, our subsidiary or joint venture will begin soliciting tenants, which may include, for example, small- and medium-sized enterprises. The rental contract periods between our subsidiary or joint venture and the tenants are expected to range from one to five years. Our PRC Legal Advisers have advised us that the operation of an integrated multi-functional industrial park itself does not require any license, but we may be required to obtain the relevant licenses if we provide certain value-added services such as dining and swimming pool services. Further, long-term service apartments may be interpreted as hotels, in which case the operation of such service apartments may require a special trade permit. For the project, we expect to spend approximately RMB40.0 million on renovation and approximately RMB5.0 million on office equipment and facilities. We also expect to spend approximately RMB10.0 million over the next three years to improve and increase the types of services we provide in the long-term service apartments. Our targeted customers will be small- and medium-sized enterprises engaging in e-commerce, cultural innovation, technological innovation and internet services. We will aim to fulfill their needs for both business and life service to form a complete community, thus increasing customer stickiness and ensuring high occupancy rates. We do not plan to solicit potential tenants or sub-letting the properties rented from landlords. See “Future Plans and Use of Proceeds” for details.

We estimate that the investment return of establishing an asset management platform will be at approximately 30% and that the main risks involved include high vacancy rate and a decrease in profit margins. Further, the revenue source of operating industrial parks mainly includes rental fees, property management service fees and value-added service fees (rental fees of long-term service apartments are generally 15% to 20% higher than the market price for normal apartments, and service fees generally amount to 10% of the rental fees). We also expect to earn revenue from performing administrative functions outsourced by companies in the industrial park. We estimate that the payback period of our investment of RMB55.0 million will range from three to four years. Such estimates are based primarily on (i) the estimated occupancy rates, property management fees and rental income of our expected industrial park project, (ii) the estimated rental costs, renovation costs and operational costs of our expected industrial park project, (iii) the estimated scale of our expected industrial park project, and (iv) our experiences gained from providing property management services. We will continue to explore different possibilities with growth potential and supplemental to our current business to enrich our service offerings and secure diverse and steady revenue streams.

Continue to optimize management centralization and standardization and adopt advanced technologies to enhance our operating efficiency and ensure service quality

To enhance our operating efficiency and service quality, we will implement management centralization, standardization and digitalization in our business operation. We plan to establish centralized management and

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monitoring center to enhance management efficiency and efficacy and reduce operating costs. In addition, we will continue to implement standardization in our management systems and standards through our star-rated service standards and procedures. We will set up more segmentation with detailed standards and procedures to meet the different and evolving needs of our high-end customers.

We plan to enhance and adopt advanced technologies in our administration, community services and property management. First, to increase our administration’s operating efficiency and lower our cost of management, we plan to update our enterprise resource planning management system and establish a database to collect and analyze information such as property management fees collection and customer information. We will also engage consulting firms to help with our risk management, process design, system implementation and personnel training. This aspect of our enhancement plan will be carried out from 2019 to 2021, and is expected to cost approximately RMB3.8 million, RMB3.8 million and RMB3.3 million in 2019, 2020 and 2021, respectively.

Second, to improve our community services, we plan to upgrade the online capabilities of our client-facing mobile terminal developed by elite internet companies. Currently, our property owners and residents can access the functions of such mobile terminal via their own property’s public account on WeChat. For first time users, they need to register and get approval in order to access their personal account. This client-facing mobile terminal provides a one-step platform for our property owners and residents to track property management related information, receive news on latest community activities and purchase value-added services. In the future, we plan to introduce more functions on our mobile terminal to provide convenience to our property owners and residents. As advised by our PRC Legal Advisers, the operation of such mobile terminal on WeChat does not require additional specific licenses such as value-added telecommunications business operating license. This aspect of our enhancement plan will be carried out from 2019 to 2021, and is expected to cost approximately RMB3.5 million, RMB3.0 million and RMB3.5 million in 2019, 2020 and 2021, respectively.

Third, to lower operating costs and increase efficiency of our property management, we plan to create a cloud sharing platform with the use of the internet and the internet of things within the next two years. This aspect of our enhancement plan will be carried out from 2019 to 2021, and is expected to cost approximately RMB5.0 million, RMB5.0 million and RMB10.0 million in 2019, 2020 and 2021, respectively. The cloud sharing platform will allow us to achieve real-time monitoring of our property management and sharing of information among our managed properties. For example, we plan to install remote monitoring systems that can upload data to our cloud sharing platform through the internet to monitor our facilities’ operation conditions in all of our managed properties such as electricity and water supply status to achieve real-time monitoring and lower labor and energy costs. Furthermore, we plan to work with software platforms to allow our employees to track real-time data of our managed properties through their smart phones, which can enhance their service performance and our overall operating efficiency. In addition, to facilitate the above enhancements, we plan to upgrade our hardware facilities and establish an intranet from 2019 to 2021. This is expected to cost approximately RMB3.5 million, RMB1.3 million and RMB2.2 million in 2019, 2020 and 2021, respectively. We plan to fund the above initiatives through our use of proceeds from the [REDACTED] and our internal operating cash flow and financial resources. See “Future Plans and Use of Proceeds” for details. The above enhancements are expected to allow us to achieve approximately RMB25.0 million in cost savings, primarily due to the expected decrease in cost of labor and increase in operating efficiency.

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As we only generate revenue from our provision of services, as opposed to the provision of paid internet information service, our PRC Legal Advisers have advised us that the implementation of the above technologies do not require any value-added telecommunications business operating license because the business conducted by us is regarded as “non-commercial internet information services.”

Continue to attract, develop and retain talent to support our business growth

To facilitate our growth, we will continue to execute human resources strategies to attract, nurture and retain talent to execute our business expansion. We will select our management staff organically through internal promotion and also externally recruit talent in the property management service industry who implement our development strategy and corporate culture.

We will tailor our training programs to various levels of management from entry-level staff to senior management to address their need for different skill sets. To supplement our recruiting and training efforts, we will continue developing long-term relationship with professional institutions and industrial organizations for strategy planning as well as establishing various training camps, helping employees in career development. We plan to launch online training courses to provide timely and attractive learning opportunities for our employees. In addition, we have implemented and will continue to implement various employee recognition initiatives and rewards to further improve their performance in service quality and job experience. We will also continue to design and optimize competitive compensation packages and performance review systems for enhancing employees’ sense of belonging.

OUR SERVICES

Property Management Services

We have been providing property management services in China for over 14 years since 2004, and have since then established a strong footprint in the Yangtze River Delta. As of August 31, 2018, we set up 35 subsidiaries and branches covering 15 cities across Zhejiang province and Shanghai in China, providing property management services to approximately 48,000 property units. Our total GFA under management amounted to 10.8 million sq.m with a total of 68 managed properties, including 51 residential properties and 17 non-residential properties, as of August 31, 2018.

The table below sets forth our (i) contracted GFA, (ii) GFA under management, and (iii) number of managed properties, as of the dates indicated:

	<u>As of December 31,</u>			<u>As of August 31,</u>
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Contracted GFA ('000 sq.m.)	8,470	10,198	13,675	17,925
GFA under management ('000 sq.m.)	5,531	6,892	8,604	10,818
Number of managed properties	31	41	51	68

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Geographic Coverage

The map below illustrates the geographic coverage of our managed properties as of August 31, 2018.



The table below sets forth the breakdowns of (i) our total GFA under management and (ii) the number of our managed properties by geographic region as of the dates indicated:

	As of December 31,						As of August 31,	
	2015		2016		2017		2018	
	GFA (^{'000} sq.m.)	Number	GFA (^{'000} sq.m.)	Number	GFA (^{'000} sq.m.)	Number	GFA (^{'000} sq.m.)	Number
Hangzhou	3,935	24	5,057	33	5,994	40	7,563	51
Zhejiang province (excluding Hangzhou)	1,596	7	1,835	8	2,610	11	3,255	17
Total	5,531	31	6,892	41	8,604	51	10,818	68

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

	Year ended December 31,						Eight months ended August 31,			
	2015		2016		2017		2017		2018	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Hangzhou	82,838	80.9	118,125	78.1	170,658	78.2	109,020	78.9	158,775	79.6
Zhejiang province (excluding Hangzhou)	19,513	19.1	33,029	21.9	47,588	21.8	29,231	21.1	40,582	20.4
Total	102,351	100.0	151,154	100.0	218,246	100.0	138,251	100.0	199,357	100.0

During the Track Record Period, all of our property management services revenue were generated from properties located in the Yangtze River Delta, especially Hangzhou. The population density and per capita disposable income are higher in this economic zone than in most other regions in China. We expect that our properties in the Yangtze River Delta will continue to account for a significant portion of our operations in the near future. As of the Latest Practicable Date, we had established 41 branches and subsidiaries across China to facilitate the expansion of the geographical scope of our operations, while maintaining service quality as well as minimizing and controlling discrepancies in service standards across different regions and different properties under our management. We believe that the establishment of such branch will help us prepare for further expansion of our operations and enable us to better capitalize on economies of scale.

Types of Managed Properties

We manage a diversified portfolio of properties covering high-end residential properties. We extend our property management services from residential properties to non-residential properties, including commercial properties, office buildings, corporate headquarter buildings, public facilities and industrial parks.

The table below sets forth the breakdowns of (i) our total GFA under management and (ii) the number of our managed properties by type of properties as of the dates indicated:

	As of December 31,						As of August 31,	
	2015		2016		2017		2018	
	GFA (’000 sq.m.)	Number	GFA (’000 sq.m.)	Number	GFA (’000 sq.m.)	Number	GFA (’000 sq.m.)	Number
Residential properties	5,217	27	6,401	34	7,593	40	9,491	51
Non-residential properties	314	4	491	7	1,011	11	1,327	17
Total	5,531	31	6,892	41	8,604	51	10,818	68

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The table below sets forth the breakdown of our property management services revenue by type of properties for the periods indicated:

	Year ended December 31,						Eight months ended August 31,			
	2015		2016		2017		2017		2018	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
							(unaudited)			
Residential properties	99,193	96.9	147,960	97.9	198,846	91.1	127,258	92.0	171,089	85.8
Non-residential properties	3,158	3.1	3,194	2.1	19,400	8.9	10,993	8.0	28,268	14.2
Total	102,351	100.0	151,154	100.0	218,246	100.0	138,251	100.0	199,357	100.0

Nature of Property Developers

During the Track Record Period, our managed properties were mainly solely or co-developed by Binjiang Group while the rest were developed by independent third party property developers. During the same periods, we won all the public tenders with respect to projects solely developed by Binjiang Group for which we bid. Our bidding success rate for properties co-developed by Binjiang Group and other independent third parties, which is calculated by dividing the number of public tenders with respect to these co-developed properties that we won during a period by the total number of public tenders with respect to these co-developed properties in which we participated in the same period, was 100.0% during the Track Record Period. For information concerning our business with Binjiang Group, see “Relationship with Controlling Shareholders — Our Controlling Shareholders.”

We are also actively exploring new engagement opportunities with independent third party property developers. We began to secure property management service contracts from independent third party property developers in 2015. We have submitted one, eight, ten and nine tenders to independent third party property developers in 2015, 2016, 2017 and the eight months ended August 31, 2018, respectively. Our bidding success rate for properties solely developed by independent third party property developers, which is calculated by dividing the number of public tenders with respect to properties developed by independent third party property developers that we won during a period by the total number of public tenders with respect to properties developed by independent third party property developers in which we participated in the same period, was approximately 100.0%, 50.0%, 80.0% and 100.0% in 2015, 2016 and 2017 and the eight months ended August 31, 2018, respectively.

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The table below sets forth the breakdown of our bidding success rates by type of developers for the periods indicated:

	Year ended December 31,						Eight months ended August 31, 2018	
	2015		2016		2017			
	Number of public tenders	Number of tenders won	Number of public tenders	Number of tenders won	Number of public tenders	Number of tenders won	Number of public tenders	Number of tenders won
Properties developed solely by Binjiang Group	1	1	0	0	0	0	3	3
Properties co-developed by Binjiang Group	5	5	5	5	5	5	5	5
Properties developed by independent third party property developers	1	1	8	4	10	8	9	9
Total	7	7	13	9	15	13	17	17

The table below sets forth the breakdowns of (i) our total GFA under management and (ii) the number of our managed properties by type of developers at different stages as of the dates indicated:

	As of December 31,						As of August 31, 2018	
	2015		2016		2017			
	GFA ('000 sq.m.)	Number	GFA ('000 sq.m.)	Number	GFA ('000 sq.m.)	Number	GFA ('000 sq.m.)	Number
Properties developed by Binjiang Group⁽¹⁾	5,264	30	6,183	35	6,807	39	7,826	45
— Preliminary stage	4,069	21	4,599	24	5,027	27	5,372	30
— Property owners' associations stage	1,195	9	1,584	11	1,780	12	2,454	15
Properties developed by independent third party property developers	267	1	709	6	1,797	12	2,992	23
— Preliminary stage	267	1	561	5	1,515	10	2,518	20
— Property owners' associations stage	—	—	148	1	282	2	474	3
Total	5,531	31	6,892	41	8,604	51	10,818	68

Note:

(1) Refers to properties developed solely or co-developed with other parties by subsidiaries or joint ventures of Binjiang Group.

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The table below sets forth the breakdown of our property management services revenue by type of developers at different stages for the periods indicated:

	Year ended December 31,						Eight months ended August 31,			
	2015		2016		2017		2017		2018	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Properties developed by Binjiang Group⁽¹⁾	100,738	98.4	138,960	91.9	179,186	82.1	114,210	82.6	150,823	75.7
— Preliminary stage	90,616	88.5	116,914	77.3	146,036	66.9	92,355	66.8	105,590	53.0
— Property owners' associations stage	10,122	9.9	22,046	14.6	33,150	15.2	21,855	15.8	45,233	22.7
Properties developed by independent third party property developers ...	1,613	1.6	12,194	8.1	39,060	17.9	24,041	17.4	48,534	24.3
— Preliminary stage	1,613	1.6	8,044	5.3	28,693	13.1	17,281	12.5	36,488	18.3
— Property owners' associations stage	—	—	4,150	2.8	10,367	4.8	6,760	4.9	12,046	6.0
Total	102,351	100.0	151,154	100.0	218,246	100.0	138,251	100.0	199,357	100.0

Note:

(1) Refers to properties developed solely or co-developed with other parties by subsidiaries or joint ventures of Binjiang Group.

Scope of Our Property Management Services

Our property management services typically include:

- *Security services.* The security services that we provide primarily include patrolling, access control, manned guard stations, visitor handling and emergency handling. We generally provide our security services through our own employees or through subcontracting. For details, see “— Our Suppliers — Subcontracting.”
- *Cleaning and gardening services.* We provide general cleaning, gardening, pest control and landscaping services, some of which are through subcontractors.
- *Repair and maintenance services.* The scope of our repair and maintenance services typically covers (i) common area equipment and facilities, such as elevators, escalators, central air conditioning systems and electric power distribution systems, (ii) fire and safety facilities, such as fire extinguishers and fire alarm systems, (iii) security facilities, such as entrance gates control and surveillance cameras, and (iv) utility facilities, such as electric power distribution systems, water pumps and water tank. We outsource the elevator and the fire control services to subcontractors. For details, see “— Our Suppliers — Subcontracting.” Our in-house technicians perform routine management and inspections of certain systems and equipment and they also take charge of planning equipment maintenance and maintaining ledgers to ensure the normal operation of the equipment in the serviced areas.

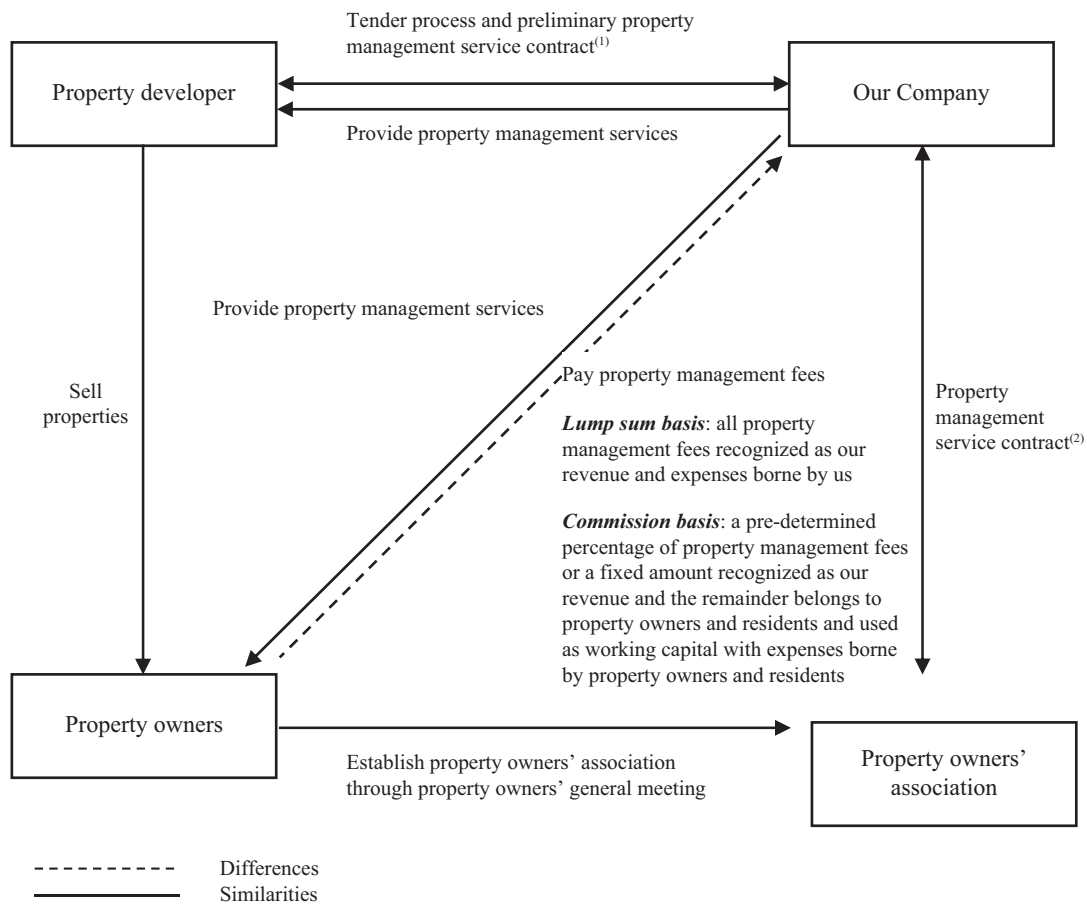
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- Ancillary services.* Our ancillary services include (i) assisting property owners and residents with daily services, such as visitors’ checking in, decoration management, car parking, moving in and out, (ii) handling customer complaints and suggestions and following up on the progress and feedback, (iii) concierge services, (iv) accepting maintenance requests and following up on the progress and feedback, (v) collecting property management fees, (vi) collecting and categorizing property owners and residents information, and (vii) establishing and maintaining relationship with property owners and residents.

Revenue Model of Property Management Services

We charge property management fees on a lump sum basis or commission basis. Property developers generally propose, subject to local regulations, whether they prefer the properties to be managed on a lump sum basis or commission basis. Based on the proposal, we then conduct financial assessments by evaluating key factors such as estimated costs of managing the property, fee collection rate, projected profitability, as well as when renewing contracts, whether the property was previously managed on a lump sum basis or commission basis. The assessment results help us determine whether to accept a proposal and take up the engagement.

The following diagram illustrates the major differences between managing properties under the two revenue models:



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Notes:

- (1) A property developer can enter into a preliminary property management service contract with us on behalf of property owners before the establishment of property owner’s association and such contract is legally binding on property owners.
- (2) The property owners can select to engage us through the property owners’ general meeting. Once we are selected, the property owners’ general meeting can authorize the property owners’ association to enter into a property management service contract with us on behalf of property owners and such contract is legally binding on property owners.

The differences between lump sum basis and commission basis are explained in more details below:

- *Property management fees charged on a lump sum basis*

On a lump sum basis, we recognize as revenue the full amount of the total property management fees. From the property management fees received, we pay the expenses incurred in connection with managing the properties which are recognized as our cost of sales and direct operating expenses. During the term of a property management service contract, if the amount of property management fees we collect is not sufficient to cover all the expenses incurred, we are not entitled to require the property owners and residents or property developers to pay us the shortfall. We will consider to adjust the price for break even in the event that our costs incurred are higher than expected. For example, according to the Hangzhou Property Management Regulation (《杭州市物業管理條例》), for projects under the lump sum basis, prices should match the level of service provided and may be subject to adjustment depending on the cost of service.

- *Property management fees charged on a commission basis*

On a commission basis, we retain as our revenue (i) a pre-determined percentage of the total property management fees or (ii) a fixed amount, with reference to our assessment of the collectability of property management fees. The remainder of the property management fees after deducting our commission is used as working capital to cover the expenses incurred from property management.

In the event of a surplus of working capital after deducting the relevant property management expenses, the surplus is generally rolled over to the next annual period. On the other hand, in the event of a temporary shortfall of working capital to pay the relevant property management expenses, our PRC Legal Advisers have confirmed that, under commission basis, we have the legal right to request the property owners and residents to make up for the shortfall and also to recover such shortfall according to the Administrative Measures on Property Management Service Charges (《物業服務收費管理辦法》) (Fa Gai Jia Ge [2003] No.1864). See “Regulatory Overview — Property Management Service Charges” for details.

On a commission basis, we essentially act as an agent of the property owners and residents. We are not entitled to any excess of the property management fees paid by property owners and residents and property developers, after deducting the fees receivable by us as the property manager, over the costs and expenses associated with the provision of our property services. Therefore, we generally do not recognize any direct cost under property management service contracts charged on a commission basis. The property owners and residents and property developers will reimburse us for the associated costs after their review and approval, as the case may be.

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The table below sets forth the breakdown of (i) our total GFA under management and (ii) the number of our managed properties by revenue model as of the dates indicated:

	As of December 31,						As of August 31,	
	2015		2016		2017		2018	
	GFA (’000 sq.m.)	Number	GFA (’000 sq.m.)	Number	GFA (’000 sq.m.)	Number	GFA (’000 sq.m.)	Number
Lump sum basis	4,656	23	5,902	31	7,686	43	10,071	59
Commission basis	875	8	990	10	918	8	747	9
Total	5,531	31	6,892	41	8,604	51	10,818	68

The table below sets forth the breakdown of our property management services revenue by revenue model for the periods indicated:

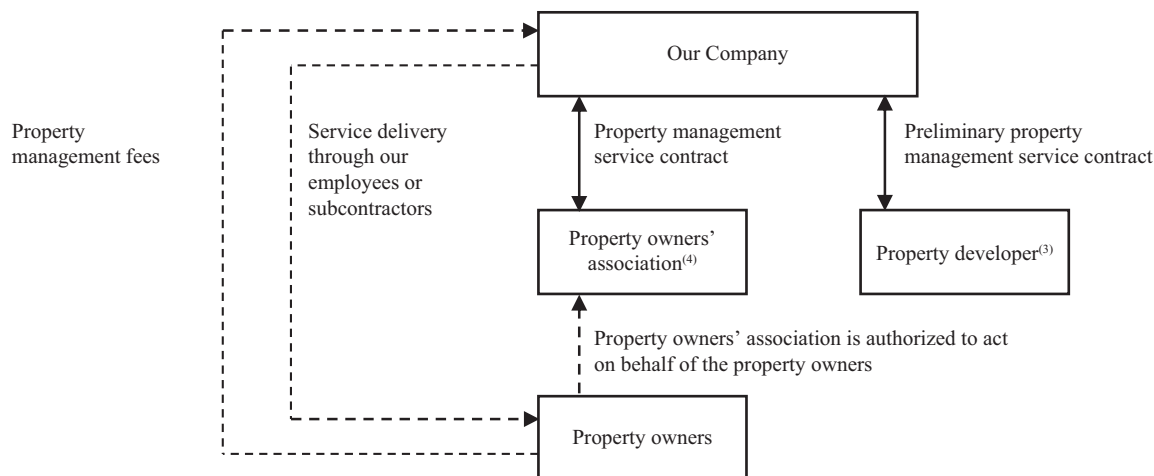
	Year ended December 31,						Eight months ended August 31,			
	2015		2016		2017		2017		2018	
	RMB’000	%	RMB’000	%	RMB’000	%	RMB’000	%	RMB’000	%
Lump sum basis	100,101	97.8	148,573	98.3	215,570	98.8	136,207	98.5	197,277	99.0
Commission basis	2,250	2.2	2,581	1.7	2,676	1.2	2,044	1.5	2,080	1.0
Total	102,351	100.0	151,154	100.0	218,246	100.0	138,251	100.0	199,357	100.0

Property Management Service Contracts

The provision of our property management services is governed by (i) preliminary property management service contracts entered into between the property developers and us before the newly developed properties are delivered to the property owners, or (ii) property management service contracts entered into between the property owners’ associations and us after the developed properties have been delivered to the property owners and the property owners’ associations have been established in accordance with PRC laws.

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The diagram below illustrates our relationship with various contracting parties under our property management service contracts.



Notes:

- (1) Solid lines indicate binding agreements were entered into between the parties.
- (2) Dotted lines indicate no agreements were entered into between the parties.
- (3) Property developer enters into the preliminary property management service contract with us. Such contract is legally binding on the future property owners in accordance with PRC laws.
- (4) Property owners' association enters into the property management service contract on behalf of property owners with us. Such contract is legally binding on all property owners in accordance with PRC laws.

During the Track Record Period, the majority of the new engagements we entered into were for newly developed properties for which the property owners' associations are yet to be set up. We generally prefer to provide management services for newly developed properties as they typically have premium property management fees and new infrastructures which enable us to provide better services to the customers.

To ensure service quality at the preliminary stage before the property owners' associations are established, property developers typically engage property management service providers through tender process before newly developed properties are sold to property owners to ensure that property management services are available. After the determination of the property management service providers, the property developers will need to make registration of the bidding materials according to the local regulations with the local PRC authorities.

Our PRC Legal Advisers have advised us that although neither the property owners' associations nor property owners are parties to the preliminary property management service contracts, these contracts are nonetheless legally binding on the future property owners under PRC law and property owners are obligated to pay property management fees directly to us under these contracts. When the property developers enter into

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property sale and purchase agreements with property owners, we take the following precautionary measures to highlight to the property owners their legal obligations to comply with the preliminary property management service contracts: we typically attach the preliminary property management service contract to the property sale and purchase agreements to ensure that the property owners are aware of and undertake to comply with it. Under PRC laws, the property owners’ associations, following the direction of property owners’ general meeting, may engage a property management company on behalf of the property owners and enter into a property management service contract that is legally binding on all property owners.

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

- *Scope of services.* We provide typical property management services consisting of security, cleaning, gardening, repair and maintenance of the common areas and common area equipment and facilities. It is our duty to set up the annual budgets, service plans and final accounting reports of a managed property. The contract also sets out the quality standards required for providing the property management services.
- *Property developer’s obligations.* The property developer is primarily responsible for, among others, (i) obtaining a commitment from every property buyer that it will comply with the preliminary property management service contract, (ii) providing sufficient office space for us to use as our onsite property management office, (iii) conducting acceptance inspection for the delivery of the common areas, equipment and facilities, and (iv) providing us with blueprints and other construction design documents and completion inspection documents. The property developer is also responsible for the property construction quality by meeting the standards for property acceptance inspection and delivery in accordance with applicable PRC laws and undertakes the maintenance obligations of the property within the prescribed warranty period.
- *Property management fees.* The contract sets out the property management fee to be collected per sq.m. and, if applicable, the commission rate charged on such fees, which generally begin to accrue upon delivery of the purchased property. The property developer is responsible for paying the property management fees for the units that remain unsold. We may also impose late fees on overdue property management fees and have the right to initiate legal proceedings against the property owners or property developer to collect the fees.
- *Outsourcing.* We are allowed to outsource individual components of the property management services to specialized third-party contractors. For example, we may choose to outsource security and cleaning services to third-party contractors and only conduct the overall coordination and planning ourselves. However, we are not allowed to outsource all aspects of the property management services on a wholesale basis. For arrangements with our third-party subcontractors, see “— Our Suppliers — Subcontracting.”
- *Term.* The majority of our preliminary property management service contracts do not have any fixed terms and expire only when the relevant property owners’ association is established and a property

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management service contract is entered into to replace the preliminary property management service contract.

Our existing preliminary property management service contracts generally have fixed terms of between three to five years. If the preliminary property management service contract with a fixed term expires before the property owners’ general meeting is held to establish the property owners’ association in accordance with applicable PRC laws and no renewal agreement is reached, the preliminary property management service contract will expire at the end of the current term. However, if no new property management company is selected and we continue to provide services with the acceptance from the property owners and residents, generally the PRC courts will deem that there is an existence of an implied in fact contract and we can charge property management fees based on the rate agreed in the preliminary property management service contract. When the property owners’ association has entered into a property management service contract with us or another property management company, our preliminary property management service contract will be terminated automatically, even if its current term has not expired.

A property management service contract typically has a fixed term ranging from three to five years. We typically have the option to unilaterally terminate a property management service contract and cease service provisions before its expiration if we pay a compensation to our counterparty. We may also unilaterally terminate a contract and cease service provisions before its expiration without paying a compensation to our counterparty if there are legal or contractual grounds for such unilateral termination, such as our counterparty’s non-performance of its material obligations.

The table below sets forth the expiration schedule of the related property management service contracts with fixed terms as of August 31, 2018.

	<u>Number of contracts</u>	<u>Percentage</u>
Properties developed by Binjiang Group⁽¹⁾		
One year or less	6	13.3%
More than one year and up to two years	6	13.3%
More than two years and up to three years	8	17.8%
More than three years	1	2.2%
No fixed terms	24	53.3%
Total	<u>45</u>	<u>100.0%</u>
Properties developed by independent third party property developers		
One year or less	8	34.8%
More than one year and up to two years	4	17.4%
More than two years and up to three years	2	8.7%
More than three years	1	4.3%
No fixed terms	8	34.8%
Total	<u>23</u>	<u>100.0%</u>

Note:

(1) Refers to properties developed solely or co-developed with other parties by subsidiaries or joint ventures of Binjiang Group.

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In 2015, 2016 and 2017 and the eight months ended August 31, 2018, we have nine, 12, 14 and 18, respectively, managed properties, which had established property owners’ associations, accounting for approximately 29.0%, 29.3%, 27.5% and 26.5%, respectively, of the total number of our managed properties.

During the Track Record Period, our renewal rates with respect to property management service contracts, calculated as the number of renewed property management service contracts in a given period divided by the number of expiring property management service contracts in the same period, all reached 100.0%. Under PRC laws, the property owners’ general meeting of a residential community of a certain scale has the right to change property management companies pursuant to certain procedures. For more information, see “Regulatory Overview — Property Management Services — Appointment of the Property Management Enterprises.” In the event of termination or non-renewal of property management service contracts, we may be adversely affected. See “Risk Factors — Risks Relating to Our Business and Industries — Our preliminary property management service contracts or property management service contracts may not be renewed or may be terminated, which could have material adverse effect on our business, financial condition and results of operations.”

Property Management Fees

Pricing of Property Management Fees

We are typically appointed as the property management service provider through a tender process. When we bid for a new engagement, we generally price our services based on a number of factors, including (i) the size, location and positioning of the properties to be sold, (ii) budgeted operational expenses (including but not limited to labor, materials and administrative expenses), (iii) scope and quality of the services proposed, (iv) revenue generating model and targeted profit margins, (v) local government’s pricing guidance/regulations on property management fees (where applicable), (vi) pricing of comparable properties, and (vii) evaluation of competitors’ pricing.

In the PRC, the fees that property management companies may charge in connection with property management services are regulated and supervised by relevant PRC authorities. The relevant price administration department and construction administration department of the State Council are jointly responsible for the supervision over and administration of the property management fees. See “Regulatory Overview — Property Management Services — Property Management Service Charges.” The government-imposed limits on fees have, to certain extent, had an effect on our results of operations during the Track Record Period, as we may not at all times have the flexibility to adjust our pricing in response to rising operating costs. As a result, we have adopted other measures, such as cost control and revenue source diversification through our other businesses, such as value-added services to property owners, to maintain our profitability. See “Risk Factors — Risks Relating to Our Business and Industries — Our pricing of property management fees under preliminary property management service contracts and for affordable housing is subject to PRC laws and regulations.”

When the residential properties have reached the delivery stage, we receive property management fees from owners of sold property units which are generally calculated based on the size of the unit and the nature of the area of communities, such as residential areas, retail areas and car parks. For the residential areas, we further differentiate the fee standards based on property nature, such as high-rise apartments or townhouses.

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Leveraging our brand and industry presence, we have been able to charge premium property management fees which reflect the quality of our property management services. During the Track Record Period, we were able to raise our property management fees in selected properties we managed. We raised the property management fees for five, three, three and five times in 2015, 2016 and 2017 and the eight months ended August 31, 2018, respectively. Among these properties, there were three residential properties that we further raised the property management fees consecutively. In total, we have successfully raised the property management fees of nine property management service contracts during the Track Record Period. Unless the property management service contract being performed has already agreed on raising the property management fees, to raise property management fees of our properties, we must sign a new property management service contract or a supplementary property management service contract with the property owners' association, which specifies the increased fee rate. Before signing the new property management service contract or supplementary property management service contract, the property owners' association must obtain approval from the owners' general meeting; that is, a simple majority of the owners whose ownership of exclusive areas constitute more than half of the total area of the building must agree. For properties that have yet to establish a property owners' association, there is no specific process under PRC laws for raising property management fees. During the Track Record Period, all of the properties that we have successfully raised property management fees as mentioned above have established property owners' association. Our average property management fee in 2015, 2016 and 2017 and the eight months ended August 31, 2018 amounted to approximately RMB3.39 per sq.m./month, RMB3.80 per sq.m./month, RMB3.88 per sq.m./month and RMB3.98 per sq.m./month, respectively. Our average property management fee for residential properties in 2015, 2016 and 2017 and the eight months ended August 31, 2018 amounted to approximately RMB3.35 per sq.m./month, RMB3.78 per sq.m./month, RMB3.77 per sq.m./month and RMB3.83 per sq.m./month, respectively. However, there is no assurance that we would succeed in maintaining our property management fees in the future. See “Risk Factors — Risks Relating to Our Business and Industry — Our provision of property management services on a lump sum basis could subject us to losses” for further details.

Collection and Payment of Property Management Fees

We generally charge property management fees on an annual basis. Owners of both properties managed under lump sum basis and commission basis are generally provided with similar payment terms and have similar credit risk profiles, as fees are collected from the property owners in both cases. Property management fees are due for payment by property owners upon the issuance of a payment notice. We typically require property management fees to be prepaid by a year. Although our preliminary property management service contracts and property management service contracts require customers to pay the management fees upfront at the beginning of a billing cycle, we sometimes allow customers to pay the fees at an agreed time within the billing cycle. We may charge late fines on overdue fees on a daily basis, generally at a rate of 0.2% subject to geographic difference, as provided in some of our property management service contracts.

We have undertaken various measures to enhance timely collection of property management fees and other payments. When property management fees are overdue, we will give payment reminders through phone calls or SMS messages for the first month. When the property management fees are overdue for over a month, we will begin sending payment notices via mail. When the property management fees are overdue for over six months, our external legal counsel will send out demand letters. In the event that property management fees are still outstanding after 12 months from the due date, we may file a law suit.

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In addition to making payments at our onsite management offices by cash or bank cards, we have made available to the property owners and residents to make payment online. In 2015, 2016 and 2017 and the eight months ended August 31, 2018, our collection rates of property management fees, calculated by dividing the property management fees we actually received by the total property management fees payable to us for the same periods, were approximately 82.3%, 96.4%, 98.8% and 84.1%, respectively.

Growth of Our Property Management Service Portfolio

We had been expanding our property management service business during the Track Record Period primarily through obtaining new service engagements from property developers or property owners’ associations. In the future, we also plan to explore selective strategic investment, acquisition and joint venture opportunities. We believe that these cooperation and acquisitions can increase our business scale, enhance resources allocation and expand our geographic coverage. For details, see “— Business Strategies — Continue to expand our business scale in high-end market through multiple channels.”

The table below indicates the movement of our (i) total GFA under management and (ii) number of managed properties during the Track Record Period.

	As of December 31,						As of August 31,	
	2015		2016		2017		2018	
	GFA (’000 sq.m.)	Number	GFA (’000 sq.m.)	Number	GFA (’000 sq.m.)	Number	GFA (’000 sq.m.)	Number
As of beginning of the period	4,574	27	5,531	31	6,892	41	8,604	51
New engagements ⁽¹⁾	957	4	1,560	11	1,712	10	2,214	17
Terminations	—	—	(199)	(1)	—	—	—	—
As of end of the period	5,531	31	6,892	41	8,604	51	10,818	68

Note:

- (1) In relation to residential properties we manage, new engagements primarily include service engagements for new property developments constructed by property developers and to a much lesser extent, service engagements for residential properties replacing their previous property management companies, or service engagements that we entered into previously but delivered our services during this period.

As of the Latest Practicable Date, we have entered into property management service contracts for a total of 8.8 million sq.m., representing 50 projects to be delivered within three years.

Bidding Process

We select our customers based on their property portfolio, background and development timetable of the target properties. We conduct feasibility analysis and financial projections before taking on a new engagement, taking into account a variety of factors, such as the expected rate of return, features and size of the project, staff management and target customers.

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Under PRC laws, property developers are typically required to select property management service providers through a bidding process for their residential projects. In circumstances where there are not enough bidders or the size of the residential property is small, property developers are permitted to select property management service providers without conducting any bidding process, subject to approval by competent PRC property administration authorities. A public bidding process is also required for engaging property management service providers for non-residential properties owned by the PRC government or government-controlled entities, such as public schools, airports and industrial parks. The bidding processes are generally similar to those for entering into preliminary property management service contracts in relation to residential properties.

A typical bidding process primarily involves the following stages:

- *Invitation.* The property developer should file the invitation to tender with local authority. Then the property developer may publish an announcement to invite potential bidders or issue private invitations to at least three qualified bidders setting out the specifications and requirements for the tendered property management project.
- *Pre-qualification.* The property developer may pre-examine the bidding qualification of the bidders according to the provisions of the invitation documents.
- *Tender submission.* Bidders submit tender documents to the property developer which generally contain proposed pricing, proposal and plan for property management and other information as specified by the tender invitation. Bidders may be required to provide pre-qualification documents for vetting before the formal tender documents are submitted.
- *Review.* The property developer will establish a tender review committee to review and rank the submitted tenders. The tender review committee takes into account factors such as credentials, service quality, availability of capital and proposed fee levels when it reviews the proposals.
- *Selection.* Based on its review, the tender review committee recommends to the property developer not more than three candidates. The property developer will then engage the property management company ranked the first.
- *Award and contract signing.* The property management service contract so awarded to the winner is expected to be signed within 30 days of the award and the property developer will need to file with the competent PRC property administration authorities within 15 days after the bidding result comes out.

There is no difference between the public tendering process and the reviewing criteria with respect to projects developed by Binjiang Group or independent third party property developers.

Our high customer satisfaction rate, reputable credentials, capital resources, diverse managed property portfolio, industry rank and brand recognition, wide service offerings and long-time relationship help us secure the projects developed by Binjiang Group. During the Track Record Period, we won all the public tenders with respect to projects developed by Binjiang Group for which we bid.

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We are also actively exploring new engagement opportunities with independent third party property developers. We have submitted one, eight, ten and nine tenders to independent third party property developers in 2015, 2016, 2017 and the eight months ended August 31, 2018, respectively. Our bidding success rate for properties developed by independent third party property developers, which is calculated by dividing the number of public tenders with respect to properties developed by independent third party property developers that we won during a period by the total number of public tenders with respect to properties developed by independent third party property developers in which we participated in the same period, was approximately 100.0%, 50.0%, 80.0% and 100.0% in 2015, 2016 and 2017 and the eight months ended August 31, 2018, respectively.

Standardization and Digitalization

To strengthen our competitiveness and reduce our reliance on labor, we focus on implementing standardization, automation and digitalization of our services. We evaluate our property management services and formulate processes to render such services in a manner that is intended to demonstrate consistent high-quality and to alleviate the pressure of increasing labor cost.

Standardization

We have established our star-rated service standards and procedures laying out detailed guidance on key standards and procedures for providing property management services covering a full spectrum of property types. We have prepared written operating manuals to facilitate the implementation of such service standards. Our headquarter also standardizes certain commercial or technical documents by formulating templates for our daily operational use. Furthermore, we provide systematic trainings to our property management staffs and subcontractors to help them understand and follow our service standards and procedures.

By leveraging our standardized procedures, we can achieve centralized management at our headquarter where we plan, command, supervise and evaluate service process and quality. Standardization helps us strengthen our brand and reputation by ensuring consistency in our service process and quality as well as minimizing human error.

Digitalization

With the support of our professional property management software, we can provide multiple and sophisticated management information to the management to help with their decision making. In the future, we plan to further utilize cloud technology and big data analytics to allow for data interchange among various platforms. The information digitalization enables us to monitor our operation in real time and increase our operating efficiency.

In the future, we plan to establish a database to store and analyze information such as property management fees collection and property owners and residents' information to increase our operating efficiency and provide more tailored value-added services to our customers. We also plan to utilize internet and internet of things to build a cloud sharing platform to achieve real-time monitoring of our property management and sharing of information among our managed properties to lower operating cost and increase efficiency.

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Value-added Services to Non-property Owners

Leveraging our property management expertise, we offer value-added services to non-property owners, including pre-delivery services, consulting services and community space services, to address the issues arising during each major stage of a property development project. Pre-delivery services include cleaning, assisting with quality check and security services for completed properties, displaying units and providing property sales venues management services to property developers at the pre-delivery stage of a sale of property. Consulting services include advising property developers at the early and construction stages on project planning, design management and construction management to enhance functionality, comfort and convenience. Community space services include (i) assisting advertisement companies with regards to advertisement placements in the community spaces in our managed properties, and (ii) managing community venues in our managed properties.

Our number of value-added services to non-property owners projects increased from 26 in 2015 to 34 in 2016, and further to 41 in 2017. Our number of value-added services to non-property owners projects increased from 36 for the eight months ended August 31, 2017 to 48 for the eight months ended August 31, 2018. Revenue from our value-added services to non-property owners increased from RMB44.0 million in 2015, to RMB56.6 million in 2016, and further to RMB100.7 million in 2017, representing a CAGR of 51.3%. Revenue from our value-added services to non-property owners increased by 51.9% from RMB55.6 million for the eight months ended August 31, 2017 to RMB84.4 million for the eight months ended August 31, 2018. Revenue from our value-added services to non-property owners accounted for approximately 27.7%, 25.0%, 28.8% and 27.5% of our total revenue in 2015, 2016 and 2017 and the eight months ended August 31, 2018, respectively.

In 2015, 2016 and 2017 and the eight months ended August 31, 2018, revenue from our value-added services to non-property owners generated from Binjiang Group amounted to approximately RMB27.2 million, RMB30.7 million, RMB46.5 million and RMB29.7 million, respectively, representing approximately 61.8%, 54.2%, 46.2% and 35.2% of our total revenue from value-added services to non-property owners for the same periods.

As we further promoted our brand name and industry presence over the years and with an aim to diversifying our customer base, our number of value-added services to non-property owners projects from independent third parties increased from seven in 2015 to 14 in 2016, and further to 18 in 2017. Our number of value-added services to non-property owners projects from independent third parties increased from 15 for the eight months ended August 31, 2017 to 21 for the eight months ended August 31, 2018.

Service Types

Pre-delivery Services

Our pre-delivery services primarily comprise:

- *Pre-delivery management services.* We provide cleaning, assisting quality check and security services of completed properties. We charge a fixed fee which is payable by the property developers in installments over the course of the service contracts. Our contract period usually lasts from two to five months; and

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- *Display units and property sales venues management services.* We deploy personnel onsite to assist property developers with their property marketing and selling activities. When the property developers market their property development projects, they typically set up display units to showcase their properties to potential buyers. Given the high foot traffic at the display units and the needs to secure, manage and maintain the display units, the property developers usually engage property management service providers to provide these specialized services. We also assist property developers with responding to general enquiries and maintaining order at property sales venues. We charge for a fixed service fee. Our service period usually last from two to three years or terminate upon the delivery of the project.

Consulting Services

Consulting services are a cooperation model in which we assist property developers and property management companies in achieving growth and trust by replicating our management philosophy and successful operation models and implementing our standardized process in their businesses. Under such arrangements, we are able to expand our presence to new markets, demonstrate our service quality and ability to wider audiences, establish close business relationship with property developers at an early stage and enlarge our customer base for value-added services.

Our consulting services primarily comprise:

- *Project planning advisory services.* We advise property developers on the overall planning and market position of their proposed development projects, such as development strategies and design concepts.
- *Design advisory services.* We offer consultations to optimize the layout and design plans to property developers, including architectural designs, landscaping designs and designs of common area equipment and facilities such as drainage systems and community surveillance systems.
- *Construction management consulting services.* We provide construction management consulting services to property developers by conducting periodic inspections of the construction sites as the construction progresses and by providing ongoing suggestions or advice on issues such as appropriate construction techniques to minimize possible damages to common area equipment and facilities.
- *Marketing and personnel consulting services.* We provide marketing and personnel consulting services to property developers by analyzing profiles of the development projects and the target customers as well as the competitive landscape of the local markets. We also assist property developers in training sales teams on marketing strategies, service procedures and standards, staff management and procurement.
- *General property management consulting services.* As a well-recognized property management service provider, we provide general daily property management consulting services to small- to medium-size regional property management companies.

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Community Space Services

Community space services include (i) assisting advertisement companies with regards to advertisement placements in the community spaces in our managed properties, and (ii) managing community venues in our managed properties.

Service Agreements

The summary below sets out the key terms of our typical service agreements:

- *Scope of work.* Our services typically include general management, environmental management, security, equipment repair and maintenance and daily operational management, such as reception services, cleaning services, preventive and corrective maintenance on the display units and equipment inside the units, site surveillance, parking and site touring. We typically sign the pre-delivery service agreements together with the property sale and purchase agreements, listing out the detailed standards and procedures, staffing requirements and other requirements that we follow in providing our services, and attach a service manual when the property is delivered. Our customers may conduct review and rate our services against the requirements set forth in the service proposal.
- *Customer’s responsibilities.* Customers are responsible for providing our staff with office space, office supplies, cleaning equipment, housing and meals.
- *Management fees.* We usually charge fixed amount of fees, which are required to be paid in installments over the course of the agreements. We determine the amount of fees that we charge based on our estimates of expenses that we would incur in performing services required under the service agreements. We are also entitled to charge extra service fees if our customer requests us to provide service out of scope.
- *Indemnification.* Both parties are entitled to indemnification due to the losses and damages incurred by the other party’s breach of contract.
- *Term.* The typical term for our service agreements ranges from one to three years, and may be renewed from time to time upon mutual consent of the parties.

Service Fees

We normally determine our service fee rates by taking into account, among others, (i) our budgeted expenses, such as the headcount and positions of the personnel we deploy, (ii) the types and locations of properties, and (iii) GFA under management of properties. We might lower our service fees to compete with other service providers when bidding for a new property developer for the very first time. Our service fees for our value-added services to non-property owners are pre-transaction negotiated and fixed. Among our value-added services to non-property owners, (i) for pre-delivery services, customers are generally required to pay six months’ fees upon entering into the contract or before we deliver our services; for property sales venue labor

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fees, customers are generally required to make monthly payments; (ii) for consulting services, customers are generally required to pay annually before a designated date of each year; and (iii) for community space services, customers are generally required to prepay the service fees in advance for the following year within one month after entering into the service contracts.

