



Xinchengyue Holdings Limited

新城悅控股有限公司

(Incorporated under the laws of the Cayman Islands with limited liability)

Stock Code: 1755

GLOBAL OFFERING

Sole Sponsor



華泰金融控股(香港)有限公司
HUATAI FINANCIAL HOLDINGS (HONG KONG) LIMITED

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers



華泰金融控股(香港)有限公司
HUATAI FINANCIAL HOLDINGS (HONG KONG) LIMITED



新城晉峰
FUTURE LAND RESOURCES

Joint Bookrunners and Joint Lead Managers



國泰君安國際
GUOTAI JUNAN INTERNATIONAL



西證國際
SOUTHWEST SECURITIES

東方證券(香港)有限公司
ORIENT SECURITIES (HONG KONG) LIMITED



交銀國際
BOCOM International

IMPORTANT

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

Xinchengyue Holdings Limited

新城悅控股有限公司

(Incorporated under the laws of the Cayman Islands with limited liability)

GLOBAL OFFERING

Number of Offer Shares under the Global Offering	:	200,000,000 Shares (subject to the Over-allotment Option)
Number of Hong Kong Offer Shares	:	20,000,000 Shares (subject to adjustment and the Over-allotment Option)
Number of International Offer Shares	:	180,000,000 Shares (subject to adjustment and the Over-allotment Option)
Maximum Offer Price	:	HK\$3.9 per Offer Share plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars, subject to refund on final pricing)
Nominal Value	:	US\$0.01 per Share
Stock Code	:	1755

Sole Sponsor



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交銀國際
BOCOM International

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

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

The Offer Price is expected to be determined by agreement between us, the Joint Global Coordinators (on behalf of the Underwriters) on or about Tuesday, October 30, 2018 and, in any event, not later than Sunday, November 4, 2018. The Offer Price will be not more than HK\$3.9 per Offer Share and is currently expected to be not less than HK\$2.9 per Offer Share, unless otherwise announced. Investors applying for the Hong Kong Offer Shares must pay, on application, the maximum Offer Price of HK\$3.9 per Offer Share, together with brokerage of 1.0%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price is less than HK\$3.9 per Offer Share. If, for any reason, the Offer Price is not agreed between us and the Joint Global Coordinators (on behalf of the Underwriters) on or before Sunday, November 4, 2018 (Hong Kong time), the Global Offering (including the Hong Kong Public Offering) will not proceed and will lapse.

The Joint Global Coordinators (on behalf of the Underwriters), with our consent, may reduce the indicative Offer Price range stated in this prospectus and/or reduce the number of Offer Shares being offered pursuant to the Global Offering at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, notices of the reduction of the indicative Offer Price range and/or the number of Offer Shares will be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. Further details are set out in the sections headed "Structure of the Global Offering" and "How to Apply for the Hong Kong Offer Shares" in this prospectus. Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus, including the risk factors set out in the section headed "Risk Factors" in this prospectus. The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by the Joint Global Coordinators (on behalf of the Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. Such grounds are set out in the section headed "Underwriting – Underwriting Arrangements and Expenses – Hong Kong Public Offering – Hong Kong Underwriting Agreement – Grounds for Termination" in this prospectus. It is important that you refer to that section for further details.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States or to, or for the account or benefit of U.S. persons, except in transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act. The Offer Shares are being offered and sold outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act.

October 24, 2018

EXPECTED TIMETABLE⁽¹⁾

Latest time for completing electronic applications under WHITE FORM eIPO service through the designated website www.eipo.com.hk ⁽²⁾	11:30 a.m. on Tuesday, October 30, 2018
Application lists open ⁽³⁾	11:45 a.m. on Tuesday, October 30, 2018
Latest time for lodging WHITE and YELLOW Application Forms	12:00 noon on Tuesday, October 30, 2018
Latest time for completing payment of WHITE FORM eIPO applications by effecting internet banking transfer(s) or PPS payment transfer(s)	12:00 noon on Tuesday, October 30, 2018
Latest time for giving electronic application instructions to HKSCC ⁽⁴⁾	12:00 noon on Tuesday, October 30, 2018
Application lists close ⁽³⁾	12:00 noon on Tuesday, October 30, 2018
Expected Price Determination Date ⁽⁵⁾	Tuesday, October 30, 2018

- (1) Announcement of the Offer Price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and basis of allocation of the Hong Kong Offer Shares under the Hong Kong Public Offering to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on or beforeMonday, November 5, 2018

- (2) Results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels as described in the section headed "How to Apply for the Hong Kong Offer Shares – 11. Publication of Results" in this prospectusMonday, November 5, 2018

EXPECTED TIMETABLE⁽¹⁾

- (3) A full announcement of the Hong Kong Public Offering containing (1) and (2) above to be published on the website of the Hong Kong Stock Exchange at www.hkexnews.hk and our website at www.xinchengyue.com fromMonday, November 5, 2018

Results of allocations in the Hong Kong Public Offering will be available at www.iporesults.com.hk (alternatively: English <https://www.eipo.com.hk/en/Allotment>; Chinese <https://www.eipo.com.hk/zh-hk/Allotment>) with a “search by ID” function fromMonday, November 5, 2018

Dispatch/collection of Share certificates in respect of wholly or partially successful applications pursuant to the Hong Kong Public Offering on or before⁽⁶⁾Monday, November 5, 2018

Dispatch/collection of refund cheques and White Form e-Refund payment instructions in respect of wholly or partially successful applications (if applicable) or wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering on or before⁽⁷⁾Monday, November 5, 2018

Dealings in the Shares on the Hong Kong Stock Exchange expected to commence at 9:00 a.m. onTuesday, November 6, 2018

The application monies (including the brokerages, SFC transaction levies and Hong Kong Stock Exchange trading fees) will be held by the receiving bank on behalf of the Company and the refund monies, if any, will be returned to the applicants without interest on or before Monday, November 5, 2018. Investors should be aware that the dealings in the Shares on the Stock Exchange are expected to commence on Tuesday, November 6, 2018.

Notes:

- (1) All times refer to Hong Kong local time, except as otherwise stated.
- (2) You will not be permitted to submit your application through the designated website at www.eipo.com.hk after 11:30 a.m. on the last day for lodging applications. If you have already submitted your application and obtained an application reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day of lodging applications, when the application lists close.
- (3) If there is a tropical cyclone warning signal number 8 or above, or a “black” rainstorm warning in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, October 30, 2018, the application lists will not open on that day. Please refer to the section headed “How to Apply for the Hong Kong Offer Shares – 10. Effect of Bad Weather on the Opening of the Application Lists” in this prospectus.
- (4) Applicants who apply for the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should refer to the section headed “How to Apply for the Hong Kong Offer Shares – 6. Applying by Giving **Electronic Application Instructions** to HKSCC via CCASS” in this prospectus.

EXPECTED TIMETABLE⁽¹⁾

- (5) *The Price Determination Date is expected to be on or about Tuesday, October 30, 2018 and, in any event, not later than Sunday, November 4, 2018. If, for any reason, the Offer Price is not agreed by Sunday, November 4, 2018 between our Company and the Joint Global Coordinators (on behalf of the Underwriters), the Global Offering will not proceed and will lapse.*
- (6) *Share certificates for the Hong Kong Offer Shares are expected to be issued on Monday, November 5, 2018 but will only become valid certificates of title provided that the Global Offering has become unconditional in all respects, and neither of the Underwriting Agreements has been terminated in accordance with its terms, prior to 8:00 a.m. on the Listing Date, which is expected to be on or around Tuesday, November 6, 2018. Investors who trade Shares on the basis of publicly available allocation details before the receipt of share certificates or before the share certificates becoming valid certificates of title do so entirely at their own risk.*
- (7) *e-Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessfully applications and in respect of successful applications if the Offer Price is less than the price payable on application.*

The above expected timetable is a summary only. You should refer to the sections headed “Structure of the Global Offering” and “How to Apply for the Hong Kong Offer Shares” in this prospectus for details of the structure of the Global Offering, including the conditions of the Global Offering, and the procedures for application for the Hong Kong Offer Shares.

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IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by the Company solely in connection with the Hong Kong Public Offering and the Hong Kong Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any securities other than the Hong Kong Offer Shares offered by this prospectus pursuant to the Hong Kong Public Offering. This prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

You should rely on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorized anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorized by us, the Sole Sponsor, the Joint Lead Managers, the Joint Global Coordinators, the Joint Bookrunners, the Underwriters, any of our or their respective directors, officers or representatives or any other person involved in the Global Offering. Information contained in our website, located at www.xinchengyue.com, does not form part of this prospectus.

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SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. As it is a summary, it does not contain all the information that may be important to you. You should read the whole document before you decide to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed “Risk Factors” of this prospectus. You should read this section carefully before you invest in the Offer Shares.

BUSINESS OVERVIEW

We are a fast growing property management service provider in the PRC. We have been providing property management services in the PRC for more than 22 years. According to China Index Academy, we were ranked No. 7 in terms of growth among the 2018 China Top 100 Property Management Companies in the PRC, which marked our fourth consecutive year of being ranked among the top 10 property management service providers in terms of growth, and we were ranked No. 6 among the 2018 China Top 100 Property Management Companies in the PRC in terms of total GFA under management in the Yangtze River Delta Region. Furthermore, we were ranked No.16 in 2018, rising from No. 34 in 2010 among the China Top 100 Property Management Companies, as published by CIA. As of April 30, 2018, our contracted property management services spanned across 53 cities in 21 provinces, municipalities and autonomous regions with a total contracted GFA of 73.3 million sq.m. and a total GFA under management of 37.0 million sq.m.

We provide a wide range of property management services and value-added services for property developers, residents and tenants in the communities we manage. We have also developed Orange APP, a one-stop information service platform, so that our residents and customers have convenient access to our services through their mobile devices. Our long-standing relationship with Future Land Group, one of the leading property developers in the PRC, has allowed us to generate a steady pipeline of property management projects. As a result of our quality service and increased market presence, we have established a property management brand associated with quality and customer-oriented services.

Tibet Xinchengyue, our principal operation entity, since its incorporation in March 1996, has been under the continuous control of Mr. Wang, either directly or indirectly through different corporate structures. In particular, for the period from June 2010 to May 2016, Tibet Xinchengyue was a subsidiary of Future Land Development Holdings, a PRC property development company listed on the Stock Exchange.

OUR BUSINESS MODEL

During the Track Record Period, we generated revenue primarily from two main business lines, property management services and value-added services. Our value-added services consist of three business categories, property developer-related services, community-related services and professional services.

SUMMARY

Property Management Services

We provide property residents and tenants with a wide range of property management services, including property and equipment maintenance, security services, cleaning services, gardening services, public area maintenance and other property management related services. We manage a diversified portfolio of properties, comprising residential properties and non-residential properties, ranging from office buildings, mixed-complexes, factories, to parks and technology industrial parks. During the Track Record Period, the majority of our revenue was generated from the provision of property management services.

Value-added Services

Our value-added services consist of three categories of services: property developer-related services, community-related services and professional services.

- Property developer-related services: We mainly provide two types of services relating to property developers, including:
 - On-site sales assistance services: We provide on-site and sample room cleaning, security inspection and maintenance, parking, reception and guidance services to enhance the visiting experience of potential property owners. We also organize service events and other related customer services for potential property owners.
 - Consulting services: Our consulting services consist of property consulting services throughout the whole process of property development, including design consultancy, on-site inspection and risk assessment services. We also provide detailed inspection before delivery of properties. Furthermore, we also provide ad hoc assistance such as liaison and coordination with property developers in relation to property maintenance during the warranty period.
- Community-related services: We provide add-on services to the residents and customers in communities under our management, including:
 - Information services: We provide online information services to our property owners and tenants through our one-stop information service platform Orange APP in the aspects of online shopping, cleaning and maintenance of housekeeping appliances, and travel information. We also provide offline information services to our residents including interior decoration and furnishing and other related services.
 - Community convenience services: We provide indoor maintenance services, sales of security passes and access cards, other a la carte services in the community.
 - Public resources management services: We operate and manage public areas authorized by property owners, such as leasing advertisement spaces and others.

SUMMARY

- Professional services: We provide specialist engineering and maintenance services for elevator and intelligent security equipment to property developers and property projects.

CUSTOMERS, SUPPLIERS AND SUB-CONTRACTORS

Our customers mainly consist of property developers and residents. For the years ended December 31, 2015, 2016 and 2017 and the four months ended April 30, 2018, the revenue derived from our five largest customers accounted for approximately 30.1%, 27.2%, 27.3% and 24.8%, respectively, of our total revenue. For the same periods, the revenue derived from sales to our largest customer, which were entities controlled by Mr. Wang and joint ventures and associates of Mr. Wang being aggregated, accounted for approximately 29.5%, 26.7%, 26.7% and 24.3%, respectively, of our total revenue.

The following table shows a breakdown of the total revenue received from our largest customer for the periods indicated:

	For the year ended December 31,			For the four months ended April 30,
	2015	2016	2017	2018
	(RMB)	(RMB)	(RMB)	(RMB)
	(in thousands)			
Property management services . . .	41,803	42,348	46,895	11,643
Value-added services.				
– Property developer-related services	74,442	106,198	170,424	59,488
– Professional services.	1,966	4,557	14,123	2,518
Total	118,211	153,103	231,442	73,649

For details, please refer to the section titled “Business – Customers” in this prospectus.

Our suppliers mainly consist of sub-contractors providing cleaning, security, gardening and maintenance services, raw material suppliers and local power and water suppliers. For the years ended December 31, 2015, 2016 and 2017 and the four months ended April 30, 2018, purchases from our five largest suppliers accounted for approximately 10.1%, 22.0%, 35.3% and 40.1%, respectively, of our total cost of sales. During the same periods, purchases from our largest supplier accounted for 4.4%, 10.4%, 21.4% and 24.2%, respectively, of our total cost of sales. Furthermore, for the years ended December 31, 2015, 2016 and 2017 and the four months ended April 30, 2018, our sub-contracting costs amounted to RMB57.0 million, RMB146.9 million, RMB297.7 million and RMB123.9 million, respectively, accounting for approximately 19.0%, 35.7%, 47.7% and 57.4%, respectively, of our total cost of sales. For details, please refer to the section titled “Business – Suppliers” in this prospectus.

SUMMARY

THE CONTROLLING SHAREHOLDERS

Innovative Hero will be directly interested in 75% of the issued share capital of our Company immediately upon completion of the Capitalization Issue and Global Offering (assuming the Over-allotment Option is not exercised). Innovative Hero, along with its 100% owner, Wealth Zone Hong Kong, are wholly-owned by First Priority, which is in turn wholly-owned by Infinity Fortune, and Infinity Fortune is beneficially owned by the Hua Sheng Trust, a discretionary trust set up and controlled by Mr. Wang. Accordingly, Innovative Hero, Wealth Zone Hong Kong, First Priority, Infinity Fortune and Mr. Wang are controlling shareholders of our Company. For details, please refer to the section headed “History, Reorganization and Corporate Structure” in this prospectus.

KEY OPERATIONAL AND FINANCIAL DATA

The table below sets forth the breakdown of our total revenue by business line for the years ended December 31, 2015, 2016 and 2017 and the four months ended April 30, 2017 and 2018.

	For the year ended December 31,						For the four months ended April 30,			
	2015		2016		2017		2017		2018	
	Revenue (RMB)	%	Revenue (RMB)	%	Revenue (RMB)	%	Revenue (RMB)	%	Revenue (RMB)	%
	(Unaudited)									
	(in thousands, except for percentages)									
Property management services	293,878	73.4	399,201	69.6	567,177	65.5	161,076	73.9	217,205	71.6
Value-added services										
– Property developer-related services	74,442	18.6	108,641	18.9	175,497	20.3	28,858	13.2	61,057	20.1
– Community-related services	17,190	4.3	27,273	4.8	43,304	5.0	15,126	6.9	12,466	4.1
– Professional services	14,747	3.7	38,257	6.7	80,392	9.2	13,017	6.0	12,737	4.2
Total	400,257	100.0	573,372	100.0	866,370	100.0	218,077	100.0	303,465	100.0

SUMMARY

The table below sets forth a breakdown of our total cost of sales for the periods indicated:

	For the year ended December 31,						For the four months ended April 30,			
	2015		2016		2017		2017		2018	
	Cost (RMB)	%	Cost (RMB)	%	Cost (RMB)	%	(RMB)	%	(RMB)	%
	(Unaudited)									
	(in thousands, except for percentages)									
Employee benefit expenses . . .	186,494	62.2	200,266	48.7	204,618	32.8	53,428	34.2	63,090	29.2
Outsourced security, greening and cleaning costs	57,041	19.0	146,901	35.7	297,677	47.7	80,773	51.7	123,894	57.5
Raw materials and components used in professional services and community – related services	5,475	1.8	13,818	3.3	58,281	9.3	8,276	5.3	7,980	3.7
Utilities	16,035	5.3	19,666	4.8	34,382	5.5	6,754	4.3	11,031	5.1
Business taxes and surcharges ⁽¹⁾	22,351	7.5	15,583	3.8	6,899	1.1	1,854	1.2	2,343	1.1
Depreciation and amortization charges	1,709	0.6	1,812	0.4	2,341	0.4	657	0.4	897	0.4
Others	10,707	3.6	13,391	3.3	19,926	3.2	4,581	2.9	6,528	3.0
Total	299,812	100.0	411,437	100.0	624,124	100.0	156,323	100.0	215,763	100.0

⁽¹⁾ China introduced successive reforms over its tax regime for goods and services and replaced business taxes with value-added taxes for many industries in the past years. In May 2016, the final phase of the tax reform was applied to the service sector, pursuant to which business taxes were replaced by value-added taxes. See “Regulatory Overview – Legal Regulations Over Tax in the PRC – Value-added Tax” in this prospectus for more information. Accordingly, we experienced a decline in our business taxes and surcharges from the year ended December 31, 2016 to the four months ended April 30, 2018, as such taxes have been replaced by value-added tax, which was not included in our cost of sales. This change has offset the overall increases in our cost of sales from 2015 to 2016, from 2016 to 2017 and from 2017 to April 30, 2018, and contributed to the overall increases in our gross profit margins over the same periods.

SUMMARY

The following table sets forth a breakdown of our gross profit and gross profit margin derived from each business line for the periods indicated:

	For the year ended December 31,						For the four months ended April 30,			
	2015		2016		2017		2017		2018	
	Gross profit margin (RMB) (%)	Gross profit margin (RMB) (%)	Gross profit margin (RMB) (%)	Gross profit margin (RMB) (%)	Gross profit margin (RMB) (%)	Gross profit margin (RMB) (%)	Gross Profit (RMB)	GPM (%)	Gross Profit (RMB)	GPM (%)
(Unaudited)										
(in thousands, except for percentages)										
Gross Profit										
Property management services	62,943	21.4	96,457	24.2	143,468	25.3	38,818	24.1	59,466	27.4
Value added services										
– Property developer-related services	18,896	25.4	28,977	26.7	38,529	22.0	6,346	22.0	13,497	22.1
– Community-related services	15,361	89.4	23,851	87.5	36,803	85.0	12,840	84.9	11,010	88.3
– Professional services	3,245	22.0	12,650	33.1	23,446	29.2	3,750	28.8	3,729	29.3
Total	100,445	25.1	161,935	28.2	242,246	28.0	61,754	28.3	87,702	28.9

Our gross profit margin increased by 3.1%, from 25.1% for the year ended December 31, 2015 to 28.2% for the year ended December 31, 2016, primarily due to the full conversion of business tax to value-added tax in May 2016 in accordance with the tax notice issued by the State Administration of Taxation. Our gross profit margin remained relatively stable for the years ended December 31, 2016 and 2017, primarily due to the slight decrease in gross profit margin of value added services which was partially offset by the increase in gross profit margin of property management services. Our gross profit margin further increased by 0.6% to 28.9% for the four months ended April 30, 2018 due to the slight increase in the gross profit margin of property management services from 24.1% for the four months ended April 30, 2017 to 27.4% for the four months ended April 30, 2018. For further information, please see the section titled “Financial Information – Discussion of Results of Operations” in this prospectus.

OUR COMPETITIVE STRENGTHS

We believe that the following strengths position us well in the property management industry in the PRC and differentiate us from our competitors: (i) being a fast growing property management service provider in the PRC in terms of new project acquisitions, market expansion, size of property management portfolio, geographic coverage and financial performance, (ii) strong and long-standing relationship with Future Land Group, (iii) our diverse range of services increases our customer’s satisfaction, (iv) Orange APP that provides our residents with a one-stop information service platform, (v) our advanced data and internal management systems and our emphasis on employee training programs, and (vi) our experienced and professional management team with a proven track record.

SUMMARY

OUR BUSINESS STRATEGIES

We focus on providing quality professional property management services in the PRC market and expanding our business through both horizontal integration, by leveraging our experience and expertise to extend our geographic coverage across the PRC, and vertical integration, by providing a more diverse array of property management services. We plan to achieve our objectives by implementing the following strategies: (i) to increase our business scale for our property management services and expand our portfolio of properties under management by selectively pursuing strategic investment, cooperation and acquisition opportunities, (ii) endeavor to build a network of business partners to provide our residents with an even more diverse array of services, (iii) attract, retain and motivate talented personnel through training programs and career development opportunities, and (iv) utilizing advanced technology to optimize our business model to control costs and improve our overall profit margins.

PROPERTY MANAGEMENT SERVICES

Revenue derived from our property management services is the main contributor to our total revenue during the Track Record Period, which accounted for 73.4%, 69.6%, 65.5%, 73.9% and 71.6% of our total revenue for the years ended December 31, 2015, 2016 and 2017 and the four months ended April 30, 2017 and 2018, respectively. The increase in our absolute amount of revenue was primarily attributable to our continuous efforts to increase the total GFA under management as a result of obtaining new property management service agreements. Our total GFA under management for the years ended December 31, 2015, 2016 and 2017 and the four months ended April 30, 2018 was 19.3 million sq.m., 27.5 million sq.m., 36.3 million sq.m. and 37.0 million sq.m., respectively.

SUMMARY

The following table sets forth a breakdown of our total contracted GFA, total GFA under management and revenue generated from property management services provided to properties developed by Future Land Affiliates Group and other property developers, respectively, for the periods indicated:

	As of or for the year ended December 31,				As of or for the four months ended April 30,										
	2015		2016		2017		2018								
	Contracted GFA under management (sq.m.)	Property management services revenue (RMB)	Contracted GFA under management (sq.m.)	Property management services revenue (RMB)	Contracted GFA under management (sq.m.)	Property management services revenue (RMB)	Contracted GFA under management (sq.m.)	Property management services revenue (RMB)							
		%		%		%		%							
(in thousands, except for percentages)															
<u>Properties developed by:</u>															
<u>Future Land Affiliates Group</u>	30,790	290,173	98.7	37,127	20,803	347,710	87.1	51,673	26,178	445,870	78.6	55,459	26,797	171,586	79.0
<u>Other property developers</u>	1,463	3,705	1.3	10,536	6,687	51,491	12.9	16,135	10,099	121,307	21.4	17,881	10,230	45,619	21.0
<u>Total</u>	<u>32,253</u>	<u>293,878</u>	<u>100.0</u>	<u>47,663</u>	<u>27,490</u>	<u>399,201</u>	<u>100.0</u>	<u>67,808</u>	<u>36,277</u>	<u>567,177</u>	<u>100.0</u>	<u>73,340</u>	<u>37,027</u>	<u>217,205</u>	<u>100.0</u>

SUMMARY

Our continuous efforts to expand our property management services to cover properties built by other property developers have led to a marked increase in the total GFA under management during the Track Record Period. Our total GFA under management from other property developers was 0.8 million sq.m., 6.7 million sq.m. and 10.1 million sq.m., respectively, for the years ended December 31, 2015, 2016 and 2017, representing a CAGR of 257.3%. This further increased by 1.3% to 10.2 million sq.m. for the four months ended April 30, 2018.

	For the year ended December 31,									For the four months ended April 30,		
	2015			2016			2017			2018		
	GFA under management	Property management services revenue	%	GFA under management	Property management services revenue	%	GFA under management	Property management services revenue	%	GFA under management	Property management services revenue	%
	(sq.m.)	(RMB)		(sq.m.)	(RMB)		(sq.m.)	(RMB)		(sq.m.)	(RMB)	
	(in thousands, except for percentages)											
Residential properties . . .	14,633	219,724	74.8	21,225	284,862	71.4	28,104	392,961	69.3	28,719	148,121	68.2
Non-residential properties	4,706	74,154	25.2	6,265	114,339	28.6	8,173	174,216	30.7	8,308	69,084	31.8
Total	19,339	293,878	100.0	27,490	399,201	100.0	36,277	567,177	100.0	37,027	217,205	100.0

During the Track Record Period, a majority of our property management services revenue was from residential properties, which accounted for 74.8%, 71.4%, 69.3% and 68.2% of our total revenue from property management services for the years ended December 31, 2015, 2016 and 2017, and the four months ended April 30, 2018, respectively. The decrease in the percentage of property management services revenue derived from residential properties reflects our efforts to expand our property management services and diversify the types of properties we manage.

SUMMARY

The following table sets forth a breakdown of revenue generated from value-added services provided to properties developed by (i) Future Land Affiliates Group; and (ii) other property developers:

	For the year ended December 31,						For the four months ended April 30,	
	2015		2016		2017		2018	
	(RMB)	%	(RMB)	%	(RMB)	%	(RMB)	%
	(in thousands, except for percentages)							
Property developer-related services	74,442	70.0	108,641	62.4	175,497	58.7	61,057	70.8
Properties developed by Future Land Affiliates Group.	74,442	70.0	106,198	61.0	170,425	57.0	59,488	69.0
Properties developed by other property developers	–	–	2,443	1.4	5,072	1.7	1,569	1.8
Community-related services ¹	17,190	16.2	27,273	15.7	43,304	14.5	12,466	14.5
Professional Services	14,747	13.8	38,257	21.9	80,392	26.8	12,737	14.7
Properties developed by Future Land Affiliates Group.	14,598	13.7	35,335	20.2	72,045	24.0	10,330	12.0
Properties developed by other property developers	149	0.1	2,922	1.7	8,347	2.8	2,407	2.7
Total	<u>106,379</u>	<u>100.0</u>	<u>174,171</u>	<u>100.0</u>	<u>299,193</u>	<u>100.0</u>	<u>86,260</u>	<u>100.0</u>

¹ Community-related services are provided to property owners and third parties on an individual basis instead of to property developer.

SUMMARY

The table below shows the number of agreements that will expire in the years ending December 31, 2018, 2019 and 2020 and beyond, as of April 30, 2018. Furthermore, it also shows the respective contracted GFA of the agreements that will expire, as of April 30, 2018, and the property management fees expected to be collected in the indicated years. For the illustration of figures in the table, we have not taken into account the property management fees arising from (i) the subsequent renewal of existing property management agreements after April 30, 2018, and (ii) property management agreements under which the properties had not been delivered as of April 30, 2018.

	Number of Agreements	Contracted GFA under Management Agreements that will expire	Property Management Fees to be collected in 2018 ¹	Property Management Fees to be collected in 2019 ¹	Property Management Fees to be collected in 2020 ¹	Property Management Fees to be collected in 2021 ¹	Property Management Fees to be collected in 2022 ¹	Property Management Fees to be collected in 2023 ¹	Property Management Fees to be collected in 2024 ¹	Property Management Fees to be collected in 2025 ¹	Property Management Fees to be collected in 2026 ¹
		(sq.m.)	(RMB)	(RMB)	(RMB)	(RMB)	(RMB)	(RMB)	(RMB)	(RMB)	(RMB)
(in thousands, except for the number of agreements)											
Fixed Terms	139	31,703	192,371	190,057	89,620	22,507	5,807	4,114	4,114	2,057	-
- Year ending											
December 31, 2018.	45	8,336	38,877	-	-	-	-	-	-	-	-
- Year ending											
December 31, 2019.	51	10,918	78,407	77,427	-	-	-	-	-	-	-
- Year ending											
December 31, 2020											
or beyond	43	12,449	75,087	112,630	89,620	22,507	5,807	4,114	4,114	2,057	-
Without Fixed Terms ²	165	41,637	191,958	287,937	287,937	287,937	287,937	287,937	287,937	287,937	287,937

¹ The property management fees expected to be collected for each year is calculated as the summation of the property management fee collectable for April 2018 multiplied by the number of remaining months for the respective year for each property management agreement. Such amounts are generated based on the preliminary assessment made by our Board with reference to the information currently available and such amounts have not been realized and audited by the Group's auditor as of the Latest Practicable Date and may be subject to change.

² For both (a) agreements signed with property developers and (b) agreements signed with property owners' associations, some are without a fixed term. These agreements will usually end upon the establishment of a property owners' association or otherwise agreed by the parties, as applicable. For agreements signed with property developers without a fixed term, where local rules or practices prescribe a form of property management service agreement and such form does not have a fixed term, the term of the agreement will be settled based on commercial negotiation. For agreements signed with property owners' associations, some property owners or property owners' associations may prefer not to specify a fixed term for fear of unexpected interruption of management services. As advised by CIA, the foregoing is in line with the market practice of the property management industry.

SUMMARY

OUR RELATIONSHIP WITH FUTURE LAND GROUP

Our controlling shareholder, Mr. Wang, held 71.01% of shareholding in Future Land Development Holdings as of the Latest Practicable Date.

A significant portion of our property management projects during the Track Record Period was related to the management of properties developed by Future Land Affiliates Group. Our property management services commence from the time when the relevant properties are completed and delivered. Such services were provided pursuant to property management service agreements that we typically enter into during the preliminary stage with property developers. As advised by our PRC Legal Advisor, the property developers will transfer all rights and obligations of the property management service agreements to the property owners at the time of completion and delivery of the properties. From completion onwards, we charge property owners (which include the developers where the properties concerned are not sold) fees for the provision of our property management services. The fees received from the property owners are recognized as revenue from such property owners upon provision of property management services. Despite the fact that the absolute amount of revenue (being approximately RMB247.9 million, RMB232.5 million, RMB252.3 million and RMB107.5 million for the years ended December 31, 2015, 2016 and 2017 and the four months ended April 30, 2018, respectively) from property management services at the preliminary stage for properties developed by Future Land Affiliates Group in connection with the respective property management services agreements remained relatively stable during the Track Record Period, such revenue accounted for 84.4%, 58.2%, 44.5% and 49.5% of the Group's total property management services revenue for the years ended December 31, 2015, 2016 and 2017 and the four months ended April 30, 2018, respectively. The general decreasing trend in the portion of revenue generated from property management services for properties developed by Future Land Affiliates Group at the preliminary stage during the Track Record Period demonstrates that we are becoming less reliant on Future Land Group, which is mainly due to (i) a 100% customer retention rate we achieved at the property owners' association stage at which property owners could freely select their property management service provider and decide whether to enter into a property management services agreement with us on a case by case basis; and (ii) our effort to develop our relationship with other property developers. In addition, property owners directly pay us the fees for our property management services, even for property management services agreements that we enter into with property developers at the preliminary stage. The Directors believe that we will be able to continue to achieve a high customer retention rate upon Listing to support a favorable level of revenue.

In recent years, we have been successful in exploring market opportunities to diversify our property management portfolio and service offerings with wide source of revenue. The contracted GFA shown in the agreements that we signed with property developers other than Future Land Affiliates Group, property owners' associations of properties developed by developers other than Future Land Affiliates Group and individual property owners increased from 1.5 million sq.m. as of December 31, 2015 to 16.1 million sq.m. as of December 31, 2017, recording a CAGR of 232.1%, and further increased to 17.9 million sq.m. as of April 30, 2018. The GFA under management shown in the agreements that we signed with property developers

SUMMARY

other than Future Land Affiliates Group, property owners' associations of properties developed by developers other than Future Land Affiliates Group and individual property owners increased from 0.8 million sq.m. as of December 31, 2015 to 10.1 million sq.m. as of December 31, 2017, recording a CAGR of 257.3%, and further increased to 10.2 million sq.m. as of April 30, 2018. The significant growth of such records indicates our capability in market expansion with third-party property developers, property owners' associations and individual property owners.

In addition, we provide to Future Land Affiliates Group on-site sales assistance and consulting services which include on-site and sample room cleaning, security inspection and maintenance, parking, reception and guidance services to enhance the visiting experience of potential property owners. We also organize service events and other related customer services for potential property owners as part of the service package we offer to Future Land Affiliates Group. Further, we provide to Future Land Affiliates Group consulting services relating to property consulting services throughout the whole process of property development, including design consultancy, on-site inspection and risk assessment services, detail inspection before delivery of properties and other ad hoc assistance such as liaison and coordination with property developers in relation to property maintenance during the warranty period. We believe that these services are significant to the overall property development and sales process of Future Land Affiliates Group, which contributed to the success and reputation of Future Land Affiliates Group. In light of the above, the Directors are of the view that there is a mutual and complimentary reliance between Future Land Affiliates Group and the Group. In particular, we believe the engagement of a reputable property management service provider such as our Group is one important factor to be taken into consideration by the purchasers of properties as this is critical for the value preservation of the properties.

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

Selected items from consolidated statements of comprehensive income

	For the year ended December 31,			For the four months ended April 30,	
	2015	2016	2017	2017	2018
	(RMB)	(RMB)	(RMB)	(RMB)	(RMB)
	(Unaudited)				
	(in thousands)				
Revenue	400,257	573,372	866,370	218,077	303,465
Gross Profit	100,445	161,935	242,246	61,754	87,702
Operating Profit	40,774	65,686	106,204	26,644	35,639
Profit before income tax . .	38,007	65,852	113,015	29,061	38,566
Profit for the year/period . .	23,048	52,180	91,742	23,564	30,791

SUMMARY

Net current assets and net current liabilities

We recorded net current liabilities of RMB33.9 million as of December 31, 2015 and net current assets of RMB71.4 million, RMB136.2 million and RMB146.1 million as of December 31, 2016 and 2017 and April 30, 2018 respectively. As of December 31, 2015, we recorded total current liabilities of RMB375.9 million, which is in excess of total current assets of RMB342.0 million by RMB33.9 million. The total current liabilities primarily include trade and other payables of RMB228.5 million, contract liabilities of RMB74.7 million and loans from related party of RMB60.0 million. The trade and other payables primarily include amounts collected on behalf of property owners and contract liabilities mainly represent payments in advance from customers for property management services, both of which have been increasing due to our business expansion. During the Track Record Period, we were able to turn around our financial position from net current liabilities to net current assets by (i) capital injection from investors (for details, please see “History, Reorganization and Corporate Structure – History of Our Group” in this prospectus) and (ii) income generated from expanded operation (for details, please see “Financial Information – Discussion of Selected Items from Consolidated Statements of Financial Position” in this prospectus). A net current liability position poses certain risks for our operations. For details on the risk involved, please see “Risk Factors – We recorded net current liabilities as of December 31, 2015” in this prospectus. We cannot assure you that we will not experience net current liabilities in the future, which could expose us to liquidity risks” described in this prospectus.

SUMMARY OF KEY FINANCIAL RATIOS

	As of and for the year ended			As of and
	December 31,			for the
	2015	2016	2017	four months
	ended			ended
	April 30 ⁵ ,			2018
	2015	2016	2017	2018
Current Ratio ⁽¹⁾	91.0%	114.9%	121.8%	124.2%
Gearing Ratio ⁽²⁾	N/A	56.7%	34.9%	–
Return on Total Assets ⁽³⁾	7.3%	10.9%	13.0%	11.4%
Return on Equity ⁽⁴⁾	N/A	99.5%	60.1%	48.0%

Notes

- (1) Current ratio was calculated based on our total current assets divided by total current liabilities as of the respective date.
- (2) Gearing ratio was calculated based on total borrowings divided by total equity as of the respective date.
- (3) Return on total assets was calculated based on our profit for the year divided by the average of our beginning and ending balance of total assets for the respective year and multiplied by 100%.
- (4) Return on equity was calculated based on our profit for the year divided by the average of our beginning and ending balance of total equity for the respective year and multiplied by 100%.
- (5) These ratios have been annualized to be comparable to those of prior years but are not indicative of the actual results.

SUMMARY

The gearing ratio (calculated based on total borrowings divided by total equity) and return on equity were not applicable as of December 31, 2015 as the total equity was negative. For further information on key financial ratios, please see “Financial Information – Key Financial Ratios” in this prospectus for the definitions and analysis of other key financial indicators in the table above.

FUTURE PLANS AND USE OF PROCEEDS

We estimate that the net proceeds of the Global Offering which we will receive, assuming an Offer Price of HK\$3.4 per Offer Share (being the mid-point of the Offer Price Range stated in this prospectus), will be approximately HK\$626.2 million, after deduction of underwriting fees and commissions and estimated expenses payable by us in connection with the Global Offering and assuming the Over-allotment Option is not exercised.

We intend to use the net proceeds of the Global Offering for the following purposes:

- Approximately 48% or HK\$300.6 million, will be used for the expansion of our property management services to enlarge our business scale and bolster our geographic presence across the PRC through means of strategic investment in, cooperation with and/or acquisition of, in particular, property management service providers in the Yangtze River Delta Region, among which, (i) approximately 24% or HK\$150.4 million will be used to invest in, cooperate with and/or acquire one to four residential property management service providers each with an annual revenue of more than RMB100.0 million or an annual net profit of more than RMB10.0 million, (ii) approximately 12% or HK\$75.1 million will be used to invest in, cooperate with and/or acquire one to three non-residential (office buildings and industrial parks) property management service providers each with an annual revenue of more than RMB50.0 million or an annual net profit of more than RMB5.0 million, and (iii) approximately 12% or HK\$75.1 million will be used to invest in, cooperate with and/or acquire one to two other property management service providers that have strong affiliations with property developers in the PRC (in which case the above-mentioned financial criteria will not be applicable) and will create synergies with our business. We expect all of these transactions to be completed by December 31, 2021. The amount of net proceeds allocated to investments in or collaboration with property management service providers represents an optimal amount balancing the benefits of growth through acquisition or collaboration on one hand, and the cost of investment through deployment of the use of proceeds on the other hand. The Directors believe the above allocation will present a prudent and commercially viable approach at a time when no specific targets have been identified. In determining the amount of net proceeds to be used for investments in property management service provider, we have considered the following factors: (1) the expected return of the investments; (2) the target growth to be achieved via the investments; and (3) the market valuation multiples (e.g. price-to-earnings ratio) for comparable unlisted PRC property management service providers. Although we have visited several potential targets as part of our research, we have not yet

SUMMARY

identified any potential target which satisfies our property selection criteria or development strategies as of the Latest Practicable Date. There is an abundance of potential targets available in the market based on current and expected market conditions.

- Approximately 12% or HK\$75.1 million will be used to acquire/obtain a diverse range of property management projects in various geographical areas, in particular, the Yangtze River Delta region which includes Jiangsu, Shanghai and Zhejiang, the Circum-Bohai Bay Area which includes Shandong and Tianjin, mid-western China region which includes Anhui, Hubei, Sichuan and Chongqing, and the Pearl River Delta region which includes Guangdong, through organic growth aiming to further diversify our property management portfolio. Approximately 10% out of the 12%, or HK\$62.6 million will be used to fund our various measures to increase our chance of securing new property management projects and thus increasing the number of our new property management projects, where (a) approximately 5%, or HK\$31.3 million will be used for the installation of new or upgrading of existing equipment and facilities according to the needs of property owners' associations, (b) approximately 3%, or HK\$18.8 million will be used for the expansion of our existing business development team with about 15 to 20 additional employees to further promote our property management business. Such team will promote our property management business by, among others, approaching property owners' associations of various properties and industry associations in property management, and increasing participation in tenders for property management projects, and (c) approximately 2%, or HK\$12.5 million will be used for the recruitment of about 5 to 8 professional agents for the sourcing of property management projects. In addition to the aforesaid steps (a) through (c), (d) approximately 2% or HK\$12.5 million will be used to set up 10 to 12 new branches and offices in regions in support of the aforesaid. To implement the aforesaid steps (a) through (c), (i) approximately 6% or HK\$37.6 million will be used for residential property management projects, (ii) approximately 2% or HK\$12.5 million will be used for commercial property management projects, such as office buildings, industrial parks and shopping centers, and (iii) approximately 2% or HK\$12.5 million will be used for mixed-complexes property management projects, such as properties that blends residential and commercial use.
- Approximately 15% or HK\$93.9 million, will be used for the expansion of our value-added services business line, including our Orange APP and investments in third-party suppliers that complement our business, among which, (i) approximately 2% or HK\$12.5 million will be used to reach out to third-party suppliers to improve the quality and variety of our value-added services, as to providing more comprehensive services that satisfy the needs of our residents and customers, (ii) approximately 10% or HK\$62.6 million will be used for equity investments in third-party suppliers who can provide value-added services that create synergies with our business, such as intellectual housing business, home care services, community care services, housekeeping services and electric appliance sales

SUMMARY

services, and (iii) approximately 3% or HK\$18.8 million will be used to invest in the necessary software, hardware and intelligent terminals to upgrade our Orange APP to a more efficient one-stop information service platform that allows us to integrate with, and collect and analyze information on third-party suppliers, which in turn, magnifies the effect of our aforementioned initiatives. We believe the expansion of our value-added services business line and investments in third-party suppliers will improve the user experience of our residents and their loyalty and stickiness with us, strengthen our quality of services and reputation, and increase our chance/competitiveness to secure/obtain new property management projects. Consequently, this contributes to the sustainable development of the Company and provides more streams of revenue in the long run. We expect all these transactions to be completed by December 31, 2021.

- Approximately 15% or HK\$93.9 million, will be used to invest in advanced technology and our employees to create more efficient services for our residents, enhance the overall efficiency of our internal information management systems and standardize our service quality, among which, (i) approximately 8% or HK\$50.1 million will be used to provide a smart community for our residents, where we will continue to invest in intelligent security equipment such as automated door lock systems and parking lot gateway systems, (ii) approximately 4% or HK\$25.0 million will be used to further enhance our information management systems such as our comprehensive budget management system and SYSWIN business management system, which allows us to manage our finances and resources, and (iii) approximately 3% or HK\$18.8 million will be used to recruit an additional of 30 to 40 employees as our management personnel and provide on-going training programs for our employees throughout the expansion of our business, regardless of their level or department. We expect all of these transactions to be completed by December 31, 2021. We believe that the application of advanced technologies and training for our employees will create customer satisfaction, reduce labor costs and further promote efficiency in our decision making process.

For further information, please see “Future Plans and Use of Proceeds” in this prospectus.

LISTING EXPENSES

Our listing expenses consist largely of underwriting fees and commissions and professional fees paid to legal advisors and the Reporting Accountant for their services rendered in relation to the Listing and the Global Offering. Assuming full payment of the discretionary incentive fee, the estimated total listing expenses (based on the midpoint of our indicative price range for the Global Offering and assuming that the Over-allotment Option is not exercised) for the Global Offering are approximately RMB54.9 million. During the Track Record Period, we incurred listing expenses of RMB15.5 million, of which an amount of RMB11.8 million was recognized in the statement of comprehensive income and the remaining amount of RMB3.7 million will be recognized directly as a deduction from equity upon the

SUMMARY

Listing. In particular, we incurred listing expenses of RMB1.5 million for the year ended December 31, 2017 and RMB14.0 million for the four months ended April 30, 2018. We expect to further incur listing expenses of RMB39.4 million in connection with the Global Offering for the eight months ended December 31, 2018, of which an estimated amount of RMB14.3 million is expected to be recognized in the statement of comprehensive income for the eight months ending December 31, 2018 and the remaining amount of RMB25.1 million is expected to be recognized directly as a deduction from equity upon the Listing. Our Directors do not expect such expenses would have a material adverse impact on our results of operations for the year ending December 31, 2018.

STATISTICS OF THE GLOBAL OFFERING

Market capitalization at Listing.	:	HK\$2.32 billion to HK\$3.12 billion (assuming the Over-allotment Option is not exercised)
Offer size	:	Initially 25% of our enlarged issued share capital
Over-allotment Option	:	Up to 15% of our initial Offer Shares
Offer Price per Share	:	HK\$2.9 to HK\$3.9 per Share
Board lot	:	1,000 Shares
Offering structure	:	90% International Offering and 10% Hong Kong Public Offering (subject to reallocation and the Over-allotment Option)

DIVIDEND POLICY

After completion of the Global Offering, our Shareholders will be entitled to receive dividends that we declare. The payment and the amount of any dividends will be at the discretion of our Directors and will depend upon our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that our Directors deem relevant. Any declaration and payment as well as the amount of dividends will be subject to the Memorandum and Articles of Association and the Cayman Companies Law, including the approval of our Shareholders.

Subject to the factors above, we currently plan to pay annual dividends of approximately 30% of our annual distributable profit attributable to equity holders of our Company, commencing with respect to the year ending December 31, 2018. Cash dividends on our Shares, if any, will be paid in Hong Kong dollars. Other distributions, if any, will be paid to our Shareholders by any means which our Directors deem legal, fair and practicable.

Future dividend payments will also depend upon the availability of dividends received from our operating subsidiaries, including our principal operating subsidiary in the PRC. PRC laws require that dividends be paid only out of the net profit calculated according to PRC accounting principles, which differ in many aspects from generally accepted accounting principles in other jurisdictions, including IFRS. PRC laws also require our subsidiary in PRC to set aside part of its net profit as statutory reserves, which are not available for distribution as cash dividends. Distributions from our operating subsidiaries may also be restricted if they incur debt or losses or in accordance with any restrictive covenants in bank credit facilities, convertible bond instrument or other agreements that we or our subsidiaries may enter into in the future.

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Tibet Xinchengyue, our principal operating subsidiary, declared dividends in an aggregate amount of nil, RMB3.0 million and RMB19.0 million for the years ended December 31, 2015, 2016 and 2017, respectively, to our minority Shareholders. Furthermore, Xincheng Fuyue Management Consulting Co., Ltd. declared and paid a dividend of RMB59.0 million to its then shareholder, Changzhou Xincheng Property Investment Co., Ltd. on January 30, 2018. You should note that historical dividend distributions are not indicative of our future dividend distribution policy.

APPLICATION FOR LISTING OF A SHARES IN 2017

On June 20, 2017, Tibet Xinchengyue filed with CSRC an application (the “**A-Share Listing Application**”) for the listing of its shares on the Shenzhen Stock Exchange, which was sponsored by a sponsor institution duly licensed in the PRC. CSRC formally accepted the A-Share Listing Application for review on June 27, 2017. During the review process of the A-Share Listing Application, customary comments, including financial fluctuation, business operation model and compliance matters, were received from CSRC. Tibet Xinchengyue responded to the aforesaid comments and did not receive further queries from CSRC prior to the withdrawal of the A-Share Listing Application. However, considering the then prevailing market and regulatory conditions in the PRC and in particular the approval process of CSRC which was longer than expected, Tibet Xinchengyue notified CSRC of its decision to voluntarily withdraw the A-Share Listing Application. On December 29, 2017, in response to such notification CSRC issued a notification to Tibet Xinchengyue to terminate the review process of the A-Share Listing Application. To the best knowledge of the Directors, they are not aware of any findings by CSRC of any material non-compliance or operation irregularity during the review process of the A-Share Listing Application.

Our Company does not consider the issues raised in the comments of the CSRC would affect its suitability for the proposed listing on the Stock Exchange. Based on the information provided by our Company and its PRC Legal Advisor, and the due diligence conducted by the Sponsor, the Sponsor is not aware of any matters which will affect the suitability of our Company for our proposed Listing.

RECENT DEVELOPMENTS

From April 30, 2018 to the date of this prospectus, we signed 88 new property management service agreements, with a total contracted GFA of approximately 20.5 million sq.m. 82 of the 88 new property management service agreements were entered into between the Group and Future Land Affiliates Group with a total contracted GFA of 19.6 million sq.m. However, as of the Latest Practicable Date, none of the development of these new properties have been completed and thus, no revenue was generated. The six property management service agreements signed with other property developers had a total contracted GFA of 0.9 million sq.m. Additionally, we had a total of 393 property management service agreements covering properties in 69 cities across 23 provinces, municipalities and autonomous regions in China with a total contracted GFA of 93.9 million sq.m. as of the date of this prospectus. We also had 181 agreements with properties under management in 28 cities across 14 provinces, municipalities and autonomous regions in China with a total GFA under management of 38.6 million sq.m. as of the same date.

SUMMARY

Based on our unaudited consolidated financial statements for the six months ended June 30, 2018, our average monthly revenue for the six months ended June 30, 2018 remained stable compared with the four months ended April 30, 2018 and our average monthly net profit for the six months ended June 30, 2018 increased compared with the four months ended April 30, 2018. The increase in the average monthly net profit was primarily due to (i) a decrease in selling and marketing expenses and administrative expenses as a percentage of the total revenue resulting from management's efforts to control expenses and (ii) an increase in foreign exchange gain during the first half year of 2018.

DIRECTOR'S CONFIRMATION ON NO MATERIAL ADVERSE CHANGE

Our Directors confirm that there has been no material adverse change in our Group's financial condition and results of operations after the Track Record Period, being the date of our latest audited financial statements, and up to the date of this prospectus, and there has been no event since April 30, 2018 and up to the date of this prospectus that would materially affect the information shown in the Accountant's Report set forth in Appendix I to this prospectus.

SUMMARY OF MATERIAL RISK FACTORS

Our business faces risks including those set out in the "Risk Factors" section in this prospectus. As different investors may have different interpretations and criteria when determining the significance of a risk, you should read the "Risk Factors" section in its entirety before you decide to invest in the Offer Shares.

We believe some of the more significant risk factors include: (i) a significant portion of our revenue is derived from property management services for properties developed by Future Land Affiliates Group, and there is no assurance we will continue to be engaged by Future Land Affiliates Group to manage projects developed by them, or that we will be able to supplement any shortfall with projects from independent third-party property developers on terms acceptable to us, or at all; (ii) a significant portion of our operations are concentrated in the Yangtze River Delta Region, which exposes us to concentration risks; (iii) we may be subject to losses and our profit margins may decrease if we fail to control our costs in performing our property management services on a lump sum basis; (iv) our ability to maintain or improve our current level of profitability depends on our ability to control operating costs, and in particular, labor costs and sub-contracting costs, and our profit margins and results of operations may be materially and adversely affected by any increase in labor or other operating costs; and (v) we rely on third-party sub-contractors to perform certain property management services and may be held responsible for their substandard services to our customers.

DEFINITIONS

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

“Accountant’s Report”	the report of the Reporting Accountant dated October 24, 2018, the text of which is set out in Appendix I of this prospectus;
“affiliate”	any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person;
“Application Form(s)”	WHITE Application Form(s), YELLOW Application Form(s) and GREEN Application Form(s) or, where the context so requires, any of them;
“Articles” or “Memorandum and Articles of Association”	the memorandum and articles of association of the Company (as amended from time to time), conditionally adopted on October 20, 2018, a summary of which is set out in Appendix III to this prospectus;
“associates”	has the meaning ascribed to it under the Listing Rules;
“Audit Committee”	a committee of the Board established by the Board for the purpose of overseeing the accounting and financial reporting processes of our Company and audits of the financial statements of our Company;
“Board” or “Board of Directors”	the board of directors of the Company;
“business day”	any day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for business;
“BVI”	The British Virgin Islands;
“CAGR”	compound annual growth rate;
“Capitalization Issue”	the issue of 599,999,800 Shares to be made upon the capitalization of part of the sum standing to the credit of the share premium account of our Company referred to in the section headed “Statutory and General Information” in Appendix IV to this prospectus;

DEFINITIONS

“Cayman Companies Law” or “Companies Law”	the Companies Law (2018 Revision) of the Cayman Islands, Cap. 22 (Law 3 of 1961), as amended or supplemented or otherwise modified from time to time;
“Cayman Legal Advisor”	Maples and Calder (Hong Kong) LLP, the Company’s legal advisor as to the laws of Cayman Islands;
“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 participant or a general clearing participant;
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant;
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation;
“CCASS Operational Procedures”	the operational procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to the operation and functions of CCASS, as from time to time in force;
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant;
“Changzhou Future Land”	Changzhou Future Land Real Estate Development Co., Ltd (常州新城房產開發有限公司);
“China” or “the PRC”	the People’s Republic of China, excluding, for the purpose of this prospectus, Hong Kong, Macao Special Administrative Region of the PRC and Taiwan;
“China Index Academy” or “CIA”	China Index Academy (中國指數研究院), an independent global market research and consulting company, founded in 1994 and based in the PRC;
“China Index Academy Report”	an industry report we commissioned from China Index Academy in respect to the property management industry in the PRC;

DEFINITIONS

“Chinese government” or “PRC government”	the central government of the PRC and all governmental subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities thereof, where the context requires, any of them;
“Circular 37”	the Notice on Issues Relating to Foreign Exchange Control on Offshore Investment, Financing and Round-trip Investment by Domestic Residents Through Special Purpose Vehicles (國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知), issued by SAFE on July 4, 2014;
“CIT”	corporate income tax;
“CIT Law”	the PRC Corporate Income Tax Law, promulgated on March 16, 2007 and became effective as of January 1, 2008, as amended, supplemented or otherwise modified from time to time;
“CIT Rules”	the Regulation on the Implementation of the PRC Corporate Income Tax Law;
“close associate(s)”	has the meaning ascribed to it under the Listing Rules;
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), which came into effect on March 3, 2014 as amended, supplemented or otherwise modified from time to time;
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time;
“Company”, “our Company”, “the Company”, “Group”, “our Group”, “the Group”, “we”, “us”, or “our”	Xinchengyue Holdings Limited (新城悅控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability on January 16, 2018, 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 thereof, the Company’s present subsidiaries;

DEFINITIONS

“Connected Person(s)” or “connected person(s)”	has the meaning ascribed thereto in the Listing Rules;
“Controlling Shareholders”	means the controlling shareholders of our Group, namely, Infinity Fortune, First Priority, Wealth Zone Hong Kong, Innovative Hero and Mr. Wang;
“core connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“Corporate Reorganization” or “Reorganization”	the corporate reorganization of our Company conducted in preparation for the Listing, details of which are set out in the paragraph headed “Reorganization” under the section entitled “History, Reorganization and Corporate Structure” in this prospectus;
“Covenantor(s)”	Mr. Wang, Infinity Fortune, First Priority, Wealth Zone Hong Kong and Innovative Hero;
“CRIC”	China Real Estate Information Corporation;
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會);
“Deed of Non-Competition”	a deed of non-competition entered into on October 20, 2018 between our Company and the Covenantors;
“Director(s)”	the director(s) of the Company;
“Exchange Participant(s)”	a person: (a) who, in accordance with the Listing Rules, may trade on or through the Stock Exchange; and (b) whose name is entered in a list, register or roll kept by the Stock Exchange as a person who may trade on or through the Stock Exchange;
“First Priority”	First Priority Group Limited, a company incorporated in the BVI on February 18, 2003, one of our Controlling Shareholders and ultimately controlled by Mr. Wang;
“Future Land Affiliates Group”	Future Land Group and joint ventures and associates of Future Land Development Holdings;

DEFINITIONS

“Future Land Development Holdings”	Future Land Development Holdings Co., Ltd (新城發展控股有限公司), a company listed on the Hong Kong Stock Exchange (HKEX Stock Code: 1030) since November 29, 2012;
“Future Land Group”	Future Land Development Holdings and its subsidiaries;
“Future Land Holdings”	Future Land Holdings Co., Ltd. (新城控股集團股份有限公司), a company listed on the Shanghai Stock Exchange (SSE Stock Code: 601155);
“Global Offering”	the Hong Kong Public Offering and the International Offering;
“Green Application Form(s)”	the application form(s) to be completed by the White Form eIPO Service Provider, Computershare Hong Kong Investor Services Limited;
“GPM”	Gross Profit Margin;
“HKFRS”	Hong Kong Financial Reporting Standards, which collectively include Hong Kong Accounting Standards and related interpretations, promulgated by the Hong Kong Institute of Certified Public Accountants;
“HKSCC”	Hong Kong Securities Clearing Company Limited;
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC;
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC;
“Hong Kong dollars” or “HK dollars” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong Offer Shares”	the 20,000,000 Shares being initially offered for subscription in the Hong Kong Public Offering, subject to reallocation;
“Hong Kong Public Offering”	the offer of the Hong Kong Offer Shares for subscription by the public in Hong Kong;
“Hong Kong Share Registrar”	Computershare Hong Kong Investor Services Limited;

DEFINITIONS

“Hong Kong Stock Exchange” or “Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Hong Kong Underwriters”	the underwriters of the Hong Kong Public Offering listed in the section entitled “Underwriting – Hong Kong Underwriters” in this prospectus;
“Hong Kong Underwriting Agreement”	the underwriting agreement dated October 22, 2018 relating to the Hong Kong Public Offering and entered into by us, the Joint Global Coordinators and the Hong Kong Underwriters;
“IFRS”	International Accounting Standards, International Financial Reporting Standards, amendments and the related interpretations issued by the International Accounting Standards Board;
“Independent Third Party(ies)”	an individual(s) or a company(ies) who or which is/are not connected (within the meaning of the Listing Rules) with any directors, chief executive or substantial shareholders (within the meaning of the Listing Rules) of us, our subsidiaries or any of their respective associates;
“Infinity Fortune”	Infinity Fortune Development Limited, a Controlling Shareholder which is beneficially owned by Hua Sheng Trust, a discretionary trust set up and controlled by Mr. Wang;
“Innovative Hero”	Innovative Hero Limited, a company incorporated in the BVI on December 27, 2017 and a Controlling Shareholder;
“International Offer Shares”	the 180,000,000 Shares being initially offered in the International Offering for subscription or purchase under the International Offering) together with, where relevant, any additional Shares which may be issued by us pursuant to the exercise of the Over-allotment Option, subject to reallocation;
“International Offering”	the offer of the International Offer Shares at the Offer Price outside the United States in offshore transactions in accordance with Regulation S or any other available exemption from registration under the U.S. Securities Act;

DEFINITIONS

“International Underwriters”	the group of underwriters, led by the Joint Global Coordinators, that is expected to enter into the International Underwriting Agreement to underwrite the International Offering;
“International Underwriting Agreement”	the international underwriting agreement relating to the International Offering, which is expected to be entered into by, among others, the Joint Global Coordinators, the International Underwriters and our Company on or about October 30, 2018;
“Jiangsu Future Land”	Jiangsu Future Land Co., Ltd (江蘇新城地產股份有限公司);
“Joint Bookrunners” and “Joint Lead Managers”	Huatai Financial Holdings (Hong Kong) Limited, Future Land Resources Securities Limited, Guotai Junan Securities (Hong Kong) Limited, Southwest Securities (HK) Brokerage Limited, Orient Securities (Hong Kong) Limited and BOCOM International Securities Limited;
“Joint Global Coordinators”	Huatai Financial Holdings (Hong Kong) Limited and Future Land Resources Securities Limited;
“Latest Practicable Date”	October 16, 2018, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information contained in this prospectus;
“Listing”	the listing of the Shares on the Main Board of the Hong Kong Stock Exchange;
“Listing Committee”	the listing committee of the Hong Kong Stock Exchange;
“Listing Date”	the date, expected to be on or about November 6, 2018 on which the Shares are listed on the Hong Kong Stock Exchange and from which dealings in the Shares are permitted to commence on the Hong Kong 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;

DEFINITIONS

“Main Board”	the stock exchange (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;
“Maximum Offer Price”	HK\$3.9 per Offer Share, being the maximum subscription price in the Offer Price Range;
“Minimum Offer Price”	HK\$2.9 per Offer Share, being the minimum subscription price in the Offer Price Range;
“MOF”	the Ministry of Finance of the PRC (中華人民共和國財政部);
“MOFCOM”	Ministry of Commerce of the PRC (中華人民共和國商務部) or its predecessor, the Ministry of Foreign Trade and Economic Cooperation of the PRC (中華人民共和國對外經濟貿易部);
“Moody’s”	Moody’s Investor Services, Inc and its successors;
“Mr. Wang”	Mr. Wang Zhenhua, our founder, a non-executive Director and a Controlling Shareholder;
“National Bureau of Statistics”	National Bureau of Statistics of the People’s Republic of China (中華人民共和國國家統計局);
“NDRC”	National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會);
“Offer Price”	the final offer price per Offer Share (exclusive of brokerage of 1.0%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005%);
“Offer Price Range”	HK\$2.9 to HK\$3.9 per Offer Share;
“Offer Share(s)”	the Hong Kong Offer Shares and the International Offer Shares together with, where relevant, any additional Shares which may be issued by us pursuant to the exercise of the Over-allotment Option;
“Orange APP”	新橙社, a mobile application developed by our Group that serves as a one-stop information service platform;

DEFINITIONS

“Orange Steward”	a module of our Orange APP, specifically designed to provide steward-style property management services;
“Over-allotment Option”	the option expected to be granted by us to the International Underwriters, exercisable by the Global Coordinator (on behalf of the International Underwriter), pursuant to which we may be required to allot and issue up to an aggregate of 30,000,000 Shares at the Offer Price to cover over-allocations in the International Offering, if any;
“PBOC”	People’s Bank of China (中國人民銀行), the central bank of the PRC;
“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 Advisor”	Commerce & Finance Law Offices, the Company’s PRC legal advisor;
“PRC Tax Advisor”	PricewaterhouseCoopers Consultants (Shenzhen) Limited – Shanghai Branch, the Company’s advisor as to certain tax issues;
“Price Determination Agreement”	the agreement to be entered into by the Joint Global Coordinators (on behalf of the Underwriters) and our Company on the Price Determination Date to record and fix the Offer Price;
“Price Determination Date”	the date, expected to be on or about October 30, 2018, on which the Offer Price will be determined and, in any event, not later than November 4, 2018;
“Regulation S”	Regulation S under the U.S. Securities Act;
“Remuneration Committee”	a committee of the Board established by the Board to discharge the Board’s responsibilities relating to the remuneration of Directors and executive officers of our Company;
“Reporting Accountant”	PricewaterhouseCoopers;

DEFINITIONS

“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC;
“SAFE”	State Administration of Foreign Exchange of the PRC (中華人民共和國外匯管理局);
“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), has been formed into State Administration for Market Regulation (國家市場監督管理總局);
“SAT”	State Administration of Taxation of the PRC (中華人民共和國國家稅務總局);
“SFC”	the Securities and Futures Commission of Hong Kong;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time;
“Share(s)”	ordinary share(s) in the capital of the Company with nominal value of US\$0.01 each;
“Share Option Scheme”	the share option scheme of the Company, conditionally adopted pursuant to a resolution of our Shareholder on October 20, 2018, the principal terms of which are summarized in the section entitled “Appendix IV – Statutory and General Information – D. Share Option Scheme”;
“Shareholder(s)”	holder(s) of Shares;
“Sole Sponsor”	Huatai Financial Holdings (Hong Kong) Limited;
“sq.m.”	the measurement unit of square meters;
“Stabilizing Manager”	Huatai Financial Holdings (Hong Kong) Limited;
“State Council”	the PRC State Council (中華人民共和國國務院);

DEFINITIONS

“Stock Borrowing Agreement”	the stock borrowing agreement expected to be entered into on or about the Price Determination Date between the Stabilizing Manager (or its affiliates acting on its behalf) and Innovative Hero, pursuant to which Innovative Hero will agree to lend up to 30,000,000 Shares to the Stabilizing Manager on terms set forth therein;
“subsidiaries”	has the meaning ascribed to it in section 15 of the Companies Ordinance;
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules;
“Track Record Period”	the three financial years of the Company ended December 31, 2015, 2016 and 2017 and the four months ended April 30, 2018;
“Tibet Xinchengyue”	Tibet Xinchengyue Property Services Co., Ltd. (西藏新城悅物業服務股份有限公司), a company incorporated in the PRC, and the principal operating subsidiary of the Group;
“Underwriters”	the Hong Kong Underwriters and the International Underwriters;
“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Underwriting Agreement;
“U.S. dollars” or “US\$”	U.S. dollars, the lawful currency of the United States of America;
“U.S.” or “United States”	the United States of America;
“U.S. Securities Act”	the United States Securities Act of 1933, as amended from time to time, and the rules and regulations promulgated thereunder;
“Wealth Zone Hong Kong”	Wealth Zone Hong Kong Investments Limited, a company incorporated in the BVI on February 18, 2003 and a Controlling Shareholder;
“White Application Form(s)”	the application form(s) for use by the public who require such Hong Kong Offer Shares to be issued in the applicant’s own name(s);

DEFINITIONS

“ White Form eIPO ”	the application for Hong Kong Offer Shares to be issued in the applicant’s own name by submitting applications online through the designated website of White Form eIPO Service Provider at www.eipo.com.hk ;
“ White Form eIPO Service Provider”	Computershare Hong Kong Investor Services Limited;
“ Yellow Application Form(s)”	the application form(s) for the use by the public who require(s) such Hong Kong Offer Shares to be deposited directly into CCASS.

In this prospectus, the terms “associate,” “connected person,” “connected transaction,” “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 prospectus refer to the years ended December 31 of such year.

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

The English translation of the PRC entities, enterprises, nationals, facilities, regulations in Chinese or another language included in this prospectus is for identification purposes only. To the extent there is any inconsistency between the Chinese names of the PRC entities, enterprises, nationals, facilities, regulations and their English translations, the Chinese names shall prevail.

GLOSSARY OF TECHNICAL TERMS

This glossary of technical terms contains terms used in this prospectus as they relate to our business. As such, these terms and their meanings may not always correspond to standard industry meaning or usage of these terms.

“active user”	a registered user who logs in our Orange APP at least once within a calendar month as recorded in our Company’s system;
“active user rate”	calculated as the number of active users in a calendar month divided by the aggregate number of registered users of the same calendar month as recorded in our Company’s system;
“average property management fee”	weighted average property management fee of residential properties calculated on the basis of GFA of each residential property under our management;
“commercial properties”	buildings intended to generate a profit, either from capital gain or rental income, for residential or commercial use;
“commission basis”	a revenue generating model for our property management business line whereby our fee income from property management consists only a specified percentage of the total management fees payable by the property owners or property developers while the remainder of such management fees would be used to procure services to the property from other service providers;
“common area” or “communal area”	common areas in properties, including parking lots, advertisement bulletin, lobbies and clubhouses;
“contracted GFA”	GFA managed/to be managed by the Company under operating property management service agreements, which includes both GFA under management and GFA yet to be managed by the Company;
“GFA”	gross floor area;
“GFA under management”	GFA managed by our Company under operating property management service agreements;

GLOSSARY OF TECHNICAL TERMS

“ISO”	The International Organization of Standardization, world-wide federation of rational standard system;
“lump sum basis”	a revenue generating model for our property management business line whereby we charge a pre-determined property management price per GFA for all units (whether sold or unsold) on a monthly basis which represents the “all-inclusive” fees for all of the property management services provided by our teams and sub-contractors;
“mixed-complex”	a type of urban development that blends residential, commercial, cultural, institutional, or entertainment uses, where those functions are integrated to provide pedestrian connections;
“residential communities” or “residential properties”	properties which are purely residential or mixed-use properties containing residential units and ancillary facilities that are non-residential in nature such as commercial or office units but excluding pure commercial properties;
“SYSWIN”	a business management software with a primary focus on real estate and property management, developed by SYSWIN Group in 1994;
“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, which comprised of 100, 210 and 200 companies, respectively, for 2015, 2016 and 2017;
“Yangtze River Delta Region”	a delta region in PRC including Shanghai, Jiangsu and Zhejiang.

FORWARD-LOOKING STATEMENTS

We have included in this prospectus forward-looking statements. Statements that are not historical facts, including statements about our intentions, beliefs, expectations or predictions for the future, are forward looking statements.

We have included in this prospectus forward-looking statements that are not historical facts but relate to our intentions, beliefs, expectations or predictions for future events and conditions which may not occur at all or as we expect. Even though these statements have been made by our Directors after due and careful consideration and on bases and assumptions that we believe are fair and reasonable at the time, they nevertheless involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Some of the risks are listed in the section entitled “Risk Factors” and elsewhere in this prospectus. In some cases, you can identify these forward-looking statements by words such as “aim,” “anticipate,” “believe,” “continue,” “could,” “expect,” “intend,” “may,” “might,” “plan,” “potential,” “predict,” “project,” “propose,” “seek,” “should,” “will,” “would” or similar expressions, or their negatives. These forward-looking statements include, without limitation, statements relating to:

- any changes in the laws, rules and regulations of the central and local governments in the PRC and the rules, regulations and policies of the relevant governmental authorities relating to all aspects of our business and our business plans;
- our business and operating strategies and our ability to implement such strategies;
- the development of our one-stop information service platform and business;
- our ability to control or reduce costs;
- our capability to identify and integrate suitable acquisition targets;
- expected growth of and changes in the PRC property management industry;
- our ability to maintain a strong relationship with relevant governmental authorities, our cooperating banks and customers;
- our future business development, results of operations and financial position;
- the future competitive environment for the PRC property management industry;
- determination of the fair value of our Shares;
- our dividend policy;

FORWARD-LOOKING STATEMENTS

- capital market developments;
- exchange rate fluctuations and restrictions; and
- risks identified under the section entitled “Risk Factors” of this prospectus.

This prospectus also contains market data and projections that are based on a number of assumptions. The markets may not grow at the rates projected by the market data, or at all. The failure of the markets to grow at the projected rates may materially and adversely affect our business and the market price of our Shares. In addition, due to the rapidly changing nature of the PRC economy and the property management industry, projections or estimates relating to the growth prospects or future conditions of the markets are subject to significant uncertainties. If any of the assumptions underlying the market data prove to be incorrect, actual results may differ from the projections based on these assumptions. You should not place undue reliance on these forward looking statements.

We do not guarantee that the transactions and events described in the forward-looking statements in this prospectus will happen as described, or at all. Actual outcomes may differ materially from the information contained in the forward-looking statements as a result of a number of factors, including, without limitation, the risks and uncertainties set forth in the section entitled “Risk Factors” in this prospectus. You should read this prospectus in its entirety and with the understanding that actual future results may be materially different from what we expect. The forward-looking statements made in this prospectus relate only to events as of the date on which the statements are made or, if obtained from third-party studies or reports, the dates of the respective studies or reports. Since we operate in an evolving environment where new risks and uncertainties may emerge from time to time, you should not rely upon forward-looking statements as predictions of future events. We undertake no obligation, beyond what is required by law, to update any forward-looking statement to reflect events or circumstances after the date on which the statement is made, even when our situation may have changed.

RISK FACTORS

An investment in our Shares involves various risks. You should carefully consider the following information about risks, together with the other information contained in this prospectus, including our consolidated financial statements and related notes, before you decide to purchase our Shares. If any of the circumstances or events described below actually arises or occurs, our business, results of operations, financial position and prospects would likely to suffer. In any such case, the market price of our Shares could decline, and you may lose all or part of your investment.

We believe that there are certain risks and uncertainties involved in our operations, some of which are beyond our control. We have categorized these risks and uncertainties into: (i) risks relating to our business and industry; (ii) risks relating to conducting business in the PRC; (iii) risks relating to the Global Offering. Additional risks and uncertainties that are not presently known to us or that we currently deem immaterial may develop and become material and could also harm our businesses, financial position and results of operations.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

There is no assurance we will continue to be engaged by Future Land Affiliates Group to manage properties developed by them, or that we will be able to supplement any shortfall with properties from independent third-party property developers on terms acceptable to us, or at all

A significant portion of our property management projects during the Track Record Period was related to the management of properties developed by Future Land Affiliates Group. Tibet Xinchengyue, our principal operation entity, since its incorporation in March 1996, has been under the continuous control of Mr. Wang, either directly or indirectly through different corporate structures. In particular, for the period from June 2010 to May 2016, Tibet Xinchengyue was a subsidiary of Future Land Development Holdings, a PRC property development company listed on the Stock Exchange. Our controlling shareholder, Mr. Wang, held 71.01% of shareholding in Future Land Development Holdings, as of the Latest Practicable Date. For the years ended December 31, 2015, 2016 and 2017 and the four months ended April 30, 2018, respectively, 98.7%, 87.1%, 78.6% and 79.0% of our revenue generated from property management services, and 95.5%, 77.9%, 76.2% and 75.6% of our contracted GFA were attributable to properties developed by Future Land Affiliates Group. Any adverse development in the operations of Future Land Affiliates Group or its ability to develop new properties may affect our ability to procure new property management projects.

Furthermore, as required by PRC law, we primarily obtain new property management projects, whether with Future Land Affiliates Group or independent third-party property developers, through either a process of tendering or a process of appointment through agreement with our potential customers. Under the PRC Property Management Regulations, a residential property developer shall hire qualified property management service providers to

RISK FACTORS

provide preliminary property management services by going through a tendering and bidding process, as required by PRC laws. When the number of bidders is likely to be fewer than three or the total GFA is relatively small, and in either case with the approval of the relevant competent authority according to the PRC laws, property management service providers go through the process of appointment through agreement. For more information, please see the sections entitled “Business Section – Process of Obtaining Property Management Projects” and “Regulatory Overview – Appointment of Property Management Companies” in this prospectus. As the selection of a property management service providers depends on a number of factors, including but not limited to the quality of services, the level of pricing and the operating history of the property management service providers, we cannot assure you that Future Land Affiliates Group will continue to engage us as their property management service provider for any property they develop. Similarly, if we bid on property management service projects developed by independent third-party property developers, there can be no assurance that we will be successful in such bids, or that such bids will provide positive contributions to our revenue or profits. If we are not able to continue to be engaged as Future Land Affiliates Group’s property management service provider for properties they develop, or to supplement any shortfall in managing properties developed by Future Land Affiliates Group by procuring new property management service agreements with acceptable terms on properties developed by independent third-party property developers, our results of operations and growth prospects may be materially and adversely affected.

A significant portion of our operations are concentrated in the Yangtze River Delta Region, which exposes us to concentration risks

Our operations are focused on cities with high population densities in economically developed regions, with a particular emphasis on the Yangtze River Delta Region. As of December 31, 2015, 2016 and 2017 and the four months ended April 30, 2018, respectively, we had a total contracted GFA of 28.0 million sq.m., 40.8 million sq.m, 54.2 million sq.m. and 57.8 million sq.m., and a total GFA under management of 18.5 million sq.m., 25.6 million sq.m., 31.8 million sq.m. and 32.3 million sq.m. in the Yangtze River Delta Region, comprising of 95.4%, 94.6%, 87.9% and 83.4% of our property management services revenues for the same periods.

We expect that the Yangtze River Delta Region will continue to account for a significant portion of our operations in the near future. As such, any adverse development in government policies or the business environment in the Yangtze River Delta Region, including economic downturn, natural disaster, contagious disease outbreak, terrorist attack, or adoption of regulations imposing burdens on us or the property management industry in general, could materially and adversely affect our business, financial position and results of operations.

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We may be subject to losses and our profit margins may decrease if we fail to control our costs in performing our property management services on a lump sum basis

We primarily generated revenue from our property management services on a lump sum basis, which accounted for 99.3%, 99.5%, 99.6% and 99.7%, respectively, of our total revenue from property management services for the years ended December 31, 2015, 2016 and 2017 and the four months ended April 30, 2018. On a lump sum basis, we charge property management fees at a pre-determined fixed lump sum price per sq.m. per month, representing “all-inclusive” fees for the property management services provided. These management fees do not change with the actual amount of property management costs we incur. We recognize as revenue the full amount of property management fees we charge to the property owners or property developers, and recognize as our cost of sales the actual costs we incur in connection with rendering our services. For more information, please see the sections entitled “Business – Property Management Fees – Property Management Fees Charged on a Lump Sum Basis” and “Financial Information – Critical Accounting Policies and Estimates – Revenue Recognition” in this prospectus.

In the event that the amount of property management fees that we charge is insufficient to cover all the costs incurred for the property management service, we are not entitled to collect the shortfall from the relevant property owners or property developers. As a result, we may suffer losses.

If we are unable to raise property management fee rates and there is a shortfall of working capital after deducting the property management costs, we would seek to cut costs with a view to reducing the shortfall. However, our ability to mitigate against such losses through cost-saving initiatives may not be successful, and our cost-saving efforts may negatively affect the quality of our property management services, which in turn would further reduce the owners’ willingness to pay us the property management fees.

Our ability to maintain or improve our current level of profitability depends on our ability to control operating costs, and in particular, labor costs and sub-contracting costs, and our profit margins and results of operations may be materially and adversely affected by any increase in labor or other operating costs

The property management industry is a labor intensive industry. For the years ended December 31, 2015, 2016 and 2017 and the four months ended April 30, 2018, our employee benefit expenses accounted for 62.2%, 48.7%, 32.8% and 29.2%, respectively, of our total cost of sales. During the same periods, our sub-contracting costs accounted for 19.0%, 35.7%, 47.7% and 57.4%, respectively, of our total cost of sales. To maintain and improve our profit margins, it is critical for us to control and reduce our labor costs as well as other operating costs. We face pressure from rising labor and sub-contracting cost due to various contributing factors, including but not limited to:

- *increases in minimum wages.* The minimum wage in the regions where we operate has increased substantially in recent years, directly affecting our direct labor costs as well as the fees we pay to our third-party sub-contractors.

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- *increases in headcount of our employees and number of sub-contractors.* As we expand our operations, the headcount of our property management staff, sales and marketing staff and administrative staff will continue to grow. We also need to retain and continuously recruit qualified employees to meet our growing demand for talents. Moreover, as we continue to expand our business scale, we require more sub-contractors and thus, our sub-contracting costs will increase. Such increases will result in increases of associated costs such as training, social insurances and housing funds and quality control measures.
- *delay in implementing.* There is a time gap between our commencement of property management services for a particular property and any implementation of our systems to that property to reduce labor costs.

Our ability to maintain and improve our current profit margins depends upon whether we can control and reduce our labor costs and other operating costs as our business expands, and replicate the same cost model across different properties under our management. We cannot assure you that we will be able to control our costs, improve our efficiency through the implementation of standardization, automation and smart management strategies or successfully pass the cost impact to the property management fees charged by us so as to maintain our profit margins. If we cannot achieve these goals, our business, financial position and results of operations may be materially and adversely affected.

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

We delegate certain property management services, primarily including security, cleaning, gardening and public area maintenance services to third-party sub-contractors. For the years ended December 31, 2015, 2016 and 2017 and the four months ended April 30, 2018, the fees paid to third-party sub-contractors were approximately RMB57.0 million, RMB146.9 million, RMB297.7 million and RMB123.9 million, respectively, accounting for approximately 19.0%, 35.7%, 47.7% and 57.4% of our total cost of sales, respectively. Although we have adopted supervision policies with regards to the services provided by third-party sub-contractors, we may not be able to monitor such third-party sub-contractors as directly and efficiently as with our own employees. They may take actions contrary to our or our customers' instructions or requests, or be unable or unwilling to fulfil their obligations. As a result, we may have disputes with our sub-contractors, or may be held responsible for their actions, either of which could lead to damages to our reputation, additional expenses and business disruptions and potentially expose us to litigation and damage claims. There is no guarantee that we will be able to recover from a third-party sub-contractor the amounts we are required to pay to customers due to the third-party sub-contractor's failure to fulfil its obligations.

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

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

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

As of April 30, 2018, we signed preliminary property management service agreements with property developers with a total contracted GFA of 51.9 million sq.m., accounting for 70.7% of our total contracted GFA, and generated a revenue of RMB128.3 million from such agreements for the four months ended April 30, 2018, accounting for 59.1% of the total revenue from property management services for the same periods. During the Track Record Period, we entered into 165 property management service agreements without a fixed term, which accounted for the majority of all property management service agreements. Under the PRC Property Management Regulations (中華人民共和國物業管理條例), a preliminary property management service agreement signed with property developers at the pre-sale and pre-delivery stages remains effective and binding only until the property owners' association is formed and a new property management service agreement is entered into. There are agreements signed with property developers without a fixed term, where local rules or practices prescribe a form of property management service agreement and such form does not have a fixed term, the term of the agreement will be settled based on commercial negotiation. These agreements will usually end upon the establishment of a property owners' association or otherwise agreed by the parties, as applicable. According to CIA, it is common in the industry to use non-fixed terms in preliminary property management service agreements as the service providers are not able to predict when a property owners' association will be established. In the event that we enter into a new property management service agreement with the property owners' association, the term of such agreement typically ranges from one to five years and may be renewed upon mutual consent. We also entered into property management service agreements with property owners' associations without a fixed term, and they could be terminated when a property owners' association selects another property management service provider through a property owners' general meeting. In all of the above circumstances, there is no assurance that the relevant property owners' associations will decide to enter into, renew, or maintain the property management agreements with us instead of selecting another property management service provider. In the event a property owners' association enters into a property management agreement with another company rather than us, the preliminary property management agreement we entered into with the property developer will automatically terminate. Even in the event the property owners' association decides to enter into a property management agreement with us, there is no assurance that such agreement will not be terminated prior to expiration for cause or renewed upon expiration. Termination or non-renewal of a significant number of property management service agreements could have

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a material adverse effect on our revenue generated from property management services. Additionally, the performance and development of our value-added services business relies to a large extent on the number of properties we manage for our property management services business. Therefore, any failure to renew our property management services agreements or termination of such agreements could also adversely affect the performance of our value-added services business.

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

We may encounter difficulties in collecting property management fees from property owners, especially in communities where the vacancy rate is relatively high. Even though we seek to collect overdue property management fees through a number of collection measures, we cannot assure you that such measures will be effective or enable us to accurately predict our future collection rate.

Our allowance for impairment of trade and other receivables amounted to RMB4.8 million, RMB4.8 million, RMB10.7 million and RMB7.0 million for the years ended December 31, 2015, 2016 and 2017 and the four months ended April 30, 2018, respectively. Although our management's estimates and the related assumptions have been made in accordance with information available to us, such estimates or assumptions may require adjustment if new information arise. For further details, see "Financial Information – Critical Accounting Policies and Estimates – Trade and other receivables" in this prospectus. In the event that the actual recoverability is lower than expected, or that our past allowance for impairment of trade receivables becomes insufficient in light of any new information, we may need to provide for an additional allowance for impairment of trade receivables, which may in turn materially and adversely affect our business, financial position and results of operations. Our collection rate of property management fees, calculated by dividing the property management fees we cumulatively received during a period by the total property management fees payable to us during the same period, was 97.9%, 96.3%, 94.1% and 68.4%, respectively, in 2015, 2016 and 2017 and the four months ended April 30, 2018. If we are unable to collect property management fees from property owners and property developers or experience a prolonged delay in receiving such fees, our cash flow position and our ability to meet our working capital requirements may be adversely affected.

Our one-stop information service platform Orange APP may not grow as planned

We aim to expand the function of our one-stop information service platform, Orange APP, to increase accessibility and improve user experience, and plan to attract extensive use by residents of the properties we manage as well as local suppliers. For more information, please see the section entitled "Business – Our Orange APP" in this prospectus.

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However, our Orange APP is relatively new and still evolving and we cannot assure you that we will be able to develop our Orange APP as planned. The future growth of our Orange APP depends on our ability to attract new users, as well as to increase the spending and purchase rate of existing users. Changing consumer preferences have historically affected, and will continue to affect, the e-commerce industry. As a result, we must stay abreast of emerging lifestyle and consumer preferences and anticipate product trends that will appeal to existing and potential users. We may require substantial time, resources and capital to develop new products and services, or enter into new markets. As a result, we may not be able to achieve our profit targets. We cannot assure you that the residents will use the services and products on our Orange APP. Our Orange APP, with the intention to better serve our residents, integrates our property management services and value-added services. If our residents cannot find desired products or services offered in our Orange APP at attractive prices, they may lose interest in our Orange APP and thus may use our mobile application less frequently, if at all, which in turn, may adversely affect our business, our results of operations and our financial position.

Moreover, we may also encounter technical problems, security issues and logistical issues that may prevent our platform from functioning properly and our users from receiving desired products and services. We may also be subject to product liability arising from reselling the products or services on our platform under the *Consumer Protection Law of the PRC* (中華人民共和國消費者權益保護法), the *Tort Law of the PRC* (中華人民共和國侵權責任法) and other relevant PRC laws and regulations. If we are unable to resolve such problems in a timely manner, or at all, we may lose our existing users or face lower user engagement.

In addition, we may not be able to recruit sufficient qualified personnel to support the development of our Orange APP. We cannot assure you that our investment in our Orange APP can be recovered in a timely manner, or at all, or our return would be comparable to those of other companies. In addition, our development of and investment in our Orange APP may be subject to PRC laws and regulations governing license approval and renewal. We cannot assure you that we can obtain or renew our license on time, if at all. Any of the foregoing could adversely affect our reputation, business, financial position and results of operations.

Our future growth may not materialize as planned, and any failure to manage our future growth effectively may have a material adverse effect on our business, financial position and results of operations

We have been expanding our business in recent years primarily through organic growth. Our total contracted GFA was approximately 32.3 million sq.m., 47.7 million sq.m., 67.8 million sq.m. and 73.3 million sq.m. as of December 31, 2015, 2016 and 2017 and April 30, 2018, respectively. Our total GFA under management was approximately 19.3 million sq.m., 27.5 million sq.m., 36.3 million sq.m. and 37.0 million sq.m., respectively, as of December 31, 2015, 2016 and 2017 and April 30, 2018.

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We seek to increase our total contracted GFA and GFA under management in existing and new markets through continued organic growth as well as selective pursuit of strategic acquisition, cooperation and investment opportunities. However, our expansion plans are based upon our assessment of market prospects. We cannot assure you that our assessment will prove to be correct or that we can grow our business as planned. Our expansion plans may be affected by a number of factors, most of which are beyond our control. Such factors include:

- changes in China's economic condition in general and the real estate market in particular;
- changes in disposable personal income in the PRC;
- changes in government regulations in the PRC;
- our ability to generate sufficient liquidity internally;
- our ability to recruit and train competent employees;
- our ability to select and work with suitable sub-contractors and suppliers;
- our ability to understand the needs of residents in the properties where we provide property management services;
- our ability to adapt to new markets where we have no prior experience and in particular, whether we can adapt to the administrative, regulatory and tax environments in such markets;
- our ability to leverage our brand names to compete successfully in new markets, particularly against the incumbent players in such markets who might have more resources and experience than us; and
- our ability to improve our administrative, technical, operational and financial infrastructure.

We cannot assure you that our future growth will materialize or that we will be able to manage our future growth effectively, and failure to do so may have a material adverse effect on our business, financial position and results of operations.

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

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

We recorded net current liabilities as of December 31, 2015. We cannot assure you that we will not experience net current liabilities in the future, which could expose us to liquidity risks

We recorded net current liabilities of RMB33.9 million as of December 31, 2015, primarily due to accumulated net losses for the years prior to 2015. We did not record net current liabilities as of December 31, 2016 or 2017 or April 30, 2018. See “Financial Information – Discussion of Selected Items from Consolidated Statements of Financial Position” in this prospectus for further discussion.

We cannot assure you that we will not record net current liabilities again in the future. A net current liabilities position exposes us to liquidity risks. Our future liquidity, the payment of trade and other payables and the repayment of debt financing will primarily depend on our ability to generate adequate cash inflows from our operating activities. If we experience a shortage in cash flow generated from operations, our liquidity position may be materially and adversely affected, which, in turn, may impact our ability to execute our business strategies. If such event occurs, our results of operations and financial position will be materially and adversely affected.

We are in a highly competitive industry with numerous competitors and if we do not compete successfully against existing and new competitors, our business, financial position, results of operations and prospects may be materially and adversely affected

The PRC property management industry is highly competitive and fragmented. See “Industry Overview – Competitive Landscape” in this prospectus. Our major competitors include large national, regional and local property management companies. Competition may intensify as our competitors expand their product or service offerings, or as new competitors enter our existing or new markets. We believe that we compete with our competitors on a number of factors, primarily including business scale, brand recognition, financial resources, price and quality of service. Our competitors may have better track records, longer operating histories, greater financial, technical, sales, marketing, distribution and other resources, better name recognition and larger customer bases. As a result, these competitors may be able to

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devote more resources to the development, promotion, sale, and support of their services. In addition to the competition from established companies, emerging companies may enter our existing or new markets. Furthermore, our community-related business category faces competition from other companies providing similar services. We cannot assure you that we will be able to continue to compete effectively or maintain or improve our market position, and such failure could have a material adverse effect on our business, financial position and results of operations.