Value-added Services to Property Owners

As an extension of our property management services, our value-added services to property owners aim to address the life-style and daily necessities needs of our property owners and residents with an extensive array of products and services to improve our service quality, enhance customer experience and satisfaction, and provide a healthier and more convenient life for our property owners and residents. Our value-added services to property owners include community value-added services such as repair, maintenance and house cleaning, customized interior furnishing services and property agent services, which allow us to diversify our revenue streams and capture future growth opportunities.

In 2015, 2016 and 2017 and the eight months ended August 31, 2018, revenue generated from our value-added services to property owners amounted to RMB12.5 million, RMB18.2 million, RMB30.3 million and RMB23.3 million, respectively, representing 7.9%, 8.1%, 8.7% and 7.6% of our total revenue for the same periods.

Service Types

Community Value-added Services

We offer purchase assistance to our residents for a full range of products and services offered by pre-screened third-party merchants including groceries, daily necessities, other merchandize and home living services, such as house cleaning, laundry, maintenance and personal training. We charge our service fees based on the quantity, complexity and time provided.

Customized Interior Furnishing Services

To capture the growth potential of and meet the needs for the high-end customized interior furnishing services in our managed properties, we have established two subsidiaries engaging in customized interior furnishing services under our service concept “Living Home (生活家)”, which focuses on providing customized design, and set up a joint venture with a design company to provide elegant, modern and stylish interior decoration to our customers. We will continue to focus on developing our customized interior furnishing services to further solidify our high brand value and diversify our revenue streams.

Property Agent Services

When a property owner, as a landlord, seeks rental assistance from us, we will forward the information to an appropriate tenant. In addition to property rental assistance, we also help property owners sell their units. For each successful case, we are entitled to receive a commission based on the rent or selling price.

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Selection of Third-party Merchants

To ensure the quality of products and services provided by merchants and the sustainability of our value-added services to property owners, we screen and select suitable merchants based on factors including price competitiveness, quality of products or services, responsiveness to demands of customers and long-term sustainability. With respect to local merchants mainly targeting neighborhood markets, our staff at the community level would select local merchants for each community to cater to the different needs and preferences of the residents at such community.

We typically enter into written agreements with merchants, setting forth, among other things, fee arrangements, settlement mechanisms, logistics for deliveries of products and services. The merchants are also required to indemnify us for losses incurred due to their defective products or substandard services. We may replace a third-party merchant in the event of substandard performances. For more details about our quality control over merchants, see “— Quality Control.”

OUR SUPPLIERS

Our major suppliers are primarily (i) subcontractors for our property management services which provide mainly security and cleaning services, and (ii) merchants offering selected products and services for our value-added services to property owners in China. Our suppliers usually grant us a credit term ranging from three days to ten days, subject to the payment terms agreed. During the Track Record Period and up to the Latest Practicable Date, all of our suppliers were independent third parties and we did not experience any material delay, supply shortages or disruptions in our operations relating to our suppliers, or any material product claims attributable to our suppliers.

Major Suppliers

In 2015, 2016 and 2017 and the eight months ended August 31, 2018, purchase from our single largest supplier amounted to RMB1.0 million, RMB1.5 million, RMB3.3 million and RMB29.2 million, representing 0.7%, 0.8%, 1.3% and 13.2% of our total cost of sales, respectively. During the same periods, purchase from our five largest suppliers amounted to RMB3.9 million, RMB6.0 million, RMB12.5 million and RMB45.7 million, representing 2.9%, 3.3%, 4.8% and 20.7% of our total cost of sales, respectively. During the Track Record Period, our five largest suppliers generally granted us payment terms ranging from three working days to six months. We have maintained business relationship with our five largest suppliers during the Track Record Period for five years on average. We do not have any exclusive agreement with our five largest suppliers. We generally entered into agreements with a term of one to three years with a majority of our five largest suppliers during the Track Record Period and review their performance on an annual basis with monthly review of certain services.

As of the Latest Practicable Date, we were not aware of any information or arrangements which would lead to cessation or termination of our relationship with any of our five largest suppliers. Except for Binjiang Group, one of our five largest suppliers in 2017 and the eight months ended August 31, 2018, none of our Directors, their respective close associates or any Shareholders which, to the best knowledge of our Directors, owned more than 5% of our total issued share capital as of the Latest Practicable Date, had any interest in any of our five largest suppliers during the Track Record Period and as of the Latest Practicable Date.

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Subcontracting

To utilize our own workforce more efficiently, we delegate part of our labor-intensive services, such as security and cleaning services, to qualified third-party subcontractors. In 2015, 2016 and 2017 and the eight months ended August 31, 2018, our subcontracting costs amounted to RMB6.0 million, RMB8.7 million, RMB16.1 million and RMB57.6 million, accounting for approximately 4.5%, 4.7%, 6.2% and 26.1% of our total cost of sales, respectively.

We believe such subcontracting arrangements allow us to leverage the human resources and technical expertise of the subcontractors, reduce our operation costs, improve service quality, contribute more resources to our core businesses and enhance the overall profitability of our operations. To ensure that the subcontractors meet our requirements and standards of services and are able to serve our customers, we monitor and evaluate subcontractor’s performances. We aim to create and maintain a quality-oriented, effective and comprehensive system for subcontractor management. We have established our business relationship with our major subcontractors for an average of one year. Based on our experience in the property management service industry in China, we believe that there are readily available alternative subcontractors that could replace any of our existing subcontractors if necessary. Therefore, we do not consider our business operations to be reliant on the services provided by any of our subcontractors.

Key Terms of Our Subcontracting Agreements

We enter into subcontracting agreements with independent subcontractors on normal commercial terms. The key terms of our typical subcontracting agreements are as follows:

- *Term.* A subcontracting agreement typically has a term of one year and may be renewed upon mutual consent. The agreement terminates automatically if the corresponding property owners’ association after its establishment does not engage us as the property management service provider. Upon termination, we settle the service fees with our subcontractor based on the actual services provided.
- *Our responsibilities.* We are typically responsible for providing necessary working facilities such as work office or storage units.
- *Obligations of subcontractors.* The subcontractors are responsible for providing services in accordance with the scope and standards prescribed in the subcontracting agreement and in compliance with all applicable laws and regulations. In the event of substandard performance, the subcontractors are required to take necessary rectification measures within the period required by us. Subcontractors are required to manage their staff providing the contracted services and there is no employment relationship between us and the staff personnel assigned by our subcontractors.
- *Risk allocation.* The subcontractors are responsible for any damages to property or persons caused by the subcontractors in the course of providing the contracted services. The subcontractors are required to pay all social security and housing provident funds contributions for its staff in accordance with

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PRC laws and to bear the liabilities in the event of any non-compliance with applicable PRC laws or industry standards. We typically require the subcontractors to indemnify us for any damages that they cause to the properties, the residents and us.

- *Subcontracting fees.* Subcontracting fees are typically determined with reference to costs incurred in connection with labor costs and other miscellaneous costs incurred by the subcontractors.
- *No assignment.* Subcontractors shall not assign or subcontract their obligations to any other third party without our prior consent.

OUR CUSTOMERS

We have a large, growing and loyal customer base primarily consisting of (i) property owners and residents of the properties we manage, (ii) property developers and (iii) property management companies in China. The following table sets forth the major customers for each of the three segments:

<u>Segments</u>	<u>Major customers</u>
Property management services	Property developers, owners and residents
Value-added services to non-property owners	Property developers, property management companies and advertisement companies
Value-added services to property owners	Property owners and residents

The table below sets out our top five customers and their relevant information during the Track Record Period:

<u>Customer</u>	<u>Revenue</u> RMB'000	<u>% of</u> <u>total</u> <u>revenue</u>	<u>Principal business</u>	<u>Business</u> <u>relationship</u> <u>started from</u>
2015				
1. Binjiang Group	46,063	29.0	Property development	2004
2. B	4,095	3.0	Property development, rental services, sales-related assistance management	2014
3. C	2,382	1.0	Property development	2012
4. D	2,381	1.0	Property development, sales-related assistance, rental services, real estate brokerage services, interior design, gardening	2014
5. E	1,815	1.0	Property development	2014
2016				
1. Binjiang Group	50,366	22.0	Property development	2004
2. B	4,183	2.0	Property development, rental services, sales-related assistance, property management	2014
3. F	3,050	1.0	Property development, sales-related assistance, rental services, real estate brokerage services, interior design, gardening	2014
4. G	3,037	1.0	Property development	2014
5. C	2,532	1.0	Property development	2012

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<u>Customer</u>	<u>Revenue</u> RMB'000	<u>% of total revenue</u>	<u>Principal business</u>	<u>Business relationship started from</u>
2017				
1. Binjiang Group	65,074	19.0	Property development	2004
2. H	6,015	2.0	Property development	2017
3. B	5,140	1.0	Property development, rental services, sales-related assistance, property management	2014
4. I	5,106	1.0	Property development, rental services	2017
5. J	4,249	1.0	Property development	2017
Eight months ended August 31, 2018				
1. Binjiang Group	37,567	12.0	Property development	2004
2. J	4,416	1.0	Property development	2017
3. F	4,300	1.0	Property development, sales-related assistance, rental services, real estate brokerage services, interior design, gardening	2014
4. I	3,884	1.0	Property development, rental services	2017
5. H	3,718	1.0	Property development	2017

In 2015, 2016 and 2017 and the eight months ended August 31, 2018, revenue from our largest customer, Binjiang Group, amounted to RMB46.1 million, RMB50.4 million, RMB65.1 million and RMB37.6 million, respectively, representing 29.0%, 22.3%, 18.6% and 12.2%, respectively, of our total revenue. Properties developed by Binjiang Group were a major source of our property management service segment during the Track Record Period. As of December 31, 2015, 2016 and 2017 and August 31, 2018, our GFA under management for the properties solely or co-developed by Binjiang Group accounted for 95.2%, 89.7%, 79.1% and 72.3%, respectively, of our total GFA under management. In 2015, 2016 and 2017 and the eight months ended August 31, 2018, our property management services revenue from the properties solely or co-developed by Binjiang Group amounted to RMB100.7 million, RMB139.0 million, RMB179.2 million and RMB150.8 million, respectively, representing 98.4%, 91.9%, 82.1% and 75.7%, respectively, of our total property management services revenue. We won nine projects from Binjiang Group in the period from August 31, 2018 to the Latest Practicable Date, amounting to approximately 1.8 million sq.m. of contracted GFA. Going forward, based on the public available information on Binjiang Group’s development plan, our relationship with Binjiang Group and our capabilities, we expect to be engaged for up to 14 new property management service contracts for properties solely or co-developed by Binjiang Group and delivered from 2021 onward, representing up to 2.6 million sq.m. of contracted GFA in 2019.

In 2015, 2016, 2017 and the eight months ended August 31, 2018, revenue from our top five customers collectively amounted to RMB56.7 million, RMB63.2 million, RMB85.6 million and RMB53.9 million, respectively, representing 35.7%, 28.0%, 24.5% and 17.5%, respectively, of our total revenue. Our top five customers during the Track Record Period generally engaged in property development. We provided pre-delivery services and consulting services to our top five customers and property management services in their developed properties. We usually collect payments from them according to the contract terms. For our property management services, generally, customers are required to pay the next 12 months’ property management fees (each a “**billing period**”) before the property is handed over to the customers. Subsequent payments are required to be made prior to commencement of the next billing period. For pre-delivery services, customers are generally required to pay six months’ fees upon entering into the contract or before we deliver our services. For property sales venue labor fees, customers are generally required to make monthly payments. For consulting services,

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customers are generally required to pay annually before a designated date of each year. We have had ongoing business relationship with our top five customers during the Track Record Period on average for approximately four years. As of the Latest Practicable Date, we were not aware of any information or arrangements which would lead to cessation or termination of our relationship with any of our top five customers. Except for Binjiang Group, our largest customer during the Track Record Period, none of our Directors, their respective close associates or any Shareholders which, to the best knowledge of our Directors, owned more than 5% of our total issued share capital as of the Latest Practicable Date, had any interest in any of our other top five customers during the Track Record Period and as of the Latest Practicable Date.

During the Track Record Period, there was one overlapping between our major customers and suppliers. We provide property management, pre-delivery and consulting services to Binjiang Group. On the other hand, Binjiang Group provides property leasing services to us. While we provide property management services to the properties developed by Binjiang Group, we also lease spaces in these managed properties as our offices and lease parking lots from Binjiang Group and then sublease to our property owners and residents to better serve them, which is an industry norm for such arrangement.

The table below sets forth the revenue and cost of sales related to Binjiang Group during the Track Record Period:

	<u>Year ended December 31,</u>			<u>Eight months ended</u>
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>August 31,</u> <u>2018</u>
Revenue from Binjiang Group (RMB'000)	46,063	50,366	65,074	37,567
As a % of our total revenue	29.0%	22.3%	18.6%	12.2%
Purchase from Binjiang Group (RMB'000)	379	445	2,841	1,870
As a % of our total cost of sales	0.3%	0.2%	1.1%	0.8%

Negotiations of the terms of our sales to and services from Binjiang Group were conducted on an individual basis and the sales and services were neither inter-connected nor inter-conditional with each other. Our Directors confirmed that, during the Track Record Period, the services we received from Binjiang Group were not provided to Binjiang Group. The Directors also confirmed that the terms and the pricing policies of transactions with Binjiang Group are in line with normal commercial terms and similar to those transactions with our other customers and suppliers.

Customer Relationship Management

Our customer relationship management process aims to build and maintain sustainable customer relationship by focusing on delivering superior customer value and satisfaction, which we believe is critical to the long-term success of our business. We have taken a wide range of measures to actively build long-term relationship with our customers, primarily including:

- *Strengthening customer bonds.* We endeavor to provide professional, courteous and high-standard customer services through various initiatives, including interviews with our customers for their feedbacks to improve service accordingly.

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- *Managing customer satisfaction and communications.* We regularly conduct surveys of the satisfaction level among the property owners and residents of our managed properties to proactively identify issues. In order to provide a better customer experience and enhance our customer service, we offer a customer service hotline, WeChat official account and WeChat groups for residents living in the residential properties we manage. Through the hotline and WeChat platform, they can provide us with their complaints, feedbacks and suggestions, and request for home maintenance services. We endeavor to hear our customers’ voice and to resolve their problems and concerns as soon as possible.
- *Complementary services.* We hold community cultural activities as well as offer community value-added services free-of-charge, such as organizing recreational activities for property owners and residents, organizing festive and celebratory activities in the common areas, offering free trolleys and baggage carts to the property owners and residents. These services typically can be provided by our on-site property management staff. In addition, we organize community gala and sports events from time to time such as autumn festival feast. We believe offering these free-of-charge services increases our engagement level with the property owners and residents at minimal cost and accentuate our role as the single point of contact for their life-style and everyday needs and improve their satisfaction level.

SALES, MARKETING AND BRANDING

Our marketing team is primarily responsible for our marketing strategy, conducting market research, coordinating our sales, marketing and branding activities to acquire new customers and maintain and strengthen our relationship with existing customers. Our headquarter manages our overall marketing strategies, while our regional offices oversee the implementation of our sales, marketing and branding activities within their respective regions.

We have taken sales, marketing and branding measures that are tailored to the characteristics of the following categories of customers:

- *Property owners and residents.* We intend to continue improving our property management service quality to obtain more recommendations and referrals by our existing property owners and residents, which is an effective and cost-efficient way to promote our business. Our value-added services to property owners also help us obtain new engagements for our property management services by providing property owners and residents of our managed properties with the benefits of accessing a wide range of products and services addressing their life-style and everyday needs.
- *Property developers.* In addition to maintaining a long-term and stable business relationship with Binjiang Group, we will endeavor to expand our cooperation with independent third party property developers by providing customized, diversified and quality services. We have implemented various incentive measures to encourage our employees to obtain property management service contracts developed by independent third party property developers through investigation and analysis of and communication with target customers in the real estate industry and taking advantage of our resources, including our brands, capital and expertise.

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COMPETITION

The property management service industry in China is highly competitive and fragmented with numerous market participants. As one of the leading players in the high-end property management service industry, according to CIA, our property management services primarily compete against large national, regional and local property management companies. According to CIA, as of December 31, 2017, there were over 0.1 million property management companies in China, which generally provide property management services to residential and commercial properties. We believe that the principal competitive factors include, among others, operation scale, price and quality of services, brand recognition and financial resources.

Our value-added services to non-property owners primarily compete against other property management companies providing similar services and consulting companies. Our value-added services to property owners primarily compete against a wide range of firms and individuals providing similar services, such as firms and individuals providing customized interior furnishing services and property agent services.

For more details about the industry and markets that we operate in, see “Industry Overview.”

QUALITY CONTROL

We have a track record in prioritizing quality in our services, and we believe quality control is crucial to the long-term success of our business. As of August 31, 2018, we had a dedicated quality control team consisting of 21 members, who primarily focus on, among other things, maintaining service standards, standardizing service procedures and supervising service quality at the corporate level. Our quality control team monitor and review our fire safety, electricity and equipment condition on a daily basis. They will also conduct monthly checks on the security and access control at our managed properties. Our quality control team has an average of over 14 years of relevant industry experience and all of the key members have college degrees.

We have obtained ISO 9001, ISO 14001 and OHSAS 18001 certification in recognition of our service quality. The ISO 9000 family of quality management systems standards is designed to help organizations ensure that they meet the needs of customers and other stakeholders while meeting statutory and regulatory requirements relating to a product. ISO 9001 deals with the requirements that organizations wishing to meet the standard must fulfill. ISO 14001 is a family of standards relating to environmental management that exists to help organizations (i) minimize how their operations negatively affect the environment; (ii) comply with applicable laws, regulations and other environmentally oriented requirements; and (iii) continually improve in the above. OHSAS 18001 is an international occupational health and safety management system specification.

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EMPLOYEES

As of August 31, 2018, we had a total of 3,199 employees. The following table sets forth a breakdown of our employees by function as of August 31, 2018.

Cleaning and gardening	940
Ancillary services	830
Security	729
Engineering	393
General management and administration	219
Others	88
Total	<u>3,199</u>

The following table sets forth a breakdown of our employees by geographic location as of August 31, 2018.

Hangzhou	2,339
Zhejiang province (excluding Hangzhou)	838
Others	22
Total	<u>3,199</u>

We have been outsourcing and expect to continue to outsource part of our labor-intensive service tasks and specialized technical service tasks, primarily including security and cleaning services to subcontractors. Such subcontracting arrangements allow us to leverage the human resources and technical expertise of the subcontractors, reduce our reliance on labor and enhance the overall profitability of our operations.

Our employees have formed a labor union to help protect their rights and benefits. We believe that we maintain a good working relationship with our employees, and we did not experience any material labor disputes or shortages during the Track Record Period. Pursuant to applicable PRC laws, we have made contributions for our employees to social security funds (including pension plans, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance) and housing provident fund, except for instances disclosed in “— Legal Proceedings and Compliance.” During the Track Record Period and up to the Latest Practicable Date, we had not experienced any significant labor disputes that had a material adverse effect on our business.

Recruiting

We endeavor to hire suitable employees in the market by offering competitive wages and benefits, systematic training opportunities and internal upward mobility. We source candidates through a variety of channels including local job placement centers, headhunters, vocational schools, online advertisements and employee referrals. Our review and screening of candidates takes into account a variety of factors, such as an applicant’s age, education credentials, work experience, professional qualifications, personality and potential.

Training

We provide systematic and extensive training programs to our employees. We provide orientation trainings to new hires and assign our experienced managers to serve as mentors for newly hired management-level

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personnel. We also provide online and professional trainings to our employees. As of August 31, 2018, 13 of our employees have obtained the Certificate for Certified Property Manager (物業管理師證書) issued by the Ministry of Housing and Urban-rural Development in China. Furthermore, to strengthen our commitment to quality, we have established a rotation program under which all candidates, prior to being promoted to the manager of our managed properties, must rotate to and serve in our quality control team for several months.

Retention

We offer our employees attractive remuneration packages, subject to adjustments based on their job performance and in response to local labor market conditions. We provide our employees with benefits such as physical examinations and sponsorship of selected employees to pursue continued education. We organize periodic team building activities to instill in our employees our corporate culture and increase the engagement level with our employees. In addition, we promote internal upward mobility opportunities by providing career development opportunities to our employees to help improve their managerial and professional skills and advance their careers.

INTELLECTUAL PROPERTY

We regard our trademarks, domain names, trade secrets and other intellectual property rights as key components of our brand equity and an integral part of our business operations. As of the Latest Practicable Date, we were the registered proprietor of five and two trademarks in China and Hong Kong, respectively, that we believe are material to our business. We were authorized by Binjiang Group to use ten of its trademarks in China, and we filed registration applications for five and two trademarks in China and Hong Kong, respectively. For more details, see “Appendix V — Statutory and General Information — B. Further Information About Our Business — 2. Intellectual Property Rights of the Group.”

As of the Latest Practicable Date, we were not aware of (i) any infringement which could have a material adverse effect on our business operations by us against any intellectual property rights of any third party or by any third party against any of our intellectual property rights, or (ii) any disputes with third parties with respect to intellectual property rights.

AWARDS AND RECOGNITIONS

The table below sets out our major industry and business awards and recognitions up to the Latest Practicable Date:

Year	Honor/Award	Awarding Entity
2018	Hangzhou Property Management Institute Vice Chairman Unit (杭州市物業管理協會副會長單位)	Hangzhou Property Management Institute
2017	2017 China Top 100 Property Management Companies (2017 中國物業服務百強企業)	CIA
2017	Hangzhou Property Industry Contribution Award (杭州市物業行業貢獻獎)	Hangzhou Property Management Institute

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<u>Year</u>	<u>Honor/Award</u>	<u>Awarding Entity</u>
2007, 2009, 2011-2012, 2015-2018 . . .	Hangzhou Outstanding Property Management Residential Community (杭州物業管理優秀住宅小區)	Hangzhou Property Management Institute, Hangzhou Real Estate Authority, Hangzhou House Insurance and Real Estate Management Authority
2015, 2017 . . .	Quzhou Outstanding Property Service Demonstration Pilot Residential Community (市級物業服務示範住宅小區)	Quzhou Housing and Construction Department
2015	Top 100 Property Management Companies (2015 物業管理綜合實力百強企業)	China Property Management Institute
2015	The Greatest Consultant Companies (物業管理最佳顧問諮詢企業)	China Property Management Institute
2014	Zhejiang Province Property Management Demonstration Pilot Residential Community (全省物業管理示範住宅小區)	Zhejiang Province Housing and Construction Department
2012-2013 . . .	National Property Management Demonstration Pilot Mansion (全國物業管理示範大廈)	China Housing and Construction Bureau
2011	National Property Management Demonstration Pilot Residential Community (全國物業管理示範住宅小區)	China Housing and Construction Bureau
2010	Construction National Property Management Demonstration Pilot Mansion (打造國內最清潔城市示範點稱號)	Hangzhou Government
2008	Hangzhou Property Management Institute Unit Member (杭州市物業管理協會理事單位)	Hangzhou Property Management Institute
2008	Top 10 Hangzhou Property Service Enterprises (杭州市十佳物業服務企業)	Hangzhou Real Estate Authority

INSURANCE

We believe that our insurance coverage is in line with industry practice in China. We maintain insurance policies against major risks and liabilities arising from our business operations, primarily including (i) property management liability insurance to cover liabilities for damages caused by our business management center

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arising out of our business operation, (ii) public liability insurance to cover liabilities for personal injury or property damages suffered by third parties in accidents arising out of our business operations, (iii) property insurance for damages to property owners’ movable and immovable property, and (iv) employers’ liability insurance to cover liabilities associated with accidental injuries to our employees as well as damages to third parties caused by our employees. See “Risk Factors — Risks Relating to Our Business and Industries — We are exposed to risks in relation to work safety and any major occurrence of accidents could materially and adversely affect our reputation, business, financial condition and results of operations.”

HEALTH, SAFETY AND ENVIRONMENTAL MATTERS

We are subject to PRC laws in relation to labor, safety and environment protection matters. We have established occupational safety and sanitation systems, implemented the national occupational safety and sanitation rules and standards, and provided employees with workplace safety trainings on a regular basis to increase their awareness of work safety issues. During the Track Record Period, we have been fined 15 times with an aggregated amount of approximately RMB56,000 due to the violation of relevant fire safety regulations. We consider such penalties are not material and do not have a significant impact to our Group as a whole. As advised by our PRC Legal Advisers, during the Track Record Period and up to the Latest Practicable Date, we are not subject to any material administrative penalties due to violation of the relevant PRC laws in relation to workplace safety. Given the nature of our operations, we do not believe we are subject to material environmental liability risk or compliance costs. During the Track Record Period and up to the Latest Practicable Date, no fines or penalties for non-compliance of PRC environmental laws had been imposed on us. Our PRC Legal Advisers are of the view that we are not subject to any material administrative penalties due to violation of environmental laws in the PRC.

LICENSES, PERMITS AND CERTIFICATES

Our PRC Legal Advisers confirm that, during the Track Record Period and up to the Latest Practicable Date, we had obtained all material licenses, approvals and permits from relevant PRC authorities for our operations in the PRC, and all of them are valid and in force.

Some of our material permits and licenses have a limited period of validity. We monitor the validity status of our permits and licenses and make timely applications for the renewal of relevant permits and licenses prior to their expiration date. We have not experienced any material difficulty in obtaining or renewing the required permits and licenses for our business operations during the Track Record Period and up to the Latest Practicable Date. Currently we are also applying or renewing certain licenses. Our PRC Legal Advisers have advised us that there will not be any material legal impediment in renewing our material permits and licenses as they expire in the future or applying for these licenses.

PROPERTIES

We occupy certain properties in China in connection with our business operations. These properties are principally used as our offices and staff quarters for our operations. During the Track Record Period, we do not have any self-owned properties.

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Leased Properties

As of the Latest Practicable Date, we leased 78 properties with a total GFA of approximately 7,859 sq.m. for offices and staff quarters. None of these properties is individually material to our operations.

As of the Latest Practicable Date, 32 properties with a total GFA of approximately 3,313 sq.m. are leased from lessors who have provided sufficient and valid ownership certificates or other ownership documents, and these leased properties accounted for approximately 42.2% of our leased properties by GFA. Our PRC Legal Advisers have advised us that these lease agreements for our leased properties with ownership certificates or other ownership documents in the PRC are valid and enforceable, and we are lawfully entitled to occupy and use these leased buildings in accordance with the terms of the lease agreements. The remaining 46 properties with a total GFA of approximately 4,546 sq.m. were leased from lessors who were unable to provide valid ownership certificates or other sufficient ownership documents, and these leased properties accounted for approximately 57.8% of our total leased properties by GFA. Our PRC Legal Advisers have advised us that any dispute or claim in relation to the titles of these properties that we occupy, including any litigation involving allegations of illegal, unauthorized use of these properties, may affect our rights to occupy and use the leased buildings in accordance with the terms of the lease agreements.

Pursuant to the applicable PRC laws and regulations, leases must be registered with housing administration authorities. As of the Latest Practicable Date, we, as the lessee, did not register 69 leases for our offices and staff quarters. See “— Legal Proceedings and Compliance” for further details.

Our PRC Legal Advisers have advised us that our failure to register the lease agreements would not affect the validity of the lease agreements. We had not received any notice or penalties from any regulatory authority as a result of our failure to file the lease agreements. Therefore, our PRC Legal Advisers are of the view that such non-filing will not have a material adverse effect on our business operations. Our Controlling Shareholders have undertaken to indemnify us for any penalty or other monetary damages incurred as a result of the failure to register the lease agreements.

INTERNAL CONTROL AND RISK MANAGEMENT

It is the responsibility of our Board to oversee and ensure that we maintain sound and effective internal control and risk management systems to safeguard our Shareholders’ investment and our assets at all times. We have engaged an external internal control advisory firm to carry out a review of our internal control in preparation for the [REDACTED], which covers (i) entity-level controls and business process controls over financial closing and reporting, sales, purchases, treasury and general information technology controls, and (ii) a report to us on factual findings and recommendations for improvements of internal controls over the abovementioned processes and procedures. We have adopted a series of internal control policies, procedures and programs designed to provide reasonable assurance for achieving objectives including effective and efficient operations, reliable financial reporting and compliance with applicable laws following the suggestions from the external internal control advisory firm.

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

- we have adopted stringent quality control and supervision measures and procedures to prevent risks. See “— Quality Control” for more details;
- our human resources department is responsible for monitoring the compliance with our internal rules and manuals by our employees to ensure that we comply with the relevant regulatory requirements and applicable laws, so as to reduce our legal risks;
- we have put in place internal procedures for handling complaints from customers; and
- we have established a selection and monitoring policy in relation to the subcontractors engaged by us, including the selection criteria and the review systems to deal with any complaints or under performance with regards to the subcontractors.

In addition, we have established an audit committee consisting of all of the independent non-executive Directors as part of our measures to improve risk management and corporate governance. See “Directors, Senior Management and Employees — Senior Management” for details on the professional qualifications and industry experience. The primary duties of the audit committee are to provide our Directors with an independent review of the effectiveness of our financial reporting process, internal control and risk management system, to oversee the audit process and to perform other duties and responsibilities as assigned by our Directors.

LEGAL PROCEEDINGS AND COMPLIANCE

We may from time to time become a party to various legal, arbitral or administrative proceedings arising in the ordinary course of our business. Neither we nor any of our Directors is currently a party to any material legal, arbitral or administrative proceedings. We are not aware of any threat of, any claims or any legal, arbitral or administrative proceedings, which, in our opinion, is likely to have a material adverse effect on our business, financial condition or results of operations.

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The following table sets forth our non-compliance incidents under the relevant PRC laws and regulations during the Track Record Period and up to the Latest Practicable Date, and the corrective actions we have taken in response to these incidents:

Non-compliance incidents	Reasons for the non-compliance	Legal consequences and potential maximum penalties	Remedies and rectification measures taken
<p>We failed to make full contributions to the social security and housing provident funds for some of our employees as required by the PRC government.</p>	<p>These non-compliance incidents occurred primarily because some of our employees chose not to be enrolled in the social security fund and/or housing provident fund as they did not want to bear their portion of the contributions. In addition, due to the high turnover rates of our employees, sometimes we failed to make the contribution in a timely manner.</p>	<p>Our PRC Legal Advisers have advised us that, under PRC laws and regulations, we might be subject to late fees and fines for not making social security contributions in full amount in a timely manner. If any competent government authority is of the view that the social security payments we made for our employees do not satisfy the requirements under relevant PRC laws and regulations, we might be ordered to pay the unpaid amount within a certain period and a late fee that equals 0.05% of the total unpaid amount per day. If we fail to pay the unpaid amount or the late fee, we may be subject to a fine ranging between one to three times of the total unpaid amount of the social security fund contribution.</p>	<p>Our Company and our PRC subsidiaries and branch offices have obtained written confirmations from local social security and housing provident fund authorities, stating that: no administrative penalty has been imposed or the relevant subsidiary/branch office was in compliance with the respective laws and regulations. We are advised by our PRC Legal Advisers that the relevant written confirmations were issued or made by the competent authorities which have direct supervision over our subsidiaries.</p>
<p>During the Track Record Period, we understood that we have not made sufficient contributions for all our employees, but we have followed industry practice to decide our contribution percentage and base, passed the social security annual inspection and have not received any penalty.</p>	<p>During the Track Record Period, we understood that we have not made sufficient contributions for all our employees, but we have followed industry practice to decide our contribution percentage and base, passed the social security annual inspection and have not received any penalty.</p>	<p>Our PRC Legal Advisers have also advised us that, we will be fined RMB10,000 to RMB50,000 for</p>	<p>Our PRC Legal Advisers are of the view that the risk of us being asked to pay the extra shortfall in excess of the provisions or penalized is extremely low, considering that we have made provisions in connection with this non-compliance for the Track Record Period.</p>

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Non-compliance incidents	Reasons for the non-compliance	Legal consequences and potential maximum penalties	Remedies and rectification measures taken
		<p>failing to make the housing provident fund registration within the prescribed time limit. In the event that we fail to pay the housing provident fund in full amount, the housing provident fund administrative center will order us to pay the amount within a prescribed time limit; if we still fail to do so upon the expiration of the abovementioned time limit, further application will be made to the People’s Court for compulsory enforcement.</p> <p>For more information relating to risk associated with this non-compliance, please refer to “Risk Factors — Risks Relating to Our Business and Industries — We may be required to make additional contributions of social security fund and/or housing provident fund under PRC laws and regulations.”</p>	<p>Our Controlling Shareholders have undertaken to indemnify us for any unpaid amount, penalty and other monetary damages incurred as a result of our failure to make contributions to the social security and housing provident funds in full amount.</p> <p>Nevertheless, we have made provisions in the total amount of RMB0.8 million, RMB0.9 million, RMB5.0 million and RMB0.1 million in 2015, 2016 and 2017 and the eight months ended August 31, 2018, respectively, on our financial statements in respect of such potential liabilities, representing the shortfall of contribution in the respective periods.</p> <p>We have established an internal control policy that requires full compliance with the relevant laws and regulations on social security fund and housing provident fund and design our legal department to enforce the policy and avoid future</p>

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Non-compliance incidents	Reasons for the non-compliance	Legal consequences and potential maximum penalties	Remedies and rectification measures taken
			<p>non-compliance. As of the date of this document, we are making contribution to the social security and housing provident funds in accordance with the relevant rules and regulations for all of our employees.</p> <p>Our Directors are of the opinion that this incident will not have a material adverse impact on our business or results of operations for the following reasons: (i) the written confirmations obtained from the relevant competent local authorities described above; (ii) we have made provisions in connection with this non-compliance for relevant periods; (iii) we have established an internal control policy to ensure our ongoing compliance with the relevant laws and regulations on social security fund and housing provident fund contributions. As of the date of this document, we are making contribution to the social security and housing provident funds in accordance with the relevant rules</p>

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Non-compliance incidents	Reasons for the non-compliance	Legal consequences and potential maximum penalties	Remedies and rectification measures taken
<p>As of the Latest Practicable Date, we have not registered the leases for three leased offices and 66 staff quarters with housing administration authorities of the PRC as required under PRC laws.</p>	<p>These non-compliance incidents were primarily caused by lack of cooperation from the landlords in registering lease agreements, which was beyond our control. Registration of lease agreements requires the landlords' cooperation, including submitting their identity documentations and building title certificates to the relevant authorities.</p>	<p>We were advised by our PRC Legal Advisers that we might be ordered to rectify this non-compliance by competent authorities, and if we fail to rectify within a certain period, a penalty of RMB1,000 to RMB10,000 per agreement may be imposed on us as a result of non-registration.</p> <p>The estimated total amount of penalty for our failure to register leases for offices and staff quarters is approximately RMB69,000 to RMB690,000.</p>	<p>and regulations for all of our employees; (iv) the PRC Legal Advisers are of the opinion that the risk of us being asked to pay the shortfall in excess of the provisions or penalized is extremely low; and (v) our Controlling Shareholders have undertaken to pay any unpaid amount, penalty and other monetary damages incurred as a result of our failure to make contributions to the social security and housing provident funds in full amount.</p> <p>In the event that we are required by competent authorities to rectify the non-compliance with lease registration requirement and our landlords refuse to cooperate, we intend to find alternative locations nearby and relocate without causing any material disturbances. Given the nature of our business, we do not believe relocation of any of these offices and staff quarters would cause any material disruption to our operations. Although we may incur additional relocation costs, our Directors believe that there will not</p>

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Non-compliance incidents	Reasons for the non-compliance	Legal consequences and potential maximum penalties	Remedies and rectification measures taken
		<p>We did not receive any notice from any regulatory authority with respect to potential administrative penalties or enforcement actions as a result of our failure to register the leases described above. Our PRC Legal Advisers have advised us that the failure to register the lease agreements would not affect the validity of the lease agreements.</p>	<p>be any material impact on our business, operation or financial condition.</p> <p>Our Controlling Shareholders have undertaken to indemnify us for any relocation costs, penalty or other monetary damages incurred as a result of the failure to register the lease agreements.</p>
		<p>For more information relating to risks associated with this non-compliance, please refer to “Risk Factors — Risks Relating to Our Business and Industries — Our rights to use our leased properties could be challenged by third parties, or we may be forced to relocate due to title defects, or we may be liable for failure to register our lease agreements, which may result in a disruption of our operations and subject us to penalties.”</p>	<p>Our Directors are of the view that no provision is required to be made in respect of our non-compliance with lease registration requirements because (i) we believe the risk that we would be penalized as a result of our failure to register leases is remote; and (ii) the competent authorities will first require us to rectify before issuing penalty. In addition, since most of the non-registered lease agreements have a relatively short period of one year, we can gradually rectify such non-compliance or terminate the lease agreements before its expiration if necessary.</p>

BUSINESS

Non-compliance incidents	Reasons for the non-compliance	Legal consequences and potential maximum penalties	Remedies and rectification measures taken
			<p>We have adopted the following measures: (i) we will send out reminders to the landlords of the relevant leased properties to request them to complete the filing and registration procedures, and will not renew our lease agreements with them if they fail to cooperate; (ii) for new leases, we will communicate with potential landlords beforehand and select the landlords that are willing to cooperate; (iii) since most of the relevant leased properties are used for staff quarters, we plan to distribute housing subsidy directly to our employees instead of leasing staff quarters for them; and (iv) we have provided and plan to continue to provide senior management and legal staff with training regarding the legal and regulatory requirements applicable to our operations from time to time.</p>

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Views of our Directors

Having considered the nature and reasons for the historical non-compliance incidents identified above and the advice from our PRC Legal Advisers, the corrective actions taken and the internal control measures adopted by our Company, our Directors are of the view that (i) our Group’s internal control measures are adequate and effective to prevent recurrence of future non-compliance incidents; (ii) our Group has adequate and effective internal control procedures in place for the purpose of Rule 3A.15(5) of the Listing Rules; and (iii) the past non-compliance incident does not affect the suitability of our Directors to act as directors of a [REDACTED] issuer under Rules 3.08 and 3.09 of the Listing Rules or the suitability for [REDACTED] of our Company under Rule 8.04 of the Listing Rules, and the Sole Sponsor concurs with the view of our Directors.

Our Directors, as advised by our PRC Legal Advisers, confirm that as of the Latest Practicable Date, except as disclosed in the above table, we had complied with relevant PRC laws in all material respects.

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You should read the following discussion and analysis in conjunction with our audited financial information, together with the accompanying notes set forth in the Accountants’ Report included as Appendix I to this document. Our audited financial information is prepared in conformity with IFRS, which may differ in certain material aspects from generally accepted accounting principles in other jurisdictions, including the United States. You should read the whole of the Accountants’ Report included as Appendix I to this document and not rely merely on the information contained in this section.

The following discussion contains certain forward-looking statements that involve risks and uncertainties. Our actual results reported in future periods could differ materially from those discussed below. Factors that could cause or contribute to such differences include those discussed in the sections entitled “Risk Factors” and “Business” and elsewhere in this document.

Unless the context otherwise requires, financial information described in this section is described on a consolidated basis.

OVERVIEW

We are a reputable property management service provider in China with a focus on high-end residential properties. Through our accumulation of industry experience since our establishment in 1995, we have grown from a local residential property management service provider in Hangzhou, Zhejiang province, to one of the leading premium property management service providers in the Yangtze River Delta. According to CIA, we were ranked second in Hangzhou, fifth in Zhejiang province, and tenth in the Yangtze River Delta in terms of GFA under management for high-end properties in 2017.

As of August 31, 2018, we had 35 subsidiaries and branches covering 15 cities across Zhejiang province and Shanghai in China, providing property management services to approximately 48,000 property units. Our total GFA under management amounted to 10.8 million sq.m. with a total of 68 managed properties, including 51 residential properties and 17 non-residential properties, as of August 31, 2018. Our contracted GFA, excluding GFA under management, amounted to 7.1 million sq.m. as of August 31, 2018. We were awarded the 2018 Leading Brand for Specialized Service Operations of China Property Service Industry (2018中國物業服務專業化運營領先品牌企業) and a Certificate of China Property Management Brand Value of RMB1.886 billion by CIA for our well-established industry recognition and professional service quality. We were ranked 32th among the top 100 property management companies in China in 2018, according to the China Real Estate Top 10 Research Team and CIA.

Our diversified and integrated service offering comprises the followings:

- *Property management services.* We provide property management services, including security, cleaning, gardening, repair, maintenance and ancillary services to common area of residential and non-residential properties, including commercial properties, office buildings, corporate headquarter buildings, public facilities and industrial parks.

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- *Value-added services to non-property owners.* We provide value-added services to non-property owners, mainly to property developers. These services refer to pre-delivery services, consulting services and community space services. Pre-delivery services include cleaning, assisting with quality check and security services for completed properties, displaying units and providing property sales venues management services to property developers at the pre-delivery stage of a sale of property. Consulting services include advising property developers at the early and construction stages on project planning, design management and construction management to enhance functionality, comfort and convenience. Community space services include (i) assisting advertisement placements in the community spaces in our managed properties, and (ii) managing community venues in our managed properties.
- *Value-added services to property owners.* We also provide value-added services to property owners. These services include community value-added services, customized interior furnishing services and property agent services. For our community value-added services, in view of the different functions in residential and non-residential properties, we provide additional services that are tailored to our customers’ needs. For residential properties, we provide personal training at our club houses. For non-residential properties, including commercial properties, office buildings, corporate headquarter buildings, public facilities and industrial parks, we provide business center and/or parking lot management services. In addition, seeing the growth potential of high-end customized interior furnishing service market, we plan to further leverage our service concept “Living Home (生活家)” to provide elegant, modern, stylish and customized interior furnishing services to our customers.

We have experienced significant growth during the Track Record Period in terms of revenue and profit for the year/period. Our revenue increased from RMB158.9 million in 2015 to RMB225.9 million in 2016 and further to RMB349.3 million in 2017, representing a CAGR of 48.3% from 2015 to 2017. Our revenue increased from RMB213.9 million for the eight months ended August 31, 2017 to RMB307.1 million for the eight months ended August 31, 2018. Our profit for the year increased from RMB11.5 million in 2015 to RMB22.1 million in 2016 and further to RMB57.6 million in 2017, representing a CAGR of 123.8% from 2015 to 2017. Our profit for the period increased from RMB39.5 million for the eight months ended August 31, 2017 to RMB50.7 million for the eight months ended August 31, 2018.

BASIS OF PREPARATION

Our Company was incorporated in the Cayman Islands on July 6, 2017 as an exempted company with limited liability. Our Group provides property management services in China. In preparation for the [REDACTED], we underwent the Reorganization, as detailed in the section headed “Our History and Development.” Following the Reorganization, our Company became the holding company of all the subsidiaries currently comprising our Group. For more information on the basis of preparation of our financial information included herein, please refer to the Accountants’ Report in Appendix I to this document.

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KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations are affected by a number of factors, many of which may be beyond our control, including those factors set out in the section headed “Risk Factors” and those set out below.

Our GFA under Management

During the Track Record Period, we generated a significant portion of our revenue from property management services. Revenue from our property management services amounted to RMB102.4 million, RMB151.2 million, RMB218.2 million and RMB199.4 million, accounting for approximately 64.4%, 66.9%, 62.5% and 64.9% of our total revenue in 2015, 2016 and 2017 and the eight months ended August 31, 2018, respectively. The number of our managed properties increased from 31 properties as of December 31, 2015 to 41 properties as of December 31, 2016, to 51 properties as of December 31, 2017, and further to 68 properties as of August 31, 2018. Our GFA under management amounted to 5.5 million sq.m., 6.9 million sq.m., 8.6 million sq.m. and 10.8 million sq.m. as of December 31, 2015, 2016 and 2017 and August 31, 2018, respectively. In addition, as of the Latest Practicable Date, we have entered into property management service contracts for a total of 8.8 million sq.m., representing 50 projects to be delivered within three years. GFA under management is the key driver for our revenue in this segment during the Track Record Periods.

Our continued revenue growth depends on our ability to grow our property management portfolio. We seek to increase our property management portfolio through multiple channels. We will continue to leverage our existing business relationship with Binjiang Group for our organic growth. Also, we will proactively pursue new engagements from independent third party property developers by capitalizing on our reputable brand, diversified property portfolio, high-quality services and solid customer relationship. We will cultivate our newly-established relationship with these independent third party property developers and gradually expand our cooperation with them. Furthermore, we will continue to expand our property portfolio to attract more potential engagements. In addition to growing our business through organic growth initiatives, we intend to explore selective strategic investment, acquisition and joint venture opportunities. See “Business — Business Strategies — Continue to expand our business scale in high-end market through multiple channels” for more details.

Branding and Pricing

Our financial condition and results of operations are affected by our ability to continuously maintain and enhance our brand recognition and industry position. Our brand is a reputable brand in China’s high-end property management sector. We intend to further strengthen our brand name to expand our property management service engagements and to leverage our brand to continue charging premium property management fee rates. We believe that further strengthening our brand will allow us to promote our value-added services to non-property owners, strengthen our business relationship with these property developers, and gain early access and competitive advantages in securing engagements for their newly built property projects with premium property management fees.

During the Track Record Period, our growth in revenue benefited from our overall improvement on the average property management fee charged. Our average property management fee in 2015, 2016 and 2017 and

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the eight months ended August 31, 2018 amounted to approximately RMB3.39 per sq.m./month, RMB3.80 per sq.m./month, RMB3.88 per sq.m./month and RMB3.98 per sq.m./month, respectively. Our average property management fee for residential properties in 2015, 2016 and 2017 and the eight months ended August 31, 2018 amounted to approximately RMB3.35 per sq.m./month, RMB3.78 per sq.m./month, RMB3.77 per sq.m./month and RMB3.83 per sq.m./month, respectively, which were above industry averages in China in each respective period, according to CIA.

During the Track Record Period, we were able to raise property management fee rates when renewing the expiring property management service contracts to improve our profit margin in response to the enhancements to the standard or scope of our property management services and increases in our costs. We raised the property management fees for five, three, three and five times in 2015, 2016 and 2017 and the eight months ended August 31, 2018, respectively. Our ability to continue to raise our fee rates or charge premium prices will continue to be impacted by our ability to uphold and enhance our brand recognition.

For illustration purpose only, we set out below a sensitivity analysis of our profit for the year/period with reference to the fluctuation of average property management fee during the Track Record Period. The following table demonstrates the impact of the hypothetical decrease in average property management fee on our revenue from property management business and profit for the year/period, while all other factors remain unchanged:

	Year ended December 31,						Eight months ended August 31,			
	2015		2016		2017		2017		2018	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(unaudited)									
Assuming 5% decrease in our average property management fee										
Impact on revenue from property management business	(5,118)	(44.6)	(7,558)	(34.2)	(10,912)	(19.0)	(6,913)	(17.5)	(9,968)	(19.6)
Impact on profit for the year/period . . .	(3,838)	(33.5)	(5,668)	(25.6)	(8,184)	(14.2)	(5,184)	(13.1)	(7,476)	(14.7)
Assuming 10% decrease in our average property management fee										
Impact on revenue from property management business	(10,235)	(89.2)	(15,115)	(68.4)	(21,825)	(37.9)	(13,825)	(35.0)	(19,936)	(39.3)
Impact on profit for the year/period . . .	(7,676)	(66.9)	(11,337)	(51.3)	(16,369)	(28.4)	(10,369)	(26.2)	(14,952)	(29.5)

Ability to Manage Our Staff Costs and Subcontracting Costs

Staff cost is our largest cost and expenditure component. Therefore, our results of operations are affected by our ability to manage our staff costs. Staff costs included in cost of sales amounted to RMB106.3 million, RMB149.4 million, RMB207.6 million and RMB134.4 million, representing the single largest component of our cost of sales and accounted for approximately 80.1%, 81.2%, 80.1% and 60.8% of our total cost of sales in 2015, 2016 and 2017 and the eight months ended August 31, 2018, respectively. Staff costs included in administrative expenses amounted to RMB7.4 million, RMB8.2 million, RMB8.9 million and RMB4.2 million, accounting for approximately 66.0%, 63.4%, 61.4% and 22.0% of our administrative expenses in 2015, 2016 and 2017 and the eight months ended August 31, 2018, respectively. Staff costs included under cost of sales consist primarily of salaries and other benefits for our employees who provide property management services, value-added services

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to non-property owners and value-added services to property owners. Staff costs included under administrative expenses consists primarily of salaries, other benefits for our administrative staff and directors’ emoluments. Staff costs increased during the Track Record Period as a result of an increase in our headcount, which in turn was aligned with the increase in our GFA under management as a result of the expansion of our operations and the increase in staff remuneration, which was aligned with the general trend of wage increases in China. According to CIA, the annual average salary per urban capita in China increased from RMB26,467 in 2013 to RMB36,396 in 2017, representing a CAGR of approximately 8.3%.