We believe our current success can be partially attributed to our standardization of operations in providing property management services. We plan to refine our service standardization practice to enhance the quality and consistency of our services, improve our on-site service teams' efficiency and reduce our costs. Our competitors may emulate our business model, and we may lose a competitive advantage that once distinguished ourselves from our competitors. In such event, our business, financial position, results of operations and prospects may be materially and adversely affected.

Furthermore, we may lose property developer clients who decide to enter into the property management business themselves, which will also intensify the competition in the market. Some of our clients may develop their own property management businesses. In such event, we may lose future business from such property developers, and our business, results of operations and financial position could be materially and adversely affected.

Our bargaining power may be affected by government guidance price, which may adversely affect our profit margin

Under the PRC laws and regulations, the price of most of our preliminary property management services is subject to government guidance price. The preliminary property management service agreement entered into between the property developers and us at the preliminary stage will be terminated when the property owners' association is formed and a new property management service agreement will be entered into. If we are selected by the relevant property owners or property owners' associations to enter into subsequent property management service agreements, they may want us to match the price provided during the preliminary stage, which is limited by the government guidance price. As the government guidance price was adopted several years ago, it could not accurately reflect the level of market price. In such case, our bargaining power and our profit margin may be adversely affected.

The preferential tax policies and other treatments in the Tibet Autonomous Region contemplated by us may change or may become unavailable

Our principal operating entity, Tibet Xinchengyue, applied for and enjoys a preferential income tax rate of 15% until 2020 for its head office in Tibet as part of the Western Region Development strategy after we changed our place of registration from Changzhou to Tibet in 2015. Tibet Xinchengyue has a number of branches across China. According to the relevant tax laws and regulations, the Group files its income tax return by combining the taxable income

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of head office in Tibet and all of its branches an average of 20% applicable income tax rate. In addition, pursuant to Zang Zheng Fa [2014] No. 51, “Announcement on the Distribution of the Implement Policy concerning the Enterprise Income Tax in Tibet Autonomous Region”, Tibet Xinchengyue was entitled to an exemption of income tax for local retention of income tax attributed to the local tax bureau generated from head office in Tibet until December 31, 2017. Accordingly, Tibet Xinchengyue’s applicable income tax rate was further reduced to 18.5%. For further information and formula on the income tax rate, please refer to “Financial Information – Description of Selected Consolidated Statement of Profit or Loss Items – Effective Tax Rate” in this prospectus. The amount of tax savings from the preferential tax policies was RMB1.2 million, RMB4.3 million, RMB7.2 million and RMB2.6 million, respectively, for the years ended December 31, 2015, 2016, 2017 and the four months ended April 30, 2018. However, there is no assurance that we could continue to enjoy such income tax incentive at the historical level, or at all. Any change, suspension or termination of the preferential tax treatment to us could adversely affect our financial condition, results of operations and cash flows.

We are uncertain about the recoverability of our deferred tax assets, which may affect our financial positions in the future

As of December 31, 2015, 2016 and 2017 and April 30, 2018, our deferred tax assets amounted to RMB8.9 million, RMB13.9 million, RMB17.3 million and RMB15.3 million, respectively, which mainly represent temporary differences arising from allowance on doubtful debt, accrued liabilities and provisions. For details of the movements of our deferred tax assets during the Track Record Period, please see Note 30 to the Accountants’ Report in Appendix I to this prospectus.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilized. This requires significant judgment on the tax treatments of certain transactions and also assessment on the probability that adequate future taxable profits will be available for the deferred tax assets to be recovered. We cannot guarantee the recoverability or predict the movement of our deferred tax assets. If we fail to recover our deferred tax assets, this may adversely affect our financial positions in the future.

Our net cash outflow for the four months ended April 30, 2018 may affect our liquidity

For the four months ended April 30, 2018, our Group’s net cash outflow amounted to RMB92.6 million, primarily attributable to our net cash used in financing activities. For more details, please see “Financial Information – Liquidity and Capital Resources – Cash Flows” in this prospectus. We cannot assure you that we will not experience any period of net cash outflow in the future. Our liquidity in the future will to a certain extent, depend on our ability to maintain adequate cash inflows, and any significant cash outflows may adversely affect our liquidity in the future.

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

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

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

Our future acquisitions may not be successful, or we may fail to achieve the desired benefits from successful acquisitions

We plan to continue to selectively pursue strategic investment, cooperation and acquisition opportunities involving other property management companies or other businesses that are supplementary to our existing business and integrate their operations into our business. However, we cannot assure you that we will be able to identify suitable opportunities. Even if we manage to identify suitable opportunities, we may not be able to complete the transactions on terms favourable or acceptable to us, in a timely manner, or at all. The inability to identify suitable opportunities or complete such transactions successfully could adversely affect our operations and competitiveness.

Furthermore, even if we successfully complete an acquisition, we may fail to achieve the desired benefits from such transaction. Our ability to manage the acquired business may be affected by a number of factors, including but not limited to, the nature and size of the acquired business, the risks of operating in new markets, difference in corporate cultures, inability to retain the personnel of the acquired business, inability to obtain approval from relevant government authorities as well as hidden costs associated with the acquisitions. If we cannot achieve the desired benefits from the acquisitions, our business strategies and operations may be adversely affected.

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Our future preliminary property management agreements entered into with property developers may be determined as invalid if the property developers do not hold the required tendering and bidding process

Under the PRC Property Management Regulations, a residential property developer shall hire qualified property management service providers to provide preliminary property management services by going through a tendering and bidding process, as required by PRC law. When the number of bidders is likely to be fewer than three or the total GFA is relatively small, and in either case with the approval of the relevant authority according to the PRC laws, property developers may go through the process of appointment through agreement. A residential property developer may be required to take rectification measures within a prescribed period and pay fines up to RMB100,000 if it fails to comply with such tendering and bidding requirement. During the Track Record Period, we were selected by a number of property developers to provide preliminary property management services for 11 properties without going through the required tendering and bidding process. Such properties had an aggregate contracted GFA of approximately 2.8 million sq.m. as of December 31, 2017. The revenue from our management of such properties amounted to approximately RMB10.1 million, RMB23.3 million and RMB28.8 million, respectively, in 2015, 2016 and 2017, accounting for approximately 2.5%, 4.1% and 3.3%, respectively, of our total revenue for the same periods.

There is a risk that our future preliminary property management agreements may be determined as invalid if the property developers do not hold the required tendering and bidding process. If this occurs, we may lose a portion of our revenue accrued under such property management agreements. In addition, the relevant property developer may need to reorganize a tendering and bidding process to select a property management service provider for their developed projects, under relevant PRC laws. In the case that we do not win the bidding, we may not be able to continue our property management services for the relevant projects and, as a result, our revenue and business may be negatively impacted.

For more details, please see the section entitled “Business – Property Management Services – Process of Obtaining Property Management Projects” in this prospectus.

Damages to the communal areas of the properties we manage as a result of any natural disasters, intended or unintended actions of residents or other events could adversely affect our business, results of operations and financial position

The communal areas of the properties we manage may be damaged or impacted in a variety of ways that are out of our control, including but not limited to natural disasters, residents’ intended or unintended actions, and epidemics, such as severe acute respiratory syndrome (“SARS”). For example, in the event of natural disasters, such as earthquake, typhoon and flood, the communal areas may be materially damaged. Although a special fund

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for residence maintenance is available to cover the cost of repairing or restoring the damaged areas in such circumstances, we cannot assure you that such fund will be sufficient. If any person purposely or recklessly sets fire or causes flooding in an apartment or communal area, the exterior of the building, corridors and stairways may be damaged. If a person commits or is suspected of having committed criminal activities within our residential communities, we need to allocate additional resources to assist the police and other governmental authorities in their investigations. In the event of any damages that affects the communal areas, our current residents may be affected and we may have to repair the damages with the relevant special fund for maintenance. If the remaining balance of such special fund after our drawdown is less than a certain percentage of the initial amount, residents of the relevant communities need to top up such special fund. The top up plan needs to be approved by the property owners' association or the local housing authority. If the top up plan is not approved on terms favourable to us, or at all, we may face difficulty in collecting sufficient fees from residents and may suffer a loss as a consequence. See the section entitled "Regulatory Overview – Legal Supervision over Property Management Services – Fees charged by Property Management Enterprises" in this prospectus.

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

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

Accidents may occur during the course of our business. We provide repair and maintenance services to property developers and residents of the properties we manage through our own employees and third-party sub-contractors. Repair and maintenance services such as elevator maintenance involve the operation of heavy machinery and, are subject to risks of accidents. These occurrences could result in damage to, or destruction of, properties of the communities, personal injury or death and legal liability. Working in a dangerous environment presents risks to our employees and third-party sub-contractors. In addition, we are exposed to claims that may arise due to employees' or third-party sub-contractors' negligence or recklessness when performing repair and maintenance services. We may be held liable for the injuries or deaths of employees, sub-contractors, residents or others. We may also experience interruptions to our business and may be required to change the manner in which we operate as a result of governmental investigations or the implementation of safety measures upon occurrence of accidents. Any of the abovementioned could adversely affect our reputation, business, financial position and results of operations.

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Negative publicity, including adverse information on the internet, about us, our Shareholders and affiliates, our brand, management, suppliers and product and service offerings on our Orange APP may have a material adverse effect on our business, reputation and the trading price of our Shares

Negative publicity about us, our Controlling Shareholders and affiliates, our brand, management, suppliers and product and service offerings on our Orange APP may arise from time to time. Negative comments on the properties under our management, products and services offered on our Orange APP, our business operations and management may appear in internet postings and other media sources from time to time, and we cannot assure you that other types of negative publicity will not arise in the future. For example, if our Orange APP fails to meet the needs and expectations of our customers, our customers may disseminate negative comments about our services. In addition, suppliers on our Orange APP may also be subject to negative publicity for various reasons, such as customers' complaints about the quality of their products and services or other public relation incidents with respect to such suppliers, which may adversely affect the sales of their products or services on our Orange APP and indirectly affect our reputation.

We may not be able to detect and prevent fraud or other misconduct committed by our employees or third-parties

We are exposed to fraud or other misconduct committed by our employees, sub-contractors, agents, residents or other third parties that could subject us to financial losses and sanctions imposed by governmental authorities as well as seriously harm our reputation. For example, theft conducted by third parties may cause us to make compensation if we were held to be negligent or reckless, and will also damage our reputation in the property management market. In addition, in managing our Orange APP, we rely, to a large extent, on the cooperation with third-party service providers to supply products and services to residents, and any major interruptions to or failures in these third-parties' property management services could prevent the timely and successful delivery of relevant goods or services due to fraud or misconduct of these third-parties. If the purchased goods are not delivered on time or are delivered in a damaged state or if the purchased services are not timely or properly rendered, customers may refuse to accept the goods or services and may claim refund from us or the relevant suppliers on our Orange APP, and the suppliers on our Orange APP may have less confidence in our services. As a result, we may lose suppliers on our Orange APP, and our financial position and reputation could be damaged.

Our management information system and internal control procedures are designed to monitor our operations and overall compliance. However, they may be unable to identify non-compliance and/or suspicious transactions in a timely manner, or at all. Furthermore, it is not always possible to detect and prevent fraud and other misconduct, and the precautions we take to prevent and detect such activities may not be effective. We will continue to operate knowing that fraud and other misconduct may occur, including negative publicity as a result, which may have an adverse effect on our business, reputation, financial position and results of operations.

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

We consider our intellectual properties as crucial business assets, key to maintaining customer loyalty and essential to our future growth. The success of our business depends substantially on our continued ability to use our brands, trade names and trademarks to increase brand recognition and to develop our brands. The unauthorized reproduction of our trade names or trademarks could diminish the value of our brands as well as our market reputation and competitive advantages. Please see the section entitled “Business – Intellectual Property” in this prospectus.

We rely on a combination of confidentiality procedures and contractual provisions to protect our intellectual property rights. Nevertheless, these measures afford limited protection. Policing unauthorized use of proprietary information can be difficult and expensive. In addition, enforceability, scope and validity of laws governing intellectual property rights in the PRC are uncertain and still evolving, and could involve substantial risks to us. To our knowledge, the relevant authorities in the PRC historically have not protected intellectual property rights to the same extent as most developed countries. If we were unable to detect unauthorized use of, or take appropriate steps to enforce, our intellectual property rights, it could have a material and adverse effect on our business, results of operations and financial position.

Our insurance may not sufficiently cover, or may not cover at all, losses and liabilities that we may encounter

We cannot assure that our insurance coverage will be sufficient or available to cover damages, liabilities or losses we may incur in the course of our business. Moreover, there are certain losses for which insurance is not available in the PRC on 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 and there is an insufficiency or unavailability of insurance, there could be a material and adverse effect on our business, financial position and results of operations. See the section entitled “Business – Insurance” in this prospectus.

Our Orange APP is subject to third-party e-commerce payment platform processing related risks

We accept payments using a variety of methods, including payments through third-party e-commerce payment platforms, payments with credit cards and debit cards issued by banks in PRC, and may accept payment on delivery in the future. For certain payment methods, including credit and debit cards, we will pay interchange and other fees, which may increase over time and raise our operating costs and lower our profitability. We may also be subject to fraud and other illegal activities in connection with the various payment methods we offer, including e-commerce payment and payment on delivery options. We are also subject to various rules and requirements, regulatory or otherwise, governing electronic funds transfers,

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which are subject to change or reinterpretation that could make it difficult or impossible for us to comply with. If we fail to comply with these rules or requirements, we may be subject to fines, higher transaction fees and losing our ability to accept credit and debit card payments from consumers, process electronic funds transfers or facilitate other types of e-commerce payments, and our business, financial position and results of operations could be materially and adversely affected.

Interruptions and security risks to third-party IT systems, including security breaches and identity theft, may result in disruption of our operations and reduced use of our applications by our customers, and expose us to the risk of litigation which could materially and adversely affect our business, financial position, results of operations and our reputation

We utilize a third-party comprehensive internal management system where information related to human resources and financials is processed automatically. If the third parties are unable to detect any system errors, continue to upgrade their IT systems and network infrastructure and take other steps to improve the efficiency of their IT systems, there may be system interruptions or delays, which could adversely affect our operating results. In addition, we may experience occasional system interruptions and delays to our Orange APP or customer service systems that make our applications' services unavailable or difficult to access, and prevent us from promptly responding or providing services to our customers. This may reduce the attractiveness of our applications, may incur losses to our customers, and may bring legal proceedings against us.

Moreover, transactions through our Orange APP may be conducted through third-party e-commerce payment platforms. In these e-commerce payment transactions, secured transmission of confidential information, such as customers' personal and billing information, over public networks is essential to maintain consumer confidence. As the prevalence of using e-commerce payment methods increases, associated cyber crimes are likely to increase as well. Although we have implemented a series of measures to protect our Company against security breaches, our current security measures and those of the third-party e-commerce payment platform service providers may still not be adequate. Increasing and enhancing our security measures and efforts may impose additional costs and expenses but still, it does not guarantee complete safety.

In addition, we do not have control over the security measures of our third-party service providers on the e-commerce payment platform. Security breaches of the e-commerce payment platforms that we use could expose us to litigation and possible liability for failing to secure confidential user information and could, among other things, damage our reputation. Furthermore, even if a security breach did not occur on the e-commerce payment platforms that we use, if an internet or mobile network security breach were to occur, the perceived security of e-commerce payment platforms in general may be adversely affected and cause users to be reluctant to utilize our Orange APP. Any leakage of confidential information or data, breach of network security or other misappropriation or misuse of personal information could cause interruptions in the operations of our business and subject us to increased costs, litigation and other liabilities, which could materially and adversely affect our business, financial position, results of operations and our reputation.

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We may be exposed to liabilities from disputes involving products and services marketed on our Orange APP

We collaborate with local suppliers surrounding the properties we manage to display their products and services on our Orange APP. As a result, we may become, or may be joined as, a defendant in litigation or administrative proceedings brought against such local suppliers by purchasers of their products and services, governmental authorities or other third parties. These actions could involve claims alleging, among other things, that:

- the quality of the products sold by local suppliers fails to meet the relevant requirements;
- information provided on our Orange APP with respect to such local suppliers' products or services are false, deceptive, misleading, libelous, injurious to the public welfare or otherwise offensive;
- such local suppliers' products or services marketed on our platform are defective or injurious and may be harmful to others; and
- such local suppliers' marketing, communications or advertising infringe the proprietary rights of third parties.

In addition, if the products displayed on our Orange APP are deemed by the PRC government authorities failing to conform to product quality and personal safety requirements, we could be subject to regulatory action. Violation of product quality and safety requirements by third-party suppliers may subject us to confiscation of related earnings, penalties or an order to cease sales of the defective products or to cease operations pending rectification. If the offense is determined to be serious, our business license to sell these products could be suspended and we could be subject to investigation and prosecution under criminal law.

We have an arrangement with our suppliers regarding the indemnification allocation of losses caused to customers due to defective products the suppliers provide on our Orange APP. However, despite having such arrangements with our suppliers, we may have to bear the damages for the costs involved. Any product liability claim or governmental regulatory action could be costly and time-consuming. We could be required to pay substantial damages as a result of such claim or action. A material design, manufacturing or quality failure in other parties' products displayed on our Orange APP, safety issues or heightened regulatory scrutiny could each result in a product recall and increased product liability claims. Furthermore, customers may not use the products displayed on our Orange APP in accordance with product usage instructions, possibly resulting in customer injury. All of these events could materially harm our brand and reputation and marketability of such products, divert our management's attention and have a material and adverse effect on our business, financial position and results of operations.

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We are subject to the regulatory environment and measures affecting the PRC property management industry

Our operations are affected by the regulatory environment and measures affecting the PRC property management industry. In particular, the fees that property management companies may charge in connection with property management services are strictly regulated and supervised by relevant PRC authorities. Please see the section entitled “Regulatory Overview – Legal Supervision over Property Management Services – Fees Charged by Property Management Enterprises” in this prospectus. 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* (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) (the “**Circular**”), which requires price control on non-government-supported housing and parking services in residential community to be abolished. Property management fees for government-supported housing, housing-reform properties and properties in old residential areas and management fees under preliminary property management service may 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 be relaxed 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.

The government-imposed limits on fees, coupled with rising labor and other operating costs, could have a negative impact on our earnings. If a property is managed on a lump sum basis, we may experience a decrease in profit margin. If a property is managed on a commission basis, in the event that the collected fees after deducting the commission are insufficient to cover property management expenses, the property owners are legally responsible for making up for such shortage. In our experience, however, given the stringent governmental regulations on property management fees, together with the difficulties we may face in obtaining the requisite votes at property owners’ meetings, it may be impracticable to collect additional property management fees. We may therefore be forced to reduce costs, so as to strike a balance between collected property management fees and expenditures in relation to service provisions, or write off the uncollected payments on behalf of the residents. We cannot assure you that the PRC government regulations on fees and other matters concerning our industry will not continue to have an adverse effect on our business, financial position and results of operations.

We are affected by the PRC regulations on the PRC property development industry, which may limit our business growth

We generated most of our revenue from our property management services during the Track Record Period. The performance of our property management services business is primarily dependent on the total GFA and number of residential communities we manage. As such, our growth in the property management services business is, and will likely continue to be, affected by the PRC government regulations of the real estate industry. For further information on laws and regulations that are applicable to our business, please see the section entitled “Regulatory Overview” of this prospectus.

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

The expansion of our business may expose us to increased risks of non-compliance with rules and regulations issued by governments at provincial and local levels

As we expand our business operations into new geographic regions and broaden the range of services we perform, we are subject to an increasing number of provincial and local rules and regulations. In addition, due to the significant increase in size and scope of business during the Track Record Period, the difficulty in ensuring compliance with the various local property management regulations and the potential for loss resulting from non-compliance have increased. If we fail to comply with applicable local regulations, we may be subject to penalties by the competent authorities. Additionally, during the Track Record Period, 47 lease agreements and up to the Latest Practicable Date, 61 lease agreements relating to our leased properties for the purposes of our subsidiaries' registered address had not been filed with the relevant PRC housing administration authorities according to applicable PRC regulations, which may subject us to administrative fines, up to a maximum amount of RMB610,000. See the section entitled "Business – Properties" in this prospectus. The laws and regulations applicable to our business, whether national, provincial or local, may also change in ways that materially increase the costs of compliance, and any failure to comply could result in significant financial penalties which could have a material adverse effect on our business, financial position and results of operations.

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

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

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

Our business is significantly influenced by various factors affecting our industry and general economic conditions

Our business, financial position and results of operations are and will continue to be dependent on various factors affecting the property management industries and general economic conditions, most of which are beyond our control. For example, limited flexibility in charging property management fees can adversely affect profit margins in the event of rising labor cost. Furthermore, any economic slowdown, recession or other developments in the PRC social, political, economic or legal environment could result in fewer new property development projects, or a decline in the purchasing power of residents living in the communities we manage or provide consultancy services to, resulting in a lower demand for our services and lower revenue and income contribution for us. As such, our business, financial position and results of operations would be materially and adversely affected.

RISKS RELATING TO CONDUCTING BUSINESS IN THE PRC

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

The economy of the PRC differs from the economies of most developed countries in many respects, including but not limited to:

- structure;
- level of government involvement;
- level of development;
- growth rate;
- control of foreign exchange; and
- allocation of resources.

While the PRC economy has grown significantly in the past 30 years, growth has been uneven, both geographically and among the various sectors of the economy. The PRC government has implemented various measures to encourage economic growth and guided the allocation of resources. Some of these measures benefit the overall PRC economy, but may also negatively affect our operations. For example, our financial position and results of operations may be adversely affected by the PRC government's control over capital investment, price controls or any changes in tax regulations or foreign exchange controls that are applicable to us.

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The PRC economy has been transitioning from a planned economy to a market oriented economy. For the past 30 years, the PRC government has implemented economic reform measures emphasizing the utilization of market forces in the development of the PRC economy. The PRC economy has grown significantly in recent decades, but there can be no assurance that this growth will continue or continue at the same pace. In May 2017, Moody's Investors Service downgraded China's sovereign credit rating for the first time since 1989 and changed its outlook from stable to negative, citing concerns on the country's rising levels of debt and expectations of slower economic growth. The full impact of the Moody's downgrade remains to be seen, but the perceived weaknesses in China's economic development model, if proven and left unchecked, would have profound implications. In addition, demand for our services and our business, financial position and results of operations may be adversely affected by:

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

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

The PRC government imposes controls on the convertibility of Renminbi into foreign currencies and, in certain cases, the remittance of currency out of PRC. Please see the section entitled "Regulatory Overview – Regulations relating to Foreign Exchange" in this prospectus. We receive substantially all our revenue in Renminbi. Under our current structure, our income is primarily derived from dividend payments from our PRC subsidiaries. The foreign exchange control system may prevent us from obtaining sufficient foreign currency to satisfy our currency demands. Shortages in the availability of foreign currency may restrict our ability to remit sufficient foreign currency to pay dividends or other payments to our shareholders, or otherwise satisfy our foreign currency denominated obligations, if any.

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

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Our ability to access debt and capital markets may be adversely affected by factors beyond our control

Interest rate increases by the PBOC, or market disruptions such as those experienced in the United States, European Union and other countries or regions, may increase our cost of borrowing or adversely affect our ability to access sources of liquidity upon which we may rely to finance our operations and satisfy our obligations as they become due. We intend to continue to make investments to support our business growth and may require additional funds to respond to business challenges. There can be no assurance that the anticipated cash flow from our operations will be sufficient to meet all of our cash requirements, or that we will be able to secure external financing at competitive rates, or at all. Such failure may adversely affect our ability to finance our operations, meet our obligations or implement our growth strategy.

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

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

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

We may be subject to additional contributions of social insurance and housing provident funds and late payments and fines imposed by relevant governmental authorities

According to the *Social Insurance Law of the PRC* (中華人民共和國社會保險法) and the *Administrative Regulations on the Housing Provident Fund of the PRC* (中華人民共和國住房公積金管理條例), we are required to make social insurance and housing provident funds for our employees. On July 20, 2018, the General Office of the Communist Party of China and the General Office of the State Council of the PRC issued the *Reform Plan of the State Tax and*

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Local Tax Collection Administration System (國稅地稅徵管體制改革方案) (the “**Reform Plan**”). Under the Reform Plan, beginning January 1, 2019, tax authorities will be responsible for the collection of social insurance contributions in the PRC. The effect of the Reform Plan is uncertain. We cannot guarantee that the amount of social insurance contributions we would be required to pay will not increase or be subject to any penalties or fines, any of which may have a material and adverse effect on our business and results of operations.

Uncertainty with respect to the PRC legal system could adversely affect us and may limit the legal protection available to our investors

As our businesses are conducted and our assets are located in the PRC, our operations are governed principally by the PRC laws and regulations. The PRC legal system is based on written statutes, and prior court decisions can only be cited as reference. Since 1979, the PRC government has promulgated laws and regulations in relation to economic matters such as foreign investment, corporate organization and governance, commerce, taxation, finance, foreign exchange and trade, with a view to develop a comprehensive system of commercial law. However, China has not developed a fully integrated legal system and recently enacted laws and regulations may not sufficiently cover all aspects of economic activities in PRC, or may be unclear or inconsistent. In particular, since the property management service industry is in its early developmental stage in the PRC, the laws and regulations relating to this industry are unspecific and may not be comprehensive. Due to the limited volume of published decisions and their non-binding nature, the interpretation and enforcement of PRC laws and regulations involve uncertainties and can be inconsistent. Even where adequate laws exist in PRC, the enforcement of existing laws or agreements based on existing laws may be uncertain or sporadic, and it may be difficult to obtain swift and equitable enforcement of a judgment by a PRC court. In addition, the PRC legal system is based in part on government policies and internal rules (some of which are not published on a timely basis or at all) that may have a retroactive effect. As a result, we may not be aware of our violation of these policies and rules until some time after such violation. Finally, any litigation in PRC may be protracted and result in substantial costs and the diversion of resources and management’s attention. The materialization of all or any of these uncertainties could have a material and adverse effect on our financial position and results of operations.

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

A majority of our senior management members reside in the PRC, and substantially all of the assets of those people and of our Group are located in the PRC. Therefore, it may be difficult for investors to effect service of process upon those persons inside the PRC or to enforce against us or them in the PRC any judgments obtained from non-PRC courts. China does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with the United States, the United Kingdom, Japan and many other developed countries. Therefore, recognition and enforcement in PRC of judgments of a court in any of these jurisdictions may be difficult or even impossible. On July 14, 2006, the Supreme People’s

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Court of China and the Government of Hong Kong entered into the *Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters* (關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排). Under this arrangement, in case any designated People's Court in PRC or Hong Kong court has made an enforceable final judgment requiring payment of money in a civil and commercial case pursuant to a choice of court agreement, any party concerned may apply to the relevant People's Court of PRC or Hong Kong court for recognition and enforcement of the judgment. This arrangement became effective on August 1, 2008 and the outcome and effectiveness of any action brought under this arrangement remain uncertain.

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

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

For instance, a serious earthquake and its successive aftershocks hit Sichuan province in May 2008, resulting in tremendous loss of life and injury, as well as destruction of assets in the region. Furthermore, the PRC reported a number of cases of SARS in 2003. Since its outbreak in 2004, there have been reports on occurrences of avian flu in various parts of the PRC, including several confirmed human cases and deaths. Any future outbreak of SARS, avian flu or other similar adverse epidemics may, among other things, significantly disrupt our business. An outbreak of infectious disease may also severely restrict the level of economic activity in affected areas, which in turn may have a material and adverse effect on our business, financial position and results of operations.

RISKS RELATING TO THE GLOBAL OFFERING

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

The Offer Price of our Shares is higher than the consolidated net tangible assets per Share immediately prior to the Global Offering. Therefore, purchasers of our Shares in the Global Offering will experience an immediate dilution in unaudited *pro forma* adjusted consolidated net tangible assets of HK\$1.17 per Share, based on the Maximum Offer Price of HK\$3.9 per Offer Share.

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

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There has been no prior public market for our Shares

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

The liquidity and market price of our Shares may be volatile, which may result in substantial losses for investors subscribing for or purchasing our Shares pursuant to the Global Offering

The price and trading volume of our Shares may be volatile as a result of the following factors, as well as others, which are discussed in this “Risk Factors” section or elsewhere in this prospectus, some of which are beyond our control:

- actual or anticipated fluctuations in our results of operations (including variations arising from foreign exchange rate fluctuations);
- news regarding recruitment or loss of key personnel by us or our competitors;
- announcements of competitive developments, acquisitions or strategic alliances in our industry;
- changes in earnings estimates or recommendations by financial analysts;
- potential litigation or regulatory investigations;
- changes in general economic conditions or other developments affecting us or our industry; and
- price movements on international stock markets, the operating and stock price performance of other companies, other industries and other events or factors beyond our control.

In addition, the securities markets have, from time to time, experienced significant price and volume fluctuations that are not related or disproportionate to the operating performance of particular companies. For instance, during the global economic downturn and financial market crisis around the middle of 2008, the global stock markets witnessed drastic price drops with heavy unprecedented selling pressure. Many stocks fell significantly from their highs in 2007. Similar stock price movements were observed in the second half of 2011 as certain recent adverse financial developments have affected the global securities and financial markets. These

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developments include a general global economic downturn, substantial volatility in equity securities markets, and volatility and tightening of liquidity in credit markets. While it is difficult to predict how long these conditions will last, they could continue to present risks for an extended period of time, in reduction of the amount of banking facilities currently available to us. If we experience such fluctuations, our results of operation and financial position could be materially and adversely affected. Moreover, market fluctuations may also materially and adversely affect the market price of our Shares.

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

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

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

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

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

Prior to and immediately following the completion of the Global Offering, our Controlling Shareholders will remain having substantial control over their interests in the issued share capital of our Company. Subject to the Articles, the Cayman Companies Law and the Listing Rules, the Controlling Shareholders by virtue of their controlling beneficial ownership of the share capital of the Company, will be able to exercise significant control and

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exert significant influence over our business or otherwise on matters of significance to us and other Shareholders by voting at the general meeting of the Shareholders and at Board meetings. The interests of the Controlling Shareholders may differ from the interests of other Shareholders and the Shareholders are free to exercise their votes according to their interests. To the extent that the interests of the Controlling Shareholders conflict with the interests of other Shareholders, the interests of other Shareholders can be disadvantaged and harmed.

Certain facts and other statistics with respect to China, the PRC economy and the PRC property management industry in this prospectus are derived from various official government sources and third-party sources which may not be reliable

Certain facts and other statistics in this prospectus relating to China, the PRC economy and the PRC property management industry have been derived from various official government publications, from CIA and publicly available sources. However, we cannot guarantee the quality or reliability of these sources. They have not been prepared or independently verified by us or any of our affiliates or advisors and, therefore, we make no representation as to the accuracy of such facts and statistics. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the facts and statistics herein may be inaccurate or may not be comparable to facts and statistics produced for other economies. As a result, prospective investors should consider carefully how much weight or importance they should attach to or place on such facts or statistics.

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

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

RISK FACTORS

Forward-looking information is subject to risks and uncertainties

This prospectus contains forward-looking statements and information relating to us and our operations and prospects that are based on our current beliefs and assumptions as well as information currently available to us. When used in this prospectus, the words “anticipate,” “believe,” “estimate,” “expect,” “plans,” “prospects,” “going forward,” “intend” and similar expressions, as they relate to us or our business, are intended to identify forward-looking statements. Such statements reflect our current views with respect to future events and are subject to risks, uncertainties and various assumptions, including the risk factors described in this prospectus. Should one or more of these risks or uncertainties materialize, or if any of the underlying assumptions prove incorrect, actual results may diverge significantly from the forward-looking statements in this prospectus. Whether actual results will conform with our expectations and predictions is subject to a number of risks and uncertainties, many of which are beyond our control, and reflect future business decisions that are subject to change. In light of these and other uncertainties, the inclusion of forward-looking statements in this prospectus should not be regarded as representations that our plans or objectives will be achieved, and investors should not place undue reliance on such forward-looking statements. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set out in this section. We do not intend to update these forward-looking statements in addition to our on-going disclosure obligations pursuant to the Listing Rules or other requirements of the Stock Exchange.

We may not declare dividends on our Shares in the future

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

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

DIRECTORS' RESPONSIBILITY STATEMENT

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

INFORMATION ON THE GLOBAL OFFERING

The Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set forth herein and therein. No person is authorized to give any information in connection with the Global Offering or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorized by our Company, the Joint Global Coordinators, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their respective directors, officers, agents, employees or advisors or any other party involved in the Global Offering.

Neither the delivery of this prospectus nor any subscription or acquisition made under it shall, under any circumstances, create any implication that there has been no change in our affairs since the date of this prospectus or that the information in this prospectus is correct as of any subsequent time. Details of the structure of the Global Offering, including its conditions, are set out in the section headed "Structure of the Global Offering", and the procedures for applying for Hong Kong Offer Shares are set out in the section headed "How to Apply for the Hong Kong Offer Shares" and in the relevant Application Forms.

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering. For applicants under the Hong Kong Public Offering, this prospectus and the Application Forms set out the terms and conditions of the Hong Kong Public Offering.

The Listing is sponsored by the Sole Sponsor. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is subject to our Company and the Joint Global Coordinators (on behalf of the Underwriters) agreeing on the Offer Price. An International Underwriting Agreement relating to the International Offering is expected to be entered into on or around October 30, 2018, subject to the Offer Price being agreed.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

If, for any reason, the Offer Price is not agreed among our Company and the Joint Global Coordinators (on behalf of the Underwriters), the Global Offering will not proceed and will lapse. For further information about the Underwriters and the underwriting arrangements, please see the section headed “Underwriting” in this prospectus.

RESTRICTIONS ON OFFER AND SALE OF THE OFFER SHARES

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to, or be deemed by his acquisition of Offer Shares to, confirm that he is aware of the restrictions on offers of the Offer Shares described in this prospectus.

No action has been taken to permit a public offering of the Offer Shares or the general distribution of this prospectus and/or the Application Forms in any jurisdiction other than in Hong Kong. Accordingly, this prospectus may not be used for the purposes of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions and pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom. In particular, the Shares have not been publicly offered or sold, directly or indirectly, in the U.S.

DETERMINATION OF THE OFFER PRICE

The Shares are being offered at the Offer Price which will be determined by the Joint Global Coordinators (on behalf of the Underwriters) and our Company on or around October 30, 2018, and in any event no later than November 4, 2018. If the Joint Global Coordinators (on behalf of the Underwriters) and our Company are unable to reach an agreement on the Offer Price on such date, the Global Offering will not proceed.

APPLICATION FOR LISTING ON THE HONG KONG STOCK EXCHANGE

We have applied to the Listing Committee for the granting of the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including the additional Shares which may be issued pursuant to the exercise of the Over-allotment Option and the exercise of the options granted under the Share Option Scheme).

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

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on the Hong Kong Stock Exchange are expected to commence on Tuesday, November 6, 2018. The Shares will be traded in board lots of 1,000 Shares each. The stock code of the Shares will be 1755.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

If the Hong Kong Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC. Settlement of transactions between participants of the Hong Kong Stock Exchange is required to take place in CCASS on the second business day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Investors should seek the advice of their stockbroker or other professional advisors for details of the settlement arrangement as such arrangements may affect their rights and interests. All necessary arrangements have been made to enable the Shares to be admitted into CCASS.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors should consult their professional advisors if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of, or dealing in, the Shares or exercising any rights attaching to the Shares. We emphasize that none of us, the Joint Global Coordinators, the Underwriters, any of our or their respective directors, officers or representatives or any other person involved in the Global Offering accepts responsibility for any tax effects or liabilities resulting from the subscription, purchase, holding or disposing of, or dealing in, the Shares or the exercise of any rights attaching to the Shares.

REGISTER OF SHAREHOLDERS AND STAMP DUTY

Our principal register of members will be maintained by our principal registrar, Maples Fund Services (Cayman) Limited, in the Cayman Islands and our Hong Kong register of members will be maintained by our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, in Hong Kong.

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

OVER-ALLOTMENT AND STABILIZATION

Details with respect to the Over-allotment Option and stabilization are set out in the paragraphs headed “Structure of the Global Offering – Stabilization” and “Structure of the Global Offering – The International Offering – Over-allotment Option” in this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

LOCK-UP UNDERTAKINGS BY OUR COMPANY AND OUR CONTROLLING SHAREHOLDERS

Details with respect to the lock-up undertakings by our Company and our Controlling Shareholders are set out in the paragraph headed “Underwriting – Underwriting Arrangements and Expenses – Undertakings to the Stock Exchange pursuant to the Listing Rules” in this prospectus.

EXCHANGE RATE CONVERSION

Unless otherwise specified, amounts denominated in HK\$ and RMB have been translated, for the purpose of illustration only, into United States dollars in this prospectus at the following exchange rates:

US\$1.00 : HK\$7.8482

HK\$1.00 : RMB0.8015

No representation is made that any amounts in HK\$ and RMB were or could have been or could be converted into United States dollars at such rates or any other exchange rates on such date or any other date.

ROUNDING

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them. Likewise, the products of sales volumes and average selling prices may differ from revenue by product type due to rounding adjustments.

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail. Translated English names of Chinese laws and regulations, governmental authorities, institutions, natural persons or other entities included in this prospectus for which no official English translation exists are unofficial translation and for reference only.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

DIRECTORS

<u>Name</u>	<u>Residential Address</u>	<u>Nationality</u>
<i>Executive Directors</i>		
Mr. Qi Xiaoming (戚小明).....	Room 2, Block 13, Xiangyuebandao Huayuan, Zhonglou Qu, Changzhou, Jiangsu, the PRC	Chinese
Ms. Wu Qianqian (吳倩倩).....	Flat 701, Unit 2, Tower 16, Yujingwan Garden, Xinbei, Changzhou, Jiangsu, the PRC	Chinese
Mr. Lan Ziyong (蘭子勇).....	No. 87, Renmin Road, Hutang, Wujin, Changzhou, Jiangsu, the PRC	Chinese
<i>Non-executive Directors</i>		
Mr. Wang Zhenhua (王振華).....	No. 63, Wangyeji Village, Wanli Village, Hutang, Wujin, Changzhou, Jiangsu, the PRC	Chinese
Mr. Lv Xiaoping (呂小平).....	Flat 101, Unit D, Tower 12, Xieqiao Lane, Tianning, Changzhou, Jiangsu, the PRC	Chinese
Mr. Lu Zhongming (陸忠明).....	Flat 301, Unit C, Tower 203, Huadong Village No. 2, Hutang, Wujin, Changzhou, Jiangsu, the PRC	Chinese

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

<u>Name</u>	<u>Residential Address</u>	<u>Nationality</u>
<i>Independent Non-executive Directors</i>		
Ms. Zhang Yan (張燕).	Flat 1002, Unit D, Tower 21, Lijing Garden, Tianning, Changzhou, Jiangsu, the PRC	Chinese
Mr. Zhu Wei (朱偉).	No. 1, Tower 188, Dushu Garden, Industrial Park District, Suzhou, Jiangsu, the PRC	Chinese
Mr. Xu Xinmin (許新民).	Flat 302, Unit B, East Tower 1, Wujiachang, Zhonglou, Changzhou, Jiangsu, the PRC	Chinese

Please see the section headed “Directors and Senior Management” in this prospectus for further details.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

PARTIES INVOLVED IN THE GLOBAL OFFERING

Sole Sponsor

Huatai Financial Holdings (Hong Kong) Limited
Room 5808-12, 58/F, The Center
99 Queen's Road Central
Hong Kong

Joint Global Coordinators

Huatai Financial Holdings (Hong Kong) Limited
Room 5808-12, 58/F, The Center
99 Queen's Road Central
Hong Kong

Future Land Resources Securities Limited
Units 3703-07, 37/F, The Center
99 Queen's Road Central
Hong Kong

**Joint Bookrunners and Joint Lead
Managers**

Huatai Financial Holdings (Hong Kong) Limited
Room 5808-12, 58/F, The Center
99 Queen's Road Central
Hong Kong

Future Land Resources Securities Limited
Units 3703-07, 37/F, The Center
99 Queen's Road Central
Hong Kong

Guotai Junan Securities (Hong Kong) Limited
28/F, Low Block, Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

Southwest Securities (HK) Brokerage Limited
40/F, Lee Garden One
33 Hysan Avenue
Causeway Bay
Hong Kong

Orient Securities (Hong Kong) Limited
2701 & 06-08, 27/F, Wing On House
71 Des Voeux Road Central
Central, Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

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

Legal Advisors to Our Company

As to Hong Kong and U.S. laws:
Shearman & Sterling
12th Floor, Gloucester Tower
The Landmark
15 Queen's Road Central
Central, Hong Kong

As to PRC law:
Commerce & Finance Law Offices
Room 1506, Kerry Centre
1515 West Nanjing Road
Shanghai, the PRC

As to Cayman Islands law:
Maples and Calder (Hong Kong) LLP
53rd Floor, The Center
99 Queen's Road Central
Central, Hong Kong

Legal Advisors to the Joint Global Coordinators and the Underwriters

As to Hong Kong law:
King & Wood Mallesons
13th Floor, Gloucester Tower
The Landmark
15 Queen's Road Central
Central, Hong Kong

As to PRC law:
Shu Jin Law Firm
12th Floor, Taiping Finance Tower
6001 Yitian Road
Futian District
Shenzhen, the PRC

Auditors and Reporting Accountant

PricewaterhouseCoopers
Certified Public Accountants
22/F, Prince's Building
Central, Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Industry Consultant

China Index Academy
2/F, Baoan Building
No. 800 Dongfang Road
Pudong New Area
Shanghai, the PRC

Compliance Advisor

Red Solar Capital Limited
11th Floor, Kwong Fat Hong Building
1 Rumsey Street
Sheung Wan, Hong Kong

Receiving Bank

Bank of China (Hong Kong) Limited
1 Garden Road
Hong Kong

CORPORATE INFORMATION

Registered Office in Cayman Islands	Maples Corporate Services Limited PO Box 309 Ugland House Grand Cayman KY1-1104 Cayman Islands
Headquarters in the PRC	6th Floor, Future Holdings Tower A No. 6, Lane 388, Zhongjiang Road Putuo, Shanghai
Principal Place of Business in Hong Kong	31/F, Tower Two Times Square 1 Matheson Street, Causeway Bay Hong Kong
Place of Business in Hong Kong registered under Part XVI of the Companies Ordinance	31/F, Tower Two Times Square 1 Matheson Street, Causeway Bay Hong Kong
Company Website	<u>www.xinchengyue.com</u> <i>(Information contained in this website does not form part of this prospectus)</i>
Joint Company Secretaries	Mr. You Jianfeng (尤建峰) 6th Floor, Future Holdings Tower A No. 6, Lane 388, Zhongjiang Road Putuo, Shanghai Ms. Lam Yuk Ling (林玉玲) 31/F, Tower Two Times Square 1 Matheson Street, Causeway Bay Hong Kong (a member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in the UK)

CORPORATE INFORMATION

Authorized Representatives

Mr. Qi Xiaoming (戚小明)
6th Floor, Future Holdings Tower A
No. 6, Lane 388, Zhongjiang Road
Putuo, Shanghai

Ms. Lam Yuk Ling (林玉玲)
31/F, Tower Two,
Times Square,
1 Matheson Street, Causeway Bay,
Hong Kong

Audit Committee

Zhang Yan (張燕) (*Chairman*)
Lu Zhongming (陸忠明)
Zhu Wei (朱偉)

Remuneration Committee

Zhu Wei (朱偉) (*Chairman*)
Xu Xinmin (許新民)
Qi Xiaoming (戚小明)

Nomination Committee

Xu Xinmin (許新民) (*Chairman*)
Zhang Yan (張燕)
Lv Xiaoping (呂小平)

Cayman Islands Principal Share Registrar and Transfer Agent

Maples Fund Services (Cayman) Limited
PO Box 1093, Boundary Hall
Cricket Square
Grand Cayman KY1-1102
Cayman Islands

Hong Kong Share Registrar

Computershare Hong Kong Investor Services
Limited
Shops 1712-1716
17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

CORPORATE INFORMATION

Principal Bankers

China Merchant Bank, Changzhou Branch

Changzhou Branch Tower 1,
No. 88, Tongjiang Road South Changzhou
Jiangsu PRC

Agricultural Bank of China, Changzhou Hutang Branch

No. 14, Renmin Road Central Hutang,
Wujin Changzhou,
Jiangsu PRC

China Construction Bank, Beijing Road West Branch of Nanjing

No. 43-6, Beijing Road West Nanjing,
Jiangsu PRC

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

In preparation for the Global Offering, we have 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, an issuer must have sufficient management presence in Hong Kong. This normally means that at least two of its executive directors must be ordinarily resident in Hong Kong.

We do not have sufficient management presence in Hong Kong for the purposes of satisfying the requirements under Rule 8.12 of the Listing Rules. The Group's management, business operations and assets are primarily based outside Hong Kong. The principal management headquarters and senior management of the Group are primarily based in the PRC. The Directors consider that the appointment of executive Directors who will be ordinarily resident in Hong Kong would not be beneficial to, or appropriate for, the Group and therefore would not be in the best interests of the Company and the Shareholders as a whole. 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. We will ensure that there is an effective channel of communication between us and the Stock Exchange by way of the following arrangements:

- (a) pursuant to Rule 3.05 of the Listing Rules, we have appointed and will continue to maintain two authorized representatives, namely Mr. Qi Xiaoming and Ms. Lam Yuk Ling, an executive Director and a joint company secretary, respectively, to be the principal channel of communication at all times between the Stock Exchange and the Company. Each of our authorized representatives will be readily contactable by the Stock Exchange by telephone, facsimile and/or e-mail to deal promptly with enquiries from the Stock Exchange. Both of our authorized representatives are authorized to communicate on our behalf with the Stock Exchange;
- (b) we will implement a policy to provide the contact details of each Director (such as their mobile phone numbers, office phone numbers and email addresses) to each of the authorized representatives, to their alternate representative and to the Stock Exchange. This will ensure that each of the authorized representatives, the alternate representative and the Stock Exchange will have the means to contact all the Directors (including the independent non-executive Directors) promptly as and when required, including means to communicate with the Directors when they are travelling;
- (c) we will ensure that all Directors who are not ordinarily resident in Hong Kong have valid travel documents to visit Hong Kong and will be able to come to Hong Kong to meet with the Stock Exchange within a reasonable period of time when required;

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

- (d) we have retained the services of a compliance advisor, being Red Solar Capital Limited (the “**Compliance Advisor**”), in accordance with Rule 3A.19 of the Listing Rules. The Sole Sponsor submits, on behalf of our Company, that the Compliance Advisor will serve as an alternative channel of communication with the Stock Exchange in addition to the authorized representatives of our Company. The Compliance Advisor will provide our Company with professional advice on ongoing compliance with the Listing Rules. We will ensure that the Compliance Advisor has prompt access to our Company’s authorized representatives and Directors who will provide to the Compliance Advisor such information and assistance as the Compliance Advisor may need or may reasonably request in connection with the performance of the Compliance Advisor’s duties. The Compliance Advisor will also provide advice to us in compliance with Rule 3A.23 of the Listing Rules; and

- (e) meetings between the Stock Exchange and the Directors could be arranged through the authorized representatives or the Compliance Advisor, or directly with the Directors within a reasonable time frame. Our Company will inform the Stock Exchange as soon as practicable in respect of any change in the authorized representatives and/or the Compliance Advisor in accordance with the Listing Rules.

JOINT COMPANY SECRETARIES

Pursuant to Rules 3.28 and 8.17 of the Listing Rules, the company secretary must be an individual 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 the company secretary. 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 (Chapter 159 of the Laws of Hong Kong); or

- (c) a certified public accountant as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong).

In assessing “relevant experience”, the Stock Exchange will consider the individual’s:

- (a) length of employment with the issuer and other issuers and the roles he or she played;

- (b) familiarity with the Listing Rules and other relevant law and regulations including the Securities and Futures Ordinance, the Companies Ordinance, Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Takeovers Code;

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

- (c) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Listing Rules; and
- (d) professional qualifications in other jurisdictions.

Our Company appointed Mr. You Jianfeng and Ms. Lam Yuk Ling as joint company secretaries of the Company on April 18, 2018. Ms. Lam Yuk Ling is an associate member of the Hong Kong Institute of Chartered Secretaries and therefore meets the qualification requirements under Note 1 to Rule 3.28 of the Listing Rules and is in compliance with Rule 8.17 of the Listing Rules.

Our Company believes that Mr. You Jianfeng, by virtue of his knowledge and experience in handling corporate administrative matters, is capable of discharging his functions as a joint company secretary. Further, our Company believes that it would be in the best interests of our Company and the corporate governance of the Group to have as its joint company secretary, a person such as Mr. You Jianfeng who possesses the relevant experience of the Group's financial, operational and investor relation matters.

Accordingly, while Mr. You Jianfeng does not possess the formal qualifications required of a company secretary under Rule 3.28 of the Listing Rules, 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 Rules 3.28 and 8.17 such that Mr. You Jianfeng may be appointed as a joint company secretary of our Company. The waiver was granted for a three-year period on the condition that Ms. Lam Yuk Ling, as joint company secretary, will work closely with, and provide assistance to, Mr. You Jianfeng in the discharge of his duties as our joint company secretary for an initial period of three years from the date of the Listing. In addition, Mr. You Jianfeng will comply with the annual professional training requirement under Rule 3.29 of the Listing Rules and will enhance his knowledge of the Listing Rules during the three-year period from the Listing Date. We will further ensure that Mr. You Jianfeng has access to the relevant training and support that would enhance his understanding of the Listing Rules and the duties of a company secretary of an issuer listed on the Stock Exchange. The waiver will be revoked immediately if Ms. Lam Yuk Ling ceases to provide assistance to Mr. You Jianfeng as the joint company secretary during the three years after the Listing. Before the expiration of the three-year period, we will liaise with the Stock Exchange to enable it to assess whether Mr. You Jianfeng, having had the benefit of Ms. Lam Yuk Ling's assistance for three years, will have acquired relevant experience within the meaning of Rule 3.28 of the Listing Rules so that a further waiver will not be necessary.

See the section headed "Directors and Senior Management" in this prospectus for further information regarding the qualifications of Mr. You Jianfeng and Ms. Lam Yuk Ling.

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

CONNECTED TRANSACTIONS

We have entered into certain transactions which would constitute continuing connected transactions of our Company under the Listing Rules following the completion of the Global Offering. We have applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver from strict compliance with the reporting, annual review, announcement, circular and independent shareholders' approval requirements set out in Chapter 14A of the Listing Rules for such continuing connected transactions. For further details in this respect, see the section headed "Connected Transactions" in this prospectus.

INDUSTRY OVERVIEW

Certain information and statistics set out in this section and elsewhere in the prospectus have been derived from various government publications, market data providers and other independent third-party sources. In addition, certain information and statistics set forth in this section and elsewhere in this prospectus have been derived from an industry report commissioned by us and independently prepared by China Index Academy in connection with the Global Offering, or the China Index Academy Report. We believe that the sources of such information and statistics are appropriate and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information and statistics are false or misleading or that any fact has been omitted that would render such information or statistics false or misleading. None of our Company, the Joint Global Coordinators, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, or any other party involved in the Global Offering or their respective directors, advisors and affiliates have independently verified such information and statistics. Accordingly, none of our Company, the Joint Global Coordinators, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, or any other party involved in the Global Offering or their respective directors, advisors and affiliates makes any representation as to the correctness or accuracy of such information and the statistics contained in this prospectus. For the above reasons, information contained in this section should not be unduly relied upon.

SOURCE AND RELIABILITY OF INFORMATION

We purchased the right to use and quote data from various publications by China Index Academy related to the PRC property management industry for a total consideration of approximately RMB800,000. Established in 1994, China Index Academy is a professional property research organization in the PRC with over 600 analysts. It covers five regions in the PRC: northern China, eastern China, southern China, central China and southwestern China and its branches cover 75 cities. China Index Academy has extensive experience in researching and tracking the property management industry in the PRC, and has conducted research on the top property management service providers since 2008. In May 2018, China Index Academy published the 2018 China Top 100 Property Management Companies research report, which is based on their research on the top property management service providers in China in 2017. As multiple property management service providers can hold the same ranking in the 2018 China Top 100 Property Management Companies report, the total number of property management service providers increased to 200 from 100 as in reports published in previous years.

China Index Academy used research parameters and assumptions by gathering data from a multitude of primary and secondary sources, including data from property management service providers (such as data from reported statistics, websites and marketing materials), surveys conducted by China Index Academy, data gathered from the China Real Estate Index System (“CREIS”), the China Property Statistics Yearbooks, public data from government authorities, financial data from accounting firms, public information and data gathered from its prior reports. China Index Academy ranks the overall strength of property management service

INDUSTRY OVERVIEW

providers by evaluating each property management service provider's business scale, financial performance, service quality, growth potential and social responsibility. Unless otherwise specified, the data analysis in this prospectus is primarily based on the Top 100 Property Management Companies research report ranked by China Index Academy in respect to the factors mentioned above.

OVERVIEW OF PROPERTY MANAGEMENT INDUSTRY IN CHINA

The history of the PRC property management industry can be traced back to 1981. Since then, the industry has experienced rapid growth. In 2003, the State Council, National Reform and Development Commission, and Ministry of Housing and Urban-Rural Development published the *Property Management Regulations* (物業管理條例) and *Measures for the Management of Property Service Charges* (物業服務收費管理辦法), which promulgated a legal framework for the property management industry. The government introduced more regulations prompting the development of a more regulated industry and establishing an open and fair market system for the property management industry. The industry now provides a wide range of services to different types of properties, including residential properties, office buildings, industrial parks, shopping centers, schools and hospitals. As of the Latest Practicable Date, there are over 100,000 property management service providers in China, according to CIA.

Property management service offerings have evolved significantly and now comprise a diverse range of services that were not formerly offered by traditional property management services. Driven by high customer demands and intense competition among peers in the industry, property management service providers have invested capital to improve their service quality and have paid more attention to their customers' requests by offering both property management services and value-added services.

- In terms of **property management services**, property management service providers introduced new convenient services such as steward-style services and one-stop information service platforms in order to enhance the convenience of residents' everyday lifestyle.
- In terms of **value-added services**, property management service providers are in the process of promoting the concept of "internet +" to establish an online to offline community platform by providing an array of products and services to increase customer satisfaction.

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KEY GROWTH DRIVERS

Favorable policies stimulating industry growth

In June 2003, the *Property Management Regulations* (物業管理條例) and *Measures for the Management of Property Service Charges* (物業服務收費管理辦法) set out a legal framework standardizing services across the property management industry. For more information, please see the section entitled “Regulatory Overview”. Subsequently, the government issued a number of new laws and policies to promote the development of the property management industry, such as “*Property Law*”, “*Interpretation on Issues Concerning the Specific Application of Law in the Trial of Disputes over Realty Services*”, and “*Interpretation on Issues Concerning the Specific Application of Law in the Trial of Dispute over Partitioned Ownership of Building Areas*”. These laws and policies create a supportive and orderly environment for the development of the property management industry in the PRC.

Furthermore, the government has implemented a number of guidelines to promote the development of the property management industry such as “*Guidelines for accelerating the development of consumer services and promoting the upgrading of Consumption Structure*” (關於加快發展生活性服務業促進消費結構升級的指導意見), which introduced the idea of standardizing lifestyle services. The guideline encourages property management service providers to expand their scope of property management services by diversifying their property management service offerings.

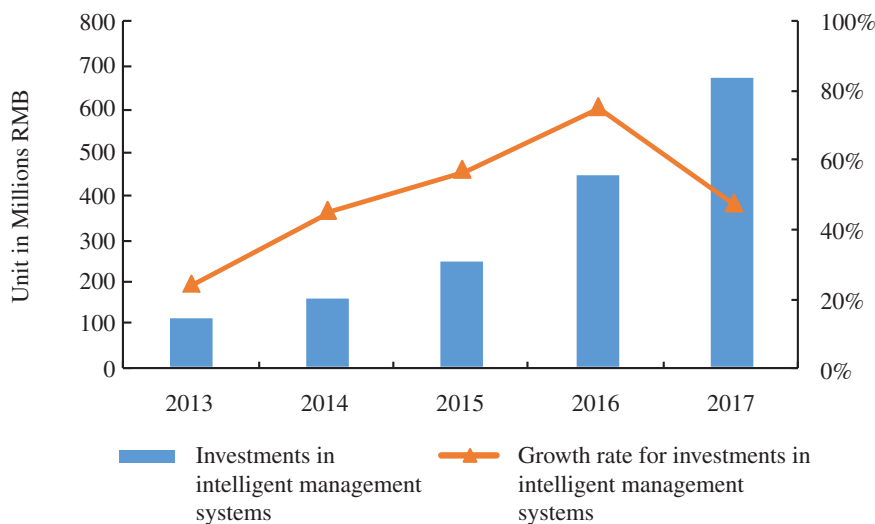
The PRC property management industry has been increasing scrutinised and regulated as more rules, regulations and guidances are promulgated. This helps to align the service offerings of property management service providers with the demands of smart cities, the development of the internet and other related fields, and broadens the scope of property management services, which is believed to have a profound change on the traditional property management service business model and business philosophy. Over time, it promotes industry innovation and upgrade, enabling the property management industry to play an increasingly important role in promoting economic development and people’s livelihood.

Increased investments in intelligent management systems

Property management service providers are faced with problems that are intrinsic to the property management industry. These include low efficiency, high costs and intensive manual labor. Property management service providers began to invest in intelligent property management systems to combat these challenges. The Top 100 Property Management Companies focused on investment in intelligent management systems, which rapidly promoted their usage and construction. In 2017, the Top 100 Property Management Companies’ average investment in intelligent management systems was RMB7.2 million, an increase of 49.8% from 2016. From 2013 to 2017, the CAGR for the average investment in intelligent management systems from the Top 100 Property Management Companies was 57.9%.

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Top 100 Property Management Companies average investment and growth rate for intelligent management systems, from 2013 to 2017



Source: China Index Academy Report

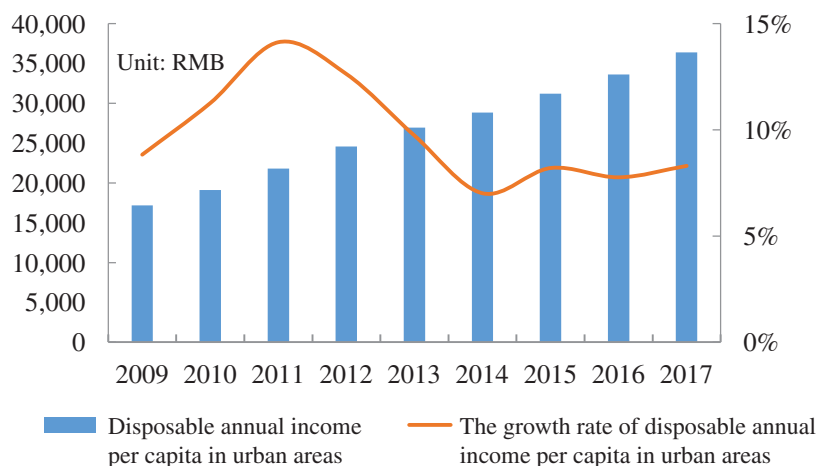
Increase in demand

The increasing disposable income per capita in urban areas creates new opportunities for the property management industry. According to data from the National Bureau of Statistics, China's disposable annual income per capita in urban areas has grown yearly since 2009, reaching RMB36,396 as of 2017 with a CAGR of 9.8%. The continuous growth of income encourages consumers to seek high quality property management services, providing opportunities for the rapid development of the property management industry.

Furthermore, the rising level of urbanization and rapid development of the property market creates high demands for the property management industry. From 1997 to 2017, China's urbanization rate rose from 31.9% to 58.5%, representing a CAGR of 1.3%, and adding approximately 21.0 million new urban residents each year. The total GFA of commercial property sold in the PRC increased by 52.2% from 1.1 billion sq.m. in 2012 to 1.7 billion sq.m. in 2017. The growing urbanization, increasing urban population, and expansion of the property market produce a high demand for property management services, stimulating the rapid development of the industry.

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Disposable annual income per capita in urban areas and growth rate, from 2009 to 2017



Source: China Index Academy Report

Increase in supply of properties and newly constructed areas

In over 20 years of development, China's property market has transformed from an emerging industry to a mature industry. In the last 20 years, the property industry has grown rapidly and the GFA of commercial property sold has increased eightfold to 1.7 billion sq.m., with the amount of investment reaching RMB11.0 trillion. According to the data from the National Bureau of Statistics, from 2016 to 2017, the total GFA of commercial buildings sold increased by 7.7%, to a total GFA of 1,694.1 million sq.m. From 2016 to 2017, the GFA of newly developed commercial property increased by 7.0%, to a total GFA of 1,786.5 million sq.m.

The property industry is expected to continue to grow rapidly in the PRC, creating a golden opportunity for growth of the property management industry. It is expected that the size of China's property management industry will reach 24.3 billion sq.m. by 2020. In recent years, the property management industry has become increasingly concentrated. The total GFA managed by the Top 100 Property Management Companies in 2016 was 5.5 billion sq.m., accounting for 29.4% of China's total property management GFA, as compared to 13.5% in 2012.

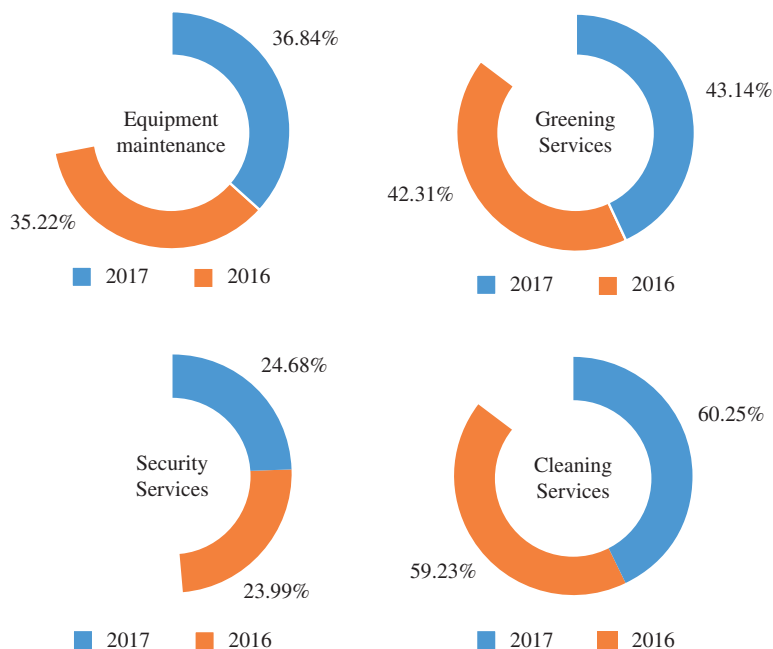
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TRENDS IN THE PROPERTY MANAGEMENT INDUSTRY IN CHINA

Increasing use of sub-contractors

According to China Index Academy, the Top 100 Property Management Companies continue to outsource aspects of property management services to sub-contractors. Through sub-contracting, they are able to provide professional services, effectively reduce costs and thus, maintain their profit margin. Simultaneously, property management service providers record operational data, conduct random onsite assessments, and take other measures to control their business processes and ensure quality service. In 2017, the number of sub-contractors accounted for 38.3% of all employees working in the Top 100 Property Management Companies. The number of sub-contractors working in the Top 100 Property Management Companies increased by 18.1% to 469,200 sub-contractors in 2017 from 397,400 sub-contractors in 2016. Of the 469,200 sub-contractors in the Top 100 Property Management Companies in 2017, the number of sub-contractors in cleaning services, greening services, equipment maintenance services and security services accounted for 60.9%, 12.2%, 6.3% and 20.6%, respectively. Furthermore, of the projects involving provision of cleaning services of in the Top 100 Property Management Companies, 60.3% of them were outsourced to sub-contractors. Similarly for greening services, equipment maintenance services and security services, 43.1%, 36.8% and 24.7%, respectively, were outsourced to sub-contractors.

The portion of property management services outsourcing projects from the Top 100 Property Management Companies in 2016 and 2017



Source: China Index Academy Report

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In addition to the technological advancements and outsourcing as the primary growth drivers for the industry, the Top 100 Property Management Companies are also opened to new sources in the provision of property management services and value-added services. As a result, the average labor output and average GFA under management per employee increases, which helps to reduce operating costs and sustain profitability. In 2017, the average labor output per employee of a Top 100 Property Management Companies was worth RMB139,900, which increased by 15.5% from 2016, and the GFA under management was 5,913.0 sq.m. per employee, which increased by 12.5% from 2016. Furthermore, the average operating cost in 2017 for the Top 100 Property Management Companies was 77.7% of total revenue, which decreased by 1.1% from 2016.

“Internet +” becoming a driving force for diversified services and smart communities

The property management industry developed a range of new services and smart communities in response to residents’ demands for better quality and more diversified services. Furthermore, the labor intensive nature of the property management industry increases operational costs, rendering property management service providers to more willingly adjust their business models. The integration of property management services and the internet encouraged the development of smart communities, thus increasing the efficiency and quality of property management services. In addition, it enabled the industry to introduce the concept of a one-stop information service platform to meet the needs of both property owners and residents.

Property management service providers use social media platforms and mobile applications to further expand their range of value-added services. In the *Guidelines for the Construction of Smart Communities (Trial Version)* (智慧社區建設指南(試行)), the property management industry received guidance and recognition at the national level for the development of community value-added services and the construction of smart communities. In addition, combining the innovative development of properties and the internet does not only increase the efficiency and quality of property management services, it simultaneously expands into other industries such as community housekeeping, elderly care services, real-estate services and consulting. The integration between property management services and the internet promotes the provision of a one-stop information service platform to satisfy the demands of the residents.

Gradual standardization of property management services

Property management service providers are intensifying their investment in information technologies, developing innovative services, improving service quality, establishing standardized property service processes, and reducing operation cost with intensive management. The investment in technology helps to promote standardized operations of property management.

With the emergence of process standardization boosting the development of the industry, leading property service providers have been utilizing the internet to standardize and improve service quality. Standardization plays a vital role for the healthy development of the property

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management industry, efficient business operations and benchmarking service quality. Furthermore, it plays a strategic, leading and supportive role in the industry's transformation, upgrade and sustainable development. The standardization of operation and improvement of service quality will not only increase the property owners' satisfaction, but will also be an important trend in the future development of the industry.

Continuous recruitment of professionalized talent to improve the quality of property management services

Led by the increasing use of technology in the industry and the demand for business diversification, property management service providers will continue to upgrade their teams by seeking and retaining talented employees with information management and technological competencies to continuously enhance the quality of their property management services. Furthermore, with the rapid development of innovation in China's property management industry, the utilization of new technologies such as artificial intelligence and virtual reality has come to age and property management service providers are in need of outstanding and talented employees to operate these technologies. Expertise in management, innovation, and technology are especially sought after to meet demands for the development of modern property management services and business diversification.

Also, as property management service providers are integrating and transforming into providers of refined and specialized services, they will and have begun to gradually outsource traditional components of property management services such as cleaning, gardening and order maintenance to professional sub-contracting companies, allowing them to pay more attention to customer experience and service quality. Focusing on the needs of property owners and residents, property management service providers introduced a number of concepts such as "housekeeper services", "one-stop services" and "all-round services", and built specialized teams that are competent to continuously improve service quality. Having talented employees that can provide services to meet the needs of property owners and residents will improve the quality of property management services.

Cooperating with industry peers to realise faster expansion

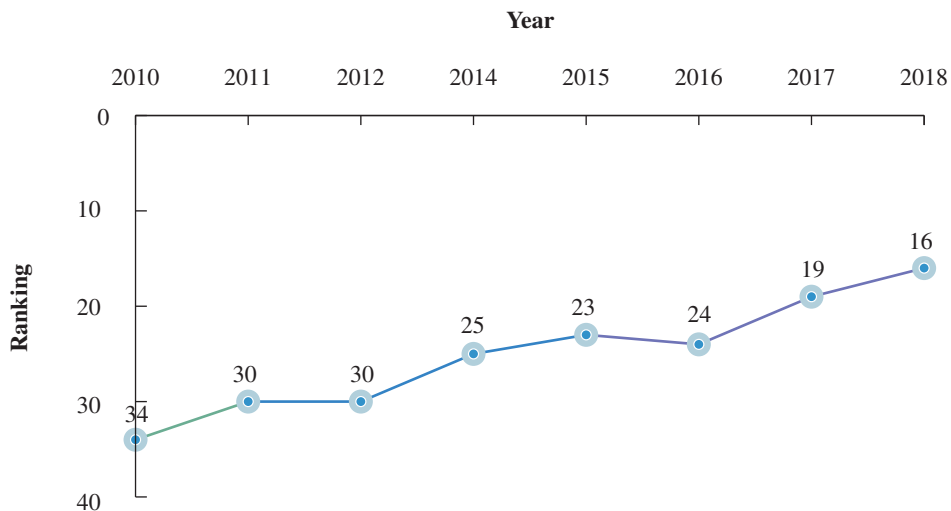
Property management service providers are able to achieve rapid expansion more easily now than before. The property management industry is filled with standardized and easy-to-copy managements systems, where property management service providers can easily replicate management systems rather than going through committees consultancy or conducting mergers and acquisition transactions. By cooperating and leveraging service platforms with one another, property management service providers can achieve rapid expansion at lower costs. Property management service providers rely on leveraging platforms, management systems, management models or branding as means for expansion.

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COMPETITIVE LANDSCAPE

According to the 2018 CIA Top 100 Property Management Service Providers report, we were ranked No. 16 in 2018 from No. 34 in 2010, demonstrating our increasing overall performance in the property management industry.

Ranking of Tibet Xinchengyue among the Top 100 Property Management Companies¹ in terms of overall strength in the PRC, from 2010 to 2018



Source: China Index Academy Report

Note: We did not participate in the 2013 Top 100 Property Management Companies Report

In 2018 and 2017, we were ranked No. 7 and No. 6, respectively, among China's Top 100 Property Companies in the PRC in terms of growth. Such ranking takes into consideration revenue, total GFA under management, total contracted GFA and employee qualification of each property management service provider.

¹ CIA issues a Top 100 Property Management Service Providers report annually, assessing qualified property management service providers with an average of at least ten projects under management or an average of at least 500,000 sq.m. GFA under management in the past three years. The Top 100 Property Management Companies is an annual ranking of China-based property management companies published by CIA. It is based on a number of key indicators, including management scale, operational performance, service quality, service growth, growth potential and social responsibility.

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We have a long history and have accumulated extensive experience in providing property management services in Jiangsu province. As of December 31, 2017, our total GFA under management in Jiangsu province was 25.6 million sq.m. Among the 2018 Top 100 Property Management Companies in Jiangsu province, we ranked No. 3 in terms of total GFA under management.

2018 Top 100 Property Management Companies¹, total GFA under management rankings in Jiangsu province

Rank	Property Management Service Providers	Total GFA under Management ('000 sq.m.)
1	A	More than 60,000
2	B	More than 40,000
3	Tibet Xinchengyue	25,637.4
4	C	Close to 20,000
5	D	Close to 15,000

Source: China Index Academy

For the year ended December 31, 2017, our GFA under management in Jiangsu, Zhejiang and Shanghai reached 31.8 million sq.m. As a result, we were ranked No. 6 among the Top 100 Property Management Companies in the same areas in 2018.

Tibet Xinchengyue's ranking in Jiangsu, Zhejiang and Shanghai among 2018 Top 100 Property Management Companies¹

Rank	Property Management Service Provider	Total GFA under Management (thousands sq.m.)
1	A	More than 100,000
2	B	More than 100,000
3	C	More than 85,000
4	E	Close to 70,000
5	F	More than 35,000
6	Tibet Xinchengyue	31,845.8

Source: China Index Academy

Furthermore, we experienced rapid growth during the Track Record Period. In fact, when compared to our competitors who are listed on the Hong Kong Stock Exchange, we are the fastest growing property management service provider in terms of contracted GFA, and second fastest growing property management service provider in terms of GFA under management.

¹ The Top 100 Property Management Companies is an annual ranking of China-based property management companies published by CIA. It is based on a number of key indicators, including management scale, operational performance, service quality, service growth, growth potential and social responsibility.

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CAGR of GFA for property management service providers listed in Hong Kong, from 2015 to 2017

Service Provider	Contracted Area CAGR (2015-2017)	Service Provider	GFA under management CAGR (2015-2017)
Tibet Xinchengyue .	45.00%	W	49.50%
S	42.75%	Tibet Xinchengyue .	36.96%
T	40.48%	C	29.01%
A	16.34%	Y	24.63%
V	9.21%	Z	-3.93%

Source: China Index Academy

We have distinct advantages in the field of value-added services. In 2017, our revenue from value-added services reached RMB299.2 million, which is much higher than the industry average revenue of RMB135.0 million from value-added services from China's Top 100 Property Companies for that year. Our revenue from value-added services in 2017 accounted for 34.5% of the revenue of the current period, much higher than the industry average of 18.2% from China's Top 100 Property Management Companies.

ENTRY BARRIERS

The entry barriers for property management service providers are described as below:

- **Branding:** As China's household consumption continues to increase, the standards used in the property management industry and expectations for property management services are also rising, competition within the industry has become more fierce, and branding has become an important factor.
- **Capital threshold:** Due to expansion of business scale, property management service providers are increasingly inclined to use automated and intelligent technology. Companies are replacing intensive manual labor tasks with intelligent management systems and equipment, introducing corporate information management systems, and promoting the idea of a smart community. Management efficiency has improved and the industry is moving towards a technology driven and capital intensive industry. This will further increase the capital threshold for new entrants in the property management industry.

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- **Management:** As the property management industry becomes increasingly fierce, it is necessary to have a strong and stable management team with the necessary experience. The property management service providers need high management standards in order to compete effectively in the industry. Providers use special management systems, such as information systems and financial management systems, which provide significant advantages in managing large-scale projects. Therefore, management is also considered a threshold where smaller property management service providers may find it difficult to compete with.
- **Talent and technology:** As a labor intensive industry, having mid-to-high level management and technical professionals is necessary. The development of a long-term and stable talent pool and adequate human resources are important contributing factors contributing to a property management service providers' operational success. Moreover, with the application of big data and the internet in the property management industry, property management service providers have been developing innovative business models and non-traditional value-added services. The role played by both professionals and technology in the property management industry is becoming increasingly important.

DIRECTORS' CONFIRMATION

As of the Latest Practicable Date, after taking reasonable care, our Directors confirm that there was no adverse change in the market information since the respective dates of the various data contained herein, which may qualify, contradict or have an impact on the information in this section.

LEGAL SUPERVISION OVER PROPERTY MANAGEMENT SERVICES

Foreign Invested Property Management Enterprises

According to the Provisions on Guiding the Orientation of Foreign Investment (《指導外商投資方向規定》) (No. 346 Order of the State Council) (issued by the State Council on February 11, 2002 and came into effect on April 1, 2002), foreign investment projects are divided into four categories, namely “encouraged,” “permitted,” “restricted” and “prohibited” categories. Foreign investment projects of the encouraged, restricted and prohibited categories are listed in the Catalogue of Industries for Guiding Foreign Investment (《外商投資產業指導目錄》). Pursuant to the Special Administrative Measures (Negative List) for Foreign Investment Access (2018) (《外商投資准入特別管理措施(負面清單)(2018)》) (the “**Special Measures**”) promulgated on June 28, 2018 and effective as of July 28, 2018, from July 28, 2018, the special administrative measures for foreign investment access (negative list for foreign investment access) specified in the Catalogue of Industries for Guiding Foreign Investment were repealed, while the catalogue of encouraged industries is still valid. Foreign investment projects that are not of the encouraged, restricted and prohibited categories belong to the permitted foreign investment projects which are not listed in the Catalogue of Industries for Guiding Foreign Investment.

Pursuant to Announcement of the NDRC and the MOFCOM [2016] No. 22 issued on October 8, 2016, the special entry management measures shall be implemented with reference to the relevant regulations as stipulated in the Catalogue of Industries for Guiding Foreign Investment in relation to the restricted foreign investment industries, prohibited foreign investment industries and encouraged foreign investment industries. Pursuant to the Provisional Administrative Measures on Establishment and Modifications (Filing) for Foreign Investment Enterprises (《外商投資企業設立及變更備案管理暫行辦法》) promulgated by MOFCOM on October 8, 2016, amended on July 30, 2017 and June 29, 2018, establishment and changes of foreign investment enterprises that are not subject to the approval under the special entry management measures shall be filed with the relevant commerce authorities.

The Provisions on Guiding Foreign Investment, the 2017 revision of the Catalogue of Industries for Guiding Foreign Investment and the Special Measures classify industries to be invested by foreign investors into two categories: encouraged industries and industries contained in the Negative List (including restricted industries and prohibited industries). Foreign investment can directly invest in an encouraged industry by setting up a wholly foreign-owned enterprise. For industries contained in the restricted industries, foreign investment may be conducted through the establishment of a wholly foreign-owned enterprise, subject to certain requirements, and in some cases, the establishment of a joint venture enterprise is required with varying minimum shareholdings for the Chinese party depending on the particular industry. Foreign investment of any kind is not allowed for a prohibited industry. Any industry not falling into any of the encouraged, restricted or prohibited industries is a permitted industry, which is generally open to foreign investment unless specifically restricted by other PRC regulations. The property management industry is an industry that allows foreign investors to make investments.

REGULATORY OVERVIEW

Qualification of Property Management Enterprises

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

According to the Measures for the Administration on Qualifications of Property Management Enterprises (《物業管理企業資質管理辦法》) (No. 125 Order of the Ministry of Construction) issued by the Ministry of Construction on March 17, 2004, came into effect on May 1, 2004 and revised on November 26, 2007 and May 4, 2015, a newly established property management company is required to, within 30 days from the date of the receipt of its business license, send an application for class qualification to the competent property administration department of the people's government of municipality and cities divided into districts where its industrial and commercial registration was located. The qualification examination and approval department will review the application and issue the property management class qualification certificate to the property management company if it meets the corresponding class requirements. The property management enterprises shall be classified into Level One, Level Two and Level Three by qualifications based on relevant specific conditions.

According to the Decision of the State Council on Canceling the Third Batch of Administrative Licensing Items Designated by the Central Government for Implementation by Local Governments (《國務院關於第三批取消中央指定地方實施行政許可事項的決定》) (GF [2017] No. 7) issued by the State Council on January 12, 2017 and came into effect on the same day, province and city level second class or below property management company qualifications acknowledged by provincial and municipal government departments of Housing and Urban-Rural were cancelled.

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》) (GF [2017] No. 46) issued by the State Council on September 22, 2017 which came into effect on the same day, qualification accreditation for property management enterprises of Level One is canceled.

According to the Notice of the General Office of 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》 Jianbanfang [2017] No. 75) issued by the General Office of Ministry of Housing and Urban-Rural Development on December 15, 2017 and came into effect on the same day, application, change, renewal or re-application of the qualifications of property management enterprises shall not be accepted, and the qualifications obtained already shall not be a requirement for property management enterprises to undertake new property management projects.

REGULATORY OVERVIEW

Appointment of Property Management Companies

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

According to the Regulations on Property Management, a general meeting of the property owners of a community can engage or dismiss the property management companies with affirmative votes of owners who own more than half of the total GFA of the community and who account for more than half of the total number of the property owners. Property owners' association, on behalf of the general meeting, can sign property management contract with property management companies engaged at the general meeting. Before the engagement of a property management company by property owners and a general meeting of the property owners, a written preliminary service contract should be entered into between the property developer and the selected and engaged property management company. The preliminary property management contract may stipulate the contract duration. If the property management contract signed by the property owners' association and the property management company comes into force within the term of preliminary property management, the preliminary property management contract automatically terminates.

According to the Regulations on Property Management and the Interim Measures for Tender and Bidding Management of Preliminary Property Management (《前期物業管理招標投標管理暫行辦法》) (JZF [2003] No. 130) issued by the Ministry of Housing and Urban-Rural Development on June 26, 2003 and came into effect on September 1, 2003, developer of residential buildings and non-residential buildings in the same property management area shall engage qualified property management enterprises by inviting bid. In case where there are less than three bidders or for small-scale properties, the developer can hire qualified property management companies by signing an agreement with the approval of the real estate administrative department of the local government of the place where the property is located. Where the developer fails to hire the property management company through a tender and bidding process or hire the property management company by signing agreement without the approval of relevant government authority, the competent real estate administrative department of the local government at the county level or above shall order it to make correction within a prescribed time limit, issue a warning and impose with the penalty of no more than RMB100,000.

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

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

Fees Charged by Property Management Enterprises

According to the Measures on the Charges of Property Management Enterprise (《物業服務收費管理辦法》) (FGJG [2003] No. 1864), which was jointly issued by the 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 fees from owners for the repair, maintenance and management of houses and ancillary facilities, equipment and venues and maintenance of the sanitation and order in relevant regions according to related property management contract.

The fees charged by property management companies nationwide are regulated by the price administration department and construction administration department of the State Council. The price administration department of the local people's governments above the county level and the competent property administration departments at the same level are responsible for regulating the fees charged by property management companies in their respective administrative regions.

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The fees charged by property management companies shall be determined taking consideration of both the government guidance price and market regulated price on the basis of the nature and features of relevant properties. The specific pricing principles shall be determined by the competent price administration departments and property administration departments of the people's governments of each province, autonomous region and municipality.

Where property service charges are priced under the government's guidance, the competent price department of the people's government, having the authority of fixing prices, shall work together with competent departments of real estate to work out the benchmark prices and the range of variations depending on such factors as the grading criteria of property service charges, and publish these prices and the range of variations at regular intervals. The specific charging criteria shall be agreed upon by the property owner and the property management enterprise in the contract for property services, in accordance with the stipulated benchmark price and the range of variations. Where property service charges are priced under market regulation, property owners and property management enterprises shall agree on the charges in contracts for property services.

For example, according to Measures on the Charges of Property Management Enterprise of Suzhou, public service charges for general residences and special service charges for parking services in residential areas are subject to government guidance price. The public service charges for high-end residential (including various villas, high-grade apartment and decoration commodity housing, etc.) and various non-residential properties and the special services that meet the needs of some owners and users or are entrusted to carry out commissioned services, collect fees for agency services are subject to market regulated price.

As agreed between the property owners and property management companies, the fees for the property management services can be charged either as a lump sum basis or a commission basis. The lump sum basis refers to the charging mode requiring property owners to undertake the fixed property management expenses to property management companies who shall enjoy or assume the surplus or deficit. The commission basis refers that property management companies may collect its service fee in the proportion or amount as agreed from the property management income in advance, the rest of which shall be exclusively used on the items as stipulated in the property management contract, and property owners shall enjoy or assume the surplus or deficit. Under government guidance mechanism, property management fees mechanism could adjust within the standard price range determined by price administration departments and property administration departments.

Property management companies shall charge service fees at an expressly marked prices according to the regulations of competent price administration departments of the people's government, revealing the service information, standards, charged items and standards to the public at prominent positions within the property management region.

REGULATORY OVERVIEW

According to the Provisions on Clearly Marking the Prices of Property Services (《物業服務收費明碼標價規定》) (FGJJ [2004] No. 1428), which was jointly issued by the NDRC and the Ministry of Housing and Urban-Rural Development on July 19, 2004 and came into effect on October 1, 2004, property management companies shall clearly mark the price, state service items and standards and relevant information on services (including the property service as stipulated in the property management service agreement as well as other services requested by property owners) provided to the owners. If the charging standard changes, property management companies shall adjust all relevant information one month before implementing the new standard and indicate the date of implementing the new standard. If property management companies do not comply with government guidance prices according to the marked price or mark false price, they will be ordered to surrender all illegal incomes obtained therefrom, pay the penalty and even terminate the business until irregularities are corrected.

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

According to the Circular of NDRC on the Opinions 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》) (FGJG [2014] No. 2755), which was promulgated by NDRC and became effective on December 17, 2014, the price control of property management services for non-government supported houses housing and parking services in residential community have been cancelled.

LEGAL SUPERVISION OVER THE INTERNET INFORMATION SERVICES

Supervision on Internet Information Services

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

REGULATORY OVERVIEW

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

Where an entity provides commercial Internet information service without a license or provides service beyond the scope of the license, provincial telecommunication administrative department shall order it to make correction within a prescribed time limit. Where there are illegal gains, such gains shall be confiscated; and a fine more than three times but less than five times of such gains shall be imposed. Where there is no illegal gain or the gain is less than RMB50,000, a fine of RMB100,000 to RMB1 million shall be imposed. Where the circumstance is serious, the website shall be ordered to shut down. Where an entity provides non-commercial Internet information service without a filing, provincial telecommunication administrative department shall order it to make corrections within a prescribed time limit and to shut down the website if it refused to make corrections.

Supervision on Mobile Internet Application Information Services

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

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

LEGAL SUPERVISIONS OVER LABOR PROTECTION IN THE PRC

According to the Labor Law of the PRC (《中華人民共和國勞動法》) (No. 28 Order of the President of the PRC) (the “**Labor Law**”), which was issued by the Standing Committee of the National People's Congress on July 5, 1994, came into effect on January 1, 1995 and amended on August 27, 2009, employers shall develop and improve their rules and regulations to ensure that workers enjoy their labor rights and perform their labor obligations. Employers shall develop and improve the system of labor safety and sanitation, strictly implement the

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national protocols and procedures on labor safety, guard against labor safety accidents and reduce occupational hazards. Labor safety and sanitation facilities shall meet the relevant national standards. Employers must provide workers with the necessary labor protection equipment that meets the safety and hygiene conditions stipulated by the State, and conduct regular health checks for workers who engage in occupational hazards. Laborers engaged in special operations shall have received specialized training and obtained the pertinent qualifications.

According to the Labor Contract Law of the PRC (《中華人民共和國勞動合同法》) (No. 65 Order of the President of the PRC) (issued by the Standing Committee of the National People's Congress on June 29, 2007, came into effect on January 1, 2008 and revised on December 28, 2012, came into effect on July 1, 2013) and the Implementation Regulation on Labor Contract Law of the PRC (《中華人民共和國勞動合同法實施條例》) (No. 535 Order of the State Council) (promulgated by the State Council on September 18, 2008 and became effect on the same day), regulate both parties through a labor contract, namely the employer and the employee, and contain specific articles involving the terms of the labor contract. Meanwhile, it is stipulated labor contracts must be concluded in written forms, upon reaching an agreement after due negotiation, an employer and an employee may enter into a fixed-term labor contract, a non-fixed-term labor contract or a labor contract that concludes upon the completion of certain work assignment. After reaching an agreement upon due negotiation with employees or fulfilling other circumstances in line with legal conditions, an employer may legally terminate a labor contract and dismiss its employees. Labor contracts concluded before the issuance of Labor Law and existing during its effective term shall continue to be acknowledged.

According to the Interim Regulations on Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》), the Regulation on Work Injury Insurance (《工傷保險條例》), the Regulations on Unemployment Insurance (《失業保險條例》) and the Trial Measures on Employee Maternity Insurance of Enterprises (《企業職工生育保險試行辦法》), enterprises in the PRC shall provide their employees with benefit plans, which include basic pension insurance, unemployment insurance, maternity insurance, work injury insurance and basic medical insurance. Employers must carry out social insurance registration with local social insurance agency, provide social insurance and pay or withhold the relevant social insurance premiums for or on behalf of employees. According to the Social Insurance Law of PRC (《中華人民共和國社會保險法》) (No.35 Order of the President of the PRC), which was promulgated by the Standing Committee of the National People's Congress on October 28, 2010 and became effective on July 1, 2011, 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 still 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. Also, it has consolidated pertinent provisions for basic pension insurance, unemployment insurance, maternity insurance, work injury insurance and basic medical insurance, and the legal obligations and liabilities of employers who do not comply with relevant laws and provisions on social insurance have been stipulated in detail.