As part of our efforts to manage our staff costs and improve our profit margins while ensuring consistent service quality, we utilize various measures to reduce our reliance on labor. These measures include outsourcing part of labor-intensive functions, including cleaning and security services, to third parties and streamlining and standardizing our property management services. In 2015, 2016 and 2017 and the eight months ended August 31, 2018, subcontracting costs amounted to RMB6.0 million, RMB8.7 million, RMB16.1 million and RMB57.6 million, representing approximately 4.5%, 4.7%, 6.2% and 26.1% of our total cost of sales, respectively. The increases in subcontracting costs during the Track Record Period were also attributable to the increase in our GFA under management as a result of the expansion of our operations.

For illustration purpose only, we set out below a sensitivity analysis of our profit for the year/period with reference to the fluctuation of our staff costs and subcontracting costs during the Track Record Period. The following table demonstrates the impact of the hypothetical increase in our staff costs and subcontracting costs on our cost of sales and profit for the year/period, while all other factors remain unchanged:

	Year ended December 31,						Eight months ended August 31,			
	2015		2016		2017		2017		2018	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(unaudited)									
Assuming 5% increase in our staff costs and subcontracting costs										
Impact on cost of sales	5,615	(49.0)	7,902	(35.7)	11,184	(19.4)	6,670	(16.9)	9,599	(18.9)
Impact on profit for the year/ period	(4,211)	(36.7)	(5,927)	(26.8)	(8,388)	(14.6)	(5,003)	(12.7)	(7,199)	(14.2)
Assuming 10% increase in our staff costs and subcontracting costs										
Impact on cost of sales	11,231	(97.9)	15,804	(71.5)	22,369	(38.9)	13,339	(33.8)	19,197	(37.8)
Impact on profit for the year/ period	(8,423)	(73.4)	(11,853)	(53.6)	(16,777)	(29.1)	(10,004)	(25.3)	(14,398)	(28.4)

General Economy, Rate of Urbanization and Timelines of Real Estate Development

Our ability to maintain and grow our property management portfolio is affected by our ability to secure new property management engagements, the timelines of property developers’ delivery of new properties and our ability to identify and acquire existing property management companies. The number of new property developments is heavily dependent on the performance of the real estate market in China, which is subject to the

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general economic conditions, the rate of urbanization, the resulting demand for properties, and the PRC government’s macroeconomic policies and measures. We expect our results of operations to continue to be affected by our ability to maintain and grow our property management portfolio.

Developments in the Chinese economy and the rate of urbanization have in the past increased the supply of and demand for residential properties. Specifically, since most of the properties we manage are located in tier two and tier three cities in China, the rate of urbanization in these cities is particularly important to the development of our business. We believe that these factors will continue to significantly affect the real estate industry and the property management service industry in China. Any economic downturn, particularly in the regions where we operate, could adversely affect our business, results of operations and financial position.

The regulatory environment in China, policies and measures taken by the PRC government, have also affected the development of the real estate market, which in turn affects our business and results of operations. From time to time, the PRC government adjusts or introduces macroeconomic control policies to encourage or restrict property development in the private property sector through regulating land grants, pre-sale of properties, bank financing and taxation, among other means. In particular, the PRC government has in the past introduced various restrictive measures to discourage speculation in the real estate market. Measures taken by the PRC government to control money supply, credit availability and fixed assets have a direct impact on the performance of the real estate market in China. The uncertainty in the PRC government policies can have significant effects on the supply of new properties, which is a major source of our new engagements.

CRITICAL ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS

The discussion and analysis of our operating results and financial position are based on our audited consolidated financial statements, which have been prepared in accordance with IFRS. Our operating results and financial position are sensitive to accounting methods, assumptions and estimates. The assumptions and estimates are based on our historical experience and various factors, including our management’s expectations of future events, which they believe to be reasonable. Actual results may differ from these estimates and assumptions.

The selection of critical accounting policies, the estimates and judgments, and other uncertainties affecting application of other policies and the sensitivity of reported results to changes in conditions and assumptions are factors to be considered when reviewing our consolidated financial statements. Our significant accounting policies, estimates and judgments are summarized in Notes 2 and 3 in the Accountants’ Report in Appendix I to this document. We believe that the following critical accounting policies involve the most significant estimates and judgments used in preparing the consolidated financial statements.

Revenue Recognition

Revenue is recognized when control over a product or service is transferred to the customer at the amount of promised consideration to which we are expected to be entitled, excluding those amounts collected on behalf of third parties.

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For property management services, we recognize revenue in the amount to which we have the right to invoice based on the value of performance completed on a monthly basis.

For property management service income arising from properties managed under lump sum basis, where we act as principal, we are entitled to revenue at the value of property service fee received. For property management service income arising from properties managed under commission basis, where we act as an agent of the property owner, we are entitled to revenue at a pre-determined percentage or fixed amount of the property service fees the property owners are obligated to pay.

For value-added services to non-property owners, we recognize revenue when the services are provided based on the value of performance completed on a monthly basis.

Value-added services to property owners mainly include community value-added services, customized interior furnishing services and property agent services. For community value-added services, we recognize revenue when the services are rendered. Community value-added services are normally billable immediately upon the rendering of services. For sales of furniture in our customized interior furnishing services, we recognize revenue at the point in time when the property owners take possession of and accept the furniture. For property agent services, we recognize revenue at the point in time when the property owners accept the services.

Impairment for Trade and Other Receivables

The impairment allowances for trade and other receivables are based on assumptions about risk of expected credit loss rates. We adjust judgment in making these assumption and selecting inputs for computing such impairment loss, broadly based on the available customers' historical data, existing market conditions including forward-looking estimates at the end of each reporting period.

Impairment of Non-current Assets

If circumstances indicate that the carrying amounts of property, plant and equipment and investment in an associate may not be recoverable, the assets may be considered impaired and are tested for impairment. An impairment loss is recognized when the asset's recoverable amount has declined below its carrying amount. The recoverable amount is the greater of the fair value less costs to sell and value in use. In determining the recoverable amount which requires significant judgments, we estimate the future cash flows to be derived from continuing use and ultimate disposal of the asset and applies an appropriate discount rate to these future cash flows.

Income Tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognized in profit or loss except to the extent that they relate to items recognized in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognized in other comprehensive income or directly in equity, respectively.

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Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits. The amount of deferred tax recognized is measured based on the expected manner of realization or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted. The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilized. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

According to PRC corporate income tax laws and its implementation rules, dividends receivable by non-PRC corporate residents from PRC enterprises are subject to withholding tax at a rate of 10%, unless reduced by tax treaties or arrangements, for profits earned since January 1, 2008.

For the other distributable reserve and retained earnings up to August 31, 2018, no deferred tax liabilities were recognized as of August 31, 2018 as we control the dividend policy of the subsidiaries and it has been determined that it is not probable that these profits will be distributed outside the PRC in the foreseeable future.

Early Application of IFRS 9 and IFRS 15

IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers* are effective for annual periods beginning on or after January 1, 2018 and earlier application is permitted. We have applied IFRS 9 and IFRS 15 consistently during the Track Record Period.

We have assessed the effects of early application of IFRS 9 and IFRS 15 on our financial statements and identified the following areas that have been affected:

- *Presentation of financial assets.* IFRS 9 classifies financial assets into three principal categories including financial assets measured at amortized cost, financial assets measured at fair value through other comprehensive income and financial assets measured at fair value through profit or loss. Under IAS 39, wealth management products were classified as financial assets measured at fair value through profit or loss. These assets continue to be measured at fair value through profit or loss under IFRS 9.
- *Adoption of new impairment model.* IFRS 9 requires the recognition of impairment provision of financial assets measured at amortized cost based on expected credit losses. We have assessed that the adoption of the new impairment methodology would not result in any significant difference on recognition of impairment provision of financial assets measured at amortized cost.

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- *Presentation of contract liabilities.* IFRS 15 requires that if a customer pays consideration before we transfer the goods or services to the customer, we shall present the amount as a contract liability (rather than a payable) when the payment is made or the payment is due (whichever is earlier). This has resulted in some reclassifications in relation to our unsatisfied performance obligations. As of December 31, 2015, 2016, 2017 and August 31, 2018, contract liabilities of RMB23.4 million, RMB48.9 million, RMB77.4 million and RMB166.0 million, respectively, would have been presented as receipts in advance from customers of RMB23.4 million, RMB48.9 million, RMB77.4 million and RMB166.0 million, should IAS 18 is applied throughout the Track Record Period.
- *Significant financing component.* IFRS 15 requires an entity to adjust the transaction price for the time value of money when a contract contains a significant financing component, regardless of whether the payments from customers are received significantly in advance of revenue recognition or significantly deferred. As a result of this change in accounting policy, we have recognized additional interest expenses on receipts in advance from customers relating to sales of furniture in customized interior furnishing services, amounting to RMB767,000 for the eight-month period ended August 31, 2018.

Taking into account the impacts disclosed above, we consider that the early application of IFRS 9 and IFRS 15 did not have any other significant impact on our financial position and performance during the Track Record Period.

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CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Year ended December 31,						Eight months ended August 31,			
	2015		2016		2017		2017		2018	
	RMB'000	% ⁽¹⁾	RMB'000	% ⁽¹⁾	RMB'000	% ⁽¹⁾	RMB'000	% ⁽¹⁾	RMB'000	% ⁽¹⁾
							(unaudited)			
Revenue	158,866	100.0	225,924	100.0	349,264	100.0	213,870	100.0	307,144	100.0
Cost of sales	(132,727)	(83.5)	(183,868)	(81.4)	(259,181)	(74.2)	(154,265)	(72.1)	(221,026)	(72.0)
Gross profit	26,139	16.5	42,056	18.6	90,083	25.8	59,605	27.9	86,118	28.0
Other revenue	150	0.1	292	0.1	390	0.1	101	0.0	439	0.1
Other net income	897	0.6	928	0.4	3,254	0.9	1,772	0.8	2,572	0.8
Selling and marketing expenses	—	—	—	—	(1,066)	(0.3)	(671)	(0.3)	(765)	(0.2)
Administrative expenses	(11,234)	(7.1)	(12,975)	(5.7)	(14,488)	(4.1)	(7,349)	(3.4)	(19,145)	(6.2)
Other expenses	(711)	(0.4)	(832)	(0.4)	(334)	(0.1)	(545)	(0.3)	(691)	(0.2)
Profit from operations	15,241	9.6	29,469	13.0	77,839	22.3	52,913	24.7	68,528	22.3
Net finance income/(costs)	145	0.1	146	0.1	131	0.0	65	0.0	(532)	(0.2)
Share of profits less losses of an associate	—	—	—	—	(761)	(0.2)	(63)	0.0	(49)	0.0
Profit before taxation	15,386	9.7	29,615	13.1	77,209	22.1	52,915	24.7	67,947	22.1
Income tax	(3,917)	(2.5)	(7,509)	(3.3)	(19,657)	(5.6)	(13,394)	(6.3)	(17,201)	(5.6)
Profit for the year/period	11,469	7.2	22,106	9.8	57,552	16.5	39,521	18.4	50,746	16.5
Exchange differences on translation of financial statement of overseas subsidiaries	—	—	—	—	—	—	—	—	42	0.0
Total comprehensive income for the year/period	11,469	7.2	22,106	9.8	57,552	16.5	39,521	18.4	50,788	16.5

Note:

(1) Calculated as percentage of revenue.

DESCRIPTION OF SELECTED ITEMS IN OUR CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Revenue

During the Track Record Period, revenue represents income from provision of the following services:

- Property management services, which primarily include property management fees for providing security, cleaning and gardening and property repair and maintenance services to residential properties, commercial properties and public facilities;
- Value-added services to non-property owners, which primarily include fees for providing pre-delivery services, consulting services and community space services; and
- Value-added services to property owners, which primarily include fees generated from providing community value-added services, customized interior furnishing services and property agent services.

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The revenue contribution by each business segment during the Track Record Period is set forth in the table below:

	Year ended December 31,						Eight months ended August 31,			
	2015		2016		2017		2017		2018	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Property management services	102,351	64.4	151,154	66.9	218,246	62.5	138,251	64.6	199,357	64.9
Value-added services to non-property owners	43,991	27.7	56,550	25.0	100,744	28.8	55,590	26.0	84,443	27.5
Value-added services to property owners	12,524	7.9	18,220	8.1	30,274	8.7	20,029	9.4	23,344	7.6
Total revenue	158,866	100.0	225,924	100.0	349,264	100.0	213,870	100.0	307,144	100.0

Revenue from our property management services represents the largest share of our revenue, contributing between 62.5% to 66.9% of our total revenue. Revenue from value-added services to non-property owners contributed between 25.0% to 28.8% of our total revenue, with the remaining contributed by revenue from value-added services to property owners. Our total revenue increased substantially during the Track Record Period primarily due to an increase in the number of managed properties, GFA under management and value-added service projects for non-property owners as we expanded our business by exploring new engagements. The premium price charged for new property management projects and the price increase for existing property management projects also contributed to the increased revenue. Specifically, in 2015, 2016, 2017 and the eight months ended August 31, 2018, the number of managed properties was 31, 41, 51 and 68, respectively, and the GFA under management was 5.5 million sq.m., 6.9 million sq.m., 8.6 million sq.m. and 10.8 million sq.m., respectively. Further, during the same periods, our average property management fee was RMB3.39 per sq.m./month, RMB3.80 per sq.m./month, RMB3.88 per sq.m./month and RMB3.98 per sq.m./month, respectively. In 2015, 2016, 2017 and the eight months ended August 31, 2018, the number of value-added service projects for non-property owners amounted to 26, 34, 41 and 48, respectively. Meanwhile, the revenue contribution from each segment remained relatively stable, showing a balanced and steady growth of our overall business operation.

In addition, we maintained a close relationship with Binjiang Group and actively explored new engagement opportunities with independent third party property developers. As a result, our average property management services revenue per project for properties solely or co-developed by Binjiang Group increased by 17.6% from RMB3.4 million in 2015 to RMB4.0 million in 2016, and further increased by 15.0% to RMB4.6 million in 2017. Our average property management services revenue per project for properties developed by independent third party property developers increased by 25.0% from RMB1.6 million in 2015 to RMB2.0 million in 2016, and further increased by 65.0% to RMB3.3 million in 2017.

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Revenue from Property Management Services

By Geographic Coverage

The following table sets forth a breakdown of our total property management services revenue by geographic region for the periods indicated:

	Year ended December 31,						Eight months ended August 31,			
	2015		2016		2017		2017		2018	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Hangzhou	82,839	80.9	118,125	78.1	170,658	78.2	109,020	78.9	158,775	79.6
Zhejiang province (excluding Hangzhou)	19,512	19.1	33,029	21.9	47,588	21.8	29,231	21.1	40,582	20.4
Total	102,351	100.0	151,154	100.0	218,246	100.0	138,251	100.0	199,357	100.0

During the Track Record Period, all of our property management services revenue were generated from properties located in the Yangtze River Delta, especially Hangzhou. The population density and per capita disposable income are higher in this area than in most other regions in China. We expect that our properties in the Yangtze River Delta will continue to account for a significant portion of our operations in the near future.

By Type of Properties

The table below sets forth the breakdown of our property management services revenue by type of properties for the periods indicated:

	Year ended December 31,						Eight months ended August 31,			
	2015		2016		2017		2017		2018	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Residential properties	99,193	96.9	147,960	97.9	198,846	91.1	127,258	92.0	171,089	85.8
Non-residential properties	3,158	3.1	3,194	2.1	19,400	8.9	10,993	8.0	28,268	14.2
Total	102,351	100.0	151,154	100.0	218,246	100.0	138,251	100.0	199,357	100.0

During the Track Record Period, residential properties accounted for a majority of our revenue. Meanwhile, based on our abundant industry experience and commitment to promote our brand recognition, we have diversified our property management portfolio by extending services to non-residential properties. We have achieved significant growth in revenue from providing property management services to non-residential properties during the Track Record Period. Our property management services revenue from non-residential properties amounted to RMB3.2 million, RMB3.2 million, RMB19.4 million and RMB28.3 million in 2015, 2016 and 2017 and the eight months ended August 31, 2018, respectively. The percentage of revenue contribution from non-residential properties, which is calculated by dividing revenue contribution from non-

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residential properties by the corresponding total revenue for the year/period, increased from 3.1% for 2015 to 14.2% for the eight months ended August 31, 2018.

By Revenue Model

The table below sets forth the breakdown of our property management services revenue by revenue model for the periods indicated:

	Year ended December 31,						Eight months ended August 31,			
	2015		2016		2017		2017		2018	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Lump sum basis	100,101	97.8	148,573	98.3	215,570	98.8	136,207	98.5	197,277	99.0
Commission basis	2,250	2.2	2,581	1.7	2,676	1.2	2,044	1.5	2,080	1.0
Total	102,351	100.0	151,154	100.0	218,246	100.0	138,251	100.0	199,357	100.0

During the Track Record Period, our primary revenue model is to charge under lump sum basis. Under PRC law, property management fees may be charged under lump sum basis or under commission basis. When the property management fees are charged under lump sum basis, we record all the fees as revenue and all the expenses incurred in connection with providing the property management services as cost of sales. When we charge property management fees under commission basis, we essentially act as the agent of the property owners and therefore record only a pre-determined amount set out in the property management service contracts or a pre-determined percentage of the property management fees as revenue.

Revenue from Value-added Services to Non-property Owners

Revenue from value-added services to non-property owners continued to increase during the Track Record Period, primarily attributable to our new engagements, especially for pre-delivery services.

Revenue from Value-added Services to Property Owners

Revenue from value-added services to property owners grew during the Track Record Period, primarily due to the growth in our community value-added services and property agent services. Our new customized interior furnishing services starting from 2017 also contributed to our revenue growth in this segment. The increase in the number of our managed properties provided a larger customer base for our revenue from value-added services to property owners.

Cost of Sales

Our cost of sales primarily comprises staff costs, subcontracting costs, utility expenses, cost of inventories, taxes and surcharges and others. Our staff costs relate to the salaries and benefits to our staffs mainly engaged in security, cleaning and gardening and property repair and maintenance services. Before December 2017, we have outsourced cleaning services to one subcontractor on a project-to-project basis. Since December 2017, we started

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to outsource more security and cleaning services to subcontractors. Utility expenses mainly relate to electricity and water supply expenses. Other expenses mainly relate to amortization of low-value consumables and parking space rent.

The table below sets forth a breakdown of our cost of sales for the periods indicated, both in terms of actual costs and as a percentage of the total cost of sales.

	Year ended December 31,						Eight months ended August 31,			
	2015		2016		2017		2017		2018	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(unaudited)									
Staff costs	106,290	80.1	149,375	81.2	207,599	80.1	127,297	82.5	134,387	60.8
Subcontracting costs	6,019	4.5	8,661	4.7	16,086	6.2	6,095	4.0	57,587	26.1
Utility expenses	4,955	3.7	8,533	4.6	12,517	4.8	7,347	4.8	14,138	6.4
Cost of inventories	—	—	—	—	5,942	2.3	3,496	2.3	1,873	0.8
Taxes and surcharges	8,634	6.5	5,943	3.2	2,965	1.1	1,664	1.1	2,501	1.1
Others	6,829	5.2	11,356	6.3	14,072	5.5	8,366	5.3	10,540	4.8
Total	132,727	100.0	183,868	100.0	259,181	100.0	154,265	100.0	221,026	100.0

During the Track Record Period, the main factor affecting our cost of sales was our staff costs. The increase in staff costs was mainly due to the increases in the staff headcount and salaries as a result of the expansion of our operations. Our staff costs included in cost of sales amounted to RMB106.3 million, RMB149.4 million, RMB207.6 million and RMB134.4 million, accounting for approximately 80.1%, 81.2%, 80.1% and 60.8% of our cost of sales in 2015, 2016 and 2017 and the eight months ended August 31, 2018, respectively.

Gross Profit and Gross Profit Margin

Our gross profit in 2015, 2016 and 2017 and the eight months ended August 31, 2018 amounted to RMB26.1 million, RMB42.1 million, RMB90.1 million and RMB86.1 million, respectively. During the same periods, we recorded gross profit margin of 16.5%, 18.6%, 25.8% and 28.0%, respectively. The table below sets forth our gross profit and gross profit margin by business segment for the periods indicated:

	Year ended December 31,						Eight months ended August 31,			
	2015		2016		2017		2017		2018	
	Gross Profit	Gross Profit Margin*	Gross Profit	Gross Profit Margin*	Gross Profit	Gross Profit Margin*	Gross Profit	Gross Profit Margin*	Gross Profit	Gross Profit Margin*
	(unaudited)									
Property management services	9,491	9.3	14,872	9.8	33,735	15.5	24,285	17.6	31,558	15.8
Value-added services to non-property owners	9,066	20.6	15,679	27.7	42,397	42.1	26,252	47.2	41,052	48.6
Value-added services to property owners	7,582	60.5	11,505	63.1	13,951	46.1	9,068	45.3	13,508	57.9
Total	26,139	16.5	42,056	18.6	90,083	25.8	59,605	27.9	86,118	28.0

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* Gross profit margin by each business segment is calculated by dividing gross profit of each business segment by the corresponding revenue of each business segment for the financial year/period indicated.

The increase in the gross profit margin for our property management services during the Track Record Period was primarily due to new managed properties with premium prices. The increases in our average property management fee will continue to contribute to maintaining our gross profit margin going forward.

The increase in gross profit margin for our value-added services to non-property owners during the Track Record Period was primarily due to an increase in our revenue from pre-delivery services while the increase in our cost of sales relating to these services was relatively slight, attributable to economies of scale.

The increase in gross profit margin for our value-added services to property owners during the Track Record Period was primarily due to a significant growth in our revenue for community value-added services, such as housekeeping services in high-end communities, while the increase in our cost of sales relating to these services was relatively slight, attributable to economies of scale.

Other Revenue and Other Net Income

Other revenue and other net income primarily consists of government grants, net gain or loss on disposal of property, plant and equipment and net realized gains on fair value through profit or loss which represents income/loss resulting from investment in wealth management products issued by well-known financial institutions. Government grants mainly represent unconditional grants received from local government to subsidize our internship program for recruiting local graduates. There can be no assurance that we will continue to receive significant amounts of government grants, or at all, as the government grants are uncertain and irregular.

In 2015, 2016 and 2017, our financial assets at fair value through profit or loss were low-risk wealth management products issued by Industrial Bank Co., Ltd, Agricultural Bank of China and China Minsheng Bank. We purchased these wealth management products mainly as a mean to improve utilization of our cash-on-hand on a short-term basis. These wealth management products have historical yield rates ranging from 2.3% to 3.6% per annum. Our total purchase amount amounted to RMB166.2 million, RMB227.3 million, RMB495.5 million and RMB587.0 million in 2015, 2016 and 2017 and the eight months ended August 31, 2018. As of August 31, 2018, we had no wealth management products. During the Track Record Period, we mainly purchased short-term wealth management products which can be redeemed daily, and we generally redeem them within a month. We recognize these wealth management products as financial assets at fair value through profit or loss as a result of the adoption of IFRS 9. To further reduce potential risks, we have implemented an internal policy in relation to purchase and disposal of financial products. Our policy focuses on avoiding undue risks in the purchase of financial products and requires that such purchase be made only when there is a surplus of cash. The policy sets forth the approval process of the purchase of such products and the responsible department for the enforcement of the policy. Purchase of financial products needs to be approved by the Board. The financial department is responsible for, among others, conducting feasibility analysis before an investment is made and for the collection of principal and return. We will continue to purchase financial products based on the above policy and subject to market risks and availability of suitable alternative products.

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Selling and Marketing Expenses

Selling and marketing expenses primarily consist of salaries of and expenses incurred by our sales personnel during the daily operation of our customized interior furnishing services starting from 2017. Due to the nature of our business, we did not incur significant amounts of selling and marketing expenses during the Track Record Period.

Administrative Expenses

Administrative expenses primarily consist of staff costs of administrative staffs (including directors’ emoluments), office expenses, [REDACTED], bank charges, taxation expenses (mainly relating to property tax) and others. The table below sets forth a breakdown of our administrative expenses for the periods indicated:

	Year ended December 31,						Eight months ended August 31,				
	2015		2016		2017		2017		2018		
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	
Staff costs	7,410	66.0	8,232	63.4	8,892	61.4	3,752	51.1	4,222	22.0	
Office expenses .	2,698	24.0	3,630	28.0	4,423	30.5	3,013	41.0	4,797	25.1	
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Bank charges . .	537	4.8	770	5.9	918	6.3	544	7.4	895	4.7	
Taxation expenses .	368	3.2	102	0.8	—	—	—	—	—	—	
Others	221	2.0	241	1.9	255	1.8	40	0.5	54	0.3	
Total	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Other Expenses

Our other expenses primarily represent impairment losses on trade receivables.

Net Finance Income/(Costs)

Our finance income primarily represents interest income on bank deposits. Our finance costs primarily represent interest expenses on prepaid customized interior furnishing service fees received from property owners categorized as contract liabilities.

Share of Profits Less Losses of an Associate

This amount represents our share of results of our associate, Hangzhou Zhibin Technology Service Company Limited, which was established in 2017 and in which we hold 20% of interest. Hangzhou Zhibin Technology Service Company Limited principally engages in industrial parks management.

Income Tax

Pursuant to the rules and regulations of the Cayman Islands and the BVI, we are not subject to any income tax in the Cayman Islands and the BVI.

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The income tax rate applicable to group entities incorporated in Hong Kong for the income subject to Hong Kong profits tax during the Track Record Period was 16.5%. No provision for Hong Kong profits tax had been made as we did not earn any income subject to Hong Kong profits tax during the Track Record Period.

Our PRC subsidiaries are subject to PRC income tax at 25%.

Income tax comprises current tax and movements in deferred tax assets and liabilities. Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous periods. Deferred tax assets and liabilities arise from deductible and taxable temporary differences, respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits. The table below sets forth a breakdown of our income tax for the periods indicated:

	Year ended December 31,			Eight months ended August 31,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Current tax					
PRC corporate income tax	4,430	8,464	20,395	14,012	17,019
Deferred tax					
Origination and reversal of temporary differences	(513)	(955)	(738)	(618)	182
Total	<u>3,917</u>	<u>7,509</u>	<u>19,657</u>	<u>13,394</u>	<u>17,201</u>

Our effective tax rate, calculated as income tax expenses divided by profit before taxation, in 2015, 2016 and 2017 and the eight months ended August 31, 2017 and 2018 was approximately 25.5%, 25.4%, 25.5%, 25.3% and 25.3%, respectively. Our effective tax rate remained relatively stable during the Track Record Period.

The actual income tax expenses reported in the consolidated statements of profit or loss and other comprehensive income differs from the amount calculated by applying the statutory PRC income tax rates. Our income tax for each period can be reconciled to the profit before taxation as follows:

	Year ended December 31,			Eight months ended August 31,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Profit before taxation	15,386	29,615	77,209	52,915	67,947
Notional tax on profit before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned	3,846	7,404	19,302	13,229	17,031
Tax effects of:					
— Non-deductible expenses	71	105	87	81	117
— Shares of results of an associate	—	—	190	16	12
— Tax losses not recognized	—	—	78	68	41
Actual tax expense	<u>3,917</u>	<u>7,509</u>	<u>19,657</u>	<u>13,394</u>	<u>17,201</u>

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During the Track Record Period and up to the Latest Practicable Date, we had paid all applicable taxes when due and there were no matters in dispute or unresolved with any tax authorities.

RESULTS OF OPERATIONS

Eight Months Ended August 31, 2018 Compared to Eight Months Ended August 31, 2017

Revenue

Revenue increased by 43.6% to RMB307.1 million for the eight months ended August 31, 2018 from RMB213.9 million for the eight months ended August 31, 2017.

- *Property management services.* Revenue from property management services amounted to RMB138.3 million and RMB199.4 million, contributing 64.6% and 64.9% of our total revenue for the eight months ended August 31, 2017 and 2018, respectively, representing an increase of 44.2%. The increase was primarily attributable to the increases in our total GFA under management and our average property management fee. Our total GFA under management increased by 25.6% to 10.8 million sq.m. as of August 31, 2018 from 8.6 million sq.m. as of August 31, 2017, primarily due to an increase in our new projects by 17 from 51 for the eight months ended August 31, 2017 to 68 for the eight months ended August 31, 2018, such as Xiaoshan East Coast and Pujiang Puyang No. 1. Our average property management fee increased by 7.9% to RMB3.98 per sq.m./month for the eight months ended August 31, 2018 from RMB3.69 per sq.m./month for the eight months ended August 31, 2017, primarily because we were able to charge premium prices for our new projects. For example, the property management fee of our new projects, Huajia Pond and Xingqi Mansion, was RMB5.80 per sq.m./month and RMB7.00 per sq.m./month, respectively. In addition, the change in revenue model from commission basis to lump sum basis for six projects also resulted in an increase in our revenue by RMB14.0 million.
- *Value-added services to non-property owners.* Revenue from value-added services to non-property owners amounted to RMB55.6 million and RMB84.4 million, contributing 26.0% and 27.5% of our total revenue for the eight months ended August 31, 2017 and 2018, respectively. Revenue from value-added services to non-property owners increased by 51.8% from the eight months ended August 31, 2017 to the eight months ended August 31, 2018, primarily due to (i) 12 new engagements for pre-delivery services, including Duhui Forest, Wongrun Qianchao and Tongxie Jinzuo, and (ii) overall business growth in our community space services.
- *Value-added services to property owners.* Revenue from value-added services to property owners amounted to RMB20.0 million and RMB23.3 million, contributing 9.4% and 7.6% of our total revenue for the eight months ended August 31, 2017 and 2018, respectively. Revenue from value-added services to property owners increased by 16.5% from the eight months ended August 31, 2017 to the eight months ended August 31, 2018, primarily due to the growth in our community value-added services, especially the housekeeping services in high-end communities.

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Cost of Sales

Our cost of sales increased by 43.2% to RMB221.0 million for the eight months ended August 31, 2018 from RMB154.3 million for the eight months ended August 31, 2017, primarily due to our business expansion. Our subcontracting costs increased by RMB51.5 million as we started to outsource more security and cleaning services in December 2017 as our policy in order to utilize our own workforce more efficiently on less labor-intensive services. We believe such subcontracting arrangements allow us to leverage the human resources and technical expertise of the subcontractors, reduce our operation costs, improve service quality, contribute more resources to our core businesses and enhance the overall profitability of our operations. Our average staff cost also increased by approximately 16.8%.

Gross Profit and Gross Profit Margin

Our gross profit increased by 44.5% to RMB86.1 million for the eight months ended August 31, 2018 from RMB59.6 million for the eight months ended August 31, 2017. Our gross profit margin remained relatively stable at 27.9% for the eight months ended August 31, 2017 and 28.0% for the eight months ended August 31, 2018.

- *Property management services.* Gross profit of our property management services increased by 30.0% to RMB31.6 million for the eight months ended August 31, 2018 from RMB24.3 million for the eight months ended August 31, 2017. Gross profit margin of our property management services decreased from 17.6% for the eight months ended August 31, 2017 to 15.8% for the eight months ended August 31, 2018, primarily due to (i) the change in revenue model for our six projects from commission basis to lump sum basis, which has a substantially higher gross profit margin than lump sum basis, and (ii) faster growth in staff cost and subcontracting cost than our revenue growth.
- *Value-added services to non-property owners.* Gross profit of our value-added services to non-property owners increased by 56.3% to RMB41.1 million for the eight months ended August 31, 2018 from RMB26.3 million for the eight months ended August 31, 2017. Gross profit margin of our value-added services to non-property owners increased slightly to 48.6% for the eight months ended August 31, 2018 from 47.2% for the eight months ended August 31, 2017.
- *Value-added services to property owners.* Gross profit of our value-added services to property owners increased by 48.4% to RMB13.5 million for the eight months ended August 31, 2018 from RMB9.1 million for the eight months ended August 31, 2017. Gross profit margin of our value-added services to property owners increased to 57.9% for the eight months ended August 31, 2018 from 45.3% for the eight months ended August 31, 2017. These increases were primarily due to an increase in our staff utilization rate for housekeeping services in high-end communities.

Other Revenue and Other Net Income

Our other revenue and other net income increased to RMB3.0 million for the eight months ended August 31, 2018 from RMB1.9 million for the eight months ended August 31, 2017, primarily due to an increase in net realized gains on wealth management products.

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Selling and Marketing Expenses

Selling and marketing expenses remained relatively stable at RMB0.7 million and RMB0.8 million for the eight months ended August 31, 2017 and 2018, respectively.

Administrative Expenses

Administrative expenses increased by [REDACTED]% to RMB[REDACTED] million for the eight months ended August 31, 2018 from RMB[REDACTED] million for the eight months ended August 31, 2017, primarily due to the expenses in relation to the [REDACTED] incurred in 2018.

Other Expenses

Other expenses remained relatively stable at RMB0.5 million for the eight months ended August 31, 2017 and RMB0.7 million for the eight months ended August 31, 2018.

Net Finance Income/(Costs)

We recorded net finance income of RMB65 thousands for the eight months ended August 31, 2017 and net finance costs of RMB0.5 million for the eight months ended August 31, 2018. The change was primarily due to interest expenses on prepaid customized interior furnishing service fees received from property owners categorized as contract liabilities.

Share of Profits Less Losses of an Associate

Our share of profits less losses of an associate decreased from RMB63 thousands for the eight months ended August 31, 2017 to RMB49 thousands for the eight months ended August 31, 2018, primarily because our associate, Hangzhou Zhibin Technology Service Company Limited, was able to sublease more properties in 2018.

Income Tax

Our income tax increased by 28.4% to RMB17.2 million for the eight months ended August 31, 2018 from RMB13.4 million for the eight months ended August 31, 2017, primarily as a result of the increase in the profit before taxation. Our effective tax rate, calculated as income tax expenses divided by profit before taxation, remained stable at 25.3% for the eight months ended August 31, 2017 and 2018, respectively.

Profit for the Period

As a result of the foregoing, profit for the period increased by 28.6% to RMB50.7 million for the eight months ended August 31, 2018 from RMB39.5 million for the eight months ended August 31, 2017.

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Year Ended December 31, 2017 Compared to Year Ended December 31, 2016

Revenue

Revenue increased by 54.6% to RMB349.3 million in 2017 from RMB225.9 million in 2016.

- *Property management services.* Revenue from property management services amounted to RMB151.2 million and RMB218.2 million, contributing approximately 66.9% and 62.5% of our total revenue in 2016 and 2017, respectively, representing an increase of 44.3%. The increase was primarily attributable to the increases in our total GFA under management and our average property management fee. Our total GFA under management increased by 24.6% to 8.6 million sq.m. as of December 31, 2017 from 6.9 million sq.m. as of December 31, 2016, primarily due to an increase in our new projects by ten from 41 in 2016 to 51 in 2017, including Pujiang Lvgu Yunxi and Qiantang Impression. Our average property management fee increased by 2.1% to RMB3.88 per sq.m./month in 2017 from RMB3.80 per sq.m./month in 2016, primarily because we were able to charge premium prices for our new projects, such as Qiantang Impression and Kangkang Vally, for which we charged RMB5.20 per sq.m./month and RMB5.00 per sq.m./month, respectively.
- *Value-added services to non-property owners.* Revenue from value-added services to non-property owners amounted to RMB56.6 million and RMB100.7 million, contributing 25.0% and 28.8% of our total revenue in 2016 and 2017, respectively. Revenue from value-added services to non-property owners increased by 77.9% from 2016 to 2017, primarily due to seven new engagements for pre-delivery services, including Feicui Coast and Wenchao Yipin.
- *Value-added services to property owners.* Revenue from value-added services to property owners amounted to RMB18.2 million and RMB30.3 million, contributing 8.1% and 8.7% of our total revenue in 2016 and 2017, respectively. Revenue from value-added services to property owners increased by 66.5% from 2016 to 2017, primarily due to the growth in our community value-added services such as housekeeping services. Our new customized interior furnishing services starting from 2017 also contributed to our revenue growth in this segment.

Cost of Sales

Our cost of sales increased by 40.9% to RMB259.2 million in 2017 from RMB183.9 million in 2016. The increase in cost of sales was primarily due to our business expansion, which led to an increase in headcounts by 642 staffs and average staff cost by approximately 8.7%.

Gross Profit and Gross Profit Margin

Our gross profit increased by 114.0% to RMB90.1 million in 2017 from RMB42.1 million in 2016. Our gross profit margin increased from 18.6% in 2016 to 25.8% in 2017.

- *Property management services.* Gross profit of our property management services increased by 126.2% to RMB33.7 million in 2017 from RMB14.9 million in 2016. Gross profit margin of our

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property management services increased from 9.8% in 2016 to 15.5% in 2017. The increases were primarily due to (i) nine managed properties including new projects for which we charged premium prices or existing projects for which we were able to raise the property management fee, such as Qiantang Impression and Shifang Technology Park, for which the property management fee was RMB5.20 per sq.m./month and RMB4.00 per sq.m./month, respectively, and (ii) improved staff utilization due to more housing units were delivered in some of our managed properties.

- *Value-added services to non-property owners.* Gross profit of our value-added services to non-property owners increased by 170.1% to RMB42.4 million in 2017 from RMB15.7 million in 2016. Gross profit margin of our value-added services to non-property owners increased to 42.1% in 2017 from 27.7% in 2016. These increases were primarily because we continued to expand our pre-delivery services in 2017 with enhanced service quality and operating efficiency.
- *Value-added services to property owners.* Gross profit of our value-added services to property owners increased by 21.7% to RMB14.0 million in 2017 from RMB11.5 million in 2016. Gross profit margin of our value-added services to property owners decreased to 46.1% in 2017 from 63.1% in 2016, primarily due to the relatively low gross profit margin of our customized interior furnishing services and the upfront costs incurred in 2017 as it just started operation in 2017.

Other Revenue and Other Net Income

Our other revenue and other net income increased to RMB3.6 million in 2017 from RMB1.2 million in 2016, primarily due to an increase in net realized gains on wealth management products.

Selling and Marketing Expenses

Selling and marketing expenses increased to RMB1.1 million in 2017 from nil in 2016, primarily due to the expenses in relation to our customized interior furnishing services which started in 2017.

Administrative Expenses

Administrative expenses increased by 11.5% to RMB14.5 million in 2017 from RMB13.0 million in 2016, primarily due to an increase in office expenses, such as office supplies, utility charges and post and telecommunication fees, to RMB4.4 million in 2017 from RMB3.6 million in 2016, as a result of our business expansion.

Other Expenses

Other expenses decreased by 62.5% to RMB0.3 million in 2017 from RMB0.8 million in 2016, primarily due to the recovery of trade receivables for which bad debt provision was provided in previous years.

Net Finance Income/(Costs)

Finance income remained stable at RMB0.1 million in both 2016 and 2017.

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Share of Profits Less Losses of an Associate

Our share of profits less losses of an associate changed from nil in 2016 to a loss of RMB0.8 million in 2017, due to the loss incurred by our associate, Hangzhou Zhibin Technology Service Company Limited, as it just commenced operation in 2017.

Income Tax

Our income tax increased by 162.7% to RMB19.7 million in 2017 from RMB7.5 million in 2016, primarily as a result of the increase in the profit before taxation. Our effective tax rate, calculated as income tax expenses divided by profit before taxation, remained relatively stable at 25.4% in 2016 and 25.5% in 2017.

Profit for the Year

As a result of the foregoing, profit for the year increased by 160.6% to RMB57.6 million in 2017 from RMB22.1 million in 2016.

Year Ended December 31, 2016 Compared to Year Ended December 31, 2015

Revenue

Revenue increased by 42.2% to RMB225.9 million in 2016 from RMB158.9 million in 2015.

- *Property management services.* Revenue from property management services amounted to RMB102.4 million and RMB151.2 million, contributing 64.4% and 66.9% of our total revenue in 2015 and 2016, respectively. The increase was primarily attributable to the increases in our total GFA under management and our average property management fee. Our total GFA under management increased by 25.5% to 6.9 million sq.m. as of December 31, 2016 from 5.5 million sq.m. as of December 31, 2015, primarily due to an increase in our new projects by ten from 31 in 2015 to 41 in 2016, including Shangyu City Star, Qiandao Lake East Coast and Golden Dawn Phase III. Our average property management fee increased by 12.1% to RMB3.80 per sq.m./month in 2016 from RMB3.39 per sq.m./month in 2015, primarily because we were able to charge premium prices for our new projects, such as Yuefu and Xixi Pearl, for which we charged RMB5.50 per sq.m./month and RMB6.60 per sq.m./month, respectively.
- *Value-added services to non-property owners.* Revenue from value-added services to non-property owners amounted to RMB44.0 million and RMB56.6 million, contributing 27.7% and 25.0% of our total revenue in 2015 and 2016, respectively. Revenue from value-added services to non-property owners increased by 28.6% from 2015 to 2016, primarily due to an increase of eight new engagements for pre-delivery services, such as Bojin Coast and Shanghai No.1 Park.
- *Value-added services to property owners.* Revenue from value-added services to property owners amounted to RMB12.5 million and RMB18.2 million, contributing 7.9% and 8.1% of our total

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revenue in 2015 and 2016, respectively. Revenue from value-added services to property owners increased by 45.6% from 2015 to 2016, primarily due to the growth in our community value-added services such as housekeeping services.

Cost of Sales

Our cost of sales increased by 38.6% to RMB183.9 million in 2016 from RMB132.7 million in 2015. The increase in cost of sales was primarily due to our business expansion, which led to an increase in headcounts by 505 staffs and average staff cost by approximately 9.7%.

Gross Profit and Gross Profit Margin

Our gross profit increased by 61.3% to RMB42.1 million in 2016 from RMB26.1 million in 2015. Our gross profit margin increased to 18.6% in 2016 from 16.5% in 2015.

- *Property management services.* Gross profit of our property management services increased by 56.8% to RMB14.9 million in 2016 from RMB9.5 million in 2015. Gross profit margin of our property management services increased slightly from 9.3% in 2015 to 9.8% in 2016. The increases were primarily because our average property management fee rates increased by 12.1% from RMB3.39 per sq.m./month to RMB3.80 per sq.m./month, largely offset by an increase in staff costs.
- *Value-added services to non-property owners.* Gross profit of our value-added services to non-property owners increased by 72.5% to RMB15.7 million in 2016 from RMB9.1 million in 2015. Gross profit margin of our value-added services to non-property owners increased to 27.7% in 2016 from 20.6% in 2015. The increases were primarily because we gradually expanded our pre-delivery services in 2016 compared to a relatively small business scale in 2015, in which the overall gross profit margin was more likely affected by the gross profit margin of the projects.
- *Value-added services to property owners.* Gross profit of our value-added services to property owners increased by 51.3% to RMB11.5 million in 2016 from RMB7.6 million in 2015. Gross profit margin of our value-added services to property owners increased to 63.1% in 2016 from 60.5% in 2015. The increases were primarily due to an increase in our staff utilization rate for housekeeping services in high-end communities.

Other Revenue and Other Net Income

Our other revenue and other net income increased to RMB1.2 million in 2016 from RMB1.0 million in 2015, primarily because we received government grants to subsidize our internship program for recruiting local graduates in 2016.

Selling and Marketing Expenses

We did not incur any selling and marketing expenses in 2015 and 2016.

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Administrative Expenses

Administrative expenses increased by 16.1% to RMB13.0 million in 2016 from RMB11.2 million in 2015, primarily due to (i) an increase in our staff costs to RMB8.2 million in 2016 from RMB7.4 million in 2015, and (ii) an increase in office expenses to RMB3.6 million in 2016 from RMB2.7 million in 2015, both as a result of our business growth.

Other Expenses

Other expenses remained relatively stable at RMB0.7 million in 2015 and RMB0.8 million in 2016.

Net Finance Income/(Costs)

Our finance income remained stable at RMB0.1 million in both 2015 and 2016.

Share of Profits Less Losses of an Associate

We did not incur any share of profits less losses of an associate in 2015 and 2016.

Income Tax

Our income tax increased by 92.3% from RMB3.9 million in 2015 to RMB7.5 million in 2016. Our effective tax rate, calculated as income tax expenses divided by profit before taxation, remained relatively stable at 25.5% in 2015 and 25.4% in 2016.

Profit for the Year

As a result of the foregoing, profit for the year increased by 92.2% to RMB22.1 million in 2016 from RMB11.5 million in 2015.

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DESCRIPTION OF SELECTED ITEMS IN CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The following table sets forth our consolidated statements of financial position as of the dates indicated.

	As of December 31,			As of
	2015	2016	2017	August 31, 2018
	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS				
Non-current assets				
Property, plant and equipment	5,677	7,395	8,027	7,622
Interest in an associate	—	—	5,239	5,190
Deferred tax assets	880	1,835	2,573	2,391
Total non-current assets	6,557	9,230	15,839	15,203
Current assets				
Inventories	636	402	335	131
Trade and other receivables	27,914	34,241	36,462	70,975
Restricted bank balances	18,003	20,772	32,804	29,841
Cash and cash equivalents	69,261	167,547	303,949	393,871
Total current assets	115,814	222,962	373,550	494,818
Total assets	122,371	232,192	389,389	510,021
EQUITY				
Share capital	—	—	66	129
Reserves	30,973	53,270	110,443	161,823
Total equity attributable to equity shareholders of the Company	30,973	53,270	110,509	161,952
Non-controlling interests	—	299	678	3,095
Total equity	30,973	53,569	111,187	165,047
LIABILITIES				
Non-current liabilities				
Provisions	—	813	—	—
Total non-current liabilities	—	813	—	—
Current liabilities				
Contract liabilities	23,408	48,939	77,379	165,964
Trade and other payables	64,225	118,446	178,618	162,235
Current taxation	3,765	9,612	20,917	16,176
Provisions	—	813	1,288	599
Total current liabilities	91,398	177,810	278,202	344,974
Total liabilities	91,398	178,623	278,202	344,974
Total equity and liabilities	122,371	232,192	389,389	510,021
Net current assets	24,416	45,152	95,348	149,844
Total assets less current liabilities	30,973	54,382	111,187	165,047
Net assets	30,973	53,569	111,187	165,047

Property, Plant and Equipment

Our property, plant and equipment mainly consists of office equipment and furniture, and motor vehicles. Our property, plant and equipment amounted to RMB5.7 million, RMB7.4 million, RMB8.0 million and RMB7.6 million, respectively, as of December 31, 2015, 2016 and 2017 and August 31, 2018.

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Trade and Other Receivables

Trade Receivables

The table below sets forth a breakdown of our trade receivables as of the dates indicated:

	As of December 31,			As of
	2015	2016	2017	August 31, 2018
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables	6,626	9,556	9,997	39,866
Less: Allowance for impairment of trade receivables	(1,168)	(1,703)	(1,777)	(2,234)
Total	5,458	7,853	8,220	37,632

As of December 31, 2015, 2016 and 2017 and August 31, 2018, trade receivables amounted to RMB5.5 million, RMB7.9 million, RMB8.2 million and RMB37.6 million, respectively. The increases during the Track Record Period were in line with our increase in revenue. In particular, our trade receivables increased significantly as of August 31, 2018, primarily due to seasonality because we usually enhance our trade receivables collection efforts during year end.

The table below sets forth our trade receivables turnover days as of the dates indicated:

	Year ended December 31,			Eight months ended August 31,
	2015	2016	2017	2018
Trade receivables turnover days ⁽¹⁾	52.0	41.9	28.2	40.0

Note:

- (1) Trade receivables turnover days are calculated by dividing trade receivables (including trade nature amounts due from related parties) as of the end of the relevant period by revenue for the relevant period and multiplying 365 days for a year or 243 days for eight months.

For our property management services, generally, customers are required to pay the next 12 months' property management fees (each a “**billing period**”) before the property is handed over to the customers. Subsequent payments are required to be made prior to commencement of the next billing period. Among our value-added services to non-property owners, (i) for pre-delivery services, customers are generally required to pay six months' fees upon entering into the contract or before we deliver our services; for property sales venue labor fees, customers are generally required to make monthly payments; (ii) for consulting services, customers are generally required to pay annually before a designated date of each year; and (iii) for community space services, customers are generally required to prepay the service fees in advance for the following year within one month after entering into the service contracts. Our trade receivable turnover days decreased from 52.0 in 2015 to 41.9 in 2016, and further to 28.2 in 2017, primarily due to enhancement in our trade receivables collection efforts. Our trade receivable turnover days increased to 40.0 for the eight months ended August 31, 2018, primarily due to seasonality because we usually enhance our trade receivables collection efforts during year end.

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The table below sets forth the aging analysis of our trade receivables based on the date of revenue recognition and net of allowance for impairment of trade receivables.

	As of December 31,			As of
	2015	2016	2017	August 31, 2018
	RMB'000	RMB'000	RMB'000	RMB'000
Within one year	5,003	7,468	7,647	36,988
After one year but within two years	455	385	573	644
Total	5,458	7,853	8,220	37,632

There were no trade receivables that were past due but not impaired at the end of each reporting period.

Allowance for impairment of trade receivables amounted to RMB1.2 million, RMB1.7 million, RMB1.8 million and RMB2.2 million as of December 31, 2015, 2016 and 2017 and August 31, 2018, respectively, which were made at each reporting date based on a group basis assessment by aging and nature of trade receivables. None of the trade receivables was individually determined to be impaired.

When determining the recoverability of trade receivables, we consider changes in the credit quality of the trade receivables from the date when the credit was granted to the reporting date. In determining the recoverability of trade receivables from our property management service segment, we estimate the recoverable amount of property management fees based on our historical credit loss experience, adjusted for factors that are specific to debtors and an assessment of both the current and forecast general economic condition at the reporting date.

We did not experience any significant difficulty in collecting property management fees during the Track Record Period as evidenced by the high collection rates we maintained throughout the Track Record Period. As of December 31, 2015, 2016 and 2017 and August 31, 2018, our collection rates with respect to property management fees, calculated by dividing the property management fees we actually received by the total property management fees payable to us for the same periods, were approximately 82.3%, 96.4%, 98.8% and 84.1%, respectively. Our collection rates gradually increased during the Track Record Period, primarily due to the enhancement in our collection efforts. The collection rate decreased for the eight months ended August 31, 2018, primarily due to seasonality because we usually enhance our collection efforts during year end.

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Amounts Due from Related Parties and Other Receivables

The table below sets forth a breakdown of our amounts due from related parties and other receivables as of the dates indicated:

	As of December 31,			As of
	2015	2016	2017	August 31, 2018
	RMB'000	RMB'000	RMB'000	RMB'000
Amounts due from related parties	17,393	18,207	18,847	12,956
— Trade nature	17,171	18,076	18,803	12,956
— Non-trade nature	222	131	44	—
Payments on behalf of property owners	2,660	3,448	4,082	5,408
Deposits and prepayments	282	664	1,399	9,695
Amounts due from staff	1,995	3,654	2,967	4,396
Others	126	415	947	888
Total	22,456	26,388	28,242	33,343

Our amounts due from related parties and other receivables mainly consist of amounts due from related parties, utility charges paid on behalf of property owners, deposits and prepayment and amounts due from staff in relation to sundry items purchased by staffs in relation to daily property management activities using our petty cash fund but have not been claimed. Our amounts due from related parties and other receivables increased from RMB22.5 million as of December 31, 2015 to RMB26.4 million as of December 31, 2016, primarily due to an increase in amounts due from staff in relation to the emergency procurement business. Our amounts due from related parties and other receivables remained relatively stable at RMB26.4 million as of December 31, 2016 and RMB28.2 million as of December 31, 2017. Our amounts due from related parties and other receivables increased from RMB28.2 million as of December 31, 2017 to RMB33.3 million as of August 31, 2018, primarily due to an increase in deposits and prepayments arising from prepayment of [REDACTED] expenses and prepayment for purchasing furniture. Our trade nature amounts due from related parties mainly include property management, pre-delivery and consulting service fees from related parties. Our non-trade nature amounts due from related parties mainly include after-sale maintenance advance payments made for related parties. The non-trade nature amounts due from related parties has been fully settled as of the date of this document.

Our trade and other receivables decreased from RMB71.0 million as of August 31, 2018 to RMB45.0 million as of December 31, 2018, primarily due to an increase in collection rates as we enhance our collection efforts during year end.

Among the RMB52.8 million of trade receivables (including trade nature amounts due from related parties) as of August 31, 2018, RMB44.0 million (approximately 83.3%) has been repaid as of December 31, 2018. Among the RMB39.9 million of trade receivables due from third parties as of August 31, 2018, RMB31.0 million (approximately 77.7%) has been repaid as of December 31, 2018. The RMB13.0 million of trade nature amounts due from related parties as of August 31, 2018 has been fully repaid as of December 31, 2018.

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Restricted Bank Balances

Restricted bank balances represent the property management fees collected on behalf of the owners' associations under commission basis, revenues from common area rental fees, parking space rental fees and advertisement placement fees from advertisement companies under both lump sum basis and commission basis, and restricted deposits. In our property management service business, since the owners' associations are not allowed to open bank accounts, we open and manage these bank accounts on behalf of the owners' associations. Our restricted bank balances increased from RMB18.0 million as of December 31, 2015 to RMB20.8 million as of December 31, 2016, and to RMB32.8 million as of December 31, 2017, primarily due to an increase in property management fees collected on behalf of the owners' associations as a result of two new commission based projects. Our restricted bank balances later decreased to RMB29.8 million as of August 31, 2018, primarily due to seasonality as we generally collect property management fees for commission based projects during year end.

Cash and Cash Equivalents

Our cash and cash equivalents amounted to RMB69.3 million, RMB167.5 million, RMB303.9 million and RMB393.9 million as of December 31, 2015, 2016 and 2017 and August 31, 2018. The increases during the Track Record Period were mainly attributable to our expansion of operations. Our cash and cash equivalents increased to RMB459.0 million as of December 31, 2018, primarily due to an increase in net cash inflow caused by our enhanced collection efforts during year end.

Contract Liabilities

Contract liabilities represent prepaid property management fees, consulting service fees and customized interior furnishing service fees received from property owners. Our contract liabilities amounted to RMB23.4 million, RMB48.9 million, RMB77.4 million and RMB166.0 million as of December 31, 2015, 2016 and 2017 and August 31, 2018, respectively. The increases during the Track Record Period were mainly attributable to the growth in our property management services and customized interior furnishing services. Our contract liabilities decreased to RMB129.0 million as of December 31, 2018, primarily due to certain contract liabilities being recognized as revenue. The decrease in contract liabilities was partially offset by our collection of prepayments for the following year. Among the RMB166.0 million of contract liabilities as of August 31, 2018, RMB111.1 million (approximately 66.9%) has been recognized as income as of December 31, 2018.

Trade and Other Payables

Trade Payables

Our trade payables mainly represent payables arising from subcontracting services including cleaning, landscaping and security services provided by suppliers. Our trade payables were nil as of December 31, 2015 and 2016, and increased to RMB4.4 million as of December 31, 2017, and further to RMB6.4 million as of

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August 31, 2018, primarily as we started to outsource more cleaning and security services in December 2017. The table below sets forth our trade payables turnover days as of the dates indicated:

	Year ended December 31,			Eight months ended August 31, 2018
	2015	2016	2017	
	2015	2016	2017	2018
Trade payables turnover day ⁽¹⁾	N/A	0.7	9.6	11.2

Note:

- (1) Trade payables turnover days are calculated by dividing trade payables (including trade nature amounts due to related parties) as of the end of the relevant period by cost of sales for the relevant period and multiplying 365 days for a year or 243 days for eight months.

Our trade payables turnover days increased from 0.7 in 2016 to 9.6 in 2017, and further to 11.2 for the eight months ended August 31, 2018, primarily due to payables in relation to outsourcing more security and cleaning services starting in December 2017.

The table below sets forth an aging analysis of our trade payables as of the dates indicated, based on invoice dates:

	As of December 31,			As of August 31, 2018
	2015	2016	2017	
	RMB'000	RMB'000	RMB'000	RMB'000
Within one month or on demand	—	—	3,656	5,726
After one month but within three months	—	—	385	666
After three months but within one year	—	—	431	10
Over one year	—	—	—	13
Total	—	—	4,472	6,415

Of our RMB6.4 million in trade payables as of August 31, 2018, approximately RMB5.7 million was subsequently settled as of December 31, 2018.

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Amounts Due to Related Parties and Other Payables

The table below sets forth a breakdown of our amounts due to related parties and other payables as of the dates indicated:

	As of December 31,			As of
	2015	2016	2017	August 31,
	RMB'000	RMB'000	RMB'000	2018
Amounts due to related parties	2,063	16,172	3,523	5,779
— Trade nature	—	339	2,315	3,811
— Non-trade nature	2,063	15,833	1,208	1,968
Deposits	3,647	4,143	10,371	19,610
Other taxes and charges payable	2,481	4,986	10,424	184
Accrued payroll and other benefits	25,631	38,251	48,631	38,487
Cash collected on behalf of the owners' associations	17,803	20,322	32,354	29,391
Temporary receipts from residents	11,500	33,117	66,123	55,012
Other payables and accruals	1,100	1,455	2,720	7,357
Total	64,225	118,446	174,146	155,820

Our amounts due to related parties and other payables mainly consist of amounts due to related parties, deposits, other taxes and charges payable, accrued payroll and other benefits, cash collected on behalf of the owners' associations and temporary receipt from residents. Among these items, deposits represent miscellaneous decoration deposits received from property owners during the decoration period. Accrued payroll and other benefits relate to our employees' salary and related expenditure. Temporary receipts represent utility charges received from residents on behalf of utility companies and deed tax in relation to property title certificates. Our trade nature amounts due to related parties mainly include house and parking lot rent. Our non-trade nature amounts due to related parties mainly include utilities fees paid by related parties for us. The amounts due to related parties are unsecured and interest-free.

Our total amounts due to related parties and other payables increased from RMB64.2 million as of December 31, 2015 to RMB118.4 million as of December 31, 2016, and further to RMB174.1 million as of December 31, 2017, primarily due to an increase in deposits and temporary receipts from residents in line with our business expansion. Our total amounts due to related parties and other payables decreased to RMB155.8 million as of August 31, 2018, primarily due to seasonality reasons, such as (i) a decrease in temporary receipts from residents as more temporary receipts in relation to deed tax of property title certificates were received towards the end of 2017 in relation to properties delivered during that period, and (ii) a decrease in accrued payroll and other benefits due to the settlement of previous year's bonuses during this period. Non-trade amounts due to related parties have been fully settled as of the date of this document. Our trade nature amounts due to related parties will be fully settled before [REDACTED].

Our trade and other payables increased from RMB162.2 million as of August 31, 2018 to RMB215.0 million as of December 31, 2018, primarily due to (i) an increase of RMB12.8 million of prepayment in relation to pre-delivery services and consulting services from related parties, (ii) an increase of RMB21.4 million in estimated salaries, discretionary bonuses and other benefits due to employees at year end, and (iii) an increase of

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RMB15.4 million in deed tax received from property owners for applying property certificates on their behalf. The increase in deed tax was mainly associated with certain newly-delivered properties.

CURRENT ASSETS AND CURRENT LIABILITIES

The following table sets out our current assets and current liabilities as of the dates indicated.

	As of December 31,			As of	As of
	2015	2016	2017	August 31, 2018	December 31, 2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)
Current assets					
Inventories	636	402	335	131	476
Trade and other receivables	27,914	34,241	36,462	70,975	44,594
Restricted bank balances	18,003	20,772	32,804	29,841	31,107
Cash and cash equivalents	69,261	167,547	303,949	393,871	458,543
Total current assets	115,814	222,962	373,550	494,818	534,720
Current liabilities					
Contract liabilities	23,408	48,939	77,379	165,964	128,764
Trade and other payables	64,225	118,446	178,618	162,235	214,960
Current taxation	3,765	9,612	20,917	16,176	22,639
Provision	—	813	1,288	599	—
Total current liabilities	91,398	177,810	278,202	344,974	366,363
Net current assets	24,416	45,152	95,348	149,844	168,357

Our net current assets were RMB24.4 million, RMB45.2 million, RMB95.3 million, RMB149.8 million and RMB168.4 million as of December 31, 2015, 2016 and 2017, and August 31 and December 31, 2018, respectively. The increase during the Track Record Period was primarily due to an increase in trade and other receivables, partially offset by (i) an increase in trade and other payables, and (ii) an increase in contract liabilities.

LIQUIDITY AND CAPITAL RESOURCES

Overview

During the Track Record Period, our liquidity requirements arose principally from meeting our working capital requirements. During the Track Record Period and as of the date of this document, our principal source of funds to finance our working capital, capital expenditure and other capital requirements was internally generated cash flows. We currently do not expect any significant changes in the mix and the relative costs of our capital resources.

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Cash Flow

The table below summarizes our consolidated cash flow statement for the periods indicated:

	Year ended December 31,			Eight months ended August 31,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Net cash generated from operating activities	3,751	100,792	142,710	11,489	85,849
Net cash (used in)/generated from investing activities	(1,971)	(2,996)	(6,308)	(122,527)	959
Net cash generated from financing activities	—	490	—	—	3,072
Net increase/(decrease) in cash and cash equivalents	1,780	98,286	136,402	(111,038)	89,880
Cash and cash equivalents at the beginning of the period	67,481	69,261	167,547	167,547	303,949
Effect of foreign exchange rate changes	—	—	—	—	42
Cash and cash equivalents at the end of the period	69,261	167,547	303,949	56,509	393,871

Operating Activities

Our cash from operating activities primarily consist of fees received from our provision of property management services and value-added services to non-property owners and property owners. Cash flows from operating activities reflects (i) profit before taxation adjusted for non-cash and non-operating items such as depreciation, amortization and provisions for impairment, (ii) the effects of movements in working capital, such as changes in inventories, trade and other receivables, trade and other payables and contract liabilities and (iii) income tax paid.

For the eight months ended August 31, 2018, our net cash generated from operating activities was RMB85.8 million, representing our profit before taxation of RMB67.9 million and adjusted by an increase in contract liabilities and trade and other payables of RMB70.7 million, partially offset by an increase in trade and other receivables of RMB35.0 million, which was in line with our business expansion.

In 2017, our net cash generated from operating activities was RMB142.7 million, representing our profit before taxation of RMB77.2 million and adjusted by an increase in contract liabilities and trade and other payables of RMB88.8 million, partially offset by an increase in restricted cash of RMB12.0 million.

In 2016, our net cash generated from operating activities was RMB100.8 million, representing our profit before taxation of RMB29.6 million and adjusted by an increase in contract liabilities and trade and other payables of RMB82.0 million, partially offset by an increase in trade and other receivables of RMB7.0 million, which was in line with our business expansion.

In 2015, our net cash generated from operating activities was RMB3.8 million, representing our profit before taxation of RMB15.4 million and adjusted by an increase in restricted cash of RMB6.3 million, partially offset by an increase in trade and other receivables of RMB16.2 million, which was in line with our business expansion.

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Investing Activities

Our net cash used in investing activities was RMB2.0 million, RMB3.0 million and RMB6.3 million in 2015, 2016 and 2017, respectively. From 2015 to 2017, net cash used in investing activities primarily reflected payments for purchase of wealth management products, partially offset by proceeds from redemption of wealth management products. For the eight months ended August 31, 2018, net cash generated from investing activities of RMB1.0 million primarily reflected proceeds from redemption of fair value through profit or loss, partially offset by payments for purchase of wealth management products.

Financing Activities

For the eight months ended August 31, 2018, net cash generated from financing activities was RMB3.1 million, primarily reflecting proceeds from issue of shares of RMB87.1 million, partially offset by payment made in relation to acquisition of Binjiang Property of RMB86.5 million, and capital contribution from non-controlling interests of RMB2.5 million for Binhe Property. See “Our History and Development — Reorganization” for details.

In 2015 and 2017, we did not generate any net cash from financing activities. In 2016, net cash generated from financing activities was RMB0.5 million relating to capital contribution from non-controlling interests.

KEY FINANCIAL METRICS

The table below sets forth a summary of our key financial metrics during the Track Record Period:

<u>Financial metric</u>	<u>As of and for the year ended December 31,</u>			<u>As of and for the eight months ended</u>
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>August 31, 2018</u>
Return on equity ⁽¹⁾	37.0%	41.9%	51.7%	N/M ⁽²⁾
Return on total assets ⁽³⁾	9.4%	9.6%	14.7%	N/M ⁽²⁾
Current ratio ⁽⁴⁾	1.27x	1.25x	1.34x	1.43x
Gearing ratio ⁽⁵⁾	N/A ⁽⁶⁾	N/A ⁽⁶⁾	N/A ⁽⁶⁾	N/A ⁽⁶⁾

Notes:

- (1) Profit attributable to equity shareholders of our Company for the period divided by the total equity attributable to equity shareholders of our Company as of the end of the year.
- (2) The ratios are not meaningful because the profit for the period only represented eight months of profits.
- (3) Profit attributable to equity shareholders of our Company for the period divided by the total assets as of the end of the year.
- (4) Current assets divided by current liabilities.
- (5) Total interest-bearing borrowings divided by total equity at the end of the respective period.
- (6) The Group has no interest-bearing borrowings.

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Return on Equity

Our return on equity increased from 37.0% in 2015 to 41.9% in 2016, and further to 51.7% in 2017, primarily due to the increase in our profit for the year during the Track Record Period.

Return on Total Assets

Our return on total assets increased from 9.4% in 2015 to 9.6% in 2016, and further to 14.7% in 2017, primarily due to the increase in our profit for the year during the Track Record Period.

Current Ratio

Our current ratio remained relatively stable at 1.27 times as of December 31, 2015 and 1.25 times as of December 31, 2016. Our current ratio increased to 1.34 times and 1.43 times as of December 31, 2017 and August 31, 2018, respectively, mainly due to an increase in our cash and cash equivalents resulting from our business expansion.

Gearing Ratio

We do not have any interest-bearing borrowings during the Track Record Period.

INDEBTEDNESS

As of the Latest Practicable Date, we had no unutilized banking facilities, outstanding bank borrowings or any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or similar indebtedness, liabilities under acceptance (other than normal trade bills), acceptance credits, debentures, mortgages, charges, finance leases or hire purchase commitments, guarantees or other contingent liabilities.

WORKING CAPITAL

We finance our working capital needs primarily through cash flow from operations. During the Track Record Period, we had generated sufficient cash and cash equivalents to meet our working capital requirements. Although our preliminary property management service contracts and property management service contracts require customers to pay the property management fees upfront at the beginning of a billing cycle, we generally allow customers to pay the fees at any time during the billing cycle. In line with the market practice, we typically increase our efforts to collect overdue property management fees at the end of each calendar year for property management fees payable annually and at the end of each half year or quarter for property management fees payable semi-annually or quarterly. For more details regarding our property management fee collection, see “Business — Our Services — Property Management Services — Property Management Fees — Collection and Payment of Property Management Fees.” Our cash receipts are not evenly distributed throughout the year as a result of our collection practice. The fluctuation in the timing of cash payments by our customers could result in additional capital being required to fund our operating needs. Taking into account our cash generated from our

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operations and the expected net proceeds from the [REDACTED], our Directors are satisfied, after due and careful inquiry, that we have sufficient available working capital for our present requirements for at least the next 12 months from the date of this document.

COMMITMENTS

Lease Commitments

During the Track Record Period, our lease commitments mainly related to lease payments under non-cancelable operating leases for office buildings and staff dormitories. The table below sets forth the total future minimum lease payments by us as of the dates indicated:

	As of December 31,			As of
	2015	2016	2017	August 31, 2018
	RMB'000	RMB'000	RMB'000	RMB'000
Within one year	276	569	699	638
After one year but within five years	382	270	214	103
After five years	—	—	—	—
Total	658	839	913	741

[REDACTED] EXPENSES

The total [REDACTED] expenses (including underwriting commissions) in relation to this [REDACTED] are estimated to be approximately HK\$[REDACTED] million (RMB[REDACTED] million) (assuming an [REDACTED] of HK\$[REDACTED] per Share, being the mid-point of the indicative [REDACTED] range of HK\$[REDACTED] to HK\$[REDACTED] per Share in this document and the [REDACTED] is not exercised). The [REDACTED] expenses incurred in 2018 and [REDACTED] expenses expected to be incurred in 2019 are RMB[REDACTED] million and RMB[REDACTED] million, respectively. During the Track Record Period, we incurred RMB[REDACTED] million [REDACTED] expenses, of which RMB[REDACTED] million was recognized in our consolidated statements of profit or loss and other comprehensive income and RMB[REDACTED] million is expected to be charged against equity upon the [REDACTED]. We incurred an additional RMB[REDACTED] million from August 31, 2018 to December 31, 2018, of which (i) RMB[REDACTED] million was charged to our consolidated statements of profit or loss and other comprehensive income in 2018 and (ii) RMB[REDACTED] million is expected to be charged against equity upon the [REDACTED]. Among the RMB[REDACTED] million expected to be incurred in 2019, (i) RMB[REDACTED] million is expected to be charged to our consolidated statements of profit or loss and other comprehensive income in 2019 and (ii) RMB[REDACTED] million is expected to be charged against equity upon the [REDACTED]. These [REDACTED] expenses mainly comprise professional fees paid to our legal advisors and the reporting accountants for their services rendered in relation to the [REDACTED] and the [REDACTED] and also the sponsor fees for the Sole Sponsor for the services rendered in relation to the [REDACTED] and the [REDACTED].

RELATED PARTY TRANSACTIONS

Our Directors confirm that the transactions with respect to the amounts due from and due to related parties were conducted on an arm's length basis, and would not distort our track record results or make the historical

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results not reflective of our future performance. Our Directors also confirm that all related party balances which were non-trade in nature as of August 31, 2018 have been fully settled as of the date of this document. Our Directors are of the view that our Company is financially independent of our Controlling Shareholders and their associates even if the non-trade related party balance is not settled before [REDACTED]. For further details on related party balances and transactions, please refer to Note 26 in the Accountants’ Report in Appendix I to this document.

CONTINGENT LIABILITIES

As of August 31, 2018, we did not have significant contingent liabilities.

OFF-BALANCE SHEET ARRANGEMENTS

Subsequent to the Track Record Period and up to the date of this document, we have not entered into any off-balance sheet transactions or arrangements that we believe have, or are reasonably likely to have, a current or future material effect on our financial position, revenue or expenses, results of operations, liquidity, capital expenditure or capital resources.

MARKET RISKS

Market risks are the risks of loss relating to adverse changes in the market prices of financial instruments, including interest rates and foreign exchange rates. We are exposed to various types of market risks in the ordinary course of business. We maintain our accounting records and prepare our financial statements in RMB.

Credit Risk

Our credit risk is primarily attributable to cash at bank and trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

Our cash at bank are mainly held with well-known financial institutions. Management does not foresee any significant credit risks from these deposits and does not expect that these financial institutions may default and cause losses to us.

Our wealth management products classified as financial assets at fair value through profit or loss are issued by well-known financial institutions. We consider that there is no significant credit risk and these wealth management products did not generate any losses during the Track Record Period.

In respect of amounts due from related parties, payments on behalf of property owners, deposits and amounts due from staff, we have assessed that the expected credit loss rate for these receivables is immaterial under 12 months expected losses method based on historical settlement records and forward-looking information. Thus, no loss allowance provision for these receivables was recognized during the Track Record Period.

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In respect of trade receivables, we measure loss allowances at an amount equal to lifetime expected credit losses. We consider that a default event occurs when significant decrease in property management and other service fee collection rate and estimate the expected credit loss rate for the Track Record Period. For trade receivables relating to non-property management services, such as consulting services, these receivables are normally settled within six months. We have assessed that the expected credit loss rate for these receivables is immaterial under lifetime receivables. We measure loss allowances at an amount equal to lifetime expected based on historical settlement records and forward-looking information.

We have no concentrations of credit risk in view of our large number of customers.

Liquidity Risk

Our management reviews our liquidity position on an ongoing basis, including review of the expected cash inflows and outflows and maturity of loans and borrowings in order to ensure that we maintain sufficient reserves of cash and adequate committed lines of funding from major financial institutions and/or from other Group companies to meet our liquidity requirements in the short and longer term.

The following table shows the remaining contractual maturities at the end of each reporting period of the our financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of each reporting period) and the earliest date we can be required to pay:

	<u>Within one year or on demand</u>	<u>More than one year but less than two years</u>	<u>More than two years but less than five years</u>	<u>More than five years</u>	<u>Total undiscounted amount</u>	<u>Carrying amount</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
As of December 31, 2015						
Trade and other payables	64,225	—	—	—	64,225	64,225
As of December 31, 2016						
Trade and other payables	118,446	—	—	—	118,446	118,446
As of December 31, 2017						
Trade and other payables	178,618	—	—	—	178,618	178,618
As of August 31, 2018						
Trade and other payables	162,235	—	—	—	162,235	162,235

PROFIT ESTIMATE FOR THE YEAR ENDED DECEMBER 31, 2018

Our Directors estimate, on the bases set out in Appendix III to this document, certain profit estimate data of the Company for the year ended December 31, 2018 as follows:

Estimated consolidated profit attributable to equity shareholders of the Company	not less than RMB[REDACTED] million
Unaudited pro forma estimated earnings per Share	not less than RMB[REDACTED]

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The profit estimate, for which our Directors are solely responsible, has been prepared by them based on our consolidated results for the eight months ended August 31, 2018 as set out in the Accountants’ Report in Appendix I to this document and our unaudited consolidated results for the four months ended December 31, 2018. The calculation of the unaudited pro forma estimated earnings per Share is based on the unaudited estimated consolidated profit attributable to equity shareholders of the Company for the year ended December 31, 2018, assuming a total of [REDACTED] Shares were in issue and outstanding during the year ended December 31, 2018.

DIVIDENDS AND DISTRIBUTABLE RESERVES

Dividends

The payment and the amount of dividends (if any) will depend on our results of operations, cash flows, financial position, statutory and regulatory restrictions on the payment of dividends by us, future prospects, and other factors that we may consider relevant. Holders of the Shares will be entitled to receive such dividends pro rata according to the amounts paid up or credited as paid up on the Shares.

The declaration, payment and amount of dividends will be subject to our discretion. The recommendation of the payment is also subject to the absolute discretion of our Board, and, after [REDACTED], any declaration of final dividend for the year will be subject to the approval of our Shareholders. The Board will review the dividend policy on an annual basis. Further, the payment of any dividends will also be subject to the Cayman Companies Law and our Memorandum and Articles of Association, which indicate that dividends may be declared and paid out of our profits, realized or unrealized, or from any reserve set aside from profits which our Directors determine is no longer needed. With the sanction of an ordinary resolution, dividends may also be declared and paid out of the share premium account or any other fund or account which can be authorized for this purpose in accordance with the relevant law. Future dividend payments will also depend upon the availability of dividends received from our subsidiaries in the PRC. PRC laws require that dividends be paid only out of their after-tax profit, calculated in accordance with PRC accounting principles, which differ in many aspects from the generally accepted accounting principles in other jurisdictions, including IFRS. Our PRC operating subsidiaries may only distribute their after-tax profits to us subsequent to setting aside relevant statutory reserve funds at a rate of at least 10% of their annual net profit until such fund reaches 50% of its registered capital. Such transfer to the statutory reserve and distributions to shareholders of funds are conducted through resolution of the board of directors or board of shareholders of the relevant PRC subsidiaries in accordance with their articles of association prepared in accordance with PRC laws. The statutory reserve is not available for distribution as cash dividends. Furthermore, distributions from our subsidiaries may be restricted if they incur debts or losses or as a result of any restrictive covenants in bank credit facilities, convertible bond instruments, or other agreements that we or our subsidiaries may enter into in the future. There can be no assurance that dividends of any amount will be declared or distributed in any year.

During the Track Record Period, Binjiang Property declared a dividend of RMB15.0 million, which was subsequently converted into paid-in capital of Binjiang Property. Except for this, we did not declare any dividends. We currently do not have any pre-determined dividend payout ratio.

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Distributable Reserves

As of August 31, 2018, the distributable reserves of the Company (including share premium, exchange reserve and accumulated losses of the Company) amounted to RMB87.0 million.

UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following statement of unaudited pro forma adjusted consolidated net tangible assets of our Group is prepared in accordance with paragraph 4.29 of the Listing Rules and is set out below to illustrate the effect of the [REDACTED] on the consolidated net tangible assets of our Group attributable to equity shareholders of our Company as of August 31, 2018, as if the [REDACTED] had taken place on August 31, 2018.

The statement of unaudited pro forma adjusted consolidated net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of our Group had the [REDACTED] been completed as of August 31, 2018 or at any future date.

	Consolidated net tangible assets attributable to equity shareholders of the Company as of August 31, 2018 ⁽¹⁾	Estimated net proceeds from the [REDACTED] ⁽²⁾⁽³⁾	Unaudited pro forma adjusted consolidated net tangible assets attributable to equity shareholders of the Company ⁽⁴⁾	Unaudited pro forma adjusted consolidated net tangible assets per Share ⁽³⁾⁽⁵⁾	
	RMB'000	RMB'000	RMB'000	RMB	HK\$ equivalent
Based on an [REDACTED] of HK\$[REDACTED] per Share	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Based on an [REDACTED] of HK\$[REDACTED] per Share	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Notes:

- (1) The consolidated net tangible assets attributable to equity shareholders of the Company as of August 31, 2018 is based on the total equity attributable to equity shareholders of the Company of RMB[REDACTED] as of August 31, 2018, which is extracted from the Accountants' Report set out in Appendix I to this document.
- (2) The estimated net proceeds from the [REDACTED] are based on [REDACTED] Shares to be issued at the estimated [REDACTED] of HK\$[REDACTED] per Share (being the low-end price) and HK\$[REDACTED] per Share (being the high-end price), after deduction of the estimated underwriting fees and other estimated related expenses payable by us of approximately RMB[REDACTED] and RMB[REDACTED], respectively (excluding approximately RMB[REDACTED] expenses which have been accounted for prior to August 31, 2018), assuming the [REDACTED] is not exercised.
- (3) For the purpose of estimated net proceeds from the [REDACTED] and the calculation of the unaudited pro forma adjusted consolidated net tangible assets per Share, the translation between Hong Kong dollar and Renminbi is made at the exchange rate of HK\$1.00 to RMB0.8619, the exchange rate set by the People's Bank of China prevailing on [REDACTED]. No representation is made that the Hong Kong dollar amounts have been, could have been or may be converted to Renminbi, or vice versa, at that rate or at any other rate.
- (4) No adjustment has been made to the unaudited pro forma statement of adjusted consolidated net tangible assets to reflect any trading results or other transactions entered into subsequent to August 31, 2018.

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- (5) The unaudited pro forma adjusted consolidated net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that [REDACTED] Shares are in issue assuming the [REDACTED] has been completed on August 31, 2018, but do not take into account any shares which may be issued upon the exercise of the [REDACTED].

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that there has been no material adverse change in our financial or trading position, indebtedness, mortgage, contingent liabilities, guarantees or prospects of our Group since August 31, 2018, the date of the latest audited financial information of our Group, and up to the date of this document.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

We confirm that, as of the Latest Practicable Date, there was no circumstance that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

OUR CONTROLLING SHAREHOLDERS

Immediately following the completion of the [REDACTED] (assuming that the [REDACTED] is not exercised), Great Dragon will directly and together hold [REDACTED]% of the enlarged issued share capital of our Company. Great Dragon is beneficially owned as to 100% by Cantrust (Far East) Limited (through its nominee company) as trustee of Bright Cloud Trust, an irrevocable trust established by Mr. Qi as settlor. Mr. Qi and his family members are the discretionary beneficiaries of Bright Cloud Trust. As Mr. Qi, as the settlor, has the power to appoint or remove the trustee, he is in actual control of Bright Cloud Trust. Therefore, Mr. Qi and Great Dragon are deemed to be our Controlling Shareholders within the meaning of the Listing Rules. Great Dragon is principally engaged in investment holding.

Mr. Qi is also directly interested in [REDACTED]% of the issued share capital of Binjiang Real Estate and [REDACTED]% of the issued share capital of Binjiang Holdings which in turn holds [REDACTED]% interest in Binjiang Real Estate. Binjiang Catering is a wholly-owned subsidiary of Binjiang Holdings. As such, Binjiang Holdings, Binjiang Catering and Binjiang Real Estate are our connected persons. Please see section headed “Connected Transactions” for details. Binjiang Real Estate is a company listed on the Shenzhen Stock Exchange.

Our main business focuses on property management services, value-added services to non-property owners and value added services to property owners. Apart from our business, our Directors and Controlling Shareholders do not have any interest in a business which competes with, or is likely to compete with our business, whether directly or indirectly, or would otherwise require disclosure under Rule 8.10 of the Listing Rules.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

As of the Latest Practicable Date, none of our Controlling Shareholders or our Directors was engaged or had interest in any business, apart from the business of our Group, which competes or is likely to compete, directly or indirectly, with our business, which would require disclosure under Rule 8.10 of the Listing Rules.

Having considered the following factors, our Directors are satisfied that we are capable of carrying out our business independently from the Controlling Shareholders and its respective associates after the [REDACTED].

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Management Independence

We are able to carry on our business independently from the Controlling Shareholders and their respective close associates from a management perspective. The Board comprises two executive Directors, two non-executive Directors and three independent non-executive Directors. Our management and operational decisions are made by our executive Directors and senior management. As of the Latest Practicable Date, save as disclosed below, none of our Directors or the members of our senior management team holds any position at our Controlling Shareholders or their respective close associates. Set out below is a table summarizing the positions held by the Director at our Company and the Controlling Shareholders (and their respective close associates):

<u>Name</u>	<u>Position with our Company</u>	<u>Position with the Controlling Shareholders and their respective close associates as of the Latest Practicable Date</u>
Mr. Mo Jianhua	Non-executive Director	Director of Binjiang Real Estate Executive director of Shanghai Binshun Investment Management Limited* (上海濱順投資管理有限公司) Executive director and general manager of Hangzhou Binpu Real Estate Development Limited* (杭州濱普房地產開發有限公司)

As set out above, one of our non-executive Directors holds certain positions within the Controlling Shareholders or their respective close associates. However, our Directors are of the view that there are sufficient and effective control mechanisms to ensure that our Directors discharge their duties appropriately and safeguard the interests of our Shareholders as a whole for the following reasons:

- (a) our non-executive Directors are not involved in the daily management and operation of our Company. The daily management and operation of our Company is managed by our senior management and overseen by our executive Directors. Save as disclosed above, none of our executive Directors and senior management holds any directorship or senior management position in our Controlling Shareholders or their close associates, and they are our full-time employees;
- (b) each of our Directors is aware of his or her fiduciary duties as a director which require, among others, that he must act for the benefit of and in the best interests of our Company and not allow any conflict between his duties as a Director and his personal interests. The Directors shall not vote in any Board resolution approving any contract or arrangement or any other proposal in which he/she or any of his/her associates has a material interest and shall not be counted in the quorum present at the particular Board meeting. Further, when considering connected transactions, our independent non-executive Directors will review the relevant transactions; and
- (c) our independent non-executive Directors constitute three-sevenths of our Board and none of them has any relationship with our Controlling Shareholders or their respective associates. They will bring independent judgment to the decision-making process of the Board.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Therefore, there are sufficient non-overlapping Directors who are independent and have relevant experience to allow the proper functioning of the Board.

Having considered the above factors, our Directors are satisfied that our Board as a whole together with our senior management team are able to perform the managerial role in our Group independently and are of the view that we are capable of managing our business independently from the Controlling Shareholders and their respective close associates after the [REDACTED].

Operational Independence

Although the Controlling Shareholders will retain a controlling interest in our Company after the [REDACTED], we have full rights to make all decisions regarding, and to carry out, our own business operations independently from our Controlling Shareholders. Our Company (through our subsidiaries) holds or enjoys the benefit of all relevant licenses necessary to carry out our businesses, and has sufficient capital, equipment and employees to operate our business independently from the Controlling Shareholders.

We have established our own organizational structure with independent departments, each with specific areas of responsibility. We maintain a set of comprehensive internal control procedures to facilitate the effective operations of our business. Our operational functions are run independently of the Controlling Shareholders and their respective close associates.

We have our own employee headcount for our operations and our own management of human resources, cash and accounting, invoicing and billing. As of the Latest Practicable Date, substantially all of our full-time employees were recruited independently and primarily through recruitment websites, on-campus recruitment programs, advertisements in newspapers, recruiting firms and internal referrals.

In addition, save for the continuing connected transactions set out in the section headed “Connected Transactions”, which will continue following the completion of the [REDACTED], our Directors do not expect that there will be any other transactions between our Company and our Controlling Shareholders or their respective close associates upon completion of the [REDACTED]. The continuing connected transactions between Binjiang Catering, Binjiang Real Estate and our Group involve various transactions such as leasing and catering services. It is expected that in the event that Binjiang Catering or Binjiang Real Estate does not provide such services to our Group or we cease to engage them as the service provider, there will be other comparable service providers readily available in the market for the provision of such services to our Group. In addition, save as disclosed in the section headed “Connected Transactions”, none of our Controlling Shareholders and Directors or their respective close associates has been our major supplier or customer which provides any critical services or materials for our operation. Thus, the existence of the above continuing connected transactions will not affect our operational independence from our Controlling Shareholders and their respective close associates after [REDACTED].

Based on the above, our Directors are satisfied that we have been operating independently from the Controlling Shareholders during the Track Record Period and will continue to operate independently.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Financial Independence

During the Track Record Period and up to the Latest Practicable Date, our Group has our own internal control, accounting and financial management system, accounting and finance department independent treasury functions for cash receipts and payment and we make financial decisions according to our own business needs.

In addition, we have independent access to third party financing and our Group does not rely on the Controlling Shareholders and/or their associates by virtue of their provision of financial assistance. As of the date of this document, all related party balances which are non-trade in nature as of August 31, 2018 have been fully settled. Our Directors believe that we are capable of obtaining financing from external sources without reliance on the Controlling Shareholders.

Based on the above, our Directors believe that we have the ability to operate independently of the Controlling Shareholders and its respective associates from a financial perspective and are able to maintain financial independence from the Controlling Shareholders and its respective associates.

DEED OF NON-COMPETITION

To ensure that competition does not develop between us and other business activities and/or interests of our Controlling Shareholders, our Controlling Shareholders have entered into the Deed of Non-Competition dated February 21, 2019 in favor of our Company (for itself and as trustee for its subsidiaries) pursuant to which each of our Controlling Shareholders has jointly and severally, unconditionally and irrevocably undertaken that he or it will not (except through the Group and any investment or interests held through the Group), and will procure that his or its close associates (except members of our Group) will not, during the Non-Competition Period (as defined below), directly or indirectly (including through nominees), either on his own account or in conjunction with or on behalf of any person, firm or company, among other things, invest in, participate in, engage in and/or operate or be interested in (in each case whether as a shareholder, partner, agent, employee or otherwise) any business which competes or is likely to compete, directly or indirectly, with the existing businesses of any member of the Group as described in this document, being property management services, value-added services to non-property owner and value-added services to property owners in the PRC (the “**Restricted Business**”). The non-competition undertaking does not apply to the holding of securities in a company that is engaged in the Restricted Business, provided that the Controlling Shareholder or his/its close associates does not individually and in aggregate hold or control, directly or indirectly, the voting rights in respect of 10% or more of the issued share capital in any company that is engaged in the Restricted Business and is not able to control the board of such company.

Each of the Controlling Shareholders has also undertaken to our Company that during the Non-Competition Period, if he or it or his/its close associates (except members of our Group) becomes aware of, notice, is recommended or provided with any new business opportunity which will directly or indirectly compete or is likely to compete with the Restricted Business, including but not limited to the opportunities which are the same with or similar to the Restricted Business (the “**New Opportunity**”), he or it shall refer, and shall procure his or its close associates (except members of our Group) to refer, such new business opportunities to our Group subject to relevant laws, requirements or contractual arrangements with third parties:

- (a) the Controlling Shareholder or his close associates (except members of our Group) shall as soon as reasonably practicable provide us with a written notification which includes all reasonable and

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necessary information known by the Controlling Shareholder or his close associates (except members of our Group) (including the nature of the New Opportunity and necessary information relation to the cost of relevant investment or acquisition) for us to consider whether such New Opportunity would constitute competition or potential competition to the Restricted Business and whether engaging in such New Opportunity would be in the best interests of our Group and the shareholders of our Company as a whole (“**Offer Notice**”); and

- (b) we shall as soon as possible and in any case within thirty (30) days upon receipt of the Offer Notice respond to the Controlling Shareholder or his close associates (except members of our Group). If we fail to reply within the above period, we shall be deemed to have abandoned such New Opportunity. If we determine to take up the New Opportunity, the Controlling Shareholder or his close associates (except members of our Group) would be obligated to offer such New Opportunity to us.

Pursuant to the Deed of Non-Competition, the above restrictions would only cease to have effect upon the earlier of the date of: (i) our Shares being canceled or ceased to be [REDACTED] on the Stock Exchange; or (ii) so far as a Controlling Shareholder is concerned, it ceases to be a Controlling Shareholder of our Company (the “**Non-Competition Period**”).

CORPORATE GOVERNANCE MEASURES

Our Directors believe that there will be adequate corporate governance measures in place to manage conflicts of interest after [REDACTED]. In particular, we will implement the following measures:

- (a) the independent non-executive Directors will review, at least on an annual basis, the compliance by our Controlling Shareholders with the Deed of Non-Competition;
- (b) as part of our preparation for the [REDACTED], we have amended our Articles of Association to comply with the Listing Rules. In particular, our Articles of Association provided that, unless otherwise provided, a Director shall not vote on any resolution approving any contract or arrangement or any other proposal in which such Director or any of his associates have a material interest nor shall such Director be counted in the quorum present at the meeting;
- (c) a Director with material interests shall make full disclosure in respect of matters that conflict or potentially conflict with our interest and abstain from voting at the board meetings on matters in which such Director or his associates have a material interest, unless the attendance or participation of such Director at such meeting of the Board is specifically requested by a majority of the independent non-executive Directors;
- (d) we are committed that our Board should include a balanced composition of executive and non-executive Directors (including independent non-executive Directors). We have appointed three independent non-executive Directors and we believe our independent non-executive Directors possess sufficient experience and they are free of any business or other relationship which could

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

interfere in any material manner with the exercise of their independent judgment and will be able to provide an impartial, external opinion to protect the interests of our public Shareholders. Details of our independent non-executive Directors are set out in “Directors, Senior Management and Employees — Directors — Independent Non-executive Directors;” or

- (e) in the event that the independent non-executive Directors are requested to review any conflicts of interests circumstances between our Group on the one hand and the Controlling Shareholders and/or the Directors on the other hand, the Controlling Shareholders and/or the Directors shall provide the independent non-executive Directors with all necessary information and our Company shall disclose the decisions of the independent non-executive Directors either through its annual report or by way of announcements; and
- (f) we have appointed Southwest Securities (HK) Capital Limited as our compliance adviser, which will provide advice and guidance to us in respect of compliance with the applicable laws and the Listing Rules including various requirements relating to directors’ duties and corporate governance.

Further, any transaction that is proposed between our Company and the Controlling Shareholders and their respective associates will be required to comply with the requirements of the Listing Rules, including, where appropriate, the reporting, annual review, announcement and independent Shareholders’ approval requirements.

CONNECTED TRANSACTIONS

OVERVIEW

Pursuant to Chapter 14A of the Listing Rules, any director, chief executive or substantial shareholder of our Company or any of our subsidiaries (including any person who, within 12 months preceding the [REDACTED], was a director of our Company or any of our subsidiaries), or any associate of the above persons will become a connected person of our Company upon [REDACTED]. Upon [REDACTED], our transactions with such connected persons will constitute connected transactions under Chapter 14A of the Listing Rules.

CONNECTED PERSONS

The table below sets forth the connected persons of the Company who will conduct continuing connected transactions with our Group and the nature of their connection with our Group:

Connected person	Connected relationship
Binjiang Catering	Binjiang Catering is a wholly-owned subsidiary of Binjiang Holdings, a company owned as to 64% by Mr. Qi. Binjiang Catering is therefore an associate of Mr. Qi.
Binjiang Real Estate	Binjiang Real Estate is owned as to 11.06% by Mr. Qi directly and 42.95% by Binjiang Holdings, a company held as to 64% by Mr. Qi. Binjiang Real Estate is therefore an associate of Mr. Qi.
Mr. Qi	One of the Controlling Shareholders.

SUMMARY OF OUR CONTINUING CONNECTED TRANSACTIONS

We set out below a summary of transactions which will constitute continuing connected transactions upon [REDACTED]:

Transaction	Connected person	Historical figures (RMB'000)				Annual caps (RMB'000)	
		2015	2016	2017	2018	2019	2020
Fully exempt continuing connected transactions							
Trademark Licensing Agreements	Binjiang Real Estate	0	0	0	0	0	0
Catering Agreement	Binjiang Catering	298	318	376	169	320	352
Master Leasing Agreement	Binjiang Real Estate	81	127	2,465	1,701	2,500	2,500
Continuing connected transactions exempt from independent Shareholders' approval requirement							
Property Management Services Agreement	Binjiang Real Estate	18,843	18,812	17,863	7,818	15,000	16,000
Master Consultancy Agreement	Binjiang Real Estate	4,112	3,431	8,929	2,189	7,500	10,000
Non-exempt continuing connected transactions							
Master Pre-delivery Management Services Agreement	Binjiang Real Estate	20,230	23,469	32,142	26,164	100,500	135,000

CONNECTED TRANSACTIONS

FULLY EXEMPT CONTINUING CONNECTED TRANSACTIONS

Trademark Licensing Agreements

Background and reasons for the transactions

We have been using the trademarks of Binjiang Real Estate for a number of years. As such, in order to continue to leverage our brand awareness, we will continue to use certain trademarks of Binjiang Real Estate after the [REDACTED].

On August 28, 2018, Binjiang Real Estate, entered into two trademark licensing agreements (collectively “**Trademark Licensing Agreements**”) with our Company, pursuant to which Binjiang Real Estate agreed to grant to our Group a right to use certain trademarks in the PRC on a royalty-free basis. The term of each Trademark Licensing Agreement is for a period from the date of each Trademark Licensing Agreement until the expiry date of the relevant licenses (ranging from April 6, 2020 to May 13, 2028), subject to automatic renewal if the duration of such licenses have been extended.