REGULATORY OVERVIEW

According to the Regulations on the Administration of Housing Provident Fund (《住房公積金管理條例》) (Order No. 262 of the State Council) (issued by the State Council on April 3, 1999 and became effective on the same day, and amended on March 24, 2002), the housing provident fund contributions by an individual employee and housing provident fund contributions by his or her employer shall be owned by the individual employee. Employers shall timely pay the housing provident fund in full and overdue or insufficient payment shall be prohibited. Employers shall process the housing fund payment and deposit registration in the housing provident fund administrative center. For enterprises who violate the above laws and regulations and fail to apply for housing provident fund deposit registration or open housing provident fund accounts for their employees, the housing provident fund administrative center shall order the relevant enterprises to make corrections within a designated period. Those enterprises failing to process registration provident fund accounts for their employees within the designated period shall be subject to a fine ranging from RMB10,000 to RMB50,000. When enterprises violate those provisions and fail to pay the housing provident fund in full amount as due, the housing provident fund administrative center will order such enterprises to pay up the amount within a prescribed period; if those enterprises still fails to comply with the regulations upon the expiration of the above-mentioned time limit, further application will be made to the People's Court for mandatory enforcement.

REGULATIONS RELATING TO INTELLECTUAL PROPERTY

Trademark Law

Trademarks are protected by the Trademark Law of the PRC (《中華人民共和國商標法》) (Order No. 10 of the Standing Committee of the National People's Congress) (issued by the Standing Committee on August 23, 1982, came into effect on March 1, 1983 and amended on February 22, 1993, October 27, 2001 and August 30, 2013) and the Implementation Regulation of the PRC trademark Law (《中華人民共和國商標法實施條例》) (No. 651 Order of the State Council) (adopted by the State Council on April 29, 2014 and came into effect on May 1, 2014). The trademark Office under the General Administration for Industry and Commerce handles trademark registration and grants registered trademarks for a validity period of 10 years. Trademarks may be renewable every ten years where a registered trademark needs to be used after the expiration of its validity period. Trademark registrants may license, authorize others to use their registered trademark by signing up a trademark license contract. The trademark license agreements shall be submitted to the trademark office for recording. For trademarks, trademark law adopts the principle of "first come, first file" with respect to trademark registration. Where a trademark under registration application is identical with or similar to another trademark that has, in respect of the same or similar commodities or services, been registered or, after preliminary examination and approval, this application for such trademark registration may be rejected. Anyone applying for trademark registration shall not prejudice the existing right first obtained by anyone else, or forestall others in registering a trademark which others have already begun to use and which has "sufficient degree of reputation".

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Copyright law

The Copyright Law of the PRC (《中華人民共和國著作權法》) (No. 31 Order of the President of the PRC) (issued by the Standing Committee of the National People's Congress on September 7, 1990, came into effect on June 1, 1991 and revised on October 27, 2001 and February 26, 2010) provides that works of Chinese citizens, legal persons or other organizations, which include, works of literature, art, natural sciences, social sciences, engineering technology and computer software created in writing or oral or other forms, whether published or not, enjoy copyright in their works. Copyright holders may enjoy multiple rights, which include the right of publication, the right of authorship and the right of reproduction.

The Computer Software Copyright Registration Measures (《計算機軟件著作權登記辦法》) (Order No. 1 of the National Copyright Administration) (promulgated by the National Copyright Administration on February 20, 2002, and came into effect on the same day) regulates registrations of software copyright, the exclusive licensing contracts for software copyright and transfer contracts. The National Copyright Administration of PRC shall be competent authority for the registration and management of national software copyright and the Copyright Protection Center of China is the software registration organization authority. The Copyright Protection Center of China shall grant registration certificates to the computer software copyright applicants which conforms to the regulations of both the Software Copyright Measures and the Regulations on Protection of Computers Software (《計算機軟件保護條例》) (No. 339 Order of the State Council) (issued by the State Council on December 20, 2001, came into effect on January 1, 2002 and revised on January 8, 2011 and January 30, 2013).

Provisions of the Supreme People's Court on Certain Issues Concerning the Application of Law in the Trail of Civil Cases Involving Disputes over Infringement of the Right of Dissemination through Information Networks (《最高人民法院關於審理侵害信息網絡傳播權民事糾紛案件適用法律若幹問題的規定》) (No. 20 FS [2012]) (issued by the Supreme People's Court on December 17, 2012 and came into effect on January 1, 2013), provide that web users or web service providers who, through information networks, create works, performances, or audio-video products in which the right holders enjoy the transmission right of information network without due authorization, they shall be deemed to have infringed upon the transmission right of information network by the people's court.

Domain Name

The Measures on the Administration of Domain Names (《互聯網絡域名管理辦法》) (No. 43 Order of the Ministry of Industry and Information Technology) (issued by the Ministry on August 24, 2017 and came into effect on November 11, 2017), the Ministry of Industry and Information Technology shall be responsible for managing Internet network domain names in PRC. The principle of "first come, first file" is adopted for domain name. The applicant of domain name registration shall provide the agency of domain name registration with the true, accurate and complete information relating to the domain name to be applied for, and sign the registration agreements as well. The measures provide the registration of domain names in PRC with the Internet country code of ".cn".

REGULATORY OVERVIEW

LEGAL REGULATIONS OVER TAX IN THE PRC

Income Tax

According to the Corporate Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) (Order No. 63 of the President of PRC, hereinafter referred to as the CIT Law) (promulgated by the National People's Congress on March 16, 2007 and came into effect on January 1, 2008 and revised on February 24, 2017) and the Implementation Regulations on the CIT Law (《企業所得稅法實施條例》) (No. 512 Order of the State Council, hereinafter referred to as Regulations on the Implementation of the CIT Law) (issued by the State Council on December 6, 2007 and came into effect on January 1, 2008), the tax rate of 25% will be applied to the income related to all PRC enterprises, foreign-invested enterprises and foreign enterprises which have established production and operation facilities in the PRC. These enterprises are classified into as either resident enterprises or non-resident enterprises.

According to the CIT Law and its implementing regulations of the CIT Law, for dividends payable to investors that are non-resident enterprise (who do not have organizations or places of business in the PRC, or that have organizations and places of business in PRC but to whom the relevant income tax is not effectively connected), 10% of the PRC withholding tax shall be paid, unless there are any applicable tax treaties are reached between the jurisdictions of non-resident enterprises and the PRC which may reduce or provide exemption to the relevant tax. Similarly, any gain derived from the transfer of shares by such investor, if such gain is regarded as income derived from sources within the PRC, shall be subject to 10% PRC income tax rate (or a lower tax treaty rate (if applicable)).

According to the Notice of Implementation Regulations on the Corporate Income Tax Policy of Tibet issued by Tibet government (《西藏自治區人民政府關於印發西藏自治區企業所得稅政策實施辦法的通知》) on May 1, 2014, the corporate tax rate of enterprises registered in Tibet is 15%.

According to the Arrangements between 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》) (issued by State Administration of Taxation on August 21, 2006 and became effective on December 8, 2006), a company incorporated in Hong Kong will be subject to withholding a 25% interest 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 Notice on the Understanding an Identification of the Beneficial Owners in the Tax Treaty (《關於如何理解和認定稅收協定中“受益所有人”的通知》) (Guo Shui Han [2009] No. 601), which was issued by State Administration of Taxation on October 27, 2009 and came into effect on the same day, “conduit” companies or shell companies without business substance shall not enjoy preferential tax treaty benefits and shall carry out a beneficial ownership analysis according to the principle of “substance-over-form” so as to determine whether or not to grant tax treaty benefits.

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Business Tax

In accordance with the Detailed Implementing Rules on the Temporary Regulations on Business Tax (《營業稅暫行條例實施細則》), which was promulgated by the MOF and the SAT and came into effect on December 25, 1993, and was amended on December 15, 2008 and further revised on October 28, 2011, depending on the activity, business tax is levied on income derived from the provision of specific services and the transfer of immovable property or intangible property at rates ranging from 3% to 20%.

On November 19, 2017, the State Council promulgated the Decision on Abolition of the Provisional Regulations on Business Tax of the PRC and Revision of the VAT Provisional Regulations (《國務院關於廢止<中華人民共和國營業稅暫行條例>和修改<中華人民共和國增值稅暫行條例>的決定》), Business Tax of the PRC have been abolished since November 19, 2017.

Value-added Tax

The Temporary Regulations on Value-Added Tax (《增值稅暫行條例》) (No. 134 Order of the State Council) issued on December 13, 1993 by the State Council, came into effect on January 1, 1994 and amended on November 10, 2008 and February 6, 2016 and November 19, 2017. The Detailed Rules for the Implementation of the Provisional Regulations of the PRC on Value Added Tax (《中華人民共和國增值稅暫行條例實施細則》) (No. 65 Order of the MOF) were issued on December 25, 1993 by the MOF, and became effective on the same day and revised on December 15, 2008 and October 28, 2011 (collectively, the “VAT Law”). According to VAT Law, taxpayers who engaged in the sale of goods, the provision of processing, repairing and replacement services, leasing service of tangible movable property or import goods within the territory of the PRC must pay value-added tax. Other than those specified listed in the VAT law, tax rate for selling services or intangible assets is 6%.

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

REGULATIONS RELATING TO FOREIGN EXCHANGE

According to the PRC Foreign Currency Administration Rules (《中華人民共和國外匯管理條例》) (No. 193 Order of the State Council) (promulgated by the State Council on January 29, 1996, came into effect on April 1, 1996 and amended on January 14, 1997 and August 5, 2008), and various regulations issued by the State Administration of Foreign Exchange and other relevant PRC government authorities, foreign currency earnings of domestic entities or individuals can be transferred back to the PRC or deposited overseas and RMB is convertible

REGULATORY OVERVIEW

into other currencies. The conditions and time limit shall be specified by the State Administration of Foreign Exchange according to the international receipts and payments status and requirements of Administration of Foreign Exchange, such as the conversion of RMB into other currencies and remittance of the converted foreign currency outside the PRC for the purpose of capital account items, like direct equity investments, loans, requires the prior approval from the State Administration of Foreign Exchange or its local office. Foreign exchange receipts for current account transactions may be retained or sold to financial institutions engaged in the settlement or sale of foreign exchange according to the relevant provisions of the State. Domestic entities or individuals who directly make overseas investment or involve in distribution or trade of foreign securities or derivative products, shall go through the formalities for registration in accordance with the provisions of the foreign exchange administration department of the State Council. If the above entities or individuals shall be subjected to the approved of or record-filing with the competent department in advance as required by the state, they should submit related documents for inspection, approval and record-filing before foreign exchange registration.

According to the Regulations on Administration of Settlement, Sale and Payment of Foreign Exchange (《結匯、售匯及付匯管理規定》) (Yin Fa [1996] No. 210), which was promulgated by the People's Bank of China on June 20, 1996 and became effective on July 1, 1996, foreign exchange receipts under the current account of foreign-invested enterprises may be retained within the fullest extent approved by the Administration of Foreign Exchange and the exceeding part of such amount shall be sold to a designated foreign exchange bank or through a foreign exchange swap center.

According to the Notice of the State Administration of Foreign Exchange on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Accounts (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) (Hui Fa [2016] No. 16) (issued by the State Administration of Foreign Exchange on June 9, 2016 and came into effect on the same day). According to this notice, the settlement of foreign exchange receipts under the capital account (including but not limited to foreign currency capital and foreign debts) may convert from foreign currency into RMB on self-discretionary basis. The RMB funds obtained by a domestic entity from its discretionary settlement of foreign exchange receipts under the capital account shall be included in the account pending for foreign exchange settlement and payment. The Notice No 16 reiterates the principle that RMB converted from foreign currency capital may not directly or indirectly used for purpose beyond its business scope and investments in securities with the exception of bank financial products that guarantee the relevant PRC regulations. The ratio of the discretionary exchange rate of foreign exchange receipts under domestic capital account is tentatively set at 100%. The State Administration of Foreign Exchange may adjust the above ratio in due time according to the balance of payment status.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

OVERVIEW

Our history can be traced back to 1996 when Tibet Xinchengyue was established by Mr. Wang through a collective ownership enterprise he controlled, together with an Independent Third Party, in Wujin, Jiangsu, the PRC as a limited liability company to provide property management and maintenance services and Mr. Wang has maintained control over Tibet Xinchengyue since its incorporation. For details of the services provided by the Company, please refer to the section entitled “Business” in this prospectus.

KEY MILESTONES

Our Group has experienced significant growth in its scale of operations since 1996 and the following is a summary of our Group’s key development milestones:

<u>Year</u>	<u>Event</u>
1996	Tibet Xinchengyue, our principal operating subsidiary, was established by Mr. Wang in Wujin and started to provide property management services
2005	Changzhou Four Seasons Xincheng (常州四季新城), a residential development managed by us, received the title of “National Property Management Services Exemplary Residential Community” as awarded by Ministry of Housing and Urban-Rural Development
2006	Changzhou Four Seasons Xincheng received title of “National Property Management Services Exemplary Residential Community” as awarded by Ministry of Housing and Urban-Rural Development in January 2006
2010	Our Company launched the Golden Bow Tie steward-style services, the predecessor of Orange Steward services
2011	The following residential communities under our management received title of “Property Management Project of Excellence” in Jiangsu Province as awarded by the Jiangsu Province Housing and Rural-Urban Construction Hall: <ul style="list-style-type: none">• Golden Xincheng of Jiangsu Xincheng Property Services Limited Company• Xincheng Long Island of Jiangsu Xincheng property Services Limited Company
2015	We were ranked No. 23 among the 2015 China Top 100 Property Management Companies, as awarded by CIA We were ranked No. 5 among the 2015 China Top 100 Property Management Companies in terms of growth, as awarded by CIA

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

<u>Year</u>	<u>Event</u>
2016	<p>We started marketing our services with the brand name “Xinchengyue” in October 2016</p> <p>Qingshui Cheek Garden project of Shanghai Xincheng Wanjia Property Services Limited Company received an award for “Shanghai Property Management Excellent Exemplary project” as awarded by Shanghai City Property Management Industry Association in October 2016</p> <p>We were ranked No. 24 among the 2016 China Top 100 Property Management Companies, as awarded by CIA and China Property Management Institution</p> <p>We were ranked No. 6 among the 2016 China Top 100 Property Management Companies in terms of growth, as awarded by CIA</p>
2017	<p>We launched our Orange Steward services to provide steward-style services for our managed properties</p> <p>We were ranked No. 19 among the 2017 China Top 100 Property Management Companies, as awarded by CIA</p> <p>We were ranked No. 6 among the 2017 China Top 100 Property Management Companies in terms of growth, as awarded by CIA</p>
2018	<p>We were ranked No. 16 among the 2018 China Top 100 Property Management Companies, as awarded by CIA</p> <p>We were ranked No. 7 among the 2018 China Top 100 Property Management Companies in terms of growth, as awarded by CIA</p>

HISTORY OF OUR GROUP

In March 1996, Tibet Xinchengyue, was incorporated in the PRC by Wujin Future Land Investment and Constructions Company (武進市新城投資建設開發公司), a collective ownership enterprise controlled by Mr. Wang, (“**Future Land Investment**”) and Wujin Guozhou Economic Development Company (武進市國洲經濟開發總公司) (“**Guozhou Economic**”), an Independent Third Party, with the registered capital of RMB500,000, which was contributed in cash by Future Land Investment as to 60% and by Guozhou Economic as to 40%. At the time of incorporation of Tibet Xinchengyue, its business scope was property management and maintenance services. Mr. Wang further acquired 40% shareholding of Guozhou Economic in Tibet Xinchengyue in February 1997 for a consideration of RMB200,000 determined based on the registered capital of Tibet Xinchengyue.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Tibet Xinchengyue has since its incorporation in March 1996 been under the continuous control of Mr. Wang, either directly or indirectly through different corporate structures. In particular, Tibet Xinchengyue was indirectly listed on the Shanghai Stock Exchange from March 2006 to March 2015, as a subsidiary of Jiangsu Future Land Co., Ltd (江蘇新城地產股份有限公司) (“**Jiangsu Future Land**”) whose B shares were listed on the Shanghai Stock Exchange, and was indirectly listed on the Stock Exchange from November 2012 to May 2016, as a subsidiary of Future Land Development Holdings which is listed on the Stock Exchange.

Changes in the shareholding of Tibet Xinchengyue from January 1, 2015 up to the commencement of the Reorganization are outlined as follows:

- As at January 1, 2015, Tibet Xinchengyue was held as to 90% by Jiangsu Future Land and 10% by Changzhou Future Land;
- In March 2015, Jiangsu Future Land transferred its 90% shareholding in Tibet Xinchengyue to Changzhou Fuyu Development Co., Ltd. (常州富域發展有限公司) (“**Changzhou Fuyu**”) (a company controlled by Mr. Wang via Future Land Development Holdings) for a consideration of RMB54 million determined with reference to the fair value of Tibet Xinchengyue appraised by an independent valuer and Changzhou Future Land transferred its 10% shareholding in Tibet Xinchengyue to Changzhou Fuyu for a consideration of RMB6 million determined based on the fair value of Tibet Xinchengyue appraised by an independent valuer, after which Tibet Xinchengyue was owned as to 100% by Changzhou Fuyu;
- In June 2015, Changzhou Fuyu transferred its 100% shareholding in Tibet Xinchengyue to Xincheng Fuyue Management Consulting Co., Ltd. (“**Xincheng Fuyue**”) for a consideration of RMB60 million determined based on the registered capital of Tibet Xinchengyue;
- In June 2015, after Changzhou Fuyu’s transfer of its shareholding in Tibet Xinchengyue to Xincheng Fuyue, Changzhou Zhuofan Advertising Limited (常州卓凡廣告有限公司) (“**Changzhou Zhuofan**”) contributed RMB4 million in cash to Tibet Xinchengyue, after which the registered capital of Tibet Xinchengyue increased to RMB64 million and Tibet Xinchengyue was owned as to 93.75% by Xincheng Fuyue and as to 6.25% by Changzhou Zhuofan;

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

- In April 2016, Hong Kong Chuangzhi Development Limited (“**Hong Kong Chuangzhi**”), a subsidiary of Future Land Development Holdings, entered into a share transfer agreement with Wealth Zone Hong Kong, pursuant to which Hong Kong Chuangzhi transferred its 100% shareholding in Xincheng Fuyue to Wealth Zone Hong Kong for a consideration of RMB320 million based on the fair value of Xincheng Fuyue as at February 29, 2016 appraised by an independent valuer. After the transfer, Xincheng Fuyue was owned as to 100% by Wealth Zone Hong Kong. As a result of which, Tibet Xinchengyue ceased to be a subsidiary of Future Land Development Holdings in June 2016 when the transfer of interests in Xincheng Fuyue was completed. As Wealth Zone Hong Kong is a controlling shareholder of Future Land Development Holdings, and the applicable percentage ratios (as defined under the Listing Rules) in respect of this disposal exceeded 5% but less than 25%, the disposal and the relevant equity transfer agreement constituted a discloseable and connected transaction for Future Land Development Holdings the consummation of which was subject to independent shareholders’ approval. On May 4, 2016, the transaction was approved by the independent shareholders of Future Land Development Holdings.
- In June 2016, Changzhou Yijian Investment Limited (常州宜建投資有限公司) (“**Changzhou Yijian**”) subscribed for RMB2.1525 million in the registered share capital of Tibet Xinchengyue by contributing RMB15.11 million in cash, Changzhou Tongrun Infrastructure Engineering Limited (常州市通潤建設工程有限公司) (“**Changzhou Tongrun**”) subscribed for RMB3.6 million in the registered share capital of Tibet Xinchengyue by contributing RMB25.30 million in cash, Tibet Zhiying Investment Limited (西藏智盈投資有限公司) (“**Tibet Zhiying**”) subscribed for RMB3.6 million in the registered share capital of Tibet Xinchengyue by contributing RMB25.30 million in cash and Tibet Tongxin Capital Investment Management Co., Ltd. (西藏同信資本投資管理有限公司) (“**Tibet Tongxin**”) subscribed for RMB1.65 million in the registered share capital of Tibet Xinchengyue by contributing RMB11.59 million in cash, after which the registered share capital of Tibet Xinchengyue was increased to RMB75 million and Tibet Xinchengyue was owned as to 80% by Xincheng Fuyue, 5.33% by Changzhou Zhuofan, 2.87% by Changzhou Yijian, 4.8% by Changzhou Tongrun, 4.8% by Tibet Zhiying and 2.2% by Tibet Tongxin. The contribution amount for such subscription was arrived at after arm’s length negotiations with reference to the net profit of Xinchengyue for 2015.

Changzhou Zhuofan, Changzhou Yijian, Changzhou Tongrun, Tibet Zhiying and Tibet Tongxin were all Independent Third Parties as at the time of the relevant transactions.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

OUR SUBSIDIARIES

As of the Latest Practicable Date, we had a total of eight operating subsidiaries in the PRC including Tibet Xinchengyue. The following chart gives the details of the subsidiaries of our Group other than Tibet Xinchengyue:

Name	Date of Incorporation	Place of Incorporation	Registered/Issued Share Capital	Principal Business Activities
Shanghai Xincheng Wan Jia Property Services Co., Ltd. (上海新城萬嘉物業服務有限公司) (“ Shanghai Xincheng Wanjia ”) ⁽¹⁾	November 27, 2003	PRC	RMB10 million	Property management, maintenance, renovation and services
Changzhou Wanrui Intelligent System Engineering Co., Ltd. (常州市萬睿智能系統工程有限公司) (“ Changzhou Wanrui ”) ⁽²⁾	March 19, 2014	PRC	RMB10 million	Electronic equipment installation and engineering services
Jiangsu Dashun Elevator Co., Ltd. (江蘇達順電梯工程有限公司) (“ Jiangsu Dashun ”) ⁽³⁾	May 31, 2012	PRC	RMB10 million	Sales of elevator, elevator installation and maintenance
Changzhou Pingan Property Management Co., Ltd. (常州市平安物業管理有限公司) (“ Changzhou Pingan ”) ⁽⁴⁾	September 2, 1999	PRC	RMB0.5 million	Commercial property management service
Changzhou Xincheng Information Technology Co., Ltd. (常州新橙信息技術有限公司) (“ Changzhou Xincheng Information ”) ⁽⁵⁾	September 30, 2014	PRC	RMB1 million	Computer Software Development
Hangzhou Wanyue Property Management Co., Ltd. (杭州萬悅物業服務有限公司) (“ Hangzhou Wanyue ”) ⁽⁶⁾	January 5, 1999	PRC	RMB8 million	Property management
Suzhou Xinchengyue Property Services Co., Ltd. (蘇州新城悅物業服務有限公司) ⁽⁷⁾	March 12, 2018	PRC	RMB1 million	Property management

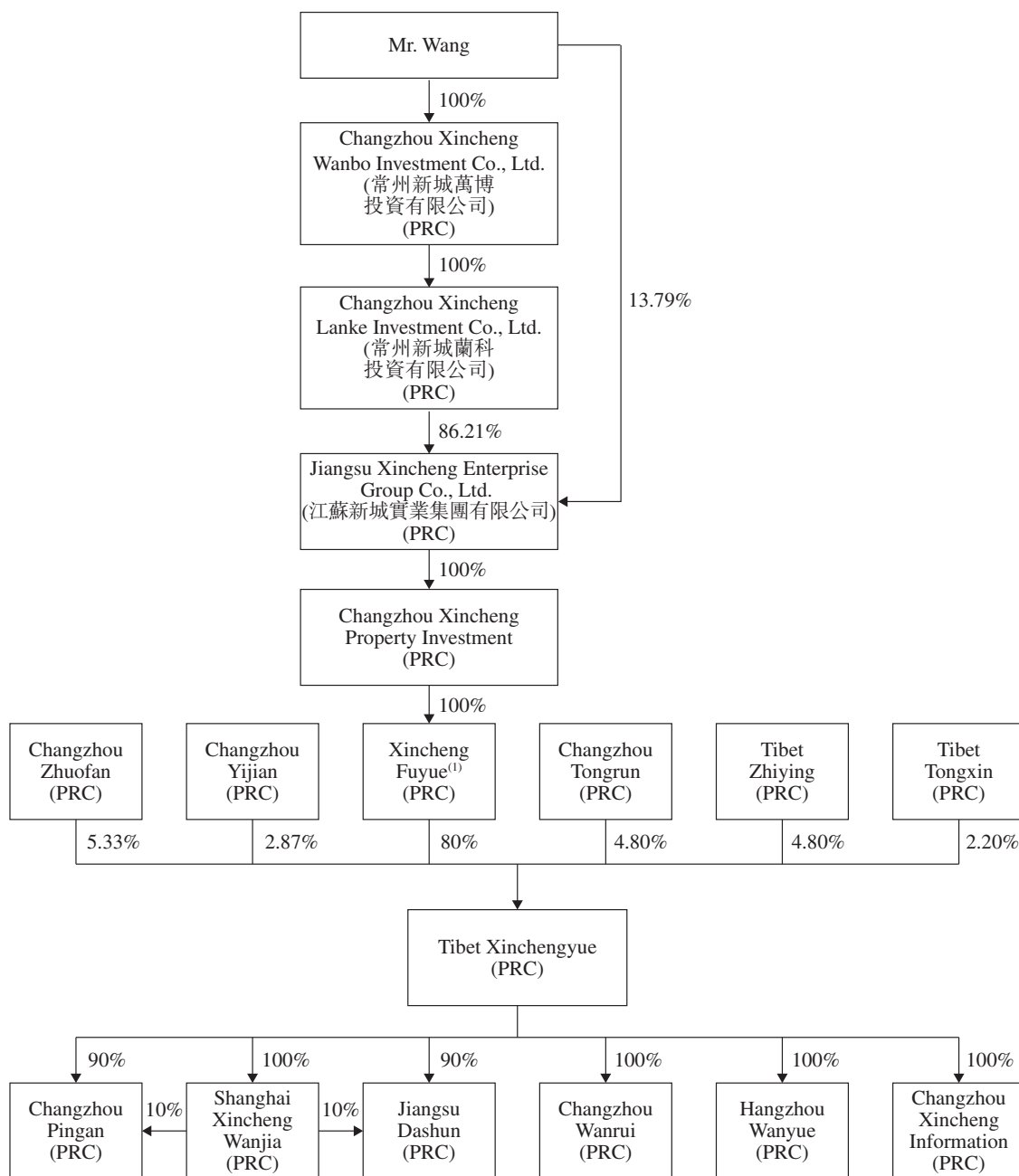
HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

- (1) *Shanghai Xincheng Wanjia was incorporated in November 27, 2003, and the current registered share capital of RMB10 million, which was contributed in cash by us as to 90% and by Shanghai Xincheng Wanjia Real Estate Co., Ltd. (上海新城萬家房地產有限公司), a company ultimately controlled by Mr. Wang. We subsequently acquired the 10% equity interest held by Shanghai Xincheng Wanjia Real Estate Co., Ltd. for a consideration of RMB 1 million determined with reference to registered share capital in June 2015.*
- (2) *Became part of our Group by incorporation*
- (3) *We acquired the 60% equity interest held by Mr. Li Ji (李吉) and 40% equity interest held by Mr. Xi Yaoting (奚耀庭), both being Independent Third Parties, for a consideration of RMB953,675.23 and RMB635,783.48, respectively, determined with reference to the net assets value of Jiangsu Dashun at the time of acquisition in August 2014.*
- (4) *We acquired the 76% equity interest held by Mr. Lu Yimin (路益民) and in aggregate 24% equity interests held by Mr. Ge Qingping (葛青平), both being Independent Third Parties for a consideration of RMB487,944.88 and RMB154,087.86, respectively, determined with reference to the net assets value of Changzhou Pingan at the time of acquisition in September 2015.*
- (5) *We acquired the 100% equity interest held by Shanghai Chengbay Information Technology Co., Ltd. (上海橙貝信息技術有限公司), a company wholly owned by Mr. Wang, for a consideration of RMB1 million, determined with reference to registered share capital in March 2016.*
- (6) *We acquired the 55% equity interest held by Hangzhou Dishang Real Estate Group Co., Ltd. (杭州地上房地產集團有限公司) (“**Hangzhou Dishang**”) and 35% equity interest held by Mr. Ding Chengzhong (丁成忠), both being Independent Third Parties at a consideration of RMB1.65 million and RMB1.05 million, respectively, determined with reference to valuation by external valuer in February 2017. We further acquired the 10% equity interest held by Hangzhou Dishang for a consideration of RMB300,000, determined with reference to valuation by external valuer in February 2017.*
- (7) *Became part of our Group by incorporation.*

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

REORGANIZATION

The following chart sets forth the beneficial ownership structure of the Group immediately prior to the Reorganization:



(1) Xincheng Fuyue was transferred from Wealth Zone Hong Kong to Changzhou Xincheng Property Investment Company Limited (常州新城物業投資有限公司) (“Changzhou Xincheng Property Investment”) in July 2016.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

1. Offshore Reorganization

(a) Setting up of the Cayman listing entity

We set up the Company, a Cayman incorporated entity as the listing entity on January 16, 2018. Wealth Zone Hong Kong was the sole shareholder of the Company holding one Share as at January 16, 2018. On March 20, 2018, Wealth Zone Hong Kong transferred its one Share to Innovative Hero for a consideration of US\$1. On March 29, 2018, one additional Share was issued to Innovative Hero for a consideration of US\$36 million. Following the transfer and share issuance, Innovative Hero became the sole shareholder of the Company, holding two Shares.

(b) Increase of authorised share capital

On April 18, 2018, the authorised share capital of our Company increased from US\$51,200 divided into 51,200 Shares of a par value of US\$1.00 each to US\$100,000,000 divided into 10,000,000,000 Shares of a par value of US\$0.01 each by the creation of an additional 9,994,880,000 Shares, pursuant to the written resolution of our Shareholders passed on April 18, 2018.

2. Onshore Reorganization

(a) Subscription of shares in Xincheng Fuyue by Yue Xi Limited (悅曦有限公司)

On February 18, 2018, Yue Xi Limited, an Independent Third Party, entered into a share acquisition agreement with Xincheng Fuyue and Changzhou Xincheng Property Investment Co., Ltd., pursuant to which Yue Xi Limited subscribed for RMB1,292,929 in the share capital of Xincheng Fuyue, representing 1% of the enlarged share capital of Xincheng Fuyue, for a consideration of RMB4,795,796 determined based on the fair value of Xincheng Fuyue as of January 2018 appraised by an independent valuer and settled on April 3, 2018. The subscription was completed on March 5, 2018.

(b) Transfer of Xincheng Fuyue to Jiangsu Xinchengyue Holdings Co., Ltd.

On February 13, 2018, Hong Kong Xinchengyue Development Co., Ltd. (香港新城悅發展有限公司), a wholly-owned subsidiary of the Company, set up Jiangsu Xinchengyue Holdings Co., Ltd. (江蘇新城悅控股有限公司) (“**Jiangsu Xinchengyue Holdings**”) as its wholly-owned subsidiary in the PRC. On March 12, 2018, Changzhou Xincheng Property Investment entered into a share transfer agreement to transfer to Jiangsu Xinchengyue Holdings 99% equity interests in Xincheng Fuyue for a consideration of RMB241,454,800 determined based on the book value of the shareholders’ equity attributable to controlling shareholder of Xincheng Fuyue on consolidated basis as of January 31, 2018. The transfer was completed on March 30, 2018.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

(c) Exit of certain minority shareholders

On February 27, 2018, Changzhou Yijian, Changzhou Tongrun, Tibet Zhiying and Tibet Tongxin, transferred their respective equity interests of 2.87%, 4.80%, 4.80% and 2.20% equity interests in Tibet Xinchengyue to Xincheng Fuyue, respectively, for a cash consideration of RMB15,353,000, RMB25,708,000, RMB28,026,000 and RMB12,845,000, respectively, which was arrived at after arm's length negotiations with reference to the fair value of Tibet Xinchengyue appraised by independent valuer and were all settled on or before March 19, 2018. Such transfers were completed on March 12, 2018 and, after such transfers, Tibet Xinchengyue was owned by Xincheng Fuyue as to 94.67% and Changzhou Zhuofan as to 5.33%.

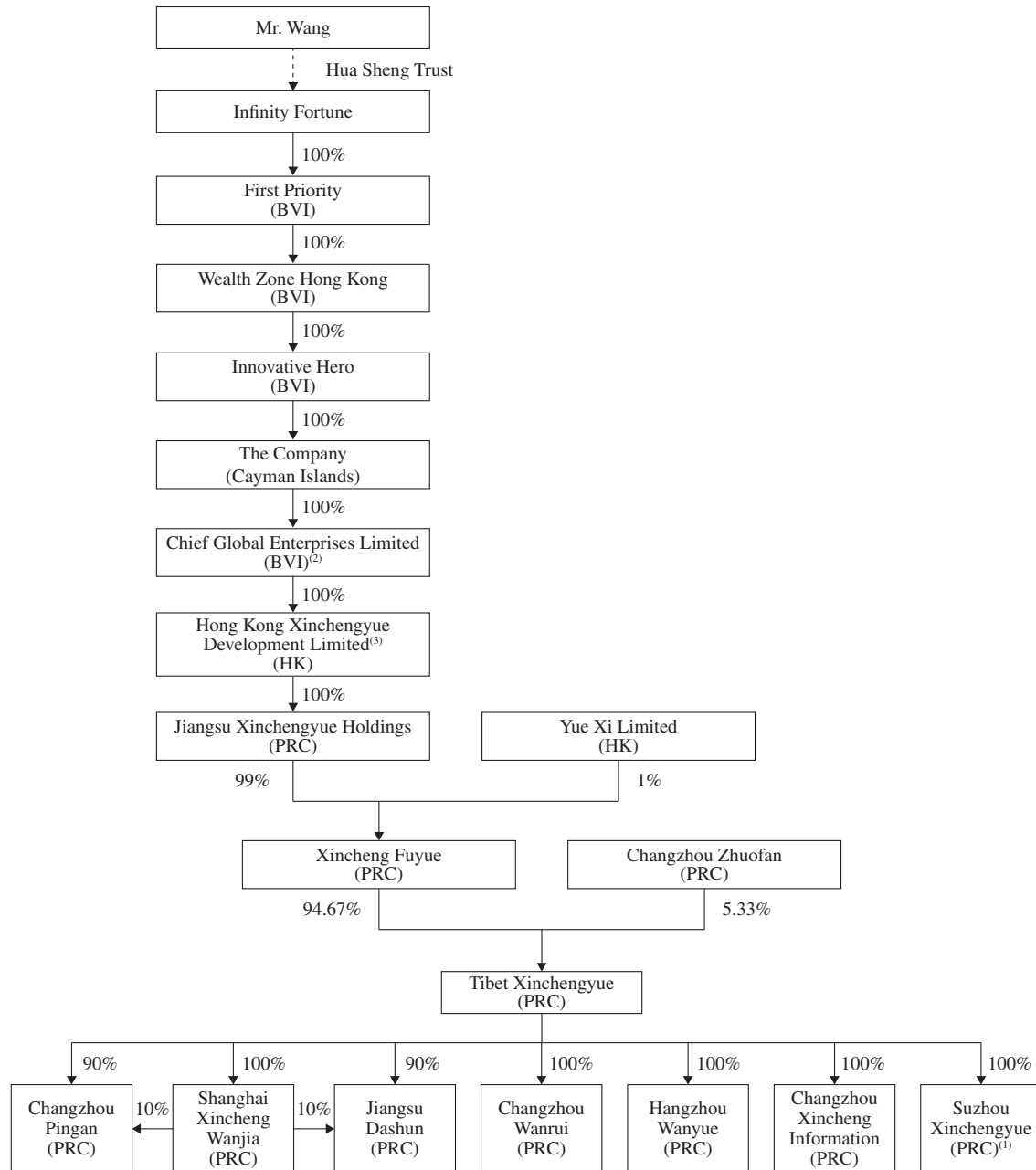
Our PRC Legal Advisor has confirmed that the aforementioned share transfers were properly and legally completed, and are legal, valid and binding on the parties thereto.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

CORPORATE STRUCTURE

Corporate structure after the Reorganization and before the Global Offering

The following diagram depicts the shareholding and beneficial ownership structure of our Group immediately following the completion of the Reorganization and prior to the completion of the Global Offering:



Note:

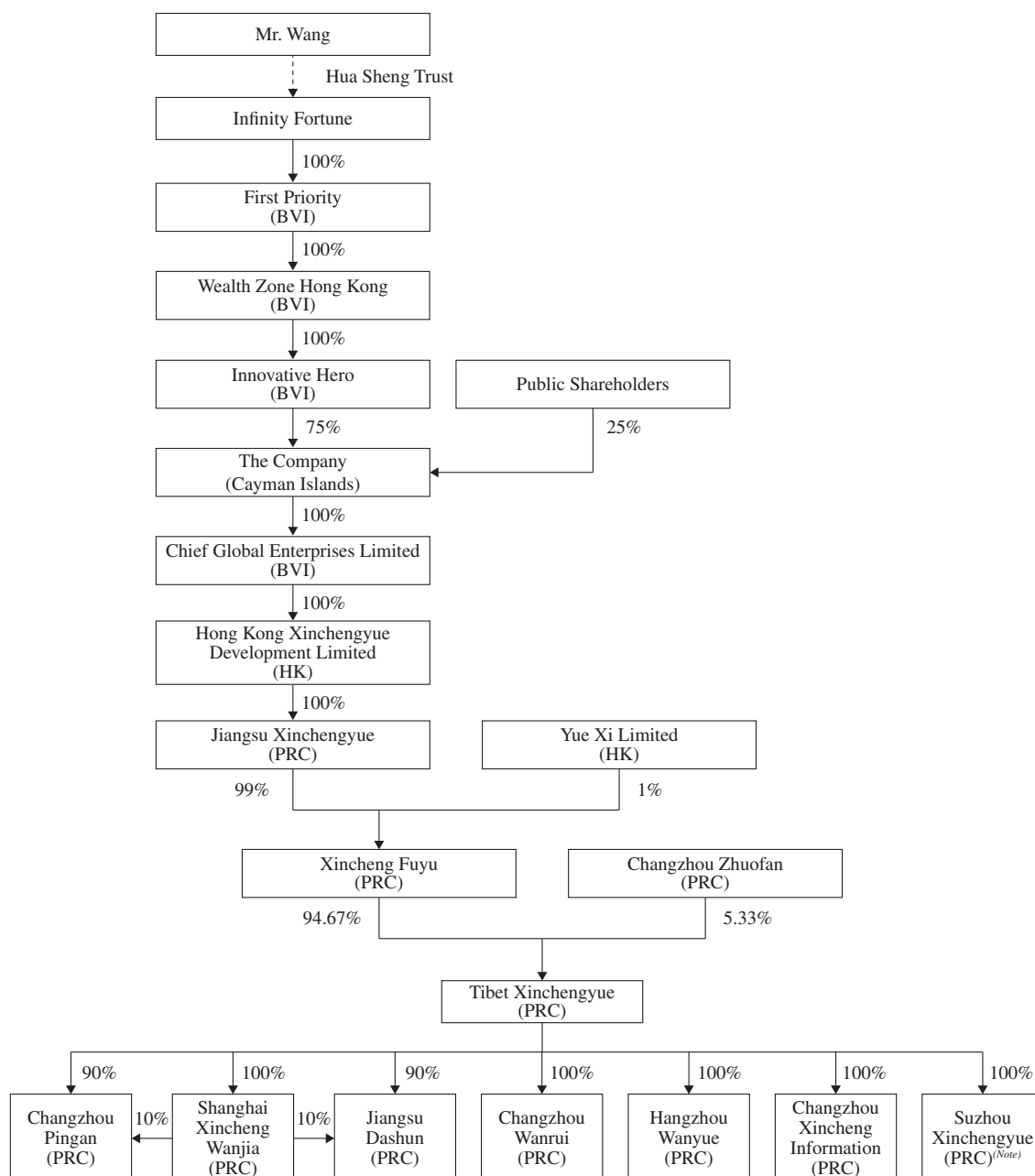
(1) Suzhou Xinchengyue Property Services Co., Ltd. (蘇州新城悅物業服務有限公司) was set up by our Company on March 12, 2018 with a registered capital of RMB1 million.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

- (2) Chief Global Enterprises Limited is a company incorporated by our Company on December 28, 2017.
- (3) Hong Kong Xinchengyue Development Limited is a company incorporated by Chief Global Enterprises Limited on January 31, 2018.

Corporate structure immediately following the Global Offering

The following diagram depicts the shareholding and beneficial ownership structure of our Group immediately following the completion of the Global Offering, assuming that the Over-allotment Option is not exercised and no options are awarded under the Share Option Scheme:



HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

SAFE REGISTRATION AND PRC LEGAL COMPLIANCE

Pursuant to the Circular of the SAFE on Foreign Exchange Administration of Overseas Investment, Financing and Round-trip Investments Conducted 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, “**Circular 37**”), promulgated by SAFE and which became effective on July 4, 2014, (a) a PRC resident must register with the local SAFE branch before he or she contributes assets or equity interests to an overseas special purpose vehicle (the “**Overseas SPV**”) that is directly established or indirectly controlled by the PRC resident for the purpose of conducting investment or financing, and (b) following the initial registration, the PRC resident is also required to register with the local SAFE branch for any major change, in respect of the Overseas SPV, including, among other things, a change of Overseas SPV’s PRC resident shareholder(s), the name of the Overseas SPV, terms of operation, or any increase or reduction of the Overseas SPV’s capital, share transfer or swap, and merger or division. Pursuant to Circular 37, failure to comply with these registration procedures may result in penalties.

Pursuant to the Circular of the SAFE on Further Simplification and Improvement in Foreign Exchange Administration on Direct Investment (關於進一步簡化和改進直接投資外匯管理政策的通知, “**Circular 13**”), promulgated by SAFE and which became effective on June 1, 2015, the power to accept SAFE registration was delegated from local SAFE branch to local banks where the assets or interests in the domestic entity are located.

Mr. Wang, the ultimate controlling shareholder of our Company completed the registration under Circular 37 as of December 8, 2016.

M&A RULES

On August 8, 2006, six PRC regulatory agencies, including the MOFCOM, the State Assets Supervision and Administration Commission, the SAT, SAIC, CSRC and SAFE, jointly issued the Provisions on the Merger and Acquisition of Domestic Enterprises by Foreign Investors (the “**M&A Rules**”), which became effective on September 8, 2006, and was amended on June 22, 2009. Pursuant to the M&A Rules, a foreign investor is required to obtain necessary approvals when (i) a foreign investor acquires equity in a domestic non-foreign invested enterprise thereby converting it into a foreign-invested enterprise, or subscribes for new equity in a domestic enterprise through 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 and injects those assets to establish a foreign-invested enterprise (the “**Regulated Activities**”).

Given that (i) Jiangsu Xinchengyue Holdings was established as a wholly foreign-owned enterprise by means of direct investment rather than by merger or acquisition by our Company pursuant to the M&A Rules, and (ii) no Regulated Activities were involved in the Corporate Reorganization pursuant to the M&A Rules, as advised by our PRC Legal Advisor, the establishment of Jiangsu Xinchengyue Holdings and the Corporate Reorganization are not subject to the M&A Rules, and the Listing of our Company does not require approvals from CSRC and MOFCOM under the M&A Rules.

APPLICATION FOR LISTING OF A SHARES IN 2017

On June 20, 2017, Tibet Xinchengyue filed with CSRC an application (the “**A-Share Listing Application**”) for listing of its shares on the Shenzhen Stock Exchange, which was sponsored by a sponsor institution duly licensed in the PRC. CSRC formally accepted the A-Share Listing Application for review on June 27, 2017. During the review process of the A-Share Listing Application, customary comments including financial fluctuation, business operation model and compliance matters, were received from CSRC. Tibet Xinchengyue responded the aforesaid comments and did not received further queries from CSRC prior to the withdrawal of the A-Share Listing Application. However, considering the then prevailing market and regulatory conditions in the PRC and in particular the approval process of CSRC which was longer than expected, Tibet Xinchengyue notified CSRC of its decision to voluntarily withdraw the A-Share Listing Application and, on December 29, 2017, in response to such notification CSRC issued a notification to Tibet Xinchengyue to terminate the review process of the A-Share Listing Application. To the best knowledge of the Directors, they are not aware of any findings by CSRC of any material non-compliance or operation irregularity during the review process of the A-Share Listing Application.

Our Company does not consider the issues raised in the comments of the CSRC would affect its suitability for the proposed listing on the Stock Exchange. Based on the information provided by our Company and its PRC Legal Advisor, and the due diligence conducted by the Sponsor, the Sponsor is not aware of any matters which will affect the suitability of our Company for our proposed Listing.

OVERVIEW

We are a fast growing property management service provider in the PRC. We have been providing property management services in the PRC for more than 22 years. According to CIA, we were ranked No. 7 in terms of growth among the 2018 China Top 100 Property Management Companies in the PRC, which marked our fourth consecutive year of being ranked among the top 10 property management service providers in terms of growth, and were ranked No. 6 among the 2018 China Top 100 Property Management Companies in the PRC in terms of total GFA under management in the Yangtze River Delta Region. We were ranked No. 16 among the 2018 China Top 100 Property Management Companies research report (2018年中國物業服務百強企業研究報告), as published by CIA. As of April 30, 2018, our contracted property management services spanned across 53 cities in 21 provinces, municipalities and autonomous regions with a total contracted GFA of 73.3 million sq.m. and a total GFA under management of 37.0 million sq.m.

We provide a wide range of property management services and value-added services for property developers, residents and tenants in the communities we manage. We have also developed Orange APP, a one-stop information service platform, so that our residents and customers have convenient access to our services through their mobile devices. Our long-standing working relationship with Future Land Group, one of the leading property developers in the PRC has allowed us to generate a steady pipeline of property management projects. As a result of our quality services and increased market presence, we have established a property management brand associated with quality and customer-oriented services.

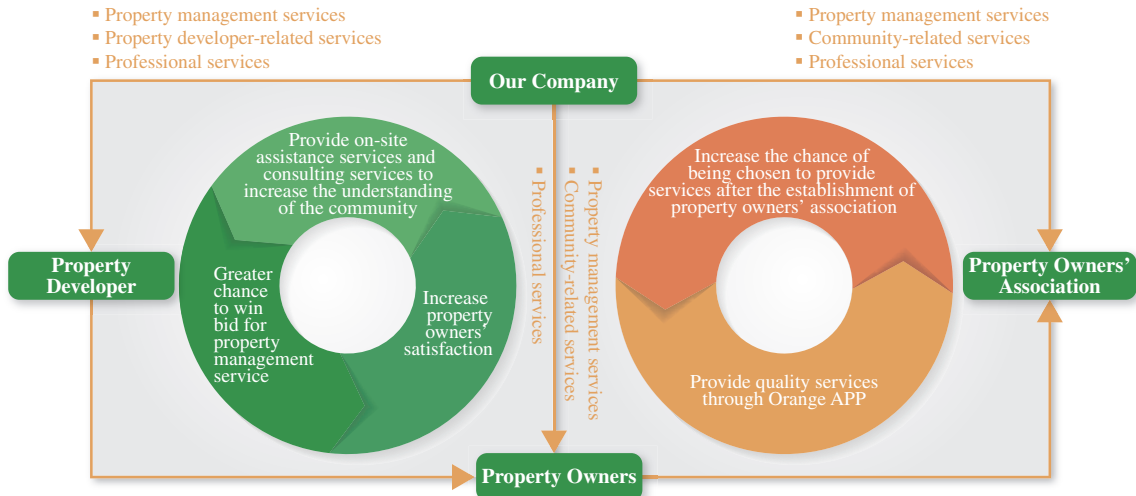
Tibet Xinchengyue, our principal operation entity, since its incorporation in March 1996, has been under the continuous control of Mr. Wang, either directly or indirectly through different corporate structures. In particular, for the period from June 2010 to May 2016, Tibet Xinchengyue was a subsidiary of Future Land Development Holdings, a PRC property development company listed on the Stock Exchange.

In addition to property management services, we provide value-added services, which includes property developer-related services, community-related services and professional services.

Our Orange APP gives our customers an enhanced experience and added convenience in meeting their needs for property management services together with our value-added services on a real-time basis.

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The diagram below illustrates the relationships among the property developers, property owners, property owners' associations and us.



We attribute our significant growth during the Track Record Period to our emphasis on providing quality services. Our revenue increased by 43.3% from RMB400.3 million for the year ended December 31, 2015 to RMB573.4 million for the year ended December 31, 2016, and continued to increase by 51.1% to RMB866.4 million for the year ended December 31, 2017. Our net profit increased by 126.4% from RMB23.0 million for the year ended December 31, 2015 to RMB52.2 million for the year ended December 31, 2016, and further increased by 75.8% to RMB91.7 million for the year ended December 31, 2017.

COMPETITIVE STRENGTHS

We believe the following strengths differentiate us from our competitors:

We are a fast growing property management service provider in the PRC in terms of new project acquisitions, market expansion, size of property management portfolio, geographic coverage and financial performance

We are a fast growing property management service provider in the PRC and are deeply rooted in the Yangtze River Delta Region with a proven track record of robust growth. We primarily focus on providing property management services to residential areas with a high population density and an advanced economy, which serves as the main contributor to our operational profits. We are widely recognized for the high standards of services that we provide and the rapid growth that we achieved. According to CIA, we were ranked No. 7 in terms of growth¹ among the 2018 China Top 100 Property Management Companies in the PRC, which marked our fourth consecutive year of being ranked among the top 10 property management service providers in terms of growth, and were ranked No. 6 among the 2018 China Top 100 Property Management Companies in the PRC in terms of total GFA under management in the Yangtze River Delta Region.

¹ The factors considered in calculating the growth ranking include revenue, total GFA under management, total contracted GFA and qualification of employees.

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We were also ranked No. 16 in the 2018 China Top 100 Property Management Companies research report (2018年中國物業服務百強企業研究報告), as published by CIA, rising from No. 34 in 2010. For more details, please see the section entitled “Business – Awards and Recognition” in this prospectus.

We attribute our rapid growth to our ability exhibited in our new project acquisitions, market expansion, size of property management portfolio, geographic coverage and financial performance. We believe that our brand appeal has and will continue to play a vital role in helping us maintain a high renewal rate for property management service agreements, create new engagement opportunities with our customers and build strong synergistic business opportunities with industry participants.

Rapid growth rate within the Track Record Period

As of December 31, 2015, 2016 and 2017, our total contracted GFA was 32.3 million sq.m., 47.7 million sq.m. and 67.8 million sq.m., respectively, recording a CAGR of 45.0%. Our contracted GFA further increased by 8.2% to 73.3 million sq.m. as of April 30, 2018. As of December 31, 2015, 2016 and 2017, our total GFA under management was 19.3 million sq.m., 27.5 million sq.m. and 36.3 million sq.m, respectively, recording a CAGR of 37.0%. Our GFA under management further increased by 2.1% to 37.0 million sq.m. as of April 30, 2018. The increasing contracted GFA and GFA under management show our rapid growth and strong capability to manage more properties due to our quality services.

Proven track record of market expansion

Other than Future Land Group, we also maintain good cooperation relationships with other property developers. The contracted GFA shown in the agreements that we signed with property developers other than Future Land Affiliates Group, property owners’ associations of properties developed by developers other than Future Land Affiliates Group and individual property owners increased from 1.5 million sq.m. as of December 31, 2015 to 16.1 million sq.m. as of December 31, 2017, recording a CAGR of 232.1%. This further increased by 10.8% to 17.9 million sq.m. as of April 30, 2018. The GFA under management shown in the agreements that we signed with property developers other than Future Land Affiliates Group, property owners’ associations of properties developed by developers other than Future Land Affiliates Group and individual property owners increased from 0.8 million sq.m. as of December 31, 2015 to 10.1 million sq.m. as of December 31, 2017, recording a CAGR of 257.3%. This further increased by 1.3% to 10.2 million sq.m. as of April 30, 2018. The significant growth of such records indicates our capability in market expansion with third-party property developers, property owners’ associations and individual property owners.

Increasing momentum in obtaining non-residential projects

We manage a diverse portfolio of properties including residential and non-residential properties. Non-residential properties range from office buildings, mixed-complexes, factories, to parks and technology industrial parks. As of December 31, 2015, 2016 and 2017, our GFA

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under management of non-residential properties was 4.7 million sq.m., 6.3 million sq.m. and 8.2 million sq.m., respectively, with a CAGR of 31.8%. Our GFA under management of non-residential properties further increased by 1.7% to 8.3 million sq.m. as of April 30, 2018. Such increase shows our ability to manage a more diverse portfolio of properties.

Ambitious geographic expansion

Our contracted property management service agreements covered 11 provinces, municipalities and autonomous regions as of December 31, 2015 and increased to 21 provinces, municipalities and autonomous regions encompassing the Yangtze River Delta Region, central, northern and southern China as of July 31, 2018. With the expansion of our business, our revenues generated from property management services and value-added services increased rapidly during the Track Record Period. We believe that our strong and growing property management portfolio size and geographic coverage allow us to better insulate ourselves from general and regional market fluctuations and position for greater economies of scale on our operations.

Robust growth in financial performance

For the years ended December 31, 2015, 2016 and 2017, we generated RMB400.3 million, RMB573.4 million and RMB866.4 million in revenue, respectively, representing a CAGR of 47.1%. For the four months ended April 30, 2017 and 2018, we generated RMB218.1 million and RMB303.5 million, respectively, an increase of 39.2%. For the years ended December 31, 2015, 2016 and 2017, our gross profit was RMB100.4 million, RMB161.9 million and RMB242.2 million, respectively, representing a CAGR of 55.3%. For the four months ended April 30, 2017 and 2018, our gross profit was RMB61.8 million and RMB 87.7 million, respectively, an increase of 42.0%. The robust growth in our financial performance is testament to our distinct advantages in competing with our peers.

Strong and long-standing relationship with Future Land Group leads to highly visible growth opportunities

Our long established working relationship with Future Land Group has enabled us to become a fast growing property management service provider. Future Land Group, one of the fastest growing property developers in the PRC, was ranked No. 13 in 2017 rising from No. 21 in 2015 in terms of contracted sales according to CRIC. With our long-standing working relationship and continuous cooperation, we have obtained a variety of stable and quality projects which allowed us to experience rapid growth and accumulate rich experience in the field of property management services during the Track Record Period. We believe that our long-term relationships with Future Land Group will provide strong drivers for the continuing growth of our property management portfolio and further development of our value-added services.

Our diverse range of services increases our customers' satisfaction

We have endeavored to diversify our business portfolio by providing value-added services to both property developers and communities that we manage in addition to property management services. In particular, we provide (i) property developer-related services, including on-site sales assistance and consulting services to meet property developers' needs throughout all stages of the property development process; (ii) community-related services, including information services, community convenience services and public resources management services; and (iii) professional services, including engineering and maintenance services of elevator and intelligent security equipment.

We believe that the diverse range of services increases our residents' choices and enhances their satisfaction by providing them with the benefit of accessing a wider range of services that address their lifestyle and needs. Furthermore, the increase in customer's satisfaction with our value-added services enables us to maintain our high retention rate for our property management services, leading to a steady stream of future revenue.

Our Orange APP provides our residents with a one-stop information service platform to meet a variety of our residents' needs on a real-time basis

We designed and established a mobile application, Orange APP, integrating our property management services with value-added services to enhance the lifestyle of the residents in the communities we manage. Our Orange APP is an add-on service for our residents, enabling them to retrieve information about our services more efficiently and enhancing their experience while they dwell in properties under our management. Our Orange APP attracted approximately 286,335 registered users with a monthly active user rate of 29.7% (monthly active users being users that have logged in our Orange APP at least once a month) as of April 30, 2018, based on our internal record. For the years ended December 31, 2015, 2016 and 2017 and the four months ended April 30, 2018, the revenue sourced from Orange APP amounted to RMB0.6 million, RMB3.8 million, RMB3.5 million and RMB1.2 million, respectively, all of which was generated from our value-added services.

Orange Steward

We provide steward-style services to most of our properties under management through the Orange Steward module on the Orange APP. The Orange Steward provides our residents with customized and immediate services on demand through an integrated online platform to better address their needs on a real-time basis.

For the year ended December 31, 2017, we received 140,855 online service requests through Orange Steward, based on our internal record. For the four months ended April 30, 2018, we further received 36,630 online service requests through Orange Steward. We require our stewards to respond within three minutes upon receiving an online service request made between 08:30 and 22:00, and 99.96% of the requests were responded within five minutes for the year ended December 31, 2017. Through increasing customer satisfaction and allowing our

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residents to have access to a wide range of value-added services, the Orange APP allows us to maintain our retention rate at high levels. As our residents become used to our convenient and quality services, we can exploit economies of scale as we continue to provide similar services to our enlarged customer base. We believe that the Orange APP and the Orange Steward module have contributed significantly to our customer satisfaction by providing an immediate response system and a refined and diversified range of services.

Our advanced data and internal management systems and our emphasis on employee training programs enable us to operate within our financial parameters while keeping our customers highly satisfied

We utilize advanced technologies in gathering and managing data, and in designing our internal management systems so that our income, expenses and operating data can be monitored across the country on a real-time basis, either on a project by project basis or an aggregate basis. Furthermore, we put significant emphasis on employee training to ensure standardized services are being consistently provided to our customers and to instill in our customer-oriented service philosophy. As a result, none of our residents (acting through property owners' association) proposed to terminate property management service agreements with us during the Track Record Period.

Information management systems

We developed a community online to offline operation system in 2015. In 2016, we launched a comprehensive budget management system and in 2017 established a shared accounting service center. The implementation of these systems enabled our team to manage business operations in a more efficient manner, make highly effective management decisions, and effectively execute services.

We have public resource management systems to facilitate our continuous control of innovative business services and other resources. The comprehensive budget management system and the SYSWIN business management system allow us to record energy consumption data and help us with resource management. Through analysis of historical data, we are able to better understand our customers' needs and performance of property management, thereby allowing us to optimizing our management model.

Employee training programs

The staffing model varies from property to property. Each property management region is designated with a liaison officer, who is responsible for the staffing for different roles. In order to better allocate our employees, we seek to expose our employees to a variety of responsibilities.

We have established a series of employee training programs, including a new graduate training program, project manager training program, and a general manager training program. The training programs are tailored to employees of each level and department of the company.

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Our employee training programs help our employees to familiarize with our customer-oriented service philosophy and to build up their service standards for each of our business lines to guarantee quality services to customers and developing services that meet our customers' needs. Our strict implementation of service standards and our customer-oriented service philosophy solidify the reputation of our services, which we believe provides us with a competitive advantage.

We have cultivated and retained an experienced and professional management team with a proven track record

Our management team is comprised of knowledgeable and experienced professionals with a proven track record in the property management industry, which is essential to the further development of our business. Mr. Qi Xiaoming joined our Company in January 2015 and has been serving as our chairman and executive director since then. Prior to his joining to our Company, Mr. Qi Xiaoming worked at Jiangsu Future Land to serve in various managerial positions since September 2002. Mr. Qi Xiaoming is supported by an experienced and professional management team, all of whom have a solid understanding of and a passion in the property management industry in the PRC. Our executive directors and key senior management members are crucial to our success and the growth of our business. For more information about our directors and key senior management, please see the section entitled "Directors and Senior Management" in this prospectus.

BUSINESS STRATEGIES

Our plan is to focus on providing quality professional property management services in the PRC market and expanding our business through both horizontal integration, by leveraging our experience, expertise and presence to expand our geographic coverage across the PRC and vertical integration, by providing a more diverse array of property management services. We plan to achieve our objectives by implementing the following strategies:

We aim to increase our business scale for our property management services and expand our portfolio of properties under management by selectively pursuing strategic investment, cooperation and acquisition opportunities

We strive to expand our business nationwide. We aim to increase our market share in the provinces where we already have established a presence and explore the opportunities brought by rapid urbanization. We have implemented a "1+3 Strategy" based on our current market positioning, where we prioritize to further strengthen our business scale in the Yangtze River Delta Region, including Jiangsu, Shanghai and Zhejiang, followed by three other important regions with high population density and advanced economies in the PRC, namely the Circum-Baiho Bay Area, mid-western China region and Pearl River Delta region, including Shandong, Tianjin, Anhui, Hubei, Sichuan, Chongqing and Guangdong, which we believe will bring long term benefits and financial gains. Our goal is to achieve nationwide coverage and greater profitability in the provision of property management services.

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In addition to developing our business through organic growth initiatives, we intend to explore selective strategic investment and acquisition opportunities to increase the depth and breadth of our services offerings and portfolio of properties under management. According to CIA, China's current property management industry is highly fragmented. As such, we plan to continue our active expansion through strategic investments in and acquisition of other property management service providers. Our acquisition targets include residential property management service providers with more than RMB100.0 million of revenue or RMB10.0 million of net profit, annually, or non-residential (offices and industrial parks) property management service providers with more than RMB50.0 million of revenue or RMB5.0 million of net profit, annually, or property management arms with affiliations to property developers in the PRC that will create synergies with our business. We believe that such strategic investments and acquisition plans will strengthen our portfolio of property services and properties under management. By broadening our portfolio, we are able to benefit from economies of scale and leverage human resources, equipment and resources across different properties in our portfolio. Furthermore, broadening our portfolio of properties will simultaneously increase our market presence and brand recognition in the relevant localities.

We endeavor to build a network of business partners to provide our residents with an even more diverse array of services

We believe that residents' assessment of our property management service standards depends significantly on the level of convenience of their community lifestyle. Thus, we plan to offer a diverse range of new services to our residents and integrate them onto our Orange APP that are designed to cater our residents' needs on a real-time basis. In addition to our current value-added services, we plan to provide elderly care services, health and fitness services, food and dining services and asset management services.

Firstly, we plan to upgrade our Orange APP to support and operate all of our value-added services. As such, our residents will be given enhanced access to our range of new services through their mobile devices. Secondly, we aim to build a network of business partners who wish to feature their services or products on our Orange APP, enriching its e-commerce contents and creating more business opportunities for our merchants and ourselves. We have the ability to collect and analyze data such as consumer preference in our Orange APP, and selectively pursue in profitable business opportunities including but not limited to investing in, cooperating with, or acquiring our business partners' companies. As a result, this presents the opportunity to provide more comprehensive and premium offline services with higher profit margins.

As the use of Orange APP becomes more active, we will receive more data associated with our community which can help us to introduce or improve our services or products to our residents.

BUSINESS

We strive to attract, retain and motivate talented personnel through training programs and career development opportunities

We believe that one of the most important factors to our success is our ability to attract, recruit and retain quality employees. We strive to recruit and retain talented employees in the market by offering employee training programs, encouraging internal promotions within our company and recruitment. We plan to implement or expand upon the following policies:

- Regular trainings for our employees: Our employee training programs are part of the benefits that we offer to our employees. Depending on the function, grading and experience of the employee, we have a corresponding program that is designed to help him/her to develop a more professional sense in the property management industry. We continue to provide career development and support to our employees, which helps us retain our key employees and our future leader.
- Encouraging internal promotion: We choose to promote our employees to managerial positions internally if they have the talent and motivation required before we go through lateral recruitment. By doing so, we believe our employees' motivation and loyalty would be enhanced.
- Talent recruitment: As we plan to further expand our business, we will also selectively recruit appropriate talents from the market. We believe that having a sufficient talent pool provides crucial support to our planned business expansion and helps maintain our service quality.

We intend to utilize advanced technology to optimize our business model to control costs and improve our overall profit margin

Construction of a smart community

We are dedicated to utilizing advanced technology to improve our residents' experience and enhance the cost efficiency of our services. While property management is a labor intensive industry, the use of technology in our community has enabled us to automate certain processes, which has reduced our reliance on labor to manually perform such function, and in turn, reduced our labor costs. We intend to collaborate with artificial intelligence (“AI”) companies to use AI technology to automatically identify unusual situations in our operation. For example, if a security guard leaves the gate sentry beyond a specified range, our system will automatically recognize it as an unusual event and notify the management on a real-time basis. We have plans to introduce other information management systems to help create a smart community for our residents, including implementing internal monitoring systems, access control systems, elevator control systems, parking lot gateway system, automated door lock systems and other smart devices. We firmly believe that through strengthening our intelligent information management operations, we will be able to better focus on the quality control of our information services, manage the cost efficiency of our property projects and improve our overall profit margin.

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Upgrade of the information management systems

We regularly analyze and monitor data to continuously improve our information management systems, including our comprehensive budget management system, shared financial management system, community monitoring system and decision-making information system. As of the Latest Practicable Date, we introduced various automation technologies that allowed us to standardize our services and share resources among properties under our management in order to facilitate management decisions. Such automation technologies include our comprehensive budget management system, SYSWIN business management system (including resource management and energy consumption management) and shared accounting service centers. We intend to enhance our information management systems to improve the efficiency of our decision-making, reduce our management costs and drive higher profit margins.

OUR BUSINESS MODEL

During the Track Record Period, we generated revenue from our two main business lines, namely, property management services and value-added services. Our value-added services include three business categories, namely, property developer-related services, community-related services and professional services.

Property Management Services We provide our residents with a wide range of property management services, including property and equipment maintenance, security services, cleaning services, gardening services, public area maintenance and other property management related services. We manage a diversified portfolio of properties, comprising residential properties and non-residential properties, including office buildings, mixed-complexes, factories, parks and technology industrial parks. During the Track Record Period, the majority of our revenue was generated from the provision of property management services.

Value-added Services Our value-added services include three categories of services: property developer-related services, community-related services and professional services.

- Property developer-related services consist of two types of services relating to property developers, including on-site sales assistance and consulting services.

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- On-site sales assistance services: We provide on-site and sample room cleaning, security inspection and maintenance, parking, reception and guidance services to enhance the visiting experience of potential property owners. We also organize service events and other related customer services for potential property owners.
- Consulting services: Our consulting services relate to property consulting services throughout the whole process of property development, including design consultancy, on-site inspection and risk assessment services. We also provide detail inspection before delivery of properties. Furthermore, we provide ad hoc assistance such as liaison and coordination with property developers in relation to property maintenance during the warranty period.
- Community-related services: We generally provide information services, community convenience services and public resources management services to customers.
 - Information services: We provide online information services to our property owners and tenants through our one-stop information service platform Orange APP in the aspects of online shopping, cleaning and maintenance of housekeeping appliances, and travel information. We also provide offline information services to our residents including interior decoration and furnishing and other related services.
 - Community convenience services: We provide indoor maintenance services, sales of security passes and access cards, and other a la carte services in the community.

BUSINESS

- Public resources management services: We operate and manage public areas authorized by property owners, such as leasing advertisement spaces.
- Professional services: Our professional services include specialist engineering and maintenance services of elevator and intelligent security equipment to property developers and property projects.

The table below sets forth the breakdown of our total revenue by business line for the years ended December 31, 2015, 2016 and 2017 and the four months ended April 30, 2018.

	For the year ended December 31,						For the four months ended April 30,	
	2015		2016		2017		2018	
	(RMB)	%	(RMB)	%	(RMB)	%	(RMB)	%
	(in thousands, except for percentages)							
Property Management								
Services	293,878	73.4	399,201	69.6	567,177	65.5	217,205	71.6
Value-added								
Services	106,379	26.6	174,171	30.4	299,193	34.5	86,260	28.4
Total	400,257	100.0	573,372	100.0	866,370	100.0	303,465	100.0

PROPERTY MANAGEMENT SERVICES

Overview

We have experienced growth in our property management services business line as we expanded to a variety of residential and non-residential properties across the PRC. Our total contracted GFA was approximately 32.3 million sq.m., 47.7 million sq.m., 67.8 million sq.m. and 73.3 million sq.m. as of December 31, 2015, 2016 and 2017 and April 30, 2018, respectively. Our total GFA under management was approximately 19.3 million sq.m., 27.5 million sq.m., 36.3 million sq.m. and 37.0 million sq.m., respectively, as of December 31, 2015, 2016 and 2017 and April 30, 2018. The revenue generated from our property management services amounted to RMB293.9 million, RMB399.2 million, RMB567.2 million and RMB217.2 million, respectively, for the years ended December 31, 2015, 2016 and 2017 and the four months ended April 30, 2018, representing approximately 73.4%, 69.6%, 65.5% and 71.6%, respectively, of our total revenue for the same periods.

Scope of Services

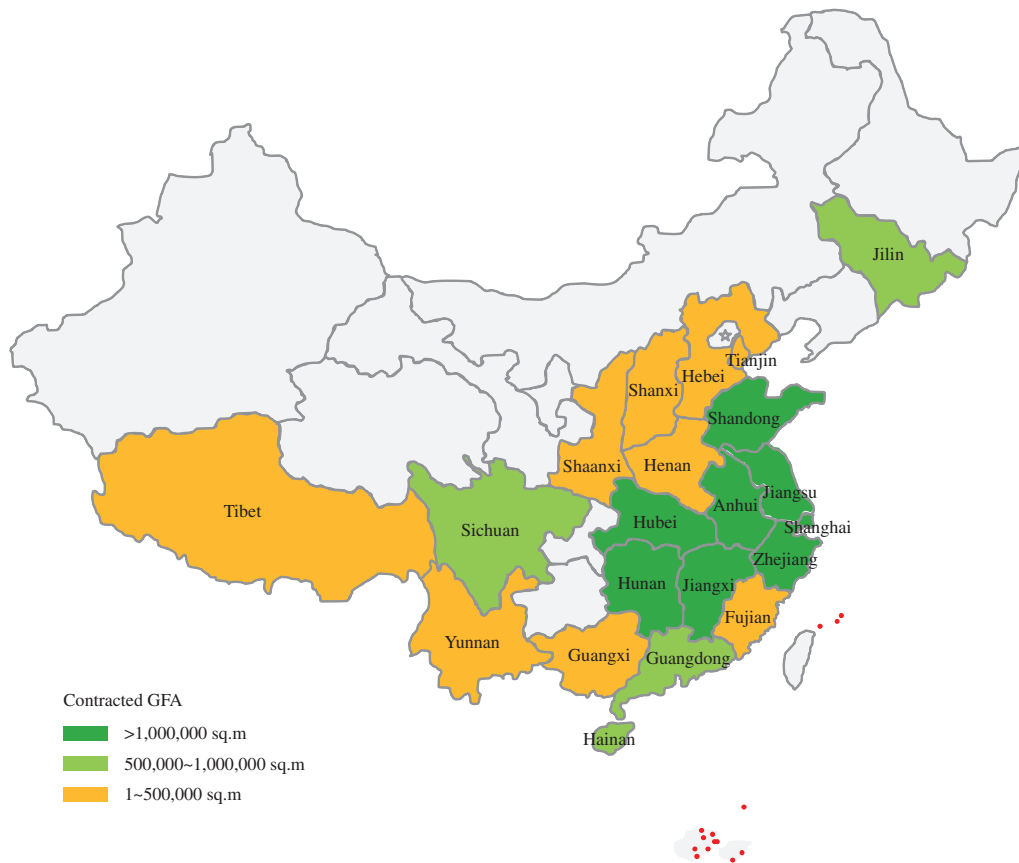
We focus on providing property management services such as security services, public and parking areas management services, public equipment services, customer services and other property management related services. The property management services we provide can be divided into the following four categories:

- **Security services:** We provide high-quality security services to ensure that the properties we manage are safe and well protected. We seek to enhance the quality of our security services through equipment upgrades. Daily security services we provide include patrolling, electronic access control, video surveillance, carpark security, visitor management and emergency response.
- **Public and parking areas management services:** We provide general cleaning, pest control and gardening services to public areas (except for the parking areas) of the properties we manage. We also provide cleaning and management services to the parking areas.
- **Public equipment maintenance services:** We are generally responsible for the maintenance of public equipment in the properties we manage, including power supply and distribution systems, water supply systems, drainage systems, fire extinguishing systems, and building and ancillary facilities and equipment.
- **Customer services:** We provide quality customer services to ensure our residents feel convenient, joyous and happy. The routine customer services we provide generally include day-to-day service response, resident reception, inquiries handling, home decoration assistance, property repair assistance, community events organization and day-to-day owner care.

We outsource some of our property management services to external professional service providers. As of April 30, 2018, we employed 3,371 personnel based at project sites to provide property management services and outsourced some of the property management services, including some of our security services, elevator maintenance, cleaning and gardening services, to 77 sub-contracting companies.

Our Geographic Coverage

As of April 30, 2018, our property management services covered 53 cities in 21 provinces, municipalities and autonomous regions, including Jiangsu, Shanghai, Zhejiang, Anhui, Hunan, Shandong, Hubei, Jiangxi, Jilin, Hainan, Sichuan, Fujian, Tianjin, Yunnan, Shanxi, Guangdong, Guangxi, Hebei, Henan, Shaanxi and Tibet. The map below illustrates provinces, municipalities and autonomous regions in which we had properties under our management and the level of contracted GFA in each of these provinces, municipalities and autonomous regions as of April 30, 2018.



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The table below sets forth a breakdown of our total contracted GFA and GFA under management as of December 31, 2015, 2016 and 2017 and April 30, 2018 as well as property management services revenue by geographic region and the percentage of total property management services revenue by geographic region for the years ended December 31, 2015, 2016 and 2017 and the four months ended April 30, 2018.

	As of or for the year ended December 31,				As of or for the four months ended April 30,			
	2015		2016		2017		2018	
	Contracted GFA under management (sq.m.)	Property management services revenue (RMB)	Contracted GFA under management (sq.m.)	Property management services revenue (RMB)	Contracted GFA under management (sq.m.)	Property management services revenue (RMB)	Contracted GFA under management (sq.m.)	Property management services revenue (RMB)
Yangtze River Delta Region¹	28,042	280,498	40,753	377,659	54,235	498,453	57,757	181,036
Central China²	790	13,380	3,653	20,820	7,786	43,366	9,226	20,442
Northern China³	568	-	1,730	470	3,180	867	3,563	7,475
Southern China⁴	1,059	-	1,527	252	2,607	641	2,794	8,252
Total	32,253	293,878	47,663	399,201	67,808	567,177	73,340	217,205

(in thousands, except for percentages)

¹ Yangtze River Delta Region includes Jiangsu, Shanghai and Zhejiang.

² Central China regions include Anhui, Hunan, Hubei, Jiangxi and Henan.

³ Northern China regions include Shandong, Shanxi, Hebei, Shaanxi, Jilin and Tianjin.

⁴ Southern China regions include Fujian, Guangxi, Guangdong, Hainan, Yunnan, Sichuan and Tibet.

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Portfolio of Properties Under Management

We manage a diverse portfolio of properties, comprising primarily residential properties and to a lesser extent, non-residential properties. Non-residential properties range from office buildings, factories, to parks, and technology industrial parks. While we generated and expect to continue to generate a majority of our property management services revenue from managing residential properties, we are increasing the proportion of other types of properties in our portfolio as part of our efforts to diversify our streams of income.

The table below sets forth a breakdown of our total GFA under management as of December 31, 2015, 2016 and 2017 and April 30, 2018, the property management services revenue earned from residential properties and non-residential properties, and their respective percentages of our total property management services revenues for the years ended December 31, 2015, 2016 and 2017 and the four months ended April 30, 2018.

	As of or for the year ended December 31,									As of or for the four months ended April 30,		
	2015			2016			2017			2018		
	GFA under management (sq.m.)	Property management services revenue (RMB)	%	GFA under management (sq.m.)	Property management services revenue (RMB)	%	GFA under management (sq.m.)	Property management services revenue (RMB)	%	GFA under management (sq.m.)	Property management services revenue (RMB)	%
	(in thousands, except for percentages)											
Residential												
properties	14,633	219,724	74.8	21,225	284,862	71.4	28,104	392,961	69.3	28,719	148,121	68.2
Non-residential												
properties	4,706	74,154	25.2	6,265	114,339	28.6	8,173	174,216	30.7	8,308	69,084	31.8
Total	19,339	293,878	100.0	27,490	399,201	100.0	36,277	567,177	100.0	37,027	217,205	100.0

During the Track Record Period, the total GFA of residential properties managed by us grew rapidly from 14.6 million sq.m. as of December 31, 2015, to 21.2 million sq.m. as of December 31, 2016, to 28.1 million sq.m. as of December 31, 2017 and to 28.7 million sq.m. as of April 30, 2018. We expect such growth in our GFA under management from residential property management service to be sustainable, as we continue to expand our business operations into geographic areas such as Guangdong, Shanxi, Shaanxi and other provinces.

In addition to expanding our geographic footprint, we have endeavored to diversify our portfolio of properties under management to cover more non-residential properties. We believe that our prior experience with and recognition that we have gained from managing such non-residential properties will help us obtain more agreements to manage offices, technology industrial parks and other non-residential properties.

Process of Obtaining Property Management Projects

The process of obtaining property management projects involves the following: identifying a project, planning a solution, prior preparation, daily services and review of the projects. New property management projects are generally secured through (i) tendering (including public tenders and tenders by invitation); and (ii) appointment through agreement.

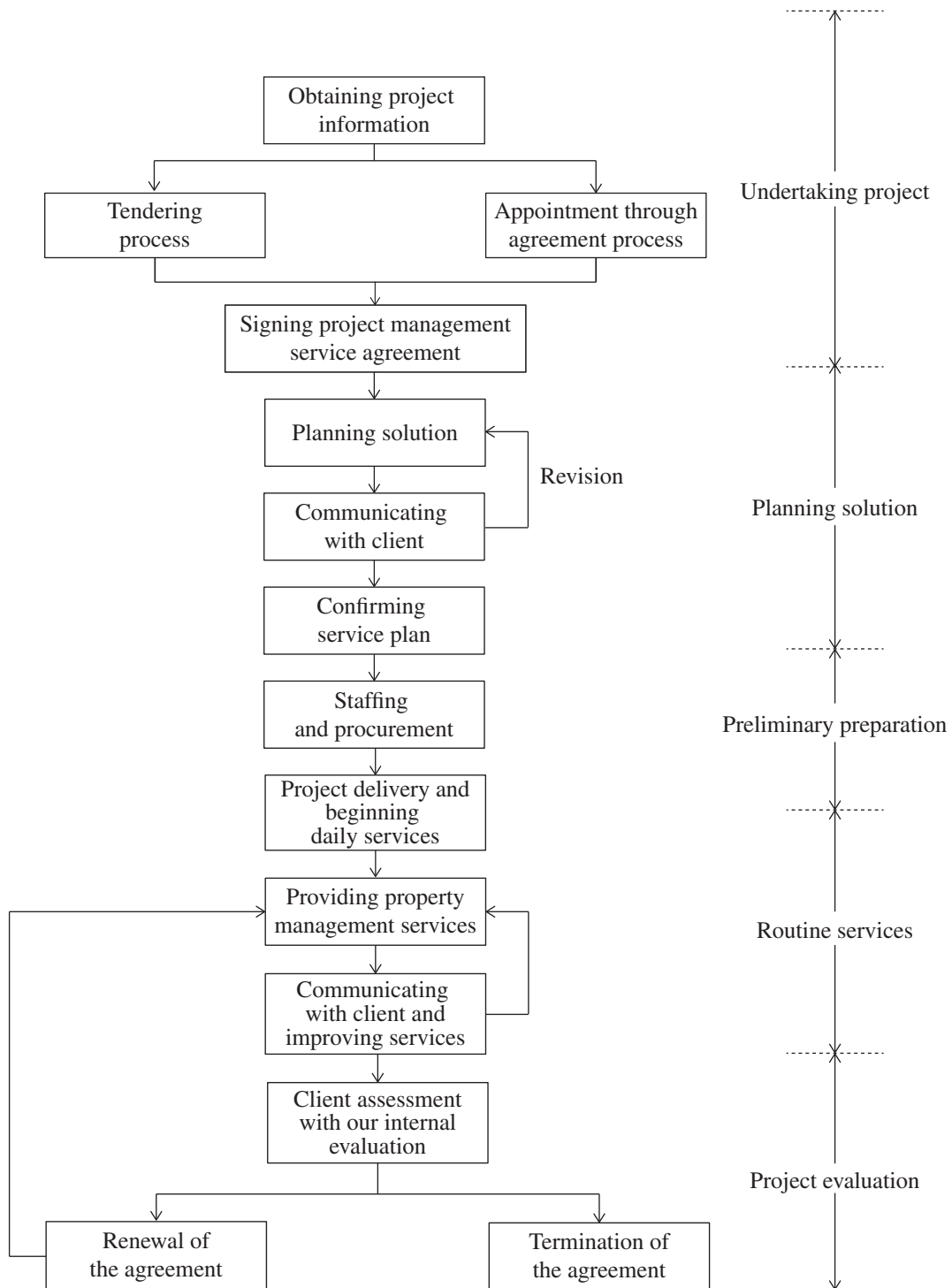
For projects that anticipate more than three bidders or involve a large GFA, we are typically required to go through the process of tendering organised by property developers. Under the PRC Property Management Regulations, a residential property developer shall hire qualified property management service providers to provide preliminary property management services by going through a tendering and bidding process, as required by PRC law. When the number of bidders is likely to be fewer than three or the total GFA is relatively small, and in either case with the approval of the relevant authority according to the PRC laws, property management service providers go through the process of appointment through agreement. On the other hand, it is not mandatory for property owners' associations to organise such process, according to the relevant laws and regulations of the PRC.

Under the tendering process, we decide whether to tender a bid after a preliminary review and evaluation of the tender documents and if we decide to submit a bid, we will prepare and submit the bid to the property developer or property owners' association for their consideration. If we are awarded the agreement, we will sign a legally binding property management service agreement to set-out the terms of our services. During the Track Record Period, the tender success rate of us securing property management projects for properties developed by Future Land Affiliates Group was 100%. In 2015, 2016, 2017 and the four months ended April 30, 2018, the tender success rate of us securing property management projects for properties developed other than Future Land Affiliates Group was 50.0%, 57.7%, 61.9% and 50.0%, respectively.

We go through the process of appointment through agreement when the number of bidders is likely to be fewer than three or the total GFA is relatively small, and in either case with the approval of the relevant authority according to the PRC laws. Under the process of appointment through agreement, we do a high level screening of our target property management projects that are in regions of interest to us. For the projects that we have identified, we formulate and offer the terms of our initial service arrangements, and present them to property developers, individual property owners or property owners' associations to initiate a negotiation. Once agreement is reached, we will sign a legally binding property management service agreement to set out the terms of our services.

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The flow chart below illustrates a brief process of our property management services, from identifying a project to renewal/termination of a service agreement:



During the Track Record Period, we were selected by a number of property developers to provide preliminary property management services for 11 properties without going through the required tendering and bidding process. As advised by our PRC Legal Advisor, the absence of tendering and bidding process did not affect the validity of the property management service agreements we entered into in relation to such 11 properties, and did not affect our business operations or financial results, as (i) the absence of tendering and bidding process was attributable to the property developers instead of us under the relevant PRC laws and regulations and (ii) the absence of tendering and bidding process attributable to the property developers would not invalidate the property management service agreements. In this connection, we had obtained compliance letters from the relevant competent authorities confirming the validity of the property management service agreements. As advised by our PRC Legal Advisor, we will not be subject to any penalties as a property management service provider due to the absence of the tendering and bidding process.

The table below sets forth the contracted GFA and the GFA under management for property management projects obtained through the process of tendering and the process of appointment through agreement, respectively, during the Track Record Period. It also indicates the revenue and the respective percentages for the years ended December 31, 2015, 2016 and 2017 and the four months ended April 30, 2018.

	As of or for the year ended December 31,				As of or for the four months ended April 30,										
	2015		2016		2017		2018								
	Contracted GFA under management (sq.m.)	Revenue (RMB)	%	Contracted GFA under management (sq.m.)	Revenue (RMB)	%	Contracted GFA under management (sq.m.)	Revenue (RMB)	%						
Tendering	24,842	236,592	80.5	27,770	11,199	219,085	54.9	43,729	16,423	253,794	44.8	48,692	17,181	109,645	50.5
Appointment through agreement ¹	7,411	57,286	19.5	19,893	16,291	180,116	45.1	24,079	19,854	313,383	55.2	24,648	19,846	107,560	49.5
Total	32,253	293,878	100.0	47,663	27,490	399,201	100.0	67,808	36,277	567,177	100.0	73,340	37,027	217,205	100.0

(in thousands, except for percentages)

¹ The projects we obtained by appointment through agreement include the agreements we signed with property owners' associations.

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Property Management Fees

The revenue generated from our property management business line was primarily charged on a lump sum basis during the Track Record Period. We also generated a relatively small amount of revenue on a commission basis during the Track Record Period. Under the lump sum arrangement, the property owners pay a fixed property service fee and we bear the cost of sales. Under the commission arrangement, the property management fee payable by property owners consists of two portions, the working capital, for all the property management expenses we incur, and a fixed percentage, for our property management services.

The property management services revenue we generated from services charged on a lump sum basis accounted for approximately 99.3%, 99.5%, 99.6%, 99.8% and 99.7%, respectively, of our total property management services revenue for the years ended December 31, 2015, 2016 and 2017 and the four months ended April 30, 2017 and 2018. The property management services revenue generated from services charged on a commission basis accounted for approximately 0.7%, 0.5%, 0.4%, 0.2% and 0.3%, respectively, of our total property management services revenue for the years ended December 31, 2015, 2016 and 2017 and the four months ended April 30, 2017 and 2018.

The following table sets forth a breakdown of the total GFA under management as of the dates indicated and the revenue from our property management services and the respective percentage of the total property management services revenue by different revenue models for the years ended December 31, 2015, 2016 and 2017 and the four months ended April 30, 2018.

	As of or for the year ended December 31,									As of or for the four months ended April 30,		
	2015			2016			2017			2018		
	GFA under management (sq.m.)	Property management services revenue (RMB)	%	GFA under management (sq.m.)	Property management services revenue (RMB)	%	GFA under management (sq.m.)	Property management services revenue (RMB)	%	GFA under management (sq.m.)	Property management services revenue (RMB)	%
	(in thousands, except for percentages)											
Lump Sum Basis	18,659	291,874	99.3	26,834	397,027	99.5	35,505	564,905	99.6	36,255	216,585	99.7
Commission Basis	680	2,004	0.7	656	2,174	0.5	772	2,272	0.4	772	620	0.3
Total	19,339	293,878	100.0	27,490	399,201	100.0	36,277	567,177	100.0	37,027	217,205	100.0

Property Management Fees Charged on a Lump Sum Basis

Under a lump sum basis property management service agreement, the amount of property management fee is charged per GFA per month, which represents the “all-inclusive” fee for the property management services provided by us and our sub-contractors as agreed in each property management service agreement. Therefore, we need to bear all the relevant costs

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involved in the ordinary course of management of properties or facilities, such as staff, security, cleaning, gardening, maintenance and general overhead covering the properties. If any excessive expenditure is incurred, we are not entitled to request payment from our property owners for the shortfall. Hence, under the lump sum basis, our cost saving ability, through the course of our provision of the property management services, has a positive correlation to our profitability. For more information, please see the section headed “Risk Factors – We may be subject to losses and our profit margins may decrease if we fail to control our costs in performing our property management services on a lump sum basis” in this prospectus.

We did not have any material loss-making projects on a lump sum basis during the Track Record Period and up to the Latest Practicable Date. We have established various internal measures to avoid loss-making. Before entering into a new property management service agreements on a lump sum basis, we normally analyze the risks and costs of the potential project to negotiate appropriate property management fees. We will not enter into a lump sum basis property management service agreement if we anticipate that the projected profitability would fall below our minimum requirement. After we sign a lump sum basis property management service agreement with our clients, we would establish a financial budget and review the revenue and cost of sales. We also actively implement cost saving measures to ensure the profit of the project does not fall below our minimum requirement. In addition, we may also negotiate with our clients to increase the property management fees when the costs involved in property management increase.