Our Directors are of the view that the entering into the Trademark Licensing Agreements for a period of more than three years promote stability and continuity in operations and are beneficial to our Shareholders as a whole. It is normal business practice for trademark licensing agreements to be of a similar or longer duration to that of the Trademark Licensing Agreements. Given that the licensing of various trademarks under the Trademark Licensing Agreements is important to our Group’s business operation, it is in our interest for the Trademark Licensing Agreements to be of a duration longer than three years. Considering that a long duration of a trademark license agreement of this nature is (a) within normal business practice for agreements of this type to be of such duration; (b) the strategic importance for our Group to use such trademarks; and (c) such term is sufficiently long to provide better protection to our Group considering the nature of our licensed trademarks, our Directors are of the view that it is normal business practice for the Trademark Licensing Agreements to have such a duration. For further details of these licensed trademarks, please refer to “Appendix V — Statutory and General Information.”

Having considered above, the Sole Sponsor is not aware of any matter which indicates that the longer term provided for under the Trademark Licensing Agreements is unreasonable. Based on the information and reasoning above, the Sole Sponsor is of the view that it is the normal business practice for agreements of this type to be of such duration.

Historical transaction amounts

For the three years ended December 31, 2015, 2016 and 2017 and the eight months ended August 31, 2018, the royalty fees paid to Binjiang Real Estate by us were RMB0, RMB0, RMB0 and RMB0.

Implications under the Listing Rules

Since all the applicable percentage ratios are less than 5% and the total consideration is less than HK\$3,000,000, the transactions contemplated under the Trademark Licensing Agreements are fully exempted

CONNECTED TRANSACTIONS

from all reporting, annual review, announcement, circular and independent Shareholders’ approval requirements under Rule 14A.76(1) of the Listing Rules.

Catering Agreement

Background and reasons for the transactions

During the Track Record Period, our Group provided meal services to our employees at a particular rate. Due to insufficient space, it is not practical for our Group to establish canteen facilities for our employees in certain areas in the PRC. As such, Binjiang Catering shared their canteen facilities with our Group in certain areas.

On December 20, 2018, Binjiang Catering (for itself and on behalf of its subsidiaries) entered into a catering agreement (the “**Catering Agreement**”) with Binjiang Property (for itself and on behalf of its subsidiaries), in respect of the provision of meal services in the canteens operated by Binjiang Catering and its subsidiaries (“**Binjiang Catering Group**”) to the employees of Binjiang Property and its subsidiaries (“**Binjiang Property Group**”).

The Catering Agreement is for a term commencing on the [REDACTED] Date and expiring on December 31, 2020 and the term may be renewed as the parties may mutually agree, subject to compliance with the requirements under Chapter 14A of the Listing Rules and all other applicable laws and regulations.

Pricing policy

Under the Catering Agreement, Binjiang Catering Group agreed to provide meal services to the employees of Binjiang Property Group at an agreed rate per meal. Such rates are in line with the market price of the independent meal service providers who provide similar meal services in the nearby locations in the PRC.

Historical transaction amounts

For the three years ended December 31, 2015, 2016 and 2017 and the eight months ended August 31, 2018, the fees paid for the meal services to Binjiang Catering by us were approximately RMB298,000, RMB318,000, RMB376,000 and RMB169,000 respectively.

Annual caps and basis

Our Directors estimate that the maximum amount in respect of the fees for the meal services payable to Binjiang Catering Group by Binjiang Property Group for the two years ending December 31, 2019 and 2020 will not exceed RMB320,000 and RMB352,000 respectively.

The estimated fees for the meal services were arrived at after arm’s length negotiation between the parties by making reference to (i) the historical transaction amounts during the Track Record Period; (ii) the projected increase of the transaction amounts as a result of the expected growth in the number of employees; and (iii) the projected price increase of 10% per year taking into consideration of increase in cost of the procurement for grocery, labor costs and inflation.

CONNECTED TRANSACTIONS

Implications under the Listing Rules

Since all the applicable percentage ratios are less than 5% and the total consideration is less than HK\$3,000,000, the transactions contemplated under the Catering Agreement are fully exempted from all reporting, annual review, announcement, circular and independent Shareholders’ approval requirements under Rule 14A.76(1) of the Listing Rules.

Master Leasing Agreement

Background and reasons for the transactions

During the Track Record Period, our Group leased from Binjiang Real Estate Group certain properties as office space and parking lots for sub-leasing to other users. The sub-leasing of parking lots will generate additional income to our Group. To avoid unnecessary disturbance to our operations, we will continue to lease the properties and parking lots after the [REDACTED].

On December 20, 2018, our Company (for itself and on behalf of its subsidiaries) entered into a master leasing agreement (the “**Master Leasing Agreement**”) with Binjiang Real Estate (for itself and on behalf of its subsidiaries) with respect to the leasing of properties as office space and parking lots for sub-leasing to other users.

The Master Leasing Agreement is for a term commencing on the [REDACTED] and expiring on December 31, 2020 and the term may be renewed as the parties may mutually agree, subject to compliance with the requirements under Chapter 14A of the Listing Rules and all other applicable laws and regulations. The parties will separately enter into tenancy agreement in respect of the property units and parking lots subject to the terms of Master Leasing Agreement.

Historical transaction amounts

For the three years ended December 31, 2015, 2016 and 2017 and the eight months ended August 31, 2018, the rental fees paid by the Group to Binjiang Real Estate Group were approximately RMB81,000, RMB127,000, RMB2,465,000 and RMB1,701,000 respectively.

Annual caps and basis

Our Directors estimate that the maximum amount in respect of the rental fees payable by our Group to Binjiang Real Estate Group for the two years ending December 31, 2019 and 2020 will not exceed RMB2,500,000 and RMB2,500,000 respectively.

The estimated rental fees for the properties and parking lots payable to Binjiang Real Estate Group were arrived at after arm’s length negotiation between the parties by making reference to (i) the historical transaction amounts during the Track Record Period; and (ii) the prevailing market rate of the comparable property units and parking lots in the local community.

CONNECTED TRANSACTIONS

Implications under the Listing Rules

Since all the applicable percentage ratios are less than 5% and the total consideration is less than HK\$3,000,000, the transactions contemplated under the Master Leasing Agreement are fully exempted from all reporting, annual review, announcement, circular and independent Shareholders’ approval requirements under Rule 14A.76(1) of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS EXEMPT FROM INDEPENDENT SHAREHOLDERS’ APPROVAL REQUIREMENT

Property Management Services Agreement

Background and reasons for the transactions

During the Track Record Period, our Group provided property management services to Binjiang Real Estate Group for their unsold residential and non-residential property units. Under the relevant PRC rules and regulations, the property developers are responsible for property management fee for unsold property units that have not been delivered. Therefore, before the relevant property units are sold, Binjiang Real Estate Group will continue to be responsible for the management fees. The term of the property management services ends when the relevant property unit is sold as the new property owners will be responsible for the payment of property management fees after delivery of the relevant properties.

On December 20, 2018, our Company (for itself and on behalf of its subsidiaries) entered into a property management services agreement (the “**Property Management Services Agreement**”) with Binjiang Real Estate (for itself and on behalf of its subsidiaries) to regulate the transactions with Binjiang Real Estate Group in relation to the provision of property management services.

The Property Management Services Agreement is for a term commencing on the [REDACTED] and expiring on December 31, 2020 and the term may be renewed as the parties may mutually agree, subject to compliance with the requirements under Chapter 14A of the Listing Rules and all other applicable laws and regulations. The parties will separately enter into property management services agreement in respect of each residential and non- residential property unit subject to the terms of Property Management Services Agreement.

Pricing policy

The actual fees for property management services charged for each transaction takes into account a number of factors, including (i) the size, location and positioning of the properties to be sold; (ii) budgeted operational costs (including but not limited to labor costs, materials costs and administrative costs); (iii) scope and quality of the services proposed; (iv) revenue model and targeted profit margins; (v) local government’s pricing guidance/ regulations on property management fees (where applicable); and (vi) evaluation of competitors’ pricing. Such fees are in line with the market price of the independent property management firms who provide similar property management services in the PRC.

CONNECTED TRANSACTIONS

Historical transaction amounts

For the three years ended December 31, 2015, 2016 and 2017 and the eight months ended August 31, 2018, the property management fees paid by Binjiang Real Estate Group to our Group was approximately RMB18,843,000, RMB18,812,000, RMB17,863,000 and RMB7,818,000 respectively.

Annual caps and basis

Our Directors estimate that the maximum amount in respect of the property management services fees payable by Binjiang Real Estate Group to us for the two years ending December 31, 2019 and 2020 will not exceed RMB15,000,000 and RMB16,000,000 respectively.

In arriving at the above annual caps, we have taken into account the estimated total amounts of management fees to be received by our Group in relation to (i) the current residential and non-residential property units that we have been engaged by Binjiang Real Estate Group as property management service provider; and (ii) the projected new residential and non-residential property projects that we may be engaged by Binjiang Real Estate Group for property management services for the two years ending December 31, 2020. The annual caps are determined with reference to of our historical management service fees and the expected GFA of the relevant residential and non-residential property units.

Implications under the Listing Rules

Since one or more of the applicable percentage ratios for the transactions contemplated under the Property Management Services Agreement is more than 0.1% and all the applicable percentage ratios are less than 5%, the transactions contemplated under the Property Management Services Agreement are exempted from independent Shareholders’ approval requirements under Rule 14A.76(2) of the Listing Rules.

Master Consultancy Agreement

Background and reasons for the transactions

During the Track Record Period, our Group provided consultancy services to Binjiang Real Estate Group for their residential property projects. Consultancy services include advising Binjiang Real Estate Group at the early stage (such as planning and design stage, marketing stage and construction stage) on project planning, design management and construction management and property management. As Binjiang Real Estate Group is principally engaged in property development whereas we are capable of providing consultancy services, the arrangement will create synergy to Binjiang Real Estate Group and our Group. In particular, this arrangement has been in place for a number of years.

On December 20, 2018, our Company (for itself and on behalf of its subsidiaries) entered into a master consultancy agreement (the “**Master Consultancy Agreement**”) with Binjiang Real Estate (for itself and on behalf of its subsidiaries) to regulate the transactions with Binjiang Real Estate Group in relation to the provision of property management consultancy services.

CONNECTED TRANSACTIONS

The Master Consultancy Agreement is for a term commencing on the [REDACTED] and expiring on December 31, 2020 and the term may be renewed as the parties may mutually agree, subject to compliance with the requirements under Chapter 14A of the Listing Rules and all other applicable laws and regulations. The parties will separately enter into consultancy services agreement in respect of each consultancy projects subject to the terms of Master Consultancy Agreement.

Pricing policy

The estimated actual fees for consultancy services charged for each transaction takes into account a number of factors, including the size, location and positioning of the properties to be sold.

Historical transaction amounts

For the three years ended December 31, 2015, 2016 and 2017 and the eight months ended August 31, 2018, the management fees paid by Binjiang Real Estate Group to our Group were approximately RMB4,112,000, RMB3,431,000, RMB8,929,000 and RMB2,189,000 respectively.

Annual caps and basis

Our Directors estimate that the maximum amount in respect of the management fees payable by Binjiang Real Estate Group to our Group for the two years ending December 31, 2019 and 2020 will not exceed RMB7,500,000 and RMB10,000,000 respectively.

The estimated consultancy fees were arrived at after arm’s-length negotiation between the parties by making reference to (i) the historical transaction amounts during the Track Record Period; (ii) the prevailing market condition of the comparable consultancy firms, and was on terms no less favorable to us than terms available from Independent Third Parties; and (iii) the expected increase in demand of the consultancy services.

In arriving at the above annual caps, we have also taken into account the estimated total amounts of consultancy fees to be received by our Group in relation to (i) existing consultancy projects that we have been engaged by Binjiang Real Estate Group as consultant; and (ii) new consultancy projects that we expect to be engaged by Binjiang Real Estate Group for the two years ending December 31, 2020. As of August 31, 2018, the expected income to be generated from the existing consultancy projects for the two years ending December 31, 2019 and 2020 is approximately RMB4.5 million and RMB3.8 million respectively. The expected income to be generated from the new consultancy projects engaged after August 31, 2018 or expected to be engaged by Binjiang Real Estate Group for the two years ending December 31, 2019 and 2020 is approximately RMB3.0 million and RMB6.2 million respectively.

Implications under the Listing Rules

Since one or more of the applicable percentage ratios for the transactions contemplated under the Master Consultancy Agreement is more than 0.1% and all the applicable percentage ratios are less than 5%, the transactions contemplated under the Master Consultancy Agreement are exempted from independent Shareholders’ approval requirements under Rule 14A.76(2) of the Listing Rules.

CONNECTED TRANSACTIONS

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Master Pre-delivery Management Services Agreement

Background and reasons for the transactions

During the Track Record Period, our Group provided pre-delivery management services to Binjiang Real Estate Group. This arrangement has been in place for a number of years as Binjiang Real Estate Group focused on real estate development and we focused on property management. Such arrangement would create synergy to all parties.

On December 20, 2018, our Company (for itself and on behalf of its subsidiaries) entered into a Master Pre-delivery Management Services Agreement (the “**Master Pre-delivery Management Services Agreement**”) with Binjiang Real Estate (for itself and on behalf of its subsidiaries) to regulate the transactions with Binjiang Real Estate Group in relation to the provision of pre-delivery management services.

The Master Pre-delivery Management Services Agreement is for a term commencing on the [REDACTED] and expiring on December 31, 2020 and the term may be renewed as the parties may mutually agree, subject to compliance with the requirements under Chapter 14A of the Listing Rules and all other applicable laws and regulations. The parties will separately enter into pre-delivery management services agreement in respect of each pre-delivery management project subject to the terms of Master Pre-delivery Management Services Agreement.

Pricing policy

The actual fees for management services charged for each project take into account a number of factors, including (i) the size, location and positioning of the properties to be sold; (ii) budgeted operational costs (including but not limited to labor costs, materials costs and administrative costs) and (iii) scope and quality of the services proposed.

Historical transaction amounts

For the three years ended December 31, 2015, 2016 and 2017 and the eight months ended August 31, 2018, the management fees paid by Binjiang Real Estate Group to our Group were approximately RMB20,230,000, RMB23,469,000, RMB32,142,000 and RMB26,164,000 respectively.

Annual caps and basis

Our Directors estimate that the maximum amount in respect of the management fees payable by Binjiang Real Estate Group to our Group for the two years ending December 31, 2019 and 2020 will not exceed RMB105,000,000 and RMB135,000,000 respectively.

In arriving at the above annual caps, we have taken into account the estimated total amounts of management fees to be received by our Group in relation to (i) existing pre-delivery projects that we have been engaged by Binjiang Real Estate Group as management service provider; and (ii) new projects that we expect to

CONNECTED TRANSACTIONS

be engaged by Binjiang Real Estate Group for the two years ending December 31, 2020. The substantial increase in annual caps are based on Binjiang Real Estate Group’s latest development plan and our expectation of being engaged by Binjiang Real Estate Group as pre-delivery management service provider and the projected increase in demand for pre-delivery management services. As such, it is expected that the total number of pre-delivery projects will increase during the two years ending December 31, 2020. We estimate that the total number of pre-delivery projects engaged by Binjiang Real Estate Group will be gradually increased from 17 projects during the eight-month period ended August 31, 2018 to approximately 43 projects during the year ending December 31, 2020. As of August 31, 2018, the expected income to be generated from existing pre-delivery projects for the two years ending December 31, 2019 and 2020 is approximately RMB65.4 million and RMB54.8 million. The expected income to be generated from new pre-delivery projects that we expect to be engaged by Binjiang Real Estate Group for the two years ending December 31, 2019 and 2020 is approximately RMB39.6 million and RMB80.2 million.

Implications under the Listing Rules

Since one or more of the applicable percentage ratios for the transactions contemplated under the Master Management Services Agreement is more than 5% and the total consideration exceeds HK\$10,000,000, the transactions contemplated under the Master Management Services Agreement are subject to announcement, circular and independent Shareholders’ approval requirements under Rule 14A.76(2) of the Listing Rules.

CONFIRMATIONS FROM OUR DIRECTORS AND THE SOLE SPONSOR

Our Directors, including the independent non-executive Directors, are of the view that (i) the continuing connected transactions exempt from independent Shareholders’ approval requirement and non-exempted continuing connected transactions described above have been and will be entered into in the ordinary and usual course of business of our Group and on normal commercial terms or better that are fair and reasonable and in the interests of our Shareholders as a whole; and (ii) the proposed annual caps in respect of the continuing connected transactions exempt from independent Shareholders’ approval requirement and non-exempt continuing connected transactions described above are fair and reasonable and are in the interests of our Shareholders as a whole.

Having considered the above, the Sole Sponsor is of the view that (i) the continuing connected transactions exempt from independent Shareholders’ approval requirement and non-exempt continuing connected transactions described above have been and will be entered into in the ordinary and usual course of business of our Group and on normal commercial terms or better that are fair and reasonable and in the interests of our Shareholders as a whole; and (ii) the proposed annual caps in respect of the continuing connected transactions exempt from independent Shareholders’ approval requirement and non-exempt continuing connected transactions described above are fair and reasonable and are in the interests of our Shareholders as a whole.

APPLICATION FOR WAIVERS

For each of the two years ending December 31, 2019 and 2020, the highest applicable percentage ratio for the each transaction as contemplated under the Property Management Services Agreement and Master

CONNECTED TRANSACTIONS

Consultancy Agreement is expected to exceed 0.1% but less than 5.0%. Accordingly, they are subject to the announcement requirement under Rule 14A.35 of the Listing Rules and the annual reporting requirement under Rule 14A.49 and 14A.71 of the Listing Rules. As the transactions contemplated under Property Management Services Agreement and Master Consultancy Agreement are and will continue to be entered into in the ordinary and usual course of our business on a continuing or recurring basis, our Directors are of the view that strict compliance with the announcement requirement would be burdensome and would impose additional administrative costs to the Company.

For each of the two years ending December 31, 2019 and 2020, the highest applicable percentage ratio for the transactions contemplated under the Master Pre-delivery Management Services Agreement is expected to exceed 5% and the total consideration is also expected to exceed HK\$10,000,000. Accordingly, they are subject to the announcement requirement under Rule 14A.35 of the Listing Rules, the independent Shareholders' approval requirement under Rule 14A.36 and the annual reporting requirement under Rule 14A.49 and 14A.71 of the Listing Rules. Given that the continuing connected transactions were entered into prior to the [REDACTED] and have been disclosed in this document, and the potential investors of our Company will participate in the [REDACTED] on the basis of such disclosure, our Directors consider that compliance with the announcement, circular and the independent Shareholders' approval requirements in respect thereof immediately after [REDACTED] would add unnecessary administrative costs to our Company.

Pursuant to Rule 14A.105 of the Listing Rules, we have applied for, and the Stock Exchange has granted to us, a waiver from strict compliance with the announcement requirement in respect of the continuing connected transactions under the Property Management Services Agreement, Master Consultancy Agreement and a waiver from strict compliance with the announcement and independent Shareholders' approval requirements in respect of the continuing connected transactions under the Master Pre-delivery Management Services Agreement, subject to the aggregate value of each of these continuing connected transactions for each financial year not exceeding the relevant annual caps amount set forth in this section.

We will re-comply with the applicable requirements under Chapter 14A of the Listing Rules before any of the relevant annual caps is exceeded or a material change to the terms and conditions of each Property Management Services Agreement, Master Consultancy Agreement and Master Pre-delivery Management Services Agreement is proposed.

SHARE CAPITAL

AUTHORIZED AND ISSUED SHARE CAPITAL

The following is a description of the authorized share capital of our Company as of the Latest Practicable Date and immediately following the completion of the [REDACTED]:

Authorized share capital

	Shares	Total nominal value US\$
As of the Latest Practicable Date	50,000	50,000
Immediately following completion of the [REDACTED]	[REDACTED]	[REDACTED]

Issued share capital

The following is a description of the issued share capital of our Company in issue and to be issued as fully paid or credited as fully paid prior to and immediately following the completion of the [REDACTED] (assuming that the [REDACTED] is not exercised):

Shares	Description of Shares	Total nominal value US\$	Approximate percentage of issued share capital %
[REDACTED]	Shares in issue as of the date of this document	[REDACTED]	[REDACTED]
[REDACTED]	Shares to be issued pursuant to the [REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	Total	[REDACTED]	[REDACTED]

The following is a description of the issued share capital of our Company in issue and to be issued as fully paid or credited as fully paid immediately following the completion of the [REDACTED] (assuming that the [REDACTED] is exercised in full):

Shares	Description of Shares	Total nominal value US\$	Approximate percentage of issued share capital %
[REDACTED]	Shares in issue as of the date of this document	[REDACTED]	[REDACTED]
[REDACTED]	Shares to be issued pursuant to the [REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	Shares to be issued pursuant to the [REDACTED] when exercised in full	[REDACTED]	[REDACTED]
[REDACTED]	Total	[REDACTED]	[REDACTED]

ASSUMPTIONS

The above table assumes that the [REDACTED] becomes unconditional and the Shares are issued pursuant to the [REDACTED]. The above does not take into account any shares which may be issued pursuant to the exercise of the [REDACTED] or any Shares which may be issued or repurchased by our Company pursuant to the general mandates granted to our Directors to issue or repurchase Shares as described below.

SHARE CAPITAL

MINIMUM PUBLIC FLOAT

The minimum level of public float to be maintained by our Company at all times after [REDACTED] under the Listing Rules is 25% of its share capital in issue from time to time. The [REDACTED] represent approximately [REDACTED]% of the issued share capital of our Company upon the [REDACTED].

RANKING

The Shares are ordinary shares in the share capital of our Company and rank equally with all Shares currently in issue or to be issued and, in particular, will rank in full for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of this document.

CIRCUMSTANCES UNDER WHICH GENERAL MEETINGS AND CLASS MEETINGS ARE REQUIRED

Pursuant to the Cayman Companies Law and the terms of our Memorandum and Articles of Association, our Company may from time to time by ordinary shareholders’ resolution (i) increase its capital; (ii) consolidate and divide its capital into Shares of larger amount; (iii) divide its Shares into classes; (iv) subdivide its Shares into Shares of smaller amount; and (v) cancel any Shares which have not been taken. In addition, our Company may reduce or redeem its share capital by shareholders’ special resolution. For more details, please see “Appendix IV — Summary of the Constitution of our Company and Cayman Companies Law — 2. Articles of Association — (a) Shares — (iii) Alteration of capital.”

Pursuant to the Cayman Companies Law and the terms of our Memorandum and Articles of Association, all or any of the special rights attached to the Share or any class of Shares may be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued Shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the Shares of that class. For more details, please see “Appendix IV — Summary of the Constitution of our Company and Cayman Companies Law — 2. Articles of Association — (a) Shares — (ii) Variation of rights of existing shares or classes of shares.”

Further, our Company will also hold general meetings from time to time as may be required under the Articles, a summary of which is set out in the section headed “Appendix IV — Summary of the Constitution of our Company and the Cayman Companies Law.”

GENERAL MANDATE TO ISSUE AND REPURCHASE SHARES

Subject to the conditions stated in “Structure of the Global Offering – Conditions of the [REDACTED]”, our Directors have been granted general unconditional mandates to issue and repurchase our Shares.

For further details of these general mandate, please see the section headed “Appendix V — Statutory and General Information — A. Further Information About Our Group — 3. Resolutions in Writing of the Shareholders of Our Company Passed on February 21, 2019.”

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CORNERSTONE INVESTORS

[REDACTED]

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CORNERSTONE INVESTORS

[REDACTED]

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CORNERSTONE INVESTORS

[REDACTED]

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CORNERSTONE INVESTORS

[REDACTED]

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CORNERSTONE INVESTORS

[REDACTED]

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the [REDACTED] and assuming that the [REDACTED] is not exercised, the following persons will have an interest or a short position in Shares or underlying Shares of our Company which will be required to be disclosed to our Company and the Stock Exchange pursuant to the provisions of Division 2 and 3 of Part XV of the SFO or will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company:

Name	Nature of interest	As of the Latest Practicable Date		Immediately after the [REDACTED] (assuming the [REDACTED] is not exercised) ⁽¹⁾	
		Number of Shares ⁽²⁾	Approximate percentage of interest in our Company	Number of Shares	Approximate percentage of interest in our Company
Mr. Qi	Settlor of a discretionary trust and interest in controlled corporation	12,672	63.36%	[REDACTED]	[REDACTED]
Great Dragon	Beneficial Owner	12,672	63.36%	[REDACTED]	[REDACTED]
Bright Cloud Holding Limited	Interest in controlled corporation	12,672	63.36%	[REDACTED]	[REDACTED]
Cantrust (Far East) Limited ⁽³⁾	Trustee and interest in controlled corporation	12,672	63.36%	[REDACTED]	[REDACTED]
Mr. Zhu HM	Settlor of a discretionary trust and interest in controlled corporation	3,564	17.82%	[REDACTED]	[REDACTED]
Jovial Success	Beneficial Owner	3,564	17.82%	[REDACTED]	[REDACTED]
Splendid Force Holding Limited	Interest in controlled corporation	3,564	17.82%	[REDACTED]	[REDACTED]
Mr. Mo	Settlor of a discretionary trust and interest in controlled corporation	3,564	17.82%	[REDACTED]	[REDACTED]
Haoyu	Beneficial Owner	3,564	17.82%	[REDACTED]	[REDACTED]
Great Splendor Holding Limited	Interest in controlled corporation	3,564	17.82%	[REDACTED]	[REDACTED]
Infiniti Trust (Asia) Limited ⁽⁴⁾	Trustee and interest in controlled corporation	7,128	35.64%	[REDACTED]	[REDACTED]

Notes:

- (1) The calculation is based on the total number of [REDACTED] Shares in issue immediately following the completion of the [REDACTED] (assuming that the [REDACTED] is not exercised).
- (2) All interests stated are long positions.
- (3) Great Dragon holds [REDACTED]% of issued share capital of our Company immediately following the completion of the [REDACTED] (assuming that the [REDACTED] is not exercised). The entire issued share capital of Great Dragon is held by Cantrust (Far East) Limited (through its nominee company) as trustee of Bright Cloud Trust. Bright Cloud Trust is a discretionary trust set up by Mr. Qi as settlor on November 19, 2018. The beneficiaries of the Bright Cloud Trust include Mr. Qi and certain family members of Mr. Qi.
- (4) Each of Jovial Success and Haoyu hold [REDACTED]% of issued share capital of our Company, respectively, immediately following the completion of the [REDACTED] (assuming that the [REDACTED] is not exercised). The entire issued share capital of Jovial

SUBSTANTIAL SHAREHOLDERS

Success and Haoyu are held by Infiniti Trust (Asia) Limited (through its nominee companies) as trustee of each Splendid Force Trust and Great Splendor Trust, respectively. Splendid Force Trust is a discretionary trust set out by Mr. Zhu HM as settlor on November 19, 2018. The beneficiaries of the Splendid Force Trust include Mr. Zhu HM and certain family members of Mr. Zhu HM. Great Splendor Trust is a discretionary trust set out by Mr. Mo as settlor on November 19, 2018. The beneficiaries of the Great Splendor Trust include Mr. Mo and certain family members of Mr. Mo.

Save as disclosed above and in the section headed “Appendix V — Statutory and General Information — C. Further Information about Our Directors and Substantial Shareholders — 1. Disclosure of Interests”, our Directors are not aware of any person who will, immediately following the completion of the [REDACTED] and assuming that the [REDACTED] is not exercised, have an interest or a short position in the Shares or underlying Shares which will be required to be disclosed to our Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO or will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

GENERAL

The following table sets out certain information in respect of our Directors and senior management:

<u>Name</u>	<u>Age</u>	<u>Position(s)</u>	<u>Date of appointment as Director or senior management</u>	<u>Date of joining our Group</u>	<u>Roles and responsibilities in our Group</u>	<u>Relationship with other Directors or senior management</u>
<i>Directors</i>						
ZHU Lidong (朱立東)	55	Executive Director, chairman of the Board and president	September 19, 2018	May 1, 2003	Overseeing the overall management and business operation, coordinating board affairs, formulating strategies and operational plans, and making major business decisions of our Group	N/A
ZHONG Ruoqin (鍾若琴)	33	Executive Director, secretary to the Board and joint company secretary	September 19, 2018	April 1, 2013	Formulating and supervising operational strategies and plans, deciding and executing the board resolutions, undertaking business objectives of the Board	N/A
MO Jianhua (莫建華)	48	Non-Executive Director	December 25, 2017	October 8, 1996	Providing guidance and supervision of our Group’s business operations	N/A
CAI Xin (蔡鑫)	43	Non-Executive Director	September 19, 2018	September 25, 2002	Providing guidance and supervision of our Group’s business operations	N/A
DING Jiangang (丁建剛)	55	Independent Non-Executive Director	February 21, 2019	February 21, 2019	Providing independent judgment and advice to our Board	N/A
LI Kunjun (李坤軍)	41	Independent Non-Executive Director	February 21, 2019	February 21, 2019	Providing independent judgment and advice to our Board	N/A
CAI Haijing (蔡海靜)	36	Independent Non-Executive Director	February 21, 2019	February 21, 2019	Providing independent judgment and advice to our Board	N/A

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

<u>Name</u>	<u>Age</u>	<u>Position(s)</u>	<u>Date of appointment as Director or senior management</u>	<u>Date of joining our Group</u>	<u>Roles and responsibilities in our Group</u>	<u>Relationship with other Directors or senior management</u>
<i>Senior Management</i>						
WANG Guoyi (王國義)	56	Deputy General Manager	December 30, 2009	March 1, 2005	Business development, pre-delivery consulting, engineering management, pre-delivery examination management and after-sale services	N/A
SHEN Guorong (沈國榮)	37	Deputy General Manager	December 30, 2009	October 1, 2004	General management of the projects in Hangzhou, Shaoxing, Jiaxing, Huzhou, Taizhou, Wenzhou, Jiangxi and Suzhou areas	N/A
YU Weiqi (俞偉琪)	38	Deputy General Manager	December 30, 2009	July 10, 2006	General management of the projects in Hangzhou, Shanghai, Yiwu and Pujiang areas	N/A
GUO Chunlan (郭春蘭)	54	Deputy General Manager	December 30, 2009	November 2, 2005	General management of the projects in Hangzhou, Jinhua and Quzhou areas	N/A
ZHOU Dong (周棟)	36	Financial Controller	August 9, 2018	August 9, 2018	Overall financial management of the Group	N/A

DIRECTORS

The Board currently consists of seven Directors, comprising two executive Directors, two non-executive Directors and three independent non-executive Directors. The functions and duties of the Board include convening shareholders' meetings, reporting on the Board's work at these meetings, implementing the resolutions passed on these meetings, determining business and investment plans, formulating our annual budget and final accounts, and formulating our proposals for profit distributions and for the increase or reduction of registered capital. In addition, the Board is responsible for exercising other powers, functions and duties in accordance with the Articles of Association, and all applicable laws and regulations, including the Listing Rules.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Executive Directors

Mr. ZHU Lidong (朱立東), aged 55, has been an executive Director, the chairman of the Board and president of our Company since September 2018. He has joined our Group in May 2003 and has more than 15 years of experience in the real estate industry. With his extensive experience, he is principally responsible for the overall management and business operation of our Group, including coordinating board affairs, formulating strategies and operational plans and making major business decisions. He is also the chairman of the board and the general manager of Binjiang Property, a company engaged in property management, since November 2006 and February 2010, respectively, where he is responsible for overall management and business operation.

From February 2017 to September 2018, Mr. Zhu was the deputy general manager of Binjiang Holdings, a company engaged in investment, where he was responsible for the general operations of the fellow subsidiaries. From May 2003 to February 2017, he served as the deputy manager at Binjiang Real Estate, a company listed on the Shenzhen Stock Exchange (stock code: 002244) with its principal in business in real estate development. During his tenure, he was responsible for projects operation and market expansion. From October 1994 to April 2003, he was a reporter and the deputy director of general editing office and monograph office of Hangzhou Daily Newspaper (杭州日報) and an associate general editor of Daily Commence Newspaper (每日商報) of Hangzhou Daily Newspaper Press Group (杭州日報報業集團) (“**Hangzhou Daily**”) (formerly known as Hangzhou Daily Newspaper Press), a mass media corporation listed on the Shenzhen Stock Exchange (stock code: 000607), where he was primarily responsible for writing and editing manuscripts. Prior to that, Mr. Zhu was a teaching staff at Armed Police Hangzhou Command College (武警杭州指揮學院) from September 1984 to October 1994.

Since July 2012, Mr. Zhu has been the vice chairperson of the Property Management Association of Zhejiang Real Estate Institute (浙江房地產協會物業管理分會). He has also been serving as the vice chairman of the Hangzhou Property Management Association (杭州物業管理協會) since August 2018. In July 2008, Mr. Zhu was recognized as the Hangzhou Property Management Bidding Expertise (杭州市物業管理招投標專家) and appointed as the fellow of Hangzhou Property Management Excellent Projects Evaluation Expert Database (杭州市物業管理優秀項目考評專家庫) from August 2018 to July 2020.

Due to his achievements and contributions to the economic and social development of Hangzhou, Mr. Zhu has been granted a number of awards. In 2004, he was awarded China Excellent Professional Manager (中國優秀職業經理人) by the 2004 China City-land Operation Exposition (2004中國城市土地運營博覽會). He was also conferred the Attitude Real Estate Person (態度地產人物) by the Netease Real Estate (網易房產) in 2017.

Mr. Zhu received his bachelor’s degree in history from Hangzhou University (杭州大學) (currently merged into Zhejiang University (浙江大學)), the PRC, in July 1984.

Ms. ZHONG Ruoqin (鍾若琴), aged 33, has been an executive Director and the secretary to the Board of our Company since September 2018. She is also a joint company secretary of our Company. Ms. Zhong has joined our Group in April 2013 and is primarily responsible for formulating and supervising operational strategies and plans, deciding and executing the board resolution, undertaking business objectives of the Board.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Ms. Zhong has extensive work experience in the real estate industry. Since July 2018, she has been appointed as the manager of securities department at Binjiang Property, where she is primarily responsible for forming and organizing the securities department.

From April 2013 to June 2018, she served in the securities department of Binjiang Real Estate, where she was responsible for the conduct of board meetings, information disclosure, and management of investment and refinancing. From August 2008 to February 2011, Ms. Zhong was an agency supervisor of CITIC-Prudential Finance Company Ltd., a company engaged in insurance and wealth management business, where she was responsible for personal selling, team management and performance appraisal.

Ms. Zhong received her master’s degree in business administration from the City University of Hong Kong (香港城市大學), Hong Kong, in October 2012 and the bachelor’s degree in business from the Dundalk Institute of Technology (愛爾蘭唐道克理工學院), Ireland, in June 2008.

Non-executive Directors

Mr. MO Jianhua (莫建華), aged 48, has been our non-executive Director since December 2017. He is primarily responsible for providing guidance and supervision to our Group’s business operations. Mr. Mo has over 20 years of experience in the real estate industry. Since January 2017, he has also been serving as the general manager of Hangzhou Pute Equity Investment Management Limited (杭州普特股權投資管理有限公司) (“**Pute Equity**”), a company which is principally engaged in equity investment, where he is responsible for the overall management of business. Since November 2006, he has been a director at Binjiang Real Estate, where he is responsible for providing guidance and supervision to our Group’s business operations.

From July 2011 to November 2017, he was the general manager of Binjiang Venture Capital, a company which is primarily engaged in venture capital, and he was responsible for overall operation of business. From December 1999 to July 2011 he was the managing deputy general manager of Binjiang Real Estate, where he was responsible for the management of construction costs. From October 1996 to December 1999, he served as a deputy general manager at Binjiang Real Estate Construction Co., Ltd. (濱江房屋建設開發有限公司) (“**Binjiang Construction**”), a company engaged in real estate construction. He was responsible for the management of construction costs.

Mr. Mo obtained an executive master’s degree in business administration (EMBA) from Zhejiang University (浙江大學), the PRC, in June 2013.

Mr. CAI Xin (蔡鑫), aged 43, has been our non-executive Director since September 2018. He is primarily responsible for providing guidance and supervision to our Group’s business operations. Since November 2017, he has been the general manager at Binjiang Venture Capital, where he is in charge of overall operation of business, marketing expansion and investment projects implementation.

From July 2011 to November 2017, he served as the deputy general manager of Pute Equity, where he was responsible for corporate fund raising and investment projects implementation. From September 2002 to July

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

2011, he served as the manager of finance department at Binjiang Real Estate, where he was primarily responsible for the general management of finance department, preparation of financial reports, formulating budget plans and tax reports.

Mr. Cai obtained an executive master’s degree in business administration from Zhejiang University (浙江大學) in December 2015 and a bachelor’s degree in economics from Zhejiang University of Financial and Economics (浙江財經大學), the PRC, in July 1997. He obtained the certificate of senior accountant granted by Zhejiang Senior Accountant Certificate Evaluation Committee in June 2012.

Independent Non-executive Directors

Mr. DING Jiangang (丁建剛), aged 55, joined our Group in February 2019 as an independent non-executive Director. Since May 2014, Mr. Ding has been the dean of Zhejiang Daily Media Real Estate Institute (浙報傳媒地產研究院), which is engaged in provision of market analysis of real estate industry, and is responsible for research on real estate policy and real estate market. He has also been serving at Zhejiang Real Estate Institute (浙江房地產業協會) as a council member and is responsible for research in relation to policies and market trends in the real estate industry since October 2017.

Mr. Ding has approximately 30 years of experience in the media industry. Mr. Ding was an employee of Decision Research Consultancy Limited (杭州浙訊房地產決策研究諮詢有限公司) since June 2014 to current. Mr. Ding worked for Hangzhou Joint Founder Information Technology Co., Ltd. (杭州中房信息科技有限公司), which is engaged in provision of market analysis of real estate industry, and was responsible for research on real estate policy and real estate market from March 2013 to May 2014. He worked for the economic department of, and the deputy editor of the website Live in Hangzhou (住在杭州) of Zhejiang Online News Website Co., Ltd. (浙江在線新聞網站有限公司), which is engaged in online news publication and he was responsible for researching financial properties and providing commentaries thereon from September 2008 to February 2013. He worked for Zhejiang Radio & TV Group (浙江廣播電視集團), which is engaged in publication and sales of newspaper, magazines and video, and he was responsible for production of property programs from April 1989 to September 2008. He worked for teaching and research group of building structure of Zhejiang Construction Industrial College (浙江省建築工業學校) and was responsible for teaching building structure courses and management of the teaching and research group from November 1985 to April 1989. He was also a teaching staff in Changchun Advanced Architecture Institute (長春高等建築專科學校) from July 1983 to October 1985.

Mr. Ding has been serving as an independent non-executive director of Dexin China Holdings Company Limited (德信中國控股有限公司), a property development company expected to be listed on the Hong Kong Stock Exchange (stock code: 02019) since January 2019. He is responsible for providing independent judgment and advice in relation to operations and management of the company.

Mr. Ding obtained his bachelor’s degree in civil engineering from Xi’an University of Architecture and Technology (西安建築科技大學) (formerly known as Xi’an Metallurgy Architecture College (西安冶金建築學院)), the PRC, in July 1983.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. LI Kunjun (李坤軍), aged 41, joined our Group in February 2019 as an independent non-executive Director. Since October 2017, he has been serving as the chief executive officer of Hangzhou Xiaodi Technology Co., Ltd. (杭州小嘀科技有限公司), a company engaged in the real estate technology development, which attracted investments from Hangzhou Tengguo Internet Technology Co., Ltd. (杭州騰果網絡科技有限公司) and Hangzhou Daily Newspaper Press Group (杭州日報報業集團), and created one of the most influential Wechat public accounts with regard to property market in Hangzhou. He is responsible for the overall management and business operation.

Mr. Li has extensive work experience in the media industry. From September 2000 to December 2016, he held various positions at Hangzhou Daily, including reporter, and director of property office. During his tenure, he published a book, *Hangzhou Qualified Houses — Guidance for purchasing houses from QIU Weiwei and LI Kunjun*.

Mr. Li graduated from Zhejiang University (浙江大學), the PRC, with his bachelor’s degree in Chinese in June 2000.

Ms. CAI Haijing (蔡海靜), aged 36, joined our Group in February 2019 as an independent non-executive Director. Since December 2007, she was a lecturer of accounting at Zhejiang University of Finance and Economics (浙江財經大學) and subsequently appointed as an associate professor in December 2014. In October 2017, Ms. Cai was regarded as the Leading Expert of the Zhejiang High-education Youngster (浙江省高校中青年學科帶頭人) and the nurturing target (發展對象) of the Zhejiang 151 Talent Project (浙江省新世紀151人才工程) in December 2015.

Ms. Cai has been serving as an independent non-executive director and a member of the audit committee of Wangneng Environment Co., Ltd. (旺能環境股份有限公司), an environment protection company listed on the Shenzhen Stock Exchange (stock code: 002034) since December 2017, Zhejiang Kang Long Da Special Protection Technology Co., Ltd. (浙江康隆達特種防護科技股份有限公司), a textile manufacturing company listed on the Shanghai Stock Exchange (stock code: 603665) since October 2017, Ue Furniture Co., Ltd. (永藝家具股份有限公司), a furniture manufacturing company listed on the Shanghai Stock Exchange (stock code: 603600) since July 2016, Hamaton Automotive Technology Co., Ltd. (浙江金科文化產業股份有限公司), a technology company listed on the Shenzhen Stock Exchange (stock code: 300459) since July 2016 and Hangzhou Jizhi Mechatronic Co., Ltd. (杭州集智機電股份有限公司), a machines manufacturing company listed on the Shenzhen Stock Exchange (stock code: 300553) since July 2015. As an independent non-executive director and a member of the audit committee, she is responsible for providing independent judgment and advice in relation to general management and audit committee to those listed companies.

Ms. Cai obtained a doctoral degree in accounting from Zhongnan University of Economics and Law (中南財經政法大學), the PRC, in June 2013, a master’s degree from Brock University (加拿大布魯克大學), Canada, in October 2007 and bachelor’s degree from Zhejiang University of Financial and Economics (浙江財經大學), the PRC, in June 2006. She was admitted as a fellow of the Association of Chartered Certified Accountants (英國特許會計師協會) in June 2011 and the Canadian Institute of Chartered Accountants (加拿大註冊會計師協會) in September 2010.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Save as disclosed above, none of our Directors holds any other directorships in any other company listed in Hong Kong or overseas during the three years immediately preceding the date of this document. Please refer to the section headed “Appendix V — Statutory and General Information” for further information about the Directors, including the particulars of their service contracts and remuneration, and details of the interests of the Directors in the Shares (within the meaning of Part XV of the SFO). Save as disclosed herein, there are no other matters in respect of each of our Directors that is required to be disclosed pursuant to Rule 13.51(2)(a) to (v) of the Listing Rules and there is no other material matter relating to our Directors that needs to be brought to the attention of our shareholders.

SENIOR MANAGEMENT

The senior management team of our Group, in addition to the executive Directors listed above, is as follows:

Mr. WANG Guoyi (王國義), aged 56, has been appointed as a deputy general manager of our Group in December 2009. He is primarily responsible for business development, pre-delivery consulting, engineering management, pre-delivery examination management and after-sale services.

Mr. Wang has almost 20 years of experience in the property management service industry. From March 2005 to December 2009, he served as an engineering director in Binjiang Property and was responsible for the engineering management.

Prior to joining our Group, he previously worked as an engineer at Zhejiang Nandu Property Management Co., Ltd. (浙江南都物業管理有限公司), a company engaged in property management, from January 2000 to February 2005, where he was responsible for engineering management and consultancy. From November 1996 to June 1998, he worked as a technician at the production department of Pt. San Weei Indonesia Rattan Industry (印尼上瑋籐業有限公司), a company engaged in rattan manufacturing, exporting and importing, where he was responsible for mechanical maintenance. From December 1991 to November 1996, he worked as an electrician at Hangzhou Chemistry Building (杭州化工大廈), a company engaged in chemical industry, where he was responsible for electrical installation and maintenance, as well as the operation of telephone switchboard. From December 1984 to December 1991, he served as an electrician at Hangzhou Standard Head Factory (杭州標準件總廠), a company engaged in manufacturing mechanical components, where he was responsible for electrical maintenance at the mold workshop. From December 1981 to December 1984, he served as an electrician at Hangzhou Broadcast Equipment Factory (杭州廣播器材廠) (previously known as Hangzhou Qianjiang Maobi Factory (杭州錢江毛筆製刷廠), a company engaged in manufacturing broadcasting equipment, where he was responsible for electrical maintenance.

Mr. Wang obtained a high school diploma from Hangzhou the Fifth High School, the PRC, in June 1980.

Mr. SHEN Guorong (沈國榮), aged 37, has been appointed as a deputy general manager of our Group in December 2009, and he is primarily responsible for the general management of the projects in Hangzhou, Shaoxing, Jiaxing, Huzhou, Taizhou, Wenzhou, Jiangxi and Suzhou areas. He has more than 15 years of

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

experience in the property management service industry. He has joined our Group in October 2004 as a project manager and was responsible for the overall management of projects till February 2005. He was subsequently promoted as an assistant of general manager of Binjiang Property, and was responsible for the general management and supervision from February 2005 to December 2009.

Prior to joining our Group, he was a project manager at Jiaye Sunshine Property Management Co., Ltd. (嘉業陽光物業管理有限公司), a company engaged in property management service industry, from January 2002 to September 2004. He was responsible for the overall project management.

In June 2017, Mr. Shen was appointed as the chairman of Jianggan District Property Management Institute (江幹區物業管理協會). He was also recognized as the Hangzhou Property Management Bidding Expertise (杭州市物業管理招投標專家) and the fellow of Hangzhou Property Management Excellent Projects Evaluation Expert Base (杭州市物業管理優秀項目考評專家庫) in July 2014.

Mr. Shen graduated from Jiaying University (嘉興學院), the PRC, with an associate degree in construction project management in January 2011. In November 2013, he was recognized as a registered Property Manager (註冊物業管理師) by the Ministry of Housing and Urban-Rural Development of the People’s Republic of China (中華人民共和國住房和城鄉建設部).

Mr. YU Weiqi (俞偉琪), aged 38, has been appointed as a deputy general manager of our Group since December 2009 and he is primarily responsible for the general management of the projects in Hangzhou, Shanghai, Yiwu and Pujiang areas. He has more than 15 years of experience in the property management service industry. He has joined our Group in July 2006 as the project manager and was promoted to assistant president in April 2007, where he was responsible for quality control and copywriting till December 2009.

Prior to joining our Group, Mr. Yu was a project manager and marketing manager of Zhejiang Guangsha Property Management Co., Ltd. (浙江廣廈物業管理有限公司), a company engaged in property management and he was primarily responsible for the overall management of projects and market expansion of property management, from May 2003 to June 2006. He previously served as the assistant quality control and marketing manager of Zhejiang Green City Property Management Co., Ltd. (浙江綠城物業管理有限公司), a company engaged in property management service industry, from March 2002 to April 2003, where was responsible for quality control management and property management consultancy.

Mr. Yu was recognized as the Hangzhou Preliminary Property Management Bidding Expertise (杭州市前期物業管理招投標專家) in March 2014 and the fellow of Hangzhou Property Management Excellent Projects Evaluation Expert Database (杭州市物業管理優秀項目考評專家庫) in August 2018.

Mr. Yu graduated from Chongqing University (重慶大學), the PRC, with an associate degree in business administration management in July 2017. In March 2012, he was recognized as a registered Property Manager (註冊物業管理師) by the Ministry of Housing and Urban-Rural Development of the People’s Republic of China (中華人民共和國住房和城鄉建設部) and Ministry of Human Resources and Social Security of the People’s Republic of China (中華人民共和國人力資源和社會保障部).

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Ms. GUO Chunlan (郭春蘭), aged 54, has been appointed as a deputy general manager of our Group in December 2009 and she is primarily responsible for the general management of projects in Hangzhou, Jinhua and Quzhou areas. She has also been serving as the general manager of another subsidiary, Binhe Property, a company engaged in property management, where she is in charge of overall management of business since January 2018.

Ms. Guo joined our Group in November 2005, when she was appointed as an assistant general manager in Binjiang Property and was responsible for the overall management of the company till December 2009. Prior to joining our Group, she was the vice president at Hangzhou Huanglong Hengli Hotel Co., Ltd. (杭州黃龍恒勵賓館有限公司), a company engaged in hotel and catering and she was responsible for daily management of projects and business operation in Hangzhou-Jinhua-Quzhou areas from January 2005 to November 2005. From June 1998 to January 2005, she served as the manager of sales department, housekeeping department, and reception department at Hangzhou Linquan Villa Co., Ltd. (杭州林泉山莊有限公司), a company engaged in hotel and catering, where she was in charge of daily operation of those departments. From April 1996 to April 1999, she served as the manager of human resources, quality of service and housekeeping department at Hangzhou Zhong Bei Hotel Co., Ltd. (杭州中北大酒店有限責任公司), a company engaged in hotel and catering and she was in charge of daily operation of those departments. She also worked at Zhejiang Travel Group Co., Ltd. (浙江省旅遊集團有限責任公司), a company engaged in hotel and catering and was responsible for managing the housekeeping and human resources from December 1982 to March 1996.

Ms. Guo graduated from Zhejiang Gongshang University Hangzhou College of Commerce (浙江工商大學杭州商學院), the PRC, with an associate degree in tourism management in December 1999.

Mr. ZHOU Dong (周棟), aged 36, has been appointed as the financial controller of our Group in August 2018 and he is primarily responsible for overall financial management of the Group.

Prior to Joining our Group, he was appointed as an assistant chief financial officer of Zhejiang Transfer Chemical Group. (浙江傳化化學集團有限公司), a company engaged in industries of chemical engineering, agriculture, investment, logistics and technology and he was responsible for daily management of finance department from April 2015 to April 2018. From November 2012 to April 2015, he was the group controller of budget management center and was responsible for the overall budget and financial management at Hailiang Group Co., Ltd. (海亮集團有限公司) (“**Hailiang Group**”), a company engaged in non-ferrous materials processing, education and medical industries. He was also the financial controller of Hailiang Group Finance Co., Ltd. (海亮集團財務有限責任公司), a company providing financial service for the Hailiang Group and he was responsible for daily operation of financial department during the same period. From August 2009 to October 2011, he was a financial manager of Zhong Cai Merchants Investment Group Co., Ltd. (中財招商投資集團有限公司), a company engaged in industrial development and financial investment, where he was responsible for daily management of finance department. From November 2007 to November 2009, he was a financial supervisor at Zhejiang Zheda Machinery and Electronics Group Co., Ltd. (浙江浙大網新眾合機電集團有限公司), a company engaged in mechanical engineering business, where he was responsible for overall budget management.

Mr. Zhou graduated from Zhejiang University of Financial and Economics (浙江財經大學), the PRC, with a bachelor’s degree in accounting in June 2004. In July 2016, he was recognized as an senior accountant (高級會計師) by Zhejiang Human Resource and Social Protection Bureau (浙江省人力資源與社會保障廳) and

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Chinese Certified Public Accountant (中國註冊會計師) by the Chinese Institute of Certified Public Accountants (中國註冊會計師協會). He was also admitted as Zhejiang leading accounting talent by Zhejiang Provincial Department of Finance (浙江省財政廳) in August 2016.

JOINT COMPANY SECRETARIES

Ms. Zhong Ruoqin (鍾若琴), aged 33, is an executive Director and the secretary to the Board of our Company since September 2018. Please refer to Ms. Zhong’s biography under the paragraph headed “— Directors — Executive Directors” above.

Ms. Ko Mei Ying (高美英) is appointed as the other joint company secretary of our Company in November 2018 and she is currently a manager of SWCS Corporate Services Group (Hong Kong) Limited. She has over 10 years’ experience in corporate secretarial, auditing and accounting services. She holds a Master of Science in Professional Accounting and Corporate Governance from City University of Hong Kong (香港城市大學), Hong Kong, and a Bachelor degree of Commerce majoring in Accounting from Macquarie University (麥格理大學), Australia. She is an associate of The Hong Kong Institute of Chartered Secretaries and Administrators, The Institute of Chartered Secretaries and Administrators (UK) and Certified Practising Accountant of CPA Australia. She is now providing corporate secretarial and compliance services to several companies listed on The Stock Exchange of Hong Kong Limited.

BOARD COMMITTEES

We have established the audit committee, the remuneration committee, the nomination committee and the strategy committee and delegated various responsibilities to these committees, which assist our Board in discharging its duties and overseeing particular aspects of our Group’s activities.

Audit Committee

We have established an audit committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C.3 of the Corporate Governance Code (“CG Code”) as set out in Appendix 14 to the Listing Rules. The audit committee consists of all of the independent non-executive Directors, namely, Mr. Ding Jiangang, Mr. Li Kunjun and Ms. Cai Haijing. Ms. Cai Haijing is the chairman of the audit committee.

The primary duties of the audit committee are to (i) review and supervise our financial reporting process and internal control system of our Group, risk management and internal audit; (ii) provide advice and comments to our Board; and (iii) perform other duties and responsibilities as may be assigned by the Board.

Remuneration Committee

We have established a remuneration committee with written terms of reference in compliance with paragraph B.1 of the CG Code as set out in Appendix 14 to the Listing Rules. The remuneration committee consists of three members, namely, Mr. Ding Jiangang, Mr. Mo Jianhua and Ms. Cai Haijing. Mr. Ding Jiangang is the chairman of the remuneration committee.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

The primary duties of the remuneration committee include, but not limited to (i) establishing, reviewing and providing advices to our Board on our policy and structure concerning remuneration of our Directors and senior management and on the establishment of a formal and transparent procedure for developing policies concerning such remuneration; (ii) determining the terms of the specific remuneration package of each Director and senior management; and (iii) reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by our Directors from time to time.

Nomination Committee

We have established a nomination committee with written terms of reference in compliance with paragraph A.5 of the CG Code as set out in Appendix 14 to the Listing Rules. The nomination committee consists of three members, namely Mr. Zhu Lidong, Mr. Ding Jiangang and Mr. Li Kunjun. Mr. Zhu Lidong is the chairman of the nomination committee.

The primary duties of the nomination committee are to (i) review the structure, size and composition of our Board on a regular basis and make recommendations to the Board regarding any proposed changes to the composition of our Board; (ii) make recommendations to our Board on the selection of individuals nominated for directorship; (iii) assess the independence of our independent non-executive Directors; and (iv) make recommendations to our Board on relevant matters relating to the appointment, re-appointment and removal of our Directors and succession planning for our Directors.

Strategy Committee

We have also established a strategy committee with written terms. The strategy committee consists of six members, namely Mr. Mo Jianhua, Mr. Zhu Lidong, Ms. Zhong Ruoqin, Mr. Cai Xin, Mr. Ding Jiangang and Mr. Li Kunjun. Mr. Mo Jianhua is the chairman of the strategy committee.

The primary duties of the nomination committee are to (i) review and make recommendation to our Board on business development; (ii) provide advice to our Board on significant investment, merger, acquisition and disposal; and (iii) perform other duties and responsibilities as may be assigned by the Board.

CORPORATE GOVERNANCE

Pursuant to code provision A.2.1 of the Corporate Governance Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. However, our Company does not have a separate chairman and president and the responsibility of both chairman and president vest in Mr. Zhu. Our Board believes that vesting the responsibilities of both chairman and president in the same person has the benefit of ensuring the consistent leadership within our Group and enables more effective and efficient overall strategic planning of our Group. Besides, with three independent non-executive Directors out of a total of seven Directors in our Board, there will be sufficient independent voice within our Board to protect the interests of our Company and our Shareholders as a whole. Therefore, our Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable our Company

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

to make and implement decisions promptly and effectively. Our Board will continue to review and consider splitting the roles of chairman of our Board and president of our Company at a time when it is appropriate and suitable by taking into account the circumstances of our Group as a whole.

Pursuant to code provision A.4.1 of the Corporate Governance Code, non-executive directors should be appointed for a specific term and subject to re-election. All the non-executive Directors of our Company are not appointed with a specific term, but are subject to retirement by rotation and re-election at the Company’s annual general meetings. As such, the Directors consider that sufficient measures have been taken to ensure that the Company’s corporate governance practices are no less than exacting than those in the Code.

Save as disclosed above, our Company expects to comply with the Corporate Governance Code. Our Directors will review the corporate governance policies of our Group and compliance with the Corporate Governance Code each financial year.

WAIVERS GRANTED BY THE STOCK EXCHANGE

We have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the requirement under Rule 8.12 of the Listing Rules in relation to the requirement of management presence in Hong Kong. For details of the waiver, please see the section headed “Waivers from Strict Compliance with the Listing Rules and Exemption from Strict Compliance with the Companies (Winding Up And Miscellaneous Provisions) Ordinance — Management Presence in Hong Kong.”

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

The aggregate amount of remuneration our Directors have received (including fees, salaries, allowance, benefits-in-kind, discretionary bonuses and retirement scheme contributions) for each of the years ended December 31, 2015, 2016 and 2017 and the eight months ended August 31, 2018 was nil, nil, nil and RMB38,000, respectively.

The aggregate amount of salaries, allowance, benefits-in-kind, discretionary bonuses and retirement scheme contributions paid to the five highest paid individuals of our Company, including Directors, during each of the years ended December 31, 2015, 2016 and 2017 and the eight months ended August 31, 2018, was approximately RMB3.2 million, RMB3.3 million, RMB3.4 million and RMB1.6 million, respectively.

Under the arrangements currently in force, the aggregate amount of remuneration, excluding discretionary bonuses, payable to our Directors for the year ending December 31, 2019 is estimated to be approximately RMB1,700,000.

No remuneration was paid by us to our Directors or the five highest paid individuals as an inducement to join or upon joining us or as a compensation for loss of office in respect of the years ended December 31, 2015, 2016 and 2017 and the eight months ended August 31, 2018. Further, our executive Director, Mr. Zhu, had waived remuneration during the same period.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Save as disclosed above, no other payments have been made or are payable in respect of each of the three years ended December 31, 2015, 2016 and 2017 by the Group to the Directors.

Our Board will review and determine the remuneration and compensation packages of our Directors and senior management which, following the [REDACTED], will receive recommendation from the Remuneration Committee which will take into account salaries paid by comparable companies, time commitment and responsibilities of the Directors and performance of our Group.

COMPLIANCE ADVISOR

We have appointed Southwest Securities (HK) Capital Limited as our compliance advisor (the “**Compliance Advisor**”) upon [REDACTED] of our Shares on the Stock Exchange in compliance with Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the Compliance Advisor will provide advice to us when consulted by us in the following circumstances:

- the publication of any regulatory announcement, circular or financial report;
- where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;
- where we propose to use the proceeds of the [REDACTED] in a manner different from that detailed in this document or where its business activities, developments or results deviate from any forecast, estimate, or other information in this document; and
- where the Stock Exchange makes an inquiry of our Company regarding unusual movements in the price or trading volume of the Shares of our Company.

The term of the appointment shall commence on the [REDACTED] and end on the date on which our Company distributes its annual report in respect of its financial results for the first full financial year commencing after the [REDACTED]. This appointment may be subject to extension by mutual agreement.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

See “Business — Business Strategies” for a detailed description of our future plans.

USE OF PROCEEDS

We estimate the net proceeds of the [REDACTED] which we will receive, assuming an [REDACTED] of HK\$[REDACTED] per [REDACTED] (being the mid-point of the [REDACTED] range stated in this document), will be approximately HK\$[REDACTED] million, after deduction of underwriting fees and commissions and estimated expenses payable by us in connection with the [REDACTED] and assuming the [REDACTED] is not exercised.

We intend to use the net proceeds of the [REDACTED] for the following purposes assuming the [REDACTED] is fixed at HK\$[REDACTED] per [REDACTED] (being the mid-point of the indicative [REDACTED] Range).

- Approximately [REDACTED]%, or HK\$[REDACTED] million, will be used to acquire property management companies located in major cities in the Yangtze River Delta to further increase our market share in the existing market, and also in new cities such as Shenzhen to expand our geographical coverage. In particular, we plan to acquire (i) other property management companies which have good market recognition, reputation and development potential, and with revenue exceeding RMB50.0 million or net profit exceeding RMB10.0 million. We will mainly target property management companies focusing on public facilities and office buildings; and (ii) companies which are engaged in property management related businesses, such as security, cleaning, gardening and maintenance services. See “Business — Business Strategies — Continue to expand our business scale in high-end market through multiple channels” for details.
- Approximately [REDACTED]%, or HK\$[REDACTED] million, will be used to update our management service systems, including digitalizing our office and management systems to increase our administration’s operating efficiency, upgrading our client-facing mobile terminal to improve customer experience, developing smart communities and a cloud sharing platform to allow us to achieve real-time monitoring of our managed properties and lower operating costs, and recruiting and nurturing talents. See “Business — Business Strategies — Continue to optimize management centralization and standardization and adopt advanced technologies to enhance our operating efficiency and ensure service quality” and “Business — Business Strategies — Continue to attract, develop and retain talent to support our business growth” for details.
- Approximately [REDACTED]%, or HK\$[REDACTED] million, will be used to invest in the asset management platform to engage in the operation of industrial parks, which also contain long-term service apartments as ancillary facilities. In the next three years, we plan to rent old warehouses and office buildings of no less than 30 thousand sq.m. through public tenders in the asset trading market and by negotiating with property owners and property developers. Further, we plan to renew the old warehouses and office buildings to an integrated multifunctional industrial park for business,

FUTURE PLANS AND USE OF PROCEEDS

residence and leisure. Approximately 10% of the industrial park area will be used for long-term service apartments. For the project, we expect to spend approximately RMB40.0 million on renovation and approximately RMB5.0 million on office equipment and facilities. We also expect to spend approximately RMB10.0 million over the next three years to improve and increase the types of services we provide in these long-term service apartments. See “Business — Business Strategies — Continue to deliver diversified and differentiated value-added services tailored to the needs of our customers” for details.

- Approximately [REDACTED]%, or HK\$[REDACTED] million, will be used to establish joint venture companies or platform through the cooperation with local governments and property developers, and expand our existing cooperating platforms in order to expand market shares in the local markets. See “Business — Business Strategies — Continue to expand our business scale in high-end market through multiple channels” for details.
- Approximately [REDACTED]%, or HK\$[REDACTED] million, will be used to provide funding for our working capital and other general corporate purposes.

The above allocation of the proceeds will be adjusted on a pro rata basis in the event that the [REDACTED] is fixed at a higher or lower level compared to the mid-point of the estimated [REDACTED] range or the [REDACTED] is exercised.

If the [REDACTED] is fixed at HK\$[REDACTED] per [REDACTED] (being the high end of the [REDACTED] range stated in this document) and assuming the [REDACTED] is not exercised, we will receive net proceeds of approximately HK\$[REDACTED] million, after deduction of underwriting fees and commissions and estimated expenses payable by us in connection with the [REDACTED].

If the [REDACTED] is fixed at HK\$[REDACTED] per [REDACTED] (being the low end of the [REDACTED] range stated in this document) and assuming the [REDACTED] is not exercised, the net proceeds we receive will be approximately HK\$[REDACTED] million, after deduction of underwriting fees and commissions and estimated expenses payable by us in connection with the [REDACTED].

In the event that the [REDACTED] is exercised in full, we will receive additional net proceeds ranging from approximately HK\$[REDACTED] million (assuming an [REDACTED] of HK\$[REDACTED] per Share, being the low end of the proposed [REDACTED] range) to HK\$[REDACTED] million (assuming an [REDACTED] of HK\$[REDACTED] per Share, being the high end of the proposed [REDACTED] range), after deduction of underwriting fees and commissions and estimated expenses payable by us in connection with the [REDACTED].

To the extent that the net proceeds are not immediately applied to the above purposes and to the extent permitted by applicable law and regulations, we intend to deposit the net proceeds into short-term demand deposits and/or money market instruments. We will make an appropriate announcement if there is any change to the above proposed use of proceeds or if any amount of the proceeds will be used for general corporate purpose.

FUTURE PLANS AND USE OF PROCEEDS

FUNDING NEEDS

We believe our existing cash balance alone is not sufficient to meet all of our business plans set out above, and to support our daily operations at the same time. In general, approximately half of our cash balance (including the property management fees received by us in advance) will be used to maintain our daily operations, while the remaining cash balance will mainly be reserved for future capital expenditures. Should all of our future business plans be funded by our own cash balance, we would not have a sufficient level of financial resource for our rapid expansion while maintaining a comfortable cash cushion for over-run of budget or contingency purposes. Therefore, the [REDACTED] is necessary and beneficial to our sustainable long-term growth.

UNDERWRITING

HONG KONG UNDERWRITERS

[REDACTED]

UNDERWRITING ARRANGEMENTS AND EXPENSES

[REDACTED]

Hong Kong Underwriting Agreement

[REDACTED]

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UNDERWRITING

[REDACTED]

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UNDERWRITING

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UNDERWRITING

[REDACTED]

UNDERWRITING

[REDACTED]

Undertakings to the Stock Exchange pursuant to the Listing Rules

Undertakings by our Company

Pursuant to Rule 10.08 of the Listing Rules, our Company has undertaken to the Stock Exchange that no further Shares or securities convertible into equity securities of our Company (whether or not of a class already [REDACTED]) may be issued by us or form the subject of any agreement to such issue within six months from the [REDACTED] (whether or not such issue of Shares or securities will be completed within six months from the [REDACTED]), except for the circumstances permitted by Rule 10.08 of the Listing Rules.

Undertakings by our Controlling Shareholders

[REDACTED]

UNDERWRITING

[REDACTED]

Undertakings pursuant to the Hong Kong Underwriting Agreement

[REDACTED]

UNDERWRITING

[REDACTED]

Undertakings by the Controlling Shareholders

[REDACTED]

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UNDERWRITING

[REDACTED]

UNDERWRITING

[REDACTED]

International Underwriting Agreement

[REDACTED]

SPONSOR’S INDEPENDENCE

The Sole Sponsor satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

[REDACTED]

UNDERWRITING

[REDACTED]

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STRUCTURE OF THE GLOBAL OFFERING

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HOW TO APPLY FOR HONG KONG OFFER SHARES

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HOW TO APPLY FOR HONG KONG OFFER SHARES

[REDACTED]

The following is the text of a report set out on pages I-1 to I-61, received from the Company’s reporting accountants, KPMG, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document.

[REDACTED]

ACCOUNTANTS’ REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF BINJIANG SERVICE GROUP CO. LTD. AND CLSA CAPITAL MARKETS LIMITED

Introduction

We report on the historical financial information of Binjiang Service Group Co. Ltd. (the “Company”) and its subsidiaries (together, the “Group”) set out on pages I-4 to I-61, which comprises the consolidated statements of financial position of the Group as at 31 December 2015, 2016, 2017 and 31 August 2018 and the statements of financial position of the Company as at 31 December 2017 and 31 August 2018, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows, for each of the years ended 31 December 2015, 2016, 2017 and the eight months ended 31 August 2018 (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 I-4 to I-61 forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [REDACTED] (the “Document”) in connection with the initial [REDACTED] of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors’ responsibility for Historical Financial Information

The directors of the 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 1 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants’ responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 “Accountants’ Reports on Historical Financial Information in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (“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 give a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

In our opinion, the Historical Financial Information gives, for the purpose of the accountants’ report, a true and fair view of the Company’s financial position as at 31 December 2017 and 31 August 2018, the Group’s financial position as at 31 December 2015, 2016, 2017 and 31 August 2018 and of the Group’s financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

Review of stub period corresponding financial information

We have reviewed the stub period corresponding financial information of the Group which comprises the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the eight months ended 31 August 2017 and other explanatory information (the “Stub Period Corresponding Financial Information”). The directors of the Company are responsible for the preparation and presentation of the Stub Period Corresponding Financial Information in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Corresponding Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Corresponding Financial Information, for the purpose of the accountants’ report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 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 and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to Note 22(c) to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Relevant Periods.

No statutory financial statements for the Company

No statutory financial statements have been prepared for the Company since its incorporation.

KPMG

Certified Public Accountants

8th Floor, Prince’s Building

10 Chater Road

Central, Hong Kong

28 February 2019

APPENDIX I

ACCOUNTANTS’ REPORT

HISTORICAL FINANCIAL INFORMATION

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

The consolidated financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by KPMG Huazhen LLP in accordance with Hong Kong Standards on Auditing issued by the HKICPA (“Underlying Financial Statements”).

Consolidated statements of profit or loss and other comprehensive income

	Note	Year ended 31 December			Eight months ended 31 August	
		2015	2016	2017	2017	2018
		RMB’000	RMB’000	RMB’000	RMB’000 (unaudited)	RMB’000
Revenue	5	158,866	225,924	349,264	213,870	307,144
Cost of sales	5	(132,727)	(183,868)	(259,181)	(154,265)	(221,026)
Gross profit		26,139	42,056	90,083	59,605	86,118
Other revenue	6	150	292	390	101	439
Other net income	6	897	928	3,254	1,772	2,572
Selling and marketing expenses		—	—	(1,066)	(671)	(765)
Administrative expenses		(11,234)	(12,975)	(14,488)	(7,349)	(19,145)
Other expenses		(711)	(832)	(334)	(545)	(691)
Profit from operations		15,241	29,469	77,839	52,913	68,528
Finance income		145	146	131	65	235
Finance costs		—	—	—	—	(767)
Net finance income/(costs)	7(a)	145	146	131	65	(532)
Share of profits less losses of an associate		—	—	(761)	(63)	(49)
Profit before taxation	7	15,386	29,615	77,209	52,915	67,947
Income tax	8	(3,917)	(7,509)	(19,657)	(13,394)	(17,201)
Profit for the year/period		11,469	22,106	57,552	39,521	50,746
Equity shareholders of the Company		11,469	22,297	57,173	39,803	50,779
Non-controlling interests		—	(191)	379	(282)	(33)
		11,469	22,106	57,552	39,521	50,746

APPENDIX I

ACCOUNTANTS’ REPORT

Consolidated statements of profit or loss and other comprehensive income (continued)

	Note	Year ended 31 December			Eight months ended 31 August	
		2015	2016	2017	2017	2018
		RMB’000	RMB’000	RMB’000	RMB’000 (unaudited)	RMB’000
Profit for the year / period		11,469	22,106	57,552	39,521	50,746
Other comprehensive income for the year / period (after tax and reclassification adjustments)						
Items that may be reclassified subsequently to profit or loss:						
Exchange differences on translation of financial statements of overseas subsidiaries		—	—	—	—	42
Total comprehensive income for the year / period . .		<u>11,469</u>	<u>22,106</u>	<u>57,552</u>	<u>39,521</u>	<u>50,788</u>
Total comprehensive income attributable to:						
Equity shareholders of the Company		11,469	22,297	57,173	39,803	50,821
Non-controlling interests		—	(191)	379	(282)	(33)
Total comprehensive income for the year / period . .		<u>11,469</u>	<u>22,106</u>	<u>57,552</u>	<u>39,521</u>	<u>50,788</u>
Earnings per share (RMB)	11	<u>0.06</u>	<u>0.11</u>	<u>0.29</u>	<u>0.20</u>	<u>0.25</u>

The accompanying notes form part of the Historical Financial Information.

APPENDIX I

ACCOUNTANTS’ REPORT

Consolidated statements of financial position

	Note	As at 31 December			As at
		2015	2016	2017	31 August
		RMB’000	RMB’000	RMB’000	2018
				RMB’000	
Non-current assets					
Property, plant and equipment	12	5,677	7,395	8,027	7,622
Investment in an associate	13	—	—	5,239	5,190
Deferred tax assets	20(b)	880	1,835	2,573	2,391
		<u>6,557</u>	<u>9,230</u>	<u>15,839</u>	<u>15,203</u>
Current assets					
Inventories	14	636	402	335	131
Trade and other receivables	15	27,914	34,241	36,462	70,975
Restricted bank balances	16	18,003	20,772	32,804	29,841
Cash and cash equivalents	17	69,261	167,547	303,949	393,871
		<u>115,814</u>	<u>222,962</u>	<u>373,550</u>	<u>494,818</u>
Current liabilities					
Contract liabilities	18	23,408	48,939	77,379	165,964
Trade and other payables	19	64,225	118,446	178,618	162,235
Current taxation	20(a)	3,765	9,612	20,917	16,176
Provisions	21	—	813	1,288	599
		<u>91,398</u>	<u>177,810</u>	<u>278,202</u>	<u>344,974</u>
Net current assets		<u>24,416</u>	<u>45,152</u>	<u>95,348</u>	<u>149,844</u>
Total assets less current liabilities		<u>30,973</u>	<u>54,382</u>	<u>111,187</u>	<u>165,047</u>
Non-current liabilities					
Provisions	21	—	813	—	—
		<u>—</u>	<u>813</u>	<u>—</u>	<u>—</u>
NET ASSETS		<u>30,973</u>	<u>53,569</u>	<u>111,187</u>	<u>165,047</u>
CAPITAL AND RESERVES					
Share capital	22(b)	—	—	66	129
Reserves	22(d)	30,973	53,270	110,443	161,823
Total equity attributable to equity shareholders of the Company		<u>30,973</u>	<u>53,270</u>	<u>110,509</u>	<u>161,952</u>
Non-controlling interests		<u>—</u>	<u>299</u>	<u>678</u>	<u>3,095</u>
TOTAL EQUITY		<u>30,973</u>	<u>53,569</u>	<u>111,187</u>	<u>165,047</u>

The accompanying notes form part of the Historical Financial Information.

APPENDIX I

ACCOUNTANTS’ REPORT

Statements of financial position of the Company

	<u>Note</u>	<u>As at 31 December 2017</u>	<u>As at 31 August 2018</u>
		<u>RMB’000</u>	<u>RMB’000</u>
Non-current assets			
Investment in a subsidiary (Note (i))		*	87,111
Current assets			
Trade and other receivables	15	66	146
Cash and cash equivalents	17	4	4
		<u>70</u>	<u>150</u>
Current liabilities			
Trade and other payables	19	8	87
Net current assets		<u>62</u>	<u>63</u>
Total assets less current liabilities		<u>62</u>	<u>87,174</u>
NET ASSETS		<u>62</u>	<u>87,174</u>
CAPITAL AND RESERVES			
Share capital	22(b)	66	129
Reserves	22(d)	(4)	87,045
TOTAL EQUITY		<u>62</u>	<u>87,174</u>

* Amount less than RMB1,000.

(i) The investment cost represented 2 ordinary shares of US\$1 in Robust Class Limited subscribed by the Company with total consideration of HK\$107 million (RMB equivalent 87 million) as at 31 August 2018.

The accompanying notes form part of the Historical Financial Information.

APPENDIX I

ACCOUNTANTS’ REPORT

Consolidated statements of changes in equity

	Attributable to equity shareholders of the Company											
	Note	Share capital RMB’000 Note 22(b)	Share premium RMB’000 Note 22(d)(i)	Capital reserve RMB’000 Note 22(d)(ii)	PRC			Exchange reserve RMB’000 Note 22(d)(iv)	Retained profits RMB’000 Note 22(d)(iii)	Total RMB’000	Non-controlling interests RMB’000	Total equity RMB’000
					statutory reserves RMB’000 Note 22(d)(iii)	Capital reserve RMB’000 Note 22(d)(ii)	Share premium RMB’000 Note 22(d)(i)					
At 1 January 2015		—	—	5,000	965	—	—	13,539	19,504	—	19,504	
Changes in equity for 2015:												
Total profit and comprehensive income for the year		—	—	—	—	—	—	11,469	11,469	—	11,469	
Appropriation to statutory reserve	22(d)(iii)	—	—	—	1,207	—	—	(1,207)	—	—	—	
At 31 December 2015 and 1 January 2016		—	—	5,000	2,172	—	—	23,801	30,973	—	30,973	
Changes in equity for 2016:												
Total profit and comprehensive income for the year		—	—	—	—	—	—	22,297	22,297	(191)	22,106	
Appropriation to statutory reserve	22(d)(iii)	—	—	—	328	—	—	(328)	—	—	—	
Capital contribution from non-controlling interests		—	—	—	—	—	—	—	—	490	490	
At 31 December 2016 and 1 January 2017		—	—	5,000	2,500	—	—	45,770	53,270	299	53,569	
Changes in equity for 2017:												
Total profit and comprehensive income for the year		—	—	—	—	—	—	57,173	57,173	379	57,552	
Issue of shares	22(b)	66	—	—	—	—	—	—	66	—	66	
Capitalisation of retained profits of a subsidiary	22(d)(ii)	—	—	15,000	—	—	—	(15,000)	—	—	—	
Appropriation to statutory reserve	22(d)(iii)	—	—	—	5,612	—	—	(5,612)	—	—	—	
At 31 December 2017		66	—	20,000	8,112	—	—	82,331	110,509	678	111,187	

The accompanying notes form part of the Historical Financial Information.

APPENDIX I

ACCOUNTANTS’ REPORT

Consolidated statements of changes in equity (continued)

Note	Attributable to equity shareholders of the Company										
	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	PRC			Exchange reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
				statutory reserves RMB'000	reserves RMB'000	reserves RMB'000					
	Note 22(b)	Note 22(d)(i)	Note 22(d)(ii)	Note 22(d)(iii)	Note 22(d)(iii)	Note 22(d)(iv)					
At 1 January 2018	66	—	20,000	8,112	—	—	82,331	110,509	678	111,187	
Changes in equity for eight months ended 31 August 2018:											
Total profit and comprehensive income for the year	—	—	—	—	42	—	50,779	50,821	(33)	50,788	
Issue of shares	63	87,043	—	—	—	—	—	87,106	—	87,106	
Capital injection from non-controlling interests	—	—	—	—	—	—	—	—	2,450	2,450	
Deemed distribution arising from the Reorganisation	—	—	(86,484)	—	—	—	—	(86,484)	—	(86,484)	
At 31 August 2018	129	87,043	(66,484)	8,112	42	—	133,110	161,952	3,095	165,047	
(Unaudited)											
At 1 January 2017	—	—	5,000	2,500	—	—	45,770	53,270	299	53,569	
Changes in equity for eight months ended 31 August 2017:											
Total profit and comprehensive income for the year	—	—	—	—	—	—	39,803	39,803	(282)	39,521	
Capitalisation of retained profits of a subsidiary	—	—	15,000	—	—	—	(15,000)	—	—	—	
At 31 August 2017	—	—	20,000	2,500	—	—	70,573	93,073	17	93,090	

The accompanying notes form part of the Historical Financial Information.

APPENDIX I

ACCOUNTANTS’ REPORT

Consolidated statements of cash flows

	Note	Year ended 31 December			Eight months ended 31 August	
		2015	2016	2017	2017	2018
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Operating activities						
Cash generated from operations	17(b)	5,882	103,409	151,800	19,279	107,609
PRC Corporate Income tax paid	20(a)	(2,131)	(2,617)	(9,090)	(7,790)	(21,760)
Net cash generated from operating activities		<u>3,751</u>	<u>100,792</u>	<u>142,710</u>	<u>11,489</u>	<u>85,849</u>
Investing activities						
Payments for the purchase of property, plant and equipment		(3,034)	(4,190)	(3,793)	(2,195)	(2,027)
Proceeds from disposal of property, plant and equipment		46	98	76	110	—
Payments for investment in an associate		—	—	(6,000)	(6,000)	—
Payments for purchase of financial assets classified as fair value through profit or loss (“FVTPL”)		(166,220)	(227,250)	(495,500)	(390,500)	(587,000)
Proceeds from redemption of FVTPL		167,092	228,200	498,778	275,993	589,751
Interest received		145	146	131	65	235
Net cash (used in)/generated from investing activities		<u>(1,971)</u>	<u>(2,996)</u>	<u>(6,308)</u>	<u>(122,527)</u>	<u>959</u>
Financing activities						
Capital contribution from non-controlling interests		—	490	—	—	2,450
Proceeds from issue of shares		—	—	—	—	87,106
Deemed distribution arising from the Reorganisation		—	—	—	—	(86,484)
Net cash generated from financing activities		<u>—</u>	<u>490</u>	<u>—</u>	<u>—</u>	<u>3,072</u>
Net increase/(decrease) in cash and cash equivalents		<u>1,780</u>	<u>98,286</u>	<u>136,402</u>	<u>(111,038)</u>	<u>89,880</u>
Cash and cash equivalents at						
1 January	17(a)	67,481	69,261	167,547	167,547	303,949
Effect of foreign exchange rate changes		<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>42</u>
Cash and cash equivalents at						
31 December/31 August	17(a)	<u>69,261</u>	<u>167,547</u>	<u>303,949</u>	<u>56,509</u>	<u>393,871</u>

The accompanying notes form part of the Historical Financial Information.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 Basis of preparation and presentation of Historical Financial Information

Binjiang Service Group Co. Ltd. (the “Company”) was incorporated in the Cayman Islands on 6 July 2017 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

The Company is an investment holding company and has not carried on any business since the date of its incorporation save for the group reorganisation described below. The Company and its subsidiaries (together, “the Group”) provide property management services and related services in the People’s Republic of China (the “PRC”).

Prior to the incorporation of the Company, the above mentioned principal activities were carried out by Hangzhou Binjiang Property Management Co., Ltd. (杭州濱江物業管理有限公司) (“Binjiang PM”) and its subsidiaries. To rationalise the corporate structure in preparation of the [REDACTED] of the Company’s shares on The Stock Exchange of Hong Kong Limited, the Group underwent a corporate reorganisation (the “Reorganisation”), as detailed in the section headed “Our History and Development” in the Document.

As part of the Reorganisation, the Company, through its wholly owned subsidiaries, acquired entire equity interests in Binjiang PM. Upon completion of the Reorganisation on 11 February 2018, the Company became the holding company of the Group. As Binjiang PM was ultimately controlled by Mr. Qi Jinxing before and after the Reorganisation and the Reorganisation only involved inserting the Company, Robust Class Limited and Binjiang Service Group (Hong Kong) Co., Limited (the “Non-operating Companies “), which are newly formed entities with no substantive operations as holding companies of Binjiang PM, there was no change in the business and operations of Binjiang PM and its subsidiaries during the Relevant Periods. Accordingly, the Reorganisation has been accounted for using a principle similar to that as a reverse acquisition, with Binjiang PM treated as the acquirer for accounting purposes. The Historical Financial Information has been prepared and presented as a continuation of the financial statements of Binjiang PM with the assets and liabilities of Binjiang PM recognised and measured at their historical carrying amounts prior to the Reorganisation.

Intra-group balances, transactions and unrealised gains/losses on intra-group transactions are eliminated in full in preparing the Historical Financial Information.

APPENDIX I

ACCOUNTANTS’ REPORT

1 Basis of preparation and presentation of Historical Financial Information (continued)

As at the date of this report, the Company has direct or indirect interests in the following subsidiaries, all of which are private companies. The particulars of these subsidiaries are set out below:

Company Name	Date and place of incorporation / establishment	Registered / issued and paid-up capital	Proportion of ownership interests		Principal activities	Name of statutory auditor
			Held by the Company	Held by a subsidiary		
Directly hold						
Robust Class Limited	British Virgin Islands (“BVI”) 28 June 2017	USD2/ USD2	100%	—	Investment holding	Not applicable ⁽²⁾
Indirectly hold						
Binjiang Service Group (Hong Kong) Co., Limited	Hong Kong 28 August 2017	HKD20,000/ HKD20,000	—	100%	Investment holding	Not applicable ⁽²⁾
Hangzhou Binjiang Property Management Co., Ltd. 杭州濱江物業管理有限公司 ⁽¹⁾	The PRC 7 April 1995	RMB20,000,000/ RMB20,000,000	—	100%	Property management services	Pan-China Certified Public Accountants LLP (“Pan-China”) 天健會計師事務所 (特殊普通合夥) for the years ended 31 December 2015, 2016 and 2017
Hangzhou Binjiang Real Estate Agent Co., Ltd. 杭州濱江房地產經紀有限公司 ⁽¹⁾	The PRC 18 March 2009	RMB1,000,000/ RMB1,000,000	—	100%	Brokerage and other service	Pan-China for the years ended 31 December 2015, 2016 and 2017
Hangzhou Bimrui Decoration Co., Ltd. 杭州濱瑞裝飾有限公司 ⁽¹⁾	The PRC 12 September 2016	RMB1,000,000/ RMB1,000,000	—	51%	Decoration service and sales of furniture	Pan-China for the years ended 31 December 2016 and 2017
Hangzhou Binyi Hotel Management Co., Ltd. 杭州濱怡酒店有限公司 ⁽¹⁾	The PRC 28 October 2016	RMB500,000/ RMB500,000	—	100%	Hotel management services	Pan-China for the years ended 31 December 2016 and 2017

APPENDIX I

ACCOUNTANTS’ REPORT

1 Basis of preparation and presentation of Historical Financial Information (continued)

Company Name	Date and place of incorporation / establishment	Registered / issued and paid-up capital	Proportion of ownership interests		Principal activities	Name of statutory auditor
			Held by the Company	Held by a subsidiary		
Hangzhou Binwan Interior Decoration Co., Ltd. 杭州濱萬家居裝飾有限公司 ⁽¹⁾	The PRC 9 May 2017	RMB5,000,000/ RMB5,000,000	—	100%	Decoration service and sales of furniture	Pan-China for the year ended 31 December 2017
Hangzhou Binjiang Interior Decoration Co., Ltd. 杭州濱江家居裝飾有限公司 ⁽¹⁾	The PRC 11 May 2017	RMB5,000,000/ RMB5,000,000	—	100%	Decoration service	Pan-China for the year ended 31 December 2017
Hangzhou Zhuocai Advertising Co., Ltd. 杭州卓采廣告有限公司 ⁽¹⁾	The PRC 28 February 2018	RMB1,000,000/ RMB1,000,000	—	100%	Decoration design, producing and releasing service	Not applicable ⁽³⁾
Hangzhou Binhe Property Management Co., Ltd. 杭州濱合物業管理有限公司 ⁽¹⁾	The PRC 31 January 2018	RMB5,000,000/ RMB5,000,000	—	51%	Property management	Not applicable ⁽³⁾
Hangzhou Binshang Fitness Co., Ltd. 杭州濱尚健身有限公司 ⁽¹⁾	The PRC 29 May 2018	RMB1,000,000/ RMB1,000,000	—	100%	Fitness service	Not applicable ⁽³⁾

(1) The official names of these entities are in Chinese. The English names are for identification purpose only.

(2) As at the date of this report, no audited financial statements have been prepared for these companies as they either have not carried on any business since the date of incorporation or are investment holding companies and not subject to statutory audit requirements under the relevant rules and regulations in the jurisdiction of incorporation.

(3) These companies were established in 2018. No statutory financial statements have been prepared for the Relevant Periods.

All companies comprising the Group have adopted 31 December as their financial year end date.

1 Basis of preparation and presentation of Historical Financial Information (continued)

The Historical Financial Information has been prepared in accordance with all applicable International Financial Reporting Standards (“IFRSs”) which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards and Interpretations issued by the International Accounting Standards Board (“IASB”) and the disclosure requirement of the Hong Kong Companies Ordinance. Further details of the significant accounting policies adopted are set out in Note 2.

The IASB has issued a number of new and revised IFRSs. For the purpose of preparing this Historical Financial Information, the Group has adopted all applicable new and revised IFRSs, including IFRS 9, *Financial Instruments* and IFRS 15, *Revenue from Contracts with Customers to the Relevant Periods*, except for any new standards or interpretations that are not yet effective for the Relevant Periods. The revised and new accounting standards and interpretations issued but not yet effective for the Relevant Periods are set out in Note 28.

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.

The accounting policies set out below have been applied consistently to all periods presented in the Historical Financial Information.

The Stub Period Corresponding Financial Information has been prepared in accordance with the same basis of preparation and presentation adopted in respect of the Historical Financial Information.

2 Significant accounting policies

(a) Basis of measurement and functional and presentation currency

The measurement basis used in the preparation of the Historical Financial Information is the historical cost basis except for financial assets classified as fair value through profit or loss which are stated at their fair value.

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to the entity (the “Functional Currency”).

The Historical Financial Information is presented in Renminbi (“RMB”), rounded to the nearest thousand, except when otherwise indicated, which is the functional currency of the Group’s subsidiaries established in the mainland China. Almost all the Group’s operating activities are carried out in the mainland China with most of the transactions denominated in RMB. The functional currency of the Company and the Company’s subsidiaries outside the mainland China are Hong Kong Dollars (“HKD”). The Group translates the financial statements of the Company and the Company’s subsidiaries outside the mainland China from HKD into RMB.

2 Significant accounting policies (continued)

(b) Use of estimates and judgements

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRSs that have significant effect on the Historical Financial Information and major sources of estimation uncertainty are discussed in Note 3.

(c) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is included into the Historical Financial Information from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the Historical Financial Information. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests’ proportionate share of the subsidiary’s net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement 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 Company.

2 Significant accounting policies (continued)

Changes in the Group’s interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate (see Note 2(d)).

In the Company’s statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see Note 2(h)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(d) Associate

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the Historical Financial Information under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group’s share of the acquisition-date fair values of the investee’s identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group’s share of the investee’s net assets and any impairment loss relating to the investment (see Note 2 (h)). Any acquisition-date excess over cost, the Group’s share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group’s share of the post-acquisition post-tax items of the investees’ other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

When the Group’s share of losses exceeds its interest in the associate, the Group’s interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group’s interest is the carrying amount of the investment under the equity method together with the Group’s long-term interests that in substance form part of the Group’s net investment in the associate.

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group’s interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

2 Significant accounting policies (continued)

If an investment in an associate becomes an investment in a joint venture or vice versa, retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.

In the Company’s statement of financial position, investments in associates are stated at cost less impairment losses (see Note 2(h)), unless classified as held for sale (or included in a disposal group that is classified as held for sale).

(e) Other investments in debt and equity financial instruments

The Group’s and the Company’s policies for investments in debt and equity financial instruments, other than investments in subsidiaries and associates are as follows:

Investments in debt and equity financial instruments are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at FVTPL for which transaction costs are recognised directly in profit or loss. These investments are subsequently accounted for as follows, depending on their classification.

Investments other than equity investments

Non-equity investments held by the Group are classified into one of the following measurement categories:

- Amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method (see Note 2(q) (iii)).
- Fair value through other comprehensive income (“FVOCI”) — recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.
- FVTPL if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

2 Significant accounting policies (continued)

Equity investments

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer’s perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as other income in accordance with the policy set out in Note 2(q)(ii).

(f) *Property, plant and equipment*

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see Note 2(h)):

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost or valuation of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

- Office equipment and furniture 3 - 5 years
- Motor vehicles 5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(g) *Leased assets*

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in

2 Significant accounting policies (continued)

return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

(ii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(h) Credit losses and impairment of assets

(i) Credit losses from financial instruments and contract assets

The Group recognises a loss allowance for expected credit losses (ECLs) on the following items:

- Financial assets measured at amortised cost (including cash and cash equivalents, trade and other receivables);
- Contract assets as defined in IFRS 15 (see Note 2(j))

Financial assets measured at fair value are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

- Fixed-rate financial assets, trade and other receivables and contract assets: effective interest rate determined at initial recognition or an approximation thereof;
- Variable-rate financial assets: current effective interest rate;

2 Significant accounting policies (continued)

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and
- Lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group’s historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic condition at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held). The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

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

- Failure to make payments of principal or interest on their contractually due dates;
- An actual or expected significant deterioration in a financial instrument’s external or internal credit rating (if available);

2 Significant accounting policies (continued)

- An actual or expected significant deterioration in the operating results of the debtor; and
- Existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor’s ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instruments credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVOCI (recycling), for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (recycling).

Basis of calculation of interest income

Interest income recognised in accordance with Note 2(q)(iii) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is 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 difficulties of the debtor;
- Significant decrease in property management and other service fees collection rate;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- It becoming probable that the borrower will enter into 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 a security because of financial difficulties of the issuer.

2 Significant accounting policies (continued)

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- investment in an associate;
- investment in a subsidiary in the Company’s statement of financial position.

If any such indication exists, the asset’s recoverable amount is estimated.

- Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

- Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

2 Significant accounting policies (continued)

- Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset’s carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(i) *Inventories and other contract costs*

(i) Inventories

Inventories are stated at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(ii) Other contract costs

Other contract costs are either the incremental costs of obtaining a contract with a customer or the costs to fulfil a contract with a customer which are not capitalised as inventory (see Note 2(i)(i)) and property, plant and equipment (see Note 2(f)).

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained e.g. an incremental sales commission. Incremental costs of obtaining a contract are capitalised when incurred if the costs relate to revenue which will be recognised in a future reporting period and the costs are expected to be recovered. Other costs of obtaining a contract are expensed when incurred.

2 Significant accounting policies (continued)

Costs to fulfil a contract are capitalised if the costs relate directly to an existing contract or to a specifically identifiable anticipated contract; generate or enhance resources that will be used to provide goods or services in the future; and are expected to be recovered. Costs that relate directly to an existing contract or to a specifically identifiable anticipated contract may include direct labour, direct materials, allocations of costs, costs that are explicitly chargeable to the customer and other costs that are incurred only because the Group entered into the contract (for example, payments to sub-contractors). Other costs of fulfilling a contract, which are not capitalised as inventory, property, plant and equipment or intangible assets, are expensed as incurred.

Capitalised contract costs are stated at cost less accumulated amortisation and impairment losses. Impairment losses are recognised to the extent that the carrying amount of the contract cost asset exceeds the net of (i) remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the asset relates, less (ii) any costs that relate directly to providing those goods or services that have not yet been recognised as expenses.

Amortisation of capitalised contract costs is charged to profit or loss when the revenue to which the asset relates is recognised. The accounting policy for revenue recognition is set out in Note 2(q).

(j) Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for ECLs in accordance with the policy set out in Note 2(h)(i) and are reclassified to receivables when the right to the consideration has become unconditional (see Note 2(k)).

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue. A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see Note 2(k)).

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see Note 2(q)(iii)).

(k) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset (see Note 2(q)).

2 Significant accounting policies (continued)

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see Note 2(h)(i)).

(l) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for expected credit losses (ECL) in accordance with the policy set out in Note 2(h)(i).

(m) Trade and other payables

Trade and other payables are initially recognised at fair value, and are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(n) Employee benefits

Short-term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Contributions to the PRC local retirement schemes pursuant to the relevant labour rules and regulations in the PRC are recognised as an expense in profit or loss as incurred.

(o) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

2 Significant accounting policies (continued)

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

2 Significant accounting policies (continued)

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
 - the same taxable entity; or
 - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(p) Provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. A provision for onerous contracts is measured at the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

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 events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(q) Revenue and other income recognition

Income is classified by the Group as revenue when it arises from the provision of services and the sale of goods in the ordinary course of the Group’s business.

Revenue is recognised when control over a product or service is transferred to the customer at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract

2 Significant accounting policies (continued)

includes the interest expense accreted on the contract liability under the effective interest method. The Group takes advantage of the practical expedient in paragraph 63 of IFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

Further details of the Group’s revenue and other income recognition policies are as follows:

- (i) Property management service, value-added services to non-property owners and value-added services to property owners

For property management service, the Group recognises revenue in the amount to which the Group has the right to invoice based on the value of performance completed on a monthly basis.

For property management service income arising from properties managed under lump sum basis, where the Group acts as principal, the Group entitles to revenue at the value of property management service fee received. For property management service income arising from properties managed under commission basis, where the Group acts as an agent of the property owners, the Group entitles to revenue at a pre-determined percentage or fixed amount of the property management service fees the property owners are obligated to pay.

Value-added services to non-property owners mainly include consulting services to property developers and cleaning, greening, repair, maintenance services to property developers at the pre-delivery stage and community space services. The Group recognises revenue when the services are provided based on the value of performance completed on a monthly basis.