We are entitled to the surplus, if any, after deducting all our costs and tax payments, from the lump sum payment. From the perspective of our clients, these lump sum agreements reduce the risk of fluctuations in expenses. We therefore adopt a disciplined approach in controlling costs and increasing labor utilization efficiency in order to increase our profit margins. If we are able to successfully carry out our cost-saving policies and measures to drive down our cost of sales, we would be able to achieve greater profits under the agreements where we are paid on a lump sum basis. In addition, we are granted the flexibility to fully implement our management systems, standardization facility management techniques and methodologies, enabling us to offer premium services. Such measures enable us to achieve high customer satisfaction which, in our opinion, provide us with the ability to bargain for higher property management fees and compete for new projects in the future.

When our property management fees are paid on a lump sum basis, we recognize the full amount of property management fees we charge to our clients as revenue, and recognize the operating costs incurred in connection with the provision of our property management services as our cost of sales.

Property Management Fees Charged on a Commission Basis

Under a commission basis property management service agreement, our residents generally pay a pre-determined amount of property management fee per GFA for all units on a quarterly basis, and we generally receive a pre-determined percentage of such fee as our service fee. Our service fees generally account for 7% to 10% of the property management fees

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payable by the residents, while the remainder of such management fees are used as working capital to cover the property management expenses we incur. The residents are entitled to any excess of the property management fees paid by them (after deducting the fees receivable by us as the property manager) over the costs and expenses associated with the provision of services to the property, and responsible for any shortfall. If we are paid on a commission basis, we would not incur any operating costs and therefore, our operation of property management services under fees charged on a commission basis will always remain profitable.

The adoption of a specific revenue model is subject to the nature and requirements of each individual project. We generally try to concede to the request of our customers during the negotiation process and accommodate their needs or as required in the tender documents in determining which revenue model to use. The property developers or the property owners' associations decide whether to charge fees under a lump sum basis or a commission basis, and we take into account a number of factors when evaluating the projects by revenue model on a case by case basis. We also conduct assessments of our prospective customers by evaluating key factors such as the estimated costs of managing the property, historical fee collection rate, projected profitability as well as whether the property was previously managed on lump sum basis.

Our Pricing Policy for Property Management Fees

The fees charged by property management companies shall be determined taking consideration of both the government guidance price and market regulated price on the basis of the nature and features of relevant properties. The specific pricing principles shall be determined by the competent price administration departments and property administration departments of the people's governments of each province, autonomous region and municipality.

Where the fees are priced under the government's guidance, the competent price department determines the benchmark prices and the range of variations depending on such factors as the grading criteria of property service charges. The specific charging criteria shall be agreed upon by the property owner and the property management service provider, in accordance with the stipulated benchmark price and the range of variations. Where the fees are priced under market regulation, property owner and property management service provider shall agree on the fees in the agreement. For more information, please see the section entitled "Regulatory Overview – Legal Supervision over Property Management Services – Fees Charged by Property Management Enterprises" in this prospectus.

We generally price our property management services by taking into account a number of factors, including (i) the type and location of properties, (ii) our budgeted costs, (iii) the contracted scope of services and standard, (iv) our brand recognition in the cities, (v) local government policies and pricing guidance, (vi) the property management fee charged by preceding property management service providers if applicable, and (vii) future profitability after taking into consideration the increase in labor cost in the foreseeable future. Under the property management agreements, we can negotiate with property owners or property owners' associations to raise the property management fees.

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As of April 30, 2018, the average property management fee charged for the residential properties under our management was RMB1.63 per sq.m. per month. The average property management fee charged to Future Land Affiliates Group is generally in line with normal industry range¹ and as advised by our PRC Legal Advisor, is consistent with government guidance price under the PRC laws and regulations. For the same development, we charged both Future Land Affiliates Group and other property developers the same price for property management services as provided in the property management service agreement.

Revenue Generated from Property Management Services to Properties Developed by Future Land Affiliates Group

For properties which have not been completed yet, no revenue is generated from property management services. The following table shows a breakdown of revenue generated from property management services to properties developed by Future Land Affiliates Group before and after delivery to property owners.

	For the year ended December 31,			For the four months ended
	2015	2016	2017	April 30,
	(RMB)	(RMB)	(RMB)	2018
	(in thousands)			(RMB)
Before delivery to property owners . . .	36,462	35,058	40,860	11,201
After delivery to property owners	248,370	305,362	398,975	159,943
Total	284,832	340,420	439,835	171,144

Agreements for Our Property Management Services

Sources of Our Property Management Projects

We obtain property management projects from property developers such as Future Land Affiliates Group and other developers, property owners' associations and individual property owners. During the Track Record Period, the contracted GFA of the properties developed by Future Land Affiliates Group increased from 30.8 million sq.m. as of December 31, 2015 to 55.5 million sq.m. as of April 30, 2018, and the GFA under our management of the properties developed by Future Land Affiliates Group increased from 18.5 million sq.m. as of December 31, 2015 to 26.8 million sq.m. as of April 30, 2018. Although the contracted GFA and the GFA

¹ As advised by CIA in relation to the properties which their studies cover, the average property management fee per square meter per month for first-tier, second-tier and third-tier cities in the PRC is within the range of (i) RMB2.42 to RMB3.15; (ii) RMB1.28 to RMB2.32; and (iii) RMB1.05 to RMB1.98, respectively, while the average property management fee per square meter per month we charged Future Land Affiliates Group in first-tier, second-tier and third-tier cities in the PRC was (i) RMB2.39; (ii) RMB1.69; and (iii) RMB1.66, respectively.

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under management of the properties developed by Future Land Affiliates Group increased steadily during the Track Record Period, our quality services have enabled us to obtain property management projects from property developers other than Future Land Affiliates Group, property owners' associations of properties developed by developer other than Future Land Affiliates Group and individual property owners, as our contracted GFA of the properties contracted with the above increased from 1.5 million sq.m. as of December 31, 2015 to 17.9 million sq.m. as of April 30, 2018, and our total GFA under management of the properties contracted with the above increased from 0.8 million sq.m. as of December 31, 2015 to 10.2 million sq.m. as of April 30, 2018. In addition, the number of property management service agreements signed with properties developed by Future Land Affiliates Group was 113, 143, 200 and 220 for the years ended December 31, 2015, 2016 and 2017 and the four months ended April 30, 2018, respectively. Likewise, the number of property management service agreements signed with properties developed by developers other than Future Land Affiliates Group was 7, 59, 83 and 84 for the years ended December 31, 2015, 2016 and 2017 and the four months ended April 30, 2018, respectively. Despite of the increase in number of property management service agreements signed with Future Land Affiliates Group during the Track Record Period, the percentage of the number of property management service agreements signed with properties developed by developers other than Future Land Affiliates Group accounted for 5.8%, 29.2%, 29.3% and 27.6%, respectively, for the same periods.

During the Track Record Period, a majority of our revenue was generated from managing the properties developed by Future Land Affiliates Group. At the preliminary stage, the contracted GFA of the properties developed by Future Land Affiliates Group increased from 26.2 million sq.m. as of December 31, 2015 to 43.6 million sq.m. as of April 30, 2018, and the GFA under management of the same increased from 14.0 million sq.m. as of December 31, 2015 to 16.1 million sq.m. as of April 30, 2018. At the property owners' associations stage, the GFA under management of the same increased from 4.6 million sq.m. as of December 31, 2015 to 10.7 million sq.m. as of April 30, 2018.

As a result of our quality services, when we entered into the property owners' associations stage, all of the property owners' associations of the properties signed the property management service agreement with us during the Track Record Period¹.

¹ Our customer retention rate at the property owners' association stage for the properties developed by Future Land Affiliates Group was 100%. As of the Latest Practicable Date, the customer retention rate for the properties developed by developers other than Future Land Affiliates Group was not applicable, as none of the property management service agreements we entered into with such developers had expired, and thus we had not gone through the property owners' association stage for any of such projects.

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The following table sets forth a breakdown of our total contracted GFA, total GFA under management and revenue generated from property management services provided to properties developed by Future Land Affiliates Group and other property developers at different stages for the periods indicated:

	As of or for the year ended December 31,						As of or for the four months ended April 30,						
	2015			2016			2017			2018			
	Contracted GFA (sq.m.)	GFA under management (sq.m.)	Property management services revenue (RMB)	Contracted GFA (sq.m.)	GFA under management (sq.m.)	Property management services revenue (RMB)	Contracted GFA (sq.m.)	GFA under management (sq.m.)	Property management services revenue (RMB)	Contracted GFA (sq.m.)	GFA under management (sq.m.)	Property management services revenue (RMB)	%
Properties developed by: Future Land Affiliates Group	30,790	18,548	290,173	37,127	20,803	347,710	51,673	26,178	445,870	55,459	26,797	171,586	79.0
– Preliminary stage ¹	26,225	13,951	247,887	26,590	11,317	232,526	39,822	15,492	252,259	43,608	16,111	107,491	49.5
– Property owners’ associations stage ^{2, 3}	4,565	4,597	42,286	10,537	9,486	115,184	11,851	10,686	193,611	11,851	10,686	64,095	29.5
Other property developers	1,463	791	3,705	10,536	6,687	51,491	16,135	10,099	121,307	17,881	10,230	45,619	21.0
– Preliminary stage ¹	981	311	3,207	4,496	1,724	28,007	6,767	2,915	56,272	8,246	3,057	20,850	9.6
– Property owners’ associations stage ^{2, 3}	482	480	498	6,040	4,963	23,484	9,368	7,184	65,035	9,635	7,173	24,769	11.4
Total	32,253	19,339	293,878	47,663	27,490	399,201	67,808	36,277	567,177	73,340	37,027	217,205	100.0

(in thousands, except for percentages)

- ¹ The categories set forth in the following table are decided for the sole purpose of distinguishing different sources of projects and do not represent different sources of revenue. We generated property management services revenue from the property owners during the Track Record Period.
- ² Preliminary stage refers to the period starting from the date when the property management services agreement with the property developer becomes effective and ending on the date when such agreement expires/terminates and the property management services agreement with owners’ association becomes effective. Our PRC Legal Advisor advised us that during such stage, the property developers will transfer all rights and obligations of the property management service agreements to the property owners at the time of completion and delivery.
- ³ Property owners’ associations stage starts from the date when the property owners’ association has been established and has, in their capacity as agent for all the property owners, entered into a property management service agreement with us.
- ⁴ The figures for the property owners’ associations stage also include those relating to “office buildings of Future Land Holdings” and “individual property owners”.
- ⁵ We begin providing property management services when the properties are completed and delivered. While property management service agreements in respect of properties in preliminary stage are entered into with property developers, our property management services fees are collected from property owners (including property developers in respect of completed but unsold properties) directly and recognised as revenue upon provision of property management services to property owners.

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Key Terms of Our Property Management Service Agreements

The terms of each property management service agreement are different, and most of our clients enter into a standardized property management service agreement with all services to be provided by us. Some clients may prefer entering into a separate agreement with us for each service we provide.

We have summarized and generalized the usual key terms set out as follows:

Term and termination

In the event that we sign preliminary property management agreements with property developers at the pre-sale and pre-delivery stages, such agreements terminate upon the establishment of property owners' associations and remain effective and binding until the property owners' associations are formed and new property management agreements are entered into, according to relevant PRC laws.

In the event that we sign the property management agreements with property owners' associations or individual property owners, the term of such agreements ranges from one to five years and may be extended upon mutual consent. Both parties may mutually consent to an early termination of the agreements, unless one party intentionally or wilfully defaults, in which case the other party may unilaterally terminate the agreement. During the Track Record Period and up to the Latest Practicable Date, we did not unilaterally terminate any property management service agreement.

Our obligations

We are responsible for the scope and standards of the property management services set forth in the agreement provided by us to our clients, such as property and equipment maintenance, security, cleaning, gardening, engineering and maintenance services. In some agreements, we are responsible for the full range of services, whereas in other agreements, we are only required to provide one or two types of property management services, such as security services and cleaning services only. Hence, we are flexible to accommodate our clients' requirements in this respect.

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	<p>In the event of sub-standard performance, we are required to take necessary rectification measures within a certain period. If we fail to do so, our customers would have the right to unilaterally terminate the agreements with us.</p>
<p>Areas and facilities to be managed by us</p>	<p>The property management service agreements specify the total GFA and the serviced areas to be managed by us, which mainly include the common areas of the properties (including roof-tops, corridors and basements, lobbies, restrooms, car parks and roads in the communities) and the facilities (including water pipes, elevators, escalators, water plumbing systems, lightings, electricity power systems, air conditioning systems and fire systems in the properties).</p>
<p>Public announcements of property management expenditures</p>	<p>We generally announce the property management expenditures to the residents on a half-year or annual basis.</p>
<p>Performance indicator</p>	<p>Some of our customers require us to set out certain performance indicators and targets to be followed and achieved by us in our property management service agreements.</p> <p>We may also include clauses stipulating that deductions of the fees payable to our company can be made if we fail to meet the service standard requirements set out in the particular property management service agreements, generally in the agreements with individual property owners. During the Track Record Period and up to the Latest Practicable Date, no significant deductions had been made.</p>
<p>Our fees</p>	<p>We charge our clients based on the property management service agreements. We collect property management services fees from the property owners (the property developer in respect of completed but unsold properties) and recognize such fees as property management services revenue from such property owners. Please see the section titled “Property Management Fees Charged on a Lump Sum Basis” and “Property Management Fees Charged on a Commission Basis” in this section for more details.</p>

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Risk allocation	We are responsible and required to indemnify our customers for any damages that we cause to the managed properties, the property owners and/or their tenants in the course of providing property management services. During the Track Record Period, there was no significant loss incurred by us for damages caused by us or any sub-standard performance in the course of providing management services.
Sub-contracting	We are allowed to outsource part of our property management services to the sub-contractors.
Prepayments or deposits	We are entitled to receive prepayments or deposits from the residents of properties under property management agreements.

The table below indicates the movement of the total number of property management agreements of the properties we signed to manage (including the agreements the specified terms of which had expired but we continued to provide property management services¹, the agreements for provision of property management services where the properties are under construction and the property management service agreement sub-contracted to us) as of December 31, 2015, 2016 and 2017 and April 30, 2018.

	As of December 31,			As of April 30,
	2015	2016	2017	2018
	Number of Agreements			
As of the beginning of period	81	120	202	283
New Engagement	39	82	85	27
Terminations	–	–	4 ²	6
As of the end of period	120	202	283	304

¹ We continued to provide property management services after the specified terms of the agreements had expired in several cases, typically based on (i) oral agreements, (ii) automatic extension clause or (iii) agreement by performance during the process of negotiation of new agreements, until new agreements were entered into.

² We did not renew one agreement after its expiration in 2017, because we provided customer-tailored services to assist our customer in competing for “Top 100 PRC Brands”, and there was no need to renew the agreement after our customer completed such competition when the agreement expired. For the other three agreements, we proposed to terminate after internal evaluation of economic costs and benefits and such agreements were terminated upon mutual consent.

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The table below shows the number of agreements that will expire in the years ending December 31, 2018, 2019 and 2020 and beyond, as of April 30, 2018. Furthermore, it also shows the respective contracted GFA of the agreements that will expire, as of April 30, 2018 and the property management fees expected to be collected in the indicated years. For the illustration of figures in the table, we have not taken into account the property management fees arising from (i) the subsequent renewal of existing property management agreements after April 30, 2018, and (ii) property management agreements under which the properties had not been delivered as of April 30, 2018.

	Number of Agreements	Contracted GFA under Management Agreements that will expire (sq.m.)	Property Management Fees to be collected in 2018 ¹ (RMB)	Property Management Fees to be collected in 2019 ¹ (RMB)	Property Management Fees to be collected in 2020 ¹ (RMB)	Property Management Fees to be collected in 2021 ¹ (RMB)	Property Management Fees to be collected in 2022 ¹ (RMB)	Property Management Fees to be collected in 2023 ¹ (RMB)	Property Management Fees to be collected in 2024 ¹ (RMB)	Property Management Fees to be collected in 2025 ¹ (RMB)	Property Management Fees to be collected in 2026 ¹ (RMB)
(in thousands, except for the number of agreements)											
Fixed Terms	139	31,703	192,371	190,057	89,620	22,507	5,807	4,114	4,114	2,057	-
- Year ending											
December 31, 2018.	45	8,336	38,877	-	-	-	-	-	-	-	-
- Year ending											
December 31, 2019.	51	10,918	78,407	77,427	-	-	-	-	-	-	-
- Year ending											
December 31, 2020											
or beyond	43	12,449	75,087	112,630	89,620	22,507	5,807	4,114	4,114	2,057	-
Without Fixed Terms²	165	41,637	191,958	287,937	287,937	287,937	287,937	287,937	287,937	287,937	287,937

¹ The property management fees expected to be collected for each year is calculated as the summation of the property management fee collectable for April 2018 multiplied by the number of remaining months for the respective year for each property management agreement. Such amounts are generated based on the preliminary assessment made by our Board with reference to the information currently available and such amounts have not been realised and audited by the Group's auditor as at the Latest Practicable Date and may be subject to change.

² For both (a) agreements signed with property developers and (b) agreements signed with property owners' associations, some are without a fixed term. These agreements will usually end upon the establishment of a property owners' association or otherwise agreed by the parties, as applicable. For agreements signed with property developers without a fixed term, where local rules or practices prescribe a form of property management service agreement and such form does not have a fixed term, the term of the agreement will be settled based on commercial negotiation. For agreements signed with property owners' associations, some property owners or property owners' associations may prefer not to specify a fixed term for fear of unexpected interruption of management services. As advised by CIA, the foregoing is in line with the market practice of the property management industry.

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VALUE-ADDED SERVICES

Overview

During the Track Record Period, we have continuously expanded the business scale of and experienced growth in our value-added services. We mainly provide three types of value-added services, namely property developer-related services, community-related services and professional services. The revenue generated from our value-added services amounted to RMB106.4 million, RMB174.2 million, RMB299.2 million, RMB57.0 million and RMB86.3 million, respectively, for the years ended December 31, 2015, 2016 and 2017 and the four months ended April 30, 2017 and 2018, representing approximately 26.6%, 30.4%, 34.5%, 26.1% and 28.4%, respectively, of our total revenue for the same periods.

The following table sets forth a breakdown of our value-added service fees received from Future Land Affiliates Group and other property developers for the periods indicated:

	For the year ended December 31,						For the four months ended April 30,	
	2015		2016		2017		2018	
	(RMB)	%	(RMB)	%	(RMB)	%	(RMB)	%
	(in thousands, except for percentages)							
Property developer-related services	74,442	70.0	108,641	62.4	175,497	58.7	61,057	70.8
Future Land Affiliates Group	74,442	70.0	106,198	61.0	170,425	57.0	59,488	69.0
Other property developers	–	–	2,443	1.4	5,072	1.7	1,569	1.8
Community-related services¹	17,190	16.2	27,273	15.7	43,304	14.5	12,466	14.5
Professional Services	14,747	13.8	38,257	21.9	80,392	26.8	12,737	14.7
Future Land Affiliates Group	14,598	13.7	35,335	20.2	72,045	24.0	10,330	12.0
Other property developers	149	0.1	2,922	1.7	8,347	2.8	2,407	2.7
Total	<u>106,379</u>	<u>100.0</u>	<u>174,171</u>	<u>100.0</u>	<u>299,193</u>	<u>100.0</u>	<u>86,260</u>	<u>100.0</u>

1. Community-related services are provided to property owners and third parties on an individual basis instead of by property developer.

Property Developer-related Services*Scope of Services*

We provide two types of services relating to property developers, including on-site sales assistance services and consulting services.

We primarily provide on-site sales assistance services to property developers with whom we seek to establish a cooperation relationship. We aim to provide potential property buyers with a great home shopping experience and to enhance their visiting experience through our on-site sales assistance services in order to create a good service brand for property developers through displaying our service images. Our on-site sales assistance services generally include sample room cleaning, security inspection and maintenance, reception, parking, guidance, organizing service events and other related customer services for potential property buyers. We have implemented quality standards for our on-site sales assistance services and regularly assess the quality of our on-site sales assistance services.

Our consulting services consist of property consulting services throughout the whole process of property development, including design consultancy, on-site inspection and risk assessment services. We also provide detail inspection before delivery of properties. Furthermore, we provide ad hoc assistance such as liaison and coordination with property developers in relation to property maintenance during the warranty period. We leverage our experience in property services and project management to enhance the overall quality of property projects and help the property developers address potential defects and issues to keep our residents satisfied.

Property Developer-related Services Fees

We price our property developer-related services based on a number of factors, including the services required, period of agreement, cost of sales, the local market conditions and the nature and requirements of individual properties. We require our clients to make quarterly payments for our on-site sales assistance services. The revenue generated from our property developer-related services was RMB74.4 million, RMB108.6 million, RMB175.5 million, RMB28.9 million and RMB61.1 million, respectively, for the years ended December 31, 2015, 2016 and 2017 and the four months ended April 30, 2017 and 2018.

Community-related Services*Scope of Services*

Our community-related services mainly include information services, community convenience services and public resources management services.

We provide online and offline information services to our residents. Our online information services are generally provided through our one-stop information service platform Orange APP in the aspects of online shopping, cleaning and maintenance of housekeeping

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appliances, and travel information. Our offline information services are generally provided by our property services staff, including interior decoration and furnishing.

We provide community convenience services to our residents, including indoor maintenance services, sales of security passes and access cards, and other a la carte services, aiming to provide our residents with a more convenient and enjoyable community life.

We also provide public resources management services as authorized by property owners, which generally include operating and managing public areas, such as leasing advertisement spaces.

Community-related Services Fees

With respect to our online information services provided through the Orange APP, we do not charge our customers for obtaining information or shopping on the platform. With respect to our offline information services, we charge our suppliers entry and management fees. As for the community convenience services, we directly charge property owners and tenants who use such services. As for the public resources management services, we typically receive a certain percentage of the operating surplus¹ from managing the public resources as our service fee in accordance with the respective property management service agreements.

The revenue generated from our community-related services was RMB17.2 million, RMB27.3 million, RMB43.3 million, RMB15.1 million and RMB12.5 million, respectively, for the years ended December 31, 2015, 2016 and 2017 and the four months ended April 30, 2017 and 2018.

Professional Services

Scope of Services

We provide professional services to property developers and property projects, including specialist engineering and maintenance services of elevator and intelligent security equipment. We provide elevator engineering and maintenance services such as elevator reconstruction, renovation and maintenance services through Jiangsu Dashun Elevator Engineering Co., Ltd. (江蘇達順電梯工程有限公司), a subsidiary specializing in elevator maintenance and renovation business. We are also qualified to provide elevator installation services. We provide intelligent security equipment engineering and maintenance services, including security equipment installation, construction, renovation and maintenance services through Changzhou Wanrui Intelligent System Engineering Co., Ltd. (常州市萬睿智能系統工程有限公司), a subsidiary specializing in providing intelligent facilities and equipment services to property projects.

¹ "Operating surplus" is the portion of revenue generated from managing the public resources after the deduction of management costs and relevant taxes.

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Professional Service Fees

Our elevator engineering services are generally paid on a quarterly basis. The services are rendered in short period of time and are normally billable immediately upon the delivery of service. The revenue generated from our property professional services was RMB14.7 million, RMB38.3 million, RMB80.4 million, RMB13.0 million and RMB12.7 million, respectively, for the years ended December 31, 2015, 2016 and 2017 and the four months ended April 30, 2017 and 2018.

OUR ORANGE APP

We, through our subsidiary, Changzhou Xincheng Information, run a mobile application that integrates our offline property management services with online services to increase the convenience of our residents' everyday lifestyle and serves as a one-stop information service platform. Our Orange APP covers community-related services, such as allowing property owners and residents to pay their property management fees and to purchase community-oriented products and services from us and third-party suppliers. The Orange APP also permits our personnel to directly communicate with the residents, enabling us to provide services in a fast and efficient manner. As of April 30, 2018, based on our internal record, our Orange APP had approximately 286,335 registered users, with a monthly active user rate of 29.7%.

Prior to March 2018, Changzhou Xincheng Information charged third-party suppliers, who display and sell their products and services via the Orange APP, a service fee. This constituted e-commerce platform service, for which an internet content provider (ICP) license for commercial internet information services ("**ICP License**") was required. At all relevant times, Changzhou Xincheng Information maintained a valid ICP License and the operation of the Orange APP had accordingly complied with all applicable laws and regulations as advised by our PRC Legal Advisor.

In contemplation of the Reorganization for the purpose of the Listing, instead of relying on our ICP License the availability of which is subject to foreign investment restriction under the relevant PRC laws and regulations, Changzhou Xincheng Information allows third-party suppliers to display and sell their products and services free of charge on our Orange APP beginning March 2018 (the "**Current Mode of Operation**"). The Current Mode of Operation allows us to continue to position the Orange APP as a distinguishable feature of our highly accessible online community platform services.

For the years ended December 31, 2015, 2016 and 2017 and the four months ended April 30, 2018, the revenue sourced from our Orange APP amounted to RMB0.6 million, RMB3.8 million, RMB3.5 million and RMB1.2 million, respectively, representing approximately 0.1%, 0.7%, 0.4% and 0.4%, respectively, of our total revenue. While Changzhou Xincheng Information has ceased to charge the third-party suppliers for the provisions of e-commerce platform services since March 2018, we have continued to charge the third-party suppliers for the provision of offline ancillary supporting services such as delivery logistics and after-sale assistance. We will continue to enrich the functions and variety of services and products

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display on the Orange APP as enhancement and improvement of user's experience. The Directors are of the view that the change in mode of operation of the Orange APP will not materially affect the financial position of the Company.

As advised by our PRC Legal Advisor:

- (i) the Current Mode of Operation does not entail the e-commerce platform services and thus, an ICP License is no longer required for the operation;
- (ii) charging third-party suppliers for the provision of offline ancillary supporting services by entities of our Group complies with all the relevant PRC laws and regulations;
- (iii) regarding the requisite qualification requirements under the applicable PRC laws and regulations for our provision of internet information services, (a) prior to March 2018, only ICP filing and ICP License were required and (b) since March 2018 and up to now we are only required to conduct ICP filing for the operation of our Orange APP, which we have all maintained at all relevant time. Accordingly, we have fulfilled all requisite qualification requirements for the operation of the Orange APP prior to March 2018 (i.e. ICP filing and ICP License) and after March 2018 (i.e. ICP filings);
- (iv) the engagement of the Group for the provision of offline ancillary supporting services by the third-party suppliers is not a condition precedent to the display and sale of the third-party suppliers' products and services on the Orange APP;
- (v) the Current Mode of Operation and the provision of offline ancillary supporting services would not be taken as related for ICP licensing purpose;
- (vi) the Current Mode of Operation and the provision of offline ancillary supporting services do not constitute a circumvention of the relevant requirements under the applicable PRC rules and regulations for the provisions of e-commerce platform services for which an ICP License is required; and
- (vii) the operation of the Orange APP by the Group, in the absence of any contractual arrangements, has complied with all applicable laws and regulations in the PRC (including fulfilling the requisite qualification requirements i.e. obtaining the ICP License and/or conducting ICP filings, as applicable) at all relevant times up to the Latest Practicable Date.

In addition, our PRC Legal Advisor interviewed Jiangsu Communications Administration, the competent authority on the relevant issue on September 3, 2018. A director of Jiangsu Communications Administration, having been advised of the Current Mode of Operation and our provision of offline ancillary supporting services, confirmed that (1) the Current Mode of Operation and the provision of offline ancillary supporting services would not be taken as

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related for ICP licensing purposes; (2) only ICP filing is required for the operation of our Orange APP since the commencement of the Current Mode of Operation in March 2018; and (3) Changzhou Xincheng has complied with all applicable Internet content provider rules and regulations in the PRC during the Track Record Period. Our PRC Legal Advisor is of the view that the aforesaid director has the authority to provide the confirmation on the basis that, among others, he has been authorized by the authority of Jiangsu Communications Administration to accept our interview and he is the director in charge of the relevant ICP licensing matters.

Below is a diagram illustrating the primary functions our Orange APP provides.



Orange Steward

The Orange Steward module is one of the modules on our Orange APP that enables our staff to provide tailored and immediate service in response to our residents' request. With the help of Orange Steward, we are able to provide instant response to online service requests, creating steward-style community life for our residents.

Based on our internal record, for the year ended December 31, 2017, we received 140,855 online service requests through Orange Steward. For the four months ended April 30, 2018, we further received 36,630 online service requests through Orange Steward. We require our stewards to respond within three minutes upon receiving an online service request made between 08:30 and 22:00, and 99.96% of the requests were responded within five minutes for the year ended December 31, 2017. In 2017, out of 140,855 online service request orders, 103,435 residents has rated our services and we received an average score of 4.9 out of 5.0, according to our internal record.

Online Community Platform

The Orange APP also serves as a one-stop information service platform for our residents. Through the Orange APP, our residents are able to pay their property management fees and purchase community-oriented products and services from us and third-party suppliers. The products typically sold by us include daily consumer goods such as rice, oil, flour and so on. Such online community platform provides our residents with a more convenient community lifestyle.

Based on our internal record, from 2015 to 2017, the online orders grew from 16,667 as of December 31, 2015 to 121,859 as of December 31, 2017. In the four months ended April 30, 2018, the online orders totaled 25,302. As of April 30, 2018, the accumulated transaction value through our Orange APP totaled RMB222.9 million.

MARKET EXPANSION

Our expansion and marketing team is primarily responsible for planning and developing our overall marketing strategy, conducting market research, coordinating our sales and marketing activities to reach out to new clients and maintaining and strengthening our relationships with our existing clients. Our headquarters manages our overall sales and marketing strategies such as promoting our brand recognition and service capabilities to residents of office buildings and properties in the public sector.

Our designated on-site staff at major properties managed by us are responsible for promoting our business model to our customers and maintaining relationships with them. We believe that our marketing efforts have successfully deepened customers' impression with our brand and our services. We plan to expand our marketing team to attend to the business needs of our customers across different markets for the provision of different kinds of property management services.

Our market expansion measures mainly include collecting information of tender and bidding, promoting to our target customers through various marketing channels. We also promote our quality management practices and business development to target audiences through media interviews, press releases and experience sharing workshops. In addition, we intend to continue improving our property management service quality by obtaining more recommendations and referrals from our existing customers, which we believe is an effective and cost-efficient way to promote our business. We believe our value-added services also help us obtain new engagements for our property management services by providing property owners, tenants and other users of our managed properties with the benefit of accessing a wide range of services which address their lifestyle needs.

As a result of our market expansion measures, our contracted GFA of the properties developed by developers other than Future Land Affiliates Group increased from 1.5 million sq.m. as of December 31, 2015 to 16.1 million sq.m. as of December 31, 2017, recording a CAGR of 232.1%. This further increased by 10.8% to 17.9 million sq.m. as of April 30, 2018.

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Our total GFA under management of the properties developed by developers other than Future Land Affiliates Group increased from 0.8 million sq.m. as of December 31, 2015 to 10.1 million sq.m. as of December 31, 2017, recording a CAGR of 257.3%. This further increased by 1.3% to 10.2 million sq.m. as of April 30, 2018. The revenue generated from managing the properties developed by developers other than Future Land Affiliates Group accounted for 21.0% of the total revenue of our property management services for the year ended April 30, 2018.

CUSTOMERS

We have a large, growing and diversified customer base primarily consisting of property developers and residents. For the years ended December 31, 2015, 2016 and 2017 and the four months ended April 30, 2018, the revenue derived from our five largest customers accounted for approximately 30.1%, 27.2%, 27.3% and 24.8%, respectively, of our total revenue. During the same periods, revenue derived from sales to our single largest customer, entities controlled by Mr. Wang and joint ventures and associates of Mr. Wang being aggregated (including fees for property developer related services, fees for professional services and property management service fees in relation to completed but unsold properties), accounted for approximately 29.5%, 26.7%, 26.7% and 24.3%, respectively, of our total revenue.

The following table shows a breakdown of the total revenue received from our largest customer for the periods indicated:

	For the year ended December 31,			For the four months ended April 30,
	2015	2016	2017	2018
	(RMB)	(RMB)	(RMB)	(RMB)
	(in thousands)			
Property management services . . .	41,803	42,348	46,895	11,643
Value-added services.				
– Property developer-related services	74,442	106,198	170,424	59,488
– Professional services.	1,966	4,557	14,123	2,518
Total	118,211	153,103	231,442	73,649

During November 2012 to May 2016, Tibet Xinchengyue, our principal operating entity, was a subsidiary of Future Land Development Holdings, the holding company of Future Land Holdings. Our controlling shareholder, Mr. Wang, held 71.01% of shareholding in Future Land Development Holdings as of the Latest Practicable Date.

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A significant portion of our property management projects during the Track Record Period was related to the management of properties developed by Future Land Affiliates Group. Despite the fact that the absolute amount of revenue (being approximately RMB247.9 million, RMB232.5 million, RMB252.3 million and RMB107.5 million for the years ended December 31, 2015, 2016 and 2017 and the four months ended April 30, 2018, respectively) from property management services at the preliminary stage for properties developed by Future Land Affiliates Group in connection with the respective property management services agreements remained relatively stable during the Track Record Period, such revenue accounted for 84.4%, 58.2%, 44.5% and 49.5% of the Group's total property management services revenue for the years ended December 31, 2015, 2016 and 2017 and the four months ended April 30, 2018, respectively. The general decreasing trend in the portion of revenue generated from property management services for properties developed by Future Land Affiliates Group at the preliminary stage during the Track Record Period demonstrates that we are getting less reliant on Future Land Affiliates Group, which is mainly due to (i) a 100% customer retention rate we achieved at the property owners' association stage at which property owners could freely select their property management service provider and decide whether to enter into a property management services agreement with us on a case by case basis¹; and (ii) our effort to develop our relationship with other property developers. In addition, property owners directly pay us the fees for our property management services even for property management services agreements that we enter into with property developers at the preliminary stage. The Directors believe that we will be able to continue to achieve such a high customer retention rate upon Listing to support a favorable level of revenue.

In recent years, we have been successful in exploring market opportunities to diversify our property management portfolio and service offerings with wide source of revenue. The contracted GFA shown in the agreements that we signed with property developers other than Future Land Affiliates Group, property owners' associations of properties developed by developers other than Future Land Affiliates Group and individual property owners increased from 1.5 million sq.m. as of December 31, 2015 to 16.1 million sq.m. as of December 31, 2017, recording a CAGR of 232.1%. This further increased by 10.8% to 17.9 million sq.m. as of April 30, 2018. The GFA under management shown in the agreements that we signed with property developers other than Future Land Affiliates Group, property owners' associations of properties developed by developers other than Future Land Affiliates Group and individual property owners increased from 0.8 million sq.m. as of December 31, 2015 to 10.1 million sq.m. as of December 31, 2017, recording a CAGR of 257.3%. This further increased by 1.3% to 10.2 million sq.m. as of April 30, 2018. The significant growth of such records indicates our capability in market expansion with third-party property developers, property owners' associations and individual property owners.

¹ *The retention rate measures turnover (if any) that takes place during the property owners' association stage, as opposed to the preliminary stage. Consistent with the market practice, the signing of our initial property management service agreements is initiated during the preliminary stage with property developers before the properties are completed and delivered to property owners. Therefore, as a practical matter, property owners will not have the opportunity to select property management service providers until the terms of the agreement signed during the preliminary stage expire and a property owners' association is established.*

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As confirmed by China Index Academy, property management service providers mainly obtain new property management services contracts via tender processes, the success of which depends on a number of factors including but not limited to service quality, pricing and the operation history of the tenderers. To this regard, historical figures collected and analyzed by China Index Academy show that property management service providers which are affiliates of property developers tend to have a higher rate of success on tenders organized by such property developers based on a long-term cooperative relationship with mutual trust. This is important from the perspective of the property developers to ensure that stable, consistent and reliable property management services are provided to the properties they develop especially at the preliminary stage. From the perspective of the property management service providers, it is naturally driven by such industry landscape that property management service providers will continue the cooperation relationship with their respective affiliated property developers if any scalable operation is to be achieved. Thus such an affiliated property developer will inevitably become a major customer contributing to a significant portion of the revenue of its affiliated property management service provider when such property management service provider continues to develop its wider client base. In particular, we believe the engagement of a reputable property management service provider such as our Group is one important factor to be taken into consideration by the purchasers of properties as this is critical for the value preservation of the properties.

Also, as disclosed in the paragraph headed “Our Business Model – Value-added Services” above, we provide to Future Land Affiliates Group on-site sales assistance and consulting services which include on-site and sample room cleaning, security inspection and maintenance, parking, reception and guidance services to enhance the visiting experience of potential property owners. We also organize service events and other related customer services for potential property owners as part of the service package we offer to Future Land Affiliates Group. Further, we provide to Future Land Affiliates Group consulting services relating to property consulting services throughout the whole process of property development, including design consultancy, on-site inspection and risk assessment services, detail inspection before delivery of properties and other ad hoc assistance such as liaison and coordination with property developers in relation to property maintenance during the warranty period. We believe that these services are significant to the overall property development and sales process of Future Land Affiliates Group, which contributed to the success and reputation of Future Land Affiliates Group. In light of the above, the Directors are of the view that there is a mutual and complimentary reliance between Future Land Affiliates Group and the Group.

Further, as disclosed in the section head “Future Plans and Use of Proceeds” in this prospectus, we have, among others, the following plans to diversify our business:

- (1) Approximately 48% or HK\$300.6 million, will be used for the expansion of our property management services to enlarge our business scale and bolster our geographic presence across the PRC through means of strategic investment in, cooperation with and/or acquisition of, in particular, property management service providers in the Yangtze River Delta Region.

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- (2) Approximately 12% or HK\$75.1 million will be used to acquire/obtain a diverse range of projects in various geographical areas, in particular, the Yangtze River Delta Region, the Circum-Bohai Bay Area, mid-western China region and Pearl River Delta region, through organic growth aimed to further diversify our property management portfolio.
- (3) Approximately 15% or HK\$93.9 million, will be used for the expansion of our value-added services business line, including our Orange APP and investments in third-party suppliers that complements our business.

Accordingly, the Company believes that such expansion and diversification plans are expected to reduce the level of reliance on Future Land Affiliates Group. Please refer to the section headed “Future Plans and Use of Proceeds” in this prospectus for the detailed breakdowns of the above plans. Please refer to “Risks relating to Our Business and Industry” in the section headed “Risk Factors” in this prospectus for the relevant risk factor relating to our business relationship with Future Land Affiliates Group.

During the Track Record Period and up to the Latest Practicable Date, we did not encounter any dispute with our customers which may have a material adverse effect on our business. To the best of our knowledge, as of the Latest Practicable Date, we were not aware of any information or arrangement that would lead to termination of our relationships with any of our key customers. Except for Mr. Wang who owned 71.01% of Future Land Development Holdings as of the Latest Practicable Date, as of the Latest Practicable Date, none of our Directors, their respective associates, or the other shareholders who, to the knowledge of our Directors, own 5% or more of our issued share capital had any interest in any of our five largest customers during the Track Record Period.

SUPPLIERS

Our suppliers mainly consist of sub-contractors providing cleaning, security, gardening and elevator maintenance services, raw material suppliers and local power and water suppliers. We have established stable and long-term business relationships with some of our major suppliers. For the years ended December 31, 2015, 2016 and 2017 and the four months ended April 30, 2018, purchases from our five largest suppliers accounted for approximately 10.1%, 22.0%, 35.3% and 40.1%, respectively, of our cost of sales. During the same years, purchases from our largest supplier accounted for 4.4%, 10.4%, 21.4% and 24.2%, respectively, of our cost of sales. During the Track Record Period and up to the Latest Practicable Date, we did not encounter any material dispute with our suppliers or any material breach of our supplier agreements. To the best of our knowledge, as of the Latest Practicable Date, we were not aware of any information or arrangement that would lead to termination of our relationships with any of our major suppliers. As of the Latest Practicable Date, none of our Directors, their respective associates, or shareholders who own 5% or more of our issued share capital had any interest in any of our five largest suppliers during the Track Record Period, except Changzhou Hecheng Security Services Company Limited (常州市和誠保安服務有限公司), in which we own 6% shareholding. During the Track Record Period, none of our major suppliers was our customer.

Sub-contracting

We outsource certain labor intensive, specialized or technical services, primarily cleaning, security, gardening and elevators maintenance services to sub-contractors. Our property management services and value-added services receive assistance from sub-contractors to provide quality services to our customers, which enables us to lower our operating costs, improve service quality and dedicate more resources to management and other services. Our sub-contractors specialize in their respective services and can, therefore, operate in a more efficient manner. We believe such sub-contracting arrangements allow us to leverage their human resources and technical expertise to effectively reduce our labor costs and enhance the overall profitability of our operations. For the years ended December 31, 2015, 2016 and 2017 and the four months ended April 30, 2018, our sub-contracting costs amounted to RMB57.0 million, RMB146.9 million, RMB297.7 million and RMB123.9 million, respectively, representing approximately 19.0%, 35.7%, 47.7% and 57.4%, respectively, of our total cost of sales. As of the Latest Practicable Date, none of our Directors, their respective associates, or shareholders who own 5% or more of our issued share capital had any interest in any of our five largest sub-contractors during the Track Record Period, except Changzhou Hecheng Security Services Company Limited (常州市和誠保安服務有限公司), in which we own 6% shareholding.

Selection and Management of Sub-contractors

We maintain a list of qualified sub-contractors. For each sub-contractor included on the list, we track its background, qualifications and past performance in providing sub-contracted services to us. Our list of qualified sub-contractors is subject to periodic review.

We typically engage our sub-contractors through a competitive bidding process. Our quality center selects competent sub-contractors to form a sub-contractor pool. Our regional offices send invitations for bids to the sub-contractor in such sub-contractor pool. The regional offices assess the bids and consider a wide range of factors, including professional qualifications, industry reputation, quality of service and price competitiveness. The relevant regional office is usually responsible for approving the engagement.

After a selected sub-contractor commences the contracted services, we regularly monitor and evaluate its performance. The sub-contractors' records will also be updated from time to time based on such evaluations. In each review, each sub-contractor will be assigned a score. Different measures will be taken against our sub-contractors according to their assigned scores. We have the ability to terminate the agreement with any sub-contractor who repeatedly delivers sub-standard performances and remove such sub-contractor from our list of qualified sub-contractors.

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Key Terms of Our Sub-Contracting Agreements

A sub-contracting agreement generally includes the following key terms:

Term	A sub-contracting agreement typically has a term of one year and may be renewed upon mutual consent.
Our responsibilities	We are typically responsible for providing on-site staff dispatched by sub-contractors with necessary working space and facilities.
Obligations of our sub-contractors	<p>Sub-contractors are responsible for providing services in accordance with the scope, frequency and standards prescribed in the relevant sub-contracting agreements and in compliance with all applicable laws and regulations.</p> <p>In the event of sub-standard performance, sub-contractors are required to take necessary rectification measures within the period required by us. If they fail to do so, we have the right to claim damages or terminate the agreement.</p> <p>Sub-contractors are required to manage their staff providing the contracted services.</p>
Risk allocation	Sub-contractors are responsible for any damage to property or personal injury caused by the fault of the sub-contractors in the course of providing the contracted services. We typically require sub-contractors to indemnify us for any damages that they cause to the properties of the residents and us. Sub-contractors are generally required to pay all social insurance and housing provident funds contributions for their staff in accordance with PRC laws and bear the liabilities and responsibilities in the event of any non-compliance with applicable PRC laws or industry standards.
Procurement of raw materials	Raw materials are procured by the sub-contractors themselves except that we typically purchase and provide the outfits of security guards. The procurement costs are usually included in the sub-contracting fees.

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Sub-contracting fees	We typically pay the sub-contracting fees on a quarterly basis, except that we pay the sub-contractors that provide security services on a monthly basis, including costs incurred in connection with the procurement of raw materials, labor costs, equipment maintenance costs, tax expenses and other miscellaneous costs incurred by the sub-contractors.
Termination	We monitor and assess the performance of sub-contractors on a regular basis and can terminate the sub-contracting agreement in the event of repeated sub-standard performance.
No assignment	Sub-contractors may not assign or sub-contract their obligations to any third party without our prior consent.

QUALITY CONTROL

We believe quality control is crucial to the long-term success of our business. We have a professional quality control team, who primarily focuses on maintaining service standards, standardizing service procedures and supervising service quality throughout our operational processes.

We have established a quality management system and an environmental and occupation health and safety management system to ensure service quality as we continue to provide a wide range of property management services. All business activities and quality of service are subject to inspection and assessment at the company, branch and project level. In addition, we have formulated an assessment guideline to clarify and standardize the various steps to ensure satisfaction of residents. Our regional service centers conduct routine checks on daily property management services and operate special investigations to ensure quality services to all of our property owners.

We hire third-party consultants to conduct customer satisfaction surveys on our property owners and tenants within our scope of services. They objectively evaluate our various property management services in regards to service quality, response speed and customer service. We aim to enhance and improve the quality of our services through the findings of the consultants.

Quality Control over Sub-contractors

We typically include in the agreements with sub-contractors detailed quality standards for the services to be provided. We regularly monitor and evaluate the performance of the sub-contractors and may require the sub-contractors to take necessary rectification measures

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when their services do not meet the agreed standards. We also conduct annual surveys among property owners and tenants regarding the quality of services provided by our sub-contractors. We have the contractual right to adjust the sub-contracting fees and decide whether to continue our sub-contracting agreement. For more details, please refer to the sub-section entitled “– Sub-contracting – Selection and Management of Sub-contractors” in this section.

Quality Control over Third-party Vendors

We implement a variety of measures and policies to ensure the quality of the products and services offered by third-party vendors, such as screening candidate vendors before entering into cooperation agreements with them. The vendors are also required to indemnify us for losses incurred due to their defective products or sub-standard services. We also have the right to replace a third-party vendor in the event of sub-standard performance.

Feedback and Complaint Management

During the ordinary course of our business operations, we receive feedback, suggestions and complaints (such as report of loss of properties and request for maintenance of public facilities) from property owners and tenants of the properties we manage from time to time regarding our services. We have established internal procedures to record, process and respond to the feedbacks, suggestions and complaints, then conduct follow-up reviews of the results of our responses. We encourage our residents to reach out to our property management personnel through our Orange APP. When we receive reports on our Orange APP, we require that all requests and complaints from our customers be responded to within three minutes from 08:30 to 22:00, and customer service manager to visit and communicate the issues with a specific timeline to solve the detailed problems. We record such procedures of all the complaints into our internal system, submit and confirm when complete the process, and close such process after our customers’ review. Through this, the whole process can be monitored from beginning to end where our customers’ requests and complaints can be resolved and their confidence in our services can be restored.

INTELLECTUAL PROPERTY

We regard our intellectual property rights as critical to our success. We primarily rely on laws and regulations on trademarks and trade secrets, and our employees’ and third parties’ contractual commitments to confidentiality and non-competition to protect our intellectual property rights. As of the Latest Practicable Date, we had three proprietary software programs, six trademarks and three domain names registered in the PRC, and four trademarks registered in Hong Kong. As of the Latest Practicable Date, we have one trademark in the PRC under review and approval for registration.

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

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AWARDS AND RECOGNITION

We are a property management company rooted in the Yangtze Delta River Region, and we expand across the multiple provinces municipalities and autonomous regions across the PRC. We are a member unit of the China Property Management Institution.

We have been providing property management services in the PRC for more than 22 years. According to CIA, we were ranked No. 7 in terms of growth among the 2018 China Top 100 Property Management Companies in the PRC, which marked our fourth consecutive year of being ranked among the top 10 property management service providers in terms of growth, and were ranked No. 6 among the 2018 China Top 100 Property Management Companies in the PRC in terms of total GFA under management in the Yangtze River Delta Region. We were ranked No. 16 among the 2018 China Top 100 Property Management Companies research report (2018年中國物業服務百強企業研究報告), as published by CIA.

The following table sets forth some of our awards received as of the Latest Practicable Date:

Year	Award/Recognition	Awarding Entity
2018	2018 China Top Property Management Companies (2018中國物業服務百強企業)	CIA
2018	Top 10 Growth among 2018 China Top 100 Property Management Companies (2018中國物業服務百強企業成長性TOP10)	CIA
2017	2017 China Top 100 Property Management Companies (2017中國物業服務百強企業)	CIA
2017	Top 10 Growth among 2017 China Top 100 Property Management Companies (2017中國物業服務百強企業成長性TOP10)	CIA
2016	2016 China Top 100 Property Management Companies (2016中國物業服務百強企業)	China Property Management Institution, CIA
2016	Top 10 Growth among 2016 China Top 100 Property Management Companies (2016中國物業服務百強企業成長性TOP10)	CIA
2016	2016 China Property Management, Leading Brand in Operations (2016中國物業服務專業化運營領先品牌企業)	CIA
2015	2015 Top 100 Overall Property Management Enterprises (2015物業管理綜合實力百強企業)	China Property Management Institution
2015	2015 Outstanding Property Services Enterprises (House) (2015物業服務特色企業(住宅物業))	China Property Management Institution
2015	2015 China Top 100 Property Management Companies (2015中國物業服務百強企業)	CIA
2015	Top 10 Growth among 2015 China Top 100 Property Management Companies (2015中國物業服務百強企業成長性TOP10)	CIA
2015	2015 China Property Management, Leading Company in (Internet+) Development Application Innovative Competition (2015中國物業服務企業“互聯網+”開發應用創新大賽領先企業)	CIA

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COMPETITION

The property management industry in the PRC is highly competitive and fragmented with numerous market participants. We believe that the PRC property management industry has relatively low entry barriers for the mid-tier and low-end segments, but relatively higher entry barriers for the high-end segment. We primarily compete against large national property management companies. In 2018, we were ranked No. 7 among the 2018 China Top 100 Property Management Companies in PRC in terms of growth, as awarded by CIA. Also in 2018, we were ranked No. 16 among the 2018 Top 100 Property Management Companies in terms of overall strength, according to CIA.

We believe that the principal competitive factors include, among others, operation scale, price, quality of service, brand recognition and financial resources.

For more details about the industry and markets that we operate in, please refer to the section entitled “Industry Overview” in this prospectus.

SOCIAL, HEALTH, WORK SAFETY AND ENVIRONMENTAL MATTERS

We are subject to PRC laws in relation to labor, safety and environment protection matters. In addition, we have established occupational safety and sanitation systems, implemented the ISO24001 and OHSAS18001 standards, and provided employees with workplace safety trainings on a regular basis to increase their awareness of work safety issues. During the Track Record Period and up to the Latest Practicable Date, we had complied with PRC laws in relation to workplace safety in all material respects and had not had any incidents which have materially and adversely affected our operations.

We consider the protection of the environment to be important and have implemented measures in the operation of our businesses to ensure our compliance with all applicable requirements. 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, and we have not been subject to any material administrative penalties due to violation of environmental laws in the PRC.

INSURANCE

We believe that our insurance coverage is in line with the industry practice in the PRC. We maintain insurance policies against major risks and liabilities arising from our business operations, primarily including (i) liability insurance to cover liabilities for property damages or personal injury suffered by third parties arising out of or related to our business operations, and (ii) property insurance for damages to both movable and immovable property owned by us or in our custody. We require our sub-contractors to purchase accident insurance for their employees who provide services to our company, and in accordance with our agreements with sub-contractors, the sub-contractors are responsible for all workplace injuries to their

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employees, except for the injuries directly attributable to us. We are covered by property and liability insurance policies with coverage features that we believe are customary for similar companies in the PRC. However, our insurance coverage may not adequately protect us against certain operating risks and other hazards, which may result in adverse effects on our business. For more details, please refer to the section entitled “Risk Factors – Our insurance may not sufficiently cover, or may not cover at all, losses and liabilities that we may encounter” in this prospectus.

EMPLOYEES

As of April 30, 2018, we had a total of 3,371 full time employees in the PRC. The following table sets forth a breakdown of our employees by department as of April 30, 2018:

Department	Number of Employees
Corporate Management	44
Financial Management	104
Quality Management	136
Business and Development	55
Administrative and Human Resources	90
On-site Staff	2,868
Engineering Companies	74
Total	<u>3,371</u>

We believe that our success depends in part on our ability to attract, recruit and retain quality employees. We strive to recruit and retain talents in the market by offering competitive compensations and benefits, systematic training opportunities and internal promotion. During our recruiting process, we seek talent that is best suited to our vacant positions by sourcing through a variety of channels, including online advertisement, headhunters and employee referrals. We screen and select our potential candidates through (i) review of their resumes by the human resources department, (ii) selection of the resumes by the department in need, and (iii) face to face interviews by the human resources department and the department in need. We send offer letters to our selected candidates once they pass such screening processes. In order to improve efficiency and optimize our recruiting criteria, we, from time to time, evaluate our recruiting process and results.

In order to ensure the quality of our service to our customers and their satisfaction, we have a standardized employee training program for all of our employees catered towards different job specifications for different departments. This includes a detailed orientation program for all new employees to familiarize themselves with our corporate culture, service philosophy operational system, work safety and the expected level of services to be provided to our customers. All existing employees are encouraged to undergo continuous skill development training from time to time. Furthermore, our senior management and certain promising employees are invited to attend training courses and programs organized by

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universities or professional training organizations to further enhance their knowledge and skills. We believe that the training of new staff and the ongoing training of our current staff is the key to maintaining our customer-oriented services and attracting property owner's trust.

As of the Latest Practicable Date, our employees belong to the labor union named Tibet Xinchengyue Property Service Labor Union, and we have also formed a Chinese Communist Party Branch. During the Track Record Period and up to the Latest Practicable Date, we did not experience any significant difficulties in recruiting suitable employees for our business operations. Neither did we have any material disputes with our employees, or experience any strike, labor disputes or industrial actions that may have a material adverse effect on our business, financial position and results of operations.

PROPERTIES

As of the Latest Practicable Date, we owned two properties, mainly consisting of offices in various locations in the PRC with an aggregated GFA of approximately 630.3 sq.m., which we held for self-use. We have obtained the property title certificates for the properties we own. There is one property that we do not own the title, but we have already submitted application and it is of our PRC Legal Advisor's view that the property purchase agreement that we entered into is valid according to PRC laws. We also leased 36 properties in various locations with an aggregated GFA of approximately 4,001.94 sq.m. for our own use as office, business operations and staff accommodation.

In the event that we need to relocate, we intend to find alternative locations nearby and relocate in a relatively short time. Given the nature of our business, we do not believe relocation of any such leased properties would cause any material disruption to our operations. Although we may incur additional relocation costs, we do not expect such costs to have any material impact on our business, operations or financial position.

During the Track Record Period, 47 lease agreements and up to the Latest Practicable Date, 61 lease agreements relating to our leased properties for the purposes of our subsidiaries' registered address had not been filed with the relevant PRC housing administration authorities according to applicable PRC regulations as of the Latest Practicable Date due to a lack of cooperation from the landlords in registering the relevant lease agreements. As a consequence, we might be subject to administrative fines for failing to complete the filings of the 61 lease agreements, up to a maximum amount of RMB610,000.

As advised by our PRC Legal Advisor, failing to complete the administrative filings with respect to certain of our lease agreements does not render the relevant lease agreements invalid or unenforceable. As of the Latest Practicable Date, we had not encountered any material obstacles or challenges to our leasing and using of those properties, and we had not been subject to any administrative, civil or criminal liabilities for the defective titles of the properties or failure to complete the administrative filings. Taking all of these factors into consideration and based on our PRC Legal Advisor's opinions, our Directors are of the view that the failure to complete the administrative filings are not likely to have a material adverse impact on our business, financial condition or results of operations, and therefore are not to be regarded as a non-compliance incident.

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We had no single property with a carrying amount of 15% or more of our total assets as of the Latest Practicable Date and, therefore, we did not need to prepare a valuation report with respect to our property interests in reliance upon the exemption provided by Section 6(2) of the Companies Ordinance (Exemption of Companies and Prospectus from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

LICENSES, APPROVALS AND PERMITS

We are required to obtain and renew certain certificates, permits and licenses for providing our services. See “Regulatory Overview” for more information about the material certificates, permits and licenses required for our business operations in the PRC. During the Track Record Period and up to the Latest Practicable Date, we had obtained all requisite certificates, permits and licenses that are material for our operation, and all of such certificates, permits and licenses are within their respective effective periods. We had not experienced any material difficulty in renewing such certificates, permits and licenses during the Track Record Period and up to the Latest Practicable Date, and we currently do not expect to have any material difficulty in renewing them when they expire, if applicable. During the Track Record Period and up to the Latest Practicable Date, we have not been penalized by the relevant government authorities for any non-compliance relating to maintenance and renewal of our material certificates, permits and licenses.

LEGAL PROCEEDINGS AND COMPLIANCE

From time to time, we may be involved in legal proceedings or disputes in the ordinary course of business, such as contract disputes with our customers and suppliers. As of the Latest Practicable Date, there were no litigation or arbitration proceedings or administrative proceedings pending or threatened against us or any of our Directors which would have a material adverse effect on our business, financial position or results of operations.

INTERNAL CONTROL AND RISK MANAGEMENT

We have implemented various risk management policies and measures to identify, assess and manage risks arising from our operations. Details on risk categories identified by our management, internal and external reporting mechanism, remedial measures and contingency management have been codified in our policies. For details of the major risks identified by our management, see the section entitled “Risk Factors – Risks Relating to Our Business and Industry” in this prospectus.

In addition, we face various financial risks, including interest rate, credit and liquidity risks that arise during our ordinary course of business. See the section entitled “Financial Information – Qualitative and Quantitative Disclosure about Market Risk” in this prospectus for a discussion of these financial risks.

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To monitor the ongoing implementation of our risk management policies and corporate governance measures after the Global Offering, we have adopted or will adopt, among other things, the following risk management and internal control measures:

- the establishment of an audit committee responsible for overseeing our financial records, internal control procedures and risk management systems. See the section entitled “Directors and Senior Management – Board Committee – Audit Committee” in this prospectus for the qualifications and experience of these committee members as well as a detailed description of the responsibility of our audit committee;
- the appointment of Cai Wenwei as our chief financial officer and Lam Yuk Ling and You Jianfeng as our joint company secretaries to ensure the compliance of our operation with relevant laws and regulations. For their biographical details, see the section entitled “Directors and Senior Management” in this prospectus;
- the appointment of Red Solar Capital Limited (緯耀資本有限公司) as our compliance advisor upon the Listing to advise us on compliance with the Listing Rules; and
- the engagement of external legal advisors to advise us on compliance with the Listing Rules and to ensure our compliance with relevant regulatory requirements and applicable laws, where necessary.

Finally, we have adopted or will adopt before the Global Offering, various internal regulations against corrupt and fraudulent activities, which includes measures against receiving bribes and kickbacks, and misuse of company assets. Major measures and procedures to implement such regulations include:

- authorizing our audit and supervision department to assume responsibility for daily execution of our anti-corruption and anti-fraud measures, including handling complaints, ensuring protection for the whistle-blower and conducting internal investigations;
- providing anti-corruption compliance training periodically to our senior management and employees to enhance their knowledge and compliance with applicable laws and regulations, and including relevant policies and express prohibitions against non-compliance in staff handbooks; and
- undertaking rectification measures with respect to any identified corrupt or fraudulent activities, evaluating the identified corrupt or fraudulent activities and proposing and establishing preventative measures to avoid future non-compliance.

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In preparation for the Listing, the Group has engaged an independent third party consultant (the “**Internal Control Consultant**”) to perform a review over selected areas of our internal controls over financial reporting in March 2018 (the “**Internal Control Review**”). The more significant recommendations (“**Significant Recommendations**”) identified by the Internal Control Consultant include: (i) the need to establish the required terms of reference of the Board and its committees; (ii) the need to hire the Company Secretary; (iii) the need to develop a formal policies including the monitoring of conflict of interest and code of conduct, the appointing and leaving of the senior management, the process of the information disclosures, the monitoring of the information security, as well as monitoring and reporting of related party and connected transactions; (iv) the need to enhance the regulatory compliance management function. The Internal Control Consultant performed the follow-up reviews in April 2018 to review the status of the management actions taken by the Group to address the Significant Recommendations of the Internal Control Review (the “**Follow-up Review**”). The Internal Control Consultant did not have any further recommendation in the Follow up Review.

The Internal Controls Review and the Follow-up Review were conducted based on information provided by the Group and no assurance or opinion on internal controls was expressed by the Internal Control Consultant.

Our Directors are of the view that such controls and measures are sufficient and effective to avoid the occurrence of corruption, bribery, or other improper conduct of our employees. During the Track Record Period and up to the Latest Practicable Date, we were not subject to any government investigation or litigation with respect to claims or allegations of monetary and non-monetary bribery activities.

CONTROLLING SHAREHOLDERS

Innovative Hero will be directly interested in 75% of the issued share capital of our Company immediately upon completion of the Capitalization Issue and Global Offering (assuming the Over-allotment Option is not exercised). Innovative Hero, along with its 100% owner, Wealth Zone Hong Kong, are wholly-owned by First Priority, which is in turn wholly-owned by Infinity Fortune, and Infinity Fortune is beneficially owned by the Hua Sheng Trust, a discretionary trust set up and controlled by Mr. Wang. Accordingly, Innovative Hero, Wealth Zone Hong Kong, First Priority, Infinity Fortune and Mr. Wang are controlling shareholders of our Company.

Delineation of Business

The table below sets forth the principal businesses of our Group and the Future Land Group as of the Latest Practicable Date:

<u>Name of company</u>	<u>Principal business operations</u>
Our Group	Property management services
Future Land Development Holdings	Property development and investment in the PRC

Future Land Development Holdings is listed on the Main Board of the Stock Exchange (HKEX Stock Code: 1030). Future Land Development Holdings' ultimate controlling shareholder is Mr. Wang, who holds 71.01% of shareholding in Future Land Development Holdings as of the Latest Practicable Date. Future Land Development Holdings has overlapping controlling shareholders with our Company in addition to Mr. Wang, namely First Priority, Wealth Zone and Infinity Fortune, each of whom holds 71.01% of shareholding in Future Land Development Holding as of the Latest Practicable Date.

Future Land Development Holdings is principally engaged in the businesses of development, investment and sales of properties, including operating its self-owned mixed-complexes under the brand name of "Wuyue Plaza". Future Land Development Holdings carries out certain maintenance works for its self-owned properties, which are limited and ancillary to the commercial operation of Wuyue Plazas and are not a standalone business available to the market. Given the difference between the principal business operations of our Group and Future Land Development Holdings, our Directors are of the view that there is clear delineation between the business of our Group and that of Future Land Development Holdings, as a result, none of the business of Future Land Development Holdings would compete or is expected to compete, directly or indirectly, with the businesses of the Group.

To ensure that competition will not exist in the future, Mr. Wang, our ultimate Controlling Shareholder, has entered into the Deed of Non-Competition in favour of our Company to the effect that he will not, and will procure his respective close associates not to, directly or indirectly participate in, or hold any right or interest, or otherwise be involved in any business which may be in competition with our business, further details of which are set out in the paragraph entitled "– Deed of Non-Competition" below.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS AND FUTURE LAND GROUP

As at the Latest Practicable Date, none of our Controlling Shareholders, our Directors and their respective close associates had any business which competes or is likely to compete, either directly or indirectly with our Company's business which would require disclosure under Rule 8.10 of the Listing Rules.

Information on companies owned and controlled by our Controlling Shareholders

We are currently engaged in the provision of property management services. Mr. Wang currently holds interests in certain companies outside of our Group (the "Non-Group Companies"), which operate certain businesses outside of our Group (the "Non-Group Business").

As at the Latest Practicable Date, Mr. Wang controlled and managed the following Non-Group Companies.

<u>Company Name</u>	<u>Name of Controlling Shareholder</u>	<u>Percentage of interest directly or indirectly held</u>	<u>Principal business activities</u>
Future Land Development Holdings	Mr. Wang	71.01%	Property development and property investment in the PRC.
Shanghai Xincheng Financial Information Service Co., Ltd. (上海新城金融信息服務有限公司).	Mr. Wang	99.7%	Financial information service
Shanghai Yikun Commercial Factoring Co., Ltd. (上海逸錕商業保理有限公司).	Mr. Wang	100%	Commercial factoring
Shanghai Saifu Equity Investment Fund Management Co., Ltd. (上海賽福股權投資基金管理有限公司).	Mr. Wang	99%	Private equity investment

Reasons for not including the Non-Group Companies

We are a fast growing property management service companies in PRC. Future Land Development Holdings is a property developer in the PRC, and its operations comprise, among other things, land acquisition, property development and construction, property sales.

Each of Shanghai Xincheng Financial Information Service Co., Ltd., Shanghai Yikun Commercial Factoring Co., Ltd., Shanghai Saifu Equity Investment Fund Management Co., Ltd. is principally engaged in the provision of finance-related services, the nature of which is fundamentally different from the services provided by our Group. Our Directors are of the view that the business of our Group and that of each of the Non-Group Companies are different lines

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of business and there is a clear delineation amongst them in terms of scale of operation, business model, target customers and expertise required, and the Non-Group Business does not and will not compete directly or indirectly with the existing business of our Group.

Our Directors consider that the inclusion of the Non-Group Companies in our Group will not add strategic or other value to our Group for the purpose of Listing.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors are satisfied that we are capable of carrying out our business independently from our Controlling Shareholders and their respective associates (other than our Group) after the Global Offering.

Management Independence

As of the Latest Practicable Date, our board of Directors consists of nine Directors, six of whom are not associated with our Controlling Shareholders or Future Land Development Holdings. Of these six Directors, three are independent non-executive Directors. Set out below is a table summarizing the positions held by the Directors at our Company and Future Land Development Holdings as of the Latest Practicable Date:

<u>Name of Director</u>	<u>Position with our Company</u>	<u>Position with the Future Land Development Holdings</u>
Mr. Qi Xiaoming	Chairman, executive Director, chief executive officer and general manager	N/A
Ms. Wu Qianqian	Executive Director, deputy general manager (quality assurance)	N/A
Mr. Lan Ziyong	Executive Director, deputy general manager (operations, administration and human resources)	N/A
Mr. Wang	Non-executive Director	Executive director and chairman
Mr. Lv Xiaoping	Non-executive Director	Executive director and chief executive officer
Mr. Lu Zhongming	Non-executive Director	Executive director and chief financial officer
Ms. Zhang Yan	Independent non-executive Director	N/A
Mr. Zhu Wei	Independent non-executive Director	N/A
Mr. Xu Xinmin	Independent non-executive Director	N/A

Mr. Wang held approximately 71.01% of the issued share capital of Future Land Development Holdings as of the Latest Practicable Date.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS AND FUTURE LAND GROUP

Upon Listing, each of the Company, our Controlling Shareholders and Future Land Development Holdings is expected to be managed by different management personnel, and save for the three non-executive Directors, none of our Directors or senior management is expected to hold any position or has any roles or responsibility in our Controlling Shareholders or their associates. None of our independent non-executive Directors has any relationship with our Controlling Shareholders. Therefore, there will be sufficient non-overlapping directors who are independent and have relevant experience to enable the proper functioning of our Board upon Listing.

We believe that the Directors and senior management are able to perform their roles in the Company independently and the Company is capable of managing its business independently from our Controlling Shareholders and Future Land Development Holdings after the Listing for the following reasons:

- (i) the decision-making mechanism of our Board set out in the Articles includes provisions to avoid conflicts of interests by providing, among other things, that in the event of a conflict of interest, such as consideration of resolutions in relation to transactions with our Controlling Shareholders or Future Land Development Holdings, the relevant Director(s) who are connected with our Controlling Shareholders or Future Land Development Holdings shall abstain from voting and not be counted in the quorum. Further, when considering connected transactions, the independent non-executive Directors will review the relevant transactions;
- (ii) each of our Directors is aware of his fiduciary duties as a Director which requires, among others, that he acts for the benefit and in the best interests of us;
- (iii) we have appointed three independent non-executive Directors, comprising one-third of our Board, to provide a balance of the number of interested and independent Directors with a view to promoting the interests of the Company and our Shareholders as a whole. Directors who hold overlapping directorships with Future Land Development Holdings are considered to be in conflict and are required to abstain from voting in certain circumstances. The Memorandum and Articles of Association have stipulated circumstances under which the Directors would be considered to be in conflict, namely that for any contracts, transactions or arrangements where a Director or an associate of a Director is substantially interested, such person would be considered to be in conflict and is required to abstain from voting and not be counted in the quorum. For these purposes, the Directors who hold positions in our Controlling Shareholders and Future Land Development Holdings are considered to be in conflict in respect of any contracts, transactions or arrangements with our Controlling Shareholders and Future Land Development Holdings. Based on the above, our Directors believe that the Company is capable of maintaining management independence from our Controlling Shareholders and Future Land Development Holdings.

Operational Independence

We engage in our businesses independently, with the independent right to make operational decisions and implement such decisions. Our Directors consider that our operations do not depend on the operation of our Controlling Shareholders or Future Land Development Holdings for the following reasons:

- (a) there is no competing business between our Group and any of our Controlling Shareholders or Future Land Development Holdings;
- (b) none of our Directors has an interest in any business which competes or is likely to compete, either directly or indirectly, with our business;
- (c) we hold all the trademarks, domain names and other intellectual property rights with respect to our business;
- (d) we have sufficient capital, equipment and employee to operate our business independently from our Controlling Shareholders and their respective associates;
- (e) we have our own organizational structure with independent departments, each with specific areas of responsibility;
- (f) we maintain a set of comprehensive internal control procedures to facilitate the effective operation of our business;
- (g) we have our own independent operation capabilities and independent access to customers and we have an independent management team to handle our day-to-day operations; and
- (h) the continuing connected transactions as set out in the section headed “Connected Transactions” in this prospectus of our Group have been entered into and will continue to be entered into on normal commercial terms and in our ordinary course of business. Please refer to the section headed “Connected Transactions” of this prospectus for the details of the connected transactions that will continue after Listing.

Based on the above, although we have entered or may enter into certain connected transactions as set out in the section entitled “Connected Transactions” of this prospectus, our Directors are of the view that the Company operates independently from our Controlling Shareholders and Future Land Development Holdings.

Financial Independence

We have an independent financial system and finance team responsible for our own treasury functions and we have made, and will continue to make, financial decisions based on our own business needs. We are financially independent of our Controlling Shareholders and their respective associates.

During the Track Record Period, our Controlling Shareholders and their respective associates provided certain loans for our subsidiaries. Please refer to note 28 of Appendix I to this prospectus for details. As at the Latest Practicable Date, these loans have been repaid.

Other than the above, our source of funding was independent from our Controlling Shareholders. Our Directors confirm that our Group does not intend to obtain any further borrowing, guarantees, pledges and mortgages from any of our Controlling Shareholders or their respective associates.

Based on the above, our Directors believe that we are able to maintain financial independence from our Controlling Shareholders and their respective associates.

MEASURES TO MINIMIZE POTENTIAL COMPETITION AFTER LISTING

Deed of Non-Competition

On October 20, 2018, our Controlling Shareholders entered into a Deed of Non-competition in favor of our Company (for itself and on behalf of all members of our Group), pursuant to which they have undertaken that they would not, and would procure that none of their associates (other than any member of our Group) will directly or indirectly, engage in any business which competes or is likely to compete, directly or indirectly, with our Group's business as described in this prospectus in the PRC or any other places in which our Group carries on business (the "**Restricted Business**").

If there is any new business opportunity in the Restricted Business, the Controlling Shareholders shall refer such new business opportunity to our Group within seven (7) days. Such business opportunity shall have first been offered or made available to us and be considered by our independent non-executive Directors or its committees which do not have a material interest in the business opportunity. Each of the Controlling Shareholders shall not invest, participate, be engaged in and/or operate in such business opportunity unless our Board or its committees have declined in writing or failed to respond within six (6) months after being notified of such opportunity.

The aforesaid undertakings do not apply to any investment or interest in units or shares of, inter alia, any company which engages in any Restricted Business where such investment or interest does not exceed 5% of the outstanding voting shares of the relevant company, provided that such investment or interest does not grant the Controlling Shareholders and/or their associates (other than any member of our Group) any right to control the composition of

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the board of directors or managers of such company nor any right to participate, directly or indirectly, in the management of such company. The non-competition undertakings and the rights and obligations thereunder are subject to and conditional upon the Global Offering becoming unconditional as specified under the section headed “Structure of the Global Offering”.

The obligations of the Controlling Shareholders under the Deed of Non-competition will remain in effect until:

- (a) the date on which the Shares cease to be listed on the Hong Kong Stock Exchange (except for temporary suspension of trading of the Shares); or
- (b) the Controlling Shareholders and/or their associates (other than any member of our Group) cease to hold, whether directly or indirectly, 30% or more of the voting rights of our Company,

whichever occurs first.

CORPORATE GOVERNANCE MEASURES

Our Company will adopt the following corporate governance measures to manage any potential or actual conflict of interests between us and our Controlling Shareholders and to safeguard the interests of our Shareholders:

- our independent non-executive Directors will review, at least on an annual basis, the compliance with the Deed of Non-competition by our Controlling Shareholders;
- our Controlling Shareholders have undertaken to us that they will, and will procure their respective associates to use their best endeavours to provide all information necessary for the annual review by the independent non-executive Directors for the enforcement of the Deed of Non-competition;
- we will disclose the review by the independent non-executive Directors on the compliance with, and the enforcement of, the Deed of Non-competition, including the decision and related basis to accept or decline any business opportunity in the Restricted Business first offered to our Company under the Deed of Non-competition, in our annual report or by way of announcement to the public in compliance with the requirements of the Listing Rules;
- our Controlling Shareholders will make an annual declaration in our annual report on the compliance with the Deed of Non-competition in accordance with the principle of voluntary disclosure in the corporate governance report;

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- in the event that connected transactions, if any, between our Group and other business in which any of our Directors or their respective associates has any interest are submitted to the Board for consideration, the relevant interested Director will not be counted in the quorum and will abstain from voting on such matters, and majority votes by non-conflicted Directors are required to decide on such connected transactions;
- our Directors operate in accordance with the Articles which require the interested Director not to 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 associates is materially interested; and
- pursuant to the Corporate Governance Code and Corporate Governance Report (the “CG Code”) in accordance with Appendix 14 of the Listing Rules, our Directors, including the independent non-executive Directors, will be able to seek independent professional advice from external parties in appropriate circumstances at our Company’s cost.

Our Directors are therefore satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interests between us and our Controlling Shareholders, and to protect minority Shareholders’ rights after the Listing.

Our Company is expected to comply with the CG Code which sets our principles of good corporate governance in relation to, among others, Directors, the chairman, Board composition, the appointment, re-election and removal of Directors, their responsibilities and remuneration and communications with our Shareholders. Our Company will state in its interim and annual reports whether we have complied with the CG Code, and will provide details of, and reasons for, any deviations from it in our corporate governance report which will be included in our annual report.

CONNECTED TRANSACTIONS

OVERVIEW

We have entered into two non-exempt continuing connected transactions with our connected persons (as defined under Chapter 14A of the Listing Rules), namely, the Office Lease Agreement (as defined below) and 2018 Property Services Framework Agreement (as defined below). Upon the listing of the Shares on the Stock Exchange, the transactions contemplated under Office Lease Agreement and the 2018 Property Services Framework Agreement will constitute continuing connected transactions of the Group within the meaning of the Listing Rules.

	Name of agreement under which the transactions are contemplated	Applicable Listing Rules	Waiver Sought	Proposed annual cap (in RMB) for the year ending December 31		
				2018	2019	2020
	Non-exempt continuing connected transactions					
1.	Office Lease Agreement	14A.35, 14A.49, 14A.71, 14A.76	Requirements as to annual review, reporting and announcement	1,685,466.80	1,685,466.80	1,685,466.80
2.	2018 Property Services Framework Agreement	14A.31, 14A.34, 14A.35, 14A.36, 14A.49, 14A.71	Requirements as to annual review, reporting, announcement, circular and independent shareholders' approval	354 million	N/A	N/A

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

1. Office Lease Agreement

On May 4, 2018, Tibet Xinchengyue entered into a lease agreement with Shanghai Future Land Chuangyu Real Estate Company Limited (“**Shanghai Chuangyu**”) (the “**Office Lease Agreement**”), pursuant to which Tibet Xinchengyue agreed to lease from Shanghai Chuangyu certain office space with a GFA of approximately 1,088.8 sq.m. located in Putuo District, Shanghai, PRC as the headquarters of our Group. The term of the lease shall be three years beginning from January 1, 2018.

CONNECTED TRANSACTIONS

Rental and pricing policy

The annual rental amount, calculated on a RMB4.3 per square meter per day basis, for each of 2018, 2019 and 2020 is or will not be more than RMB1,685,466.80. The annual rental amount was arrived at after arm's length negotiations with reference to the rental price during 2015 to 2017 generally in the range of RMB4.2 to 5.6 per square meter per day of the neighbouring building which is owned by Future Land Group and leased to independent tenants. The Directors are of the view that the transactions contemplated under the Office Lease Agreement are on normal commercial terms or better and the rent in particular is comparable to market rate in the same area. Our PRC Legal Advisor also confirmed that the terms of the Office Lease Agreement are valid, binding and enforceable against the parties thereto.

Historical transaction amounts

We started to lease the premises from Shanghai Chuangyu since October 2015 for a GFA of approximately 1,900 sq.m. and the total area leased by us has been reduced to approximately 1,088.8 sq.m. since May 2016 due to commercial reasons, for which the annual rental amounts during the three years ended December 31, 2017 fluctuated. The rental amount paid by our Group to Shanghai Chuangyu for the years ended December 31, 2015, 2016 and 2017 and the four months ended April 30, 2018 are set out below:

Historical Amount for			
the year ended December 31, 2015	the year ended December 31, 2016	the year ended December 31, 2017	four months ended April 30, 2018
RMB million	RMB million	RMB million	RMB million
0.8	2.6	1.6	0.5

Listing Rules implication

Mr. Wang, a Controlling Shareholder and a non-executive Director of our Company, is interested in 71.01% shares of Future Land Development Holdings and Shanghai Chuangyu is a subsidiary of Future Land Development Holdings. Accordingly, Shanghai Chuangyu is a connected person of our Company and the entering into of the Office Lease Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the maximum applicable percentage ratios (other than the profit ratio) for the proposed annual cap in respect of the continuing connected transactions contemplated under the Office Lease Agreement exceeds 0.1% but is less than 5%, the Office Lease Agreement and the proposed new annual cap in respect of the continuing connected transactions contemplated thereunder are subject to the reporting, annual review and announcement requirements under Rule 14A.36 of the Listing Rules.

CONNECTED TRANSACTIONS

Application for waiver

We have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules in respect of the Office Lease Agreement pursuant to Rule 14A.105 of the Listing Rules.

2. 2018 Property Services Framework Agreement

Tibet Xinchengyue has been providing certain property management services to Future Land Holdings and its affiliates up to the Latest Practicable Date. In contemplation of Listing, on October 12, 2018, Tibet Xinchengyue entered into a property services framework agreement (the “**2018 Property Services Framework Agreement**”) with Mr. Wang, a Controlling Shareholder and a non-executive Director, pursuant to which Tibet Xinchengyue agreed to provide the following services to companies (including Future Land Holdings) in which Mr. Wang can exercise or control the exercise of 30% or more of the voting power at their general meetings and their subsidiaries (“**Mr. Wang’s Associated Companies**”) for the term of one year, i.e. throughout 2018:

(i) Property Management Services

Tibet Xinchengyue is responsible for providing Mr. Wang’s Associated Companies with a wide range of property management services, including property and equipment maintenance, security services, cleaning services, gardening services, public area maintenance and other property management related services.

(ii) Value-added Services

The value-added property management services provided by Tibet Xinchengyue to Mr. Wang’s Associated Companies entail:

- (a) provision of engineering and maintenance service of intelligent security equipment, e.g., surveillance system, access control system and parking system for properties developed by Mr. Wang’s Associated Companies;
- (b) provision of on-site sales assistance service, including on-site and sample room cleaning, reception and customer services at the sale offices, showrooms and clubhouses in the development projects;
- (c) provision of property inspection services for development projects, including properties, facilities and security systems, in accordance with the acceptance standards of Mr. Wang’s Associated Companies and provision of feedbacks;

CONNECTED TRANSACTIONS

- (d) provision of property consultancy services including advising in the preliminary stage of property development, such as strategic marketing and property design; and assisting in the preparation for the delivery of properties;
- (e) provision of parking areas information consultancy services including assigning on-site staff to provide information or consultancy services for the sales or promotion activities in relation to parking areas organized by Mr. Wang's Associated Companies; and
- (f) project management services for the property maintenance works during the warranty period after the delivery of the property developed by Mr. Wang's Associated Companies.

For further information of these value-added property management services, please refer to the section headed "Business – Our Business Model" in this prospectus.

Reasons for the transaction

The Company is engaged in the provision of property management services, such as property and equipment maintenance, security services, cleaning services, gardening services, public area maintenances whereas Mr. Wang has been involved in property development and property investment in the PRC via Future Land Group. The Company has been providing such property management services to Future Land Group (including development projects where Future Land Group have minority investment interests in) since 1996 and we believe such services are of great assistance to Future Land Group, as well as providing a steady stream of income to the Company.

Pricing policy

The pricing policies under each of the different type of services to be offered by Tibet Xinchengyue are as follows:

The service fees shall be determined principally by arm's length commercial negotiations according to the principles of fairness and reasonableness by taking into account factors including the type of the development projects, the guidance price of such services for similar type of development projects issued by the local government, the operational costs (including labor costs, material costs and administrative costs) and the anticipated increase in such costs due to inflation and economic and social development. The service fees shall not be higher than the standard fees approved by the state pricing regulatory authorities (if available) in any event.

CONNECTED TRANSACTIONS

Historical transaction amounts

Tibet Xinchengyue provided property management services and value added-services to Mr. Wang's Associated Companies, during the Track Record Period. The approximate revenue generated from Mr. Wang's Associated Companies for the years ended December 31, 2015, 2016 and 2017 and the four months ended April 30, 2018 are set out below:

Historical Amount for			
the year ended December 31, 2015	the year ended December 31, 2016	the year ended December 31, 2017	four months ended April 30, 2018
RMB million	RMB million	RMB million	RMB million
117.7	149.5	222.1	71.5

Proposed annual cap and basis of annual cap

As the transactions contemplated under the 2018 Property Services Framework Agreement will continue after Listing, it will constitute continuing connected transactions of our Company upon Listing. The Group will only provide Mr. Wang's Associated Companies with the services contemplated thereunder in accordance with the principles set out in the 2018 Property Services Framework Agreement. The maximum annual service fees payable by Mr. Wang's Associated Companies contemplated under the 2018 Property Services Framework Agreement for the year ending December 31, 2018 shall not exceed RMB354 million.

In determining the above annual cap, our Director have considered, among other factors,

- (1) the annual cap for the year ending December 31, 2018 in relation to services to be provided to Future Land Holdings (and its subsidiaries) is expected to be RMB304 million whereas that in relation to services to be provided to the other Mr. Wang's Associated Companies is expected to be RMB50 million;
- (2) the aggregate amount of approximately RMB179.7 million settled by Future Land Holdings, as one of such Mr. Wang's Associated Companies for property management services and value-added services for the year ended December 31, 2017;
- (3) the estimated demand of Mr. Wang's Associated Companies for property management services for the year ending December 31, 2018 with reference to the historical amounts for such property management services for the years ended December 31, 2016 and 2017 and existing and future development projects of Mr. Wang's Associated Companies. In particular, according to the 2017 annual report of Future Land Holdings, Future Land Holdings' contracted sales area reached approximately 9.28 million sq.m. for the year ended December 31, 2017, which

CONNECTED TRANSACTIONS

represents an increase of approximately 61.44% compared with the same period of 2016 and provides a growing pipeline for our Group to take up new opportunities for provision of property management services; and

- (4) other factors such as our Group's business plans and inflation.

The property services framework agreement between Tibet Xinchengyue and Future Land Holdings, a company listed on Shanghai Stock Exchange, constitutes a connected transaction of Future Land Holdings and its term cannot be longer than one year pursuant to the listing rules of Shanghai Stock Exchange. We have agreed with Future Land Holdings that the property services framework agreement shall be renewed on an annual basis in compliance with the listing rules of Shanghai Stock Exchange. The annual cap for the year ending December 31, 2019 cannot be determined until the property services framework agreement is renewed for the same period as permitted under the applicable listing rules. The Controlling Shareholders will use its best commercial endeavors to cause Future Land Holdings to renew the property services framework agreement on a timely basis in compliance with all applicable listing rules.

Subsidiary agreements

For each development project of Mr. Wang's Associated Companies which requires the property management services under the 2018 Property Services Framework Agreement, the relevant Mr. Wang's Associated Company and Tibet Xinchengyue or its subsidiaries will (directly or through their respective subsidiaries) enter into a subsidiary agreement setting out the specific scope of services required and amount of fees payable in conformity with the principles (including the pricing policy mentioned above) set out in the 2018 Property Services Framework Agreement.

All transactions contemplated under the 2018 Property Services Framework Agreement shall be conducted on normal commercial terms and negotiated on arm's length basis.

Listing Rules implications

Mr. Wang is our Controlling Shareholder and a non-executive Director of our Company and therefore Mr. Wang and all Mr. Wang's Associated Companies are all connected persons of our Company. As such, the entering into of the 2018 Property Services Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the maximum applicable percentage ratios (other than the profit ratio) for the proposed annual cap in respect of the continuing connected transactions contemplated under the 2018 Property Services Framework Agreement exceeds 5%, this agreement and the proposed annual cap in respect of the continuing connected transactions contemplated thereunder are subject to the reporting, annual review, announcement, circular and the independent shareholders' approval requirements under Rule 14A.36 of the Listing Rules.

CONNECTED TRANSACTIONS

Application for waiver

We have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with (i) the announcement, circular and Shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the 2018 Property Services Framework Agreement pursuant to Rule 14A.105 of the Listing Rules.

CONFIRMATION FROM OUR DIRECTORS

Each of the Directors (including the independent non-executive Directors) is of the view that the Office Lease Agreement and the 2018 Property Services Framework Agreement are entered into on an arm's length basis, on normal commercial terms, in the usual and ordinary course of business of the Group. The transactions contemplated under the Office Lease Agreement and the 2018 Property Services Framework Agreement are fair and reasonable and are in the interest of the Company and the Shareholders as a whole.

CONFIRMATION FROM THE SOLE SPONSOR

The Sole Sponsor is of the view that (i) the non-exempt continuing connected transactions as set out above have been entered into in the ordinary and usual course of business of our Company, on normal commercial terms or better, and are fair and reasonable and in the interests of our Company and our Shareholders as a whole; and (ii) the proposed annual cap for such transactions is fair and reasonable and in the interests of our Company and our Shareholders as a whole.

DIRECTORS AND SENIOR MANAGEMENT

The table below sets forth information regarding our current Directors and our other senior management members:

DIRECTORS

Name	Age	Date of appointment as Director	Date of joining our Group	Current Position in our Company	Roles and Responsibilities
Mr. Qi Xiaoming (戚小明)	49	January 16, 2018	January 2015	Chairman, executive Director, chief executive officer and general manager	Responsible for overall strategic planning and operation management of our Group
Ms. Wu Qianqian (吳倩倩)	33	April 18, 2018	August 2012	Executive Director and deputy general manager (quality assurance)	Responsible for overseeing the quality assurance function of our Group
Mr. Lan Ziyong (蘭子勇)	38	April 18, 2018	March 2011	Executive Director and deputy general manager (operations, administration and human resources)	Responsible for the daily operations, administration and human resources management of our Group
Mr. Wang Zhenhua (王振華)	56	April 18, 2018	March 1996	Non-executive Director	Provision of guidance for the overall development of our Group
Mr. Lv Xiaoping (呂小平)	56	April 18, 2018	April 2016	Non-executive Director	Provision of guidance for the overall development of our Group
Mr. Lu Zhongming (陸忠明)	46	April 18, 2018	April 2016	Non-executive Director	Provision of guidance for the overall development of our Group
Ms. Zhang Yan (張燕)	47	October 20, 2018	August 2016	Independent non-executive Director	Supervising and providing independent judgement to the Board
Mr. Zhu Wei (朱偉)	56	October 20, 2018	August 2016	Independent non-executive Director	Supervising and providing independent judgement to the Board
Mr. Xu Xinmin (許新民)	66	October 20, 2018	October 2018	Independent non-executive Director	Supervising and providing independent judgement to the Board

DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Name	Age	Date of appointment as Senior Management	Date of joining our Group	Current Position in our Company	Roles and Responsibilities
Mr. Tao Fajin (陶法金)	53	April 18, 2018	June 2008	Deputy general manager (market development)	Responsible for overseeing business development of our Group
Mr. Cai Wenwei (蔡文為)	43	April 18, 2018	July 2016	Chief financial officer and deputy general manager (finance)	Responsible for the finance function of our Group
Mr. You Jianfeng (尤建峰)	39	April 18, 2018	January 2016	Deputy general manager and joint company secretary	Responsible for assisting the Board of Directors in formulating strategies

BOARD OF DIRECTORS

The Board currently consists of nine Directors, comprising three executive Directors, three 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 Memorandum and Articles of Association.