Value-added services to property owners mainly include housekeeping services, property agent services, sales of furniture and other community value-added services to property owners. For sales of goods and property agent services, the Group recognises revenue at point in time when the property owners take possession of and accept the goods and services. For housing keeping services and other community value-added services, the Group recognises revenue when the services are rendered. Housing keeping services and other community value-added services are normally billable immediately upon the services are provided.

- (ii) Dividends

Dividend income from unlisted investments is recognised when the equity shareholder’s right to receive payment is established.

- (iii) Interest income

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost or FVOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see Note 2(h)(i)).

2 Significant accounting policies (continued)

(iv) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are recognised initially as deferred income and amortised to profit or loss on a straight-line basis over the useful life of the asset by way of recognised in other revenues.

(r) *Translation of foreign currencies*

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into RMB at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(s) *Related parties*

- (a) A person, or a close member of that person’s family, is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or the Group’s parent.

2 Significant accounting policies (continued)

- (b) An entity is related to the Group if any of the following conditions applies:
- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (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) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity, or any member of a Group of which it is a part, provides key management personnel services to the Group or to the Group’s parent.

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 [REDACTED] with the entity.

(t) *Segment reporting*

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group’s most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group’s various service lines and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 Accounting judgement and estimates

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.

Key sources of estimation uncertainty in the preparation of the Historical Financial Information are as follows:

(i) Impairment for trade and other receivables

The impairment allowances for trade and other receivables are based on assumptions about risk of expected credit loss rates. The Group adjusts judgement in making these assumption and selecting inputs for computing such impairment loss, broadly based on the available customers’ historical data, existing market conditions including forward looking estimates at the end of each reporting period.

(ii) Recognition of deferred tax assets

Deferred tax assets in respect of tax losses carried forward and deductible temporary differences are recognised and measured based on the expected manner of realisation or settlement of the carrying amount of the relevant assets and liabilities, using tax rates enacted or substantively enacted at the end of each reporting date. In determining the carrying amounts of deferred tax assets, expected taxable profits are estimated which involves a number of assumptions relating to the operating environment of the Group and require a significant level of judgement exercised by the directors. Any change in such assumptions and judgement would affect the carrying amounts of deferred tax assets to be recognised and hence the net profit in future years.

(iii) Impairment of non-current assets

If circumstances indicate that the carrying amounts of property, plant and equipment and investment in an associate may not be recoverable, the assets may be considered impaired and are tested for impairment. An impairment loss is recognised when the asset’s recoverable amount has declined below its carrying amount. The recoverable amount is the greater of the fair value less costs to sell and value in use. In determining the recoverable amount which requires significant judgements, the Group estimates the future cash flows to be derived from continuing use and ultimate disposal of the asset and applies an appropriate discount rate to these future cash flows.

4 Segment reporting

The directors of the Company have been identified as the Group’s most senior executive management. Operating segments are identified on the basis of internal reports that Group’s most senior executive management reviews regularly in allocating resource to segments and in assessing their performances.

The Group’s most senior executive management makes resources allocation decisions based on internal management functions and assess the Group’s business performance as one integrated business instead of by

4 Segment reporting (continued)

separate business lines or geographical regions. Accordingly, the Group has only one operating segment and therefore, no segment information is presented.

No geographical segment analysis is shown as all of the Group’s revenue are derived from activities in, and from customers located in the PRC and almost all of carrying values of the Group’s assets are situated in the PRC.

5 Revenue and cost of sales

The principal activities of the Group are property management services, value-added services to non-property owners and value-added services to property owners.

Revenue represents income from property management services, value-added services to non-property owners and value-added services to property owners.

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5 Revenue and cost of sales (continued)

The amount of each significant category of revenue and cost of sales recognised in the consolidated statements of profit or loss are as follows:

	Year ended 31 December,				Eight months ended 31 August,			
	2015		2016		2017		2018	
	Revenue	Cost of sales	Revenue	Cost of sales	Revenue	Cost of sales	Revenue	Cost of sales
	RMB'000	RMB'000	RMB'000	RMB'000	Revenue (Unaudited) RMB'000	Cost of sales (Unaudited) RMB'000	Revenue RMB'000	Cost of sales RMB'000
Revenue recognised over time:								
Property management services	102,351	92,860	151,154	136,282	138,251	113,966	199,357	167,799
Value-added services to non-property owners	43,991	34,925	56,550	40,871	55,590	29,338	84,443	43,391
Value-added services to property owners	11,330	3,556	16,564	4,596	14,143	5,279	18,844	6,460
	157,672	131,341	224,268	181,749	207,984	148,583	302,644	217,650
Revenue recognised at point in time:								
Value-added services to property owners(Note)	1,194	1,386	1,656	2,119	5,886	5,682	4,500	3,376
	158,866	132,727	225,924	183,868	213,870	154,265	307,144	221,026

Note: For value-added services to property owners that involve sale of goods and brokerage services for property sales and leasing, the Group recognises revenues at point in time when the property owners take possession of and accept the goods and services.

For the years ended 31 December 2015, 2016, 2017 and the eight months ended 31 August 2017 and 2018, the revenue from Hangzhou Binjiang Investment Holding Limited (杭州濱江投資控股有限公司) (“Binjiang Holding”) and its subsidiaries contributed 29%, 22%, 19%, 16% and 12% of the Group’s revenue, respectively. Other than Binjiang Holding and its subsidiaries, the Group has a large number of customers, none of whom contributed 10% or more of the Group’s revenue during the Relevant Periods.

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ACCOUNTANTS’ REPORT

5 Revenue and cost of sales (continued)

(a) Revenue expected to be recognised in the future arising from contracts with customers in existence at the end of respective periods

For property management services and value-added services to non-property owners, the Group recognises revenue when the services are provided on monthly basis and recognises to which the Group has a right to invoice and that corresponds directly with the value of performance completed. The Group has elected the practical expedient for not to disclose the remaining performance obligations for these type of contracts. The majority of the property management service contracts do not have a fixed term. The term of the contracts for consulting services is generally set to expire when the counterparties notify the Group that the services are no longer required.

For value-added services to property owners that involved provision of services, they are rendered in a short period of time and there is no unsatisfied performance obligation at the end of respective periods. For value-added services to property owners that involved in sales of furniture in customised interior furnishing services, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group’s existing contracts as at 31 December 2015, 2016, 2017 and 31 August 2018 is nil, nil, nil and RMB41,830,000. The amount as at 31 August 2018 includes the interest component of sales of furniture contracts under which the Group obtains significant financing benefits from the customers (see Note 2(q)). The Group will recognise the expected revenue in future when the furniture is delivered to and accepted by the customers, among which, RMB7,969,000 and RMB33,861,000 are expected to occur within 12 months and in the period of over 12 months to 24 months, respectively.

(b) Assets recognised from incremental costs to obtain a contract

During the Relevant Periods, there was no significant incremental costs to obtain a contract.

6 Other revenue and other net income

Note	Year ended 31 December			Eight months ended 31 August	
	2015	2016	2017	2017	2018
	RMB’000	RMB’000	RMB’000	RMB’000 (unaudited)	RMB’000
Other revenue					
Government grants	150	246	374	95	353
Others	—	46	16	6	86
	<u>150</u>	<u>292</u>	<u>390</u>	<u>101</u>	<u>439</u>

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6 Other revenue and other net income (continued)

	Year ended 31 December			Eight months ended 31 August	
	2015	2016	2017	2017	2018
	RMB’000	RMB’000	RMB’000	RMB’000 (unaudited)	RMB’000
Other net income					
Net gain / (loss) on disposal of property, plant and equipment . . .	25	(22)	(24)	(21)	(17)
Net realised gains on FVTPL	872	950	3,278	1,793	2,751
Net foreign exchange losses	—	—	—	—	(162)
	<u>897</u>	<u>928</u>	<u>3,254</u>	<u>1,772</u>	<u>2,572</u>

7 Profit before taxation

Profit before taxation is arrived at after (crediting)/charging:

(a) Net finance income / (costs)

	Year ended 31 December			Eight months ended 31 August	
	2015	2016	2017	2017	2018
	RMB’000	RMB’000	RMB’000	RMB’000 (unaudited)	RMB’000
Interest income on bank deposits	145	146	131	65	235
Interest expense on advances	—	—	—	—	(767)
Net finance income / (costs)	<u>145</u>	<u>146</u>	<u>131</u>	<u>65</u>	<u>(532)</u>

(b) Staff costs

	Year ended 31 December			Eight months ended 31 August	
	2015	2016	2017	2017	2018
	RMB’000	RMB’000	RMB’000	RMB’000 (unaudited)	RMB’000
Salaries and other benefits	107,507	148,890	202,196	122,409	126,449
Contributions to defined contribution scheme (i)	6,193	8,717	15,015	9,084	12,696
	<u>113,700</u>	<u>157,607</u>	<u>217,211</u>	<u>131,493</u>	<u>139,145</u>
Included in:					
- Cost of sales	106,290	149,375	207,599	127,297	134,387
- Administrative expenses	7,410	8,232	8,892	3,752	4,222
- Selling and marketing expenses	—	—	720	444	536
	<u>113,700</u>	<u>157,607</u>	<u>217,211</u>	<u>131,493</u>	<u>139,145</u>

(i) Employees of the Group’s PRC subsidiaries are required to participate in a defined contribution scheme administered and operated by the local municipal governments. The Group’s PRC subsidiaries contribute funds which are calculated on certain percentages of the employee salary as agreed by the local municipal government to the scheme to fund the retirement benefits of the employees.

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7 Profit before taxation (continued)

The Group has no other material obligation for the payment of retirement benefits associated with these schemes beyond the annual contributions described above.

(c) Other items

	Year ended 31 December			Eight months ended 31 August	
	2015	2016	2017	2017	2018
	RMB’000	RMB’000	RMB’000	RMB’000 (unaudited)	RMB’000
Depreciation (Note 12)	1,414	1,895	2,511	1,619	2,415
Impairment losses on trade receivables (Note 15(b))	706	535	74	489	457
Auditors’ remuneration - service in connection with the proposed [REDACTED] of the Company’s shares	—	—	—	—	2,119
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Operating lease charges	794	781	1,779	1,303	2,011
Cost of inventories	—	—	5,942	3,496	1,873

8 Income tax in the consolidated statements of profit or loss

(a) Taxation in the consolidated statements of profit or loss represents:

	Note	Year ended 31 December			Eight months ended 31 August	
		2015	2016	2017	2017	2018
		RMB’000	RMB’000	RMB’000	RMB’000 (unaudited)	RMB’000
Current tax						
PRC Corporate Income Tax	20(a)	4,430	8,464	20,395	14,012	17,019
Deferred tax						
Origination and reversal of temporary differences	20(b)	(513)	(955)	(738)	(618)	182
		3,917	7,509	19,657	13,394	17,201

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8 Income tax in the consolidated statements of profit or loss (continued)

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

Note	Year ended 31 December			Eight months ended 31 August	
	2015	2016	2017	2017	2018
	RMB’000	RMB’000	RMB’000	RMB’000 (unaudited)	RMB’000
Profit before taxation	15,386	29,615	77,209	52,915	67,947
Notional tax on profit before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned	(i) 3,846	7,404	19,302	13,229	17,031
Tax effect of non-deductible expenses	71	105	87	81	117
Tax effect of share of results of an associate	—	—	190	16	12
Tax effect of tax losses not recognised	—	—	78	68	41
Actual tax expense	3,917	7,509	19,657	13,394	17,201

(i) Pursuant to the rules and regulations of the Cayman Island and the BVI, the Group is not subject to any income tax in the Cayman Islands and the BVI.

The income tax rate applicable to the Group’s subsidiary incorporated in Hong Kong for the income subject to Hong Kong Profits Tax during the Relevant Periods is 16.5%. No provision for Hong Kong Profits Tax has been made as the Group did not earn any income subject to Hong Kong Profits Tax during the Relevant Periods.

The Group’s PRC subsidiaries are subject to PRC income tax at 25%.

9 Directors’ emoluments

On 25 December 2017, Mr. Qi Jinxing, Mr. Mo Jianhua and Mr. Zhu Huiming were appointed as non-executive directors of the Company. On 19 September 2018, Mr. Caixin was appointed as non-executive director of the Company.

On 19 September 2018, Mr. Zhu Lidong and Mrs. Zhong Ruoqing were appointed as executive directors of the Company.

On 21 February 2019, Mrs. Cai Haijing, Mr. Ding Jiangang and Mr. Li Kunjun were appointed as independent non-executive directors of the Company.

During the Relevant Periods, no remuneration was paid to the independent non-executive directors as the independent non-executive directors were appointed subsequent to the Relevant Periods.

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9 Directors’ emoluments (continued)

The directors received emoluments from the Group (in their role as senior management and employee before their appointment as directors respectively) as follows:

Year ended 31 December 2015					
Directors’ fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total	
RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	
Executive directors					
Zhu Lidong	—	—	—	—	—
Year ended 31 December 2016					
Directors’ fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total	
RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	
Executive directors					
Zhu Lidong	—	—	—	—	—
Year ended 31 December 2017					
Directors’ fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total	
RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	
Executive directors					
Zhu Lidong	—	—	—	—	—
Non-executive directors					
Qi Jinxing	—	—	—	—	—
Zhu Huiming	—	—	—	—	—
Mo Jianhua	—	—	—	—	—
Cai Xin	—	—	—	—	—
	—	—	—	—	—

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9 Directors’ emoluments (continued)

	Eight months ended 31 August 2017				
	Directors’ fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Executive directors					
Zhu Lidong	—	—	—	—	—
	=====	=====	=====	=====	=====
	Eight months ended 31 August 2018				
	Directors’ fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Executive directors					
Zhu Lidong	—	—	—	—	—
Zhong Ruoqing	—	34	—	4	38
Non-executive directors					
Qi Jinxing (resigned on 19 September 2018)	—	—	—	—	—
Zhu Huiming (resigned on 19 September 2018)	—	—	—	—	—
Mo Jianhua	—	—	—	—	—
Cai Xin	—	—	—	—	—
	=====	=====	=====	=====	=====
	—	34	—	4	38

The director’s emolument for Mr. Zhu Lidong for the Relevant Periods was borne by Binjiang Holding and its subsidiary, a related party of the Group, who has waived its right to seek reimbursement from the Company.

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10 Individuals with highest emoluments

None of the five individuals with the highest emoluments are directors of the Company whose remuneration are disclosed in Note 9 above for the years ended 31 December 2015, 2016 and 2017, and eight months ended 31 August 2017 and 2018 respectively. The aggregate of the emoluments in respect of the 5, 5, 5, 5 (unaudited) and 5 individuals for the years ended 31 December 2015, 2016 and 2017, and eight months ended 31 August 2017 and 2018 are as follows:

	Year ended 31 December			Eight months ended 31 August	
	2015	2016	2017	2017	2018
	RMB’000	RMB’000	RMB’000	RMB’000 (unaudited)	RMB’000
Salaries, allowance, and benefits-in-kind	989	982	1,111	661	1,501
Discretionary bonuses	2,131	2,244	2,224	—	—
Retirement scheme contributions	86	86	94	63	67
	<u>3,206</u>	<u>3,312</u>	<u>3,429</u>	<u>724</u>	<u>1,568</u>

The emoluments of the above individuals with the highest emoluments are within the following bands:

	Year ended 31 December			Eight months ended 31 August	
	2015	2016	2017	2017	2018
	RMB’000	RMB’000	RMB’000	RMB’000 (unaudited)	RMB’000
Nil - HKD1,000,000	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>

11 Earnings per share

The calculation of basic earnings per share for the Relevant Periods is based on the profit attributable to equity shareholders of the Company of RMB11,469,000, RMB22,297,000 and RMB57,173,000 for each of the years ended 31 December 2015, 2016 and 2017 and the profit attributable to equity shareholders of the Company of RMB39,803,000 (unaudited) and RMB50,779,000 for the eight months ended 31 August 2017 and 2018 and 200,000,000 shares in issue as if the shares were outstanding throughout the entire Relevant Periods.

Diluted earnings per share is equal to basic earnings per share as there were no dilutive potential shares outstanding for the Relevant Periods.

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12 Property, plant and equipment

	Office equipment and furniture	Motor vehicles	Total
	RMB’000	RMB’000	RMB’000
Cost:			
At 1 January 2015	3,532	4,053	7,585
Additions	911	1,682	2,593
Disposals	(24)	(293)	(317)
At 31 December 2015	4,419	5,442	9,861
Additions	1,531	2,202	3,733
Disposals	(221)	(235)	(456)
At 31 December 2016	5,729	7,409	13,138
Additions	1,863	1,380	3,243
Disposals	(511)	(392)	(903)
At 31 December 2017	7,081	8,397	15,478
Additions	2,027	—	2,027
Disposals	(197)	—	(197)
At 31 August 2018	8,911	8,397	17,308
Accumulated depreciation:			
At 1 January 2015	1,780	1,286	3,066
Charge for the year	596	818	1,414
Written back on disposal	(18)	(278)	(296)
At 31 December 2015	2,358	1,826	4,184
Charge for the year	757	1,138	1,895
Written back on disposal	(112)	(224)	(336)
At 31 December 2016	3,003	2,740	5,743
Charge for the year	978	1,533	2,511
Written back on disposal	(478)	(325)	(803)
At 31 December 2017	3,503	3,948	7,451
Charge for the period	1,354	1,061	2,415
Written back on disposal	(180)	—	(180)
At 31 August 2018	4,677	5,009	9,686
Net book value:			
At 31 December 2015	2,061	3,616	5,677
At 31 December 2016	2,726	4,669	7,395
At 31 December 2017	3,578	4,449	8,027
At 31 August 2018	4,234	3,388	7,622

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13 Interest in an associate

	As at 31 December			As at
	2015	2016	2017	31 August
	RMB’000	RMB’000	RMB’000	2018
Costs of investment, unlisted	—	—	6,000	6,000
Share of post-acquisition results, net of dividends	—	—	(761)	(810)
	—	—	5,239	5,190

The following list contains an associate of the Group, which is an unlisted corporate entity, whose quoted market price is not available:

Name of associate	Form of business structure	Place of incorporation and business	Registered capital	Effective interest held by the Group			Principal activity
				As at 31 December 2015 and 2016	As at 31 December 2017	As at 31 August 2018	
				Hangzhou Zhibin Technology Service Company Limited (“Zhibin Technology”) 杭州智濱科技服務有限公司*	Incorporated	the PRC	

* This PRC entity is a limited liability company. The English translation of the company name is for reference only. The official name of this company is in Chinese.

Zhibin Technology was established on 8 March 2017. During the year ended 31 December 2017 and eight months period ended 31 August 2018, Zhibin Technology was still in its initial stage of operation and incurred insignificant losses. Based on its operation plan, the directors of the Company determined that no provision for impairment loss was required as at 31 December 2017 and 31 August 2018.

14 Inventories

	As at 31 December			As at
	2015	2016	2017	31 August
	RMB’000	RMB’000	RMB’000	2018
Consumables	636	402	335	131

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15 Trade and other receivables

The Group	Note	As at 31 December			As at
		2015	2016	2017	31 August
		RMB’000	RMB’000	RMB’000	2018
				RMB’000	
Trade receivables		6,626	9,556	9,997	39,866
Less: Allowance for impairment of trade receivables	15(b)	(1,168)	(1,703)	(1,777)	(2,234)
		<u>5,458</u>	<u>7,853</u>	<u>8,220</u>	<u>37,632</u>
Amounts due from related parties	26(d)	17,393	18,207	18,847	12,956
Payments on behalf of property owners		2,660	3,448	4,082	5,408
Deposits and prepayments		282	664	1,399	9,695
Amounts due from staff		1,995	3,654	2,967	4,396
Other receivables		126	415	947	888
		<u>27,914</u>	<u>34,241</u>	<u>36,462</u>	<u>70,975</u>
The Company		As at 31 December			As at
		2015	2016	2017	31 August
		RMB’000	RMB’000	RMB’000	2018
					RMB’000
Amounts due from shareholders		<u>—</u>	<u>—</u>	<u>66</u>	<u>146</u>

Trade receivables are primarily related to revenue recognised from the provision of property management services, value-added services to non-property owners and value-added services to property owners.

Amount due from related parties are unsecured and interest-free. Details of the amounts due from related parties are set out in Note 26(d).

(a) Ageing analysis

As at the end of each reporting period, the ageing analysis of trade receivables based on the date of revenue recognition and net of allowance for impairment of trade receivables, is as follows:

	As at 31 December			As at
	2015	2016	2017	31 August
	RMB’000	RMB’000	RMB’000	2018
				RMB’000
Within 1 year	5,003	7,468	7,647	36,988
1 to 2 years	455	385	573	644
	<u>5,458</u>	<u>7,853</u>	<u>8,220</u>	<u>37,632</u>

Trade receivables are due when the receivables are recognised.

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15 Trade and other receivables (continued)

(b) Impairment of trade receivables

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly (see Note 2(h)(i)).

The movement in the allowance for impairment of trade receivables during the Relevant Periods, including both specific and collective loss components, is as follows:

	As at 31 December			As at
	2015	2016	2017	31 August
	RMB’000	RMB’000	RMB’000	2018
At 1 January	462	1,168	1,703	1,777
Impairment loss recognised	706	535	74	457
At 31 December/ 31 August	1,168	1,703	1,777	2,234

At 31 December 2015, 2016, 2017 and 31 August 2018, none of the trade receivables was individually determined to be impaired. The allowances for doubtful debts of RMB 1,168,000, RMB1,703,000, RMB1,777,000 and RMB2,234,000 recognised at 31 December 2015, 2016, 2017 and 31 August 2018, respectively were made at each reporting date based on a collective group basis assessment by ageing of trade receivables.

There were no trade receivables that were past due but not impaired at the end of each reporting period.

16 Restricted bank balances

	Note	As at 31 December			As at
		2015	2016	2017	31 August
		RMB’000	RMB’000	RMB’000	2018
Cash collected on behalf of the property owners’ associations	19	17,803	20,322	32,354	29,391
Restricted deposits		200	450	450	450
		18,003	20,772	32,804	29,841

The Group has cash collection on behalf of the property owners’ associations in its property management service business. Since the property owners’ associations are not allowed to open their own bank accounts, the Group opens and manages these bank accounts on behalf of the property owners’ associations.

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17 Cash and cash equivalents

(a) Cash and cash equivalents comprise:

The Group	As at 31 December			As at
	2015	2016	2017	31 August
	RMB’000	RMB’000	RMB’000	2018
Cash in hand	1,186	886	232	214
Cash at bank	86,078	187,433	336,521	423,498
	87,264	188,319	336,753	423,712
Less:				
Restricted bank balances (Note 16)	(18,003)	(20,772)	(32,804)	(29,841)
	69,261	167,547	303,949	393,871

The Company	As at 31 December			As at
	2015	2016	2017	31 August
	RMB’000	RMB’000	RMB’000	2018
Cash at bank	—	—	4	4

(b) Reconciliation of profit before taxation to cash generated from operations:

	Note	Year ended 31 December			Eight months ended	
		2015	2016	2017	2017	2018
		RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Profit before taxation		15,386	29,615	77,209	52,915	67,947
Adjustments for:						
Depreciation of property, plant and equipment	12	1,414	1,895	2,511	1,619	2,415
Share of profits less losses of an associate		—	—	761	63	49
Finance income	7(a)	(145)	(146)	(131)	(65)	(235)
Finance cost		—	—	—	—	767
Net realised gains on FVTPL	6	(872)	(950)	(3,278)	(1,793)	(2,751)
Net (gain) / loss on disposal of property, plant and equipment	6	(25)	22	24	21	17
Impairment losses on trade receivables	7(c)	706	535	74	489	457
Changes in working capital:						
(Increase)/decrease in inventories		(341)	234	67	144	204
Increase in trade and other receivables		(16,245)	(7,040)	(2,229)	(51,687)	(34,970)
Increase in contract liabilities and trade and other payables		12,266	82,013	88,824	21,485	70,746
(Increase) / decrease in restricted cash		(6,262)	(2,769)	(12,032)	(3,912)	2,963
Cash generated from operations		5,882	103,409	151,800	19,279	107,609

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18 Contract liabilities

	As at 31 December			As at
	2015	2016	2017	31 August
	RMB’000	RMB’000	RMB’000	2018
				RMB’000
Contract liabilities				
Property management services	22,715	47,804	64,466	105,040
Value-added services to non-property owners	693	1,135	3,587	17,666
Value-added services to property owners	—	—	9,326	43,258
	<u>23,408</u>	<u>48,939</u>	<u>77,379</u>	<u>165,964</u>

Significant changes in contract liabilities were as follows:

	As at 31 December			As at
	2015	2016	2017	31 August
	RMB’000	RMB’000	RMB’000	2018
				RMB’000
At 1 January	24,102	23,408	48,939	77,379
Revenue recognised that was included in the balance of contract liabilities at the beginning of the year/ period	(22,501)	(20,542)	(46,068)	(48,155)
Increase by cash received	21,807	46,073	74,508	135,973
Increase in contract liabilities as a result of accruing interest expense on advances	—	—	—	767
	<u>23,408</u>	<u>48,939</u>	<u>77,379</u>	<u>165,964</u>

19 Trade and other payables

The Group	Note	As at 31 December			As at
		2015	2016	2017	31 August
		RMB’000	RMB’000	RMB’000	2018
				RMB’000	
Trade payables	(a)	—	—	4,472	6,415
Amounts due to related parties (Note 26(d))	(b)	2,063	16,172	3,523	5,779
Deposits	(c)	3,647	4,143	10,371	19,610
Other taxes and charges payable		2,481	4,986	10,424	184
Accrued payroll and other benefits		25,631	38,251	48,631	38,487
Cash collected on behalf of the property owners’ associations	16	17,803	20,322	32,354	29,391
Temporary receipts from property owners	(d)	11,500	33,117	66,123	55,012
Other payables and accruals		1,100	1,455	2,720	7,357
		<u>64,225</u>	<u>118,446</u>	<u>178,618</u>	<u>162,235</u>

The Company	As at 31 December			As at
	2015	2016	2017	31 August
	RMB’000	RMB’000	RMB’000	2018
				RMB’000
Amounts due to subsidiaries	—	—	8	87

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19 Trade and other payables (continued)

- (a) Trade payables mainly represent payables arising from sub-contracting services including cleaning, security, landscaping and maintenance services provided by suppliers.
- (b) The amounts due to related parties are unsecured and interest-free. Details of the amounts due to related parties are set out in Note 26(d).
- (c) Deposits represent miscellaneous decoration deposits received from property owners during the decoration period.
- (d) Temporary receipts mainly represent utility charges received from property owners on behalf of utility companies and other charges received from property owners for the payment of deed tax on behalf.

As at the end of each reporting period, the ageing analysis of trade payables, based on invoice date is as follows:

	As at 31 December			As at
	2015	2016	2017	31 August
	RMB’000	RMB’000	RMB’000	2018
				RMB’000
Within 1 month or on demand	—	—	3,656	5,726
After 1 month but within 3 months	—	—	385	666
After 3 months but within 1 year	—	—	431	10
Over 1 year	—	—	—	13
	—	—	4,472	6,415

20 Income tax in the consolidated statements of financial position

- (a) **Current taxation in the consolidated statements of financial position represents:**

	As at 31 December			As at
	2015	2016	2017	31 August
	RMB’000	RMB’000	RMB’000	2018
				RMB’000
PRC Corporate Income Tax				
At 1 January	1,466	3,765	9,612	20,917
Charged to profit or loss	4,430	8,464	20,395	17,019
Payments during the year / period	(2,131)	(2,617)	(9,090)	(21,760)
At 31 December / 31 August	3,765	9,612	20,917	16,176

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20 Income tax in the consolidated statements of financial position (continued)

(b) Deferred tax assets recognised:

The components of deferred tax assets recognised in the consolidated statement of financial position and the movements during the Relevant Periods are as follows:

	Impairment loss on trade receivables	Provision	Tax losses	Accrued expenses	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
At 1 January 2015	115	—	252	—	367
Credited to profit or loss	177	—	148	188	513
At 31 December 2015	292	—	400	188	880
Credited to profit or loss	134	407	183	231	955
At 31 December 2016	426	407	583	419	1,835
Credited / (charged) to profit or loss	18	(85)	(252)	1,057	738
At 31 December 2017	444	322	331	1,476	2,573
Credited / (charged) to profit or loss	114	(172)	(187)	63	(182)
At 31 August 2018	558	150	144	1,539	2,391

(c) Deferred tax assets not recognised

Deferred tax assets have not been recognised in respect of the following items:

	As at 31 December			As at 31 August
	2015	2016	2017	2018
	RMB’000	RMB’000	RMB’000	RMB’000
Unused tax losses – PRC	—	—	312	476

In accordance with the accounting policy set out in Note 2(o), the Group has not recognised deferred tax assets of RMB 78,000 and RMB 119,000 in respect of unused tax losses of certain subsidiaries as at 31 December 2017 and 31 August 2018. The directors consider it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity.

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20 Income tax in the consolidated statements of financial position (continued)

Pursuant to the relevant laws and regulations in the PRC, the unrecognised tax losses at the end of the reporting period will expire in the following years:

	As at 31 December			As at
	2015	2016	2017	31 August
	RMB’000	RMB’000	RMB’000	2018
2022	—	—	312	312
2023	—	—	—	164
	—	—	312	476

(d) Deferred tax liabilities not recognised

According to PRC corporate income tax laws and its implementation rules, dividends receivable by non-PRC corporate residents from PRC enterprises are subject to withholding tax at a rate of 10%, unless reduced by tax treaties or arrangements, for profits earned since 1 January 2008.

For the other distributable reserve and retained earnings up to 31 August 2018, no deferred tax liabilities were recognised as at 31 August 2018 as the Group controls the dividend policy of the subsidiaries and it has been determined that it is not probable that these profits will be distributed in the foreseeable future.

21 Provisions

	As at 31 December			As at
	2015	2016	2017	31 August
	RMB’000	RMB’000	RMB’000	2018
At 1 January	—	—	1,626	1,288
Provisions made	—	1,626	475	—
Provisions utilised	—	—	(813)	(689)
At 31 December/31 August	—	1,626	1,288	599
Less: amount included under “current liabilities”	—	(813)	(1,288)	(599)
	—	813	—	—

The Group were in contracts with certain communities that were operating at losses. The obligation for the future payments of these communities, net of expected property management service income, has been provided for.

22 Capital, reserves and dividends

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group’s consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the

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ACCOUNTANTS’ REPORT

22 Capital, reserves and dividends (continued)

Company’s individual components of equity between the beginning and the end of the year/period are set out below:

<u>The Company</u>	<u>Note</u>	<u>Share capital</u>	<u>Share premium</u>	<u>Exchange reserve</u>	<u>Accumulated losses</u>	<u>Total</u>
		RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
		Note 22(b)	Note 22(d)(i)	Note 22(d)(iv)		
Balance at 6 July 2017		—	—	—	—	—
Changes in equity for 2017:						
Total comprehensive income for the year		—	—	—	(4)	(4)
Issue of shares	22(b)	66	—	—	—	66
Balance at 31 December 2017 and 1 January 2018		66	—	—	(4)	62
Changes in equity for 2018:						
Total comprehensive income for the year		—	—	6	—	6
Issue of shares	22(b)	63	87,043	—	—	87,106
Balance at 31 August 2018		129	87,043	6	(4)	87,174

(b) Share capital

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 6 July 2017 with an authorised share capital of US\$50,000 divided into 50,000 shares with par value of US\$1.00 each.

On 6 July 2017 and 25 December 2017, the Company issued and allotted 1 share of US\$1.00 and 9,999 shares of US\$1.00 (RMB equivalent 66,000) with nil paid respectively, to the shareholders of the Company, as detailed in the section headed “Our History and Development” to the Document.

On 18 May 2018, the Company issued and allotted a total of 10,000 new shares of US\$1.00 (RMB equivalent 63,000) to the shareholders of the Company as detailed in the section headed “Our History and Development” to the Document. The shareholders of the Company subscribed these 10,000 shares with total consideration of HK\$107 million (RMB equivalent 87 million) on 18 May 2018.

In accordance with the shareholders’ resolution of the Company dated 21 February 2019, the Company’s every issued and unissued share with par value of US\$1.00 each was subdivided into [REDACTED] shares with par value of US\$[REDACTED] each. In addition, the authorised share capital of the Company increased from US\$[REDACTED] divided into [REDACTED] shares with par value of US\$[REDACTED] each to US\$[REDACTED] divided into [REDACTED] shares with par value of US\$[REDACTED] each by the creation of an additional [REDACTED] shares with par value of US\$[REDACTED] each.

Accordingly, the issued 20,000 shares of the Company as at 31 August 2018 with par value of US\$1.00 each were subdivided into 200,000,000 shares with par value of US\$0.0001 each thereafter.

22 Capital, reserves and dividends (continued)

(c) Dividends

No dividend has been declared by the Company since its incorporation.

During the year ended 31 December 2017, Binjiang PM declared a dividend of RMB15,000,000, which was subsequently converted into paid-in capital of Binjiang PM.

(d) Nature and purpose of reserves

(i) Share premium

Share premium represents the difference between the consideration and the par value of the issued and paid up shares of the Company.

(ii) Capital reserve

For the purposes of the Historical Financial Information, the aggregate amount of the paid-in capital of all entities comprising the Group at the respective dates were recorded as capital reserve, after the elimination of investments in subsidiaries.

On 6 January 2017, the paid-in capital of Binjiang PM increased from RMB5,000,000 to RMB20,000,000 by converting the retained profits of RMB15,000,000 into paid-in capital, as set out in the section headed “Our History and Development” to the Document.

During the Relevant Periods, the Group acquired 1% and 99% equity interests in Binjiang PM from the then equity holder of Binjiang PM, which is also controlled by Mr. Qi Jinxing, as part of the Reorganisation as detailed in the section headed “Our History and Development” to the Document. The total considerations of RMB86,484,000 have been fully settled during the eight months ended 31 August 2018. For the purpose of the preparation of Historical Financial Information, the considerations of RMB86,484,000 paid in connection with the acquisition are recorded within equity as deemed distribution arising from the Reorganisation.

(iii) PRC statutory reserves

Statutory reserves is established in accordance with the relevant PRC rules and regulations and the articles of association of the companies comprising the Group which are incorporated in the PRC until the reserve balance reaches 50% of their registered capital. The transfer to this reserve must be made before distribution of a dividend to equity holders.

For the entities concerned, statutory reserves can be used to cover previous years’ losses, if any, and may be converted into capital in proportion to the existing equity interests of equity holders, provided that the balance of the reserve after such conversion is not less than 25% of the entity’s registered capital.

22 Capital, reserves and dividends (continued)

(iv) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations outside the mainland China. The reserve is dealt with in accordance with the accounting policies set out in Note 2(q).

(e) *Capital management*

The Group’s primary objectives when managing capital are to safeguard the Group’s ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing services commensurately with the level of risk and by securing access to finance at a reasonable cost. The Group’s overall strategy remains unchanged throughout the Relevant Periods.

The capital structure of the Group consists of bank loans less cash and cash equivalents, and equity of the Group, comprising issued share capital, retained profits and other reserves.

The directors of the Company review the capital structure periodically. Based on the operating budgets, the directors consider the cost of capital and the risks associated with each class of capital and balances its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debts.

The Group is not subject to externally imposed capital requirements throughout the Relevant Periods.

23 Financial risk management

Exposure to credit and liquidity risks arise in the normal course of the Group’s business.

Financial assets of the Group include cash and cash equivalents, financial assets measured at fair value through profit or loss and trade and other receivables. Financial liabilities of the Group include trade and other payables.

The Group’s exposure to these risks and the financial risk management policies and practises used by the Group to manage these risks are described below.

(a) *Credit risk*

The Group’s credit risk is primarily attributable to cash at bank and trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

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23 Financial risk management (continued)

The cash at bank of the Group are mainly held with well-known financial institutions. Management does not foresee any significant credit risks from these deposits and does not expect that these financial institutions may default and cause losses to the Group.

The Group’s wealth management products classified as financial assets at fair value through profit or loss are issued by well-known financial institutions. The Group considers that there is no significant credit risk and these wealth management products did not generate any losses during the Relevant Periods.

In respect of amounts due from related parties, payments on behalf of property owners, deposits and amounts due from staff, the Group has assessed that the expected credit loss rate for these receivables is immaterial under 12 months expected losses method based on historical settlement records and looking-forward information. Thus no loss allowance provision for these receivables was recognised during the Relevant Periods.

In respect of trade receivables, the Group measures loss allowances at an amount equal to lifetime ECLs. The Group considers that a default event occurs when significant decrease in property management and other service fee collection rate and estimates the expected credit loss rate for the Relevant Periods. For trade receivables relating to non-property management services, such as consulting services, these receivables are normally settled within 6 months. The Group has assessed that the expected credit loss rate for these receivables is immaterial under lifetime ECLs based on historical settlement records and looking-forward information.

The Group has no concentrations of credit risk in view of its large number of customers.

The following table provides information about the Group’s exposure to credit risk and ECLs for trade receivables as at 31 December 2015, 2016 and 2017 and 31 August 2018.

<u>At 31 December 2015</u>	<u>Expected loss rate</u>	<u>Gross carrying amount</u>	<u>Loss allowance</u>
		RMB’000	RMB’000
Non-property management services			
Within 1 year	—	1,870	—
Property management services			
Within 1 year	17%	3,782	649
1 to 2 years	50%	909	454
Over 2 years	100%	65	65
Total		<u>6,626</u>	<u>1,168</u>

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23 Financial risk management (continued)

<u>At 31 December 2016</u>	<u>Expected loss rate</u>	<u>Gross carrying amount</u> RMB’000	<u>Loss allowance</u> RMB’000
Non-property management services			
Within 1 year	—	3,284	—
Property management services			
Within 1 year	14%	4,882	698
1 to 2 years	50%	771	386
Over 2 years	100%	619	619
Total		<u>9,556</u>	<u>1,703</u>

<u>At 31 December 2017</u>	<u>Expected loss rate</u>	<u>Gross carrying amount</u> RMB’000	<u>Loss allowance</u> RMB’000
Non-property management services			
Within 1 year	—	5,310	—
Property management services			
Within 1 year	16%	2,770	433
1 to 2 years	50%	1,146	573
Over 2 years	100%	771	771
Total		<u>9,997</u>	<u>1,777</u>

<u>At 31 August 2018</u>	<u>Expected loss rate</u>	<u>Gross carrying amount</u> RMB’000	<u>Loss allowance</u> RMB’000
Non-property management services			
Within 1 year	—	6,501	—
Property management services			
Within 1 year	1.5%	30,956	469
1 to 2 years	50%	1,287	643
Over 2 years	100%	1,122	1,122
Total		<u>39,866</u>	<u>2,234</u>

(b) *Liquidity risk*

The Group’s management reviews the liquidity position of the Group on an ongoing basis, including review of the expected cash inflows and outflows and maturity of loans and borrowings in order to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions and/or from other Group companies to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the end of each reporting period of the Group’s financial liabilities, which are based on contractual undiscounted cash flows (including interest

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23 Financial risk management (continued)

payments computed using contractual rates or, if floating, based on rates current at the end of each reporting period) and the earliest date the Group can be required to pay:

As at 31 December 2015					
Contractual undiscounted cash outflow					
Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount at 31 December
RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Trade and other payables	64,225	—	—	64,225	64,225

As at 31 December 2016					
Contractual undiscounted cash outflow					
Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount at 31 December
RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Trade and other payables	118,446	—	—	118,446	118,446

As at 31 December 2017					
Contractual undiscounted cash outflow					
Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount at 31 December
RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Trade and other payables	178,618	—	—	178,618	178,618

As at 31 August 2018					
Contractual undiscounted cash outflow					
Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount at 31 August
RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Trade and other payables	162,235	—	—	162,235	162,235

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24 Commitments

At 31 December 2015, 2016, 2017, and 31 August 2018, the total future minimum lease payments under non-cancellable operating leases in respect of properties are payable as follows:

	As at 31 December			As at
	2015	2016	2017	31 August
	RMB’000	RMB’000	RMB’000	2018
				RMB’000
Within 1 year	276	569	699	638
After 1 year but within 5 years	382	270	214	103
After 5 years	—	—	—	—
	<u>658</u>	<u>839</u>	<u>913</u>	<u>741</u>

25 Contingent liabilities

The Group did not have any material contingent liabilities as at 31 December 2015, 2016, 2017 and 31 August 2018.

26 Material related party transactions

In addition to the related party information disclosed elsewhere in the Historical Financial Information, the Group entered into the following significant related party transactions during the Relevant Periods.

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ACCOUNTANTS’ REPORT

26 Material related party transactions (continued)

(a) Name of and relationship with related parties

During the Relevant Periods, transactions with the following parties are considered as related party transactions:

<u>Name of related party</u>	<u>Relationship with the Group</u>
Mr. Qi Jinxing 戚金興先生 Binjiang Holding and its subsidiaries 杭州濱江投資控股有限公司及其子公司	Controlling shareholder of the Company Mr. Qi Jinxing is a controlling shareholder; immediate holding company of Binjiang PM before the Reorganisation
Hangzhou Binbao Real Estate Development Co., Ltd. 杭州濱保房地產開發有限公司	Associate of Binjiang Holding
Hangzhou Jingbin Real Estate Co., Ltd. 杭州京濱置業有限公司	Associate of Binjiang Holding
Hangzhou Wanjia Star Real Estate Development Co., Ltd. 杭州萬家之星房地產開發有限公司	Associate of Binjiang Holding
Shanghai Binan Real Estate Development Co., Ltd. 上海濱安房地產開發有限公司	Associate of Binjiang Holding
Yiwu Binxin Estate Development Co., Ltd. 義烏濱信房地產開發有限公司	Associate of Binjiang Holding
Hangzhou Xinda Real Estate Co., Ltd. 杭州信達地產有限公司	Associate of Binjiang Holding
Hangzhou Xinda Aoti Real Estate Co., Ltd. 杭州信達奧體置業有限公司	Associate of Binjiang Holding
Hangzhou Tongda Real Estate Co., Ltd. 杭州同達置業有限公司	Associate of Binjiang Holding

The English translation of the Company name is for reference only. The official names of these companies are in Chinese.

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ACCOUNTANTS’ REPORT

26 Material related party transactions (continued)

(b) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company’s directors as disclosed in Note 9 and certain of the highest paid employees as disclosed in Note 10, is as follows:

	Year ended 31 December			Eight months ended 31 August	
	2015	2016	2017	2017	2018
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
				(unaudited)	
Salaries, allowances and benefits in kind	808	799	914	535	1,338
Discretionary bonuses	2,022	2,103	2,068	—	—
Retirement scheme contributions	66	65	71	47	55
	<u>2,896</u>	<u>2,967</u>	<u>3,053</u>	<u>582</u>	<u>1,393</u>

Total remuneration is included in “staff costs” (see Note 7(b)).

(c) Significant related party transactions

Particulars of significant transactions between the Group and the above related parties during the Relevant Periods are as follows:

Recurring transactions

	Year ended 31 December			Eight months ended 31 August	
	2015	2016	2017	2017	2018
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
				(unaudited)	
Property management services and consulting services income from:					
- Binjiang Holding and its subsidiaries	46,063	50,366	65,074	35,283	37,567
- Associates of Binjiang Holding	—	3,533	26,972	14,091	22,882
Receiving rental and other services from:					
- Binjiang Holding and its subsidiaries	379	445	2,841	1,950	1,870

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ACCOUNTANTS’ REPORT

26 Material related party transactions (continued)

(d) Balances with related parties

	As at 31 December			As at
	2015	2016	2017	31 August
	RMB’000	RMB’000	RMB’000	2018
				RMB’000
Amounts due from :				
Binjiang Holding and its subsidiaries				
- Trade nature	17,171	16,706	16,051	10,290
- Non-trade nature	222	131	44	—
	17,393	16,837	16,095	10,290
Associates of Binjiang Holding				
- Trade nature	—	1,370	2,752	2,666
	17,393	18,207	18,847	12,956
Amounts due to :				
Binjiang Holding and its subsidiaries				
- Trade nature	—	339	2,315	3,811
- Non-trade nature	2,063	15,833	1,208	1,968
	2,063	16,172	3,523	5,779

Amounts due from/to related parties are unsecured and interest-free.

27 Immediate and ultimate controlling party

At 31 December 2015, 2016, 2017 and 31 August 2018, the directors consider the ultimate controlling party of the Group to be Mr. Qi Jinxing.

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28 Possible impact of amendments, new standards and interpretations issued but not yet effective for the Relevant Periods

Up to the date of issue of this report, the IASB has issued a number of amendments and new standards which are not yet effective for the Relevant Periods and which have not been adopted in the Historical Financial Information. These include the following.

	<u>Effective for accounting periods beginning on or after</u>
IFRS 16, <i>Leases</i>	1 January 2019
IFRS 17, <i>Insurance Contracts</i>	1 January 2021
Amendments to IFRS 10 and IAS 28, <i>Sale or contribution of assets between an investor and its associate and joint venture</i>	To be determined
Amendments to IAS 19, <i>Plan Amendment, Curtailment or Settlement</i>	1 January 2019
IFRIC 23, <i>Uncertainty over Income Tax Treatment</i>	1 January 2019
Amendments to IAS 28, <i>Long-term interest in associate or joint ventures</i>	1 January 2019
Annual improvements to IFRSs 2015-2017 cycle	1 January 2019

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far the Group has identified some aspects of the new standards which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below.

IFRS 16, Leases

As disclosed in Note 2(g), currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. The Group enters into some leases as the lessor and others as the lessee.

IFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once IFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease the lessee will recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding “right-of-use” asset. After initial recognition of this asset and liability, the lessee will recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

28 Possible impact of amendments, new standards and interpretations issued but not yet effective for the Relevant Periods (continued)

IFRS 16 will primarily affect the Group’s accounting as a lessee of leases for properties, plant and equipment which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss over the period of the lease. The Group plans to elect to use the modified retrospective approach for the adoption of IFRS 16 and will recognise the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019 and will not restate the comparative information. In addition, the Group plans to elect the practical expedient for not applying the new accounting model to short-term leases and leases of low-value assets. As disclosed in Note 24, at 31 August 2018 the Group’s future minimum lease payments under non-cancellable operating leases amount to RMB741,000 for properties. The Group does not expect this new requirement will have any significant impact on the Group on adoption of IFRS 16.

The Group has decided not to early adopt IFRS 16 before this effective date.

29 Subsequent events

In accordance with the shareholders’ resolution of the Company dated 21 February 2019, the Company’s every issued and unissued share with par value of US\$1.00 each was subdivided into 10,000 shares with par value of US\$0.0001 each. In addition, the authorised share capital of the Company increased from US\$50,000 divided into 50,000 shares with par value of US\$1.00 each to US\$100,000 divided into 1,000,000,000 shares with par value of US\$0.0001 each by the creation of an additional 500,000,000 shares with par value of US\$0.0001 each.

SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company and its subsidiaries comprising the Group in respect of any period subsequent to 31 August 2018.

APPENDIX II **UNAUDITED PRO FORMA FINANCIAL INFORMATION**

The information set forth in this appendix does not form part of the Accountants’ Report prepared by KPMG, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, as set forth in Appendix I to this document, and is included herein for illustrative purposes only.

The unaudited pro forma financial information should be read in conjunction with the section headed “Financial Information” in this document and the Accountants’ Report set forth in Appendix I to this document.

A UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted consolidated net tangible assets of our Group prepared in accordance with paragraph 4.29 of the Listing Rules is to illustrate the effect of the [REDACTED] on the consolidated net tangible assets of our Group attributable to equity shareholders of the Company as at 31 August 2018 as if the [REDACTED] had taken place on that date.