Executive Directors

Mr. Qi Xiaoming (戚小明), aged 49, is our chairman, executive Director, chief executive officer and general manager. He also serves as Tibet Xinchengyue's chairman and executive director. Mr. Qi joined our Group in January 2015. Prior to joining our Group, Mr. Qi served as the assistant to the manager of the executive management department in Jiangsu Future Land and the deputy manager, general manager and assistant president in Changzhou Future Land Chengzhong Branch from September 2002 to March 2015. He also served as the assistant president of Future Land Development Holdings from March 2015 to June 2016.

Mr. Qi obtained a bachelor's degree in engineering from Hefei Industrial University (合肥工業大學) in July 1992.

DIRECTORS AND SENIOR MANAGEMENT

Ms. Wu Qianqian (吳倩倩), aged 33, is our executive Director and deputy general manager (quality assurance). Ms. Wu joined our Group in August 2012 and has assumed various positions within our Group, including assistant general manager of the Company and assistant general manager and general manager of our Changzhou Branch. Prior to joining our Group, Ms. Wu served as a customer service manager and sales manager in Changzhou Future Land from June 2007 to July 2012.

Ms. Wu graduated from Yancheng Teachers University (鹽城師範大學) in June 2006 with a bachelor's degree in management.

Mr. Lan Ziyong (蘭子勇), aged 38, is our executive Director and deputy general manager (operations, administration and human resources). Mr. Lan joined our Group in March 2011 and has served as assistant general manager of the Company. Prior to joining our Group, Mr. Lan worked in Jiangsu Future Land as the deputy manager of the sales department and secretary to the president from January 2007 to February 2011.

Mr. Lan obtained a bachelor's degree in engineering management and a master's degree in management from Chongqing University (重慶大學) in June 2004 and December 2006, respectively.

Non-executive Directors

Mr. Wang Zhenhua (王振華), aged 56, is our non-executive Director. Mr. Wang began his career in property management services in March, 1996, when he joined Tibet Xinchengyue as chairman and manager. Mr. Wang founded the business of Future Land Development Holdings and has been the chairman of the board of directors of Future Land Holdings since 1996. In 2001, Mr. Wang became chairman of the board of directors of Jiangsu Future Land, a subsidiary of Future Land Development Holdings that engages principally in residential property development and the B-shares of which were formerly listed on the Shanghai Stock Exchange (SSE Stock Code: 900950). In December 2015, Future Land Holdings absorbed and merged with Jiangsu Future Land by way of share swap and was listed on the Shanghai Stock Exchange (SSE Stock Code: 601155). In 2008, Mr. Wang founded Future Land Wanbo Property Co., Ltd., which focuses on the development of mixed-use complex project.

Mr. Wang graduated from Cheung Kong Graduate School of Business (長江商學院) with an EMBA degree in July 2005. Mr. Wang currently serves as vice-president of China Real Estate Chamber of Commerce (中華全國工商業聯合會房地產商會) and as president of Shanghai Real Estate Chamber of Commerce. Mr. Wang was named "National Model Worker" ("國家勞動模範") by the State Council in 2010 and was appointed as a representative of Jiangsu Province for the National People's Congress of the PRC in January 2013.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Lv Xiaoping (呂小平), aged 56, is our non-executive Director. He has been serving as a director of Tibet Xinchengyue Property Service Co., Ltd. since he joined the Group in April 2016. Prior to joining our Group, Mr. Lv served as the deputy general manager of Jiangsu Xincheng Enterprise Group Co., Ltd. (江蘇新城實業集團有限公司) between September 2001 and August 2004; the general manager of Future Land Holdings between March 30, 2015 and December 15, 2015. From August 2004 to February 2013, Mr. Lv had been a director and the president of Jiangsu Future Land, principally responsible for the overall management of the Group's residential property development business carried out by Jiangsu Future Land. From February 2013 to January 2016, Mr. Lv served as the vice chairman of Jiangsu Future Land. He was appointed as a director of Future Land Holdings in December 2015, a position which he currently holds. Mr. Lv was appointed as a non-executive director of Future Land Development Holdings in November 2012 and as an executive director and chief executive officer in January 2016. He is concurrently serving in these positions.

Mr. Lv graduated from the Naval University of Engineering (海軍工程大學) with a bachelor's degree in engineering in July 1983 and obtained a master of business administration degree from China European International Business School (中歐國際工商學院) in June 2007.

Mr. Lu Zhongming (陸忠明), aged 46, is our non-executive Director. Mr. Lu joined our Group in April 2016. Mr. Lu served as the general manager of the finance department of Jiangsu Future Land from December 2001 to May 2010 and later vice president of Future Land Holdings from June 2010 to March 2015. In March 2015, Mr. Lu joined Future Land Development Holdings as a vice president, a position he currently holds.

Mr. Lu graduated from Nanjing Economic College (南京經濟學院) in June 1999, and obtained a master of business administration degree from Tongji University (同濟大學) in December 2013.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Zhang Yan (張燕), aged 47, is our independent non-executive Director. She served as an independent director of Tibet Xinchengyue from August 2016 to February 2018. Prior to joining our Group, Ms. Zhang successively worked as an executive; a vice head and the head of Changzhou Accounting Office (常州會計師事務所) from August 1992 to December 1998. Ms. Zhang served as the chairman and head accountant of Changzhou Zhengda Accountants Co., Ltd. (常州正大會計師事務所有限公司) from January 1999 to December 2000. Ms. Zhang then joined the Jiangsu Chartered Accountants Co., Ltd (江蘇公證會計師事務所) in January 2001 and served as the deputy head accountant of the company and the head of their Changzhou office until August 2008. Ms. Zhang has been serving as a deputy professor at Jiangsu Polytechnic Academy College of Business (江蘇理工學院商學院) from August 2008 until the present. Ms. Zhang served as an independent non-executive director of EGing Photovoltaic Technology Co., Ltd (億晶光電科技股份有限公司), a company listed on the Shanghai Stock Exchange (SSE Stock Code: 600537) from December 2011 to December 2017 and has been serving as an independent non-executive director of Jiangsu Changhai Composite Materials Co., Ltd (江蘇長海複合材料股份有限公司), a company listed on Shenzhen Stock Exchange (SZSE Stock Code: 300196), since February 2016.

DIRECTORS AND SENIOR MANAGEMENT

Ms. Zhang graduated from Suzhou University College of Finance (蘇州大學財經學院) with a bachelor's degree in economics in June 1992, and became a senior Chinese chartered accountant in 2002, a certified public valuer in 2011.

Mr. Zhu Wei (朱偉), aged 56, is our independent non-executive Director. Mr. Zhu served as an independent director of Tibet Xinchengyue from August 2016 to February 2018. From June 1994 to present, Mr. Zhu has been working as a partner; director of the firm; chairman of partners' meeting at Jiangsu Zhuhui Law Firm (江蘇竹輝律師事務所). Mr. Zhu had been appointed as a part-time postgraduate tutor at Suzhou University (蘇州大學) since December 2002. Mr. Zhu had also been appointed as an independent non-executive director of Changzhou Langbo Seal Polytron Technologies Co., Ltd (常州朗博密封科技股份有限公司), a Shanghai Stock Exchange listed company (SSE Stock Code: 603655), since October 2015.

Mr. Zhu obtained a bachelor's degree in law from Southwest Politics and Law College (西南政法學院) in July 1983, a diploma in law from University of London in December 1997 and a doctoral degree in constitutional and administrative law from Suzhou University (蘇州大學) in June 2007. Mr. Zhu obtained his qualification as a Chinese first class lawyer (國家一級律師) in August 1998.

Mr. Xu Xinmin (許新民), aged 66, is our independent non-executive Director. Mr. Xu has the title of economist and has accumulated over 20 years of experience in the property industry. Mr. Xu served as the deputy secretary-general of the China Real Estate Chamber of Commerce (全聯房地產商會) where he was in charge of the work under the research committee for community services (社區服務研究會) from December 2014 to December 2017. From August 1992 to February 2001, Mr. Xu acted as the head of the department of housing management under Jiangsu Changzhou Property Management Bureau (江蘇省常州市房產管理局房屋管理處) and subsequently the head of the department of property management under Jiangsu Changzhou Property Management Bureau (江蘇省常州市房產管理局物業管理處). From March 2001 to April 2010, Mr. Xu served as the director of Chinese Management Council General Department (中國物業管理協會綜合部). Mr. Xu served as the deputy secretary general for Chinese Property Management Association (中國物業管理協會), where he was mainly responsible for overseeing the organisation and implementation of the National Property Management Examination (全國物業管理示範考評驗收) from March 2001 to April 2010. In July 2001, Mr. Xu was appointed as a senior consultant of the property management division at Chinese Higher Education Council (中國高校物業管理專業委員會). Mr. Xu has been since September 2014 and continues to serve as an independent non-executive director of Colour Life Services Group Co., Limited, a company listed on the Main Board of the Stock Exchange (HKEX Stock Code: 1778).

Mr. Xu graduated from Beijing Forestry University (北京林業大學) in June 2005.

DIRECTORS AND SENIOR MANAGEMENT

We have entered into service contracts with each of our executive Directors and have issued letters of appointment to each of our non-executive Directors and independent non-executive Directors. Each of the service contracts and letters of appointment with our Directors is for three years commencing from the Listing Date.

Save as disclosed above, each of our Directors has confirmed that he or she has not held any other directorships in listed companies during the three years immediately prior to the date of this prospectus and that there is no other information in respect of our Directors that is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules and there is no other matter that needs to be brought to the attention to our Shareholders.

SENIOR MANAGEMENT

Mr. Tao Fajin (陶法金), aged 53, joined our Group in June 2008 and has served as a deputy general manager since October 2015. Mr. Tao is responsible for overseeing the business development strategies of the Company. Mr. Tao served as the deputy general manager of Changzhou Tianan Real Estate Development Co., Ltd. (常州天安房地產開發有限公司) from December 1992 to June 2006. After that, Mr. Tao served as the deputy general manager of Changzhou Lujin Real Estate Development Co., Ltd. (常州路勁房地產開發有限公司) from June 2006 to June 2008. Mr. Tao served as the general manager of Tibet Xinchengyue from June 2008 to April 2011 and departed to serve Changzhou Juning Property Development Co., Ltd (常州巨凝房地產開發有限公司) as the general manager from May 2011 to April 2016.

Mr. Tao graduated from Nankai University (南開大學) in January 2013. He has been a Chinese-certified auditor since November 1996.

Mr. Cai Wenwei (蔡文為), aged 43, is our deputy general manager and chief financial officer. Mr. Cai joined our Group in July 2016 and is responsible for the finance and accounting functions of Tibet Xinchengyue. Prior to joining our Group, Mr. Cai served as an auditor at Ernst & Young from August 1997 to November 2000 and as a senior audit manager at KPMG from November 2000 to July 2011. Mr. Cai was the chief financial officer of Haoxin Technology Co., Ltd (濠信節能科技有限公司), from July 2011 to June 2015. Mr. Cai joined Future Land Development Holdings as the deputy general manager of the finance department and served from October 2015 to July 2016.

Mr. Cai graduated from Shanghai University College of International Business (上海大學國際商學院) in July 1997 with a bachelor's degree in Economics. He became a Chinese chartered accountant in December 2000 and has been a Hong Kong chartered accountant since November 2011.

Mr. You Jianfeng (尤建峰), aged 39, joined our Group as a deputy general manager in January 2016. Prior to joining our Group, Mr. You worked at Shanghai Adfaith Management Consulting Co., Ltd (上海正略鈞策管理諮詢公司) from July 2002 to August 2006 and as a senior analyst at Shanghai Huijiang Property Consulting Co., Ltd (上海匯江房地產諮詢有限公司) from July 2007 to February 2011. He served as the director of product management at Noah

DIRECTORS AND SENIOR MANAGEMENT

Wealth Management Co., Ltd (諾亞財富管理有限公司) from February 2011 to April 2012 and the director of product management at Shanghai Fanghui Capital Investment Fund Management Co., Ltd (上海方匯股權投資基金管理有限公司) from April 2012 to November 2013. From November 2013 to December 2015, Mr. You served as the director of financing and the deputy general manager of the finance management department of Jiangsu Future Land.

Mr. You graduated from Peking University (北京大學) with a bachelor's degree in Management and Economics in July 2002 and obtained a master of business administration from Fudan University (復旦大學) in June 2008.

JOINT COMPANY SECRETARIES

Mr. You Jianfeng is one of our joint company secretaries. Please refer to the paragraph headed "Senior Management" in this section for a brief biography of Mr. You.

We have applied to the Stock Exchange for and have obtained a waiver from strict compliance with the requirements under Rule 8.17 of the Listing Rules. Please refer to the section headed "Waivers and Exemption from Strict Compliance with the Listing Rules and Companies (Winding up and Miscellaneous Provisions) Ordinance – Joint Company Secretaries" in this prospectus for details.

Ms. Lam Yuk Ling (林玉玲) was appointed as joint company secretary with effect from April 18, 2018. Ms. Lam is an associate member of both the Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in the United Kingdom. She graduated from The Hong Kong Polytechnic University in November 2004. She has over 10 years of working experience in company secretarial profession and is an assistant manager of the listing services department of TMF Hong Kong Limited, a company engaged in the business of providing corporate services. Ms. Lam currently also acts as the company secretary of Dowway Holdings Limited (HKEX Stock Code: 8403). Ms. Lam is not our employee and does not have day-to-day knowledge of our operations. Ms. Lam will coordinate with Mr. You, the other joint company secretary and Mr. Cai Wenwei, our chief financial officer, in discharging her duties as one of the joint company secretaries.

BOARD COMMITTEE

Audit Committee

We established an audit committee on October 20, 2018, with effect from the Listing Date, with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The primary duties of the audit committee are to assist the Board in providing an independent view of the effectiveness of the financial reporting process, the internal control and risk management system of our Group, to oversee the audit process and to perform other duties and responsibilities as assigned by the Board.

The audit committee currently comprises Ms. Zhang Yan and Mr. Zhu Wei, our independent non-executive Directors, and Mr. Lu Zhongming, our non-executive Director. Ms. Zhang is the chairman of the audit committee.

DIRECTORS AND SENIOR MANAGEMENT

Remuneration Committee

We established a remuneration committee on October 20, 2018 with effect from the Listing Date, with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The primary duties of the remuneration committee include, among others, (i) making recommendations to the Board on the remuneration policy and structure for our Directors' and senior management and on the establishment of a formal and transparent procedure for developing remuneration policy; (ii) reviewing and approving our management's remuneration proposals with reference to the Board's corporate goals and objectives; and (iii) making recommendations to the Board on the remuneration packages of individual executive Directors and senior management. The remuneration committee is also responsible for determining the vesting of the options granted under the Share Option Scheme. See the section headed "Statutory and General Information – D. Share Option Schemes" in Appendix IV to this prospectus.

The remuneration committee currently comprises Mr. Zhu Wei and Mr. Xu Xinmin, our independent non-executive Directors, and Mr. Qi Xiaoming, our executive Director. Mr. Zhu is the chairman of the remuneration committee.

Nomination Committee

We established a nomination committee on October 20, 2018 with effect from the Listing Date, with written terms of reference in compliance with Code Provision A.5.2 of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The primary responsibilities of the nomination committee include, among others, (i) reviewing the structure, size, composition and diversity of the Board at least annually and making recommendations on any proposed changes to the Board to complement the corporate strategy of our Group; (ii) making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors; and (iii) assessing the independence of independent non-executive Directors.

The nomination committee currently comprises Mr. Xu Xinmin and Ms. Zhang Yan, our independent non-executive Directors, and Mr. Lv Xiaoping, our non-executive Director. Mr. Xu is the chairman of the nomination committee.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

Our executive Directors receive, in their capacity as our employees, compensation in the form of salaries, bonus, other allowances and benefits-in-kind, including our contribution to the pension scheme for our executive Directors, in their capacity as employees, according to the laws of the relevant jurisdiction.

The aggregate amount of salaries, allowances, discretionary bonus and retirement benefits scheme contributions paid and benefits in kind granted to our Directors for the three years ended December 31, 2017 were approximately RMB3.1 million, RMB3.4 million and RMB4.9 million, respectively.

DIRECTORS AND SENIOR MANAGEMENT

The aggregate amount of remuneration (including fees, salaries, contributions to pension schemes, housing allowances and other allowances and benefits in kind and discretionary bonuses) which were paid by our Group to our five highest paid individuals for the three years ended December 31, 2017 were approximately RMB3.7 million, RMB4.6 million and RMB6.5 million, respectively.

No remuneration was paid by our Group to the Directors or the five highest paid individuals as an inducement to join or upon joining our Group or as a compensation for loss of office in respect of the three years ended December 31, 2017. No Director has waived or has agreed to waive any emoluments during the three years ended December 31, 2017.

Under the arrangements presently in force, the aggregate remuneration of the Directors for the year ending December 31, 2018, excluding discretionary bonus, is approximately RMB 3.6 million.

For information on Directors' remuneration during the Track Record Period as well as information on the highest paid individuals, see Note 37 of our consolidated financial statements included in the Accountant's Report set out in Appendix I to this prospectus and "Statutory and General Information" set out in Appendix IV to this prospectus.

COMPLIANCE ADVISOR

We have appointed Red Solar Capital Limited as our compliance advisor pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, we must consult with and, if necessary, seek advice from our compliance advisor on a timely basis in the following circumstances:

- i. before the publication of any regulatory announcement, circular or financial report;
- ii. where a transaction, which might be a notifiable or connected transaction, is contemplated, including Share issues and Share repurchases;
- iii. where we propose to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecast, estimate or other information in this prospectus; and
- iv. where the Hong Kong Stock Exchange makes an inquiry of us regarding unusual movements in the price or trading volume of our Shares.

The term of the appointment will commence on the Listing Date and end on the date on which we distribute our annual report of our financial results for the first full financial year commencing after the Listing Date and such appointment may be extended by mutual agreement.

DIRECTORS AND SENIOR MANAGEMENT

COMPLIANCE WITH THE CODE PROVISIONS OF APPENDIX 14 TO THE LISTING RULES

The Code provision A.2.1 of the Corporate Governance Code and Corporate Governance Report in Appendix 14 of the Listing Rules stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Qi Xiaoming is the chairman of the Board and the chief executive officer of the Company. As Mr. Qi is the executive Director and had been managing our Group's business and overall strategic planning since he joined our Group in January 2015, our Directors consider that the vesting of the roles of chairman and chief executive officer in Mr. Qi is beneficial to the business prospects and management of our Group by ensuring consistent leadership within our Group, aligning the directions and approaches on the board level and execution level and enabling more effective and efficient overall strategic planning for our Group. Taking into account all the corporate governance measures that we are going to implement upon Listing, 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 to make and implement decisions promptly and effectively. Accordingly, our Company had not segregated the roles of its chairman and chief executive officer. Our Board will continue to review and consider splitting the roles of chairman of our Board and the chief executive officer of our Company at an appropriate time if necessary, taking into account the circumstances of our Group as a whole.

Save as disclosed above, as of the Latest Practicable Date and to the best of the knowledge, information and belief of our Directors, having made all reasonable enquiries, the Directors are not aware of any deviation from provisions in the Corporate Governance Code under Appendix 14 to the Hong Kong Listing Rules.

SHARE CAPITAL

AUTHORIZED AND ISSUED SHARE CAPITAL

The following is a description of our authorized and issued share capital in issue and to be issued as fully paid or credited as fully paid prior to and immediately following the completion of the Global Offering:

	<u>Number of Shares</u>	<u>US\$</u>
<i>Authorized share capital:</i>		
Shares	10,000,000,000	100,000,000
<i>Issued and to be issued, fully paid or credited as fully paid:</i>		
Shares in issue as of the date of this prospectus	200	2
Shares to be issued pursuant to the Capitalization Issue	599,999,800	5,999,998
Shares to be issued pursuant to the Global Offering	200,000,000	2,000,000
Total	<u>800,000,000</u>	<u>8,000,000</u>

ASSUMPTIONS

The above table assumes that the Global Offering becomes unconditional and the Shares are issued pursuant to the Global Offering. The above does not take into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option or any Shares which may be issued or repurchased by us pursuant to the general mandates granted to our Directors to issue or repurchase Shares as described below.

RANKING

The Shares are ordinary shares in our share capital 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 prospectus.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

Pursuant to the Cayman Companies Law and the terms of the Memorandum and Articles of Association, the 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, the Company may reduce or redeem its share capital by shareholders' special resolution. For details, see "Appendix III – Summary of our Constitution and Cayman Companies Law – Summary of the constitution of the Company – 2.5. Alteration of capital."

SHARE CAPITAL

Pursuant to the Cayman Companies Law and the terms of the 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 details, please refer to “Appendix III – Summary of the Constitution of the Company and Cayman Islands Company Law – Summary of the constitution of the Company – 2.4 Variation of rights of existing shares or classes of shares.”

SHARE OPTION SCHEME

We have adopted a Share Option Scheme which will be effective upon Listing. The principal terms of the Share Option Scheme are summarized in the section headed “Statutory and General Information – D. Share Option Scheme” in Appendix IV to this prospectus.

GENERAL MANDATE TO ISSUE SHARES

Subject to the conditions stated in the section headed “Structure of the Global Offering – Conditions of the Global Offering” in this prospectus, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or such convertible securities and to make or grant offers, agreements or options which 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 our Memorandum and Articles of Association;
- (c) a specific authority granted by the Shareholders in general meeting,

shall not exceed the aggregate of:

- (i) 20% of the total nominal value of our share capital in issue immediately following the completion of the Global Offering (but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option); and
- (ii) the total nominal value of our share capital repurchased by us (if any) under the general mandate to repurchase Shares referred to in the sub-section headed “– General Mandate to Repurchase Shares” below.

SHARE CAPITAL

This general mandate to issue Shares will expire:

- (1) at the conclusion of our next annual general meeting; or
- (2) at the end of the period within which we are required by any applicable law or our Memorandum and Articles of Association to hold our next annual general meeting; or
- (3) when varied or revoked by an ordinary resolution of our Shareholders in general meeting,

whichever is the earliest.

For further details of this general mandate, please see the section headed “Statutory and General Information – A. Further Information about Our Group – 4. Resolutions in Writing of Our Shareholder Passed on October 20, 2018” in Appendix IV to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the conditions stated in the section headed “Structure of the Global Offering – Conditions of the Global Offering”, our Directors have been granted a general unconditional mandate to exercise all of our powers to repurchase Shares with a total nominal value of not more than 10% of the total nominal value of our share capital in issue immediately following the completion of the Global Offering (but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option).

This general mandate relates only to repurchases made on the Hong Kong Stock Exchange, or on any other stock exchange on which the Shares are listed (and which is recognized by the SFC and the Hong Kong Stock Exchange for this purpose), and made in accordance with the Listing Rules. A summary of the relevant Listing Rules is set out in the section headed “Statutory and General Information – A. Further Information about Our Group – 5. Repurchases of Our Own Securities” in Appendix IV to this prospectus.

This general mandate to repurchase Shares will expire:

- (i) at the conclusion of our next annual general meeting; or
- (ii) at the end of the period within which we are required by any applicable law or our Memorandum and Articles of Association to hold our next annual general meeting; or
- (iii) when varied or revoked by an ordinary resolution of our Shareholders in general meeting,

whichever is the earliest.

For further details of this general mandate, please see the section headed “Statutory and General Information – A. Further Information about Our Group – Resolutions in Writing of Our Shareholder Passed on October 20, 2018” in Appendix IV to this prospectus.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the Global Offering and assuming that the Over-allotment Option is not exercised, the following persons will have an interest or a short position in the Shares which will be required to be disclosed to our Company and the Hong Kong 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 of Shareholder	Nature of interest	Number of Shares held/interested in immediately following the completion of the Capitalization Issue and the Global Offering	Percentage of shareholding held/ interested in our Company immediately prior to the Capitalization Issue and the Global Offering	Percentage of shareholding held/ interested in our Company immediately following the completion of the Capitalization Issue and the Global Offering
Mr. Wang ⁽¹⁾	Founder of a discretionary trust	600,000,000	100%	75%
Standard Chartered Trust (Cayman) Limited ⁽¹⁾	Trustee	600,000,000	100%	75%
First Priority ⁽¹⁾	Interest in a controlled corporation	600,000,000	100%	75%
Wealth Zone Hong Kong ⁽²⁾	Interest in a controlled corporation	600,000,000	100%	75%
Innovative Hero ⁽³⁾	Beneficial interest	600,000,000	100%	75%

Notes:

- (1) *Standard Chartered Trust (Cayman) Limited, as trustee of Hua Sheng Trust, which was established by Mr. Wang as settlor in favour of his family members, held 100% of the issued share capital of Infinity Fortune through its nominee Global Nominees Ltd., which in turn held 100% of the issued share capital of First Priority.*
- (2) *Wealth Zone Hong Kong is held as to 100% by First Priority Group Limited.*
- (3) *Innovative Hero is held as to 100% by Wealth Zone Hong Kong.*

Save as disclosed above, our Directors are not aware of any person who will, immediately following the completion of the Capitalization Issue and Global Offering and assuming that the Over-allotment Option is not exercised, have an interest or a short position in the Shares which will be required to be disclosed to our Company and the Hong Kong 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.

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You should read the following discussion and analysis in conjunction with our audited consolidated financial information as of and for the years ended December 31, 2015, 2016 and 2017 and the four months ended April 30, 2018 included in the Accountant's Report set out in Appendix I to this prospectus, together with the accompanying notes. Our consolidated financial information has been prepared in accordance with HKFRS.

The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical events, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. In evaluating our business, you should carefully consider the information provided in the section headed "Risk Factors" in this prospectus.

OVERVIEW

We are a fast growing property management service provider in the PRC. We provide a wide range of property management services and value-added services for property developers, residents and tenants in the communities we manage. Our long-standing relationship with Future Land Group, one of the leading property developers in the PRC, has allowed us to generate a steady pipeline of property management projects. Our business covers a wide range of properties and provides our residents with access to customized quality services through the Orange steward of our Orange APP. As of April 30, 2018, our contracted property management service spanned across 53 cities in 21 provinces, municipalities and autonomous regions with a total contracted GFA of 73.3 million sq.m. and a total GFA under management of 37.0 million sq.m.

We have two business lines, namely property management services and value-added services. Value-added services are further categorized into property developer-related services, community-related services and professional services. Furthermore, our Orange APP enables residents to retrieve information about our services more efficiently and it enhances their experience while they dwell in properties under our management.

- **Property management services** – We provide residents with a wide range of property management services, including property and equipment maintenance, security services, cleaning services, gardening services, public area maintenance and other property management related services. We primarily charge our property management services on a lump sum basis and occasionally on a commission basis. For the years ended December 31, 2015, 2016 and 2017 and the four months ended April 30, 2017 and 2018, the revenue for property management services charged on a lump sum basis accounted for 99.3%, 99.5%, 99.6%, 99.8% and 99.7%, respectively.

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- **Value-added Services**
 - Property developer-related services: We provide on-site sales assistance services and consulting services. Our consulting services relate to property consulting services throughout the whole process of property development. We also provide detail inspection and ad hoc assistance.
 - Community-related services: We provide information services, community convenience services and public resource management services to our residents and customers. Information services include online services through our Orange APP where residents can have access to online shopping, housekeeping appliances cleaning and maintenance and travel information, and offline services such as interior decoration and furnishing. Our community convenience services include indoor maintenance services, sales of security passes and access cards, and other a la carte services in the community. Public resources management services include the management of public areas, leasing advertisement spaces and others.
 - Professional services: We provide specialist engineering and maintenance services for elevator and intelligent security equipment to property developers and property projects.

We attribute our rapid growth during the Track Record Period to our quality and efficient services. For the years ended December 31, 2015, 2016 and 2017 and the four months ended April 30, 2017 and 2018, our total revenue was RMB400.3 million, RMB573.4 million, RMB866.4 million, RMB218.1 million and RMB303.5 million, respectively. Similarly, for the years ended December 31, 2015, 2016 and 2017 and the four months ended April 30, 2017 and 2018, our net profit was RMB23.0 million, RMB52.2 million, RMB91.7 million, RMB23.6 million and RMB30.8 million, respectively.

BASIS OF PRESENTATION

Our Company was incorporated in the Cayman Islands on January 16, 2018 as an exempted company with limited liability. Our Company's principal business is the provision of property management services, which includes a variety of property management related services, and value-added services, which include property developer-related services, community-related services, and professional services. Please see "History, Reorganization and Corporate Structure" for more information.

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FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Our results of operations, financial condition and the period-to-period comparability of our financial results are principally affected by the following factors:

Mix of Business Lines

During the Track Record Period, our business, financial condition and results of operations have been affected by the mix of business lines, namely property management services and value-added services as they exhibited different growth rates and different profit margins. Any changes in the structure of revenue contribution from our two business lines or change in profit margin of any business lines may have a corresponding impact on our overall profit margin.

During the Track Record Period, our value-added services, being the business line with a higher gross profit margin, increased our overall gross profit margin and the portion of revenue from this business line has also increased as a result of our continuous efforts to diversify our business.

The table below sets forth a breakdown of revenue by business line for the periods indicated:

	For the year ended December 31,						For the four months ended April 30,			
	2015		2016		2017		2017		2018	
	Revenue (RMB)	%	Revenue (RMB)	%	Revenue (RMB)	%	Revenue (RMB)	%	Revenue (RMB)	%
	(Unaudited)									
	(in thousands, except for percentages)									
Property management services . . .	293,878	73.4	399,201	69.6	567,177	65.5	161,076	73.9	217,205	71.6
Value-added services										
– Property developer-related services	74,442	18.6	108,641	18.9	175,497	20.3	28,858	13.2	61,057	20.1
– Community-related services	17,190	4.3	27,273	4.8	43,304	5.0	15,126	6.9	12,466	4.1
– Professional services	14,747	3.7	38,257	6.7	80,392	9.2	13,017	6.0	12,737	4.2
Total	400,257	100.0	573,372	100.0	866,370	100.0	218,077	100.0	303,465	100.0

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The table below sets forth the gross profit margin of each business line for the periods indicated:

	For the year ended December 31,			For the four months ended April 30,	
	2015	2016	2017	2017	2018
	(Unaudited)				
	Gross Profit Margin (%)				
Property management services	21.4	24.2	25.3	24.1	27.4
Value-added services					
– Property developer-related services	25.4	26.7	22.0	22.0	22.1
– Community-related services	89.4	87.5	85.0	84.9	88.3
– Professional services	22.0	33.1	29.2	28.8	29.3
Total	25.1	28.2	28.0	28.3	28.9

During the Track Record Period, the gross profit margin of our community-related services was substantially higher than that of our property management services, property-developer related services and professional services. The high profit margin is due to community-related services being an add-on service to our property management services, which has driven the growth in our Orange APP user base. We book the commission earned as revenue. While the majority of our revenue was and will likely continue to be derived from our property management services, we plan to maintain or improve our overall gross profit margin by (i) expanding our high margin community-related services offerings and (ii) decreasing our cost of sales through continued optimization of management systems, application of automation technologies and service standardization.

Our Ability to Manage Labor Costs

As property management is a labor intensive industry, our employee benefit expenses for on-site employees account for a substantial amount of our cost of sales and affect our results of operations. For the years ended December 31, 2015, 2016 and 2017 and the four months ended April 30, 2017 and 2018, our employee benefit expenses for on-site employees amounted to RMB186.5 million, RMB200.3 million, RMB204.6 million, RMB53.4 million and RMB63.1 million, respectively, representing approximately 62.2%, 48.7%, 32.8%, 34.2% and 29.2%, respectively, of our total cost of sales. Our increase in labor costs was primarily attributable to additional hires in line with the expansion of our total GFA under management and increases in minimum wages and salaries. As we continue to expand our business, the increase in employee headcount required to provide services will continue to drive increases in our cost of sales.

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As part of our efforts to manage our direct labor costs and improve our overall profit margin while ensuring consistent service quality, we have outsourced certain labor intensive functions to sub-contractors. For the years ended December 31, 2015, 2016 and 2017 and the four months ended April 30, 2017 and 2018, we incurred outsourced security, greening and cleaning costs of RMB57.0 million, RMB146.9 million, RMB297.7 million, RMB80.8 million and RMB123.9 million, respectively, representing approximately 19.0%, 35.7%, 47.7%, 51.7% and 57.4%, respectively, of our total cost of sales. The increase in outsourced security, greening and cleaning costs during the Track Record Period was primarily attributable to the increase in our GFA under management. We have also implemented other cost saving measures to mitigate rising labor costs, including standardizing our property management services and automating our operations to reduce our reliance on manual labor. Furthermore, we train our staff and equip them with knowledge and skills in more than one function of our business operations. We believe that our efforts to train our staff will improve cost efficiency and flexibility in allocation of manpower.

Our Ability to Negotiate an Appropriate Property Management Fee

We generally charge a property management fee to property owners and residents at a fixed lump sum price per sq.m. per month. We set the fixed lump sum price per sq.m. on a project by project basis with reference to a number of factors including (i) the type and location of properties, (ii) our budgeted costs, (iii) the contracted scope of services and quality standard, (iv) our local brand recognition, (v) local government policies and pricing guidance, (vi) the property management fee charged by preceding property management service providers, if applicable, and (vii) future profitability after taking into consideration the increase in labor cost in the foreseeable future. To stay competitive, we have to strike a balance between attaining acceptable margin on one hand, and delivering quality services in a cost efficient manner on the other.

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For illustration purposes only, we set out below a sensitivity analysis of our profit for the year with reference to the fluctuation of average property management fees during the Track Record Period. The sensitivity analysis has taken into account the fluctuation of average property management fees during the Track Record Period. The following table demonstrates the impact of the hypothetical decrease in average property management fees on our profit, while all other factors remain unchanged:

	For the year ended December 31,			For the four months ended April 30,	
	2015	2016	2017	2017	2018
	(RMB)	(RMB)	(RMB)	(RMB)	(RMB)
				(Unaudited)	
				(in thousands)	
Total profit for the year/period . .	23,048	52,180	91,742	23,564	30,791
Assuming 5% decrease in our average property management fees					
Impact on revenue from our property management business	(14,694)	(19,960)	(28,359)	(8,054)	(10,860)
Impact on profit for the year . .	(11,020)	(16,267)	(23,112)	(6,564)	(8,688)
Assuming 3% increase in our average property management fees					
Impact on revenue from our property management business	8,816	11,976	17,015	4,832	6,516
Impact on profit for the year . .	6,612	9,760	13,867	3,938	5,213

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Our Ability to Increase Our GFA Under Management

Our revenue earned from the provision of property management services is typically a function of the total GFA under management under a particular agreement. During the Track Record Period, we generated the majority of our revenue from our property management services. For the years ended December 31, 2015, 2016 and 2017 and the four months ended April 30, 2017 and 2018, the revenue from our property management services amounted to RMB293.9 million, RMB399.2 million, RMB567.2 million, RMB161.1 million and RMB217.2 million, respectively, accounting for approximately 73.4%, 69.6%, 65.5%, 73.9% and 71.6%, respectively, of our total revenue in the same periods. The increase in our revenue from our property management services during the Track Record Period was largely due to the increase in our GFA under management. As of December 31, 2015, 2016 and 2017 and April 30, 2018, we managed properties with a total GFA of 19.3 million sq.m., 27.5 million sq.m., 36.3 million sq.m. and 37.0 million sq.m., respectively. During the Track Record Period, the majority of properties we managed were developed by Future Land Affiliates Group. As of December 31, 2015, 2016 and 2017 and April 30, 2018, our total contracted GFA from Future Land Affiliates Group accounted for 30.8 million sq.m., 37.1 million sq.m., 51.7 million sq.m. and 55.5 million sq.m., respectively, while our total contracted GFA from other property developers was 1.5 million sq.m., 10.5 million sq.m., 16.1 million sq.m. and 17.9 million sq.m., respectively. The GFA under management shown in the agreements that we signed with property developers other than Future Land Affiliates Group, property owners' associations of properties developed by developers other than Future Land Affiliates Group and individual property owners increased from 0.8 million sq.m. as of December 31, 2015 to 10.1 million sq.m. as of December 31, 2017, recording a CAGR of 257.3% and further increased by 1.3% to 10.2 million sq.m. as of April 30, 2018. This significant growth demonstrates our ability to obtain business from independent third-party property developers unrelated to Future Land Affiliates Group. The tables below set forth the contracted GFA, the GFA under management and property management services revenue in both absolute and relative terms for projects developed by Future Land Affiliates Group and other property developers.

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	As of or for the year ended December 31,				As of or for the four months ended April 30,			
	2015		2016		2017		2018	
	Contracted GFA (sq.m.)	Property management services revenue (RMB) %	Contracted GFA (sq.m.)	Property management services revenue (RMB) %	Contracted GFA (sq.m.)	Property management services revenue (RMB) %	Contracted GFA (sq.m.)	Property management services revenue (RMB) %
Future Land Affiliates								
Group	30,790	290,173 98.7	20,803 37,127	347,710 87.1	26,178 51,673	445,870 78.6	26,797 55,459	171,586 79.0
Others	1,463	3,705 1.3	6,687 10,536	51,491 12.9	10,099 16,135	121,307 21.4	10,230 17,881	45,619 21.0
Total	32,253	293,878 100.0	27,490 47,663	399,201 100.0	36,277 67,808	567,177 100.0	37,027 73,340	217,205 100.0

(in thousands, except for percentages)

Maintaining and increasing our total GFA under management depend on our ability to successfully renew our existing property management service agreements and enlarge our property management portfolio. We have implemented strict quality control measures in connection with both our property management services business line and our value-added services business line to help ensure we can renew our existing property management service agreements. Additionally, we plan to continue to extend our property management services to properties developed by independent third-party property developers, with a view towards expanding our revenue sources and further diversifying our property management portfolio.

FINANCIAL INFORMATION

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Revenue recognition

We provide property management services, property developer-related services, community-related services and professional services. Revenue from providing services is recognized in the accounting period when the services are rendered. The following is a description of the accounting policy for our principal revenue streams:

For property management services, we bill a fixed amount for each month of service provided and recognize as revenue the amount in which we have the right to invoice, corresponding directly with the value of performance completed.

For property management services income from properties managed under a lump sum basis, we act as principal and is primarily responsible for providing the property management services to the property owners and we recognize the fee received or receivable from property owners as revenue and all related property management costs as its cost of sales. For property management services income from properties managed under a commission basis, we recognize the commission, which is calculated as a certain percentage of the total property management fee received or receivable from the property owners, as its revenue for arranging and monitoring the services provided by other suppliers to the property owners.

Property developer related services include mainly (i) on-site sales assistance services, which includes cleaning and maintenance services to property developers, which are billed and settled monthly based on actual level of services provided at a pre-determined price and revenue is recognized when such services are provided, (ii) property delivery related and other consulting services, which are fixed amount contract with property developers and are billed and settled on a monthly basis and revenue is recognized when the services are provided, and (iii) commission income for sale of car parks, which are billed to property developers on a monthly basis and were recognized on a net basis when the car parks were delivered to the customers.

Community related services include mainly (i) commission from information services, which are those business from our online and offline platforms, and is recognized on a net basis when the service providers secure the business, (ii) commission from public resources management services, which is recognized on a net basis over the time when such services are rendered, and (iii) revenue from other community convenience services are charged for each services provided and recognized when the relevant services are rendered. Community related services are normally billable immediately upon the provision of services.

Professional services mainly include engineering and maintenance services of elevator and intelligent security equipment. Revenue from professional services are recognized when the contracts have been approved and the services are rendered. Professional services are normally billable immediately upon the delivery of the services.

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If contracts involve the sale of multiple services, the transaction price will be allocated to each performance obligation based on their relative stand-alone selling prices. If the stand-alone selling prices are not directly observable, they are estimated based on an expected cost plus margin or adjusted market assessment approach, depending on the availability of observable information.

When either party has performed according to the contract, we present the contract in the balance sheet as a contract asset or a contract liability, depending on the relationship between our performance and the customer's payment.

A contract asset is our right to consideration in exchange for services that we have delivered to the customer. Incremental costs incurred to obtain a contract, if recoverable, are capitalized and presented as assets and subsequently amortized when the related revenue is recognized.

If a customer pays consideration or we have a right to an amount of consideration that is unconditional, before we deliver service to the customer, we present the contract as a contract liability when the payment is received or a receivable is recorded (whichever is earlier). A contract liability is our obligation to deliver services to a customer for which we have received a consideration (or an amount of consideration is due) from the customer.

A receivable is recorded when we have an unconditional right to consideration. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due.

Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where our subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

Deferred tax liabilities and assets are not recognized for temporary differences between the carrying amount and tax bases of investments in foreign operations where we are able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Current and deferred tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognized initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand and banks, deposits held at call with financial institutions and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

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Critical accounting estimates and judgements

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

Allowance on doubtful receivables

We make allowances on receivables based on assumptions about risk of default and expected loss rates. We use judgement in making these assumptions and selecting the inputs to the impairment calculation based on our past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

Where the expectation is different from the original estimate, such difference will impact the carrying amount of trade and other receivables and doubtful debt expenses in the periods where such estimate has been changed.

Had HKAS 39 been applied throughout the Track Record Period, our net profit for the years ended December 31, 2015, 2016 and 2017 and the four months ended April 30, 2018 would have been RMB2.4 million, RMB0.5 million, RMB4.5 million and RMB2.6 million higher, representing 6.3%, 0.8%, 4.0% and 6.7% of the profit before tax, respectively, and our net assets as of December 31, 2015, 2016 and 2017 and April 30, 2018 would have been RMB5.8 million, RMB6.3 million, RMB10.8 million and RMB13.4 million higher, representing (51.2%), 5.4%, 5.7% and 6.8% of the net assets, respectively. This is due to the fact that less impairment provision would have been made against our trade receivables and other receivables under the incurred loss model of HKAS 39 as compared to the expected loss model under HKFRS 9. Except for the above-mentioned impact, the early adoption of HKFRS 15 and HKFRS 9 did not have significant impact on our financial position or operating results for the Track Record Period, compared to those if HKAS 18 and HKAS 39 had been applied respectively.

Current and deferred income tax

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

Deferred tax assets relating to certain temporary differences and tax losses are recognized when management considers it to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilized. The outcome of their actual utilization may be different.

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DESCRIPTION OF SELECTED CONSOLIDATED STATEMENT OF PROFIT OR LOSS ITEMS

The following table sets forth our consolidated statements of profit or loss and comprehensive income for the periods indicated. Our historical results presented below are not necessarily indicative of the results that may be expected for any future period.

	For the year ended December 31,			For the four months ended April 30,	
	2015	2016	2017	2017	2018
	(RMB)	(RMB)	(RMB)	(RMB)	(RMB)
				(Unaudited)	
				(in thousands)	
Revenue	400,257	573,372	866,370	218,077	303,465
Cost of sales	(299,812)	(411,437)	(624,124)	(156,323)	(215,763)
Gross profit	100,445	161,935	242,246	61,754	87,702
Selling and marketing expenses . .	(2,044)	(7,884)	(8,092)	(3,568)	(1,588)
Administrative expenses	(59,524)	(88,135)	(129,315)	(31,929)	(52,265)
Other income	2,179	1,996	2,556	863	688
Other expenses	(282)	(2,191)	(1,183)	(475)	(108)
Other (losses)/gains	–	(35)	(8)	(1)	1,210
Operating profit	40,774	65,686	106,204	26,644	35,639
Finance (expense)/income	(2,767)	166	6,811	2,417	2,927
Profit before income tax	38,007	65,852	113,015	29,061	38,566
Income tax expense	(14,959)	(13,672)	(21,273)	(5,497)	(7,775)
Profit and total comprehensive income for the year/period . .	23,048	52,180	91,742	23,564	30,791
Profit and total comprehensive income attributable to:					
– Owners of the company	22,209	43,333	73,406	18,859	26,706
– Non-controlling interests	839	8,847	18,336	4,705	4,085
	23,048	52,180	91,742	23,564	30,791

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Revenue

We operate a property management business with two business lines, including property management services, primarily consisting of property and equipment maintenance, security services, cleaning services, gardening services and other property management related services, and value-added services, primarily consisting of property developer-related services, community-related services and professional services. See “Business – Our Business Model” for more information. We recorded revenue of RMB400.3 million, RMB573.4 million, RMB866.4 million, RMB218.1 million and RMB303.5 million for the years ended December 31, 2015, 2016 and 2017 and the four months ended April 30, 2017 and 2018, respectively.

For the years ended December 31, 2015, 2016 and 2017 and the four months ended April 30, 2017 and 2018, the revenue generated from property management services accounted for 73.4%, 69.6%, 65.5%, 73.9% and 71.6%, respectively, of our total revenue. For the years ended December 31, 2015, 2016 and 2017 and the four months ended April 30, 2017 and 2018, our revenue generated from value-added services accounted for 26.6%, 30.4%, 34.5%, 26.1% and 28.4%, respectively, of our total revenue.

The table below sets forth a breakdown of our revenue by our business lines for the periods indicated:

	For the year ended December 31,						For the four months ended April 30,			
	2015		2016		2017		2017		2018	
	(RMB)	%	(RMB)	%	(RMB)	%	(RMB)	%	(RMB)	%
	(Unaudited)									
	(in thousands, except for percentages)									
Property management services . . .	293,878	73.4	399,201	69.6	567,177	65.5	161,076	73.9	217,205	71.6
Value-added services										
– Property developer-related services	74,442	18.6	108,641	18.9	175,497	20.3	28,858	13.2	61,057	20.1
– Community-related services	17,190	4.3	27,273	4.8	43,304	5.0	15,126	6.9	12,466	4.1
– Professional services	14,747	3.7	38,257	6.7	80,392	9.2	13,017	6.0	12,737	4.2
Total	400,257	100.0	573,372	100.0	866,370	100.0	218,077	100.0	303,465	100.0

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Revenue from Property Management Services

Revenue from property management services increased each year during the Track Record Period. The increase was primarily driven by the increase in our total GFA under management as a result of obtaining new property management service agreements. Our total GFA under management as of December 31, 2015, 2016 and 2017 and April 30, 2018 was approximately 19.3 million sq.m., 27.5 million sq.m., 36.3 million sq.m. and 37.0 million sq.m., respectively.

By Type of Properties

During the Track Record Period, the majority of our revenue from property management services was derived from residential properties, which accounted for 74.8%, 71.4%, 69.3% and 68.2% of our total revenue from property management services for the years ended December 31, 2015, 2016 and 2017 and the four months ended April 30, 2018, respectively. The decrease in the percentage of property management services revenue derived from residential properties was primarily a result of the increase in the GFA under management of non-residential properties, including mixed-complexes and commercial buildings, which was attributable to our efforts of expanding our property management services and diversifying our portfolio of properties under management.

The following table sets forth a breakdown of our total GFA under management and property management services revenue generated by type of properties for the periods indicated:

	For the year ended December 31,									For the four months ended April 30,		
	2015			2016			2017			2018		
	Property management GFA under management		services revenue	Property management GFA under management		services revenue	Property management GFA under management		services revenue	Property management GFA under management		services revenue
	(sq.m.)	(RMB)	%	(sq.m.)	(RMB)	%	(sq.m.)	(RMB)	%	(sq.m.)	(RMB)	%
(in thousands, except for percentages)												
Residential properties	14,633	219,724	74.8	21,225	284,862	71.4	28,104	392,961	69.3	28,719	148,121	68.2
Non-residential properties	4,706	74,154	25.2	6,265	114,339	28.6	8,173	174,216	30.7	8,308	69,084	31.8
Total	19,339	293,878	100.0	27,490	399,201	100.0	36,277	567,177	100.0	37,027	217,205	100.0

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By Geographic Coverage

To facilitate management of our property management services across the PRC, we have divided our geographic coverage into four major regions, namely (i) the Yangtze River Delta Region including Jiangsu, Shanghai and Zhejiang, (ii) central China, including Anhui, Hunan, Hubei, Jiangxi and Henan, (iii) northern China, including Shandong, Shanxi, Hebei, Shaanxi, Jilin and Tianjin, and (iv) southern China, including Fujian, Guangxi, Guangdong, Hainan, Yunnan, Sichuan and Tibet. The majority of our total GFA under management and revenue are derived from the Yangtze River Delta Region. The following table sets forth our property management services revenue generated by geographic region for the periods indicated:

For the year ended December 31,						For the four months ended April 30,			
2015		2016		2017		2017		2018	
Property management services revenue		Property management services revenue		Property management services revenue		Property management services revenue		Property management services revenue	
(RMB)	%	(RMB)	%	(RMB)	%	(RMB)	%	(RMB)	%

(Unaudited)

(in thousands, except for percentages)

Regions

Yangtze River Delta										
Region	280,498	95.4	377,659	94.6	498,453	87.9	145,060	90.1	181,037	83.4
Central China	13,380	4.6	20,820	5.2	43,366	7.6	10,838	6.7	20,442	9.4
Northern China	–	–	470	0.1	9,430	1.7	2,048	1.3	7,475	3.4
Southern China	–	–	252	0.1	15,928	2.8	3,130	1.9	8,251	3.8
Total	293,878	100.0	399,201	100.0	567,177	100.0	161,076	100.0	217,205	100.0

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By revenue model

Our primary revenue model is to charge on a lump sum basis, where we charge property management fees on a pre-determined fixed lump sum price per sq.m. per month, and the proportion of revenue generated from such basis was 99.3%, 99.5%, 99.6%, and 99.7% of our total property management services revenue for the years ended December 31, 2015, 2016 and 2017 and the four months ended April 30, 2018, respectively. The proportion of revenue generated from a commission basis was 0.7%, 0.5%, 0.4% and 0.3% of our total property management services revenue for the years ended December 31, 2015, 2016 and 2017 and the four months ended April 30, 2018, respectively. The following table sets forth a breakdown of the total GFA under management and revenue generated from our property management services by different revenue models for the years ended December 31, 2015, 2016 and 2017 and the four months ended April 30, 2018.

	For the year ended December 31,									For the four months ended					
	2015			2016			2017			April 30,					
	Property management services revenue			Property management services revenue			Property management services revenue			Property management services revenue					
GFA under management	(sq.m.)	(RMB)	%	GFA under management	(sq.m.)	(RMB)	%	GFA under management	(sq.m.)	(RMB)	%	GFA under management	(sq.m.)	(RMB)	%
(in thousands, except for percentages)															
Lump Sum Basis	18,659	291,874	99.3	26,834	397,027	99.5	35,505	564,905	99.6	36,255	216,585	99.7			
Commission Basis	680	2,004	0.7	656	2,174	0.5	772	2,272	0.4	772	620	0.3			
Total	19,339	293,878	100.0	27,490	399,201	100.0	36,277	567,177	100.0	37,027	217,205	100.0			

Revenue from Value-added services

The revenue generated from our value-added services amounted to RMB106.4 million, RMB174.2 million, RMB299.2 million, RMB57.0 million and RMB86.3 million for the years ended December 31, 2015, 2016 and 2017 and the four months ended April 30, 2017 and 2018, respectively, representing approximately 26.6%, 30.4%, 34.5%, 26.1% and 28.4%, respectively, of our total revenue for the same periods.

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Our property developer-related services accounted for 70.0%, 62.4%, 58.6%, 50.6% and 70.8% of our total revenue from value-added services for the years ended December 31, 2015, 2016 and 2017 and the four months ended April 30, 2017 and 2018, respectively. Our property-developer related services increased during the Track Record Period, which was mainly attributable to successfully obtaining on-site sales assistance projects.

Our community-related services accounted for 16.2%, 15.6%, 14.5%, 26.5% and 14.4% of our total revenue from value-added services for the years ended December 31, 2015, 2016 and 2017 and the four months ended April 30, 2017 and 2018, respectively. Revenue from community-related services generally increased during the Track Record Period as the number of residents in our communities under management increased in line with the increase in our total GFA under management, which contributed to a growing customer base for our Orange APP and our other community-related services.

Our professional services accounted for 13.8%, 22.0%, 26.9%, 22.9% and 14.8% of our total revenue from value-added services for the years ended December 31, 2015, 2016 and 2017 and the four months ended April 30, 2017 and 2018, respectively. Revenue from professional services generally increased during the Track Record Period, which was the result of an increasing demand for our elevator installation and maintenance services due to the increase in our total GFA under management.

	For the year ended December 31,						For the four months ended April 30,			
	2015		2016		2017		2017		2018	
	(RMB)	%	(RMB)	%	(RMB)	%	(RMB)	%	(RMB)	%
	(unaudited)									
	(in thousands, except for percentages)									
Property developer-related services	74,442	70.0	108,641	62.4	175,497	58.6	28,858	50.6	61,057	70.8
Community-related services	17,190	16.2	27,273	15.6	43,304	14.5	15,126	26.5	12,466	14.4
Professional services	14,747	13.8	38,257	22.0	80,392	26.9	13,017	22.9	12,737	14.8
Total.	106,379	100.0	174,171	100.0	299,193	100.0	57,001	100.0	86,260	100.0

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Cost of Sales

Our cost of sales mainly consists of employee benefit expenses for on-site employees, outsourced security, greening and cleaning costs and costs related to raw material and components used in professional services and community-related services. Employee benefit expenses for on-site employees primarily consist of wages and salaries, social insurance expenses, housing benefits, medical insurance, other social insurance and other employee benefits. Our outsourced security, greening and cleaning costs primarily consist of sub-contractors performing their security, greening and cleaning duties on our properties under management. Costs related to raw material and components used in professional services and community-related services primarily consist of costs incurred from elevator maintenance services and intelligent security equipment engineering services provided to property developers. For the years ended December 31, 2015, 2016 and 2017 and the four months ended April 30, 2017 and 2018, our cost of sales was RMB299.8 million, RMB411.4 million, RMB624.1 million, RMB156.3 million and RMB215.8 million, respectively.

The table below sets forth a breakdown of our cost of sales and respective percentage of total cost of sales for the periods indicated:

	For the year ended December 31,						For the four months ended April 30,			
	2015		2016		2017		2017		2018	
	(RMB)	%	(RMB)	%	(RMB)	%	(RMB)	%	(RMB)	%
	(Unaudited)									
	(in thousands, except for percentages)									
Employee benefit expenses	186,494	62.2	200,266	48.7	204,618	32.8	53,428	34.2	63,090	29.2
Outsourced security, greening and cleaning costs	57,041	19.0	146,901	35.7	297,677	47.7	80,773	51.7	123,894	57.5
Raw material and components used in professional services and community-related services	5,475	1.8	13,818	3.3	58,281	9.3	8,276	5.3	7,980	3.7
Utilities	16,035	5.3	19,666	4.8	34,382	5.5	6,754	4.3	11,031	5.1
Business taxes and surcharges	22,351	7.5	15,583	3.8	6,899	1.1	1,854	1.2	2,343	1.1
Depreciation and amortization charges	1,709	0.6	1,812	0.4	2,341	0.4	657	0.4	897	0.4
Others	10,707	3.6	13,391	3.3	19,926	3.2	4,581	2.9	6,528	3.0
Total	299,812	100.0	411,437	100.0	624,124	100.0	156,323	100.0	215,763	100.0

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Gross Profit and Gross Profit Margin

Our overall gross profit margins are affected by our business mix, the average property management fee we are able to charge for our property management services, our GFA under management and our cost of sales. For the years ended December 31, 2015, 2016 and 2017 and the four months ended April 30, 2017 and 2018, our gross profit was RMB100.4 million, RMB161.9 million, RMB242.2 million, RMB61.8 million and RMB87.7 million, respectively. For the same periods, our gross profit margin was 25.1%, 28.2%, 28.0%, 28.3% and 28.9%, respectively. The following table sets out our gross profit and gross profit margin by business line for the periods indicated:

	For the year ended December 31,						For the four months ended April 30,			
	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
	(RMB)	(%)	(RMB)	(%)	(RMB)	(%)	(RMB)	(%)	(RMB)	(%)
	(Unaudited)									
	(in thousands, except for percentages)									
Property management services	62,943	21.4	96,457	24.2	143,468	25.3	38,818	24.1	59,466	27.4
Value added services										
– Property developer-related services.	18,896	25.4	28,977	26.7	38,529	22.0	6,346	22.0	13,497	22.1
– Community-related services	15,361	89.4	23,851	87.5	36,803	85.0	12,840	84.9	11,010	88.3
– Professional services	3,245	22.0	12,650	33.1	23,446	29.2	3,750	28.8	3,729	29.3
Total	100,445	25.1	161,935	28.2	242,246	28.0	61,754	28.3	87,702	28.9

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Selling and Marketing Expenses

Our selling and marketing expenses primarily consist of employee benefit expenses for marketing employees, marketing expenses and promotion expenses. During the Track Record Period, our marketing expenses were associated with the advertising required to facilitate our business expansion and promotion expenses were related to the promotion activities via our Orange APP. For the years ended December 31, 2015, 2016 and 2017 and the four months ended April 30, 2017 and 2018, our selling and marketing expenses were RMB2.0 million, RMB7.9 million, RMB8.1 million, RMB3.6 million and RMB1.6 million, respectively. The table below sets forth a breakdown of our selling and marketing expenses for the periods indicated:

	For the year ended December 31,						For the four months ended April 30,			
	2015		2016		2017		2017		2018	
	(RMB)	%	(RMB)	%	(RMB)	%	(RMB)	%	(RMB)	%
	(Unaudited)									
	(in thousands, except for percentages)									
Employee benefit expenses	881	43.1	3,929	49.9	3,949	48.8	1,557	43.6	1,199	75.5
Marketing expenses	962	47.1	2,311	29.3	2,149	26.6	695	19.5	314	19.8
Promotion expenses	61	3.0	1,048	13.3	1,396	17.3	1,151	32.3	24	1.5
Others	140	6.8	596	7.5	598	7.3	165	4.6	51	3.2
Total	2,044	100.0	7,884	100.0	8,092	100.0	3,568	100.0	1,588	100.0

Administrative Expenses

Our administrative expenses primarily consist of employee benefit expenses for administrative employees, professional fees and allowance for impairment of receivables.

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For the years ended December 31, 2015, 2016 and 2017 and the four months ended April 30, 2017 and 2018, our administrative expenses were RMB59.5 million, RMB88.1 million, RMB129.3 million, RMB31.9 million and RMB52.3 million, respectively. We incurred increasing administrative expenses during the Track Record Period, primarily due to the increase in administrative employee headcount, including project management personnel which was in line with our increasing GFA under management, an increase in wages and salaries paid, and an increase in professional fees, including expenses paid to the sponsor, counsels and auditors for our A-Share Listing Application. The table below sets forth a breakdown of our administrative expenses for the periods indicated:

	For the year ended December 31,						For the four months ended April 30,			
	2015		2016		2017		2017		2018	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
(Unaudited)										
(in thousands, except for percentages)										
Employee benefit expenses	28,521	47.9	58,253	66.1	79,208	61.3	20,252	63.4	26,890	51.4
Professional fees	1,614	2.7	2,696	3.1	17,303	13.4	719	2.2	11,362	21.7
Allowance for impairment of receivables	4,822	8.1	4,792	5.3	10,682	8.3	5,295	16.6	6,985	13.4
IT system development and maintenance expenses	13,813	23.2	2,737	3.1	1,887	1.5	719	2.2	510	1.0
Travel expenses	2,362	4.0	4,727	5.4	6,130	4.7	1,332	4.2	2,080	4.0
Office expenses	1,979	3.3	4,032	4.6	4,469	3.5	913	2.9	946	1.8
Others	6,413	10.8	10,898	12.4	9,636	7.3	2,699	8.5	3,492	6.7
Total	59,524	100.0	88,135	100.0	129,315	100.0	31,929	100.0	52,265	100.0

Other Income

Our other income consists of government grants, investment income from wealth management products and others.

Government grants mainly represent financial support funds provided by the local government, and are calculated with reference to a fixed portion of turnover taxes and income taxes paid by us. Government grants are typically granted twice a year and such grants are not one-off in nature.

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To make effective use of our idle cash, we invest in wealth management products provided by banks. We targeted and invested in wealth management products with a maturity of less than three months with Agricultural Bank of China during the Track Record Period, which our Directors believe were low-risk investments. Our purchase of wealth management products is included in our financial assets at fair value through profit or loss. The investment income received from wealth management products is included in other income.

For the years ended December 31, 2015, 2016 and 2017 and the four months ended April 30, 2017 and 2018, our other income was RMB2.2 million, RMB2.0 million, RMB2.6 million, RMB0.9 million and RMB0.7 million, respectively. The table below sets forth a breakdown of our other income for the periods indicated:

	For the year ended December 31,			For the four months ended April 30,	
	2015	2016	2017	2017	2018
	(Unaudited)				
	(RMB in thousands)				
Government grants	1,234	1,054	2,510	862	687
Investment income from wealth management products.	603	530	–	–	–
Others	342	412	46	1	1
Total	2,179	1,996	2,556	863	688

Other Expenses

Our other expenses primarily consist of compensation for casualties to property owners.

For the years ended December 31, 2015, 2016 and 2017 and the four months ended April 30, 2017 and 2018, our other expenses were RMB0.3 million, RMB2.2 million, RMB1.2 million, RMB0.5 million and RMB0.1 million, respectively.

Other Gains/(Losses)

Our other gains consist of foreign currency translation gains and our other losses consist of net losses on disposal of property, plant and equipment. For the years ended December 31, 2016 and 2017 and the four months ended April 30, 2017, we recorded net other losses of RMB35,000, RMB8,000 and RMB1,000, respectively, which is attributable to losses made from the disposal of property, plant and equipment. For the four months ended April 30, 2018, we recorded other gains of RMB1,212,000 from foreign currency translation as the HK dollar appreciated against the Renminbi. We did not incur other gains or losses for the year ended December 31, 2015.

FINANCIAL INFORMATION

Finance (Expenses)/Income

Our finance (expenses)/income primarily consist of interest expenses arising from borrowings due to related parties and interest income arising from cash held in banks. Our finance expenses for the year ended December 31, 2015 were RMB2.8 million. For the years ended December 31, 2016 and 2017 and the four months ended April 30, 2017 and 2018, our finance income was RMB0.2 million, RMB6.8 million, RMB2.4 million and RMB2.9 million, respectively. The changes of the finance (expenses)/income throughout the Track Record Period were primarily due to the changes of our cash balance. We incurred finance expenses for a related party borrowing, which bore interests only for the years ended December 31, 2015 and 2016. The finance income was primarily related to the interest income arising from cash in banks which increased significantly in 2016 as we received capital contribution by cash from non-controlling shareholders. For a more detailed discussion, please refer to Note 36 of the Accountant's Report as set out in Appendix I to this prospectus.

	For the year ended December 31,			For the four months ended April 30,	
	2015	2016	2017	2017	2018
				(Unaudited)	
	(RMB in thousands)				
Interest expenses arising from loans from related parties	(3,500)	(2,286)	–	–	–
Interest income	733	2,452	6,811	2,417	2,927
Total	(2,767)	166	6,811	2,417	2,927

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Income Tax Expenses

Our income tax expenses primarily consist of current income tax payable at the statutory rates applicable to our assessable profit before taxation as determined under relevant laws and regulations and deferred income tax expense/credit arising from the movement in deferred tax assets or liabilities recognized for the reporting periods. For the years ended December 31, 2015, 2016 and 2017 and the four months ended April 30, 2017 and 2018, our income tax expenses were RMB15.0 million, RMB13.7 million, RMB21.3 million, RMB5.5 million and RMB7.8 million, respectively. The following table sets forth a breakdown of our income tax expenses for the periods indicated:

	For the year ended December 31,			For the four months ended April 30,	
	2015	2016	2017	2017	2018
	(Unaudited)				
	(RMB in thousands)				
Current tax:					
– PRC corporate income tax.	13,343	18,367	24,730	3,938	5,760
Deferred tax:					
– PRC corporate income tax.	1,616	(4,695)	(3,457)	1,559	2,015
Total	14,959	13,672	21,273	5,497	7,775

During the Track Record Period, our income tax expenses primarily consisted of income tax payable by our subsidiaries in PRC. We did not have any assessable income in Cayman Islands during the Track Record Period. For more details, please refer to Note 14 of the Accountant’s Report set out in Appendix I to this prospectus.

Effective Tax Rate

Our effective tax rate, representing our income tax expenses for a period divided by profit before income tax for that period, was 39.4%, 20.8%, 18.8%, 18.9% and 20.2% for the years ended December 31, 2015, 2016 and 2017 and the four months ended April 30, 2017 and 2018, respectively.

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According to the relevant tax laws and regulations, we file our income tax return by combining the taxable income of our head office in Tibet and all of our branches with 50% of the aggregate taxable income apportioned to the head office in Tibet which is subject to income tax rate of 15% and the remaining 50% among the branches which are subject to income tax rate of 25%, resulting in an average of 20% applicable income tax rate. In addition, pursuant to Zang Zheng Fa [2014] No.51, “Announcement on the distribution of the Implement Policy concerning the Enterprise Income Tax in Tibet Autonomous Region”, Tibet Xinchengyue was entitled to an exemption of income tax for the local retention (40%) of income tax attributed to the local tax bureau (50% of income tax was allocated to the local tax bureau and the remaining 50% to the national tax bureau) generated from the head office in Tibet until December 31, 2017. For the years ended December 31, 2016 and 2017 and the four months ended April 30, 2017 and 2018, the effective tax rate was lower than the general income tax rate in the PRC of 25%, due to the change of place of incorporation to Tibet Autonomous Region on December 21, 2015 of our major operating subsidiary, Tibet Xinchengyue, which enjoyed a reduced income tax rate of 18.5% ($20\% - 50\% \times 50\% \times 40\% \times 15\%$) until December 31, 2017. The effective income tax rate for the year ended December 31, 2015 was higher than that for the years ended December 31, 2016 and 2017 and the four months ended April 30, 2017 and 2018, because (1) we were subject to the standard 25% income tax rate for almost the whole year; (2) we reduced the deferred tax asset balance upon the change of applicable income tax rate from 25% to 18.5% and the difference was charged to income tax expense; and (3) we recorded higher expenses not deductible for taxation purposes, which mainly include certain staff costs, write-offs and entertainment expenses not eligible for tax deduction, for the year ended December 31, 2015. For more details, please refer to the Accountant’s Report set out in Appendix I to this prospectus.

DISCUSSION OF RESULTS OF OPERATIONS

Four Months Ended April 30, 2018 Compared to Four Months Ended April 30, 2017

Revenue

Our revenue increased by 39.2% from RMB218.1 million for the four months ended April 30, 2017 to RMB303.5 million for the four months ended April 30, 2018, due to increases in revenue generated from our property management services and property developer-related services.

Our revenue generated from our property management services increased by 34.8% from RMB161.1 million for the four months ended April 30, 2017 to 217.2 million for the four months ended April 30, 2018, which was a result of an increase in our total GFA under management for the four months ended April 30, 2018.

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Our revenue generated from value-added services increased by 51.3% from RMB57.0 million for the four months ended April 30, 2017 to RMB86.3 million for the four months ended April 30, 2018. This increase was attributable to the increase in revenue of our property developer-related services and partially offset by the decrease in revenue of our community-related services and professional services. Our revenue generated from property developer-related services increased by 111.6% from RMB28.9 million for the four months ended April 30, 2017 to RMB61.1 million for the four months ended April 30, 2018, which was the result of an increase in our number of on-site sales assistance projects from 62 for the four months ended April 30, 2017 to 117 for the four months ended April 30, 2018, of which, 57 and 112, respectively, were attributable to Future Land Affiliates Group for the same periods. Our revenue generated from community-related services decreased by 17.6% from RMB15.1 million for the four months ended April 30, 2017 to RMB12.5 million for the four months ended April 30, 2018, primarily due to a decrease in revenue from public resources management services of RMB1.7 million for the four months ended April 30, 2018. Our revenue generated from professional services decreased by 2.2% from RMB13.0 million for the four months ended April 30, 2017 to RMB12.7 million for the four months ended April 30, 2018, which was a result of a decrease in revenue of elevator maintenance service by RMB0.6 million primarily due to fewer elevator spare parts sold, partially offset by an increase in revenue of engineering construction service of RMB0.3 million.

Cost of Sales

Our cost of sales increased by 38.0% from RMB156.3 million for the four months ended April 30, 2017 to RMB215.8 million for the four months ended April 30, 2018, primarily due to increases in our outsourced security, greening and cleaning costs, employee benefit expenses for on-site employees and utilities costs.

Our outsourced security, greening and cleaning costs increased by 53.4% from RMB80.8 million for the four months ended April 30, 2017 to RMB123.9 million for the four months ended April 30, 2018. This increase was primarily due to an increase in sub-contractor headcount as we continued to increase our total GFA under management.

Our employee benefit expenses for on-site employees increased by 18.1% from RMB53.4 million for the four months ended April 30, 2017 to RMB63.1 million for the four months ended April 30, 2018, which was attributable to an increase in on-site employee headcount which is in line with the increase of our total GFA under management.

Our utilities cost increased by 63.3% from RMB6.8 million for the four months ended April 30, 2017 to RMB11.0 million for the four months ended April 30, 2018, which was the result of an increase in energy and resources consumption required, and was in line with our business growth and increase in total GFA under management.

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Gross Profit and Gross Profit Margin

Our gross profit increased by 42.0% from RMB61.8 million for the four months ended April 30, 2017 to RMB87.7 million for the four months ended April 30, 2018. Our gross profit margin increased steadily from 28.3% for the four months ended April 30, 2017 to 28.9% for the four months ended April 30, 2018, respectively, primarily due to the slight increase in gross profit margin of the property management services from 24.1% for the four months ended April 30, 2017 to 27.4% for the four months ended April 30, 2018. The increase in gross profit margin from 24.1% for the four months ended April 30, 2017 to 27.4% for the four months ended April 30, 2018 is primarily attributable to the increase in average property management fee charged for the residential properties from RMB1.55 per square meter per month to RMB1.63 per square meter per month for the respective periods, representing an increase of 5.2% in average property management fee. The increase in average property management fee charged for residential properties was mainly due to charging higher property management fees for newly engaged property management projects for the four months ended April 30, 2018.

Selling and Marketing Expenses

Our selling and marketing expenses decreased by 55.5% from RMB3.6 million for the four months ended April 30, 2017 to RMB1.6 million for the four months ended April 30, 2018. This is primarily attributable to a decrease in promotion expenses and marketing expenses.

Our promotion expenses decreased by 97.9% from RMB1.2 million for the four months ended April 30, 2017 to RMB24,000 for the four months ended April 30, 2018. The decrease in promotion expenses was primarily due to fewer online promotion activities as a result of adjusting our fee arrangement of the Orange APP and stopped providing commercial internet information services. Our marketing expenses decreased by 54.8% from RMB0.7 million for the four months ended April 30, 2017 to RMB0.3 million for the four months ended April 30, 2018. The decrease in marketing expenses is a result of fewer online advertisements in the four months ended April 30, 2018.

Administrative Expenses

Our administrative expenses increased by 63.7% from RMB31.9 million for the four months ended April 30, 2017 to RMB52.3 million for the four months ended April 30, 2018, primarily due to an increase in professional fees, employee benefit expenses and allowance for impairment of receivables.

Our professional fees significantly increased from RMB0.8 million for the four months ended April 30, 2017 to RMB11.4 million for the four months ended April 30, 2018, which was due to the expenses incurred for the professional services provided by the sponsors, counsels and auditors in connection with the listing application to the Hong Kong Stock Exchange.

Our employee benefit expenses for administrative employees increased by 32.8% from RMB20.3 million for the four months ended April 30, 2017 to RMB26.9 million for the four months ended April 30, 2018, as a result of an increase in administrative employee headcount required to supervise and manage new property management projects.

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Our allowance for impairment of receivables increased by 31.9% from RMB5.3 million for the four months ended April 30, 2017 to RMB7.0 million for the four months ended April 30, 2018, due to a significant increase in accounts receivables aged over one year to RMB49.1 million as of April 30, 2018, which was a result of our business expansion.

Other Income

Our other income decreased by 20.3% from RMB0.9 million for the four months ended April 30, 2017 to RMB0.7 million for the four months ended April 30, 2018 as we received fewer government grants in the four months ended April 30, 2018. This was due to the slight delay in the internal approval of grants by the local government.

Other Gains/(Losses) – net

We recorded other losses of RMB1,000 for the four months ended April 30, 2017 compared to other gains of RMB1.2 million for the four months ended April 30, 2018, attributable to the foreign exchange gain incurred, as the HK dollar appreciated against the Renminbi during the four months ended April 30, 2018.

Finance Income

Our finance income increased by 21.1% from RMB2.4 million for the four months ended April 30, 2017 to RMB2.9 million for the four months ended April 30, 2018. This was due to an increase of cash balance in the bank.

Income Tax Expenses

Our income tax expenses increased by 41.4% from RMB5.5 million for the four months ended April 30, 2017 to RMB7.8 million for the four months ended April 30, 2018. This was a result of an increase in profit before tax from RMB29.1 million for the four months ended April 30, 2017 to RMB38.6 million for the four months ended April 30, 2018, and an increase in applicable income tax rate from 18.5% during the four months ended April 30, 2017 to 20.0% during the four months ended April 30, 2018 due to the expiration of the exemption of income tax for local retention of income tax attribute to the local tax bureau generated from our head office, Tibet Xinchengyue, in Tibet.

Profit for the Period and Net Profit Margin

As a result of the foregoing, our profit for the period increased by 30.7% from RMB23.6 million for the four months ended April 30, 2017 to RMB30.8 million for the four months ended April 30, 2018. Our net profit margin maintained relatively stable at 10.8% and 10.1% for the four months ended April 30, 2017 and 2018, respectively.

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Profit Attributable to Non-controlling Interests

Profit attributable to non-controlling interests decreased by 13.2% to RMB4.1 million for the four months ended April 30, 2018, as compared to RMB4.7 million for the four months ended April 30, 2017. The decrease was due to a decrease of approximately 13.7% equity interest of non-controlling shareholders of Xincheng Fuyue and Tibet Xinchengyue, as a result of the Reorganization during the four months ended April 30, 2018, partially offset by an increase in total comprehensive income for the period from RMB23.6 million for the four months ended April 30, 2017 to RMB30.8 million for the four months ended April 30, 2018.

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

Revenue

Our revenue increased by 51.1% from RMB573.4 million for the year ended December 31, 2016 to RMB866.4 million for the year ended December 31, 2017, primarily due to increases in the revenue generated from our property management services, property developer-related services and professional services.

Our revenue generated from our property management services increased by 42.1% from RMB399.2 million for the year ended December 31, 2016 to RMB567.2 million for the year ended December 31, 2017, primarily due to an increase in the number of signed property management agreements from 188 as of December 31, 2016 to 267 as of December 31, 2017. This resulted in an increase in total GFA under management from 27.5 million sq.m. as of December 31, 2016 to 36.3 million sq.m. as of December 31, 2017, which includes an increase in the total GFA under management of non-residential properties from 6.3 million sq.m. as of December 31, 2016 to 8.2 million sq.m. as of December 31, 2017.

Our revenue generated from value-added services increased by 71.8% from RMB174.2 million for the year ended December 31, 2016 to RMB299.2 million for the year ended December 31, 2017. This increase was attributable to increases in revenue of property developer-related services, community-related services and professional services. Our revenue generated from property developer-related services increased by 61.6% from RMB108.6 million for the year ended December 31, 2016 to RMB175.5 million for the year ended December 31, 2017, which is primarily attributable to the increase in number of on-site sales assistance projects from 75 in 2016 to 122 in 2017, of which, 72 and 116, respectively, were attributable to Future Land Affiliates Group for the same periods. The increase in consulting services is a result of the provision of additional inspection and other services in connection with an 8.8 million sq.m. increase in GFA under management. Our revenue generated from our community-related services increased by 58.6% from RMB27.3 million for the year ended December 31, 2016 to RMB43.3 million for the year ended December 31, 2017. The increase in revenue from community-related services resulted from the increase in our GFA under management, which increased by 32.0% from 27.5 million sq.m. in 2016 to 36.3 million sq.m. in 2017 and an increasing demand for community-related services. Our revenue generated from professional services increased by 110.1% from RMB38.3 million for the year ended December 31, 2016 to RMB80.4 million for the year ended December 31, 2017, primarily due to an increase in our number of maintenance services contracts to 107 contracts in 2017 from 69 contracts in 2016.

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Cost of Sales

Our cost of sales increased by 51.7% from RMB411.4 million for the year ended December 31, 2016 to RMB624.1 million for the year ended December 31, 2017, primarily due to increases in our outsourced security, greening and cleaning costs, employee benefit expenses for on-site employees and costs related to raw material and components used in professional services and community-related services. The increase in the cost of sales was in line with our business growth and our increase in total GFA under management.

Our outsourced security, greening and cleaning costs increased by 102.6% from RMB146.9 million for the year ended December 31, 2016 to RMB297.7 million for the year ended December 31, 2017. This increase was primarily due to an increase in sub-contractor headcount as a result of our increase in GFA under management and an increase in the average wages of the employees of the sub-contractors.

Our employee benefit expenses for on-site employees increased slightly by 2.2% from RMB200.3 million for the year ended December 31, 2016 to RMB204.6 million for the year ended December 31, 2017, primarily due to the increase in wages.

Our cost of raw material and components used in professional services and community-related services increased significantly from RMB13.8 million for the year ended December 31, 2016 to RMB58.3 million for the year ended December 31, 2017, primarily due to an increase in demand for our engineering and maintenance services as the number of maintenance service contracts increased to 107 contracts in 2017 from 69 contracts in 2016, and thus requiring the purchase of additional inventories to carry out such services.

Our utilities cost increased by 74.8% from RMB19.7 million for the year ended December 31, 2016 to RMB34.4 million for the year ended December 31, 2017, primarily due to the increase in resources and energy required to carry out more projects, which was generally in line with our business expansion.

Gross Profit and Gross Profit Margin

Our gross profit increased by 49.6% from RMB161.9 million for the year ended December 31, 2016 to RMB242.2 million for the year ended December 31, 2017. Our gross profit margin remained relatively stable at 28.2% and 28.0% for the years ended December 31, 2016 and 2017, respectively, primarily due to the slight decrease in gross profit margin of value added services, partially offset by the increase in gross profit margins of property management services.

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Selling and Marketing Expenses

Our selling and marketing expenses increased by 2.6% from RMB7.9 million for the year ended December 31, 2016 to RMB8.1 million for the year ended December 31, 2017. The slight increase was primarily due to marketing and promotion activities.

Our promotion expenses increased by 33.2% from RMB1.0 million as of the year ended December 31, 2016 to RMB1.4 million as of the year ended December 31, 2017. Such increase was a reflection of our enhanced marketing efforts to reach out to properties developed by independent third parties unrelated to Future Land Affiliates Group, which was partially offset by a decrease in our marketing expenses by 7.0% from RMB2.3 million for the year ended December 31, 2016 to RMB2.1 million for the year ended December 31, 2017. We primarily increased our marketing staff costs and travel expenses in order to facilitate our business expansion.

Administrative Expenses

Our administrative expenses increased by 46.7% from RMB88.1 million for the year ended December 31, 2016 to RMB129.3 million for the year ended December 31, 2017, primarily due to an increase in employee benefit expenses for administrative employees, professional fees and allowance for impairment of receivables.

Our employee benefit expenses for administrative employees increased by 36.0% from RMB58.3 million as of the year ended December 31, 2016 to RMB79.2 million as of the year ended December 31, 2017, which was primarily due to an increase in administrative employee headcount required to supervise and manage new property management projects in connection with the increase in our number of properties under management.

Our professional fees significantly increased by 541.8% from RMB2.7 million as of the year ended December 31, 2016 to RMB17.3 million as of the year ended December 31, 2017, which was primarily due to the expenses paid to the sponsor, counsels and auditors for the A-Share Listing Application.

Our allowance for impairment of receivables increased by 122.9% from RMB4.8 million as of the year ended December 31, 2016 to RMB10.7 million as of the year ended December 31, 2017, which was primarily due to the significant increase of accounts receivables aged over one year from RMB25.5 million as of December 31, 2016 to RMB42.4 million as of December 31, 2017.

Other Income

Our other income increased by 28.1% from RMB2.0 million for the year ended December 31, 2016 to RMB2.6 million for the year ended December 31, 2017. Such increase was primarily due to government grants.

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Other Losses

We recorded other losses of RMB8,000 for the year ended December 31, 2017, compared to other losses of RMB35,000 for the year ended December 31, 2016, primarily due to less net losses on disposal of property, plant and equipment in 2017, which did not have a material impact on our financial condition.

Finance (Expenses)/Income

Our finance income increased from RMB0.2 million for the year ended December 31, 2016 to RMB6.8 million for the year ended December 31, 2017. This was primarily due to a decrease in interest expenses of borrowings due to related parties from RMB2.3 million for the year ended December 31, 2016 to nil for the year ended December 31, 2017, as well as an increase in interest income from RMB2.5 million for the year ended December 31, 2016 to RMB6.8 million for the year ended December 31, 2017, primarily due to an increase of our cash balance in banks.

Income Tax Expenses

Our income tax expenses increased by 55.6% from RMB13.7 million for the year ended December 31, 2016 to RMB21.3 million for the year ended December 31, 2017, primarily due to an increase in PRC corporate income tax payable from RMB18.4 million for the year ended December 31, 2016 to RMB24.7 million for the year ended December 31, 2017 as a result of an increase in profit before income tax, which was generally in line with the growth of our business. Our effective income tax rate decreased from 20.8% for the year ended December 31, 2016 to 18.8% for the year ended December 31, 2017, primarily due to less undeductible expenses incurred in 2017.

Profit for the Year and Net Profit Margin

As a result of the foregoing, our profit for the year increased by 75.8% from RMB52.2 million for the year ended December 31, 2016 to RMB91.7 million for the year ended December 31, 2017. Our net profit margin increased from 9.1% for the year ended December 31, 2016 to 10.6% for the year ended December 31, 2017.

Profit Attributable to Non-controlling Interests

Profit attributable to non-controlling interests increased significantly to RMB18.3 million for the year ended December 31, 2017, as compared to RMB8.8 million for the year ended December 31, 2016. Such increase was mainly due to the increase in our profit in 2017 as compared to 2016.

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Year Ended December 31, 2016 Compared to Year Ended December 31, 2015

Revenue

Our revenue increased by 43.3% from RMB400.3 million for the year ended December 31, 2015 to RMB573.4 million for the year ended December 31, 2016, primarily due to the increases in the revenue generated from our property management services and value-added services.

Our revenue generated from property management services increased by 35.8% from RMB293.9 million for the year ended December 31, 2015 to RMB399.2 million for the year ended December 31, 2016, primarily due to an increase in the total GFA under management from 19.3 million sq.m. as of December 31, 2015 to 27.5 million sq.m. as of December 31, 2016 due to our business expansion.

Our revenue generated from value-added services increased by 63.7% from RMB106.4 million for the year ended December 31, 2015 to RMB174.2 million for the year ended December 31, 2016, attributable to our property developer-related services, community-related services and professional services. Our revenue generated from property developer-related services increased by 45.9% from RMB74.4 million for the year ended December 31, 2015 to RMB108.6 million for the year ended December 31, 2016, which is mainly attributable to the increase in our number of on-site sales assistance projects from 62 in 2015 to 75 in 2016, of which 62 and 72, respectively, were attributable to Future Land Affiliates Group for the same periods, and an increase in our consulting services resulting from an 8.2 million sq.m. increase in GFA under management. Our revenue generated from our community-related services increased by 58.7% from RMB17.2 million for the year ended December 31, 2015 to RMB27.3 million for the year ended December 31, 2016. The increase in revenue from community-related services is a result from the increase in GFA under management, which increased by 42.1% from 19.3 million sq.m. in 2015 to 27.5 million sq.m. in 2016 and an increasing demand for community-related services from our customers. Our revenue generated from professional services increased by 159.4% from RMB14.7 million for the year ended December 31, 2015 to RMB38.3 million for the year ended December 31, 2016, primarily due to an increase in the number of maintenance services contracts, which increased to 69 contracts in 2016 from 55 contracts in 2015.

Cost of Sales

Our cost of sales increased by 37.2% from RMB299.8 million for the year ended December 31, 2015 to RMB411.4 million for the year ended December 31, 2016, primarily due to increases in outsourced security, greening and cleaning costs, employee benefit expenses for on-site employees and raw material and components used in professional services and community-related services costs. The increase in cost of sales was consistent with our business growth and our increasing total GFA under management.

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Our outsourced security, greening and cleaning costs increased by 157.5% from RMB57.0 million for the year ended December 31, 2015 to RMB146.9 million for the year ended December 31, 2016. This increase was primarily due to an increase in sub-contractor headcount required as a result of an increase in total GFA under management and increases in the average wages paid to employees of sub-contractors.

Our employee benefit expenses for on-site employees increased by 7.4% from RMB186.5 million for the year ended December 31, 2015 to RMB200.3 million for the year ended December 31, 2016. This was primarily attributable the expansion of our business and increases in minimum wages and the market price for labor, partially offset by increased utilization of sub-contractors for labor intensive tasks.

Our costs related to raw material and components used in professional services and community-related services increased by 152.4% from RMB5.5 million for the year ended December 31, 2015 to RMB13.8 million for the year ended December 31, 2016, primarily due to purchases of additional inventories as a result of an increase in demand for our engineering and maintenance services.

Gross Profit and Gross Profit Margin

Our gross profit increased by 61.2% from RMB100.4 million for the year ended December 31, 2015 to RMB161.9 million for the year ended December 31, 2016. Our gross profit margin increased from 25.1% for the year ended December 31, 2015 to 28.2% for 2016, primarily due to an increase in the gross profit margin by approximately 3% following the full conversion of business tax to value-added tax in May 2016 in accordance with the tax notice issued by the State Administration of Taxation, and the sales percentage of our value-added services with higher profit margin increased from 28.1% for the year ended December 31, 2015 to 30.4% for the year ended December 31, 2016. Under business tax mechanism, business tax is levied at 5% of revenue. We recognized the gross amount received as revenue and the business tax was treated as cost of sales. Under value added tax (“VAT”) mechanism, a majority of our services is subject to 6% VAT with input VAT deductible. We recognized revenue excluding VAT, reducing the amount of revenue compared with those under business tax mechanism. At the same time, cost of services were also recognized excluding VAT (“**input VAT**”). Our outsourced security, greening and cleaning costs bears input VAT at 3-6%; raw material bears input VAT at 17% and utilities bears input VAT at 11% or 13%. The actual VAT paid by us is the difference between output VAT and the input VAT. As such, for the same amount of revenue, we normally incur less VAT than business tax. Accordingly, upon the full conversion of business tax to VAT in May 2016, reported higher gross profit, and at the same time, lower revenue was reported, resulting in a higher gross profit margin in for the year ended December 31, 2016.

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Selling and Marketing Expenses

Our selling and marketing expenses increased by 285.7% from RMB2.0 million for the year ended December 31, 2015 to RMB7.9 million for the year ended December 31, 2016, primarily due to increases of employee benefit expenses, marketing expenses and promotion expenses.

Our employee benefit expenses for marketing employees increased significantly from RMB0.9 million for the year ended December 31, 2015 to RMB3.9 million for the year ended December 31, 2016, primarily due to the establishment of our marketing team in the third quarter of 2015, resulting in a significant increase in marketing employee headcount and increased employee benefit expenses for marketing employees in 2016.

Our marketing expenses increased by 140.2% from RMB1.0 million for the year ended December 31, 2015 to RMB2.3 million for the year ended December 31, 2016, primarily due to the establishment of our marketing team in the third quarter of 2015 and increasing marketing activities throughout 2016.

Our promotion expenses increased from RMB61,434 for the year ended December 31, 2015 to RMB1.0 million for the year ended December 31, 2016, primarily due to the increase of advertisement expenses to promote the branding of Orange APP.

Administrative Expenses

Our administrative expenses increased by 48.1% from RMB59.5 million for the year ended December 31, 2015 to RMB88.1 million for the year ended December 31, 2016, primarily due to an increase in employee benefit expenses for administrative employees, travel expenses and office expenses, partially offset by a decrease of RMB11.1 million of IT system development and maintenance expense which was primarily attributable to the substantial majority of costs for the initial development of our Orange APP incurred in 2015.

Our employee benefit expenses for administrative employees increased by 104.2% from RMB28.5 million as of the year ended December 31, 2015 to RMB58.3 million as of the year ended December 31, 2016, primarily due to the increase in administrative employee headcount required to supervise and manage new property management projects in connection with the increase in our number of properties under management.

Our travel expenses increased by 100.1% from RMB2.4 million as of the year ended December 31, 2015 to RMB4.7 million as of the year ended December 31, 2016, primarily due to increased frequency of travel by our management in connection with expanding our property management services to northern and western regions of the PRC.

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Our office expenses mainly consist of expenses of office equipment. Such expenses increased by 103.7% from RMB2.0 million for the year ended December 31, 2015 to RMB4.0 million for the year ended December 31, 2016, primarily due to the increase in the number of properties under management in our portfolio and increase in the headcount of administrative employees.

Other Income

Our other income decreased by 8.4% from RMB2.2 million for the year ended December 31, 2015 to RMB2.0 million for the year ended December 31, 2016. Our other income is mainly comprised of government grants.

Other Losses

We recorded net other losses of nil for the year ended December 31, 2015, which increased to RMB35,000 for the year ended December 31, 2016, primarily due to net losses on disposal of property, plant and equipment.

Finance (Expenses)/Income

Our finance expenses were RMB2.8 million for the year ended December 31, 2015, which increased to a finance income of RMB0.2 million for the year ended December 31, 2016. Our interest expenses of borrowings due to related parties decreased by RMB1.2 million, from RMB3.5 million for the year ended December 31, 2015 to RMB2.3 million for the year ended December 31, 2016, primarily due to shorter terms included in the loan agreements of the borrowings from related parties in 2016, which resulted in less interest expenses in 2016. Our interest income increased by RMB1.8 million, from RMB0.7 million for the year ended December 2015 and RMB2.5 million for the year ended December 31, 2016, primarily due to our increasing cash balance in banks and more preferred interest rate resulting therefrom.

Income Tax Expense

Our income tax expense decreased by 8.6% from RMB15.0 million for the year ended December 31, 2015 to RMB13.7 million for the year ended December 31, 2016, primarily because of a RMB4.7 million of deferred income tax credit in 2016 as compared with a RMB1.6 million of deferred income tax expenses in 2015, partially offset by a RMB5.0 million increase in PRC enterprise income tax. Our PRC enterprise income tax increased from RMB13.3 million for the year ended December 31, 2015 to RMB18.4 million for the year ended December 31, 2016 as a result of an increase in profit before tax, which was generally in line with the growth of our business. Our effective income tax rate decreased from 39.4% for the year ended December 31, 2015 to 20.8% for the year ended December 31, 2016, primarily because we generated a higher proportion of profit through Tibet Xinchengyue, which enjoyed a corporate income tax rate of 15% as disclosed in Note 14 “Income Tax Expense – (c) PRC Corporate Income Tax” in the Accountant’s Report set out in Appendix I

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to this prospectus¹. Further, as advised by PricewaterhouseCoopers Consultants (Shenzhen) Limited – Shanghai Branch, the PRC Tax Advisor to the Company, pursuant to Public Notice issued by the State Administration of Taxation [2012] No.57, when a company has branch offices subject to different CIT rates, CIT should be reported in line with the following mechanism: (1) 50% should be allocated to the head office and (2) the remaining 50% should be allocated among its head office and branches with reference to three numerical factors, namely, (a) operating revenue, (b) employee compensation, and (c) total assets. In accordance to such policy, we filed our income tax return by combining the taxable income of the head office in Tibet and all of our branches (including those in the Yangtze River Delta Region), with 50% of the aggregate taxable income apportioned to the head office in Tibet, which is subject to an income tax rate of 15%, and the remaining 50% apportioned among the branches, which are subject to an income tax rate of 25% in their own localities. The PRC Tax Advisor to the Company has confirmed to the Company that the above CIT treatment is supported by the relevant regulations as valid and appropriate.

Profit for the Year and Net Profit Margin

As a result of the foregoing, our profit for the year increased by 126.4% from RMB23.0 million for the year ended December 31, 2015 to RMB52.2 million for the year ended December 31, 2016. Our net profit margin increased from 5.8% for the year ended December 31, 2015 to 9.1% for the year ended December 31, 2016.

Profit Attributable to Non-controlling Interests

Profit attributable to non-controlling interests increased significantly to RMB8.8 million for the year ended December 31, 2016, as compared to RMB0.8 million for the year ended December 31, 2015. The increase was primarily due to (i) the increase in profit for the year, and (ii) increase in the shareholding of the non-controlling shareholders in 2016.

¹ There are two parts to the preferential tax treatments applicable to the Group. The first part relates to preferential tax policies for the development of the Western Regions: a head office in Tibet receives a preferential 15% tax rate while branches are still taxed at 25%. As our head office in Tibet and our branches is each allocated 50% of the tax obligations, the effective consolidated tax rate is 20% (15%*50% + 25%*50%). The second part relates to a local enterprise income tax exemption in Tibet which pursuant to the Zang Zheng Fa [2014] No. 51 “Announcement on the Distribution of the Implement Policy concerning the Enterprise Income Tax in Tibet Autonomous Region” is effectively 1.5%. Thus, the overall applicable tax rate the Group is subject to is 20% – 1.5% which is equal to 18.5%.

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DESCRIPTION OF SELECTED ITEMS FROM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

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

	As of December 31,			As of April 30,	As of August 31,
	2015	2016	2017	2018	2018
	(RMB)	(RMB)	(RMB)	(RMB)	(RMB)
					(Unaudited)
	(in thousands)				
Current Assets					
Inventories	5,282	16,336	3,764	3,490	7,070
Trade receivables	28,518	52,518	76,918	144,195	163,597
Prepayments, deposits and other receivables	188,363	38,157	45,692	60,782	76,989
Cash and cash equivalents	119,869	442,922	633,456	540,845	538,320
Total Current Assets	<u>342,032</u>	<u>549,933</u>	<u>759,830</u>	<u>749,312</u>	<u>785,976</u>
Current Liabilities					
Loans from related parties	60,082	65,900	65,900	–	–
Contract liabilities	74,743	108,413	180,714	235,566	213,131
Dividend payable	–	–	19,000	–	–
Trade and other payables	228,461	283,673	345,327	360,500	362,361
Current income tax liabilities	12,604	20,561	12,641	7,110	7,128
Total Current Liabilities	<u>375,890</u>	<u>478,547</u>	<u>623,582</u>	<u>603,176</u>	<u>582,620</u>
Net Current (Liabilities) Assets	<u>(33,858)</u>	<u>71,386</u>	<u>136,248</u>	<u>146,136</u>	<u>203,356</u>

We recorded net current assets of RMB146.1 million as of April 30, 2018, compared with net current assets of RMB136.2 million as of December 31, 2017, primarily attributable to (i) an increase in trade receivables of RMB67.3 million, (ii) a decrease in loans from related parties of RMB65.9 million, (iii) a decrease in dividend payable of RMB19.0 million, and (iv) a decrease in current income tax liabilities of RMB5.5 million, partially offset by (i) a decrease in cash and cash equivalents of RMB92.6 million, and (ii) an increase in contract liabilities of RMB54.9 million.

We recorded net current assets of RMB136.2 million as of December 31, 2017, compared with net current assets of RMB71.4 million as of December 31, 2016, primarily attributable to (i) an increase in cash and cash equivalents of RMB190.5 million, and (ii) an increase in trade receivables of RMB24.4 million, which was offset by an increase in trade and other payables of RMB61.7 million and an increase in contract liabilities of RMB72.3 million.

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We recorded net current assets of RMB71.4 million as of December 31, 2016, compared with net current liabilities of RMB33.9 million as of December 31, 2015, primarily due to (i) an increase in cash and cash equivalents of RMB323.0 million, and (ii) an increase in trade receivables of RMB24.0 million, which was primarily offset by a decrease in prepayments, deposits and other receivables of RMB150.2 million, an increase in trade and other payables of RMB55.2 million and an increase in contract liabilities of RMB33.7 million.

We recorded net current liabilities of RMB33.9 million as of December 31, 2015, with details as follows:

	RMB
	(in thousands)
Dr. (Cr.)	
Prepayments, deposits and other receivables	188,363
Cash and cash equivalents	119,869
Trade receivables	28,518
Trade and other payables	(228,461)
Contract liabilities	(74,743)
Loans from related parties	(60,082)
Current income tax liabilities	(12,604)
Other	5,282
Net current liabilities	(33,858)

The net current liabilities can be further analyzed as follows:

	RMB
	(in thousands)
Accumulated losses as of December 31, 2015	(16,310)
Add: minority interest and capital reserves	4,930
Minus: non-current assets	(22,478)
Net current liabilities	(33,858)

Engaging in property management business, our assets and liabilities are mainly comprised of current assets and liabilities with operating result reflected principally in current assets and liabilities. With a net deficit of RMB16.3 million as of 31 December 2015, our total assets were financed by current liabilities, mainly including trade and other payables, contract liabilities and loans from related parties. During the Track Record Period, the Group turned around the net current liability position with capital contribution from investors and income generated from operations.

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Our major operating entity, Tibet Xinchengyue was established in 1996. At the initial stages of its operation, Tibet Xinchengyue incurred losses due to its charging of lower management fee and its smaller GFA under management. However, Tibet Xinchengyue has turned around its operating results and has become profitable during the Track Record Period due to the following reasons:

1. Larger GFA under management – Tibet Xinchengyue gradually increased its GFA under management as it managed more properties. As the amount of GFA under management increased, together with the use of the advanced data and internal management system, Tibet Xinchengyue was able to achieve operational efficiency;
2. Effort to expand the scope of services for property developers – our effort to diversify our services and business portfolio to property developers, including on-site sales assistance services and consulting services, which increased its revenue; and
3. Developing new services – Tibet Xinchengyue has continued to develop and render new community related services and professional services with higher profit margin, which increased its revenue and profits. For details, please refer to the section titled “Business – Value-added Services” in this prospectus.

We recorded net current assets of RMB203.4 million as of August 31, 2018, compared with net current assets of RMB146.1 million as of April 30, 2018, primarily due to (i) an increase in trade receivables of RMB19.4 million, and (ii) an increase in prepayments, deposits and other receivables of RMB16.2 million. The increases in trade receivables and prepayments, deposits and other receivables were both in line with our business growth.

Inventories

Our inventories are mainly comprised of items that are related to our professional services and engineering accessories, including automotive engineering devices and spare parts. The following table shows a breakdown of the carrying value of our inventories by category as of the dates indicated:

	As of December 31,			As of April 30,
	2015	2016	2017	2018
	(RMB)	(RMB)	(RMB)	(RMB)
	(in thousands)			
Components to be used in professional services	5,211	14,280	2,998	2,656
Spare parts	71	2,056	766	834
Total	5,282	16,336	3,764	3,490

Our inventories decreased by 7.3% from RMB3.8 million as of December 31, 2017 to RMB3.5 million as of April 30, 2018, primarily due to a 11.4% decrease in components to be used in professional services from RMB3.0 million as of December 31, 2017 to RMB2.7 million as of April 30, 2018, primarily due to increased consumption of components as required by the engineering projects.

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Our inventories decreased by 77.0% from RMB16.3 million as of December 31, 2016 to RMB3.8 million as of December 31, 2017, primarily due to a 79.0% decrease in components to be used in professional services from RMB14.3 million as of December 31, 2016 to RMB3.0 million as of December 31, 2017, primarily due to increased consumption of engineering devices.

Our inventories increased by 209.3% from RMB5.3 million as of December 31, 2015 to RMB16.3 million as of December 31, 2016, primarily due to a 174.0% increase in components to be used in professional services from RMB5.2 million as of December 31, 2015 to RMB14.3 million as of December 31, 2016, primarily because we purchased more inventories in response to increased demand as we increased our number of maintenance service contracts to 69 in 2016 from 55 in 2015.

Trade Receivables

Our trade receivables due from third parties arise from property management services revenue and value-added services provided to property owners by independent third-parties. Our trade receivables due from related parties are mainly from property owners and residents with overdue property management fees.

The following table shows a breakdown of our trade receivables by category as of the dates indicated:

	As of December 31,			As of April 30,
	2015	2016	2017	2018
	(RMB)	(RMB)	(RMB)	(RMB)
	(in thousands)			
Trade receivables				
– Related parties	7,278	7,511	12,539	24,452
– Third parties	35,143	63,557	91,544	153,373
Allowance for impairment of trade receivables	(13,903)	(18,550)	(27,165)	(33,630)
	28,518	52,518	76,918	144,195

For our property management services, payments are due for our residents in accordance to the terms of the relevant property services agreements. For our value-added services, payment is due immediately upon the billing of the relevant services. For property developer-related services, the payments are typically due quarterly.

FINANCIAL INFORMATION

In determining the recoverability of trade receivables from our property management services, we take into consideration a number of factors including, among others, subsequent settlement status, write-off history and management fee collection rate of the residents. In determining the recoverability of trade receivables from value-added services, we consider the changes in credit quality of the trade receivable and assess probability of contract violation.

During the Track Record Period, we did not incur any bad debts of trade receivables due from related parties nor from third parties.

Our trade receivables increased from RMB28.5 million as of December 31, 2015 to RMB76.9 million as of December 31, 2017, and further to RMB144.2 million as of April 30, 2018, due to an increasing number of property owners settling their property management fees at mid-year or year-end, after receiving such services. As of June 30, 2018, the amount of RMB61.1 million had been collected from the trade receivables balance as of April 30, 2018, representing approximately 34.4% of total gross trade receivables balance.

For the years ended December 31, 2015, 2016 and 2017 and the four months ended April 30, 2018, our trade receivable turnover days were 23 days, 26 days, 27 days and 44 days, respectively. We calculate the trade receivable turnover days using the average of the opening and closing balances of trade receivables for the relevant period (excluding unbilled revenue), divided by the corresponding revenue for the period, and then multiplied by 365 days. Our trade receivables turnover days generally remained stable during the years ended December 31, 2017 and the turnover days increased to 44 days for the four months ended April 30, 2018. Our average trade receivables balance increased from RMB64.7 million for the year ended December 31, 2017 to RMB110.6 million for the four months ended April 30, 2018, which represented a 70.9% increase in average trade receivables, outpacing the 14.9% increase in annualized revenue from property management services for the four months ended April 30, 2018 as compared to the revenue from property management services for the year ended December 31, 2017. This resulted in an increase in trade receivable turnover days from 27 days for the year ended December 31, 2017 to 44 days for the four months ended April 30, 2018.

We recognize property management fee income upon the provision of property management service on a monthly basis. Depending on the terms of the property management service agreements, the property owners are typically required to pay their property management fee in advance without any specified credit term. However, a number of property owners did not settle their property management fees in advance in accordance with the terms of the relevant property management service agreements but settled the amounts around mid-year or year-end. According to CIA, it is noted that some property owners pay their property management fees late at mid-year or year-end out of personal preference and convenience without following the terms of the property management service agreements, and property management service providers will grant a short-term grace period for such late payments.

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We will continue to enhance our fee collection measures to help recover outstanding property management fees, including:

1. adopting various online payment systems other than cash to cater for property owner's needs;
2. rolling out incentive policies encouraging our employees to take initiatives to remind the property owners to pay the property management fees;
3. reminding the property owners of the outstanding property management fees through payment notice letter, telephone call, SMS text and billboard notice; and
4. evaluating our property owners' fee collection status and commence legal proceedings based on our assessment, such as sending collection reminder letters, demand letters and in extreme cases, lawsuits.

With the above fee collection measures, we believe that the recovery of property management fees is expected to be expedited and sufficient provision has also been made. We did not write off any outstanding property management fees during the Track Record Period.

During the Track Record Period, we experienced positive operating cash flows due to more contract liabilities than account receivables. Our contract liabilities, representing property management fees received in advance, were RMB74.7 million, RMB108.4 million, RMB180.7 million and RMB235.6 million as of December 31, 2015, 2016 and 2017 and April 30, 2018, respectively, which is enough to pay for our daily operations for property management service agreements charged on a lump sum basis. On the other hand, we have trade receivables of RMB28.5 million, RMB52.5 million, RMB76.9 million and RMB144.2 million as of the same respective dates. As a result, our operating cash flow activities produced a positive cash inflow of RMB91.5 million, RMB93.9 million, RMB198.3 million and RMB16.3 million for the years ended December 31, 2015, 2016 and 2017 and the four months ended April 30, 2018, respectively.

The Company is not aware of any significant cash flow mismatch, nor do we have any liquidity concerns. The majority of the trade receivables balance as of April 30, 2018 was mainly comprised of late property management fees accumulated from January 1, 2018 to April 30, 2018 and the remaining portion was carried forward from 2017.

FINANCIAL INFORMATION

As of December 31, 2015, 2016 and 2017 and April 30, 2018, the ageing analysis of trade receivables based on invoice date is as follows:

	As of December 31,			As of April 30,
	2015	2016	2017	2018
	(RMB)	(RMB)	(RMB)	(RMB)
	(in thousands)			
Up to 1 year	22,554	45,537	61,659	128,695
1 to 2 years	7,034	8,414	20,072	23,308
2 to 3 years	3,027	5,469	6,643	8,647
3 to 4 years	2,143	2,501	4,828	4,917
4 to 5 years	1,520	1,758	2,289	3,003
Over 5 years	6,143	7,389	8,592	9,255
	42,421	71,068	104,083	177,825

Our trade receivables aged over one year accounted for 46.8%, 35.9%, 40.8% and 27.6% of our total trade receivables as of December 31, 2015, 2016 and 2017 and April 30, 2018, respectively. For trade receivable aged over one year as of December 31, 2015, 2016 and 2017 and April 30, 2018, the gross amount was RMB19.9 million, RMB25.5 million, RMB42.4 million, RMB49.1 million, respectively, and the bad debt provision made was RMB13.1 million, RMB16.6 million, RMB24.6 million, and RMB28.1 million, respectively, resulting in a net book value of RMB6.8 million, RMB8.9 million, RMB17.8 million, and RMB20.9 million, of which RMB4.3 million, RMB3.7 million, RMB1.6 million and nil had been collected respectively as of April 30, 2018.

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The bad debt ratios applied to trade receivables based on the aging analysis are as follows:

	Expected bad debt loss rate	As of December 31,						As of April 30,	
		2015		2016		2017		2018	
		(RMB)		(RMB)		(RMB)		(RMB)	
		Gross carrying amount	Loss allowance provision	Gross carrying amount	Loss allowance provision	Gross carrying amount	Loss allowance provision	Gross carrying amount	Loss allowance provision
(in thousands)									
Trade receivables									
Related parties	1.00%	7,278	73	7,511	76	12,539	125	24,452	245
Within 1 year	5.00%	15,276	764	38,026	1,901	49,120	2,455	104,243	5,211
1 to 2 years	35.53%	7,034	2,499	8,414	2,989	20,072	7,131	23,308	8,281
2 to 3 years	53.99%	3,027	1,634	5,469	2,953	6,643	3,587	8,647	4,669
3 to 4 years	67.05%	2,143	1,437	2,501	1,677	4,828	3,238	4,917	3,297
4 to 5 years	88.98%	1,520	1,353	1,758	1,565	2,289	2,037	3,003	2,672
Over 5 years	100.00%	6,143	6,143	7,389	7,389	8,592	8,592	9,255	9,255
		<u>42,421</u>	<u>13,903</u>	<u>71,068</u>	<u>18,550</u>	<u>104,083</u>	<u>27,165</u>	<u>177,825</u>	<u>33,630</u>

The expected loss was estimated based on historical settlement patterns, with adjustments for forward-looking factors.

Based on the above ratios, bad debt provision made against trade receivables over one year was RMB13.1 million, RMB16.6 million, RMB24.6 million and RMB28.2 million as of December 31, 2015, 2016 and 2017 and April 30, 2018, respectively, accounting for 65.8%, 64.9%, 57.9% and 57.3%, respectively, of the total trade receivables over one year. Our management believes that the bad debt provision made was adequate.

Movements on the provision for impairment of trade receivables are as follows:

	As of December 31,			As of
	2015	2016	2017	April 30,
	(RMB)	(RMB)	(RMB)	RMB
(in thousands)				
At the beginning of the year	11,070	13,903	18,550	27,165
Provision for receivables impairment	<u>2,833</u>	<u>4,647</u>	<u>8,615</u>	<u>6,465</u>
As of the date indicated	<u>13,903</u>	<u>18,550</u>	<u>27,165</u>	<u>33,630</u>

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The impairment coverage for trade receivables was 32.8%, 26.1%, 26.1%, 14.5% and 18.9%, respectively, as of December 31, 2015, 2016 and 2017 and April 30, 2017 and 2018, and the decrease during the Track Record Period was in line with the increased percentage of trade receivables aged within one year. We provided 65.8%, 64.9%, 57.9% and 57.3% provision for impairment of trade receivables aged over one year as of December 31, 2015, 2016 and 2017 and April 30 2018, respectively. The provision for impairment of trade receivables aged over one year matched with the uncollected percentage of the total trade receivables balance as of December 31, 2015, 2016 and 2017 and April 30, 2017 and 2018, according to the historical settlement records.

Prepayment, Deposits and Other Receivables

Prepayments, deposits and other receivables primarily consist of other receivables due from related parties and property owners, utilities and operational prepayment for projects and others.

	As of December 31,						As of April 30,	
	2015		2016		2017		2018	
	RMB		RMB		RMB		RMB	
	(in thousands)							
	Current	Non-current	Current	Non-current	Current	Non-current	Current	Non-current
Prepayments								
– Utilities	10,157	–	9,114	–	12,809	–	16,665	–
– Raw materials for engineering and maintenance services	17	–	2,532	–	816	–	934	–
– Professional fees	–	–	–	–	–	–	3,714	–
Input VAT to be deducted	4,504	–	3,548	–	1,332	–	642	–
Deposits	1,842	1,420	5,703	1,800	8,753	2,280	11,814	2,500
Other receivables								
– Related parties	163,585	–	–	–	–	–	–	–
– Payments on behalf of property owners	10,182	–	17,714	–	23,476	–	26,969	–
– Other	1,393	–	3,004	–	4,025	–	6,082	–
	<u>191,680</u>	<u>1,420</u>	<u>41,615</u>	<u>1,800</u>	<u>51,211</u>	<u>2,280</u>	<u>66,820</u>	<u>2,500</u>
Less: allowance for impairment of other receivables and deposits	(3,317)	(14)	(3,458)	(18)	(5,519)	(24)	(6,038)	(25)
	<u>188,363</u>	<u>1,406</u>	<u>38,157</u>	<u>1,782</u>	<u>45,692</u>	<u>2,256</u>	<u>60,782</u>	<u>2,475</u>

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As of December 31, 2015, 2016 and 2017 and April 30, 2018, our prepayments, deposits and other receivables were RMB189.8 million, RMB39.9 million, RMB47.9 million, and RMB63.3 million, respectively.

Our prepayments, deposits and other receivables increased by 31.9% from RMB47.9 million as of December 31, 2017 to RMB63.3 million as of April 30, 2018, which was a result of the increase in deposits of RMB3.3 million, prepaid utilities of RMB3.9 million and on-behalf of property owners of RMB3.5 million, which was also in line with our business expansion.

Our prepayments, deposits and other receivables increased by 20.0% from RMB39.9 million as of December 31, 2016 to RMB47.9 million as of December 31, 2017, primarily due to an increase in payments on behalf of property owners and prepayments for utilities, partially offset by an increase in allowance for impairment of other receivables and deposits.

Our prepayments, deposits and other receivables decreased by 79.0% from RMB189.8 million as of December 31, 2015 to RMB39.9 million as of December 31, 2016, primarily due to repayment from related parties in 2016.

Contract Liabilities

Our contract liabilities mainly represent payments in advance from customers for property management services. As of December 31, 2015, 2016 and 2017 and April 30, 2018, our contract liabilities were RMB74.7 million, RMB108.4 million, RMB180.7 million and RMB235.6 million, respectively. The increase in contract liabilities incurred during the Track Record Period was in line with our business expansion. For the two months ended June 30, 2018, RMB69.5 million had been carried over to revenue from those contract liabilities as of April 30, 2018, representing approximately 29.5% of the total contract liabilities balance.

Trade and Other Payables

Our trade and other payables primarily consist of trade payable to third parties, other payables to third parties and other taxes payable. Trade payables to third parties mainly represent the balances due to our suppliers for purchase of services and goods for property management. Other payables due to third parties mainly represent the balances due to third parties for the increase in special item funds (including elevator maintenance funds and public operation funds) that we collect on behalf of all the property owners. Other taxes payable include taxes other than income taxes.

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The following table sets forth a breakdown of our trade and other payables by category as of the dates indicated:

	As of December 31,			As of
	2015	2016	2017	April 30,
	(RMB)	(RMB)	(RMB)	2018 (RMB)
	(in thousands)			
Trade payables (see ageing analysis below)				
– Third parties	13,638	35,386	56,323	55,460
Other payables				
– Related parties	1,492	–	–	–
– Accrued expenses	12,786	12,302	17,863	30,953
– Amounts collected on behalf of property owners	139,866	175,612	193,748	224,804
– Others	2,582	1,757	2,995	6,977
	<u>156,726</u>	<u>189,671</u>	<u>214,606</u>	<u>262,734</u>
Accrued payroll	44,672	48,431	59,861	35,170
Other taxes payables	9,925	10,185	14,537	7,136
Interest payable	3,500	–	–	–
Total	<u>228,461</u>	<u>283,673</u>	<u>345,327</u>	<u>360,500</u>

Our trade and other payables increased by 4.4% from RMB345.3 million as of December 31, 2017 to RMB360.5 million as of April 30, 2018, primarily due to increases in amounts collected on behalf of property owners and accrued expenses. Amounts collected on behalf of property owners increased by 16.0% from RMB193.7 million as of December 31, 2017 to RMB224.8 million as of April 30, 2018, which was a result of the increase in the number of our properties managed. Our accrued expenses increased by 73.3% from RMB17.9 million as of December 31, 2017 to RMB31.0 million as of April 30, 2018, primarily due to the increase in accrual of professional service fee for the sponsors, counsels and auditors in respect to our listing application to the Hong Kong Stock Exchange.

Our trade and other payables increased by 21.7% from RMB283.7 million as of December 31, 2016 to RMB345.3 million as of December 31, 2017, primarily due to increases in trade and other payables due to third parties and increases in accrued payroll. Trade payables due to third parties increased by 59.2% from RMB35.4 million as of December 31, 2016 to RMB56.3 million as of December 31, 2017, primarily due to the increased outsourcing of security services. Other payables due to third parties increased by 13.1% from RMB189.7 million as of December 31, 2016 to RMB214.6 million as of December 31, 2017, primarily due to the increase in amounts collected on behalf of property owners, which was in line with the increase in our number of properties managed. Our accrued payroll increased by 23.6% from RMB48.4 million as of December 31, 2016 to RMB59.9 million as of December 31, 2017, primarily due to an increase in our employee headcount and an increase in employee wages and salaries.

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Our trade and other payables increased by 24.2% from RMB228.5 million as of December 31, 2015 to RMB283.7 million as of December 31, 2016, primarily due to increases in trade and other payables due to third parties. Trade payables due to third parties increased by 159.5% from RMB13.6 million as of December 31, 2015 to RMB35.4 million as of December 31, 2016, primarily due to increased outsourcing securities services. Other payables due to third parties increased by 22.2% from RMB155.2 million as of December 31, 2015 to RMB189.7 million as of December 31, 2016, primarily due to the amount collected on behalf of property owners. As of June 30, 2018, RMB43.1 million had been paid for those trade payables as of April 30, 2018, representing approximately 77.6% of total trade payables balance.

As of December 31, 2015, 2016 and 2017 and April 30, 2018, the ageing analysis of the trade payables (including amounts due to related parties of trading in nature) based on invoice date is as follows:

	As of December 31,			As of April 30,
	2015	2016	2017	2018
	(RMB)	(RMB)	(RMB)	(RMB)
	(in thousands)			
Up to 1 year	13,406	34,954	55,065	54,541
1 to 2 years	135	225	1,000	729
2 to 3 years	53	123	174	117
Over 3 years	44	84	84	73
Total	13,638	35,386	56,323	55,460

For the years ended December 31, 2015, 2016 and 2017 and April 30, 2018, our trade payable turnover days were 17 days, 22 days, 27 days and 31 days, respectively. We calculate the trade payable turnover days using the average of the opening and closing balances of trade payables for the relevant period divided by the corresponding cost of sales for the period, and then multiplied by 365 days.

The general increase in our trade payable turnover days during the Track Record Period was primarily because we started to outsource our security services since 2016, and the balance was thus increased, which resulted in an increase in our trade payable turnover days. The general increasing trend was in line with our business expansions and growth during the Track Record Period.

FINANCIAL INFORMATION

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows

Our primary uses of cash are to fund working capital and other recurring expenses. During the Track Record Period, our main source of liquidity was generated from cash flow from operating activities.

The following table sets forth selected cash flow data from our consolidated statements of cash flows for the periods indicated:

	For the year ended December 31,			For the four months ended April 30,	
	2015	2016	2017	2017	2018
	(RMB)	(RMB)	(RMB)	(RMB)	(RMB)
	(unaudited)				
	(in thousands)				
Net cash generated from/(used in) operating activities . . .	91,504	93,911	198,253	(3,483)	16,285
Net cash (used in)/generated from investing activities . . .	(255,168)	285,272	(7,719)	(2,719)	(402)
Net cash generated from/(used in) financing activities . . .	119,253	(56,130)	–	(–)	(108,494)
Net (decrease)/increase in cash and cash equivalents	(44,411)	323,053	190,534	(6,202)	(92,611)
Cash and cash equivalents at beginning of year . . .	164,280	119,869	442,922	442,922	633,456
Cash and cash equivalents at end of year/period	119,869	442,922	633,456	436,720	540,845

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Operating Activities

Our cash from operating activities primarily consist of fees received from our provision of property management services and value-added services. Cash flows from operating activities reflects (i) profit before income tax adjusted for non-cash and non-operating items such as depreciation, amortisation 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 four months ended April 30, 2018, our net cash generated from operating activities was RMB16.3 million, resulting primarily from our profit before income tax of RMB38.6 million and negative movements in working capital. Our negative movements in working capital primarily reflected an increase in trade receivables of RMB73.7 million and an increase in prepayments, deposits and other receivables of RMB15.6 million, each in line with our business expansion, partially offset by an increase in contract liabilities of RMB54.9 million.

For the year ended December 31, 2017, our net cash generated from operating activities was RMB198.3 million, resulting primarily from our profit before income tax of RMB113.0 million, positive movements in working capital and income tax paid of RMB32.7 million. Our positive movement in the working capital primarily reflected increases in contract liabilities of RMB72.3 million and trade and other payables of RMB61.7 million, each in line with our business expansion, partially offset by an increase in trade receivables of RMB33.0 million.

For the year ended December 31, 2016, our net cash generated from operating activities was RMB93.9 million, resulting primarily from our profit before income tax of RMB65.8 million and positive movements in working capital. Our positive movement in the working capital primarily reflected an increase in trade and other payables of RMB52.8 million and an increase in contract liabilities of RMB30.0 million, each in line with our business expansion, partially offset by increases in trade receivables of RMB24.8 million, in prepayments, deposits and other receivables of RMB11.8 million and in inventories of RMB11.1 million.

For the year ended December 31, 2015, our net cash generated from operating activities was RMB91.5 million, resulting primarily from our profit before income tax of RMB38.0 million and positive movements in working capital. Our positive movement in working capital for cash flows primarily reflected a decrease of prepayments, deposits and other receivables of RMB126.7 million and an increase of contract liabilities of RMB82.3 million, each in line with our business expansion, partially offset by a decrease of trade and other payables of RMB149.8 million. For more details, please see Note 32 of the Accountant's Report set out in Appendix I.

FINANCIAL INFORMATION

Investing Activities

Our cash used in investing activities mainly reflects payments for balances due from related parties and payments for the acquisition of property, plant and equipment. Our cash generated from investing activities primarily consists of repayments of the balances due from related parties.

For the four months ended April 30, 2018, our net cash used in investing activities was RMB0.4 million, primarily attributable to the payment for the purchase of office equipment of RMB0.3 million and software of RMB0.1 million.

For the year ended December 31, 2017, our net cash used in investing activities was RMB7.7 million, primarily attributable to payments for the acquisition of property, plant and equipment of RMB3.8 million and payments for the acquisition of intangible assets of RMB3.3 million.

For the year ended December 31, 2016, our net cash generated from investing activities was RMB285.3 million, primarily attributable to payments for the balance due from related parties of RMB296.5 million, partially offset by our payments for the acquisition of property, plant and equipment of RMB11.7 million.

For the year ended December 31, 2015, our net cash used in investing activities was RMB255.2 million, primarily attributable to payments for the balance due from related parties of RMB669.1 million, partially offset by repayment of the balance due from related parties of RMB418.4 million.

Financing Activities

Our cash generated from financing activities mainly comprises capital contribution from our shareholders and advances from related parties. Our cash used in financing activities mainly comprises payment for consideration of acquisition of Xincheng Fuyue Management Consulting Co., Ltd.

For the four months ended April 30, 2018, our net cash used in financing activities was RMB108.5 million, primarily attributable to (i) payment for consideration of acquisition of Xincheng Fuyue Management Consulting Co., Ltd of RMB241.5 million, (ii) payment for consideration of buy-back minority interests of Tibet Xinchengyue Property Management Co., Ltd. of RMB81.9 million, and (iii) combined dividends of RMB78.0 million, paid to previous shareholders of Xincheng Fuyue, RMB59.0 million, and non-controlling shareholders in subsidiaries, RMB19.0 million.

For the year ended December 31, 2017, we had no financing activities that contributed to our consolidated statements of cash flows.

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For the year ended December 31, 2016, our net cash used in financing activities was RMB56.1 million, primarily attributable to repayment of advance from a third party of RMB136.4 million and offset by injection of capital contribution from the owners and non-controlling interests of RMB78.4 million.

For the year ended December 31, 2015, our net cash generated from financing activities was RMB119.3 million, primarily attributable to advances from a third party of RMB136.4 million and proceeds from loans from related parties of RMB60.0 million, which was partially offset by deemed distribution to the owner of 61.0 million.

Cash and cash equivalents

As of December 31, 2015, 2016 and 2017 and April 30, 2018, we had cash and cash equivalents of RMB119.9 million, RMB442.9 million, RMB633.5 million and RMB540.8 million, respectively. Our cash and cash equivalents increased significantly in 2016 as we received repayments of balance due from related parties.

Working Capital

Taking into account the estimated net proceeds of the Global Offering and cash flow generated from our operations, our directors believe that we have sufficient working capital to meet our present and future cash requirements for at least the next 12 months from the date of this prospectus.

CAPITAL EXPENDITURES

Our principal capital expenditures relate primarily to purchases of property, plant and equipment in relation to facilities buildings and electronic equipment purchases, as well as additions of intangible assets. The following table sets forth a breakdown of our historical capital expenditures as of the dates indicated:

	As of December 31,			As of April 30,	
	2015	2016	2017	2017	2018
	(RMB)	(RMB)	(RMB)	(RMB)	(RMB)
	(unaudited)				
	(in thousands)				
Additions of property, plant and equipment . . .	5,385	11,706	3,753	1,305	319
Additions of intangible assets	–	1,222	3,313	698	83
Total	5,385	12,928	7,066	2,003	402

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We expect to incur approximately RMB6.5 million in capital expenditures in 2018, which we expect to fund primarily through cash generated from operations and net proceeds to be received from the Global Offering. Our current capital expenditure plans for any future period are subject to change, and we may adjust our capital expenditures according to our future cash flows, results of operations and financial condition, our business plans, the market conditions and various other factors we believe to be appropriate.

INDEBTEDNESS

During the Track Record Period, we satisfied our capital requirements partially through loans from related parties. As of December 31, 2015, 2016 and 2017, we had loans from related parties of RMB60.1 million, RMB65.9 million and RMB65.9 million, respectively. The outstanding loans were settled in January 2018. We did not incur any bank loans during the Track Record Period, as of August 31, 2018 and up to the Latest Practicable Date. We had no bank facilities during the Track Record Period or as of August 31, 2018 and had no unutilized facilities as of the Latest Practicable Date.

Our Directors confirm that as of the Latest Practicable Date, the agreements under our borrowings did not contain any covenants that would have a material adverse effect on our ability to make additional borrowings or issue debt or equity securities in the future. Our Directors further confirm that we had no material defaults in our borrowings, nor did we breach any covenants during the Track Record Period as of August 31, 2018 and up to the Latest Practicable Date. Our Directors further confirm that during the Track Record Period as of August 31, 2018 and up to the Latest Practicable Date, we did not experience any material difficulty in obtaining credit facilities, or withdrawal of facilities or request for early repayment.

We did not have any outstanding loan capital issued or agreed to be issued, debt securities, mortgages, charges, debentures, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, hire purchase commitments, guarantees or other contingent liabilities as of August 31, 2018, the latest practicable date for statement of indebtedness. Our directors confirm there has not been any material change in our indebtedness since August 31, 2018.

FINANCIAL INFORMATION

CONTRACTUAL OBLIGATIONS

Operating Lease Commitments

We lease offices and staff dormitories under non-cancellable operating lease agreements. The lease terms are between one and five years, and the majority of the lease agreements are signed with related parties and renewable at the end of the lease period at market rate.

The future aggregate minimum payments under non-cancellable operating leases are as follows:

	As of December 31,			As of April 30,
	2015	2016	2017	2018
	(RMB)	(RMB)	(RMB)	(RMB)
(in thousands)				
Within one year	120	1,295	2,066	2,062
Later than one year and no later than five years	240	1,856	1,492	822
Later than five years	–	30	–	–
Total	360	3,181	3,558	2,884

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

Save for the contractual obligations disclosed under “– Indebtedness”, “Contractual Obligations”, and “– Related Party Transactions” in this section, we did not enter into any financial guarantees or other commitments to guarantee the payment obligations of any third parties. We have not entered into any derivative agreements that are indexed to our equity interests and classified as shareholder’s equity, or that are not reflected in our consolidated financial statements. We do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing, hedging or research and development services with us.

FINANCIAL INFORMATION

RELATED PARTY TRANSACTIONS

Other than the transactions and balances disclosed under “– Indebtedness”, we had the following transactions with related parties during the Track Record Periods:

	For the year ended 31 December,			For the four months ended April 30,	
	2015 (RMB)	2016 (RMB)	2017 (RMB)	2017 (RMB)	2018 (RMB)
	(in thousands)				
	(unaudited)				
Provision of services					
– Entities controlled by Mr. Wang	115,309	138,457	179,684	35,092	60,185
– Joint ventures and associates of the ultimate holding company	2,902	14,646	51,758	8,269	13,464
	<u>118,211</u>	<u>153,103</u>	<u>231,442</u>	<u>43,361</u>	<u>73,649</u>
Interest income from deposit with a bank ¹					
– Entities significantly influenced by Mr. Wang	30	28	25	7	8
Interest expenses from loans from related parties					
– Entities controlled by Mr. Wang	3,500	2,286	–	–	–
Purchase of IT system development and maintenance services					
– Entities controlled by Mr. Wang	13,813	2,821	–	–	–
Purchase of properties					
– Entities controlled by Mr. Wang	2,919	–	–	–	–
Payment on behalf of related parties by the Group					
– Entities controlled by Mr. Wang	7,368	16,135	–	–	–
Receipt on behalf of related parties by the Group					
– Entities controlled by Mr. Wang	3,135	2,260	–	–	–
Payment on behalf of the Group by related parties					
– Entities controlled by Mr. Wang	2,238	5,219	26,631	4,623	4,075
Deposit with a bank ¹					
– Entity significantly influenced by Mr. Wang	12,505	23,716	28,117	–	2,880
Rental expenses					
– Entities controlled by Mr. Wang	776	2,559	1,636	545	545

¹ The bank refers to Jiangsu Jiangnan Rural Commercial Bank Co., Ltd. (江蘇江南農村商業銀行股份有限公司), of which Mr. Wang is a director.

FINANCIAL INFORMATION

It is the view of our Directors that each of the related party transactions set out in Note 36 to the Accountant's Report set out in Appendix I to this prospectus (i) were conducted in the ordinary and usual course of business and on normal commercial terms between the relevant parties, and (ii) do not distort our Track Record Period results or make our historical results not reflective of future performance.

QUALITATIVE AND QUANTITATIVE DISCLOSURE ABOUT MARKET RISK

During the ordinary course of our business, we are exposed to a variety of market risks, including interest rate risk, credit risk and liquidity risk, as set forth below. We manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Interest rate risk

Our interest rate risk arises from loans from related parties. Loans from related parties at fixed rates expose us to fair value interest rate risk. We closely monitor trend of interest rate and its impact on our interest rate risk exposure. As of April 30, 2018, we had no interests bearing liabilities but will consider hedging interest rate risk should the need arise.

Credit risk

We are exposed to credit risk in relation to its trade receivables, deposits and other receivables, and cash and cash equivalents. The carrying amounts of trade receivables, deposits and other receivables; and cash and cash equivalents represent our maximum exposure to credit risk in relation to financial assets.

Cash in banks

We expect that there are no significant credit risk associated with cash deposits at banks since they are substantially deposited at state-owned banks and other medium or large size listed banks. Management does not expect that there will be any significant losses from non-performance by these counterparties.

Deposits

We expect that the credit risk associated with deposits is considered to be low, since the majority of the deposits is due from government authorities as pledge for the ordinary business. Thus, we apply the simplified approach to provide for 1% of allowance rate for deposits.

FINANCIAL INFORMATION

Amounts due from related parties

We expect that the credit risk associated with amounts due from related parties, no matter it is trade receivable or other receivable, is considered to be low, taking into account the financial position, past experience and other factors of the related parties. We applied the simplified approach to provide for 1% of allowance rate for trade receivables and other receivables due from related parties.

Amounts due from parties other than related parties

We have large number of customers and various other receivables from property owners. There was no concentration of credit risk. We have monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, we review the recoverability of these receivables at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

We consider the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, we compare the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- internal credit rating
- external credit rating
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations
- actual or expected significant changes in the operating results of individual property owner or the borrower
- significant increases in credit risk on other financial instruments of the individual property owner or the same borrower
- significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in our Company and changes in the operating results of the borrower.

FINANCIAL INFORMATION

Trade receivables and other receivables

We apply the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for trade and other receivables.

As of December 31, 2015, 2016 and 2017 and April 30, 2018, the loss allowance provision for the remaining balances was determined as follow. The expected credit losses below also incorporated forward looking information.

	Expected loss rate	As of December 31,						As of April 30,	
		2015		2016		2017		2018	
		Gross carrying amount	Loss allowance provision	Gross carrying amount	Loss allowance provision	Gross carrying amount	Loss allowance provision	Gross carrying amount	Loss allowance provision
		(RMB)	(RMB)	(RMB)	(RMB)	(RMB)	(RMB)	(RMB)	(RMB)
(in thousands)									
Trade receivables									
Related parties	1.00%	7,278	73	7,511	76	12,539	125	24,452	245
Within 1 year	5.00%	15,276	764	38,026	1,901	49,120	2,455	104,243	5,211
1 to 2 years	35.53%	7,034	2,499	8,414	2,989	20,072	7,131	23,308	8,281
2 to 3 years	53.99%	3,027	1,634	5,469	2,953	6,643	3,587	8,647	4,669
3 to 4 years	67.05%	2,143	1,437	2,501	1,677	4,828	3,238	4,917	3,297
4 to 5 years	88.98%	1,520	1,353	1,758	1,565	2,289	2,037	3,003	2,672
Over 5 years	100.00%	6,143	6,143	7,389	7,389	8,592	8,592	9,255	9,255
		<u>42,421</u>	<u>13,903</u>	<u>71,068</u>	<u>18,550</u>	<u>104,083</u>	<u>27,165</u>	<u>177,825</u>	<u>33,630</u>

	Expected loss rate	As of December 31,						As of April 30,	
		2015		2016		2017		2018	
		Gross carry amount	Loss allowance provision	Gross carry amount	Loss allowance provision	Gross carry amount	Loss allowance provision	Gross carrying amount	Loss allowance provision
		(RMB)	(RMB)	(RMB)	(RMB)	(RMB)	(RMB)	(RMB)	(RMB)
(in thousands)									
Prepayments, deposits and other receivables									
(excluding prepayments and input VAT to be deducted)									
Related parties	1.00%	163,585	1,636	–	–	–	–	–	–
Deposits	1.00%	3,263	33	7,503	74	11,033	112	14,314	143
Within 1 year	5.00%	8,596	430	14,912	746	18,920	946	22,107	1,106
1 to 2 years	35.53%	2,360	838	3,252	1,155	3,320	1,179	6,686	2,375
2 to 3 years	53.99%	385	208	2,007	1,084	2,749	1,484	3,447	1,861
3 to 4 years	67.05%	100	67	385	258	1,966	1,318	670	449
4 to 5 years	88.98%	126	112	28	25	385	343	107	95
Over 5 years	100.00%	7	7	134	134	161	161	34	34
		<u>178,422</u>	<u>3,331</u>	<u>28,221</u>	<u>3,476</u>	<u>38,534</u>	<u>5,543</u>	<u>47,365</u>	<u>6,063</u>

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As of December 31, 2015, 2016 and 2017 and April 30, 2018, the loss allowance provision for trade and other receivables (excluding prepayments, receivables from payment platform and input VAT to be deducted) reconciles to the opening loss allowance for that provision as follows:

	Trade receivables	Prepayments, deposits and other receivables (excluding prepayments and input VAT to be deducted)	Total
	(RMB)	(RMB)	(RMB)
	(in thousands)		
At January 1, 2015	11,070	7,964	19,034
Provision for loss allowance recognised in profit or loss	2,833	1,989	4,822
Receivables written off as uncollectable.	–	(6,622)	(6,622)
At December 31, 2015	<u>13,903</u>	<u>3,331</u>	<u>17,234</u>
At January 1, 2016	13,903	3,331	17,234
Provision for loss allowance recognised in profit or loss	4,647	145	4,792
At December 31, 2016	<u>18,550</u>	<u>3,476</u>	<u>22,026</u>
At January 1, 2017	18,550	3,476	22,026
Provision for loss allowance recognised in profit or loss	8,615	2,067	10,682
At December 31, 2017	<u>27,165</u>	<u>5,543</u>	<u>32,708</u>
At January 1, 2018	27,165	5,543	32,708
Provision for loss allowance recognised in profit or loss	6,465	520	6,985
At April 30, 2018	<u>33,630</u>	<u>6,063</u>	<u>39,693</u>

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As of December 31, 2015, 2016 and 2017 and April 30, 2018, the gross carrying amount of trade receivables and other receivables (excluding prepayments, receivables from payment platform and input VAT to be deducted) was RMB220.8 million, RMB99.3 million, RMB142.6 million and RMB225.2 million, respectively, and thus the maximum exposure to loss was RMB203.1 million, RMB77.3 million, RMB109.9 million and RMB185.5 million, respectively.

Liquidity risk

Management aims to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of available financing, including loans from related parties to meet its daily operation working capital requirements.

The table below sets forth our financial liabilities by relevant maturity grouping at each balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months from the balance sheet date equal to their carrying amounts in the statements of financial position, as the impact of discount is not significant.

	<u>Less than 1 year</u>	<u>Between 1 and 2</u> <u>years</u>	<u>Total</u>
	<u>(RMB)</u>	<u>(RMB)</u>	<u>(RMB)</u>
	(in thousands)		
As of December 31, 2015			
Trade and other payables *	170,364	–	170,364
Interest payables	3,500	–	3,500
Loans from related parties	60,082	–	60,082
As of December 31, 2016			
Trade and other payables *	225,057	–	225,057
Loans from related parties	65,900	–	65,900
Long-term payables	–	300	300
As of December 31, 2017			
Trade and other payables *	270,929	–	270,929
Dividend Payable	19,000	–	19,000
Loans from related parties	65,900	–	65,900
As of April 30, 2018			
Trade and other payables *	318,194	–	318,194

* Excluding non-financial liabilities of accrued payroll and other taxes payable

FINANCIAL INFORMATION

KEY FINANCIAL RATIOS

The following table sets forth certain of our key financial ratios as of the dates for the years indicated:

	As of and for the year ended December 31,			As of and for the four months ended April 30 ⁽⁵⁾ ,
	2015	2016	2017	2018
	Current Ratio⁽¹⁾	91.0%	114.9%	121.8%
Gearing Ratio⁽²⁾	N/A	56.7%	34.9%	–
Return on Total Assets⁽³⁾	7.3%	10.9%	13.0%	11.4%
Return on Equity⁽⁴⁾	N/A	99.5%	60.1%	48.0%

Notes

- (1) *Current ratio was calculated based on our total current assets divided by total current liabilities as of the respective date.*
- (2) *Gearing ratio was calculated based on total borrowings divided by total equity as of the respective date.*
- (3) *Return on total assets was calculated based on our profit for the year divided by the average of our beginning and ending balance of total assets for the respective year and multiplied by 100%.*
- (4) *Return on equity was calculated based on our profit for the year divided by the average of our beginning and ending balance of total equity for the respective year and multiplied by 100%.*
- (5) *These ratios have been annualized to be comparable to those of prior years but are not indicative of the actual results.*

Current Ratio

Our current ratio increased from 91.0% as of December 31, 2015 to 114.9% as of December 31, 2016, primarily resulting from an increase in cash and cash equivalents, which was mainly due to (i) the capital contribution from shareholders in 2016, (ii) settlement of other receivables from related parties and (iii) our expansion in business operation. Our current ratio further increased from 114.9% as of December 31, 2016 to 121.8% as of December 31, 2017, mainly due to an increase in cash and cash equivalents and an increase in trade receivables, both resulting from our expansion of business scale. Our current ratio further increased to 124.2% as of April 30, 2018 due to an increase in trade receivables as we expanded our scale of business.

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Gearing Ratio

Our gearing ratio was calculated based on total borrowings divided by total equity. As of December 31, 2015, our negative gearing ratio is primarily due to the negative total equity amount resulting from (i) lack of capital contribution and (ii) previously accumulated losses. The decrease in gearing ratio from 56.7% as of December 31, 2016 to 34.9% as of December 31, 2017 was primarily due to an increase in total equity as a result of our improvement in profitability and accumulation of retained earnings. The gearing ratio was zero as of April 30, 2018 as we have repaid our borrowings due to related parties during the four months ended April 30, 2018.

Return on Total Assets

Our return on total assets increased continuously in 2015, 2016 and 2017, from 7.3% for the year ended December 31, 2015 to 10.9% for the year ended December 31, 2016 and 13.0% for the year ended December 31, 2017, primarily due to (i) the expansion of our business operation, and (ii) our continuous improvement in profitability. The annualized ratio of return on total assets maintained relatively stable at 11.4% as of April 30, 2018 compared to that as of December 31, 2017.

Return on Equity

Our negative return on equity for the year ended December 31, 2015 was primarily due to the negative total equity amount as a result of previously accumulated losses. Our return on equity decreased from 99.5% in 2016 to 60.1% in 2017, primarily due to (i) the relatively low equity base in 2016 as a result of the negative beginning balance and (ii) the increase in total equity as a result of accumulation of retained earnings. Our annualized ratio of return on equity further decreased to 48.0% as of April 30, 2018, which was attributable to a larger base of net assets in 2018 as a result of accumulation of retained earnings.

DIVIDENDS

For the years ended December 31, 2016 and 2017, Tibet Xinchengyue, our principal operating subsidiary declared dividends of RMB3.0 million and RMB19.0 million, respectively, to its minority interest Shareholders. During the four months ended April 30, 2018, Xincheng Fuyue declared dividends of RMB59.0 million to its previous shareholder, Changzhou Xincheng Property Investment Co., Ltd. Other than the foregoing, no dividend has been paid or declared by us during the Track Record Period or since our incorporation.

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Our Board may declare dividends in the future after taking into account our results of operations, financial condition, cash requirements and availability and other factors as it may deem relevant at such time. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the Companies Law. Our shareholders at a general meeting must approve any declaration of dividends, which must not exceed the amount recommended by our Board. In addition, our Directors may from time to time pay such interim dividends as our Board considers to be justified by our profits and overall financial requirements, or special dividends of such amounts and on such dates as they think appropriate. No dividend shall be declared or payable except out of our profits and reserves lawfully available for distribution.

DISTRIBUTABLE RESERVES

As of December 31, 2017, we had no distributable reserves available for distribution to our equity shareholders as our Company was incorporated in the Cayman Islands on January 16, 2018.

LISTING EXPENSES

Our listing expenses mainly include underwriting fees and commissions and professional fees paid to legal advisors and the Reporting Accountant for their services rendered in relation to the Listing and the Global Offering. Assuming full payment of the discretionary incentive fee, the estimated total listing expenses (based on the midpoint of our indicative price range for the Global Offering and assuming that the Over-allotment Option is not exercised) for the Global Offering are approximately RMB54.9 million. During the Track Record Period, we incurred listing expenses of RMB15.5 million, of which an amount of RMB11.8 million was recognized in the statement of comprehensive income and the remaining amount of RMB3.7 million will be recognized directly as a deduction from equity upon the Listing. In particular, we incurred listing expenses of RMB1.5 million for the year ended December 31, 2017 and RMB14.0 million for the four months ended April 30, 2018. We expect to further incur listing expenses of RMB39.4 million in connection with the Global Offering for the eight months ending December 31, 2018, of which an estimated amount of RMB14.3 million is expected to be recognized in the statement of comprehensive income for the eight months ending December 31, 2018 and the remaining amount of RMB25.1 million is expected to be recognized directly as a deduction from equity upon the Listing. Our Directors do not expect such expenses would have a material adverse impact on our results of operations for the year ending December 31, 2018.

FINANCIAL INFORMATION

UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following is an illustrative statement of our unaudited pro forma adjusted consolidated net tangible assets which has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Global Offering as if it had taken place on April 30, 2018. This 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 Company had the Global Offering been completed as of April 30, 2018 or at any future dates.

	Audited		Unaudited		Unaudited pro forma	
	consolidated net tangible assets of the Group attributable to owners of the Company as at April 30, 2018 <i>(Note 1)</i>	Estimated net proceeds from the Global Offering <i>(Note 2)</i>	pro forma adjusted net tangible assets attributable to owners of the Company as at April 30, 2018	adjusted net tangible assets per share		
	RMB'000	RMB'000	RMB'000	RMB	HK\$	
Based on the Offer Price of HK\$2.9 per share	172,082	424,927	597,009	0.75	0.93	
Based on the Offer Price of HK\$3.9 per share	172,082	578,803	750,885	0.94	1.17	

Notes:

- (1) The audited consolidated net tangible assets attributable to owners of the Company as of April 30, 2018 is extracted from the Accountant's Report set out in Appendix I to this prospectus, which is based on the audited consolidated net assets of the Group attributable to owners of the Company as of April 30, 2018 of RMB182,873,000, with an adjustment for the intangible assets as at April 30, 2018 of RMB10,791,000.
- (2) The estimated net proceeds from the Global Offering are based on the individual Offer Price of HK\$2.9 and HK\$3.9 per share, being the lower end to higher end of the stated offer price range, respectively, and 200,000,000 shares expected to be issued under the Global Offering, after deduction of the underwriting fees and other related expenses payable by the Company (excluding listing expenses of approximately RMB11.8 million which have been accounted for in the Group's consolidated statement of comprehensive income prior to April 30, 2018), and takes no account of any Shares which may be issued pursuant to the exercise of the Over-allotment Option, any options which may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by the Company under the general mandate to issue Shares and general mandate to repurchase Shares as described in the section headed "Share Capital" in this prospectus.
- (3) The unaudited pro forma adjusted net tangible assets per share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 800,000,000 shares are in issue, assuming the Global Offering and the Capitalization issue had been completed on April 30, 2018, and no over-allotment option will be granted.

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- (4) No adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to April 30, 2018.
- (5) For the purpose of this unaudited pro forma statement of adjusted net tangible assets, the balance stated in Renminbi is converted into Hong Kong dollars at rate of HK\$1.00 to RMB0.80. No representation is made that Renminbi amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that there has been no material adverse change in our financial or trading position since April 30, 2018, being the date of the latest audited consolidated statements of financial position of our Company and up to the date of this prospectus, and there is no event since April 30, 2018 which would materially affect the information shown in our consolidated financial statements as set out in the Accountant's Report in Appendix I to this prospectus up to the date of this prospectus.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors confirm that, as of the Latest Practicable Date, there were no circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

See the section headed “Business – Our Strategies” for a detailed description of our future plans.

USE OF PROCEEDS

We estimate that the net proceeds of the Global Offering which we will receive, assuming an Offer Price of HK\$3.4 per Offer Share (being the mid-point of the Offer Price range stated in this prospectus), will be approximately HK\$626.2 million, after deduction of underwriting fees and commissions and estimated expenses payable by us in connection with the Global Offering and assuming the Over-allotment Option is not exercised.

We intend to use the net proceeds of the Global Offering for the following purposes assuming the Offer Price is fixed at HK\$3.4 per Offer Share (being the midpoint of the indicative Offer Price Range).

- Approximately 48% or HK\$300.6 million, will be used for the expansion of our property management services to enlarge our business scale and bolster our geographic presence across the PRC through means of strategic investment in, cooperation with and/or acquisition of, in particular, property management service providers in the Yangtze River Delta Region, among which, (i) approximately 24% or HK\$150.3 million will be used to invest in, cooperate with and/or acquire one to four residential property management service providers each with an annual revenue of more than RMB100.0 million or an annual net profit of more than RMB10.0 million, (ii) approximately 12% or HK\$75.1 million will be used to invest in, cooperate with and/or acquire one to three non-residential (office buildings and industrial parks) property management service providers each with an annual revenue of more than RMB50.0 million or an annual net profit of more than RMB5.0 million, and (iii) approximately 12% or HK\$75.1 million will be used to invest in, cooperate with and/or acquire one to two other property management service providers that have strong affiliations with property developers in the PRC (in which case the above-mentioned financial criteria will not be applicable) and will create synergies with our business. We expect all of these transactions to be completed December 31, 2021. The amount of net proceeds allocated to investments in or collaboration with property management service providers represents an optimal amount of balancing the benefits of growth on one hand, and the cost of investment through deployment of the use of proceeds on the other hand. The Directors believe the above allocation will present a prudent and commercially viable approach at a time when no specific targets have been identified. In determining the amount of net proceeds to be used for investments in property management service provider, we have considered the following factors: (1) the expected return of the investments; (2) the target growth to be achieved via the investments; and (3) the market valuation multiples (e.g. price-to-earnings ratio) for comparable unlisted PRC property management service providers. Although we have visited several potential targets as

FUTURE PLANS AND USE OF PROCEEDS

part of our research, we have not yet identified any potential target which satisfies our property selection criteria or development strategies as of the Latest Practicable Date. There is an abundance of potential targets available in the market based on current and expected market conditions.

- Approximately 12% or HK\$75.1 million will be used to acquire/obtain a diverse range of property management projects in various geographical areas, in particular, the Yangtze River Delta region, the Circum-Bohai Bay Area, mid-western China region and Pearl River Delta region, including Shandong, Tianjin, Anhui, Hubei, Sichuan, Chongqing, and Guangdong provinces, through organic growth aiming to further diversify our property management portfolio. Approximately 10% of the 12%, or HK\$62.6 million will be used to fund our various measures to increase our chance of securing new property management projects and thus increasing the number of our new property management projects, where (a) approximately 5%, or HK\$31.3 million will be used for the installation of new or upgrading of the existing equipment and facilities according to the needs of the property owners' associations, (b) approximately 3%, or HK\$18.8 million will be used for the expansion of our existing business development team with 15 to 20 additional employees to further promote our property management business. Such team will promote our property management business by, among others, approaching property owners' association of various properties and industry associations in the property management, and increasing participation in the tender for property management projects, and (c) approximately 2%, or HK\$12.5 million will be used for the recruitment of 5 to 8 professional agents for the sourcing of property management projects. In addition to the aforesaid steps (a) through (c), (d) approximately 2% or HK\$12.5 million will be used to set up 10 to 12 new branches and offices in regions in support of the aforesaid. To implement the aforesaid steps (a) through (c), (i) approximately 6% or HK\$37.6 million will be used for residential property management projects, (ii) approximately 2% or HK\$12.5 million will be used for commercial property management projects, such as office buildings, industrial parks and shopping centers, and (iii) approximately 2% or HK\$12.5 million will be used for mixed-complexes property management projects, such as properties that blends residential and commercial use.

- Approximately 15% or HK\$93.9 million, will be used for the expansion of our value-added services business line, including our Orange APP and investments in third-party suppliers that complement our business, among which, (i) approximately 2% or HK\$12.5 million will be used to reach out to third-party suppliers to improve the quality and variety of our value-added services, as to providing more comprehensive services that satisfy the needs of our residents and customers, (ii) approximately 10% or HK\$62.6 million will be used for equity investments in third-party suppliers who can provide value-added services that create synergies with our business, such as intellectual housing business, home care services, community care services, housekeeping services and electric appliance sales services, and (iii) approximately 3% or HK\$18.8 million will be used to invest in the

FUTURE PLANS AND USE OF PROCEEDS

necessary software, hardware and intelligent terminals to upgrade our Orange APP to a more efficient one-stop information service platform that allows us to integrate with, and collect and analyze information on third-party suppliers, which in turn, magnifies the effect of our aforementioned initiatives. We believe the expansion of our value-added services business line and investments in third-party suppliers will improve the user experience of our residents and their loyalty and stickiness with us, strengthen our quality of services and reputation, and increase our chance/competitiveness to secure/obtain new property management projects. Consequently, this contributes to the sustainable development of the Company and provides more streams of revenue in the long run. We expect all these transactions to be completed by December 31, 2021.

- Approximately 15% or HK\$93.9 million, will be used to invest in advanced technology and our employees to create more efficient services for our residents, enhance the overall efficiency of our internal information management systems and standardize our service quality, among which, (i) approximately 8% or HK\$50.1 million will be used to provide a smart community for our residents, where we will continue to invest in intelligent security equipment such as automated door lock systems and parking lot gateway systems, (ii) approximately 4% or HK\$25.0 million will be used to further enhance our information management systems such as our comprehensive budget management system and SYSWIN business management system, which allows us to manage our finances and resources, and (iii) approximately 3% or HK\$18.8 million will be used to recruit an additional of 30 to 40 employees as our management personnel and provide on-going training programs for our employees throughout the expansion of our business, regardless of their level or department. We expect all of these transactions to be completed by December 31, 2021. We believe that the application of advanced technologies and training for our employees will create customer satisfaction, reduce labor costs and further promote efficiency in our decision making process.
- Approximately 10%, or HK\$62.7 million will be used for working capital and general corporate purpose. We expect the demand for working capital to increase as a result of continuous expansion of our business and operations through both our organic growth and mergers and acquisitions, and as a result of continuous expansion of our portfolio of value-added services.

The above allocation of the proceeds will be adjusted on a *pro rata* basis in the event that the Offer Price is fixed at a higher or lower level compared to the mid-point of the estimated Offer Price Range or that the Over-allotment Option is exercised.

If the Offer Price is fixed at HK\$3.9 per Offer Share (being the high end of the Offer Price Range stated in this prospectus) and assuming the Over-allotment Option is not exercised, we will receive net proceeds of approximately HK\$722.1 million, after deduction of underwriting fees and commissions and estimated expenses payable by us in connection with the Global offering.

FUTURE PLANS AND USE OF PROCEEDS

If the Offer Price is fixed at HK\$2.9 per Offer Share (being the low end of the Offer Price Range stated in this prospectus) and assuming the Over-allotment Option is not exercised, we will receive net proceeds of approximately HK\$530.2 million, after deduction of underwriting fees and commissions and estimated expenses payable by us in connection with the Global offering.

In the event that the Over-allotment Option is exercised in full, we will receive additional net proceeds ranging from approximately HK\$83.5 million (assuming an Offer Price of HK\$2.9 per Share, being the low end of the proposed Offer Price Range) to HK\$112.3 million (assuming an Offer Price of HK\$3.9 per Share, being the high end of the proposed Offer Price Range), after deduction of underwriting fees and commissions and estimated expenses payable by us in connection with the Global Offering.

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.

To the extent that our net proceeds are either more or less than expected, we will adjust our allocation of the net proceeds for the above purposes on a pro rata basis.

In the event of any material change in our use of net proceeds of the Global Offering from the purposes described above or in our allocation of the net proceeds among the purposes described above, a formal announcement will be made.

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HONG KONG UNDERWRITERS

Joint Lead Managers

Huatai Financial Holdings (Hong Kong) Limited
Future Land Resources Securities Limited
Guotai Junan Securities (Hong Kong) Limited
Southwest Securities (HK) Brokerage Limited
Orient Securities (Hong Kong) Limited
BOCOM International Securities Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, our Company is offering initially 20,000,000 Hong Kong Offer Shares (subject to reallocation) for subscription by the public in Hong Kong on and subject to the terms and conditions of this prospectus and the Application Forms. Subject to the Listing Committee granting listing of, and permission to deal in, our Shares in issue and to be offered as mentioned herein and to certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed to subscribe or procure subscribers for its applicable proportion of the Hong Kong Offer Shares now being offered which are not taken up under the Hong Kong Public Offering on and subject to the terms and conditions of this prospectus, the Application Forms and the Hong Kong Underwriting Agreement. The Hong Kong Underwriting Agreement is conditional upon and subject to, among other things, the International Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms.

One of the conditions is that the Offer Price must be agreed between us and the Joint Global Coordinators on behalf of the Hong Kong Underwriters. For applicants applying under the Hong Kong Public Offering, this prospectus and the Application Forms contain the terms and conditions of the Hong Kong Public Offering. The International Offering will be fully underwritten by the International Underwriter. If, for any reason, the Offer Price is not agreed between us and the Joint Global Coordinators on behalf of the Underwriters, the Global Offering will not proceed.

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Grounds for Termination

The obligations of the Hong Kong Underwriters to subscribe or procure subscribers for the Hong Kong Offer Shares under the Hong Kong Underwriting Agreement are subject to termination. If, at any time prior to 8:00 a.m. on the Listing Date:

- (a) there develops, occurs, exists or comes into effect:
 - (i) any event, series of events or circumstance, in the nature of force majeure (including, without limitation, any acts of government, declaration of a national or international emergency or war, calamity, crisis, epidemic, pandemic, outbreak of infectious disease, economic sanctions, strikes, lock-outs, fire, explosion, flooding, earthquake, volcanic eruption, civil commotion, riots, public disorder, acts of war, any local, national, regional or international outbreak or escalation of hostilities (whether or not war is declared), acts of God or acts of terrorism) in or affecting Hong Kong, the PRC, the United States, the United Kingdom, any member of the European Union or any other jurisdiction relevant to any member of the Group or the Global Offering (collectively, the “**Relevant Jurisdictions**”); or
 - (ii) any change or development involving a prospective change, or any event or series of events or circumstances likely to result in or representing any change or development involving a prospective change, in local, national, regional or international financial, economic, political, military, industrial, fiscal, regulatory, currency, credit or market conditions or exchange control or any monetary or trading settlement system (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets) in or affecting any of the Relevant Jurisdictions; or
 - (iii) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities generally on the Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Shanghai Stock Exchange or the Shenzhen Stock Exchange; or
 - (iv) any general moratorium on commercial banking activities in any of the Relevant Jurisdictions (imposed by the Financial Secretary or the Hong Kong Monetary Authority or other competent administrative, governmental or regulatory commission, board, body, authority or agency, or any stock exchange, self-regulatory organization or other non-governmental regulatory authority, or any court, tribunal or arbitrator, in each case whether national, central, federal, provincial, state, regional, municipal, local, domestic or foreign), or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in any of the Relevant Jurisdictions; or

UNDERWRITING

- (v) any new law, or any change or development involving a prospective change or any event or circumstance likely to result in a change or development involving a prospective change in existing laws or in the interpretation or application thereof by any court or other competent authority, in each case, in or affecting any of the Relevant Jurisdictions; or
- (vi) the imposition of economic sanctions, or the withdrawal of the trade privileges in whatever form, directly or indirectly, by, or for, any of the Relevant Jurisdictions; or
- (vii) a change or development involving a prospective change in taxation, or affecting taxation or exchange control, currency exchange rates or foreign investment regulations (including, without limitation, a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States or a material devaluation of the Hong Kong dollar or the Renminbi against any foreign currencies), or the implementation of any exchange control, in any of the Relevant Jurisdictions; or
- (viii) any materialization of any of the risks set out in the section entitled “Risk Factors” in this prospectus; or
- (ix) any litigation or claim of any third party being threatened or instigated against any member of the Group or any Director; or
- (x) a contravention by any member of the Group of the Listing Rules or applicable laws; or
- (xi) a valid demand by any creditor for repayment or payment of any indebtedness of any member of the Group or in respect of which any member of the Group is liable prior to its stated maturity; or
- (xii) an order or petition for the winding up of any member of the Group or any composition or arrangement made by any member of the Group with its creditors or a scheme of arrangement entered into by any member of the Group or any resolution for the winding-up of any member of the Group or the appointment of a provisional liquidator, receiver or manager over all or part of the material assets or undertaking of any member of the Group or anything analogous thereto occurring in respect of any member of the Group; or
- (xiii) a Director being charged with an indictable offense or prohibited by operation of law or otherwise disqualified from taking part in the management of a company; or
- (xiv) an authority or a political body or organization in any of the Relevant Jurisdictions announcing or commencing any investigation or other action, or announcing an intention to investigate or take other action, against any member of the Group or Directors; or

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- (xv) the chairman or chief executive officer of the Company vacating his or her office; or
- (xvi) non-compliance of this prospectus (or any other documents used in connection with the contemplated offer and sale of the Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable laws; or
- (xvii) the issue or requirement to issue by the Company of any supplement or amendment to the prospectus or post hearing information pack (or to any other documents used in connection with the contemplated offer and sale of the Shares) pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules or any requirement or request of the Hong Kong Stock Exchange and/or the SFC,

which, individually or in the aggregate, in the sole and absolute opinion of the Joint Global Coordinators (for themselves or on behalf of the Hong Kong Underwriters):

(i) has or will result or may result in a material adverse change of the assets, liabilities, business, management, general affairs, prospects, shareholders' equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of the Group taken as a whole; or (ii) has or will have or may have a material adverse effect on the success of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Offering; or (iii) makes or will make or may make it inadvisable or inexpedient or impracticable or incapable for the Global Offering to proceed as envisaged or to market the Global Offering or to deliver the Offer Shares on the terms and in the manner contemplated by the prospectus; or

- (b) there has come to the notice of the Joint Global Coordinators:
 - (i) that any statement contained in any of the Hong Kong Public Offering documents and/or in any notices, announcements, the post hearing information pack, communications or other documents issued by or on behalf of the Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) was, when it was issued, or has become, untrue, incorrect or misleading in any material respect, or that any estimate, forecast, expression of opinion, intention or expectation contained in any of the Hong Kong Public Offering documents and/or any notices, announcements, the post hearing information pack, communications or other documents issued by or on behalf of the Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) is not, in all material aspects, fair and honest and based on reasonable assumptions; or
 - (ii) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the prospectus date, result in a material misstatement in, or constitute an material omission from any of the Hong Kong

UNDERWRITING

Public Offering documents, the post hearing information pack and/or in any notices, announcements, communications or other documents issued or used by or on behalf of the Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto); or

- (iii) any material breach of any of the obligations imposed upon the Company, any of the Controlling Shareholders or any indemnifying party under the Hong Kong Underwriting Agreement (other than upon any of the Hong Kong Underwriters); or
- (iv) any event, act or omission which gives or is likely to give rise to any liability of any of the indemnifying parties pursuant to the Hong Kong Underwriting Agreement or the International Underwriting Agreement; or
- (v) any adverse change, or any development involving a prospective adverse change, in or affecting the assets, liabilities, business, management, general affairs, prospects, shareholders' equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of the Company or any member of the Group taken as a whole; or
- (vi) any breach of, or any event or circumstances rendering untrue or incorrect or misleading in any respect, any of the warranties; or
- (vii) approval by the Listing Committee of the Stock Exchange of the listing of, and permission to deal in, the Shares to be issued or sold (including any additional Shares that may be issued or sold pursuant to the exercise of the Over-allotment Option) under the Global Offering is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
- (viii) the Company withdraws the prospectus (and/or any other documents issued or used in connection with the Global Offering) or the Global Offering; or
- (ix) any person (other than the Sole Sponsor) has withdrawn or is subject to withdraw its consent to being named in any of the Hong Kong Public Offering documents or to the issue of any of the Hong Kong Public Offering documents; or
- (x) a prohibition (either governmental, regulatory, judicial or otherwise) on the Company for whatever reason from offering, allotting, issuing or selling any of the Shares (including any additional Shares that may be issued or sold pursuant to the exercise of the Over-allotment Option) pursuant to the terms of the Global Offering,

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then the Joint Global Coordinators may (for itself and on behalf of the Hong Kong Underwriters) in its sole and absolute discretion and upon giving notice orally or in writing to the Company terminate the Hong Kong Underwriting Agreement with immediate effect.

Undertakings to the Stock Exchange pursuant to the Listing Rules

Undertakings by us

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 listed) may be issued or form the subject of any agreement to such an issue within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date), except for Shares issued pursuant to the Global Offering (including pursuant to the Over-allotment Option) or any of the circumstances provided under Rule 10.08 of the Listing Rules.

Undertakings by the Controlling Shareholders

Pursuant to Rule 10.07(1) of the Listing Rules, each of the Controlling Shareholders has undertaken to our Company and the Stock Exchange that, except pursuant to the Global Offering (including any exercise of the Over-allotment Option), it shall not and shall procure that the relevant registered Shareholder(s) shall not, without the prior written consent of the Stock Exchange and unless in compliance with the requirements of the Listing Rules:

- in the period commencing from the date by reference to which disclosure of its shareholding in the Company is made in this prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares or securities of our Company in respect of which it is shown by this prospectus to be the beneficial owner; and
- during the period of six months commencing on the date on which the period referred to in the immediate preceding paragraph above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares or securities referred to in the immediately preceding paragraph above to such an extent that immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it would cease to be a controlling shareholder of the Company for the purposes of the Listing Rules.

Note 2 to Rule 10.07 of the Listing Rules provides that such rule does not prevent a Controlling Shareholder from using the Shares beneficially owned by it as security (including a charge or a pledge) in favor of an authorized institution (as defined in the Banking Ordinance, Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan.

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Pursuant to Note 3 to Rule 10.07(2) of the Listing Rules, each of the Controlling Shareholders has further undertaken to the Company and the Stock Exchange that, within the period commencing on the date by reference to which disclosure of its shareholding is made in this prospectus and ending on the date which is 12 months from the Listing Date, it will immediately inform us and the Stock Exchange of:

- any pledges or charges of any Shares or securities of our Company beneficially owned by it in favor of any authorized institution pursuant to Note 2 to Rule 10.07(2) of the Listing Rules for a bona fide commercial loan, and the number of such Shares or securities of our Company so pledged or charged; and
- any indication received by it, either verbal or written, from the pledgee or chargee that any Shares or other securities of our Company pledged or charged will be disposed of.

We will also inform the Stock Exchange as soon as we have been informed of the above matters (if any) by any of the Controlling Shareholders (or its respective shareholders) and disclose such matters by way of an announcement as required under the List Rules as soon as possible after being so informed by any of the Controlling Shareholders (or its respective shareholders).

Undertakings to the Hong Kong Underwriters pursuant to the Hong Kong Underwriting Agreement

Undertakings by our Company

Pursuant to the Hong Kong Underwriting Agreement, our Company has also undertaken to each of the Joint Global Coordinators, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters that except pursuant to the Global Offering (including pursuant to the Over-allotment Option), at any time after the date of the Hong Kong Underwriting Agreement up to and including the date falling six months after the Listing Date (the “**First Six-Month Period**”), our Company will not, without the prior written consent of the Sole Sponsor and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the Listing Rules:

- (i) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, assign, mortgage, charge, pledge, assign, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an encumbrance (as defined in the Hong Kong Underwriting Agreement) over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any equity securities of the Company or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for

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or that represents the right to receive, or any warrants or other rights to purchase any equity securities of the Company), or deposit any equity securities of the Company, with a depository in connection with the issue of depository receipts; or

- (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership (legal or beneficial) of Shares or any other securities of the Company, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares); or
- (iii) enter into any transaction with the same economic effect as any transaction described in paragraphs (i) or (ii) above;
- (iv) offer to or agree to do any of the foregoing or announce any intention to do so,

in each case, whether any of the foregoing transactions is to be settled by delivery of share capital or such other securities, in cash or otherwise (whether or not the issue of such share capital or other securities will be completed within the First Six-Month Period). The Company further agrees that, in the event the Company enters into any of the transactions described in paragraphs (i), (ii) or (iii) above or offers to or agrees to or announces any intention to effect any such transaction during the period of six months commencing on the date on which the First Six-Month Period expires (the “**Second Six-Month Period**”), it shall take all reasonable steps to ensure that such an issue or disposal will not, and no other act of the Company will, create a disorderly or false market for any Shares or other securities of the Company.

Undertakings by the Controlling Shareholders

Each of the Controlling Shareholders agrees and undertakes to each of the Company, the Joint Global Coordinators, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters that, without the prior written consent of the Sole Sponsor and the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) and unless in compliance with the Listing Rules:

- (a) during the First Six-Month Period, it will not:
 - (i) sell, offer to sell, contract or agree to sell, assign, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an encumbrance over or contract or agree to transfer or dispose of or create an encumbrance over, either directly

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or indirectly (through a chain of companies or not), conditionally or unconditionally, any Shares or any other securities of the Company or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any other securities of the Company) held by it as of the date of the Hong Kong Underwriting Agreement; or

- (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership (legal or beneficial) of any such capital or securities or any interest therein; or
- (iii) enter into any transaction with the same economic effect as any transaction described in paragraphs (i) or (ii) above; or
- (iv) offer to or agree to, or announce any intention to enter into any transaction described in paragraphs (i), (ii) or (iii) above,

in each case, whether any such transaction described in paragraphs (i), (ii) or (iii) above is to be settled by delivery of such capital or securities, in cash or otherwise (whether or not such transaction will be completed with the First Six-Month Period), save as provided under Note (2) to Rule 10.07(2) of the Listing Rules and subject always to compliance with the provisions of the Listing Rules; and

- (b) (A) during the Second Six-Month Period, it will not enter into any of the foregoing transactions in paragraphs (a)(i), (ii) or (iii) above or offer to or agree to or announce any intention to enter into or effect any such transactions if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or encumbrance pursuant to such transaction, any of the Controlling Shareholders will cease to be a controlling shareholder of the Company for the purposes of the Listing Rules; and
- (B) until the expiry of the Second Six-Month Period, in the event that it enters into any of the foregoing transactions in paragraphs (a)(i), (ii) or (iii) above or offers to or agrees to, or announces an intention to enter into any such transactions, it will take all reasonable steps to ensure that any such transaction, offer, agreement or announcement will not create a disorderly or false market in the securities of the Company.

For the avoidance of doubt, the foregoing restrictions shall not prevent any of the Controlling Shareholders from purchasing additional Shares and disposing any Shares thus purchased in the relevant period, subject to compliance with the requirements of Rule 8.08 of the Listing Rules to maintain an open market in the securities and a sufficient public float.

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Indemnity

Our Company has agreed to indemnify, among others, the Joint Global Coordinators, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters for certain losses which they may suffer, including, among other matters, losses arising from the performance of their obligations under the Hong Kong Underwriting Agreement and any breach by us of the Hong Kong Underwriting Agreement as the case may be.

The International Offering

In connection with the International Offering, it is expected that our Company will enter into the International Underwriting Agreement with the International Underwriters. Under the International Underwriting Agreement, the International Underwriters will, subject to certain conditions set out therein, agree to procure subscribers or purchasers for the International Offer Shares, failing which it agrees to subscribe for or purchase the International Offer Shares which are not taken up under the International Offering.

Our Company is expected to grant to the International Underwriters the Over-allotment Option, exercisable by the Joint Global Coordinators on behalf of the International Underwriters at any time from the date of the International Underwriting Agreement until 30 days after the last date for the lodging of applications under the Hong Kong Public Offering, to require our Company to allot and issue up to an aggregate of 30,000,000 additional Shares representing approximately 15% of the initial Offer Shares, at the same price per Offer Share under the International Offering to cover over-allocations (if any) in the International Offering.

It is expected that the International Underwriting Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors should note that if the International Underwriting Agreement is not entered into, or is terminated, the Global Offering will not proceed.

Total Commission and Expenses

According to the Hong Kong Underwriting Agreement, the Hong Kong Underwriters will receive an underwriting commission of 2.9% of the aggregate Offer Price payable for the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering. For any unsubscribed Hong Kong Offer Shares reallocated to the International Offering, the underwriting commission will not be paid to the Hong Kong Underwriter but will instead be paid, at the rate applicable to the International Offering, to the International Underwriter. Our Company may, at our sole and absolute discretion, pay to the Joint Global Coordinators for their respective accounts an incentive fee.

Assuming the Over-allotment Option is not exercised at all and based on an Offer Price of HK\$3.4 per Share (being the mid-point of the indicative offer price range of HK\$2.9 to HK\$3.9 per Share), the aggregate commissions and fees, together with listing fees, SFC

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transaction levy, Stock Exchange trading fee, legal and other professional fees and printing and other expenses, payable by our Company relating to the Global Offering (collectively the “**Commissions and Fees**”) are estimated to be approximately HK\$19.8 million in total.

Activities by Syndicate Members

We describe below a variety of activities that underwriters of the Hong Kong Public Offering and the International Offering, together referred to as “**Syndicate Members**”, and their affiliates may each individually undertake, and which do not form part of the underwriting or the stabilizing process. When engaging in any of these activities, it should be noted that the Syndicate Members are subject to restrictions, including the following:

- the Syndicate Members (except for the Stabilizing Manager, its affiliates or any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilizing or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and
- all of them must comply with all applicable laws, including the market misconduct provisions of the SFO, the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In relation to the Shares, those activities could include acting as agent for buyers and sellers of the Shares, entering into transactions with those buyers and sellers in a principal capacity, proprietary trading in the Shares and entering into over the counter or listed derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have the Shares as their or part of their underlying assets. Those activities may require hedging activity by those entities involving, directly or indirectly, buying and selling the Shares. All such activities could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the Shares, in baskets of securities or indices including the Shares, in units of funds that may purchase the Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the Shares as their or part of their underlying assets, whether on the Stock Exchange or on any other stock exchange, the rules of the relevant exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the Shares in most cases.

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All of these activities may occur both during and after the end of the stabilizing period described in the sections headed “Structure of the Global Offering – The International Offering – Over-allotment Option” and “Structure of the Global Offering – The International Offering – Stabilization.” These activities may affect the market price or value of the Shares, the liquidity or trading volume in the Shares and the volatility of their share price, and the extent to which this occurs from day to day cannot be estimated.

Hong Kong Underwriter’s Interests in our Company

Save for its obligations under the Hong Kong Underwriting Agreement, each of the Hong Kong Underwriters does not have any shareholding interests in our Company or the right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company.

Following the completion of the Global Offering, each Hong Kong Underwriter and its affiliated companies may hold a certain portion of the Shares as a result of fulfilling its obligations under the Hong Kong Underwriting Agreement.

Other Services to our Company

The Joint Global Coordinators, the Hong Kong Underwriters or their respective affiliates have, from time to time, provided and expected to provide in the future investment banking and other services to our Company and our respective affiliates, for which such Joint Global Coordinators, Hong Kong Underwriters or its respective affiliates have received or will receive customary fees and commissions.

Future Land Resources Securities Limited

Future Land Resources Securities Limited, being a Joint Global Coordinator, is a 60% owned indirect subsidiary of Future Land Development Holdings, which is in turn owned as to 71.01% by Mr. Wang, a Controlling Shareholder. Accordingly, Future Land Resources Securities Limited is a connected person of the Company.

Over-Allotment and Stabilization

Details of the arrangements relating to the Over-allotment Option and stabilization are set forth in the sections headed “Structure of the Global Offering – The International Offering – Stabilization”, and “Structure of the Global Offering – The International Offering – Over-allotment Option”.

Sponsor’s Independence

The Sole Sponsor satisfies the independence criteria applicable to sponsor set out in Rule 3A.07 of the Listing Rules.

STRUCTURE OF THE GLOBAL OFFERING

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises:

- (i) the Hong Kong Public Offering of 20,000,000 Offer Shares (subject to reallocation) in Hong Kong as described in the paragraph headed “– The Hong Kong Public Offering” below; and
- (ii) the International Offering of an aggregate of initially 180,000,000 Shares, consisting of the offering of our Shares outside the United States in reliance on Regulation S under the U.S. Securities Act. At any time from the Listing Date until 30 days after the last day for lodging of applications in the Hong Kong Public Offering, the Joint Global Coordinators, as representative of the International Underwriters, have an option to require our Company to allot and issue up to 30,000,000 additional Shares, representing approximately 15% of the Offer Shares initially available under the Global Offering, at the Offer Price to cover over-allocations in the International Offering, if any. If the Over-allotment Option is exercised in full, the additional Offer Shares will represent approximately 3.6% of the Company’s enlarged share capital immediately following the completion of the Global Offering and the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised, a press announcement will be made.

Investors may apply for Offer Shares under the Hong Kong Public Offering or apply for or indicate an interest for Offer Shares under the International Offering, but may not do both.

The Offer Shares will represent approximately 25% of the enlarged issued share capital of the Company immediately after the completion of the Global Offering without taking into account the exercise of the Over-allotment Option. If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 27.7% of the enlarged issued share capital immediately after the completion of the Global Offering and the exercise of the Over-allotment Option as set out in the paragraph headed “– The International Offering – Over-allotment Option” below.

The number of Offer Shares to be offered under the Hong Kong Public Offering and the International Offering may be subject to reallocation as described in the paragraph headed “– The Hong Kong Public Offering – Reallocation and clawback” below.

THE HONG KONG PUBLIC OFFERING

Number of Offer Shares initially offered

Our Company is initially offering 20,000,000 Offer Shares for subscription by the public in Hong Kong at the Offer Price, representing 10% of the total number of Offer Shares initially available under the Global Offering. The Hong Kong Offer Shares will represent approximately 2.5% of the Company’s enlarged share capital immediately after completion of the Global Offering, assuming that the Over-allotment Option is not exercised.

STRUCTURE OF THE GLOBAL OFFERING

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions as set out in the paragraph headed “– Conditions of the Global Offering” below.