The unaudited pro forma statement of adjusted consolidated net tangible assets of our Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not provide a true picture of the consolidated financial position of the Group had the [REDACTED] been completed as at 31 August 2018 or at any future date.

The following unaudited pro forma adjusted consolidated net tangible assets of our Group are based on the audited consolidated net assets attributable to equity shareholders of the Company derived from the consolidated financial information of our Group as at 31 August 2018 as included in the Accountants’ Report included in Appendix I to the document, and adjusted as follows:

	Consolidated net tangible assets attributable to equity shareholders of the Company as of 31 August 2018 ⁽¹⁾	Estimated net proceeds from the [REDACTED] ⁽²⁾⁽³⁾	Unaudited pro forma adjusted consolidated net tangible assets attributable to equity shareholders of the Company ⁽⁴⁾	Unaudited pro forma adjusted consolidated net tangible assets per Share ⁽³⁾⁽⁵⁾	
	RMB’000	RMB’000	RMB’000	RMB	HK\$ equivalent
Based on an [REDACTED] of HK\$[REDACTED] per Share	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Based on an [REDACTED] of HK\$[REDACTED] per Share	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Notes:

(1) The consolidated net tangible assets attributable to equity shareholders of the Company as of 31 August 2018 is based on the total equity attributable to equity shareholders of the Company of RMB[REDACTED] as of 31 August 2018, which is extracted from the Accountants’ Report set out in Appendix I to this document.

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UNAUDITED PRO FORMA FINANCIAL INFORMATION

- (2) The estimated net proceeds from the [REDACTED] are based on [REDACTED] Shares to be issued at the estimated [REDACTED] of HK\$[REDACTED] per Share (being the low-end price) and HK\$[REDACTED] per Share (being the high-end price), after deduction of the estimated underwriting fees and other estimated related expenses payable by us of approximately RMB[REDACTED] and RMB[REDACTED], respectively (excluding approximately RMB[REDACTED] expenses which have been accounted for prior to 31 August 2018), assuming the [REDACTED] is not exercised.
- (3) For the purpose of estimated net proceeds from the [REDACTED] and the calculation of the unaudited pro forma adjusted consolidated net tangible assets per Share, the translation between Hong Kong dollar and Renminbi is made at the exchange rate of HK\$1.00 to RMB0.8619, the exchange rate set by the People’s Bank of China prevailing on [REDACTED]. No representation is made that the Hong Kong dollar amounts have been, could have been or may be converted to Renminbi, or vice versa, at that rate or at any other rate.
- (4) No adjustment has been made to the unaudited pro forma statement of adjusted consolidated net tangible assets to reflect any trading results or other transactions entered into subsequent to 31 August 2018.
- (5) The unaudited pro forma adjusted consolidated net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that [REDACTED] Shares are in issue immediately following the [REDACTED] as at 31 August 2018, but do not take into account any shares which may be issued upon the exercise of the [REDACTED].

THIS DOCUMENT IS IN DRAFT FORM, INCOMPLETE AND SUBJECT TO CHANGE, AND THE INFORMATION MUST BE READ IN CONJUNCTION WITH THE SECTION HEADED “WARNING” ON THE COVER OF THIS DOCUMENT.

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UNAUDITED PRO FORMA FINANCIAL INFORMATION

B. UNAUDITED PRO FORMA ESTIMATED EARNINGS PER SHARE

[REDACTED]

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UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from the reporting accountants, KPMG, Certified Public Accountants, Hong Kong, in respect of the Group’s pro forma financial information for the purpose in this document.

[REDACTED]

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[REDACTED]

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UNAUDITED PRO FORMA FINANCIAL INFORMATION

[REDACTED]

Our estimate of the consolidated profit for the year ended December 31, 2018 is set out in “Financial information — Profit estimate for the year ended December 31, 2018” of this document.

(A) PROFIT ESTIMATE FOR THE YEAR ENDED DECEMBER 31, 2018

Our Directors have prepared the estimate of the consolidated profit of our Group for the year ended December 31, 2018 based on the audited consolidated results of our Group for the eight months ended August 31, 2018 and the unaudited consolidated results based on the management accounts of our Group for four months ended December 31, 2018. The estimate has been prepared on the basis of the accounting policies consistent in all material aspects with those currently adopted by our Group as summarized in the Accountants’ Report, the text of which is set out in Appendix I to this document.

Profit estimate for the year ended December 31, 2018

Estimated consolidated profit attributable to equity shareholders of
our Company not less than RMB[REDACTED] million

Note: The estimated consolidated profit attributable to equity shareholders of our Company for the year ended December 31, 2018 has taken into account of our estimated [REDACTED] expenses of approximately [REDACTED] million incurred during the year ended December 31, 2018.

(B) LETTER FROM THE REPORTING ACCOUNTANTS

The following is the text of a letter, prepared for the inclusion in this document, received from KPMG, Certified Public Accountants, Hong Kong, the reporting accountants of our Company, in relation to our Group’s profit estimate for the year ended December 31, 2018.

[REDACTED]

8th Floor
Prince’s Building
10 Charter Road
Central
Hong Kong

[REDACTED]

The Directors
Binjiang Service Group Co. Ltd.
CLSA Capital Markets Limited

Dear Sirs,

Binjiang Service Group Co. Ltd. (“the Company”)

Profit Estimate for the year ended December 31, 2018

We refer to the estimate of the consolidated profit attributable to equity shareholders of the Company for the year ended December 31, 2018 (“the Profit Estimate”) set forth in the section headed “Financial Information” in the document of the Company dated [REDACTED] (“the Document”).

Directors’ Responsibilities

The Profit Estimate has been prepared by the directors of the Company based on the audited consolidated results of the Company and its subsidiaries (collectively referred to as “the Group”) for the eight months ended August 31, 2018 and the unaudited consolidated results based on the management accounts of the Group for the four months ended December 31, 2018.

The Company’s directors are solely responsible for the Profit Estimate.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms That Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by

the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants’ Responsibilities

Our responsibility is to express an opinion on the accounting policies and calculations of the Profit Estimate based on our procedures. We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 500 “Reporting on Profit Forecasts, Statements of Sufficiency of Working Capital and Statements of Indebtedness” and with reference to Hong Kong Standard on Assurance Engagements 3000 (Revised) “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” issued by the HKICPA. Those standards require that we plan and perform our work to obtain reasonable assurance as to whether, so far as the accounting policies and calculations are concerned, the Company’s directors have properly compiled the Profit Estimate in accordance with the bases adopted by the directors and as to whether the Profit Estimate is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

Opinion

In our opinion, so far as the accounting policies and calculations are concerned, the Profit Estimate has been properly compiled in accordance with the bases adopted by the directors as set out in Appendix III of the Document and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in our accountants’ report dated [REDACTED], the text of which is set out in Appendix I of the Document.

Yours faithfully,

KPMG

Certified Public Accountants

Hong Kong

APPENDIX III

PROFIT ESTIMATE

(C) LETTER FROM THE SOLE SPONSOR

The following is the text of a letter, prepared for inclusion in this document by the Sole Sponsor in connection with the estimate of our consolidated profit attributable to equity shareholders of the Company for the year ended December 31, 2018.



[REDACTED]

The Directors
Binjiang Service Group Co. Ltd.

Dear Sirs,

We refer to the estimate of the consolidated profit attributable to the equity shareholders of Binjiang Service Group Co. Ltd. (the “**Company**”, together with its subsidiaries, the “**Group**”) for the year ended December 31, 2018 (the “**Profit Estimate**”) as set out in the document issued by the Company dated [REDACTED] (the “**Document**”).

The Profit Estimate, for which you as the directors of the Company (the “**Directors**”) are solely responsible, has been prepared based on (i) the audited consolidated results of the Group for the eight months ended August 31, 2018; and (ii) the unaudited consolidated results of the Group for the four months ended December 31, 2018.

We have discussed with you the bases and assumptions made by the directors of the Company, as set forth in Part (A) of Appendix III to the Document, upon which the Profit Estimate has been made. We have also considered the letter dated [REDACTED] addressed to yourselves and ourselves from KPMG regarding the accounting policies and calculations upon which the Profit Estimate has been made.

On the basis of the information comprising the Profit Estimate and on the basis of the accounting policies and calculations adopted by you and reviewed by KPMG, we are of the opinion that the Profit Estimate, for which you as Directors are solely responsible, has been made after due and careful enquiry.

Yours faithfully,

For and on behalf of
CLSA Capital Markets Limited
LIU Hiu Lau
Managing Director

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otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) Alteration of capital

The Company may by ordinary resolution of its members:

- (i) increase its share capital by the creation of new shares;
- (ii) consolidate all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;
- (iv) subdivide its shares or any of them into shares of smaller amount than is fixed by the Memorandum;
or
- (v) cancel any shares which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the shares so canceled.

The Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(iv) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time.

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Notwithstanding the foregoing, for so long as any shares are [REDACTED] on the Stock Exchange, titles to such [REDACTED] shares may be evidenced and transferred in accordance with the laws applicable to and the rules and regulations of the Stock Exchange that are or shall be applicable to such [REDACTED] shares. The register of members in respect of its [REDACTED] shares (whether the principal register or a branch register) may be kept by recording the particulars required by Section 40 of the Companies Law in a form otherwise than legible if such recording otherwise complies with the laws applicable to and the rules and regulations of the Stock Exchange that are or shall be applicable to such [REDACTED] shares.

The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect of that share.

The board may, in its absolute discretion, at any time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

The board may decline to recognize any instrument of transfer unless a fee (not exceeding the maximum sum as the Stock Exchange may determine to be payable) determined by the Directors is paid to the Company, the instrument of transfer is properly stamped (if applicable), it is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in any newspaper or by any other means in accordance with the requirements of the Stock Exchange, at such times and for such periods as the board may determine. The register of members must not be closed for periods exceeding in the whole thirty (30) days in any year.

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favor of the Company.

(v) *Power of the Company to purchase its own shares*

The Company is empowered by the Companies Law and the Articles to purchase its own shares subject to certain restrictions and the board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by the Stock Exchange.

Where the Company purchases for redemption a redeemable share, purchases not made through the market or by tender must be limited to a maximum price determined by the Company in general meeting. If purchases are by tender, tenders must be made available to all members alike.

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provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

The Directors have the power to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and members of the Company may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated if:

- (aa) he resigns by notice in writing delivered to the Company;
- (bb) he becomes of unsound mind or dies;
- (cc) without special leave, he is absent from meetings of the board for six (6) consecutive months, and the board resolves that his office is vacated;
- (dd) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (ee) he is prohibited from being a director by law; or
- (ff) he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and

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upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed must, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(ii) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued (a) with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Directors may determine, or (b) on terms that, at the option of the Company or the holder thereof, it is liable to be redeemed.

The board may issue warrants or convertible securities or securities of similar nature conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of the Stock Exchange and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company are at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount to their nominal value.

Neither the Company nor the board is obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) Power to dispose of the assets of the Company or any of its subsidiaries

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

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The board may resolve to capitalize all or any part of any amount for the time being standing to the credit of any reserve or fund (including a share premium account and the profit and loss account) whether or not the same is available for distribution by applying such sum in paying up unissued shares to be allotted to (i) employees (including directors) of the Company and/or its affiliates (meaning any individual, corporation, partnership, association, joint-stock company, trust, unincorporated association or other entity (other than the Company) that directly, or indirectly through one or more intermediaries, controls, is controlled by or is under common control with, the Company) upon exercise or vesting of any options or awards granted under any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting, or (ii) any trustee of any trust to whom shares are to be allotted and issued by the Company in connection with the operation of any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting.

(vi) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(vii) Loans and provision of security for loans to Directors

The Company must not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance (Chapter 622 of the laws of Hong Kong) as if the Company were a company incorporated in Hong Kong.

(viii) Disclosure of interests in contracts with the Company or any of its subsidiaries

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and upon such terms as the board may determine, and may be paid such extra remuneration therefor in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. The board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favor of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

No Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to

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account to the Company or the members for any remuneration, profit or other benefits realized by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company must declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested, but this prohibition does not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or
- (ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(c) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

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of any class of members of the Company provided that, if more than one person is so authorized, the authorization shall specify the number and class of shares in respect of which each such person is so authorized. A person authorized pursuant to this provision shall be deemed to have been duly authorized without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognized clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Stock Exchange, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(iii) Annual general meetings and extraordinary general meetings

The Company must hold an annual general meeting of the Company every year within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of not more than eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of the Stock Exchange.

Extraordinary general meetings may be convened on the requisition of one or more shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the board or the secretary for the purpose of requiring an extraordinary general meeting to be called by the board for the transaction of any business specified in such requisition. Such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit, the board fails to proceed to convene such meeting, the requisitionist(s) himself/herself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the board shall be reimbursed to the requisitionist(s) by the Company.

(iv) Notices of meetings and business to be conducted

An annual general meeting must be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days. All other general meetings must be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice is exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time and place of the meeting and particulars of resolutions to be considered at the meeting and, in the case of special business, the general nature of that business.

In addition, notice of every general meeting must be given to all members of the Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to, among others, the auditors for the time being of the Company.

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Any notice to be given to or by any person pursuant to the Articles may be served on or delivered to any member of the Company personally, by post to such member’s registered address or by advertisement in newspapers in accordance with the requirements of the Stock Exchange. Subject to compliance with Cayman Islands law and the rules of the Stock Exchange, notice may also be served or delivered by the Company to any member by electronic means.

All business that is transacted at an extraordinary general meeting and at an annual general meeting is deemed special, save that in the case of an annual general meeting, each of the following business is deemed an ordinary business:

- (aa) the declaration and sanctioning of dividends;
 - (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
 - (cc) the election of directors in place of those retiring;
 - (dd) the appointment of auditors and other officers; and
 - (ee) the fixing of the remuneration of the directors and of the auditors.
- (v) *Quorum for meetings and separate class meetings*

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

The quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vi) *Proxies*

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and is entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy is entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise as if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy.

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(f) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company’s affairs and to explain its transactions.

The accounting records must be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorized by the board or the Company in general meeting. However, an exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors’ report and a copy of the auditors’ report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Stock Exchange, the Company may send to such persons summarized financial statements derived from the Company’s annual accounts and the directors’ report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarized financial statements, a complete printed copy of the Company’s annual financial statement and the directors’ report thereon.

At the annual general meeting or at a subsequent extraordinary general meeting in each year, the members shall appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the next annual general meeting. Moreover, the members may, at any general meeting, by special resolution remove the auditor at any time before the expiration of his terms of office and shall by ordinary resolution at that meeting appoint another auditor for the remainder of his term. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards which may be those of a country or jurisdiction other than the Cayman Islands. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor must be submitted to the members in general meeting.

(g) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

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The Articles provide dividends may be declared and paid out of the profits of the Company, realized or unrealized, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorized for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit.

The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by check or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such check or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the check or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted

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(c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the “**Court**”), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company’s shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm’s-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company’s articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorized to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorize the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorized by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company is to be treated as canceled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the

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up order, (a) an order regulating the conduct of the company’s affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorizing civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company’s capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company’s memorandum and articles of association.

(g) Disposal of assets

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company must cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company’s affairs and to explain its transactions.

An exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to the Tax Concessions Law of the Cayman Islands, the Company has obtained an undertaking:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and

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(o) Register of Directors and Officers

The Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within sixty (60) days of any change in such directors or officers.

(p) Beneficial Ownership Register

An exempted company is required to maintain a beneficial ownership register at its registered office that records details of the persons who ultimately own or control, directly or indirectly, more than 25% of the equity interests or voting rights of the company or have rights to appoint or remove a majority of the directors of the company. The beneficial ownership register is not a public document and is only accessible by a designated competent authority of the Cayman Islands. Such requirement does not, however, apply to an exempted company with its shares [REDACTED] on an approved stock exchange, which includes the Stock Exchange. Accordingly, for so long as the shares of the Company are [REDACTED] on the Stock Exchange, the Company is not required to maintain a beneficial ownership register.

(q) Winding up

A company may be wound up (a) compulsorily by order of the Court, (b) voluntarily, or (c) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the Court, or where the company is unable to pay its debts, or where it is, in the opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company’s affairs in the future, making an order authorizing civil proceedings to be brought in the name and on behalf of the company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

A company (save with respect to a limited duration company) may be wound up voluntarily when the company so resolves by special resolution or when the company in general meeting resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts as they fall due. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court therein, there may be appointed an official liquidator or official liquidators; and the court may appoint to such office such

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4. GENERAL

Conyers Dill & Pearman, the Company’s special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarizing certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed “Documents Delivered to the Registrar of Companies and Available for Inspection” in Appendix VI. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

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A. FURTHER INFORMATION ABOUT OUR GROUP

1. Incorporation of Our Company

We were incorporated in the Cayman Islands under Cayman Companies Law as an exempted company with limited liability on July 6, 2017. We have established a principal place of business in Hong Kong at 40th Floor, Sunlight Tower, No. 248 Queen’s Road East, Wanchai, Hong Kong and have been registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on December 6, 2018. Ms. Zhong Ruoqin and Ms. Ko Mei Ying have been appointed as the authorized representatives of our Company for the acceptance of service of process and notices in Hong Kong.

As we were incorporated in the Cayman Islands, our corporate structure and Memorandum and Articles of Association are subject to the relevant laws and regulations of the Cayman Islands. A summary of the relevant laws and regulations of the Cayman Islands and of the Memorandum and Articles of Association is set out in “Summary of the Constitution of Our Company and Cayman Companies Law” in Appendix IV.

2. Changes in the Share Capital of Our Company

As of the date of incorporation, our Company had an authorized share capital of US\$50,000 divided into 50,000 ordinary shares of US\$1.00 each. Upon incorporation, one ordinary Share of a par value of US\$1.00 was allotted and issued to Vistra (Cayman) Limited, and transferred on the same day to Sea Faith.

The following changes in the share capital of our Company have taken place since the date of incorporation of our Company up to the date of this document:

- on December 25, 2017, our Company allotted and issued an aggregate of 9,999 Shares at par value, increasing the issued share capital of our Company from US\$1 to US\$10,000;
- on May 18, 2018, our Company allotted and issued an aggregate of 10,000 Shares at par value, increasing the issued share capital of our Company from US\$10,000 to US\$20,000; and
- on February 21, 2019, our Company passed resolutions to the effect that (a) every issued and unissued share of US\$1.00 par value each in the capital of the Company was subdivided into [REDACTED] Shares of par value US\$[REDACTED] each, such that the Company shall have an authorized share capital of US\$[REDACTED] divided into [REDACTED] Shares of par value of US\$[REDACTED] each, and (b) the authorized share capital of our Company was increased from US\$[REDACTED] divided into [REDACTED] shares of US\$[REDACTED] each to US\$[REDACTED] divided into [REDACTED] Shares of par value US\$[REDACTED] each by the creation of an additional [REDACTED] Shares of par value US\$[REDACTED] each.

Immediately following the completion of the [REDACTED] without taking into account any Shares which may be issued upon the exercise of the [REDACTED], the issued share capital of our Company will be US\$[REDACTED], divided into [REDACTED] Shares of US\$[REDACTED] each, all fully paid or credited as fully paid and [REDACTED] Shares of US\$[REDACTED] each will remain unissued.

Save as disclosed above and in this document, there has been no alteration in the share capital of our Company since our incorporation.

3. Resolutions in Writing of the Shareholders of Our Company Passed on February 21, 2019

Pursuant to the written resolutions passed by the Shareholders on February 21, 2019:

- (a) our Company approved and adopted the Memorandum of Association with immediate effect and approval and adopted the Articles of Association conditional upon [REDACTED];
- (b) conditional on (1) the [REDACTED] Committee granting the [REDACTED] of, and permission to deal in, the Shares in issue and to be issued as mentioned in this document, (2) the [REDACTED] being fixed on the [REDACTED] and (3) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms therein or otherwise, in each case on or before such dates as may be specified in the Underwriting Agreements:
 - (i) the [REDACTED] was approved and the Directors were authorized to allot and issue the new Shares pursuant to the [REDACTED];
 - (ii) the granting of the [REDACTED] was approved;
 - (iii) the proposed [REDACTED] was approved and the Directors were authorized to implement the [REDACTED];
 - (iv) a general unconditional mandate was granted to the Directors to allot, issue and deal with Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or such convertible securities and to make or grant offers, agreements or options which would or might require the exercise of such powers, provided that the aggregate nominal value of Shares allotted or agreed to be allotted by the Directors other than pursuant to (a) a rights issue, (b) any scrip dividend scheme or similar arrangement providing for the allotment of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles of Association, or (c) the exercise of any subscription or conversion rights attaching to any warrants or securities which are convertible into Shares or in issue prior to the date of passing the relevant resolution or (d) a specific authority granted by the Shareholders in general meeting, shall not exceed the aggregate of (1) 20% of the total nominal value of the share capital of our Company in issue immediately following the completion of the [REDACTED] (but excluding any Shares which may be issued pursuant to the exercise of the [REDACTED]) and (2) the total nominal value of the share capital of our Company repurchased by our Company (if any) under the general mandate to repurchase Shares referred to in paragraph (vi) below, such mandate to remain in effect during the period from the passing of the resolution until the earliest of the conclusion of our next annual general meeting, the end of the period within which we are required by any applicable law or the Articles of Association to hold our next annual general meeting and the date on which the resolution is varied or revoked by an ordinary resolution of the Shareholders in general meeting (the “Applicable Period”);

- (v) a general unconditional mandate was granted to the Directors to exercise all powers of our Company to repurchase on the Stock Exchange or on any other stock exchange on which the securities of our Company may be [REDACTED] and which is recognized by the SFC and the Stock Exchange for this purpose Shares with a total nominal value of not more than 10% of the total nominal value of the share capital of our Company in issue immediately following completion of the [REDACTED] (but excluding any Shares which may be issued pursuant to the exercise of the [REDACTED]), such mandate to remain in effect during the Applicable Period; and
- (vi) the general unconditional mandate mentioned in paragraph (iv) above be extended by the addition to the aggregate nominal amount of the share capital of our Company which may be allotted or agreed conditionally or unconditionally to be allotted by the Directors pursuant to such general mandate of an amount representing the aggregate nominal amount of the share capital of our Company repurchased by our Company pursuant to the mandate to repurchase Shares referred to in paragraph (v) above, provided that such extended amount shall not exceed 10% of the aggregate nominal amount of the Company’s share capital in issue immediately following completion of the [REDACTED].

4. Our Corporate Reorganization

The companies comprising the Group underwent the Reorganization in preparation for the [REDACTED]. Please see the section headed “Our History and Development” for further details.

5. Changes in the Share Capital of Our Subsidiaries

Our subsidiaries are referred to in the Accountants’ Report, the text of which is set out in Appendix I. Save for the subsidiaries mentioned in the Accountants’ Report, we do not have any other subsidiaries.

The following alterations in the share capital of our subsidiaries have taken place within the two years immediately preceding the date of this document:

- on January 6, 2017, Binjiang Property increased its registered capital from RMB5,000,000 to RMB20,000,000 by way of conversion of distributable profits into share capital of Binjiang Property;
- on May 17, 2017, Binjiang Decoration decreased its registered capital from RMB10,000,000 to RMB5,000,000;
- on May 17, 2017, Binwan Decoration decreased its registered capital from RMB10,000,000 to RMB5,000,000;
- on May 18, 2018, Robust allotted and issued one new share to our Company at a consideration of HK\$107,235,314, increasing its number of issued shares from one to two; and

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- on May 18, 2018, Binjiang Services (HK) allotted and issued an aggregate of 10,000 shares to Robust at a consideration of HK\$107,235,314, increasing the share capital from HK\$10,000 to HK\$20,000.

Save as disclosed above, there have been no alterations in the share capital of our subsidiaries within the two years immediately preceding the date of this document.

6. Repurchases of Our Own Securities

(a) Provisions of the Listing Rules

The Listing Rules permit companies with a primary [REDACTED] on the Stock Exchange to repurchase their own securities on the Stock Exchange subject to certain restrictions, the more important of which are summarized below:

(i) *Shareholders’ Approval*

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company with a primary [REDACTED] on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders in general meeting, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to a resolution passed by our then Shareholders on February 21, 2019, a general unconditional mandate (the “**Repurchase Mandate**”) was given to the Directors authorizing any repurchase by our Company of Shares on the Stock Exchange or on any other stock exchange on which the securities may be [REDACTED] and which is recognized by the SFC and the Stock Exchange for this purpose, of not more than 10% of the aggregate nominal value of our Company’s share capital in issue immediately following the completion of the [REDACTED] (without taking into account any Shares which may be issued pursuant to the exercise of the [REDACTED]), such mandate to expire at the conclusion of our next annual general meeting, the date by which our next annual general meeting is required by the Cayman Companies Law or by our Articles of Association or any other applicable laws of the Cayman Islands to be held or when revoked or varied by an ordinary resolution of Shareholders in general meeting, whichever first occurs.

(ii) *Trading Restrictions*

The total number of shares which a [REDACTED] company may repurchase on the Stock Exchange is the number of shares representing up to a maximum of 10% of the aggregate number of shares in issue. A company may not issue or announce a proposed issue of new securities for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange. In addition, a [REDACTED] company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is 5% or more than the average closing market price for the five preceding

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trading days on which its shares were traded on the Stock Exchange. The Listing Rules also prohibit a [REDACTED] company from repurchasing its securities if the repurchase would result in the number of [REDACTED] securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange. A company is required to procure that the broker appointed by it to effect a repurchase of securities discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require.

(iii) Status of Repurchased Shares

All repurchased securities (whether effected on the Stock Exchange or otherwise) will be automatically delisted and the certificates for those securities must be canceled and destroyed.

(iv) Suspension of Repurchase

A [REDACTED] company may not make any repurchase of securities at any time after inside information has come to its knowledge until the information has been made publicly available. In particular, during the period of one month immediately preceding the earlier of (a) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of a [REDACTED] company’s results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules) and (b) the deadline for publication of an announcement of a [REDACTED] company’s results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), the [REDACTED] company may not repurchase its shares on the Stock Exchange other than in exceptional circumstances. In addition, the Stock Exchange may prohibit a repurchase of securities on the Stock Exchange if a [REDACTED] company has breached the Listing Rules.

(v) Reporting Requirements

Certain information relating to repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following business day. In addition, a [REDACTED] company’s annual report is required to disclose details regarding repurchases of securities made during the year, including a monthly analysis of the number of securities repurchased, the purchase price per share or the highest and lowest price paid for all such repurchases, where relevant, and the aggregate prices paid.

(vi) Connected Persons

A [REDACTED] company is prohibited from knowingly repurchasing securities on the Stock Exchange from a “connected person”, that is, a director, chief executive or substantial shareholder of the company or any of its subsidiaries or their associates and a connected person is prohibited from knowingly selling his securities to the company.

(b) Reasons for Repurchases

Our Directors believe that the ability to repurchase Shares is in the interests of our Company and the Shareholders. Repurchases may, depending on the circumstances, result in an increase in the net assets and/or earnings per Share. Our Directors sought the grant of a general mandate to repurchase Shares to give our Company the flexibility to do so if and when appropriate. The number of Shares to be repurchased on any occasion and the price and other terms upon which the same are repurchased will be decided by our Directors at the relevant time having regard to the circumstances then pertaining.

(c) Funding of Repurchases

Repurchases must be funded out of funds legally available for the purpose in accordance with the Memorandum and the Articles of Association of our Company and the Listing Rules and the applicable laws of the Cayman Islands.

A [REDACTED] company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange. Subject to the foregoing, any repurchases by our Company may be made out of the profits of our Company or out of a fresh issue of Shares made for the purpose of the repurchase or from sums standing to the credit of the share premium account of the Company or, subject to the Cayman Companies Law, out of capital and, in the case of any premium payable on the purchase, out of the profits of our Company or from sums standing to the credit of the share premium account of our Company or, subject to the Cayman Companies Law, out of capital.

There could be a material adverse impact on the working capital and/or gearing position of our Company (as compared with the position disclosed in this document) in the event that the repurchase mandate were to be carried out in full at any time during the share repurchase period. However, the Directors do not propose to exercise the general mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or the gearing levels which in the opinion of the Directors are from time to time appropriate for our Company.

(d) General

The exercise in full of the repurchase mandate, on the basis of [REDACTED] Shares in issue immediately following the completion of the [REDACTED] and assuming the [REDACTED] is not exercised, could accordingly result in up to approximately [REDACTED] Shares being repurchased by our Company during the period prior to:

- (i) the conclusion of our next annual general meeting; or
- (ii) the end of the period within which we are required by any applicable law or our Articles of Association to hold our next annual general meeting; or
- (iii) the date when the repurchase mandate is varied or revoked by an ordinary resolution of our Shareholders in general meeting,

whichever is the earliest.

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None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates currently intends to sell any Shares to our Company.

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the repurchase mandate in accordance with the Listing Rules and the applicable laws in the Cayman Islands.

No connected person of our Company has notified our Company that he or she has a present intention to sell Shares to our Company, or has undertaken not to do so, if the repurchase mandate is exercised.

If, as a result of any repurchase of Shares, a Shareholder’s proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purposes of the Hong Kong Code on Takeovers and Mergers (the “**Takeovers Code**”). Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, the Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the repurchase mandate.

Any repurchase of Shares that results in the number of Shares held by the public being reduced to less than 25% (or a higher percentage upon completion of the exercise of the [REDACTED]) of the Shares then in issue could only be implemented if the Stock Exchange agreed to waive the Listing Rules requirements regarding the public shareholding referred to above. It is believed that a waiver of this provision would not normally be given other than in exceptional circumstances.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of Material Contracts

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by our Company or its subsidiaries within the two years preceding the date of this document and are or may be material:

- (a) the Hong Kong Underwriting Agreement;
- (b) the Deed of Indemnity;

[REDACTED]

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[REDACTED]

(f) the Deed of Non-Competition.

2. Intellectual Property Rights of the Group

As of the Latest Practicable Date, we have registered, have been granted a license to use or have applied for the registration of the following intellectual property rights which are material in relation to our business.

(a) Trademarks

As of the Latest Practicable Date, we have registered the following trademarks which, in the opinion of our Directors, are or may be material to our business:

No.	Trademark	Registration number	Type and class	Name of registered owner	Place of registration	Date of registration	Expiry date
1.	BINJIANG SERVICE	23802215	37	Binjiang Property	PRC	January 14, 2019	January 13, 2029
2.	BINJIANG SERVICE	23798290	45	Binjiang Property	PRC	January 14, 2019	January 13, 2029
3.	BINJIANG SERVICE	23798214	36	Binjiang Property	PRC	January 14, 2019	January 13, 2029
4.	濱江服務	23773638	45	Binjiang Property	PRC	January 14, 2019	January 13, 2029
5.	BINJIANG SERVICE	23773580	41	Binjiang Property	PRC	January 14, 2019	January 13, 2029
6.		304561326	35, 36, 37, 38, 40, 41, 44, 45	Company	Hong Kong	December 6, 2018	December 5, 2028
7.		304561317	35, 36, 37, 38, 40, 41, 44, 45	Company	Hong Kong	December 6, 2018	December 5, 2028

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As of the Latest Practicable Date, we were granted a license to use the following trademarks:

No.	Trademark	Registration number	Type and class	Name of registered owner	Place of registration	Date of registration	Expiry date
1.		22807944	41, 45	Binjiang Real Estate	PRC	February 21, 2018	February 20, 2028
2.		6651621	36	Binjiang Real Estate	PRC	April 7, 2018	April 6, 2020
3.		6651618	37	Binjiang Real Estate	PRC	April 7, 2010	April 6, 2020
4.		6651617	44	Binjiang Real Estate	PRC	May 14, 2010	May 13, 2020
5.	 滨江物业	24200344	41	Binjiang Real Estate	PRC	May 14, 2018	May 13, 2028
6.	BINJIANG PROPERTY	22807846	36, 37, 41, 44, 45	Binjiang Real Estate	PRC	April 14, 2018	April 13, 2028
7.	 滨江物业	24202644	45	Binjiang Real Estate	PRC	May 14, 2018	May 13, 2028
8.	 滨江物业	24200331	37	Binjiang Real Estate	PRC	August 21, 2018	August 20, 2028
9.	滨江物业	22807653	36, 37, 41, 44, 45	Binjiang Real Estate	PRC	May 28, 2018	May 27, 2028
10.	 滨江物业	24204012	36	Binjiang Real Estate	PRC	December 14, 2018	December 13, 2028

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As of the Latest Practicable Date, we have applied for the registration of the following trademarks:

<u>No.</u>	<u>Trademark</u>	<u>Type and class</u>	<u>Name of applicant</u>	<u>Place of application</u>	<u>Application number</u>	<u>Application date</u>
1	滨江服务	36	Binjiang Property	PRC	23802320	April 26, 2017
2	滨江服务	37	Binjiang Property	PRC	23796454	April 26, 2017
3	滨江服务	41	Binjiang Property	PRC	23801058	April 26, 2017
4	滨江服务	44	Binjiang Property	PRC	23773634	April 26, 2017
5	BINJIANG SERVICE	44	Binjiang property	PRC	23773585	April 26, 2017
6	濱江	35, 36, 37, 38, 40, 41, 44, 45	Binjiang Property	Hong Kong	304561335	June 12, 2018
7	BINJIANG	35, 36, 37, 38, 40, 41, 44, 45	Binjiang Property	Hong Kong	304561344	June 12, 2018

(b) Domain Name

As of the Latest Practicable Date, we have registered the following domain name:

<u>No.</u>	<u>Domain name</u>	<u>Registrant</u>	<u>Registration date</u>	<u>Expiry date</u>
1.	hzbjwy.com	Binjiang Property	June 3, 2008	June 3, 2020
2.	binjiangfuwu.com	Binjiang Property	January 13, 2019	January 13, 2020

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of Interests

(a) Interests of the Directors and the Chief Executive of Our Company

Immediately following the completion of the [REDACTED] and without taking into account any Shares which may be issued pursuant to the exercise of the [REDACTED], the interests or short positions of the Directors and chief executive of our Company in the shares, underlying shares and debentures of our Company or our associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including

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interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to in that section, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of [REDACTED] Issuers as set out in Appendix 10 to the Listing Rules, to be notified to our Company and the Stock Exchange, once the Shares are [REDACTED], will be as follows:

Name of Director	Nature of interest	Immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised) ⁽²⁾	
		Number of Shares held	Approximate percentage of shareholding interest ⁽¹⁾
Mr. Mo	Settlor of a discretionary trust and interest in controlled corporation ⁽³⁾	[REDACTED]	[REDACTED]

Notes:

- (1) The calculation is based on the total number of Shares in issue immediately following the completion of the [REDACTED] (assuming that the [REDACTED] is not exercised).
- (2) All interests stated are long positions.
- (3) These [REDACTED] Shares are held by Haoyu, the entire issued share capital of which is held by Infiniti Trust as the trustee of Great Splendor Trust through its nominee company. Great Splendor Trust is an irrevocable trust established by Mr. Mo (as the settlor) for the benefit of himself and certain family members of Mr. Mo. Accordingly, Mr. Mo is deemed to be interested in the number of [REDACTED] Shares held by Haoyu.

(b) Interests of the Substantial Shareholders

Save as disclosed in “Substantial Shareholders”, immediately following the completion of the [REDACTED] and without taking into account any Shares which may be issued pursuant to the exercise of the [REDACTED], our Directors and chief executive are not aware of any other person (other than a Director or chief executive of our Company) who will have an interest or short position in the Shares or the underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Company.

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(c) *Interests in Other Members of the Group*

So far as our Directors are aware, as of the Latest Practicable Date, the following persons (excluding us) are directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

<u>Name of subsidiary</u>	<u>Name of shareholder</u>	<u>Registered Capital</u>	<u>Approximate percentage of interest</u>
Binrui Decoration	Yintairuiqi Display	RMB490,000	49%
Binhe Property	Civil Construction	RMB2,450,000	49%
Zhejiang Binhe	Ruiyuan Property	RMB4,900,000	49%

2. **Directors’ Service Contracts**

Each of our executive Directors has entered into a service contract with our Company on February 21, 2019, and we have issued letter of appointment to each of our non-executive Directors and independent non-executive Directors. The service contract with each of our executive Directors is for an initial fixed term of three years commencing from February 21, 2019. The letter of appointment with each of our non-executive Directors and independent non-executive Directors is for an initial fixed term of three years. The service contracts and the letters of appointment are subject to termination in accordance with their respective terms. The service contracts may be renewed in accordance with our Articles of Association and the applicable Listing Rules.

Save as disclosed above, none of our Directors has entered, or has proposed to enter, a service contract with any member of our Group (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

3. **Directors’ Remuneration**

The aggregate amount of remuneration (including fees, salaries, allowance, benefits-in-kind, discretionary bonuses and retirement scheme contributions) paid to the Directors for the three years ended December 31, 2015, 2016 and 2017 and the eight months ended August 31, 2018 was nil, nil, nil and RMB38,000, respectively.

Our independent non-executive Directors have been appointed for a term of three years. The Company intends to pay a director’s fee of RMB100,000 per annum to each of the independent non-executive Directors. Save for the director’s fees, none of our independent non-executive Directors is expected to receive any other remuneration for holding his or her office as an independent non-executive Director.

Under the arrangements currently in force, the aggregate amount of remuneration payable by our Group to our Directors for the year ending December 31, 2019 will be approximately RMB1,700,000.

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Our executive Director, Mr. Zhu, had waived remuneration for three years ended December 31, 2015, 2016 and 2017 and the eight months ended August 31, 2018.

Further details of the terms of the above service contracts are set forth in the paragraph headed “— C. Further Information About Our Directors and Substantial Shareholders — 2. Directors’ Service Contracts.”

4. Directors’ Competing Interests

Save as disclosed in the section headed “Relationship with Controlling Shareholders”, none of our Directors are interested in any business apart from the Group’s business which competes or is likely to compete, directly or indirectly, with the business of the Group.

5. Disclaimers

Save as disclosed in this document:

- (a) none of the Directors or chief executive of our Company has any interests or short positions in the shares, underlying shares and debentures of our Company or our associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he is taken or deemed to have taken under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to in that section, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of [REDACTED] Issuers, to be notified to our Company and the Stock Exchange, once the Shares are [REDACTED] on the Stock Exchange;
- (b) so far as is known to any Director or chief executive of our Company, no person has an interest or short position in the Shares and underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group;
- (c) none of the Directors nor any of the persons listed in “— D. Other Information — 5. Qualification of Experts” below is interested in the promotion of, or in any assets which have been, within the two years immediately preceding the issue of this document, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group;
- (d) none of the Directors nor any of the persons listed in “— D. Other Information — 5. Qualification of Experts” below is materially interested in any contract or arrangement with the Group subsisting at the date of this document which is unusual in its nature or conditions or which is significant in relation to the business of the Group as a whole;

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- (e) save in connection with Underwriting Agreements, none of the persons listed in “— D. Other Information — 5. Qualification of Experts” below has any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group;
- (f) none of the Directors has entered or has proposed to enter into any service agreements with our Company or any member of the Group (other than contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation); and
- (g) save as contemplated under the Underwriting Agreements, none of our Directors, their respective associates (as defined under the Listing Rules), or Shareholders who are interested in more than 5% of the issued share capital of our Company has any interest in our Company’s five largest customers and five largest suppliers.

D. OTHER INFORMATION

1. Tax and other indemnities

The Controlling Shareholders have entered into the Deed of Indemnity dated February 21, 2019 with and in favor of our Company (for itself and as trustee for its subsidiaries) whereby the Controlling Shareholders have given indemnities in connection with, among other things, any liability for estate duty under the Estate Duty Ordinance, Chapter 111 of the Laws of Hong Kong, or legislation similar thereto in Hong Kong or any jurisdictions outside Hong Kong which might be incurred by any member of our Group on or before the [REDACTED], and other taxation (including all fines, penalties, costs, charges, expenses and interests relating to taxation) which may be suffered by any member of our Group in respect of, among other things, any income, profits or gains earned, accrued or received on or before the [REDACTED], save:

- (a) to the extent that specific provision or reserve has been made for such taxation in the audited consolidated financial information of our Group as set out in Appendix I (the “Accounts”);
- (b) to the extent that the liability for such taxation would not have arisen but for any act or omission of, or delay by, any member of our Group after the [REDACTED];
- (c) to the extent such loss arises or is incurred only as a result of a retrospective change in law or regulations or the interpretation or practice thereof by any relevant authority coming into force after the [REDACTED].

In addition, the Controlling Shareholders have also given indemnities to our Company (for itself and as trustee for its subsidiaries) against any fines, penalties, claims, costs, expenses and losses (to the extent that provision, reverse or allowance has not been made for such fines, penalties claims, costs, expenses or losses in the financial statements) incurred by any of the Company or its subsidiaries after the [REDACTED] resulting from any non-compliance of any of the Company or its subsidiaries with applicable laws and regulations on or before the [REDACTED].

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2. Litigation

As of the Latest Practicable Date, save as disclosed in “Business – Legal Proceedings and Compliance,” no member of the Group was engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened by or against the Group, that would have a material adverse effect on its business, financial condition or results of operations.

3. Sole Sponsor

The Sole Sponsor has made an application on behalf of our Company to the [REDACTED] Committee for the [REDACTED] of, and permission to deal in, the Shares in issue, the Shares to be issued pursuant to the [REDACTED] (including the additional Shares which may be issued pursuant to the exercise of the [REDACTED]). All necessary arrangements have been made to enable such Shares to be admitted into [REDACTED].

The Sole Sponsor satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules. Please refer to the section headed “Underwriting — Sponsor’s Independence” for details regarding the independence of the Sole Sponsor.

The fees payable to the Sole Sponsor is US\$1.0 million and is payable by our Company.

4. No Material Adverse Change

The Directors confirm that there has been no material adverse change in the financial or trading position or prospects of the Group since August 31, 2018 (being the date to which the latest audited consolidated financial statements of the Group were prepared).

5. Qualification of Experts

The following are the qualifications of the experts (as defined under the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance) who have given opinions or advice which are contained in this document:

Name	Qualification
CLSA Capital Markets Limited	Licensed to conduct type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO
KPMG	Certified Public Accountants
Zhejiang T&C Law Firm	Legal advisers as to PRC law
Conyers Dill & Pearman	Legal advisers as to Cayman Islands law
China Index Academy	Industry Consultant

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6. Consents of Experts

Each of CLSA Capital Markets Limited, KPMG, Zhejiang T&C Law Firm, Conyers Dill & Pearman and China Index Academy has given and has not withdrawn its consent to the issue of this document with the inclusion of its report and/or letter and/or legal opinion (as the case may be) and references to its name included in the form and context in which it respectively appears.

None of the experts named above has any shareholding interests in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company or any of our subsidiaries.

7. Promoter

Our Company has no promoter for the purpose of the Listing Rules. Within the two years immediately preceding the date of this document, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the [REDACTED] and the related transactions described in this document.

8. Preliminary Expenses

The preliminary expenses incurred by our Company were approximately US\$8,000 and were payable by us.

9. Binding Effect

This document shall have the effect, if an application is made in pursuance of this document, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of Sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance insofar as applicable.

10. Bilingual Document

The English language and Chinese language versions of this document are being published separately, in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

11. Taxation of Holders of Shares

(a) *Hong Kong*

The sale, purchase and transfer of Shares registered with our Hong Kong branch register of members will be subject to Hong Kong stamp duty. The current rate charged on each of the purchaser and seller is 0.1% of the consideration of or, if higher, of the fair value of the Shares being sold or transferred. Profits from [REDACTED] in the

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Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax. The Revenue (Abolition of Estate Duty) Ordinance 2005 came into effect on February 11, 2006 in Hong Kong. No Hong Kong estate duty is payable and no estate duty clearance papers are needed for a grant of representation in respect of holders of Shares whose death occurs on or after February 11, 2006.

(b) Cayman Islands

There is no stamp duty payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

(c) Consultation with professional advisors

Potential investors in the [REDACTED] are urged to consult their professional tax advisors if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or [REDACTED] in our Shares (or exercising rights attached to them). None of us, the Sole Sponsor, [REDACTED] or any other person or party involved in the [REDACTED] accept responsibility for any tax effects on, or liabilities of, any person, resulting from the subscription, purchase, holding or disposal of, [REDACTED] in or the exercise of any rights in relation to our Shares.

12. Miscellaneous

- (a) Save as disclosed in this document, within the two years immediately preceding the date of this document:
 - (i) neither we nor any of our subsidiaries has issued or agreed to issue any share or loan capital fully or partly paid up either for cash or for a consideration other than cash;
 - (ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
 - (iii) no commissions, discounts, brokerage or other special terms have been granted in connection with the issue or sale of any shares or loan capital of any member of the Group;
 - (iv) no commission has been paid or payable (except commission to sub-underwriters) to any persons for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any shares of our Company or any of our subsidiaries;
 - (v) no founder, management or deferred shares of our Company or any of our subsidiaries have been issued or agreed to be issued; and
 - (vi) there is no arrangement under which future dividends are waived or agreed to be waived.

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- (b) Save in connection with the [REDACTED], none of the persons named in the paragraph headed “— D. Other Information — 6. Consents of Experts” in this Appendix is interested beneficially or otherwise in any shares of any member of our Group or has any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any securities in any member of our Group;
- (c) The branch register of members of the Company will be maintained in Hong Kong by its [REDACTED]. Unless the Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by the Company’s share register in Hong Kong and may not be lodged in the Cayman Islands. All necessary arrangements have been made to enable the Shares to be admitted to [REDACTED].
- (d) Our Directors confirm that:
 - (i) there has not been any interruption in the business of our Company which may have or have had a material adverse effect on the financial position of our Company in the 12 months immediately preceding the date of this document; and
 - (ii) our Company has no outstanding convertible debt securities or debentures.
- (e) No company within our Group is presently listed on any stock exchange or traded on any trading system.
- (f) The English version of this document shall prevail over the Chinese version.

APPENDIX VI

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES AND AVAILABLE FOR INSPECTION

1. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to a copy of this document and delivered to the Registrar of Companies in Hong Kong for registration were:

[REDACTED]

- (b) a copy of each of the material contracts referred to in the section headed “Appendix V — Statutory and General Information — B. Further Information About Our Business — 1. Summary of Material Contracts”; and
- (c) the written consents referred to in the section headed “Appendix V — Statutory and General Information — D. Other Information — 6. Consents of Experts.”

2. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Simpson Thacher & Bartlett, 35/F, ICBC Tower, 3 Garden Road, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this document:

- (a) the Memorandum and Articles of Association of our Company;
- (b) the audited consolidated financial statements of our Group for the years ended December 31, 2015, 2016 and 2017 and eight months ended August 31, 2018;
- (c) the Accountant’s Report and the report on the unaudited pro forma financial information prepared by KPMG, the texts of which are set out in Appendices I and II;
- (d) the letters from KPMG and the Sole Sponsor relating to the profit estimate, the texts of which are set out in Appendix III;
- (e) the legal opinions issued by Zhejiang T&C Law Firm, our PRC Legal Advisers, in respect of certain aspects of the Group and the property interests of the Group;
- (f) the letter of advice prepared by Conyers Dill & Pearman, our Cayman legal advisers, summarizing certain aspects of Cayman Islands company law referred to in Appendix IV;
- (g) the material contracts referred to in the section headed “Appendix V — Statutory and General Information — B. Further Information About Our Business — 1. Summary of Material Contracts”; and
- (h) the written consents referred to in the section headed “Appendix V — Statutory and General Information — D. Other Information — 6. Consents of Experts”;

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DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES AND AVAILABLE FOR INSPECTION

- (i) service contracts and letters of appointment referred to in the section headed “Appendix V — Statutory and General Information — C. Further Information about Our Directors and Substantial Shareholders — 2. Directors’ Service Contracts”;
- (j) the Cayman Islands Companies Law; and
- (k) the industry report issued by China Index Academy, our industry consultant.