Allocation

Allocation of Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

The total number of Offer Shares initially available under the Hong Kong Public Offering (after taking account of any reallocation referred to below) is to be equally divided into two pools for allocation purposes. The Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for Offer Shares with an aggregate price of HK\$5 million (excluding the brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee payable) or less. The Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Offer Shares with an aggregate price of more than HK\$5 million (excluding the brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee payable) and up to the total value in pool B. Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If Offer Shares in one (but not both) of the pools are undersubscribed, the surplus Offer Shares will be transferred to the other pool to satisfy demand in this other pool and be allocated accordingly. For the purpose of this paragraph only, the “price” for Offer Shares means the price payable on application therefore (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Offer Shares from either pool A or pool B but not from both pools. Multiple or suspected multiple applications and any application for more than 10,000,000 Offer Shares are liable to be rejected.

Reallocation and clawback

The allocation of the Offers Shares between the Hong Kong Public Offering and the International Offering is subject to reallocation as further described below:

If the Offer Shares under the International Offering are fully subscribed or oversubscribed and, if the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents (i) 15 times or more but less than 50 times, (ii) 50 times or more but less than 100

STRUCTURE OF THE GLOBAL OFFERING

times, and (iii) 100 times or more of the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then the Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering. As a result of such reallocation (such reallocation being referred to in this prospectus as “Mandatory Reallocation”), the total number of Offer Shares available under the Hong Kong Public Offering will be increased to 60,000,000 Offer Shares (in the case of (i)), 80,000,000 Offer Shares (in the case of (ii)) and 100,000,000 Offer Shares (in the case of (iii)), representing approximately 30%, 40% and 50% of the Offer Shares initially available under the Global Offering, respectively (before any exercise of the Over-allotment Option).

In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between pool A and pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as the Joint Global Coordinators deem appropriate. In addition to any Mandatory Reallocation which may be required, the Joint Global Coordinators may, at their discretion, allocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering, regardless of whether the Mandatory Reallocation is triggered. The Offer Shares to be offered in the Hong Kong Public Offering and the International Offering may, in certain circumstances, be reallocated as between these offerings at the discretion of the Joint Global Coordinators. In the event that the Joint Global Coordinators decide to reallocate Offer Shares from the International Offering to the Hong Kong Public Offering, and such reallocation is done other than pursuant to Practice Note 18 of the Listing Rules, in accordance with Guidance Letter HKEx-GL-91-18, the maximum total number of Offer Shares that may be reallocated to the Hong Kong Public Offering will be 20,000,000 Offer Shares, representing double of the initial allocation to the Hong Kong Public Offering, and the Offer Price shall be fixed at the low end of the Offer Price Range (i.e. HK\$2.9 per Offer Share) stated in this prospectus.

If the Hong Kong Public Offering is not fully subscribed for, the Joint Global Coordinators have the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering, in such proportions as the Joint Global Coordinators deem appropriate.

Applications

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the application submitted by him that he and any person(s) for whose benefit he is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering, and such applicant’s application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated Offer Shares under the International Offering.

STRUCTURE OF THE GLOBAL OFFERING

The listing of the Offer Shares on the Hong Kong Stock Exchange is sponsored by the Sole Sponsor. Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum price of HK\$3.9 per Offer Share in addition to any brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee payable on each Offer Share. If the Offer Price, as finally determined in the manner described in the paragraph headed “– Pricing of the Global Offering” below, is less than the maximum price of HK\$2.9 per Offer Share, appropriate refund payments (including the brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out below in the section headed “How to Apply for the Hong Kong Offer Shares”.

References in this prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

THE INTERNATIONAL OFFERING

Number of Offer Shares offered

Subject to reallocation as described above, the International Offering will consist of an aggregate of 180,000,000 Offer Shares, representing 90% of the total number of Offer Shares initially available under the Global Offering and approximately 22.5% of the Company’s enlarged share capital immediately after the Global Offering, assuming that the Over-allotment Option is not exercised.

Allocation

The International Offering will include selective marketing of Offer Shares to institutional and professional investors and other investors anticipated to have a sizeable demand for such Offer Shares. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Allocation of Offer Shares pursuant to the International Offering will be effected in accordance with the “book-building” process described in the paragraph headed “– Pricing of the Global Offering” below and based on a number of factors, including the level and timing of demand, the total size of the relevant investor’s invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Offer Shares, and/or hold or sell its Offer Shares, after the listing of the Offer Shares on the Hong Kong Stock Exchange. Such allocation is intended to result in a distribution of the Offer Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and our Shareholders as a whole.

The Joint Global Coordinators (on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Offering, and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Joint Global Coordinators so as to allow them to identify the relevant application under the Hong Kong Public Offering and to ensure that it is excluded from any application of Offer Shares under the Hong Kong Public Offering.

STRUCTURE OF THE GLOBAL OFFERING

Over-allotment Option

In connection with the Global Offering, we are expected to grant an Over-allotment Option to the International Underwriter exercisable by the Joint Global Coordinators on behalf of the International Underwriters.

Pursuant to the Over-allotment Option, the Joint Global Coordinators have the right, exercisable at any time from the Listing Date until 30 days after the last date for lodging of applications under the Hong Kong Public Offering, to require our Company to allot and issue up to 30,000,000 additional Shares, representing approximately 15% of the Offer Shares initially available under the Global Offering, at the Offer Price to cover over-allocation in the International Offering, if any. If the Over-allotment Option is exercised in full, the additional Offer Shares will represent approximately 3.6% of our Company's enlarged share capital immediately following the completion of the Global Offering and the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised, a press announcement will be made.

STABILIZATION

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

In connection with the Global Offering, the Stabilizing Manager or any person acting for them, on behalf of the Underwriters, may over-allocate or effect short sales or any other stabilizing transactions with a view to stabilizing or maintaining the market price of the Shares at a level higher than that which might otherwise prevail in the open market. Short sales involve the sale by the Stabilizing Manager of a greater number of Shares than the Underwriters are required to purchase in the Global Offering. "Covered" short sales are sales made in an amount not greater than the Over-allotment Option. The Stabilizing Manager may close out the covered short position by either exercising the Over-allotment Option to purchase additional Shares or purchasing Shares in the open market. In determining the source of the Shares to close out the covered short position, the Stabilizing Manager will consider, among others, the price of Shares in the open market as compared to the price at which they may purchase additional Shares pursuant to the Over-allotment Option. Stabilizing transactions consist of certain bids or purchases made for the purpose of preventing or retarding a decline in the market price of the Shares while the Global Offering is in progress. Any market purchases of the Shares may be effected on any stock exchange, including the Hong Kong Stock Exchange, any over-the-counter market or otherwise, provided that they are made in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilizing Manager or any person acting for it to conduct any such stabilizing activity, which if commenced, will be done at the absolute discretion of the

STRUCTURE OF THE GLOBAL OFFERING

Stabilizing Manager and may be discontinued at any time. Any such stabilizing activity is required to be brought to an end within 30 days of the last day for lodging of applications under the Hong Kong Public Offering. The number of the Shares that may be over-allocated will not exceed the number of the Shares that may be sold under the Over-allotment Option, namely, 30,000,000 Shares, which is approximately 15% of the number of Offer Shares initially available under the Global Offering, in the event that the whole or part of the Over-allotment Option is exercised.

In Hong Kong, stabilizing activities must be carried out in accordance with the Securities and Futures (Price Stabilizing) Rules (Chapter 571W of the Laws of Hong Kong). Stabilizing actions permitted pursuant to the Securities and Futures (Price Stabilizing) Ordinance (Chapter 571W of the Laws of Hong Kong) include:

- (a) over-allocation for the purpose of preventing or minimising any reduction in the market price;
- (b) selling or agreeing to sell the Shares so as to establish a short position in them for the purpose of preventing or minimising any deduction in the market price;
- (c) subscribing, or agreeing to subscribe, for the Shares pursuant to the Over-allotment Option in order to close out any position established under (a) or (b) above;
- (d) purchasing, or agreeing to purchase, the Shares for the sole purpose of preventing or minimising any reduction in the market price;
- (e) selling the Shares to liquidate a long position held as a result of those purchases; and
- (f) offering or attempting to do anything described in (b), (c), (d) and (e) above.

Stabilizing actions by the Stabilizing Manager, or any person acting for it, will be entered into in accordance with the laws, rules and regulations in place in Hong Kong on stabilization.

As a result of effecting transactions to stabilize or maintain the market price of the Shares, the Stabilizing Manager, or any person acting for it, may maintain a long position in the Shares. The size of the long position, and the period for which the Stabilizing Manager, or any person acting for it, will maintain the long position is at the discretion of the Stabilizing Manager and is uncertain. In the event that the Stabilizing Manager liquidates this long position by making sales in the open market, this may lead to a decline in the market price of the Shares.

Stabilizing action by the Stabilizing Manager, or any person acting for it, is not permitted to support the price of the Shares for longer than the stabilizing period, which begins on the day on which trading of the Shares commences on the Hong Kong Stock Exchange and ends on the thirtieth day after the last day for the lodging of applications under the Hong Kong Public Offering. As a result, demand for the Shares, and their market price, may fall after the end of the stabilizing period. These activities by the Stabilizing Manager may stabilise,

STRUCTURE OF THE GLOBAL OFFERING

maintain or otherwise affect the market price of the Shares. As a result, the price of the Shares may be higher than the price that otherwise may exist in the open market. Any stabilizing action taken by the Stabilizing Manager, or any person acting for it, may not necessarily result in the market price of the Shares staying at or above the Offer Price either during or after the stabilizing period. Bids for or market purchases of the Shares by the Stabilizing Manager, or any person acting for it, may be made at a price at or below the Offer Price and therefore at or below the price paid for the Shares by purchasers. A public announcement in compliance with the Securities and Futures (Price Stabilizing) Ordinance (Chapter 571W of the Laws of Hong Kong) will be made within seven days of the expiration of the stabilizing period.

PRICING OF THE GLOBAL OFFERING

The International Underwriter will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building,” is expected to continue up to, and to cease on or around, the last day for lodging applications under the Hong Kong Public Offering.

Pricing for the Offer Shares for the purpose of the various offerings under the Global Offering will be fixed on the Price Determination Date, which is expected to be on or around Tuesday, October 30, 2018 and in any event on or before Sunday, November 4, 2018, by agreement between the Joint Global Coordinators (on behalf of the Underwriters) and the Company and the number of Offer Shares to be allocated under various offerings will be determined shortly thereafter.

The Offer Price will not be more than HK\$3.9 per Share and is expected to be not less than HK\$2.9 per Share, unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. Applicants under the Hong Kong Public Offering must pay, on application, the maximum Offer Price of HK\$3.9 per Share, plus 1% brokerage, 0.0027% SFC transaction levy and 0.005% Stock Exchange trading fee, amounting to a total of HK\$3,939.31 for one board lot of 1,000 Shares. **Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the bottom end of the indicative Offer Price range stated in this prospectus.**

The Joint Global Coordinators, on behalf of the Underwriters, may, where considered appropriate, based on the level of interest expressed by prospective professional and institutional investors during the book-building process, and with the consent of our Company, reduce the number of Offer Shares offered in the Global Offering and/or the bottom end of the indicative Offer Price range below that stated in this prospectus, at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering.

STRUCTURE OF THE GLOBAL OFFERING

In such a case, our Company will, as soon as practicable following the decision to make such reduction and/or set the final Offer Price below the bottom end of the indicative Offer Price range, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering, cause there to be published in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) and to be posted on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) and on the website of our Company (www.xinchengyue.com) notices of the reduction. Upon issue of such a notice, the number of Offer Shares offered in the Global Offering and/or the revised offer price range will be final and conclusive and the offer price, if agreed upon by the Joint Global Coordinators (on behalf of the Underwriters) and our Company, will be fixed within such revised Offer Price range.

Applicants should have regard to the possibility that any notice of a reduction in the number of Offer Shares being offered under the Global Offering and/or the bottom end of the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering. Such notice will also include confirmation or revision, as appropriate, of the working capital statement and the Global Offering statistics as currently set forth in this prospectus, and any other financial information which may change as a result of any such reduction. As soon as practicable of such reduction of the number of Offer Shares and/or the indicative Offer Price range, we will also issue a supplemental prospectus updating investors of such reduction together with an update of all financial and other information in connection with such change, where appropriate, extend the period under which the Hong Kong Public Offering was open for acceptance, and give potential investors who had applied for the Offer Shares the right to withdraw their applications.

In the event of a reduction in the number of Offer Shares being offered under the Global Offering, the Joint Global Coordinators may at their discretion reallocate the number of Offer Shares to be offered under the Hong Kong Public Offering and the International Offering, provided that the number of Shares comprised in the Hong Kong Public Offering shall not be less than 10% of the total number of Offer Shares in the Global Offering. The Offer Shares to be offered in the International Offering and the Offer Shares to be offered in the Hong Kong Public Offering may, in certain circumstances, be reallocated as between these offerings at the discretion of the Joint Global Coordinators.

The Offer Price under the Global Offering, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering, the basis of allocations of the Hong Kong Offer Shares and the results of allocation in the Hong Kong Public Offering are expected to be announced on Monday, November 5, 2018 through a variety of channels in the manner described in “How to Apply for the Hong Kong Offer Shares – 11. Publication of Results” in this prospectus.

STRUCTURE OF THE GLOBAL OFFERING

HONG KONG UNDERWRITING AGREEMENT

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriter under the terms of the Hong Kong Underwriting Agreement and is conditional upon the International Underwriting Agreement being signed and becoming unconditional.

Our Company expects to enter into the International Underwriting Agreement relating to the International Offering on or around the Price Determination Date.

These underwriting arrangements, and the respective Underwriting Agreements, are summarized in the section headed “Underwriting”.

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for Offer Shares will be conditional on:

- (i) the Listing Committee of the Hong Kong Stock Exchange granting listing of, and permission to deal in, the Offer Shares being offered pursuant to the Global Offering (including the additional Shares which may be made available pursuant to the exercise of the Over-allotment Option) (subject only to allotment);
- (ii) the Offer Price having been fixed on or around the Price Determination Date;
- (iii) the execution and delivery of the International Underwriting Agreement on or around the Price Determination Date; and
- (iv) the obligations of the Underwriters under each of the respective Underwriting Agreements becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements.

If, for any reason, the Offer Price is not agreed between our Company and the Joint Global Coordinators (on behalf of the Underwriters), the Global Offering will not proceed and will lapse.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Hong Kong Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by our Company in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) on the next day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in the section headed “How to Apply for the Hong Kong Offer Shares.” In the meantime, all application monies will be held in separate bank account(s) with the receiving bank or other licensed bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

STRUCTURE OF THE GLOBAL OFFERING

Share certificates for the Offer Shares are expected to be issued on Monday, November 5, 2018 but will only become valid certificates of title at 8:00 a.m. on Tuesday, November 6, 2018 provided that (i) the Global Offering has become unconditional in all respects and (ii) the right of termination as described in the section headed “Underwriting – Underwriting Arrangements and Expenses – Hong Kong Public Offering – Grounds for Termination” has not been exercised.

SHARES WILL BE ELIGIBLE FOR CCASS

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

If the Hong Kong Stock Exchange grants the listing of, and permission to deal in, the Shares and our Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Hong Kong Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Hong Kong Stock Exchange is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

DEALING

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Tuesday, November 6, 2018, it is expected that dealings in the Shares on the Hong Kong Stock Exchange will commence at 9:00 a.m. on Tuesday, November 6, 2018. Our Shares will be traded in board lots of 1,000 Shares each and the stock code of our Shares will be 1755.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest in International Offer Shares.

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **White Form eIPO** service at www.eipo.com.hk; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

The Company, the Joint Global Coordinators, the **White Form eIPO** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you apply online through the **White Form eIPO** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application must be signed by a duly authorized officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Company and the Joint Global Coordinators may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

The number of joint applicants may not exceed four and they may not apply by means of **White Form eIPO** service for the Hong Kong Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you:

- are an existing beneficial owner of Shares in the Company and/or any its subsidiaries;
- are a Director or chief executive officer of the Company and/or any of its subsidiaries;
- are a close associate (as defined in the Listing Rules) of any of the above;
- are a connected person (as defined in the Listing Rules) of the Company or will become a connected person of the Company immediately upon completion of the Global Offering; and
- have been allocated or have applied for any International Offer Shares or otherwise participate in the International Offering.

3. APPLYING FOR HONG KONG OFFER SHARES

Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through www.eipo.com.hk.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours between 9:00 a.m. from Wednesday, October 24, 2018, until 12:00 noon on Tuesday, October 30, 2018 from:

- (i) the following office of the Hong Kong Underwriter:

Huatai Financial Holdings (Hong Kong) Limited
Room 5801-05, 58/F, The Center
99 Queen's Road
Central, Hong Kong

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

(ii) any of the following branches of the receiving bank:

Bank of China (Hong Kong) Limited

District	Branch Name	Branch Address
Hong Kong Island	Connaught Road Central Branch	13-14 Connaught Road Central, Hong Kong
	Chai Wan Branch	Block B, Walton Estate, 341-343 Chai Wan Road, Chai Wan, Hong Kong
Kowloon	Ma Tau Kok Road Branch	39-45 Ma Tau Kok Road, To Kwa Wan, Kowloon
	Prince Edward Road West (Mong Kok) Branch	116-118 Prince Edward Road West, Mong Kok, Kowloon
New Territories	Shatin Branch	Shop 20, Level 1, Lucky Plaza, 1-15 Wang Pok Street, Sha Tin, New Territories

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. from Wednesday, October 24, 2018 until 12:00 on Tuesday, October 30, 2018 from the Depository Counter of **HKSCC** at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "**BANK OF CHINA (HONG KONG) NOMINEES LIMITED – XINCHENGYUE PUBLIC OFFER**" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

- Wednesday, October 24, 2018 – 9:00 a.m. to 5:00 p.m.
- Thursday, October 25, 2018 – 9:00 a.m. to 5:00 p.m.
- Friday, October 26, 2018 – 9:00 a.m. to 5:00 p.m.
- Saturday, October 27, 2018 – 9:00 a.m. to 1:00 p.m.
- Monday, October 29, 2018 – 9:00 a.m. to 5:00 p.m.
- Tuesday, October 30, 2018 – 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Tuesday, October 30, 2018, the last application day or such later time as described in “– 10. Effect of Bad Weather on the Opening of the Applications Lists” in this section.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **White Form eIPO** service, among other things, you:

- (i) undertake to execute all relevant documents and instruct and authorise the Company and/or the Joint Global Coordinators (or its agents or nominees), as agents of the Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Memorandum and Articles of Association;
- (ii) agree to comply with the Companies Ordinance, the Companies (Winding up and Miscellaneous Provisions) Ordinance and the Memorandum and Articles of Association;
- (iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- (iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (v) confirm that you are aware of the restrictions on the Global Offering in this prospectus;
- (vi) agree that none of the Company, the Joint Global Coordinators, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering nor participated in the International Offering;
- (viii) agree to disclose to the Company, the Hong Kong Share Registrar, receiving bank, the Joint Global Coordinators, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisors and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

- (ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of the Company, the Joint Global Coordinators, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Underwriters nor any of their respective officers or advisors will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;
- (x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) agree that your application will be governed by the laws of Hong Kong;
- (xii) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (xiii) warrant that the information you have provided is true and accurate;
- (xiv) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;
- (xv) authorize the Company to place your name(s) or the name of the HKSCC Nominees on the Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and the Company and/or its agents to send any Share certificate(s) and/or e-Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you fulfill the criteria mentioned in “– 14. Despatch/collection of Share Certificates and Refund Monies – Personal collection” in this section to collect the Share certificate(s) and/or refund cheque(s) in person;
- (xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xvii) understand that the Company and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **White Form eIPO** Service Provider by you or by any one as your agent or by any other person; and

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

- (xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional Terms and Conditions for YELLOW Application Form

You may refer to the **YELLOW** Application Form for details.

5. APPLYING THROUGH THE WHITE FORM eIPO SERVICE

General

Individuals who meet the criteria in “Who can apply” in this section may apply through the **White Form eIPO** service for the Offer Shares to be allotted and registered in their own names through the designated website at www.eipo.com.hk.

Detailed instructions for application through the **White Form eIPO** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to the Company. If you apply through the designated website, you authorise the **White Form eIPO** service to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **White Form eIPO** service.

Time for Submitting Applications under the White Form eIPO service

You may submit your application to the **White Form eIPO** service at www.eipo.com.hk (24 hours daily, except on the last application day) from 9:00 a.m. on Wednesday, October 24, 2018 until 11:30 a.m. on Tuesday, October 30, 2018 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Tuesday, October 30, 2018 or such later time under the “– 10. Effect of Bad Weather on the Opening of the Applications Lists” in this section.

No Multiple Applications

If you apply by means of **White Form eIPO** service, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **White Form eIPO** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **White Form eIPO** service more than once and obtaining different payment reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

If you are suspected of submitting more than one application through the **White Form eIPO** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (Winding up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding up and Miscellaneous Provisions) Ordinance).

Environmental Protection

The obvious advantage of **White Form eIPO** is to save the use of paper via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated **White Form eIPO** Service Provider, will contribute HK\$2 per each “Xinchengyue Holdings Limited” **White Form eIPO** application submitted via www.eipo.com.hk to support the funding of “Dongjiang River Source Tree Planting” project initiated by Friends of the Earth (HK).

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited

Customer Service Centre
1/F, One & Two Exchange Square
8 Connaught Place
Central, Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application to the Company, the Global Coordinator and our Hong Kong Share Registrar.

GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

Where you have given **electronic application instructions** to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- (ii) HKSCC Nominees will do the following things on your behalf:
 - agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
 - agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;
 - undertake and confirm that you have not applied for or taken up or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering nor participated in the International Offering;
 - (If the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;
 - (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorized to give those instructions as their agent;
 - confirm that you understand that the Company, the Directors and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

- authorise the Company to place HKSCC Nominees' name on the Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send Share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- agree that none of the Company, the Joint Global Coordinators, the Underwriters, their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose your personal data to the Company, our Hong Kong Share Registrar, receiving bank, the Joint Global Coordinators, the Underwriters and/or its respective advisors and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of the Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the Company's announcement of the Hong Kong Public Offering results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Hong Kong Offer Shares;
- agree with the Company, for itself and for the benefit of each Shareholder (and so that the Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies Ordinance, the Companies (Winding up and Miscellaneous Provisions) Ordinance and the Memorandum and Articles of Association; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to the Company or any other person in respect of the things mentioned below:

- instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;
- instructed and authorized HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 1,000 Hong Kong Offer Shares. Instructions for more than 1,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions⁽¹⁾

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

- Wednesday, October 24, 2018 – 9:00 a.m. to 8:30 p.m.
- Thursday, October 25, 2018 – 8:00 a.m. to 8:30 p.m.
- Friday, October 26, 2018 – 8:00 a.m. to 8:30 p.m.
- Saturday, October 27, 2018 – 8:00 a.m. to 1:00 p.m.
- Monday, October 29, 2018 – 8:00 a.m. to 8:30 p.m.
- Tuesday, October 30, 2018 – 8:00 a.m. to 12:00 noon

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Wednesday, October 24, 2018 until 12:00 noon on Tuesday, October 30, 2018 (24 hours daily, except on October 30, 2018, the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Tuesday, October 30, 2018, the last application day or such later time as described in “– 10. Effect of Bad Weather on the Opening of the Application Lists” in this section.

Note:

- (1) *The times in this sub-section are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants and/or CCASS Investor Participants.*

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding up and Miscellaneous Provisions) Ordinance).

Personal Data

The section of the Application Form headed “– 6. Applying by Giving **Electronic Application Instructions** to HKSCC Via CCASS – Personal Data” applies to any personal data held by the Company, the Hong Kong Share Registrar, the receiving bank, the Joint Global Coordinators, the Underwriters and any of their respective advisors and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **White Form eIPO** service is also only a facility provided by the **White Form eIPO** service to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. The Company, the Directors, the Joint Bookrunners, the Sole Sponsor, the Joint Global Coordinators and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **White Form eIPO** service will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC’s Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Tuesday, October 30, 2018.

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8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked “For nominees” you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through **White Form eIPO** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

“Unlisted company” means a company with no equity securities listed on the Stock Exchange.

“Statutory control” means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **White Form eIPO** service in respect of a minimum of 1,000 Hong Kong Offer Shares. Each application or **electronic application instruction** in respect of more than 1,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at www.eipo.com.hk.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see the section headed “Structure of the Global Offering – The Hong Kong Public Offering – Allocation.”

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, October 30, 2018. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Tuesday, October 30, 2018 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in “Expected Timetable,” an announcement will be made in such event.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

11. PUBLICATION OF RESULTS

The Company expects to announce the final Offer Price, the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Monday, November 5, 2018 in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) on the Company's website at www.xinchengyue.com and the website of the Stock Exchange at www.hkexnews.hk.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on the Company's website at www.xinchengyue.com and the Stock Exchange's website at www.hkexnews.hk by no later than 9:00 a.m. on Monday, November 5, 2018;
- from the designated results of allocations website at www.iporesults.com.hk (alternatively: English <https://www.eipo.com.hk/en/Allotment>; Chinese <https://www.eipo.com.hk/zh-hk/Allotment>) with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Monday, November 5, 2018 to 12:00 midnight on Sunday, November 11, 2018;
- by telephone enquiry line by calling +852 2862 8669 between 9:00 a.m. and 10:00 p.m. from Monday, November 5, 2018 to Thursday, November 8, 2018;
- in the special allocation results booklets which will be available for inspection during opening hours from Monday, November 5, 2018 to Wednesday, November 7, 2018 at all the receiving bank's designated branches.

If the Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in "Structure of the Global Offering."

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Hong Kong Offer Shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or to the **White Form eIPO** service, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with the Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If the Company or its agents exercise their discretion to reject your application:

The Company, the Joint Global Coordinators, the **White Form eIPO** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

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(iii) If the allotment of Hong Kong Offer Shares is void:

The allotment of Hong Kong Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies the Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Offer Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through the **White Form eIPO** service are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- the Company or the Joint Global Coordinators believe that by accepting your application, it/they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum offer price of HK\$3.9 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with “Structure of the Global Offering – Conditions of the Global Offering” in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker’s cashier order will not be cleared.

Any refund of your application monies will be made on or before Monday, November 5, 2018.

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one Share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the Share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- Share certificate(s) for all the Hong Kong Offer Shares allotted to you (for **YELLOW** Application Forms, Share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed “Account Payee Only” in favor of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

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Subject to arrangement on dispatch/collection of Share certificates and refund monies as mentioned below, any refund cheques and Share certificates are expected to be posted on or before Monday, November 5, 2018. The right is reserved to retain any Share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

Share certificates will only become valid at 8:00 a.m. on Tuesday, November 6, 2018 provided that the Global Offering has become unconditional and the right of termination described in the section headed "Underwriting" has not been exercised. Investors who trade Shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

Personal Collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or Share certificate(s) from Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Monday, November 5, 2018 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorized representative must bear a letter of authorization from your corporation stamped with your corporation's chop. Both individuals and authorized representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.

If you do not collect your refund cheque(s) and/or Share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) and/or Share certificate(s) will be sent to the address on the relevant Application Form on or before Monday, November 5, 2018, by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Hong Kong Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on or before Monday, November 5, 2018, by ordinary post and at your own risk.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Monday, November 5, 2018, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- *If you apply through a designated CCASS participant (other than a CCASS investor participant)*

For Hong Kong Public Offering Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Public Offering Shares allotted to you with that CCASS participant.

- *If you are applying as a CCASS investor participant*

The Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in "– 11. Publication of Results" above. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Monday, November 5, 2018 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) If you apply through the White Form eIPO Service

If you apply for 1,000,000 or more Hong Kong Offer Shares and your application is wholly or partially successful, you may collect your Share certificate(s) from Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Monday, November 5, 2018, or such other date as notified by the Company in the newspapers as the date of despatch/collection of Share certificates/e-Refund payment instructions/refund cheques.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Monday, November 5, 2018 by ordinary post at your own risk.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(iv) If you apply via Electronic Application Instructions to HKSCC

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Monday, November 5, 2018, or, on any other date determined by HKSCC or HKSCC Nominees.
- The Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, the Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in "11. Publication of Results" above on Monday, November 5, 2018. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Monday, November 5, 2018 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Monday, November 5, 2018. Immediately following the credit of the Hong Kong Offer

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Monday, November 5, 2018.

15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional advisors for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The following is the text of a report on pages I-1 to I-3, received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. It is prepared and addressed to the directors of the Company and to the Sponsor pursuant to the requirements of HKSIR 200 Accountants' Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.



羅兵咸永道

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF XINCHENGYUE HOLDINGS LIMITED AND HUATAI FINANCIAL HOLDINGS (HONG KONG) LIMITED

Introduction

We report on the historical financial information of Xinchengyue Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-69, which comprises the consolidated statements of financial position as at 31 December 2015, 2016, 2017 and 30 April 2018, the company statement of financial position as at 30 April 2018, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the periods then ended (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-69 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 24 October 2018 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountant's responsibility

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

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant's judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

In our opinion the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the financial position of the Company as at 30 April 2018 and the consolidated financial position of the Group as at 31 December 2015, 2016, 2017 and 30 April 2018 and of its consolidated financial performance and its consolidated cash flows for the Track Record Period in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Group which comprises the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for the four months ended 30 April 2017 and other explanatory information (together, the "Stub Period Comparative Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountant's report, is not prepared, in all material respects, in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information.

REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "LISTING RULES") AND THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to Note 31 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Track Record Period.

No statutory financial statements for the Company

No statutory financial statements have been prepared for the Company since its date of incorporation.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong

24 October 2018

XINCHENGYUE HOLDINGS LIMITED

I HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

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

The financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("Underlying Financial Statements").

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

(a) Consolidated statements of comprehensive income

	Note	Year ended 31 December			Four months ended 30 April	
		2015	2016	2017	2017	2018
		RMB'000	RMB'000	RMB'000	(Unaudited) RMB'000	RMB'000
Revenue	6	400,257	573,372	866,370	218,077	303,465
Cost of sales	6,7	(299,812)	(411,437)	(624,124)	(156,323)	(215,763)
Gross profit		100,445	161,935	242,246	61,754	87,702
Selling and marketing expenses	7	(2,044)	(7,884)	(8,092)	(3,568)	(1,588)
Administrative expenses	7	(59,524)	(88,135)	(129,315)	(31,929)	(52,265)
Other income	9	2,179	1,996	2,556	863	688
Other expenses	10	(282)	(2,191)	(1,183)	(475)	(108)
Other gains/(losses) – net	11	–	(35)	(8)	(1)	1,210
Operating profit		40,774	65,686	106,204	26,644	35,639
Finance income		733	2,452	6,811	2,417	2,927
Finance costs		(3,500)	(2,286)	–	–	–
Finance (expense)/income – net	12	(2,767)	166	6,811	2,417	2,927
Profit before income tax		38,007	65,852	113,015	29,061	38,566
Income tax expense	14	(14,959)	(13,672)	(21,273)	(5,497)	(7,775)
Profit for the year/period		23,048	52,180	91,742	23,564	30,791
Profit is attributable to:						
– Owners of the Company		22,209	43,333	73,406	18,859	26,706
– Non-controlling interests		839	8,847	18,336	4,705	4,085
		23,048	52,180	91,742	23,564	30,791
Total comprehensive income for the year/period		23,048	52,180	91,742	23,564	30,791
Total comprehensive income is attributable to:						
– Owners of the Company		22,209	43,333	73,406	18,859	26,706
– Non-controlling interests		839	8,847	18,336	4,705	4,085
		23,048	52,180	91,742	23,564	30,791
Earnings per share (expressed in RMB'000 per share)						
– Basic and diluted earnings per share (Note)	15	111	217	367	94	134

Note: The earnings per share presented above has not been taken into account the proposed capitalisation issue pursuant to resolutions in writing of the shareholders passed on 20 October 2018 because the proposed capitalisation issue has not become effective as at date of the report.

(b) Consolidated statements of financial position

	Note	As at 31 December			As at
		2015	2016	2017	30 April
		RMB'000	RMB'000	RMB'000	2018
				RMB'000	
Assets					
Non-current assets					
Property, plant and equipment . . .	16	6,419	14,423	15,643	15,436
Intangible assets	17	128	7,806	10,797	10,791
Deferred income tax assets	30	8,901	13,852	17,309	15,294
Deposits	22	1,406	1,782	2,256	2,475
Financial assets at fair value through other comprehensive income	18	–	1,300	1,660	1,660
Prepayments	19	5,624	6,393	6,078	5,495
Total non-current assets		22,478	45,556	53,743	51,151
Current assets					
Inventories	20	5,282	16,336	3,764	3,490
Trade receivables	21	28,518	52,518	76,918	144,195
Prepayments, deposits and other receivables	22	188,363	38,157	45,692	60,782
Cash and cash equivalents	23	119,869	442,922	633,456	540,845
Total current assets		342,032	549,933	759,830	749,312
Total assets		364,510	595,489	813,573	800,463
Equity					
Equity attributable to owners of the Company					
Share capital	24	–	–	–	–
Reserves	25	1,046	54,427	61,003	122,314
(Accumulated losses)/retained earnings		(16,310)	26,023	92,853	60,559
		(15,264)	80,450	153,856	182,873
Non-controlling interests		3,884	35,852	35,188	13,368
Total equity		(11,380)	116,302	189,044	196,241
Liabilities					
Non-current liabilities					
Long-term payables	26	–	300	–	–
Provisions	27	–	340	947	1,046
Total non-current liabilities		–	640	947	1,046
Current liabilities					
Loans from related parties	28	60,082	65,900	65,900	–
Contract liabilities	6	74,743	108,413	180,714	235,566
Dividend payable		–	–	19,000	–
Trade and other payables	29	228,461	283,673	345,327	360,500
Current income tax liabilities		12,604	20,561	12,641	7,110
Total current liabilities		375,890	478,547	623,582	603,176
Total liabilities		375,890	479,187	624,529	604,222
Total equity and liabilities		364,510	595,489	813,573	800,463
Net current (liabilities)/assets		(33,858)	71,386	136,248	146,136

(c) Statement of financial position for the Company

	<u>Note</u>	<u>As at 30 April 2018</u>
		<u>RMB'000</u>
Assets		
Non-Current asset		
Amount due from a subsidiary		126,953
Total Non-current asset.		126,953
Current assets		
Prepayments, deposits and other receivables	22	3,714
Cash and cash equivalents		98,271
Total current assets		101,985
Total assets.		228,938
Equity		
Equity attributable to owners of the Company		
Share capital	24	–
Reserves	25(h)	226,997
Accumulated losses		(7,500)
Total equity		219,497
Current liabilities		
Trade and other payables.		9,441
Total current liabilities		9,441
Total liabilities		9,441
Total equity and liabilities		228,938
Net current assets		92,544

(d) Consolidated statements of changes in equity

	Note	Attributable to owners of the Company						
		Share capital	Statutory Reserves	Other Reserves	(Accumulated losses)/ retained earnings	Total	Non-controlling interests	Total Equity
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
			(Note 25(e))	(Note 25)				
Balance at 1 January 2015		-	-	61,000	(38,519)	22,481	91	22,572
Comprehensive income								
Profit for the year		-	-	-	22,209	22,209	839	23,048
Transactions with owners in their capacity as owners								
Deemed distribution to the owner	13(i), 13(ii)	-	-	(61,000)	-	(61,000)	-	(61,000)
Contribution from a non-controlling shareholder	34(a)	-	-	1,046	-	1,046	2,954	4,000
Balance at 31 December 2015		-	-	1,046	(16,310)	(15,264)	3,884	(11,380)
Balance at 1 January 2016		-	-	1,046	(16,310)	(15,264)	3,884	(11,380)
Comprehensive income								
Profit for the year		-	-	-	43,333	43,333	8,847	52,180
Transactions with owners in their capacity as owners								
Contribution from non-controlling shareholders	34(b)	-	-	51,172	-	51,172	26,121	77,293
Capital contribution from the owners of the Company	25(c)	-	-	1,109	-	1,109	-	1,109
Dividends declared by Tibet Xinchengyue Property Management Co., Ltd.	31	-	-	-	-	-	(3,000)	(3,000)
Deemed distribution to the owner	13(iv)	-	-	-	(1,000)	(1,000)	-	(1,000)
Assumption of liabilities granted by Ultimate Controlling Shareholder (as defined in Note 1.1)	25(d)	-	-	1,100	-	1,100	-	1,100
Balance at 31 December 2016		-	-	54,427	26,023	80,450	35,852	116,302
Balance at 1 January 2017		-	-	54,427	26,023	80,450	35,852	116,302
Comprehensive income								
Profit for the year		-	-	-	73,406	73,406	18,336	91,742
Transactions with owners in their capacity as owners								
Appropriation of statutory reserves	25(e)	-	6,576	-	(6,576)	-	-	-
Dividends declared by Tibet Xinchengyue Property Management Co., Ltd.	31	-	-	-	-	-	(19,000)	(19,000)
Balance at 31 December 2017		-	6,576	54,427	92,853	153,856	35,188	189,044
Balance at 1 January 2017		-	-	54,427	26,023	80,450	35,852	116,302
Comprehensive income								
Profit for the period (Unaudited)		-	-	-	18,859	18,859	4,705	23,564
Balance at 30 April 2017 (Unaudited)		-	-	54,427	44,882	99,309	40,557	139,866

	Attributable to owners of the Company							
	Note	Share capital	Statutory Reserves	Other Reserves	(Accumulated losses)/ retained earnings	Total	Non-controlling interests	Total Equity
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
			(Note 25(e))	(Note 25)				
Balance at 1 January 2018		-	6,576	54,427	92,853	153,856	35,188	189,044
Comprehensive income								
Profit for the period		-	-	-	26,706	26,706	4,085	30,791
Transactions with owners in their capacity as owners								
Dividends declared by Xincheng Fuyue Management Consulting Co., Ltd.	31	-	-	-	(59,000)	(59,000)	-	(59,000)
Capital contribution from the then shareholder of Xincheng Fuyue Management Consulting Co., Ltd.	25(f)	-	-	127,000	-	127,000	-	127,000
Buy-back of minority interests of Tibet Xinchengyue Property Management Co., Ltd.	25(i)	-	-	(53,302)	-	(53,302)	(28,630)	(81,932)
Capital contribution from the owners of the Company	25(h)	-	-	226,997	-	226,997	-	226,997
Acquisition of Xincheng Fuyue Management Consulting Co., Ltd.	25(j)	-	-	(241,455)	-	(241,455)	-	(241,455)
Contribution from non-controlling shareholder	25(g)	-	-	2,071	-	2,071	2,725	4,796
Balance at 30 April 2018		-	6,576	115,738	60,559	182,873	13,368	196,241

(e) Consolidated statements of cash flows

	<i>Note</i>	Year ended 31 December			Four months ended 30 April	
		2015	2016	2017	2017	2018
		RMB'000	RMB'000	RMB'000	(Unaudited) RMB'000	RMB'000
Cash flows from operating activities						
Cash generated from operations	32(a)	94,154	110,107	230,903	6,746	27,576
Interest paid		–	(5,786)	–	–	–
Income tax paid		(2,650)	(10,410)	(32,650)	(10,229)	(11,291)
Net cash generated from/(used in) operating activities		91,504	93,911	198,253	(3,483)	16,285
Cash flows from investing activities						
Proceeds from sale of property, plant and equipment		4	122	7	–	–
Cash acquired from/(payment for) acquisition of subsidiaries (net of payment for acquisition)	35(b)	355	388	(300)	(300)	–
Investment income from wealth management		603	530	–	–	–
Payments for acquisition of property, plant and equipment (including non-current prepayment)		(5,385)	(11,706)	(3,753)	(1,361)	(319)
Payments for acquisition of intangible assets	17	–	(1,222)	(3,313)	(698)	(83)
Payments for acquisition of financial assets at fair value through other comprehensive income		–	(1,300)	(360)	(360)	–
Repayment of the balance due from related parties		418,357	594,992	–	–	–
Payments for the balance due from related parties		(669,102)	(296,532)	–	–	–
Net cash (used in)/generated from investing activities		(255,168)	285,272	(7,719)	(2,719)	(402)

	<i>Note</i>	Year ended 31 December			Four months ended 30 April	
		2015	2016	2017	2017	2018
		(Unaudited)				
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cash flows from financing activities						
Capital contribution from the owners and non-controlling interests		4,000	78,402	–	–	358,793
Repayment loans to related parties		–	–	–	–	(65,900)
Payment for consideration of buy-back of minority interests of Tibet Xinchengyue Property Management Co., Ltd.	25(i)	–	–	–	–	(81,932)
Payment for consideration of acquisition of Xincheng Fuyue Management Consulting Co., Ltd.	25(j)	–	–	–	–	(241,455)
Proceeds from loans from related parties		60,000	5,818	–	–	–
Cash received from related parties		16,873	–	–	–	–
Repayment of balances due to related parties		(36,970)	–	–	–	–
Advance from a third party.	32(c)	136,350	–	–	–	–
Repayment of advance from a third party.	32(c)	–	(136,350)	–	–	–
Deemed distribution to the owner	32(b)	(61,000)	(1,000)	–	–	–
Dividends paid to previous Shareholder of Xincheng Fuyue		–	–	–	–	(59,000)
Dividends paid to non-controlling shareholders in subsidiaries		–	(3,000)	–	–	(19,000)
Net cash generated from/(used in) from financing activities		119,253	(56,130)	–	–	(108,494)
Net (decrease)/increase in cash and cash equivalents						
Cash and cash equivalents at beginning of the financial year/period		164,280	119,869	442,922	442,922	633,456
Cash and cash equivalents at end of year/period		119,869	442,922	633,456	436,720	540,845

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 GENERAL INFORMATION, REORGANIZATION AND BASIS OF PRESENTATION

1.1 General information

Xinchengyue Holdings Limited (the “Company”) was incorporated in the Cayman Islands on 16 January 2018 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 address of the Company’s registered office is Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman KY1-1104 Cayman Islands.

The Company is an investment holding company and its subsidiaries are principally engaged in the provision of property management services and value-added services in the People’s Republic of China (the “PRC”) (the “Listing Business”). The ultimate controlling company is Infinity Fortune Development Limited. The ultimate controlling shareholder of the Group is Mr. Wang Zhenhua (“Mr. Wang” or the “Ultimate Controlling Shareholder”).

1.2 Reorganization

Prior to the incorporation of the Company and the completion of the reorganization as described below (the “Reorganization”), the Listing Business was operated through the Xincheng Fuyue Management Consulting Co., Ltd. (“Xincheng Fuyue”) and its subsidiaries in the PRC during the whole Track Record Period. Xincheng Fuyue, which is wholly owned by Mr. Wang, held 80% equity interest in Tibet Xinchengyue Property Management Co., Ltd. (“Tibet Xinchengyue”), the immediate holding company of all the PRC operating companies engaged in the Listing business before the Reorganization.

In preparation for the initial listing of the Company’s shares on the Main Board of the Stock Exchange, the Reorganization was undertaken pursuant to which the Group and its subsidiaries, engaged in the Listing Business, were transferred to the Company. The Reorganization mainly involved the following steps:

- (1) On 16 January 2018, the Company was incorporated in the Cayman Islands and, held by Wealth Zone Hong Kong Investments Limited (“Wealth Zone Hong Kong”), which is controlled by Mr. Wang;
- (2) On 23 January 2018, Chief Global Enterprises Limited (“Chief Global”) was incorporated in British Virgin Islands and held by the Company;
- (3) On 31 January 2018, Hong Kong Xinchengyue Development Limited (“Xinchengyue HK”) was incorporated in Hong Kong and held by Chief Global;
- (4) On 13 February 2018, Jiangsu Xinchengyue Holdings Company Limited was incorporated in the PRC and held by Xinchengyue HK;
- (5) On 18 February 2018, Xincheng Fuyue issued 1% interest to Yuexi Co., Ltd. non-controlling shareholder at HK\$5,968,706 (approximately RMB4,796,000);
- (6) On 12 March 2018, non-controlling shareholders, namely Tibet Tongxin Capital Investment Management Co., Ltd. (“Tongxin Capital”), Tibet Zhiying Investment Co., Ltd. (“Zhiying Investment”), Changzhou Tongrun Construction Co., Ltd. (“Tongrun Construction”), Changzhou Yijian Investment Co., Ltd. (“Yijian Investment”) transferred their aggregated 14.67% equity interests in Tibet Xinchengyue to Xincheng Fuyue at considerations of RMB12,845,000, RMB28,026,000, RMB25,708,000 and RMB15,353,000 respectively. Upon the completion of the transfer, Xincheng Fuyue held 94.67% equity interests in Tibet Xinchengyue and the other 5.33% equity interests were held by Changzhou Zhuofan Advertising Co., Ltd., another non-controlling shareholder;
- (7) On 20 March 2018, Wealth Zone Hong Kong transferred its one share of the Company to Innovative Hero Limited, which is controlled by Mr. Wang at a consideration of US\$1. On 29 March 2018, one additional share of the Company was issued to Innovative Hero Limited at a consideration of USD36,000,000 (equivalent to RMB226,997,000). Upon completion of the transaction, Innovative Hero Limited became the sole shareholder of the Company, holding two shares.
- (8) On 30 March 2018, Jiangsu Xinchengyue Holdings Company Limited acquired 99% of the issued share capital of Xincheng Fuyue, a PRC company which controls the PRC operating companies and is ultimately controlled by Mr. Wang, from its then shareholder at a consideration of RMB241,454,800.

Upon the completion of the above transfers, the Company became the holding company of Xincheng Fuyue and the companies now comprising the Group.

The subsidiaries in which the Company held direct or indirect interest upon completion of the Reorganization and as at the date of this report are set out in Note 13.

1.3 Basis of presentation

The companies now comprising the Group set out in Note 13, engaging in the Listing Business, were under common control of Mr. Wang, the Ultimate Controlling Shareholder, immediately before and after the Reorganization. Accordingly, the Reorganization is regarded as a business combination under common control, and for the purpose of this report, the Historical Financial Information has been prepared using the principles of merger accounting, as prescribed in Hong Kong Accounting Guideline 5 “Merger Accounting for Common Control Combinations” issued by the Hong Kong Institute of Certified Public Accountants.

The Historical Financial Information has been prepared by including the historical financial information of the companies engaged in the Listing Business, under the common control of Mr. Wang immediately before and after the Reorganization and now comprising the Group as if the current group structure had been in existence throughout the periods presented, or since the date when the combining companies first came under the control of Mr. Wang, whichever is a shorter period.

The net assets of the combining companies were combined using the existing book values from Mr. Wang's perspective. No amount is recognized in consideration for goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of business combination under common control, to the extent of the continuation of the controlling party's interest.

For companies acquired from or disposed to a third party during the Track Record Period, they are included in or excluded from the financial statements of the Group from the date of the acquisition or disposal.

Inter-company transactions, balances and unrealized gains/losses on transactions between group companies are eliminated on combination.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The Historical Financial Information of the Company has been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) issued by the HKICPA. The Historical Financial Information has been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through other comprehensive income.

The preparation of Historical Financial Information in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in note 4.

2.1.1 Changes in accounting policy and disclosures

For the track record period, the Group has consistency adopted all the standards and interpretations effective for the financial reporting period commencing 1 January 2018.

The following standards and interpretations had been issued but were not mandatory for the financial year beginning before 1 January 2019 and have not been early adopted.

		Effective for annual periods beginning on or after
HKFRS 16	Leases	1 January 2019
HKFRIC 23	Uncertainty over income tax treatment	1 January 2019
HKFRS 17	Insurance contract	1 January 2021
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associates or joint ventures	To be determined
Amendments to HKFRS 9	Prepayments features with negative compensation	1 January 2019
Amendments to HKAS 28	Long-term interests in associates and joint ventures	1 January 2019
Annual improvements to HKFRSs.	Annual improvements to HKFRS standards 2015-2017 cycle	1 January 2019
Amendments to HKAS 19	Plan amendment, curtailment or settlement	1 January 2019

The Group has already commenced an assessment of the impact of these new or revised standards, interpretation and amendments, certain of which are relevant to the Group's operations. According to the preliminary assessment made by the Directors, no significant impact on the financial performance and position of the Group is expected when they become effective except those set out below:

HKFRS 16 provides new provisions for the accounting treatment of leases and will require lessees to recognise certain leases on the statement of financial position. Almost all leases must be recognised in the form of an asset (for the right of use) and a financial liability (for the payment obligation). Thus each lease will be mapped in the Group's consolidated statements of financial position. Short-term leases of less than twelve months and leases of low-value assets are exempt from the reporting obligation. The new standard will therefore result in an increase in assets and financial liabilities in the consolidated statements of financial position. In the consolidated statements of comprehensive income, leases will be recognised in future as depreciation of right of use assets and interest expense on lease liability and will no longer be recorded as an operating expense on a straight line basis. The Group is a lessee of certain offices and buildings, which are currently accounted for as operating leases under HKAS 17 based on the accounting policy set out in Note 2.23. As at 30 April 2018, the Group's minimum lease payments under non-cancellable operating lease agreements were RMB2,884,000 as separately disclosed in Note 33. Under HKFRS 16, lessees are required to recognise a lease liability reflecting future lease payments and a right-of-use asset for all lease contracts in the balance sheet. Lessees will also have to present interest expense on the lease liability and depreciation on the right-of-use asset in the income statement. In comparison with operating leases under HKAS 17, this will change not only the allocation of expense but also the total amount of expenses recognised for each period of the lease term. The combination of a straight-line depreciation of the right-of-use asset and the effective interest rate method applied to the lease liability will result a higher total charge to profit or loss in the initial years of the lease, and decreasing expenses during the latter part of the lease term. The Group was expected to apply the new standard starting from the financial year beginning on or after 1 January 2019 and the Group did not expect that the new adoption of HKFRS 16 would significantly impact the Group's net profit.

2.2 Subsidiaries

2.2.1 Consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Business combinations under common control

The Historical Financial Information incorporates the financial statement items of the entities or businesses in which the common control combination occurs as if they had been consolidated from the date when the entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognized in consideration for goodwill or excess of acquirer's interest in the net fair value of acquirer's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statements of comprehensive income include the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

A uniform set of accounting policies is adopted by those entities. All intra-group transactions, balances and unrealized gains on transactions between combining entities or businesses are eliminated.

Business combinations not under common control

The Group applies the acquisition method to account for business combinations not under common control. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognized amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

Acquisition-related costs are expensed as incurred

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognized in profit or loss.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with HKAS 39 in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognized and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in the income statement (Note(1)).

Intra-group transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform to the Group's accounting policies.

(b) Changes in ownership interests in subsidiaries without change of control

Transaction with non-controlling interests that do not result in loss of control are accounted for as equity transaction – that is, as transactions with the owner of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Disposal of subsidiaries

When the group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker ("CODM"), who is responsible for allocating resources, assessing performance of the operating segments, and has been identified as the executive and non-executive directors that makes strategic decisions.

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in RMB, which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized within "Other losses – net" in the consolidated statements of comprehensive income.

2.5 Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost to their residual values, over their estimated useful lives as follows:

	<u>Estimated useful lives</u>	<u>Estimated net residual value</u>
Buildings	30 years	4%
Transportation equipment	10 years	4%
Electronic equipment	5 years	4%
Other machines.	5 years	4%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognized within 'Other losses – net' in the consolidated statements of comprehensive income.

2.6 Intangible assets

(a) Goodwill

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments.

(b) Licences

Separately acquired licences are shown at historical cost. Licenses acquired in a business combination are recognised at fair value at the acquisition date. They have a finite useful life (10 years) and are subsequently carried at cost less accumulated amortization and impairment losses.

(c) Computer Software

Acquired software licences are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (5 to 10 years).

2.7 Impairment of non-financial assets

Goodwill is not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is

recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.8 Financial assets

2.8.1 Classification

The Group classifies its financial assets in the following measurement categories:

Debt instruments

- (i) to be measured subsequently at fair value through other comprehensive income;
- (ii) to be measured subsequently at fair value through profit or loss; and
- (iii) to be measured at amortised.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

Equity instruments

- (i) to be measured subsequently at fair value through other comprehensive income; and
- (ii) to be measured subsequently at fair value through profit or loss.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income.

For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

2.8.2 Recognition and measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in the consolidated statements of comprehensive income when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

- Fair value through OCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through OCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to the consolidated statements of comprehensive income and recognised in 'other gains – net'. Interest income from these financial assets is included in finance income using the effective interest rate method.
- Fair value through profit or loss: Assets that do not meet the criteria for amortised cost or financial assets at fair value through other comprehensive income are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented net in 'other gains – net' in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss. Dividends from such investments continue to be recognised in 'other income' when the Group's right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognised in 'other gains – net' as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at financial assets at fair value through other comprehensive income are not reported separately from other changes in fair value.

2.9 Offsetting financial instruments

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

2.10 Impairment of financial assets

The group assesses on a forward looking basis the expected credit losses associated with its debt instrument carried at amortised cost and financial assets at fair value through OCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 3.1.2 details how the Group determines whether there has been a significant increase in credit risk.

For trade receivables, other receivables excluding due from related parties, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Deposits and other receivables due from related parties are considered to have low credit risk, and thus the impairment provision recognised during the period was limited to 12 months expected losses.

For other receivables other than those from related parties, the Group adopted a "three-stage" model for impairment based on changes in credit quality since initial recognition as summarized below:

- The receivable is not credit-impaired on initial recognition is classified in "Stage 1" and has its credit risk continuously monitored by the Group;
- If a significant increase in credit risk since initial recognition is identified, the receivables is moved to "Stage 2" but is not yet deemed to be credit impaired;
- If the receivables is credit-impaired, the financial instrument is then moved to "Stage 3".

Receivables in Stage 1 have their expected credit loss measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stage 2 or 3 have their expected credit loss measured based on expected credit losses on a lifetime basis.

When measuring expected credit loss, the Group considers forward-looking information.

2.11 Inventories

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

2.12 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognized initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.13 Cash and cash equivalents

Cash and cash equivalents includes cash in hand and banks, deposits held at call with financial institutions and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.14 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.15 Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

2.16 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

2.17 Borrowing costs

Given the Group has no qualifying assets during the Track Record Period, all borrowing costs are recognized in the consolidated statements of comprehensive income in the period in which they are incurred.

2.18 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

2.19 Employee benefits

(i) Pension obligations

The Group only operate defined contribution pension plans. In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organized by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries. The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees' payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administrated funds managed by the governments.

The Group's contributions to the defined contribution retirement scheme are expensed as incurred.

(ii) *Housing funds, medical insurances and other social insurances*

Employees of the Group in the PRC are entitled to participate in various government-supervised housing funds, medical insurances and other social insurance plan. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group's liability in respect of these funds is limited to the contributions payable in each year. Contributions to the housing funds, medical insurances and other social insurances are expensed as incurred.

(iii) *Termination benefits*

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of HKAS 37 and involves the payment of terminations benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

(iv) *Employee leave entitlements*

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

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

2.20 Provisions

Provisions for legal claims are recognized when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

2.21 Revenue recognition

The Group provides property management services, property developer-related services, community-related services and professional services. Revenue from providing services is recognised in the accounting period in which the services are rendered. The following is a description of the accounting policy for the principal revenue streams of the Group:

For property management services, the Group bills a fixed amount for each month of service provided and recognises as revenue in the amount to which the Group has a right to invoice and corresponds directly with the value of performance completed.

For property management services income from properties managed under lump sum basis, where the Group acts as principal and is primary responsible for providing the property management services to the property owners, the Group recognises the fee received or receivable from property owners as its revenue and all related property management costs as its cost of service. For property management services income from properties managed under commission basis, the Group recognises the commission, which is calculated by certain percentage of the total property management fee received or receivable from the property units, as its revenue for arranging and monitoring the services as provided by other suppliers to the property owners.

Property developer related services include mainly i) on-site sales assistance services, which includes cleaning and maintenance services to property developers, which are billed and settled monthly based on actual level of services provided at pre-determined price and revenue is recognized when such services are provided; ii) property delivery related and other consulting services, which are fixed amount contract with property developers and are billed and settled on a monthly basis and revenue is recognized when the services are provided; and iii) commission income for sale of car parks, which are billed to property developers on a monthly basis and were recognized on a net basis when the car parks were delivered to the customers.

Community related services include mainly i) Commission from information services, which are those business from the on-line and off-line platforms of the Group, and is recognized on a net basis when the services providers secures the business; ii) Commission from public resources management services, which is recognized on a net basis over the time when such services are rendered; iii) Revenue from other community convenience services are charged for each services provided and recognized when the relevant services are rendered. Community related services are normally billable immediately upon the services are provided.

Professional services mainly include engineering and maintenance services of elevator and intelligent security equipment. Revenue from professional services are recognized when the contracts have been approved and the services are rendered. Professional services are normally billable immediate upon the delivery of the services.

If contracts involve the sale of multiple services, the transaction price will be allocated to each performance obligation based on their relative stand-alone selling prices. If the stand-alone selling prices are not directly observable, they are estimated based on expected cost plus a margin or adjusted market assessment approach, depending on the availability of observable information.

When either party to a contract has performed, the Group presents the contract in the balance sheet as a contract asset or a contract liability, depending on the relationship between the Group's performance and the customer's payment.

A contract asset is the Group's right to consideration in exchange for services that the Group has transferred to a customer. Incremental costs incurred to obtain a contract, if recoverable, are capitalized and presented as assets and subsequently amortised when the related revenue is recognised.

If a customer pays consideration or the Group has a right to an amount of consideration that is unconditional, before the Group transfers services to the customer, the Group presents the contract as a contract liability when the payment is received or a receivable is recorded (whichever is earlier). A contract liability is the Group's obligation to transfer services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A receivable is recorded when the Group has an unconditional right to consideration. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due.

2.22 Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

2.23 Leases

(a) The Group is the lessee

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated statements of comprehensive income on a straight-line basis over the period of the lease.

(b) The Group is the lessor

When assets are leased out under operating lease, the assets are included in the balance sheet based on the nature of the assets. Rental income is recognised in the consolidated statements of comprehensive income on a straight-line basis over the term of the lease.

2.24 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

2.25 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants related to assets refer to government grants which are obtained by the Group for the purposes of purchase, construction or acquisition of the long-term assets. Government grants related to income refer to the government grants other than those related to assets.

Government grants related to assets are either deducted against the carrying amount of the assets, or recorded as deferred income and recognised in profit or loss on a systemic basis over the useful lives of the assets. Government grants related to income that compensate the future costs, expenses or losses are recorded as deferred income and recognised in profit or loss, or deducted against related costs, expenses or losses in reporting the related expenses; government grants related to income that compensate the incurred costs, expenses or losses are recognised in profit or loss, or deducted against related costs, expenses or losses directly in current period. The Group applies the presentation method consistently to the similar government grants in the financial statements.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: interest rate risk, credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

3.1.1 Interest rate risk

The Group closely monitors trend of interest rate and its impact on the Group's interest rate risk exposure. As at 30 April 2018, the Group has no interests bearing liabilities and will consider hedging interest rate risk should the need arise.

3.1.2 Credit risk

The Group is exposed to credit risk in relation to its trade receivables, deposits and other receivables; and cash and cash equivalents. The carrying amounts of trade receivables, deposits and other receivables; and cash and cash equivalents represent the Group's maximum exposure to credit risk in relation to financial assets.

(i) Cash in banks

The Group expects that there is no significant credit risk associated with cash deposits at banks since they are substantially deposited at state-owned banks and other medium or large size listed banks. Management does not expect that there will be any significant losses from non-performance by these counterparties.

(ii) Trade receivables

The Group applies the simplified approach to providing for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit loss also incorporate forward looking information.

(iii) Deposits and other receivables due from related parties

The Group expects that the credit risk associated with deposits and other receivables due from related parties is considered to be low, since the majority of the deposits is due from government authorities as pledge for the ordinary business and related parties have a strong capacity to meet its contractual cash flow obligations in the near term. Thus, the impairment provision recognised during the period was limited to 12 months expected losses, which was 1% allowance rate for deposits and other receivables due from related parties.

(iv) Other receivables other than those from related parties

The Group has large number of counter parties for its other receivables other than those from related parties. There was no concentration of credit risk. The Group has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverability of these receivables at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition.

Forward-looking information incorporated in the expected credit loss model

The Group has performed historical analysis and identified the key economic variables impacting credit risk and expected credit loss. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- internal credit rating
- external credit rating
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations
- actual or expected significant changes in the operating results of individual property owner or the borrower
- significant increases in credit risk on other financial instruments of the individual property owner or the same borrower
- significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the Group and changes in the operating results of the borrower.

As at 31 December 2015, 2016 and 2017 and 30 April 2018, the loss allowance provision was determined as follow.

		As at 31 December						As at 30 April	
		2015		2016		2017		2018	
		RMB'000		RMB'000		RMB'000		RMB'000	
Expected Loss Rate		Gross Carrying Amount	Loss allowance provision	Gross Carrying Amount	Loss allowance provision	Gross Carrying Amount	Loss allowance provision	Gross Carrying Amount	Loss allowance provision
Trade receivables									
Related parties	1.00%	7,278	73	7,511	76	12,539	125	24,452	245
Within 1 year	5.00%	15,276	764	38,026	1,901	49,120	2,455	104,243	5,211
1 to 2 years	35.53%	7,034	2,499	8,414	2,989	20,072	7,131	23,308	8,281
2 to 3 years	53.99%	3,027	1,634	5,469	2,953	6,643	3,587	8,647	4,669
3 to 4 years	67.05%	2,143	1,437	2,501	1,677	4,828	3,238	4,917	3,297
4 to 5 years	88.98%	1,520	1,353	1,758	1,565	2,289	2,037	3,003	2,672
Over 5 years	100.00%	6,143	6,143	7,389	7,389	8,592	8,592	9,255	9,255
		<u>42,421</u>	<u>13,903</u>	<u>71,068</u>	<u>18,550</u>	<u>104,083</u>	<u>27,165</u>	<u>177,825</u>	<u>33,630</u>
Prepayments, deposits and other receivables (excluding prepayments and input VAT to be deducted)									
Deposits	1.00%	3,263	33	7,503	74	11,033	112	14,314	143
Other receivables									
Related parties	1.00%	163,585	1,636	-	-	-	-	0	0
Within 1 year	5.00%	8,596	430	14,912	746	18,920	946	22,107	1,106
1 to 2 years	35.53%	2,360	838	3,252	1,155	3,320	1,179	6,686	2,375
2 to 3 years	53.99%	385	208	2,007	1,084	2,749	1,484	3,447	1,861
3 to 4 years	67.05%	100	67	385	258	1,966	1,318	670	449
4 to 5 years	88.98%	126	112	28	25	385	343	107	95
Over 5 years	100.00%	7	7	134	134	161	161	161	161
		<u>178,422</u>	<u>3,331</u>	<u>28,221</u>	<u>3,476</u>	<u>38,534</u>	<u>5,543</u>	<u>47,365</u>	<u>6,063</u>

As at 31 December 2015, 2016, 2017 and 30 April 2017, 2018, the loss allowance provision for trade and other receivables (excluding prepayments and input VAT to be deducted) reconciles to the opening loss allowance for that provision as follows:

	Trade receivables	Prepayments, deposits and other receivables (excluding prepayments and input VAT to be deducted)	Total
	RMB'000	RMB'000	RMB'000
At 1 January 2015	11,070	7,964	19,034
Provision for loss allowance recognised in profit or loss	2,833	1,989	4,822
Receivables written off as uncollectable.	–	(6,622)	(6,622)
At 31 December 2015.	<u>13,903</u>	<u>3,331</u>	<u>17,234</u>
At 1 January 2016.	13,903	3,331	17,234
Provision for loss allowance recognised in profit or loss	4,647	145	4,792
At 31 December 2016.	<u>18,550</u>	<u>3,476</u>	<u>22,026</u>
At 1 January 2017.	18,550	3,476	22,026
Provision for loss allowance recognised in profit or loss	8,615	2,067	10,682
At 31 December 2017.	<u>27,165</u>	<u>5,543</u>	<u>32,708</u>
At 1 January 2017.	18,550	3,476	22,026
Provision for loss allowance recognised in profit or loss	4,774	521	5,295
At 30 April 2017 (Unaudited).	<u>23,324</u>	<u>3,997</u>	<u>27,321</u>
At 1 January 2018.	27,165	5,543	32,708
Provision for loss allowance recognised in profit or loss	6,465	520	6,985
At 30 April 2018.	<u>33,630</u>	<u>6,063</u>	<u>39,693</u>

As at 31 December 2015, 2016, 2017 and 30 April 2018, the gross carrying amount of trade receivables and other receivables (excluding prepayments and input VAT to be deducted) was RMB220,843,000, RMB99,289,000, RMB142,617,000 and RMB225,190,000 and thus the maximum exposure to loss was RMB203,069,000, RMB77,263,000 RMB109,909,000 and RMB185,497,000.

3.1.3 Liquidity risk

Management aims to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of available financing, including loans from related parties to meet its daily operation working capital requirements.

The table below set out the Group's financial liabilities by relevant maturity grouping at each balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months from the balance sheet date equal to their carrying amounts in the statements of financial position, as the impact of discount is not significant.

	Less than 1 year	Between 1 and 2 years	Total
	RMB'000	RMB'000	RMB'000
As at 30 April 2018			
Trade and other payables*	318,194	–	318,194
As at 31 December 2017			
Trade and other payables*	270,929	–	270,929
Dividend Payable	19,000	–	19,000
Loans from related parties	65,900	–	65,900
As at 31 December 2016			
Trade and other payables*	225,057	–	225,057
Loans from related parties	65,900	–	65,900
Long-term payables	–	300	300
As at 31 December 2015			
Trade and other payables*	170,364	–	170,364
Interest payables	3,500	–	3,500
Loans from related parties	60,082	–	60,082

* Excluding non-financial liabilities of accrued payroll and other taxes payable

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for owners and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total debt less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated balance sheets plus net debt.

As at 31 December 2015, 2016 and 2017 and 30 April 2018, the Group maintained at net cash position.

3.3 Fair value estimation

Fair value hierarchy of financial assets

	<i>Notes</i>	Level 1	Level 2	Level 3	Total
		RMB'000	RMB'000	RMB'000	RMB'000
Recurring fair value measurements					
At 30 April 2018					
Financial assets					
Un-listed equity securities	18	–	–	1,660	1,660
Recurring fair value measurements					
At 31 December 2017					
Financial assets					
Un-listed equity securities	18	–	–	1,660	1,660
At 31 December 2016					
Financial assets					
Un-listed equity securities	18	–	–	1,300	1,300

There were no transfers among levels 1, level 2 and level 3 for recurring fair value measurements during the year.

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and financial assets at fair value through other comprehensive income) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

As at 31 December 2016 and 2017 and 30 April 2018, the Group's unlisted equity securities were all valued using recent transaction price without adjustment. Accordingly, no quantitative information about significant unobservable inputs used in the fair value measured of Level 3 was presented.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

(a) Allowance on doubtful receivables

The Group makes allowances on receivables based on assumptions about risk of default and expected loss rates. The Group used judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

Where the expectation is different from the original estimate, such difference will impact the carrying amount of trade and other receivables and doubtful debt expenses in the periods in which such estimate has been changed. For details of the key assumption and inputs used, see Note 3.1.2 above.

(b) Current and deferred income tax

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

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

5 SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by CODM. The CODM, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the executive and non-executive directors.

During the Track Record Period, the Group is principally engaged in the provision of property management services and value-added services, including property developer-related services, community-related services and professional services in the PRC. Management reviews the operating results of the business as one operating segment to make decisions about resources to be allocated. Therefore, the CODM of the Company regards that there is only one segment which is used to make strategic decisions.

The principal operating entity of the Group is domiciled in the PRC. Accordingly, all of the Group's revenue were derived in the PRC during the Track Record Period.

As at 31 December 2015, 2016 and 2017 and 30 April 2018, all of the non-current assets of the Group were located in the PRC.

6 REVENUE AND COST OF SALES

Revenue mainly comprises of proceeds from property management services and value-added services. An analysis of the Group's revenue and cost of sales by category for the years ended 31 December 2015, 2016, 2017 and the four months ended 30 April 2017 and 2018 is as follows:

	Year ended 31 December						Four months ended 30 April			
	2015		2016		2017		2017		2018	
	RMB'000		RMB'000		RMB'000		RMB'000		RMB'000	
	(Unaudited)									
	Revenue	Cost of sales	Revenue	Cost of sales	Revenue	Cost of sales	Revenue	Cost of sales	Revenue	Cost of sales
Revenue from customer and recognised over time:										
Property management Services	293,878	230,935	399,201	302,744	567,177	423,709	161,076	122,258	217,205	157,739
Value added services:										
– Property developer-related services	74,442	55,546	108,641	79,664	175,497	136,968	28,858	22,512	61,057	47,560
– Community-related services	17,190	1,829	27,273	3,422	43,304	6,501	15,126	2,286	12,466	1,456
– Professional services	14,747	11,502	38,257	25,607	80,392	56,946	13,017	9,267	12,737	9,008
	<u>400,257</u>	<u>299,812</u>	<u>573,372</u>	<u>411,437</u>	<u>866,370</u>	<u>624,124</u>	<u>218,077</u>	<u>156,323</u>	<u>303,465</u>	<u>215,763</u>

For the years ended 31 December 2015, 2016 and 2017 and for the four months ended 30 April 2017 and 2018, revenue from entities controlled by Ultimate Controlling Shareholder and joint ventures and associates of the Ultimate Controlling Shareholder contributed 29.53%, 26.70%, 26.71%, 19.89% and 24.27% of the Group's revenue, respectively. Other than entities controlled by Ultimate Controlling Shareholder and joint ventures and associates of the Ultimate Controlling Shareholder, the Group had a large number of customers and none of whom contributed 10% or more of the Group's revenue for the Track Record Period.

(a) Contract liabilities

The Group had recognised the following revenue-related contract liabilities:

	As at 31 December			As at
	2015	2016	2017	30 April
	RMB'000	RMB'000	RMB'000	RMB'000
Contract liabilities	<u>74,743</u>	<u>108,413</u>	<u>180,714</u>	<u>235,566</u>

(b) Significant change in contract liabilities

Contract liabilities of the Group mainly arise from the advance payments made by customers while the underlying services are yet to be provided. Such liabilities increased as a result of the growth of the Group's business.

(c) Revenue recognised in relation to contract liabilities

The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities:

	Year ended 31 December			Four months ended 30 April	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Revenue recognised that was included in the contract liability balance at the beginning of the year					
Property management services	45,962	60,228	87,801	52,089	84,445
Property developer-related services	1,192	2,018	1,045	–	–
Community-related services	5,612	5,709	12,598	4,255	8,624
	52,766	67,955	101,444	56,344	93,069
	52,766	67,955	101,444	56,344	93,069

(d) Unsatisfied performance obligations

For property management services, property developer-related services and community-related services, the Group recognises revenue in the amount that equals to the right to invoice which correspond directly with the value to the customer of the Group's performance to date, on a monthly or quarterly basis. The Group has elected the practical expedient for not to disclose the remaining performance obligation for these types of contracts. The majority of the property management services contracts and property development-related services do not have a fixed term. The term of the contracts for community – related services is generally set to expire when the counterparties notify several months in advance the Group that the services are no longer required.

For professional services, they are rendered in short period of time and there is no unsatisfied performance obligation at the end of respective periods.

(e) Assets recognised from incremental costs to obtain a contract

During the Track Record Period, there were no significant incremental costs to obtain or fulfil a contract, and accordingly no asset was recognized.

7 EXPENSES BY NATURE

	Year ended 31 December			Four months ended 30 April	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Employee benefit expenses (Note 8)	215,897	262,447	287,774	75,237	91,179
Outsourced security, greening and cleaning costs	57,041	146,901	297,677	80,773	123,894
Raw material and components used in professional services and community- related services	5,475	13,818	58,281	8,276	7,980
Utilities	16,035	19,666	34,382	6,754	11,031
Professional fees	1,364	2,246	16,303	780	11,038
– Including: Listing expenses (included in the professional fees above) . .	–	–	1,500	–	10,314
Office expenses	7,643	9,405	11,274	2,615	3,718
Allowance for impairment of receivables					
– Trade receivables (Note 3.1.2)	2,833	4,647	8,615	4,774	6,465
– Other receivables (Note 3.1.2)	1,989	145	2,067	521	520
Travelling expenses	3,117	6,689	8,577	1,866	2,892
Business taxes and surcharges (Note)	22,351	15,583	6,899	1,854	2,343
Business entertainment expenses	3,024	6,188	6,244	1,613	1,792
Auditor's remuneration – Statutory audit services . . .	250	450	1,000	50	350
Employee uniform and related expenses	1,995	3,999	4,869	1,234	1,535
Bank charges	1,865	2,735	3,933	1,025	1,484
Operating lease payments . . .	1,231	3,332	3,486	750	1,163
Depreciation and amortization charges	1,941	2,603	3,155	892	1,197
Advertising & Promotion expenses	848	1,791	2,399	1,451	84
IT system development and maintenance expenses	13,813	2,821	1,887	719	510
Others	2,668	1,990	2,709	636	441
	<u>361,380</u>	<u>507,456</u>	<u>761,531</u>	<u>191,820</u>	<u>269,616</u>

Cost of sales include mainly employee benefit expenses, outsourced security, greening and cleaning costs, utilities and raw material and components used in professional services and community-related services.

Note: Prior to 1 May 2016, the revenue arising from property management services and value added services was subject to business taxes. Subsequent to 1 May 2016, the revenue was subject to value added tax.

8 EMPLOYEE BENEFIT EXPENSES

	Year ended 31 December			Four months ended 30 April	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Wages, salaries and bonuses	166,141	200,751	209,386	52,527	63,569
Pension costs	23,652	26,693	30,803	8,334	9,760
Housing funds, medical insurances and other social insurances	10,175	13,568	23,174	6,279	9,061
Other employee benefits	15,929	21,435	24,411	8,097	8,789
	<u>215,897</u>	<u>262,447</u>	<u>287,774</u>	<u>75,237</u>	<u>91,179</u>

(a) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include 3, 3, 3, 3, 3 directors for the years ended 31 December 2015, 2016, 2017 and the four months ended 30 April 2017 and 2018, whose emoluments are reflected in the analysis shown in Note 37. The emoluments payable to the remaining 2, 2, 2, 2, 2 individuals for the Track Record Period are as follows:

	Year ended 31 December			Four months ended 30 April	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Wages, salaries, bonuses, housing funds and other employees benefits	<u>576</u>	<u>1,361</u>	<u>2,032</u>	<u>443</u>	<u>463</u>

The emoluments fell within the following bands:

	Number of individuals				
	Year ended 31 December			Four months ended 30 April	
	2015	2016	2017	2017	2018
Emolument bands (in HK dollar)					
Nil – HK\$500,000	2	–	–	1	1
HK\$500,001 – HK\$1,000,000	–	2	1	1	1
HK\$1,000,001 – HK\$2,000,000	–	–	1	–	–
	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>

9 OTHER INCOME

	Year ended 31 December			Four months ended 30 April	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Government grants (<i>Note</i>) . . .	1,234	1,054	2,510	862	687
Investment income from wealth management products	603	530	–	–	–
Others	342	412	46	1	1
	2,179	1,996	2,556	863	688

Note: The government grants mainly represented financial support funds from local government without attached conditions.

10 OTHER EXPENSES

	Year ended 31 December			Four months ended 30 April	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Compensation for casualties to property owners	80	1,492	1,120	474	105
Others	202	699	63	1	3
	282	2,191	1,183	475	108

11 OTHER LOSSES/(GAINS) – NET

	Year ended 31 December			Four months ended 30 April	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Foreign currency translation gains	–	–	–	–	(1,212)
Net losses on disposal of property, plant and equipment	–	35	8	1	2
	–	35	8	1	(1,210)

12 FINANCE (EXPENSE)/INCOME

	Year ended 31 December			Four months ended 30 April	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Interest expenses arising from loans from related parties . .	(3,500)	(2,286)	–	–	–
Interest income	733	2,452	6,811	2,417	2,927
	<u>(2,767)</u>	<u>166</u>	<u>6,811</u>	<u>2,417</u>	<u>2,927</u>

(Unaudited)

13 SUBSIDIARIES

The Group's subsidiaries at 31 December 2015, 2016, 2017 and 30 April 2018 are set out below:

Names of the subsidiaries	Place and date of incorporation/ establishment	Issued and paid-up capital	Attributable equity interest of the Group				Attributable equity interest of the Group as at the date of this report %	Principal activities/ place of operation	Name of statutory auditors and periods covered
			31 December		30 April				
			2015	2016	2017	2018			
Chief Global Enterprise Limited (Note 1.2)	British Virgin Islands 23 January 2018	USD1	N/A	N/A	N/A	100.00%	100.00%	Holding Company	Note 1
Hong Kong Xinchengyue Development Limited (Note 1.2)	Hong Kong 31 January 2018	HK1	N/A	N/A	N/A	100.00%	100.00%	Holding Company	Note 1
Jiangsu Xinchengyue Holdings Company Limited (Note 1.2)	Changzhou, the PRC 13 February 2018	USD30,000,000	N/A	N/A	N/A	100.00%	100.00%	Investment	Note 1
Xincheng Fuyue Management Consulting Co.,	Changzhou, the PRC 11 December 2014	RMB129,292,929	100.00%	100.00%	100.00%	99.00%	99.00%	Management consultation and Investment	PricewaterhouseCoopers Zhong Tian LLP (普華永道中天會計師事務所(特殊普通合夥)) for the years ended 31 December 2015 and 2016; Note 3
Tibet Xinchengyue (i)	Changzhou, the PRC 25 March 1996 (moved to Tibet in 2015)	RMB120,000,000	93.75%	80.00%	80.00%	93.72%	93.72%	Property management services, Cities across the PRC	Talent Certified Public Accountants LLP (天衡會計師事務所(特殊普通合夥)) for the year ended 31 December 2015; PricewaterhouseCoopers Zhong Tian LLP (普華永道中天會計師事務所(特殊普通合夥)) for the years ended 31 December 2016 and 2017

Names of the subsidiaries	Place and date of incorporation/ establishment	Issued and paid-up capital	Attributable equity interest of the Group				Attributable equity interest of the Group as at the date of this report %	Principal activities/ place of operation	Name of statutory auditors and periods covered
			31 December 2015	2016	2017	30 April 2018			
Shanghai Xin Cheng Wan Jia Property Management Co., Ltd. (ii)	Shanghai, the PRC 27 November 2003	RMB10,000,000	93.75%	80.00%	80.00%	93.72%	93.72%	Property management services, Shanghai, the PRC	Talent Certified Public Accountants LLP (天衡會計師事務所(特殊普通合伙)) for the years ended 31 December 2015; Note 4
Changzhou Wanrui Intelligent System Engineering Co., Ltd.	Changzhou, the PRC 19 March 2014	RMB10,000,000	93.75%	80.00%	80.00%	93.72%	93.72%	Engineering services, Changzhou, the PRC	Note 2
Jiangsu Dashun Elevator Co., Ltd.	Changzhou, the PRC 31 May 2012	RMB10,000,000	93.75%	80.00%	80.00%	93.72%	93.72%	Maintenance services, Changzhou, the PRC	Note 2
Changzhou Pingan Property Management Co., Ltd.	Changzhou, the PRC 2 September 1999	RMB500,000	93.75%	80.00%	80.00%	93.72%	93.72%	Property management services, Changzhou, the PRC	Note 2
Hangzhou Wan Yue Property Management Co., Ltd. ("Hangzhou Wan Yue") (iii)	Hangzhou, the PRC 5 January 1999	RMB8,000,000	N/A	80.00%	80.00%	93.72%	93.72%	Property management Hangzhou, the PRC	Note 2
Changzhou Xincheng Information Technology Co., Ltd. (iv)	Changzhou, the PRC 30 September 2014	RMB1,000,000	N/A	80.00%	80.00%	93.72%	93.72%	Software development and maintenance, Changzhou, the PRC	Note 2
Suzhou Xinchengyue Property services Co., Ltd.	Suzhou, the PRC 12 March 2018	RMB1,000,000	N/A	N/A	N/A	93.72%	93.72%	Property management services, Suzhou, the PRC	Note 1

Note 1: No statutory audited financial statements have been prepared for these companies as they were newly incorporated in 2018.

Note 2: No statutory audited financial statements have been prepared for these companies as they are not required to issue audited financial statements under the statutory requirements of their places of incorporation.

Note 3: No statutory audited financial statements for the year ended 31 December 2017 have been prepared for the company as it is not required to issue audited financial statements under the statutory requirements of its place of incorporation.

Note 4: No statutory audited financial statements for the years ended 31 December 2016 and 2017 have been prepared for the company as it is not required to issue audited financial statements under the statutory requirements of its place of incorporation.

- (i) In 2015, the Group acquired 100% equity interest of Tibet Xinchengyue at a cash consideration of RMB60,000,000. Tibet Xinchengyue was controlled by the Ultimate Controlling Shareholder prior to the acquisition. As the result of the business combination under common control, assets and liabilities of the company were included in the consolidated financial statements of the Group for all years presented. The purchase consideration was treated as a deemed distribution to owner.
- (ii) In June 2015, Tibet Xinchengyue increased its shareholding in Shanghai Xin Cheng Wan Jia Property Management Co., Ltd. from 90% to 100% at a consideration of RMB1,000,000 from a company controlled by the Ultimate Controlling Shareholder. The purchase consideration was treated as a deemed distribution to owner.
- (iii) On 12 August 2016, Tibet Xinchengyue acquired 90% equity interest in Hangzhou Wan Yue from a third party at a consideration of RMB2,700,000. In addition, the remaining 10% equity interest is owned by a minority shareholder who agreed not to share the profit or loss from the operation and not to involve in the daily operation activities of Hangzhou Wan Yue. In addition, the Group shall pay for, and the minority shareholder shall sell the remaining interest of 10% on 1 August 2018 at a fixed consideration of RMB300,000. Accordingly, the equity interests attributable to Tibet Xinchengyue are deemed to be 100% since its acquisition on 12 August 2016 and up to the date of this report.
- (iv) In 2016, the Group acquired 100% equity interest of Changzhou Xincheng Information Technology Co., Ltd. at a cash consideration of RMB1,000,000. The company was controlled by the Ultimate Controlling Shareholder prior to the acquisition. As the result of the business combination under common control, assets and liabilities of the company were included in the consolidated financial statements of the Group for all years presented from the establishment of the company. The purchase consideration was treated as a deemed distribution to owner.

Material non-controlling interests

Summarised financial information on the subsidiary with material non-controlling interests

Set out below are the summarised financial information for the subsidiary, Tibet Xinchengyue and its subsidiaries, which has non-controlling interests that are material to the Group.

Summarised statements of financial position

	As at 31 December			As at
	2015	2016	2017	30 April
	RMB'000	RMB'000	RMB'000	2018
				RMB'000
Current				
Assets	342,032	540,991	750,826	749,594
Liabilities	(312,388)	(412,647)	(633,682)	(588,344)
Total current net assets	29,644	128,344	117,144	161,250
Non-current				
Assets	22,478	45,556	53,743	51,151
Liabilities	–	(640)	(947)	(1,046)
Net assets	52,122	173,260	169,940	211,355
Accumulated non-controlling interests	3,884	35,852	35,188	11,138

Summarised statements of comprehensive income

	Year ended 31 December			Four months ended 30 April	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Revenue	400,257	573,372	866,370	218,077	303,465
Profit for the year/period	26,550	54,483	91,678	23,525	30,484
Income tax expense	(14,959)	(13,672)	(21,273)	(5,497)	(7,775)
Total comprehensive income	26,550	54,483	91,678	23,525	30,484
Profit allocated to non-controlling interests	748	8,847	18,336	4,705	4,085
Dividends paid to non-controlling interests	–	(3,000)	(19,000)	–	–

Summarised statements of cash flows

	Year ended 31 December			Four months ended 30 April	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Net cash generated/(used in) from operating activities	91,506	99,636	198,270	(2,803)	17,693
Net cash (used in)/generated from investing activities	(255,170)	285,271	(7,719)	(2,719)	(402)
Net cash generated from/(used in) financing activities	119,253	(75,058)	–	–	(336,465)
Net (decrease)/increase in cash and cash equivalents	(44,411)	309,849	190,551	(5,522)	(319,174)
Cash and cash equivalents at beginning of year/period	164,280	119,869	429,718	429,718	620,269
Cash and cash equivalents at end of year/period	119,869	429,718	620,269	424,196	301,095

14 INCOME TAX EXPENSE

	Year ended 31 December			Four months ended 30 April	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Current income tax					
– PRC Corporate income tax . . .	13,343	18,367	24,730	3,938	5,760
Deferred income tax (<i>Note 30</i>)					
– PRC Corporate income tax . . .	1,616	(4,695)	(3,457)	1,559	2,015
	14,959	13,672	21,273	5,497	7,775

(a) Cayman Island income Tax

The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of Cayman Islands and accordingly, is exempted from Cayman Islands income tax.

(b) Hong Kong profit tax

No provision for Hong Kong profits tax was made as the Group did not derive any income subject to Hong Kong profits tax during the Track Record Period.

(c) PRC Corporate Income Tax

Income tax provision of the Group in respect of operations in Mainland China has been calculated at the applicable tax rate on the estimated assessable profits for the years, based on the existing legislation, interpretations and practices in respect thereof. The statutory tax rate was 25% for the Track Record Period.

Tibet Xinchengyue applied a preferential tax rate of 15% until 2020 for its head office in Tibet as part of the Western Region Development strategy after it changed its place of incorporation from Changzhou to Tibet on 17 December 2015. Tibet Xinchengyue has a number of branches across China. According to the relevant tax laws and regulations, the Group files its income tax return by combining the taxable income of head office in Tibet and all of its branches with 50% of the aggregate taxable income apportion to the head office in Tibet which is subject to income tax rate of 15% and the remaining 50% among the branches which are subject to income tax rate of 25%, resulting in an average of 20% applicable income tax rate. In addition, according to Zang Zheng Fa [2014] No. 51, "Announcement on the Distribution of the Implement Policy concerning the Enterprise Income Tax in Tibet Autonomous Region", Tibet Xinchengyue was entitled to an exemption of income tax for local retention of income tax attributed to the local tax bureau generated from head office in Tibet till 31 December 2017. Accordingly, Tibet Xinchengyue's applicable income tax rate was further reduced to 18.5% for the period from 17 December 2015 to 31 December 2017.

The corporate income tax rate applicable to the entities located in Mainland China out of Tibet Autonomous Region is 25% according to the Corporate Income Tax Law of the PRC.

- (d) The reconciliation from income tax calculated based on the applicable tax rates and total profit presented in the consolidated statements of profit or loss to the income tax expenses is listed below:

	Year ended 31 December			Four months ended 30 April	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Profit before income tax	38,007	65,852	113,015	29,061	38,566
Tax calculated at applicable corporate income tax rate of 25%	9,502	16,463	28,253	7,265	9,642
Tax effects of:					
– Expenses not deductible for taxation purposes	3,454	940	410	161	1,747
– Different tax rate applied in Tibet companies	(1,225)	(4,303)	(7,153)	(1,730)	(2,603)
– Deductible tax losses and temporary differences not recognised for deferred income tax assets	920	572	30	60	92
– Effect on deferred income tax assets due to change of income tax rates (Note)	2,294	–	–	–	(970)
– Others	14	–	(267)	(259)	(133)
	<u>14,959</u>	<u>13,672</u>	<u>21,273</u>	<u>5,497</u>	<u>7,775</u>

Note: Tibet Xinchengyue changed its place of incorporation from Jiangsu Province to Tibet Autonomous Region on 17 December 2015. With the change, the applicable income tax rate for Tibet Xinchengyue decreased from 25% to 18.5%, resulting in a decrease of deferred tax assets as of 31 December 2015 and an increase in income tax expenses for the year ended at 31 December 2015.

With the expiration of the exemption of income tax for local retention of income tax attribute to the local tax generated from head office in Tibet, the applicable income tax rate the Company calculated the deferred income tax assets for the four months ended 30 April 2018 increased to 20%.

15 EARNINGS PER SHARE

The basic earnings per share is calculated on the profit attributable to owners of the Company by the weighted number of ordinary shares deemed to be in issue during each of the years ended 31 December 2015, 2016, 2017 and each of the four months ended 30 April 2017 and 2018. In determining the weighted average number of ordinary shares deemed to be in issue, the 200 shares of the Company issued in relation to the Reorganisation as detailed in Note 24 were deemed to have been in issue since 1 January 2015.

The Company did not have any potential ordinary shares outstanding during the Track Record Period. Diluted earnings per share is equal to basic earnings per share.

	Year ended 31 December			Four months ended 30 April	
	2015	2016	2017	2017	2018
				(Unaudited)	
Profit attributable to Owners of the Company (RMB'000)	22,209	43,333	73,406	18,859	26,706
Weighted average number of ordinary shares in issue	200	200	200	200	200
Basic earnings per share for profit attributable to the owners of the Company during the year/period (expressed in RMB'000 per share)	111	217	367	94	134

Note: The earnings per share presented above has not been taken into account the proposed capitalisation issue pursuant to the resolutions in writing of the shareholders passed on 20 October 2018 because the proposed capitalisation issue has not become effective as at date of the report.

16 PROPERTY, PLANT AND EQUIPMENT

	Buildings	Transportation equipment	Electronic equipment	Other machines	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2015					
Cost	–	238	3,196	452	3,886
Accumulated depreciation	–	(93)	(1,449)	(279)	(1,821)
Net book amount	–	145	1,747	173	2,065
Year ended 31 December 2015					
Opening net book amount	–	145	1,747	173	2,065
Additions from acquisition of a subsidiary	386	1	3	–	390
Other additions	3,022	54	1,324	292	4,692
Disposals	–	–	(4)	–	(4)
Depreciation charge	(38)	(32)	(567)	(87)	(724)
Closing net book amount	3,370	168	2,503	378	6,419
As at 31 December 2015					
Cost	3,408	293	4,519	744	8,964
Accumulated depreciation	(38)	(125)	(2,016)	(366)	(2,545)
Net book amount	3,370	168	2,503	378	6,419

	Buildings	Transportation equipment	Electronic equipment	Other machines	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2016					
Opening net book amount . . .	3,370	168	2,503	378	6,419
Additions from acquisition of a subsidiary	–	–	–	73	73
Other additions	7,502	71	1,665	138	9,376
Disposals	–	(114)	(39)	(4)	(157)
Depreciation charge	(353)	(29)	(799)	(107)	(1,288)
Closing net book amount . . .	10,519	96	3,330	478	14,423
As at 31 December 2016					
Cost	10,910	250	6,145	951	18,256
Accumulated depreciation . . .	(391)	(154)	(2,815)	(473)	(3,833)
Net book amount	10,519	96	3,330	478	14,423
Year ended 31 December 2017					
Opening net book amount . . .	10,519	96	3,330	478	14,423
Additions	–	803	1,363	555	2,721
Disposals	–	–	(15)	–	(15)
Depreciation charge	(108)	(78)	(1,011)	(289)	(1,486)
Closing net book amount . . .	10,411	821	3,667	744	15,643
As at 31 December 2017					
Cost	10,910	1,053	7,493	1,506	20,962
Accumulated depreciation . . .	(499)	(232)	(3,826)	(762)	(5,319)
Net book amount	10,411	821	3,667	744	15,643
As at 1 January 2018					
Cost	10,910	1,053	7,493	1,506	20,962
Accumulated depreciation . . .	(499)	(232)	(3,826)	(762)	(5,319)
Net book amount	10,411	821	3,667	744	15,643
Four months ended 30 April 2018					
Opening net book amount . . .	10,411	821	3,667	744	15,643
Additions	–	16	295	8	319
Disposals	–	–	(2)	–	(2)
Depreciation charge	(38)	(33)	(384)	(69)	(524)
Closing net book amount . . .	10,373	804	3,576	683	15,436
As at ended 30 April 2018					
Cost	10,910	1,069	7,786	1,514	21,279
Accumulated depreciation . . .	(537)	(265)	(4,210)	(831)	(5,843)
Net book amount	10,373	804	3,576	683	15,436

	Buildings	Transportation equipment	Electronic equipment	Other machines	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2017					
Cost	10,910	250	6,145	951	18,256
Accumulated depreciation	(391)	(154)	(2,815)	(473)	(3,833)
Net book amount	10,519	96	3,330	478	14,423
Four months ended 30 April 2017 (Unaudited)					
Opening net book amount	10,519	96	3,330	478	14,423
Additions	–	780	309	216	1,305
Disposals	–	–	(1)	–	(1)
Depreciation charge	(36)	(13)	(322)	(35)	(406)
Closing net book amount	10,483	863	3,316	659	15,321
As at 30 April 2017 (Unaudited)					
Cost	10,910	1,030	6,453	1,167	19,560
Accumulated depreciation	(427)	(167)	(3,137)	(508)	(4,239)
Net book amount	10,483	863	3,316	659	15,321

The Group acquired a building in Tibet at a consideration of RMB7,502,000 in 2016. Up to 30 April 2018, the building has been transferred to the Group, while the certificate of land and buildings has not yet been obtained and is in the application process.

Depreciation expenses were charged to the following categories in the consolidated statements of comprehensive income:

	Year ended 31 December			Four months ended 30 April	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Cost of sales	592	435	574	164	211
Administrative expenses	132	853	912	242	313
	724	1,288	1,486	406	524

17 INTANGIBLE ASSETS

	Computer software	Licenses	Goodwill	Total
	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2015				
Cost	435	–	–	435
Accumulated amortization	(216)	–	–	(216)
Net book amount	219	–	–	219
Year ended 31 December 2015				
Opening net book amount	219	–	–	219
Amortisation	(91)	–	–	(91)
Closing net book amount	128	–	–	128
As at 31 December 2015				
Cost	435	–	–	435
Accumulated amortisation	(307)	–	–	(307)
Net book amount	128	–	–	128
Year ended 31 December 2016				
Opening net book amount	128	–	–	128
Additions	1,138	84	6,585	7,807
Amortisation	(128)	(1)	–	(129)
Closing net book amount	1,138	83	6,585	7,806
As at 31 December 2016				
Cost	1,573	84	6,585	8,242
Accumulated amortisation	(435)	(1)	–	(436)
Net book amount	1,138	83	6,585	7,806
Year ended 31 December 2017				
Opening net book amount	1,138	83	6,585	7,806
Additions	3,313	–	–	3,313
Amortisation	(314)	(8)	–	(322)
Closing net book amount	4,137	75	6,585	10,797
As at 31 December 2017				
Cost	4,886	84	6,585	11,555
Accumulated amortisation	(749)	(9)	–	(758)
Net book amount	4,137	75	6,585	10,797

	Computer software	Licenses	Goodwill	Total
	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2018				
Cost	4,886	84	6,585	11,555
Accumulated amortisation	(749)	(9)	–	(758)
Net book amount	4,137	75	6,585	10,797
Four months ended 30 April 2018				
Opening net book amount	4,137	75	6,585	10,797
Additions	83	–	–	83
Amortisation	(87)	(2)	–	(89)
Closing net book amount	4,133	73	6,585	10,791
As at 30 April 2018				
Cost	4,969	84	6,585	11,638
Accumulated amortisation	(836)	(11)	–	(847)
Net book amount	4,133	73	6,585	10,791
As at 1 January 2017				
Cost	1,573	84	6,585	8,242
Accumulated amortisation	(435)	(1)	–	(436)
Net book amount	1,138	83	6,585	7,806
Four months ended 30 April 2017 (Unaudited)				
Opening net book amount	1,138	83	6,585	7,806
Additions	698	–	–	698
Amortisation	(86)	(2)	–	(88)
Closing net book amount	1,750	81	6,585	8,416
As at 30 April 2017 (Unaudited) . .				
Cost	2,271	84	6,585	8,940
Accumulated amortisation	(521)	(3)	–	(524)
Net book amount	1,750	81	6,585	8,416

Amortisation of intangible assets has been charged to the consolidated statements of comprehensive income as follows:

	Year ended 31 December			Four months ended 30 April	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Administrative expenses	91	129	322	88	89

On 12 August 2016, the Company completed its acquisition of 100% of the equity interests in Hangzhou Wan Yue (the "Acquisition") at a consideration of RMB3,000,000 (Note 13(iii)). Total identifiable net liabilities of Hangzhou Wan Yue were amounted to RMB3,584,956. The excess of the consideration transferred over the fair value of the identifiable net liabilities acquired is recorded as goodwill.

The consideration of RMB3,000,000 was based on an arm's-length negotiation with reference to the fair value of Hangzhou Wan Yue as appraised by an independent valuer.

The following table sets forth each key assumption at 31 December 2016, on which management has based its cash flow projections to undertake impairment testing of goodwill:

Revenue 2017 (% annual growth rate)	-10%
Revenue 2018 (% annual growth rate)	12%
Revenue 2019 to 2021 (% annual growth rate)	5%
Gross margin (% of revenue)	10 – 15%
Pre-tax discount rate	13.3%

The following table sets forth each key assumption at 31 December 2017, on which management has based its cash flow projections to undertake impairment testing of goodwill:

Revenue 2018 (% annual growth rate)	12%
Revenue 2019 to 2022 (% annual growth rate)	5%
Gross margin (% of revenue)	10 – 15%
Pre-tax discount rate	13.3%

The following table sets forth each key assumption at 30 April 2018, on which management has based its cash flow projections to undertake impairment testing of goodwill:

Revenue 2019 (% annual growth rate)	4%
Revenue 2020 to 2023 (% annual growth rate)	4%
Gross margin (% of revenue)	10 – 15%
Pre-tax discount rate	13.3%

As at 31 December 2016, 2017 and 30 April 2018, the excess of the recoverable amount over the carrying amount of Hangzhou Wan Yue were RMB1,300,000, RMB3,300,000 and RMB3,900,000 respectively.

Had the assumptions used in the value-in-use calculation been changed, the headroom would have been decreased to the amount as included in the following table:

	As at 31 December		As at
	2016	2017	30 April
	RMB'000	RMB'000	2018
			RMB'000
Growth rate of revenue			
decreased by 5%	1,017	3,009	3,642
Gross margin decreased by 5%	340	2,320	2,851
Pre-tax discount rate increased by 5%.	829	2,893	3,483

The recoverable amount of Hangzhou Wan Yue would equal its carrying amount if the key assumptions were to change as follows:

	As at 31 December		As at
	2016	2017	30 April
			2018
Growth rate of revenue	22%	66%	84%
Gross margin	7%	17%	21%
Pre-tax discount rate	5%	73%	88%

Reasonable possible changes in key assumptions would not lead to impairment as of 31 December 2016, 2017 and as of 30 April 2018, respectively.

With reference to the recoverable amount assessed as at 31 December 2016, 2017 and 30 April 2018, the directors of the Company determined that there was no provision for impairment of goodwill for the Track Record Period.

18 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	Year ended 31 December			Four months ended 30 April
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January	–	–	1,300	1,660
Additions	–	1,300	360	–
As at 31 December	–	1,300	1,660	1,660

Financial assets at fair value through other comprehensive income as at 31 December 2016, 2017 and 30 April 2018 represented equity investments in two unlisted companies in the PRC.

19 PREPAYMENTS

	As at 31 December			As at 30 April
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Prepaid rental fees	5,624	6,393	6,078	5,495

Non-current portion of prepayments mainly represented prepaid rental fees to the lessors for leasing of parking lots, normally with 3-10 years of term of lease.

20 INVENTORIES

	As at 31 December			As at 30 April
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Components and raw materials to be used in value-added services	5,211	14,280	2,998	2,656
Spare parts	71	2,056	766	834
Less: allowance for impairment	–	–	–	–
	5,282	16,336	3,764	3,490

21 TRADE RECEIVABLES

	As at 31 December			As at 30 April
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables (<i>Note (a)</i>)				
– Related parties (<i>Note 36(d)</i>)	7,278	7,511	12,539	24,452
– Third parties	35,143	63,557	91,544	153,373
	42,421	71,068	104,083	177,825
Less: allowance for impairment of trade receivables	(13,903)	(18,550)	(27,165)	(33,630)
	28,518	52,518	76,918	144,195

- (a) Trade receivables mainly arise from property management services managed under lump sum basis and value-added services.

Property management services income under lump sum basis are received in accordance with the term of the relevant property service agreements. Service income from property management services is due for payment by the property owners upon rendering of services.

As at 31 December 2015, 2016, 2017 and 30 April 2018, the ageing analysis of the trade receivables based on invoice date and due date were as follows:

	As at 31 December			As at
				30 April
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	22,554	45,537	61,659	128,695
1 to 2 years	7,034	8,414	20,072	23,308
2 to 3 years	3,027	5,469	6,643	8,647
3 to 4 years	2,143	2,501	4,828	4,917
4 to 5 years	1,520	1,758	2,289	3,003
Over 5 years	6,143	7,389	8,592	9,255
	<u>42,421</u>	<u>71,068</u>	<u>104,083</u>	<u>177,825</u>

As at 31 December 2015, 2016, 2017 and 30 April 2018, the trade receivables were denominated in RMB, and the fair value of trade receivables approximated their carrying amounts. Property management services and value-added services are received in accordance with the terms of the relevant services agreements, and due for payment upon the issuance of invoice.

The Group applies the simplified approach to providing for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. Movements on the provision for impairment of trade receivables are shown in Note 3.1.2. For the years ended 31 December 2015, 2016, 2017 and the four months ended 30 April 2018, a provision of RMB2,833,000, RMB4,647,000, RMB8,615,000 and RMB6,465,000 was made against the gross amounts of trade receivables. The provision for impairment increased during the Track Record Period due to the increase of trade receivables.

As at 31 December 2015, 2016, 2017 and 30 April 2018, no trade receivables of the Group was pledged to secure borrowings granted to the Group.

22 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

The Group

	As at 31 December						As at 30 April	
	2015		2016		2017		2018	
	RMB'000		RMB'000		RMB'000		RMB'000	
	Current	Non-current	Current	Non-current	Current	Non-current	Current	Non-current
Prepayments								
– Utilities	10,157	–	9,114	–	12,809	–	16,665	–
– raw materials for engineering and maintenance services.	17	–	2,532	–	816	–	934	–
– Professional fees.	–	–	–	–	–	–	3,714	–
Subtotal.	10,174	–	11,646	–	13,625	–	21,313	–
Input VAT to be deducted	4,504	–	3,548	–	1,332	–	642	–
Deposits.	1,842	1,420	5,703	1,800	8,753	2,280	11,814	2,500
Other receivables								
– Related parties (Note 36(d)).	163,585	–	–	–	–	–	–	–
– Payments on behalf of property owners (Note)	10,182	–	17,714	–	23,476	–	26,969	–
– Other	1,393	–	3,004	–	4,025	–	6,082	–
Subtotal.	175,160	–	20,718	–	27,501	–	33,051	–
Total	191,680	1,420	41,615	1,800	51,211	2,280	66,820	2,500
Less: allowance for impairment of other receivables and deposits	(3,317)	(14)	(3,458)	(18)	(5,519)	(24)	(6,038)	(25)
	188,363	1,406	38,157	1,782	45,692	2,256	60,782	2,475

Note: As at 31 December 2015, 2016, 2017 and 30 April 2018, the amounts represented the payments on behalf of property owners in respect of mainly utilities and elevator maintenance costs of the properties.

As at 31 December 2015, 2016, 2017 and 30 April 2018, prepayments, deposits and other receivables were denominated in RMB.

Movements on the provision for impairment of prepayments, deposits and other receivables (excluding prepayments and input VAT to be deducted) are shown in Note 3.1.2. The provision for impairment increased during the Track Record Period due to the increase of balance of prepayments, deposits and other receivables (excluding prepayments and input VAT to be deducted).

The Company

	As at 30 April 2018 RMB'000
– Professional fees	3,714
	3,714

23 CASH AND CASH EQUIVALENTS

	As at 31 December			As at
	2015	2016	2017	30 April
	RMB'000	RMB'000	RMB'000	RMB'000
Cash on hand	1,835	2,042	1,480	321
Cash in banks	118,016	436,319	630,252	540,487
Cash in payment platforms	18	4,561	1,724	37
	<u>119,869</u>	<u>442,922</u>	<u>633,456</u>	<u>540,845</u>

The carrying amount of cash and cash equivalents balances are denominated in the following currencies:

	As at 31 December			As at
	2015	2016	2017	30 April
	RMB'000	RMB'000	RMB'000	RMB'000
USD	1,167	1,246	1,174	1,070
RMB	118,702	441,676	632,282	309,083
HK\$	–	–	–	230,692
	<u>119,869</u>	<u>442,922</u>	<u>633,456</u>	<u>540,845</u>

24 SHARE CAPITAL

The Company was incorporated in the Cayman Islands on 16 January 2018. At the date of incorporation, the authorised share capital is USD51,200 comprising 51,200 ordinary shares of USD1.00 each.

Ordinary shares, issued and fully paid:

	Number of shares	USD
At 16 January 2018 (date of incorporation) (<i>Note a</i>)	1	1
Issuance of ordinary shares (<i>Note b</i>)	1	1
Sub-division of ordinary shares (<i>Note c</i>)	198	–
At 30 April 2018	<u>200</u>	<u>2</u>

Notes:

- (a) 1 share of USD1.00 was allotted and issued on 16 January 2018.
- (b) 1 share of USD1.00 was allotted and issued on 29 March 2018.
- (c) Pursuant to the written resolution passed by the shareholders on 18 April 2018, the Company sub-divided all its issued and unissued shares with par value of USD1.00 each into 100 shares of USD0.01 each. Accordingly, the number of issued ordinary shares increased from 2 shares to 200 shares. In addition, the Company increased its authorised share capital from USD51,200 divided into 5,120,000 ordinary shares of a par value of USD0.01 each to USD100,000,000 divided into 10,000,000,000 ordinary shares of a par value of USD0.01 by the creation of an additional 9,994,880,000 shares.

25 RESERVE

The Group

	RMB'000
As at 1 January 2015	61,000
Contribution from a non-controlling shareholder (<i>Note (a)</i>).	1,046
Deemed distribution to the owner (<i>Notes 13(i), 13(ii)</i>).	(61,000)
As at 31 December 2015	1,046
Contribution from non-controlling shareholders (<i>Note (b)</i>)	51,172
Contributions of equity from the owner of the Company (<i>Note (c)</i>).	1,109
Assumption of liabilities granted by Ultimate Controlling Shareholder (<i>Note (d)</i>)	1,100
As at 31 December 2016	54,427
Appropriation of statutory reserves (<i>Note(e)</i>)	6,576
As at 31 December 2017	61,003
As at 1 January 2017 and As at 30 April 2017 (Unaudited)	54,427
As at 1 January 2018	61,003
Capital contribution from the previous shareholder of Xincheng Fuyue Management Consulting Co., Ltd. (<i>Note (f)</i>).	127,000
Contribution from non-controlling shareholder (<i>Note (g)</i>).	2,071
Capital contribution from the owners of the Company (<i>Note (h)</i>)	226,997
Buy-back of minority interests of Tibet Xinchengyue (<i>Note (i)</i>)	(53,302)
Acquisition Xincheng Fuyue Management Consulting Co., Ltd. (<i>Note (j)</i>).	(241,455)
As at 30 April 2018	122,314

(a) In June 2015, the registered capital of Tibet Xinchengyue, which is the subsidiary of the Company, increased from RMB60,000,000 to RMB64,000,000. This capital increase in monetary terms of RMB4,000,000 was contributed by a non-controlling shareholder, Changzhou Zhuofan Advertising Co., Ltd. The change of capital reserve of RMB1,046,000 represented the difference between the amount of capital contribution and the relevant acquired identified net assets.

(b) In June 2016, Changzhou Yijian Investment Co., Ltd, Changzhou Tongrun Construction Engineering Co., Ltd, Tibet Zhiying Investment Co., Ltd and Tibet Tongxin Capital Investment Management Co., Ltd. subscribed for registered capital for Tibet Xinchengyue of RMB2,150,000, RMB3,600,000, RMB3,600,000 and RMB1,650,000 with the considerations amounted to RMB15,107,333, RMB25,296,000, RMB25,296,000 and RMB11,594,000 respectively. The change of capital reserve of RMB51,172,000 represented the difference between the amount of capital contribution and the share of net assets held by the above non-controlling shareholders.

(c) In May 2016, Xincheng Fuyue received additional capital contribution of USD170,000, equivalent to approximately RMB1,109,000 recorded as reserve.

(d) A company controlled by the Ultimate Controlling Shareholder assumed certain compensation payables of the Group to property owners with the amount of RMB1,100,000. Such assumption was accounted as an increase of reserves for the year ended 31 December 2016.

(e) In accordance with relevant rules and regulations in the PRC, except for sino-foreign equity joint venture enterprises, all PRC companies are required to transfer 10% of their profit after taxation calculated under PRC accounting rules and regulations to the statutory reserve fund, until the accumulated total of the fund reaches 50% of their registered capital. The statutory reserve fund can only be used, upon approval by the relevant authority, to offset losses carried forward from previous years or to increase capital of the respective companies.

- (f) On 29 January 2018, the then shareholder of Xincheng Fuyue injected capital of RMB127,000,000 to Xincheng Fuyue. The amount was recorded as reserve.
- (g) On 18 February 2018, Xincheng Fuyue issued 1% interest to Yuexi Co., Limited, non-controlling shareholder at HK\$5,968,706 (approximately RMB4,796,000). The difference between the amount of capital contributed and the carrying value of the interest was recorded to an addition of reserve.
- (h) On 29 March 2018, the Company received capital contribution of USD36,000,000 (equivalent to RMB226,997,000) from Innovative Hero Limited, the difference between the amount contributed and the par value was recorded as reserve.
- (i) As stated in note 1.2(6), the difference between the amount paid by Xincheng Fuyue to Tongxin Capital, Zhiying Investment, Tongrun Construction and Yijian Investment and the carrying value of the non-controlling interests acquired with the amount of RMB53,302,000 was recorded as reserve.
- (j) On 30 March 2018, Jiangsu Xinchengyue Holdings Company Limited acquired 99% of the issued share capital of Xincheng Fuyue, a PRC company which controls the PRC operating companies and is ultimately controlled by Mr. Wang, from its then shareholder at a consideration of RMB241,454,800. The consideration was accounted for as a deduction of reserve.

The Company

	As at 30 April
	2018
	RMB'000
As at 1 January 2018	–
Capital contribution from the owners of the Company (Note(h)).	226,997
As at 30 April 2018	226,997

26 LONG-TERM PAYABLE

	As at 31 December			As at 30 April
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Consideration payable for the acquisition of a subsidiary	–	300	–	–

Long-term payables represented the final payment for acquisition of equity of Hangzhou Wan Yue as described in Note 13(iii).

27 PROVISION

	As at 31 December			As at 30 April
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Legal claims	–	340	947	1,046

As at 31 December 2016, 2017 and 30 April 2018, the Group made the provisions for the potential losses to be incurred from certain properties owners and former employees.

28 LOANS FROM RELATED PARTIES

	As at 31 December			As at 30 April
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Loans from related parties (Note 36(d))	60,082	65,900	65,900	–

At 31 December 2015, 2016 and 2017, the Group's loans were unsecured and denominated in RMB, bearing interest at 10%, nil, nil per annum respectively. The loans from related parties were settled on 30 January 2018.

29 TRADE AND OTHER PAYABLES

	As at 31 December			As at 30 April
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables (Note (a))				
– Third parties	13,638	35,386	56,323	55,460
Other payables				
– Related parties (Note 36(d))	1,492	–	–	–
– Accrued expenses	12,786	12,302	17,863	30,953
– Amounts collected on behalf of property owners	139,866	175,612	193,748	224,804
– Others	2,582	1,757	2,995	6,977
	156,726	189,671	214,606	262,734
Accrued payroll	44,672	48,431	59,861	35,170
Other tax payables	9,925	10,185	14,537	7,136
Interest payable (Note 36(d))	3,500	–	–	–
	228,461	283,673	345,327	360,500

- (a) At 31 December 2015, 2016, 2017 and 30 April 2018, the ageing analysis of the trade payables based on invoice date were are follows:

	As at 31 December			As at
	2015	2016	2017	30 April
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	13,406	34,954	55,065	54,541
1 to 2 years	135	225	1,000	729
2 to 3 years	53	123	174	117
Over 3 years	44	84	84	73
	<u>13,638</u>	<u>35,386</u>	<u>56,323</u>	<u>55,460</u>

- (b) At 31 December 2015, 2016, 2017 and 30 April 2018, trade and other payables were denominated in RMB.

30 DEFERRED INCOME TAX

The analysis of deferred tax assets in the consolidated statements of financial position was as follows:

	As at 31 December			As at
	2015	2016	2017	30 April
	RMB'000	RMB'000	RMB'000	RMB'000
Deferred tax assets:				
– Deferred tax asset to be recovered after more than 12 months	141	707	399	820
– Deferred tax asset to be recovered within 12 months	8,760	13,145	16,910	14,474
	<u>8,901</u>	<u>13,852</u>	<u>17,309</u>	<u>15,294</u>

The movement in deferred income tax assets and liabilities during the Track Record Period, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	Allowance on doubtful debts	Accrued payroll	Tax losses	Accrued expenses	Provision	Unrealized Interco- transactions	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January							
2015	4,651	4,149	52	1,665	–	–	10,517
(Charged)/credited to the consolidated statements of comprehensive income	(1,178)	422	89	(1,566)	–	617	(1,616)
At 31 December							
2015	3,473	4,571	141	99	–	617	8,901
Acquisition of a subsidiary	85	–	171	–	–	–	256
Credited/(charged) to the consolidated statements of comprehensive income	812	1,903	395	(99)	63	1,621	4,695
At 31 December							
2016	4,370	6,474	707	–	63	2,238	13,852
Credited/(charged) to the consolidated statements of comprehensive income	2,233	3,658	(308)	–	112	(2,238)	3,457
At 31 December							
2017	6,603	10,132	399	–	175	–	17,309
As at 1 January							
2017	4,370	6,474	707	–	63	2,238	13,852
Credit/(charged) to the consolidated statements of comprehensive income	1,102	(2,778)	(612)	–	75	654	(1,559)
At 30 April 2017 (unaudited)	5,472	3,696	95	–	138	2,892	12,293
As at 1 January							
2018	6,603	10,132	399	–	175	–	17,309
Credited/(Charged) to the consolidated statements of comprehensive income	1,827	(4,281)	421	–	18	–	(2,015)
At 30 April 2018	8,430	5,851	820	–	193	–	15,294

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefits through future taxable profit is probable. For the years ended 31 December 2015, 2016, 2017 and for the four months ended 30 April 2017 and 2018, the Group did not recognise deferred income tax assets in respect of losses amounting to RMB2,692,000, RMB2,624,000 and RMB2,537,000, RMB2,317,000 and RMB2,074,000, respectively that can be carried forward against future taxable income. Tax losses of group companies operated in the PRC could be carried forward for a maximum of five years. These tax losses will expire up to and including years 2020, 2021, 2022, 2023 and 2024 respectively.

31 DIVIDENDS

	Year ended 31 December			Four months ended 30 April	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Dividends	–	3,000	19,000	–	59,000

During the years ended 31 December 2016 and 2017, Tibet Xinchengyue declared dividends of RMB3,000,000 and RMB19,000,000 respectively to its non-controlling shareholders. During the four months ended 30 April 2018, Xincheng Fuyue declared dividends of RMB59,000,000 to its then shareholder.

No dividends had been paid by the Company during the Track Record Period.

32 CASH FLOW INFORMATION

(a) Net cash generated from operating activities

	Year ended 31 December			Four months ended 30 April	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Profit before income tax	38,007	65,852	113,015	29,061	38,566
Adjustments for:					
– Amortisation of non-current portion of prepayments	1,126	1,186	1,347	398	584
– Depreciation of property, plant and equipment (<i>Note 16</i>).	724	1,288	1,486	406	524
– Amortisation of intangible assets (<i>Note 17</i>)	91	129	322	88	89
– Provision for impairment of trade and other receivables, net (<i>Note 7</i>).	4,822	4,792	10,682	5,295	6,985
– Net losses on disposal of property, plant and equipment (<i>Note 11</i>)	–	35	8	1	2
– Finance expense (<i>Note 12</i>).	3,500	2,286	–	–	–
– Other income – investment income (<i>Note 9</i>)	(603)	(530)	–	–	–
Changes in working capital:					
– Inventories	(5,214)	(11,054)	12,572	(2,884)	274
– Non-current portion of deposits	(379)	(380)	(480)	(453)	(219)
– Trade receivables	(7,108)	(24,840)	(33,015)	(60,888)	(73,742)
– Prepayments, deposits and other receivables.	126,708	(11,801)	(9,596)	(14,371)	(15,609)
– Provisions	–	340	607	404	99
– Contract liabilities.	82,256	30,044	72,301	48,317	54,851
– Trade and other payables.	(149,776)	52,760	61,654	1,372	15,172
	94,154	110,107	230,903	6,746	27,576

- (b) The details of deemed distribution in relation to the business combinations under common control were as follows:

	Year ended 31 December			Four months ended 30 April	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Deemed distribution in relation to the acquisition of 100% equity interest of Tibet Xinchengyue (<i>Note 13(i)</i>) . . .	60,000	–	–	–	–
Deemed distribution in relation to the acquisition of 10% equity interest of Shanghai Xin Cheng Wan Jia Property Management Co., Ltd. (<i>Note 13(ii)</i>)	1,000	–	–	–	–
Deemed distribution in relation to the acquisition of 100% equity interest of Changzhou Xincheng Information Technology Co., Ltd. (<i>Note 13(iv)</i>)	–	1,000	–	–	–
	61,000	1,000	–	–	–

- (c) During the year ended 31 December 2015, the Group received an funding from a third party, Yixing Building Engineering & Installation Co., Ltd. (“Yixing Engineering”) with the amount of RMB136,350,000. As at 31 December 2015, the Group entered into a tripartite agreement with Yixing Engineering and Wealth Zone Development Group Co., Ltd. (“Wealth Zone Development”, a company controlled by the Ultimate Controlling Shareholder) to offset the funding with the Group’s receivable from Wealth Zone Development, reducing the Group’s receivable from Wealth Zone Development to RMB115,958,600 since the Group could settle the funding balance with the third party but stabilised the cash flow during year end. During the year ended 31 December 2016, the above mentioned three parties cancelled the tripartite agreement and the Group repaid RMB136,350,000 to Yixing Engineering accordingly since the Group has collected the receivables from related parties.

(d) Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

	As at 31 December			As at 30 April
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Net debt:				
Cash and cash equivalents	119,869	442,922	633,456	540,845
Borrowings – repayable within one year	(60,082)	(65,900)	(65,900)	–
Net debt	<u>59,787</u>	<u>377,022</u>	<u>567,556</u>	<u>540,845</u>

	Cash and cash equivalents	Borrowings – repayable within one year	Total
	RMB'000	RMB'000	RMB'000
	Net debt as at 1 January 2015	164,280	(82)
Cash flows	(44,411)	(60,000)	(104,411)
Net debt as at 31 December 2015	119,869	(60,082)	59,787
Cash flows	323,053	(5,818)	317,235
Net debt as at 31 December 2016	442,922	(65,900)	377,022
Cash flows	190,534	–	190,534
Net debt as at 31 December 2017	633,456	(65,900)	567,556
Net debt as at 1 January 2017	442,922	(65,900)	377,022
Cash flows	(6,202)	–	(6,202)
Net debt as at 30 April 2017 (Unaudited)	436,720	(65,900)	370,820
Net debt as at 1 January 2018	633,456	(65,900)	567,556
Cash flows	(92,611)	65,900	(26,711)
Net debt as at 30 April 2018	540,845	–	540,845

33 COMMITMENTS**Operating lease commitments – as lessee**

The Group leases offices and staff dormitories under non-cancellable operating lease agreements. The lease terms are between 1 and 5 years, and the majority of lease agreements are signed with related parties and renewable at the end of the lease period at market rate.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	As at 31 December			As at 30 April
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
No later than 1 year	120	1,295	2,066	2,062
Later than 1 year and no later than 5 years	240	1,856	1,492	822
Later than 5 years	–	30	–	–
	<u>360</u>	<u>3,181</u>	<u>3,558</u>	<u>2,884</u>

34 TRANSACTIONS WITH NON-CONTROLLING INTERESTS

- (a) In June 2015, the share capital of Tibet Xinchengyue, which is the subsidiary of the Company, increased from RMB60,000,000 to RMB64,000,000 to Changzhou Zhuofan Advertising Co., Ltd., a non-controlling shareholder at a consideration of RMB4,000,000. After this transaction, Changzhou Zhuofan Advertising Co., Ltd. owned 6.25% equity interest of Tibet Xinchengyue. The change of reserves of RMB1,046,000 represented the difference between the amount of capital contribution and the relevant acquired identified net assets. The effect on the equity attributable to the owners of Xinchengyue Holdings Limited during the year ended 31 December 2015 is summarised as follows:

	Year ended 31 December
	2015
	RMB'000
Consideration received from the non-controlling shareholder	4,000
Carrying amount of non-controlling interests	(2,954)
Excess of consideration of non-controlling interests received recognised in equity	<u>1,046</u>

- (b) In June 2016, Yijian Investment, Tongrun Construction, Zhiying Investment and Tongxin Capital subscribed for registered capital of Tibet Xinchengyue of RMB2,150,000, RMB3,600,000, RMB3,600,000 and RMB1,650,000 with the considerations amounted to RMB15,107,333, RMB25,296,000, RMB25,296,000 and RMB11,594,000 respectively. The effect on the equity attributable to the owners of Xinchengyue Holdings Limited during the year of 2016 is summarised as follows:

	Year ended 31 December
	2016
	RMB'000
Consideration received from the non-controlling shareholders	77,293
Carrying amount of non-controlling interests	(26,121)
Excess of consideration of non-controlling interests received recognised in equity	<u>51,172</u>

- (c) On 18 February 2018, Xincheng Fuyue issued 1% interest to Yuexi Co., Limited, non-controlling shareholder at HK\$5,968,700 (approximately RMB4,796,000). The difference between the amount of capital contributed and carrying value of the interest was recorded to an addition of reserve. The effect on the equity attributable to the owners of the Company during the four months ended 30 April 2018 is summarised as follows:

	Four months ended 30 April
	2018
	RMB'000
Consideration received from the non-controlling shareholders	4,796
Carrying amount of non-controlling interests	(2,725)
Excess of consideration of non-controlling interests received recognised in equity	<u>2,071</u>

- (d) In March 2018, Tibet Xinchengyue repurchased its own shares from minority shareholders at the total consideration of RMB81,932,000 (Note 1.2(6) and Note 25(i)). The effect on the equity attributable to the owners of the Company during the four months ended 30 April 2018 is summarised as follows:

	Four months ended 30 April
	2018
	RMB'000
Consideration paid to the non-controlling shareholders	81,932
Carrying amount of non-controlling interests	(28,630)
Difference between consideration and carrying value of non-controlling interests charged to reserve	<u>53,302</u>

35 BUSINESS COMBINATION

On 12 October 2015, the Group acquired 100% equity interest in Changzhou Pingan Property Management Co., Ltd. from a third party at a consideration of RMB642,000.

On 12 August 2016, the Group acquired 90% equity interest in Hangzhou Wan Yue from a third party at a consideration of RMB2,700,000. In addition, the remaining 10% equity interest is owned by a minority shareholder who agreed not to share the profit or loss from the operation and not to involve in the daily operation activities of Hangzhou Wan Yue. In addition, the Group shall pay for, and the minority shareholder shall sell the remaining interest of 10% on 1 August 2018 at a fixed consideration of RMB300,000. Accordingly, the equity interests attributable to the Group are deemed to be 100% since its acquisition on 12 August 2016 and up to the date of this report.

The purchase consideration is as follows (RMB'000):

Purchase consideration	Changzhou Pingan Property Management Co., Ltd. RMB'000	Hangzhou Wan Yue RMB'000
Cash	642	2,700
Long-term payables	–	300
Total consideration transferred	<u>642</u>	<u>3,000</u>

The assets and liabilities recognised as a result of the acquisition are as follows (RMB'000):

	<u>Acquisition date</u>	<u>Acquisition date</u>
	<u>Fair value</u>	<u>Fair value</u>
	Changzhou Pingan Property Management Co., Ltd.	Hangzhou Wan Yue
	<u>RMB'000</u>	<u>RMB'000</u>
Cash and cash equivalents	997	3,088
Trade receivables	5,409	3,807
Prepayments, deposits and other receivables	266	244
Property, plant and equipment	390	73
Deferred income tax assets	–	256
Less: Trade and other payables	(6,182)	(7,427)
Contract liabilities	(238)	(3,626)
Acquired net assets/(liabilities)	<u>642</u>	<u>(3,585)</u>
Add: Goodwill	–	6,585
Total consideration	<u><u>642</u></u>	<u><u>3,000</u></u>

The goodwill is attribute to the business prospects of the acquired business. It will not be deductible for tax purpose.

There were no acquisitions in the year ended 31 December 2017 and four months ended 30 April 2018.

The fixed assets of Changzhou Pingan Property Management Co., Ltd. and Hangzhou Wan Yue are mainly electronic equipment, etc., and the amount is not significant. The Group believes that the fair value of such assets approximates the book value.

(a) Revenue and profit contribution

(i) Changzhou Pingan Property Management Co., Ltd.

The acquired business contributed revenue of RMB810,000 and net loss of RMB49 to the Group for the period from 12 October 2015 to 31 December 2015.

If the acquisition had occurred on 1 January 2015, consolidated pro-forma revenue and net profit for the year ended 31 December 2015 would have been RMB404,593,000 and RMB24,910,000 respectively. These amounts have been calculated using the subsidiary's results.

(ii) Hangzhou Wan Yue

The acquired business contributed revenue of RMB7,887,000 and net loss of RMB490,000 to the Group for the period from 12 August 2016 to 31 December 2016.

If the acquisition had occurred on 1 January 2016, consolidated pro-forma revenue and net loss for the year ended 31 December 2016 would have been RMB579,548,000 and RMB51,935,000 respectively. These amounts have been calculated using the subsidiary's results.

(b) Purchase consideration – cash inflow*(i) Changzhou Pingan Property Management Co., Ltd.*

	Year ended 31 December
	2015
	RMB'000
Inflow of cash to acquire subsidiary, net of cash acquired	
Balance acquired – Cash and cash equivalent	997
Less: Cash consideration	(642)
Net inflow of cash – investing activities	<u>355</u>

(ii) Hangzhou Wan Yue

	Year ended 31 December
	2016
	RMB'000
Inflow of cash to acquire subsidiary, net of cash acquired	
Balance acquired – Cash and cash equivalent	3,088
Less: Cash consideration	(2,700)
Net inflow of cash – investing activities	<u>388</u>

	Year ended 31 December
	2017
	RMB'000
Outflow of cash to acquire subsidiary, net of cash acquired	
Balance acquired – Cash and cash equivalent	–
Less: Cash consideration (<i>Note 26</i>)	(300)
Net outflow of cash – investing activities	<u>(300)</u>

36 RELATED PARTY TRANSACTIONS

(a) Names and relationship with related parties

The Ultimate Holding Company of the Company is Infinity Fortune Development Limited and the Ultimate Controlling Shareholder of the Company is Mr. Wang.

(b) Transactions with related parties

	Year ended 31 December			Four months ended 30 April	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Provision of services					
– Entities controlled by Mr. Wang	115,309	138,457	179,684	35,092	60,185
– Joint ventures and associates of Mr. Wang	2,902	14,646	51,758	8,269	13,464
	<u>118,211</u>	<u>153,103</u>	<u>231,442</u>	<u>43,361</u>	<u>73,649</u>
Interest income from deposit with a bank					
– Entities significantly influenced by Mr. Wang	30	28	25	7	8
	<u>30</u>	<u>28</u>	<u>25</u>	<u>7</u>	<u>8</u>
Interest expenses from loans from related parties					
– Entities controlled by Mr. Wang	3,500	2,286	–	–	–
	<u>3,500</u>	<u>2,286</u>	<u>–</u>	<u>–</u>	<u>–</u>
Purchase of IT system development and maintenance services					
– Entities controlled by Mr. Wang	13,813	2,821	–	–	–
	<u>13,813</u>	<u>2,821</u>	<u>–</u>	<u>–</u>	<u>–</u>
Purchase of properties					
– Entities controlled by Mr. Wang	2,919	–	–	–	–
	<u>2,919</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Payment on behalf of related parties by the Group					
– Entities controlled by Mr. Wang	7,368	16,135	–	–	–
	<u>7,368</u>	<u>16,135</u>	<u>–</u>	<u>–</u>	<u>–</u>
Receipt on behalf of related parties by the Group					
– Entities controlled by Mr. Wang	3,135	2,260	–	–	–
	<u>3,135</u>	<u>2,260</u>	<u>–</u>	<u>–</u>	<u>–</u>
Payment on behalf of the Group by related parties					
– Entities controlled by Mr. Wang	2,238	5,219	26,631	4,623	4,075
	<u>2,238</u>	<u>5,219</u>	<u>26,631</u>	<u>4,623</u>	<u>4,075</u>
Rental expenses					
– Entities controlled by Mr. Wang	776	2,559	1,636	545	545
	<u>776</u>	<u>2,559</u>	<u>1,636</u>	<u>545</u>	<u>545</u>
Additions of loans					
– Entities controlled by Mr. Wang	60,000	65,900	–	–	–
	<u>60,000</u>	<u>65,900</u>	<u>–</u>	<u>–</u>	<u>–</u>
Repayments of loans					
– Entities controlled by Mr. Wang	–	60,082	–	–	65,900
	<u>–</u>	<u>60,082</u>	<u>–</u>	<u>–</u>	<u>65,900</u>

The prices for the above service fees and other transactions were determined in accordance with the terms mutually agreed by the contract parties.

(c) Key management compensation

Compensations for key management other than those for directors as disclosed in Note 37 is set out below.

	Year ended 31 December			Four months ended 30 April	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Salaries and other short-term employee benefits	162	1,734	2,798	635	662

(d) Balances with related parties

	As at 31 December			As at 30 April
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Receivables from related parties				
Trade receivables				
– Entities controlled by				
Mr. Wang	6,630	6,983	9,250	18,680
– Joint ventures and associates of				
Mr. Wang	648	528	3,289	5,772
	7,278	7,511	12,539	24,452
Other receivables (Note 22)				
– Entities controlled by				
Mr. Wang	163,585	–	–	–
Total receivables from related parties . . .	170,863	7,511	12,539	24,452
Bank deposit with a related party (Note)				
– Entity significantly influenced by				
Mr. Wang	12,505	23,716	28,117	2,880

Note: The Group has bank deposits at a certain bank which Mr. Wang is as one of the directors of the bank during the Track Record Period.

	<i>As at 31 December</i>			<i>As at</i>
	<i>2015</i>	<i>2016</i>	<i>2017</i>	<i>30 April</i>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>2018</i>
				<i>RMB'000</i>
<i>Payables to related parties</i>				
<i>Loans (Note 28)</i>				
– <i>Entities controlled by</i>				
<i>Mr. Wang</i>	60,082	65,900	65,900	–
<i>Other payables</i>				
– <i>Entities controlled by</i>				
<i>Mr. Wang</i>	1,492	–	–	–
<i>Interest payables (included in</i>				
<i>trade and other payables)</i>				
– <i>Entities controlled by</i>				
<i>Mr. Wang</i>	3,500	–	–	–
<i>Contract liabilities</i>				
– <i>Entities controlled by</i>				
<i>Mr. Wang</i>	2,018	1,045	2,042	3,648
– <i>Joint ventures and</i>				
<i>associates of the Ultimate</i>				
<i>Holding Company.</i>	–	–	367	367
	2,018	1,045	2,409	4,015
<i>Total payables to related</i>				
<i>parties.</i>	67,092	66,945	68,309	4,015

37 DIRECTORS' BENEFITS AND INTERESTS

Until 30 April 2018, the following directors and senior managements were appointed:

Executive Directors

Mr. Qi Xiaoming, *Chairman*

Ms. Wu Qianqian

Mr. Lan Ziyong

Non-executive Directors

Mr. Wang Zhenhua (*Note (a)(i)*)

Mr. Lv Xiaoping (*Note (a)(i)*)

Mr. Lu Zhongming (*Note (a)(i)*)

Independent Non-executive Directors

Ms. Zhang Yan

Mr. Zhu Wei

Mr. Xu Xinmin

(a) Directors' emoluments

The directors received emoluments from the Group (in their role as senior management and employee before their appointment as directors respectively) for the four months ended 30 April 2018 as follows:

Name	Fees	Salaries	Bonus	Housing allowances and contributions to a retirement scheme	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive Directors					
Mr. Qi Xiaoming	–	600	–	31	631
Ms. Wu Qianqian	–	171	–	31	202
Mr. Lan Ziyong	–	175	–	29	204
Independent non-executive Directors					
Ms. Zhang Yan	50	–	–	–	50
Mr. Zhu Wei	50	–	–	–	50
	<u>100</u>	<u>946</u>	<u>–</u>	<u>91</u>	<u>1,137</u>

The directors received emoluments from the Group (in their role as senior management and employee before their appointment as directors respectively) for the four months ended 30 April 2017 (Unaudited) as follows:

Name	Fees	Salaries	Bonus	Housing allowances and contributions to a retirement scheme	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive Directors					
Mr. Qi Xiaoming	–	600	–	27	627
Ms. Wu Qianqian	–	157	–	27	184
Mr. Lan Ziyong	–	154	–	27	181
Independent non-executive Directors					
Ms. Zhang Yan	67	–	–	–	67
Mr. Zhu Wei	67	–	–	–	67
	<u>134</u>	<u>911</u>	<u>–</u>	<u>81</u>	<u>1,126</u>

The directors received emoluments from the Group (in their role as senior management and employee before their appointment as directors respectively) for the year ended 31 December 2017 as follows:

Name	Fees	Salaries	Bonus	Housing allowances and contributions to a retirement scheme	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive Directors					
Mr. Qi Xiaoming	–	1,800	900	84	2,784
Ms. Wu Qianqian	–	499	304	84	887
Mr. Lan Ziyong	–	514	238	83	835
Independent non-executive Directors					
Ms. Zhang Yan	200	–	–	–	200
Mr. Zhu Wei	200	–	–	–	200
	400	2,813	1,442	251	4,906

The directors received emoluments from the Group (in their role as senior management and employee before their appointment as directors respectively) for the year ended 31 December 2016 as follows:

Name	Fees	Salaries	Bonus	Housing allowances and contributions to a retirement scheme	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive Directors					
Mr. Qi Xiaoming	–	1,385	420	78	1,883
Ms. Wu Qianqian	–	341	260	70	671
Mr. Lan Ziyong	–	303	297	77	677
Independent non-executive Directors					
Ms. Zhang Yan	67	–	–	–	67
Mr. Zhu Wei	67	–	–	–	67
	134	2,029	977	225	3,365

The directors received emoluments from the Group (in their role as senior management and employee before their appointment as directors respectively) for the year ended 31 December 2015 as follows:

Name	Salaries	Bonus	Housing allowances and contributions to a retirement scheme	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Executive Directors				
Mr. Qi Xiaoming	1,800	–	–	1,800
Ms. Wu Qianqian	309	251	65	625
Mr. Lan Ziyong	300	280	76	656
	2,409	531	141	3,081

(i) *The emoluments of Mr. Wang Zhenhua, Mr. Lu Zhongming and Mr. Lv Xiaoping, non-executive directors in relation to their services rendered for the Group for the Track Record Period were borne by related parties of the Group. Their emoluments were not allocated to the Group as the management of the Company considers there is no reasonable basis of allocation.*

(b) Retirement benefits of directors

During the years ended 31 December 2015, 2016 and 2017 and for the four months ended 30 April 2017 and 2018, there were no additional retirement benefit received by the directors except for the attribution to a retirement benefit scheme in accordance with the rules and regulations in the PRC.

(c) Termination benefits of directors

During the years ended 31 December 2015, 2016 and 2017 and for the four months ended 30 April 2017 and 2018, there were no termination benefits received by the directors.

(d) Consideration provided to third parties for making available the services of directors

During the years ended 31 December 2015, 2016 and 2017 and for the four months ended 30 April 2017 and 2018, no consideration was paid for making available the services of the directors or senior management of the Company.

(e) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors.

During the years ended 31 December 2015, 2016 and 2017 and for the four months ended 30 April 2017 and 2018, there were no loans, quasi-loans and other dealings entered into by the Company or subsidiaries undertaking of the Company, where applicable, in favour of directors.

Except for mentioned above, no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had interests, whether directly or indirectly, subsisted at the end of the Track Record Period or at any time during the Track Record Period.

38 CONTINGENCIES

As at 31 December 2015, 2016 and 2017 and 30 April 2018, the Group did not have any significant contingent liabilities or outstanding guarantees in respect of payment obligations to third parties.

39 EVENTS AFTER THE BALANCE SHEET DATE

Pursuant to the written resolutions dated 20 October 2018 passed by the Shareholders of the Company, conditional upon the share premium account of our Company having sufficient balance, or otherwise being credited as a result of the issue of the Offer Shares by our Company pursuant to the Global Offering, the directors of the Company were authorised to allot and issue a total of 599,999,800 Shares credited as fully paid at par to the persons whose names appear on the register of members of our Company at the close of business on 5 November 2018 (as nearly as possible without involving fractions) by way of capitalisation of such sum standing to the credit of the share premium account of our Company, and the Shares to be allotted and issued shall rank *pari passu* in all respects with the existing issued Shares.

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of its subsidiaries in respect of any period subsequent to 30 April 2018 and up to the date of this report.

No dividend or distribution has been declared or made by the Company or any of the companies now comprising the Group in respect of any period subsequent to 30 April 2018.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

The information set forth in this appendix does not form part of the Accountant's Report received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, as set forth in Appendix I to this prospectus, and is included herein for illustrative purpose only.

The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountant's Report set forth in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets of the Group prepared in accordance with Rule 4.29 of the Listing Rules, is for the purpose of illustrating the effect of the Global Offering and the Capitalization Issue on the consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 April 2018 as if the Global Offering and the Capitalization Issue had taken place on 30 April 2018.

This unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purpose only and because of its hypothetical nature, it may not give a true picture of the net tangible assets of the Group as at 30 April 2018 or at any future dates following the Global Offering and the Capitalization Issue. It is prepared based on the consolidated financial information of the Group as at 30 April 2018 as set forth in the Accountant's Report of the Group, the text of which is set out in Appendix I to this prospectus, and adjusted as described below. The unaudited pro forma statement of adjusted net tangible assets does not form part of the Accountant's Report.

	Audited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 April 2018 <i>(Note 1)</i>	Estimated net proceeds from the Global Offering <i>(Note 2)</i>	Unaudited pro forma adjusted net tangible assets attributable to owners of the Company as at 30 April 2018	Unaudited pro forma adjusted net tangible assets per share	
	RMB'000	RMB'000	RMB'000	<i>(Note 3)</i> RMB	<i>(Note 5)</i> HK\$
Based on the Offer Price of HK\$2.9 per share	172,082	424,927	597,009	0.75	0.93
Based on the Offer Price of HK\$3.9 per share	172,082	578,803	750,885	0.94	1.17

Notes:

- (1) The audited consolidated net tangible assets attributable to owners of the Company as of 30 April 2018 is extracted from the Accountant's Report set out in Appendix I to this prospectus, which is based on the audited consolidated net assets of the Group attributable to owners of the Company as of 30 April 2018 of RMB182,873,000, with an adjustment for the intangible assets as at 30 April 2018 of RMB10,791,000.
- (2) The estimated net proceeds from the Global Offering are based on the individual Offer Price of HK\$2.9 and HK\$3.9 per share, being the lower end to higher end of the stated offer price range, respectively, and 200,000,000 shares expected to be issued under the Global Offering, after deduction of the underwriting fees and other related expenses payable by the Company (excluding listing expenses of approximately RMB11.8 million which have been accounted for in the Group's consolidated statement of comprehensive income prior to 30 April 2018), and takes no account of any Shares which may be issued pursuant to the exercise of the Over-allotment Option, any options which may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by the Company under the general mandate to issue Shares and general mandate to repurchase Shares as described in the section headed "Share Capital" in this prospectus.
- (3) The unaudited pro forma adjusted net tangible assets per share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 800,000,000 shares are in issue, assuming the Global Offering and the Capitalization issue had been completed on 30 April 2018, and no over-allotment option will be granted.
- (4) No adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to 30 April 2018.
- (5) For the purpose of this unaudited pro forma statement of adjusted net tangible assets, the balance stated in Renminbi is converted into Hong Kong dollars at rate of HK\$1.00 to RMB0.80. No representation is made that Renminbi amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.

B. ACCOUNTANT'S REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus



羅兵咸永道

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of Xinchengyue Holdings Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Xinchengyue Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets of the Group as at 30 April 2018, and related notes (the "Unaudited Pro Forma Financial Information") as set out on pages II-1 to II-2 of the Company's prospectus dated 24 October 2018, in connection with the proposed initial public offering of shares of the Company. The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described on pages II-1 to II-2.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the proposed initial public offering on the Group's financial position as at 30 April 2018 as if the proposed initial public offering had taken place at 30 April 2018. As part of this process, information about the Group's financial position has been extracted by the directors from the Group's financial information for the period ended 30 April 2018, on which an accountant's report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

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

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Our Independence and Quality Control

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

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

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

The purpose of unaudited pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the proposed initial public offering of shares at 30 April 2018 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors

in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

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

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong
24 October 2018

This Appendix contains a summary of the Memorandum and Articles of Association of our Company. As the information set out below is in summary form, it does not contain all of the information that may be important to potential investors. As stated in the section headed “Documents Delivered to the Registrar of Companies and Available for Inspection”, in Appendix V to this prospectus, a copy of the Memorandum and Articles of Association is available for inspection.

SUMMARY OF THE CONSTITUTION OF THE COMPANY

1 Memorandum of Association

The Memorandum of Association of the Company was conditionally adopted on October 20, 2018 and states, inter alia, that the liability of the members of the Company is limited, that the objects for which the Company is established are unrestricted and the Company shall have full power and authority to carry out any object not prohibited by the Companies Law or any other law of the Cayman Islands.

The Memorandum of Association is available for inspection at the address specified in Appendix V in the section headed “Documents available for inspection”.

2 Memorandum and Articles of Association

The Memorandum and Articles of Association of the Company were conditionally adopted on October 20, 2018 and include provisions to the following effect:

2.1 Classes of Shares

The share capital of the Company consists of ordinary shares. The capital of the Company at the date of adoption of the Articles is US\$100,000,000 divided into 10,000,000,000 shares of US\$0.01 each.

2.2 Directors

(a) Power to allot and issue Shares

Subject to the provisions of the Companies Law and the Memorandum and Articles of Association, the unissued shares in the Company (whether forming part of its original or any increased capital) shall be at the disposal of the Directors, who may offer, allot, grant options over or otherwise dispose of them to such persons, at such times and for such consideration, and upon such terms, as the Directors shall determine.

Subject to the provisions of the Memorandum and Articles of Association and to any direction that may be given by the Company in general meeting and without prejudice to any special rights conferred on the holders of any existing shares or attaching to any class of shares, any share may be issued with or have attached thereto such preferred, deferred, qualified or other special rights or restrictions, whether in regard to dividend, voting, return of capital or otherwise, and to such persons at such times and for such consideration as the Directors may determine. Subject to the Companies Law and to any special rights conferred on any shareholders or attaching to any class of shares, any share may, with the sanction of a special resolution, be issued on terms that it is, or at the option of the Company or the holder thereof, liable to be redeemed.

(b) Power to dispose of the assets of the Company or any subsidiary

The management of the business of the Company shall be vested in the Directors who, in addition to the powers and authorities by the Memorandum and Articles of Association expressly conferred upon them, may exercise all such powers and do all such acts and things as may be exercised or done or approved by the Company and are not by the Memorandum and Articles of Association or the Companies Law expressly directed or required to be exercised or done by the Company in general meeting, but subject nevertheless to the provisions of the Companies Law and of the Memorandum and Articles of Association and to any regulation from time to time made by the Company in general meeting not being inconsistent with such provisions or the Memorandum and Articles of Association, provided that no regulation so made shall invalidate any prior act of the Directors which would have been valid if such regulation had not been made.

(c) Compensation or payment for loss of office

Payment 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 first be approved by the Company in general meeting.

(d) Loans to Directors

There are provisions in the Memorandum and Articles of Association prohibiting the making of loans to Directors or their respective close associates which are equivalent to the restrictions imposed by the Companies Ordinance.

(e) *Financial assistance to purchase Shares*

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries or any holding company or any subsidiary of such holding company in order that they may buy shares in the Company or any such subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

(f) *Disclosure of interest in contracts with the Company or any of its subsidiaries*

No Director or proposed Director shall be disqualified by his office from contracting with the Company either as vendor, purchaser or otherwise nor shall any such contract or any contract or arrangement entered into by or on behalf of the Company with any person, company or partnership of or in which any Director shall be a member or otherwise interested be capable on that account of being avoided, nor shall any Director so contracting or being any member or so interested be liable to account to the Company for any profit so realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship thereby established, provided that such Director shall, if his interest in such contract or arrangement is material, declare the nature of his interest at the earliest meeting of the board of Directors at which it is practicable for him to do so, either specifically or by way of a general notice stating that, by reason of the facts specified in the notice, he is to be regarded as interested in any contracts of a specified description which may be made by the Company.

A Director shall not be entitled to vote on (nor shall be counted in the quorum in relation to) any resolution of the Directors in respect of any contract or arrangement or any other proposal in which the Director or any of his close associates (or, if required by the Listing Rules, his other associates) has any material interest, and if he shall do so his vote shall not be counted (nor is he to be counted in the quorum for the resolution), but this prohibition shall not apply to any of the following matters, namely:

- (i) the giving to such Director or any of his close associates of any security or indemnity in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;
- (ii) 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 any of his close associates has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;

- (iii) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or any of his close associates is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (iv) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries including:
 - (A) the adoption, modification or operation of any employees' share scheme or any share incentive scheme or share option scheme under which the Director or any of his close associates may benefit; or
 - (B) the adoption, modification or operation of a pension or provident fund or retirement, death or disability benefits scheme which relates both to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or any of his close associates, as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and
- (v) any contract or arrangement in which the Director or any of his close associates 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.

(g) *Remuneration*

The Directors shall be entitled to receive by way of remuneration for their services such sum as shall from time to time be determined by the Directors, or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided amongst the Directors in such proportions and in such manner as they may agree, or failing agreement, equally, except that in such event any Director holding office for less than the whole of the relevant period in respect of which the remuneration is paid shall only rank in such division in proportion to the time during such period for which he has held office. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

The Directors shall also be entitled to be paid all expenses, including travel expenses, reasonably incurred by them in or in connection with the performance of their duties as Directors including their expenses of travelling to and from board meetings, committee meetings or general meetings or otherwise incurred whilst engaged on the business of the Company or in the discharge of their duties as Directors.

The Directors may grant special remuneration to any Director who shall perform any special or extra services at the request of the Company. Such special remuneration may be made payable to such Director in addition to or in substitution for his ordinary remuneration as a Director, and may be made payable by way of salary, commission or participation in profits or otherwise as may be agreed.

The remuneration of an executive Director or a Director appointed to any other office in the management of the Company shall from time to time be fixed by the Directors and may be by way of salary, commission or participation in profits or otherwise or by all or any of those modes and with such other benefits (including share option and/or pension and/or gratuity and/or other benefits on retirement) and allowances as the Directors may from time to time decide. Such remuneration shall be in addition to such remuneration as the recipient may be entitled to receive as a Director.

(h) Retirement, appointment and removal

The Directors shall have power at any time and from time to time to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next general meeting of the Company and shall then be eligible for re-election at that meeting.

The Company may by ordinary resolution remove any Director (including a Managing Director or other executive Director) before the expiration of his period of office notwithstanding anything in the Memorandum and Articles of Association or in any agreement between the Company and such Director (but without prejudice to any claim for compensation or damages payable to him in respect of the termination of his appointment as Director or of any other appointment of office as a result of the termination of this appointment as Director). The Company may by ordinary resolution appoint another person in his place. Any Director so appointed shall hold office during such time only as the Director in whose place he is appointed would have held the same if he had not been removed. The Company may also by ordinary resolution elect any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election but shall not be taken into account in determining the number of Directors and which Directors are to retire by rotation at such meeting. No person shall, unless recommended by the Directors, be eligible for election to the office of Director at any general meeting unless, during the period, which shall be at least seven days, commencing no earlier than the day after the despatch of the notice of the meeting appointed for such election and ending no later than seven days prior to the date of such meeting, there has been given to the Secretary of the Company notice in writing by a member of the Company (not being the person to be proposed) entitled to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also notice in writing signed by the person to be proposed of his willingness to be elected.

There is no shareholding qualification for Directors nor is there any specified age limit for Directors.

The office of a Director shall be vacated:

- (i) if he resigns his office by notice in writing to the Company at its registered office or its principal office in Hong Kong;
- (ii) if an order is made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and the Directors resolve that his office be vacated;
- (iii) if, without leave, he is absent from meetings of the Directors (unless an alternate Director appointed by him attends) for 12 consecutive months, and the Directors resolve that his office be vacated;
- (iv) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (v) if he ceases to be or is prohibited from being a Director by law or by virtue of any provision in the Memorandum and Articles of Association;
- (vi) if he is removed from office by notice in writing served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors (including himself) for the time being then in office; or
- (vii) if he shall be removed from office by an ordinary resolution of the members of the Company under the Memorandum and Articles of Association.

At every annual general meeting of the Company one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third, shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat. The Company at any annual general meeting at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors.

(i) *Borrowing powers*

The Directors may from time to time at their discretion exercise all the powers of the Company to raise or borrow or to secure the payment of any sum or sums of money for the purposes of the Company and to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital or any part thereof.

(j) *Proceedings of the Board*

The Directors may meet together for the despatch of business, adjourn and otherwise regulate their meetings and proceedings as they think fit in any part of the world. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

2.3 *Alteration to constitutional documents*

No alteration or amendment to the Memorandum or Articles of Association may be made except by special resolution.

2.4 *Variation of rights of existing shares or classes of shares*

If at any time the share capital of the Company is divided into different classes of shares, all or any of the rights attached to any class of shares for the time being issued (unless otherwise provided for in the terms of issue of the shares of that class) may, subject to the provisions of the Companies Law, be varied 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 meeting of the holders of the shares of that class. To every such separate meeting all the provisions of the Memorandum and Articles of Association relating to general meetings shall *mutatis mutandis* apply, but so that the quorum for the purposes of any such separate meeting and of any adjournment thereof shall be a person or persons together holding (or representing by proxy or duly authorised representative) at the date of the relevant meeting not less than one-third in nominal value of the issued shares of that class.

The special rights conferred upon the holders of shares of any class shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

2.5 *Alteration of capital*

The Company may, from time to time, whether or not all the shares for the time being authorised shall have been issued and whether or not all the shares for the time being issued shall have been fully paid up, by ordinary resolution, increase its share capital by the creation of new shares, such new capital to be of such amount and to be divided into shares of such respective amounts as the resolution shall prescribe.

The Company may from time to time by ordinary resolution:

- (a) consolidate and divide all or any of its share capital into shares of a larger amount than its existing shares. On any consolidation of fully paid shares and division into shares of larger amount, the Directors may settle any difficulty which may arise as they think expedient and in particular (but without prejudice to the generality of the foregoing) may as between the holders of shares to be consolidated determine which particular shares are to be consolidated into each consolidated share, and if it shall happen that any person shall become entitled to fractions of a consolidated share or shares, such fractions may be sold by some person appointed by the Directors for that purpose and the person so appointed may transfer the shares so sold to the purchaser thereof and the validity of such transfer shall not be questioned, and so that the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated share or shares rateably in accordance with their rights and interests or may be paid to the Company for the Company's benefit;
- (b) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled subject to the provisions of the Companies Law; and
- (c) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum of Association, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares.

The Company may by special resolution reduce its share capital or any capital redemption reserve in any manner authorised and subject to any conditions prescribed by the Companies Law.

2.6 Special resolution – majority required

A “special resolution” is defined in the Memorandum and Articles of Association to have the meaning ascribed thereto in the Companies Law, for which purpose, the requisite majority shall be not less than three-fourths of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given and includes a special resolution approved in writing by all of the members of the Company entitled to vote at a general meeting of the Company in one or more instruments each signed by one or more of such members, and the effective date of the special resolution so adopted shall be the date on which the instrument or the last of such instruments (if more than one) is executed.

In contrast, an “ordinary resolution” is defined in the Memorandum and Articles of Association to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Memorandum and Articles of Association and includes an ordinary resolution approved in writing by all the members of the Company aforesaid.

2.7 Voting rights

Subject to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares, at any general meeting on a poll every member present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote for each share registered in his name in the register of members of the Company.

Where any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

In the case of joint registered holders of any share, any one of such persons may vote at any meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said persons so present being the most or, as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding and, for this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand on the register in respect of the relevant joint holding.

A member of the Company in respect of whom an order has been made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs may vote by any person authorised in such circumstances to do so and such person may vote by proxy.

Save as expressly provided in the Memorandum and Articles of Association or as otherwise determined by the Directors, no person other than a member of the Company duly registered and who shall have paid all sums for the time being due from him payable to the Company in respect of his shares shall be entitled to be present or to vote (save as proxy for another member of the Company), or to be reckoned in a quorum, either personally or by proxy at any general meeting.

At any general meeting a resolution put to the vote of the meeting shall be decided by way of a poll save that the chairman of the meeting may allow a resolution which relates purely to a procedural or administrative matter as prescribed under the Listing Rules to be voted on by a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its proxy(ies) or representative(s) at any general meeting of the Company or at any general meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be entitled to exercise the same rights and powers on behalf of the recognised clearing house (or its nominee(s)) which he represents as that recognised clearing house (or its nominee(s)) could exercise as if it were an individual member of the Company holding the number and class of shares specified in such authorisation, including, where a show of hands is allowed, the right to vote individually on a show of hands.

2.8 Annual general meetings and extraordinary general meetings

The Company shall hold a general meeting as its annual general meeting each year, within a period of not more than 15 months after the holding of the last preceding annual general meeting (or such longer period as the Stock Exchange may authorise). The annual general meeting shall be specified as such in the notices calling it.

The board of Directors may, whenever it thinks fit, convene an extraordinary general meeting. General meetings shall also be convened on the written requisition of any two or more members deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office specifying the objects of the meeting and signed by the requisitionists, provided that such requisitionists held as at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company. General meetings shall also be convened on the written requisition of any one member which is a recognised clearing

house (or its nominee(s)) deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office specifying the objects of the meeting and signed by the requisitioner, provided that such requisitioner held as at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company. If the Directors do not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further 21 days, the requisitioner(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Directors provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitioner(s) as a result of the failure of the Directors shall be reimbursed to them by the Company.

2.9 Accounts and audit

The Directors shall cause to be kept such books of account as are necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions and otherwise in accordance with the Companies Law.

The Directors shall from time to time determine whether, and to what extent, and at what times and places and under what conditions or regulations, the accounts and books of the Company, or any of them, shall be open to the inspection by members of the Company (other than officers of the Company) and no such member shall have any right of inspecting any accounts or books or documents of the Company except as conferred by the Companies Law or any other relevant law or regulation or as authorised by the Directors or by the Company in general meeting.

The Directors shall, commencing with the first annual general meeting, cause to be prepared and to be laid before the members of the Company at every annual general meeting a profit and loss account for the period, in the case of the first account, since the incorporation of the Company and, in any other case, since the preceding account, together with a balance sheet as at the date to which the profit and loss account is made up and a Director's report with respect to the profit or loss of the Company for the period covered by the profit and loss account and the state of the Company's affairs as at the end of such period, an auditor's report on such accounts and such other reports and accounts as may be required by law. Copies of those documents to be laid before the members of the Company at an annual general meeting shall not less than 21 days before the date of the meeting, be sent in the manner in which notices may be served by the Company as provided in the Memorandum and Articles of Association to every member of the Company and every holder of debentures of the Company provided that the Company shall not be required to send copies of those documents to any person of whose address the Company is not aware or to more than one of the joint holders of any shares or debentures.

2.10 Auditors

The Company shall at every annual general meeting appoint an auditor or auditors of the Company who shall hold office until the next annual general meeting. The removal of an auditor before the expiration of his period of office shall require the approval of an ordinary resolution of the members in general meeting. The remuneration of the auditors shall be fixed by the Company at the annual general meeting at which they are appointed provided that in respect of any particular year the Company in general meeting may delegate the fixing of such remuneration to the Directors.

2.11 Notice of meetings and business to be conducted thereat

An annual general meeting shall be called by not less than 21 days' notice in writing and any extraordinary general meeting shall be called by not less than 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and shall specify the time, place and agenda of the meeting, particulars of the resolutions and the general nature of the business to be considered at the meeting. The notice convening an annual general meeting shall specify the meeting as such, and the notice convening a meeting to pass a special resolution shall specify the intention to propose the resolution as a special resolution. Notice of every general meeting shall be given to the auditors and all members of the Company (other than those who, under the provisions of the Memorandum and Articles of Association or the terms of issue of the shares they hold, are not entitled to receive such notice from the Company).

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above, it shall be deemed to have been duly called if it is so agreed:

- (a) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat or their proxies; and
- (b) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95% in nominal value of the shares giving that right.

2.12 Transfer of shares

Transfers of shares may be effected by an instrument of transfer in the usual common form or in such other form as the Directors may approve which is consistent with the standard form of transfer as prescribed by the Stock Exchange.

The instrument of transfer shall be executed by or on behalf of the transferor and, unless the Directors otherwise determine, the transferee, and 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 of the Company in respect thereof. All instruments of transfer shall be retained by the Company.

The Directors may refuse to register any transfer of any share which is not fully paid up or on which the Company has a lien. The Directors may also decline to register any transfer of any shares unless:

- (a) the instrument of transfer is lodged with the Company accompanied by the certificate for the shares to which it relates (which shall upon the registration of the transfer be cancelled) and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer;
- (b) the instrument of transfer is in respect of only one class of shares;
- (c) the instrument of transfer is properly stamped (in circumstances where stamping is required);
- (d) in the case of a transfer to joint holders, the number of joint holders to whom the share is to be transferred does not exceed four;
- (e) the shares concerned are free of any lien in favour of the Company; and
- (f) a fee of such amount not exceeding the maximum amount as the Stock Exchange may from time to time determine to be payable (or such lesser sum as the Directors may from time to time require) is paid to the Company in respect thereof.

If the Directors refuse to register a transfer of any share they shall, within two months after the date on which the transfer was lodged with the Company, send to each of the transferor and the transferee notice of such refusal.

The registration of transfers may, on 10 business days' notice (or on 6 business days' notice in the case of a rights issue) being given by advertisement published on the Stock Exchange's website, or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Memorandum and Articles of Association or by advertisement published in the newspapers, be suspended and the register of members of the Company closed at such times for such periods as the Directors may from time to time determine, provided that the registration of transfers shall not be suspended or the register closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

2.13 Power of the Company to purchase its own shares

The Company is empowered by the Companies Law and the Memorandum and Articles of Association to purchase its own shares subject to certain restrictions and the Directors may only exercise this power on behalf of the Company subject to the authority of its members in general meeting as to the manner in which they do so and to any applicable requirements imposed from time to time by the Stock Exchange and the Securities and Futures Commission of Hong Kong. Shares which have been repurchased will be treated as cancelled upon the repurchase.

2.14 Power of any subsidiary of the Company to own shares

There are no provisions in the Memorandum and Articles of Association relating to the ownership of shares by a subsidiary.

2.15 Dividends and other methods of distribution

Subject to the Companies Law and the Memorandum and Articles of Association, the Company in general meeting may declare dividends in any currency but no dividends shall exceed the amount recommended by the Directors. No dividend may be declared or paid other than out of profits and reserves of the Company lawfully available for distribution, including share premium.

Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends shall (as regards any shares not fully paid throughout the period in respect of which the dividend is paid) be apportioned and paid pro rata according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. For these purposes no amount paid up on a share in advance of calls shall be treated as paid up on the share.

The Directors may from time to time pay to the members of the Company such interim dividends as appear to the Directors to be justified by the profits of the Company. The Directors may also pay half-yearly or at other intervals to be selected by them any dividend which may be at a fixed rate if they are of the opinion that the profits available for distribution justify the payment.

The Directors may retain any dividends or other monies payable on or in respect of a share upon which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists. The Directors may also deduct from any dividend or other monies payable to any member of the Company all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

No dividend shall carry interest against the Company.

Whenever the Directors or the Company in general meeting have resolved that a dividend be paid or declared on the share capital of the Company, the Directors may further resolve: (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up on the basis that the shares so allotted are to be of the same class as the class already held by the allottee, provided that the members of the Company entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or (b) that the members of the Company 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 Directors may think fit on the basis that the shares so allotted are to be of the

same class as the class already held by the allottee. The Company may upon the recommendation of the Directors by ordinary resolution resolve in respect of any one particular dividend of the Company that notwithstanding the foregoing a dividend may be satisfied wholly in the form of an allotment of shares credited as fully paid without offering any right to members of the Company to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to a holder of shares may be paid by cheque or warrant sent through the post addressed to the registered address of the member of the Company entitled, or in the case of joint holders, to the registered address of the person whose name stands first in the register of members of the Company in respect of the joint holding or to such person and to such address as the holder or joint holders may in writing direct. Every cheque or warrant so sent shall 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 of members of the Company in respect of such shares, and shall be sent at his or their risk and the payment of any such cheque or warrant by the bank on which it is drawn shall operate as a good discharge to the Company in respect of the dividend and/or bonus represented thereby, notwithstanding that it may subsequently appear that the same has been stolen or that any endorsement thereon has been forged. The Company may cease sending such cheques for dividend entitlements or dividend warrants by post if such cheques or warrants have been left uncashed on two consecutive occasions. However, the Company may exercise its power to cease sending cheques for dividend entitlements or dividend warrants after the first occasion on which such a cheque or warrant is returned undelivered. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Any dividend unclaimed for six years from the date of declaration of such dividend may be forfeited by the Directors and shall revert to the Company.

The Directors may, with the sanction of the members of the Company in general meeting, direct that any dividend be satisfied wholly or in part by the distribution of specific assets of any kind, and in particular of paid up shares, debentures or warrants to subscribe securities of any other company, and where any difficulty arises in regard to such distribution the Directors may settle it as they think expedient, and in particular may disregard fractional entitlements, round the same up or down or provide that the same shall accrue to the benefit of the Company, and may fix the value for distribution of such specific assets and may determine that cash payments shall be made to any members of the Company upon the footing of the value so fixed in order to adjust the rights of all parties, and may vest any such specific assets in trustees as may seem expedient to the Directors.

2.16 Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person who must be an individual as his proxy to attend and vote instead of him and a proxy so appointed shall have the same right as the member to speak at the meeting. A proxy need not be a member of the Company.

Instruments of proxy shall be in common form or in such other form as the Directors may from time to time approve provided that it shall enable a member to instruct his proxy to vote in favour of or against (or in default of instructions or in the event of conflicting instructions, to exercise his discretion in respect of) each resolution to be proposed at the meeting to which the form of proxy relates. The instrument of proxy shall be deemed to confer authority to vote on any amendment of a resolution put to the meeting for which it is given as the proxy thinks fit. The instrument of proxy shall, unless the contrary is stated therein, be valid as well for any adjournment of the meeting as for the meeting to which it relates provided that the meeting was originally held within 12 months from such date.

The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney authorised in writing or if the appointor is a corporation either under its seal or under the hand of an officer, attorney or other person authorised to sign the same.

The instrument appointing a proxy and (if required by the Directors) the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, shall be delivered at the registered office of the Company (or at such other place as may be specified in the notice convening the meeting or in any notice of any adjournment or, in either case, in any document sent therewith) not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote or, in the case of a poll taken subsequently to the date of a meeting or adjourned meeting, not less than 48 hours before the time appointed for the taking of the poll and in default the instrument of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiration of 12 months from the date named in it as the date of its execution. Delivery of any instrument appointing a proxy shall not preclude a member of the Company from attending and voting in person at the meeting or poll concerned and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

2.17 Calls on shares and forfeiture of shares

The Directors may from time to time make calls upon the members of the Company in respect of any monies unpaid on their shares (whether on account of the nominal amount of the shares or by way of premium or otherwise) and not by the conditions of allotment thereof made payable at fixed times and each member of the Company shall (subject to the Company serving upon him at least 14 days' notice specifying the time and place of payment and to whom such payment shall be made) pay to the person at the time and place so specified the amount called on his shares. A call may be revoked or postponed as the Directors may determine. A person upon whom a call is made shall remain liable on such call notwithstanding the subsequent transfer of the shares in respect of which the call was made.

A call may be made payable either in one sum or by instalments and shall be deemed to have been made at the time when the resolution of the Directors authorising the call was passed. The joint holders of a share shall be jointly and severally liable to pay all calls and instalments due in respect of such share or other monies due in respect thereof.

If a sum called in respect of a share shall not be paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest on the sum from the day appointed for payment thereof to the time of actual payment at such rate, not exceeding 15% per annum, as the Directors may determine, but the Directors shall be at liberty to waive payment of such interest wholly or in part.

If any call or instalment of a call remains unpaid on any share after the day appointed for payment thereof, the Directors may at any time during such time as any part thereof remains unpaid serve a notice on the holder of such shares requiring payment of so much of the call or instalment as is unpaid together with any interest which may be accrued and which may still accrue up to the date of actual payment.

The notice shall name a further day (not being less than 14 days from the date of service of the notice) on or before which, and the place where, the payment required by the notice is to be made, and shall state that in the event of non-payment at or before the time and at the place appointed, the shares in respect of which such call was made or instalment is unpaid will be liable to be forfeited.

If the requirements of such notice are not complied with, any share in respect of which such notice has been given may at any time thereafter, before payment of all calls or instalments and interest due in respect thereof has been made, be forfeited by a resolution of the Directors to that effect. Such forfeiture shall include all dividends and bonuses declared in respect of the forfeited shares and not actually paid before the forfeiture. A forfeited share shall be deemed to be the property of the Company and may be re-allotted, sold or otherwise disposed of.

A person whose shares have been forfeited shall cease to be a member of the Company in respect of the forfeited shares but shall, notwithstanding the forfeiture, remain liable to pay to the Company all monies which at the date of forfeiture were payable by him to the Company in respect of the shares, together with (if the Directors shall in their discretion so require) interest thereon at such rate not exceeding 15% per annum as the Directors may prescribe from the date of forfeiture until payment, and the Directors may enforce payment thereof without being under any obligation to make any allowance for the value of the shares forfeited, at the date of forfeiture.

2.18 Inspection of register of members

The register of members of the Company shall be kept in such manner as to show at all times the members of the Company for the time being and the shares respectively held by them. The register may, on 10 business days' notice (or on 6 business days' notice in the case of a rights issue) being given by advertisement published on the Stock Exchange's website, or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Memorandum and Articles of Association or by advertisement published in the newspapers, be closed at such times and for such periods as the Directors may from time to time determine either generally or in respect of any class of shares, provided that the register shall not be closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

Any register of members kept in Hong Kong shall during normal business hours (subject to such reasonable restrictions as the Directors may impose) be open to inspection by any member of the Company without charge and by any other person on payment of a fee of such amount not exceeding the maximum amount as may from time to time be permitted under the Listing Rules as the Directors may determine for each inspection.

2.19 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, choice or election of a chairman which shall not be treated as part of the business of the meeting.

Two members of the Company present in person or by proxy shall be a quorum provided always that if the Company has only one member of record the quorum shall be that one member present in person or by proxy.

A corporation being a member of the Company shall be deemed for the purpose of the Memorandum and Articles of Association to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation or by power of attorney to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

The quorum for a separate general meeting of the holders of a separate class of shares of the Company is described in paragraph 2.4 above.

2.20 Rights of minorities in relation to fraud or oppression

There are no provisions in the Memorandum and Articles of Association concerning the rights of minority shareholders in relation to fraud or oppression.

2.21 Procedure on liquidation

If the Company shall be wound up, and the assets available for distribution amongst the members of the Company as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members of the Company in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively. If in a winding up the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed amongst the members of the Company in proportion to the capital paid up at the commencement of the winding up on the shares held by them respectively. The foregoing is without prejudice to the rights of the holders of shares issued upon special terms and conditions.

If the Company shall be wound up, the liquidator may with the sanction of a special resolution of the Company and any other sanction required by the Companies Law, divide amongst the members of the Company in specie or kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may, for such purpose, set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members of the Company. The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the members of the Company as the liquidator, with the like sanction and subject to the Companies Law, shall think fit, but so that no member of the Company shall be compelled to accept any assets, shares or other securities in respect of which there is a liability.

2.22 Untraceable members

The Company shall be entitled to sell any shares of a member of the Company or the shares to which a person is entitled by virtue of transmission on death or bankruptcy or operation of law if: (a) all cheques or warrants, not being less than three in number, for any sums payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (b) the Company has not during that time or before the expiry of the three month period referred to in (d) below received any indication of the whereabouts or existence of the member; (c) during the 12 year period, at least three dividends in respect of the shares in question have become payable and no dividend during that period has been claimed by the member; and (d) upon expiry of the 12 year period, the Company has caused an advertisement to be published in the newspapers or subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Memorandum and Articles of Association, giving notice of its intention to sell such shares and a period of three months has elapsed since such advertisement and the Stock Exchange has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds it shall become indebted to the former member for an amount equal to such net proceeds.

SUMMARY OF CAYMAN ISLANDS COMPANY LAW AND TAXATION**1 Introduction**

The Companies Law is derived, to a large extent, from the older Companies Acts of England, although there are significant differences between the Companies Law and the current Companies Act of England. Set out below is a summary of certain provisions of the Companies Law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of corporate law and taxation which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

2 Incorporation

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on January 16, 2018 under the Companies Law. As such, its operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the size of its authorised share capital.

3 Share Capital

The Companies Law permits a company to issue ordinary shares, preference shares, redeemable shares or any combination thereof.

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premia on those shares shall be transferred to an account called the “share premium account”. At the option of a company, these provisions may not apply to premia on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by a company, subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation:

- (a) paying distributions or dividends to members;
- (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- (c) in 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;
- (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and
- (f) providing for the premium payable on redemption or purchase of any 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, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its memorandum and articles of association, by special resolution reduce its share capital in any way.

Subject to the detailed provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its memorandum and 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. In addition, such a company may, if authorised to do so by its memorandum and articles of association, purchase its own shares, including any redeemable shares. The manner of such a purchase must be authorised either by the memorandum and articles of association or by an ordinary resolution of the company. The memorandum and articles of association may provide that the manner of purchase may be determined by the directors 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 member of the company holding 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.

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company 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 to act 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.

4 Dividends and Distributions

With the exception of section 34 of the Companies Law, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands in this area, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 3 above for details).

5 Shareholders' Suits

The Cayman Islands courts can be expected to follow English case law precedents. The rule in *Foss v. Harbottle* (and the exceptions thereto which permit a minority shareholder to commence a class action against or derivative actions in the name of the company to challenge (a) an act which is *ultra vires* the company or illegal, (b) an act which constitutes a fraud against the minority where the wrongdoers are themselves in control of the company, and (c) an action which requires a resolution with a qualified (or special) majority which has not been obtained) has been applied and followed by the courts in the Cayman Islands.

6 Protection of Minorities

In the case of a company (not being a bank) having a share capital divided into shares, the Grand Court of the Cayman Islands may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Grand Court shall direct.

Any shareholder of a company may petition the Grand Court of the Cayman Islands which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

Claims against a company by its shareholders must, as a general rule, 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.

The English common law rule that the majority will not be permitted to commit a fraud on the minority has been applied and followed by the courts of the Cayman Islands.

7 Disposal of Assets

The Companies Law contains no specific restrictions on the powers of directors to dispose of assets of a company. As a matter of general law, in the exercise of those powers, the directors must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the company.

8 Accounting and Auditing Requirements

The Companies Law requires that a company shall cause to be kept proper books of account with respect to:

- (a) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place;
- (b) all sales and purchases of goods by the company; and
- (c) 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.

9 Register of Members

An exempted company may, subject to the provisions of its memorandum and articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as its directors may from time to time think fit. There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

10 Inspection of Books and Records

Members of a company will have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's memorandum and articles of association.

11 Special Resolutions

The Companies Law provides that a resolution is a special resolution when it has been passed by a majority of at least two-thirds of such members as, being entitled to do so, vote in person or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given, except that a company may in its memorandum and articles of association specify that the required majority shall be a number greater than two-thirds, and may additionally so provide that such majority (being not less than two-thirds) may differ as between matters required to be approved by a special resolution. Written resolutions signed by all the members entitled to vote for the time being of the company may take effect as special resolutions if this is authorised by the memorandum and articles of association of the company.

12 Subsidiary Owning Shares in Parent

The Companies Law does not prohibit a Cayman Islands company acquiring and holding shares in its parent company provided its objects so permit. The directors of any subsidiary making such acquisition must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the subsidiary.

13 Mergers and Consolidations

The Companies Law permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (a) “merger” means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company, and (b) “consolidation” means the combination of two or more constituent companies into a consolidated company and the vesting of the undertaking, property and liabilities of such companies to the consolidated company. In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorised by (a) a special resolution of each constituent company and (b) such other authorisation, if any, as may be specified in such constituent company’s memorandum and articles of association. The written plan of merger or consolidation must be filed with the Registrar of Companies of the Cayman Islands together with a declaration as to the solvency of the consolidated or surviving company, a list of the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent company and that notification of the merger or consolidation will be published in the Cayman Islands Gazette. Dissenting shareholders have the right to be paid the fair value of their shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) if they follow the required procedures, subject to certain exceptions. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

14 Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing 75% in value of shareholders or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the Grand Court of the Cayman Islands. Whilst a dissenting shareholder would have the right to express to the Grand Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Grand Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management and if the transaction were approved and consummated the dissenting shareholder would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of his shares) ordinarily available, for example, to dissenting shareholders of United States corporations.

15 Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Grand Court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Grand Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

16 Indemnification

Cayman Islands law does not limit the extent to which a company's memorandum and articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

17 Liquidation

A company may be placed in liquidation compulsorily by an order of the court, or voluntarily (a) by a special resolution of its members if the company is solvent, or (b) by an ordinary resolution of its members if the company is insolvent. The liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories (shareholders)), settle the list of creditors and discharge the company's liability to them, rateably if insufficient assets exist to discharge the liabilities in full, and to settle the list of contributories and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

18 Stamp Duty on Transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

19 Taxation

Pursuant to section 6 of the Tax Concessions Law (2018 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Financial Secretary of the Cayman Islands:

- (a) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Company or its operations; and

- (b) in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable:
 - (i) on or in respect of the shares, debentures or other obligations of the Company;
or
 - (ii) by way of the withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2018 Revision).

The undertaking is for a period of twenty years from April 18, 2018.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties that are applicable to any payments made by or to the Company.

20 Exchange Control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

21 General

Maples and Calder (Hong Kong) LLP, the Company's legal advisors on Cayman Islands law, have sent to the Company a letter of advice summarising 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 section headed "Documents available for inspection" in Appendix V. 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/she is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR GROUP**1. Incorporation of Our Company**

We were incorporated in the Cayman Islands under the Cayman Companies Law as exempted company with limited liability on January 16, 2018. We have established a principal place of business in Hong Kong at 31/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong, and was registered as a non-Hong Kong company under Part XVI of the Companies Ordinance on April 3, 2018 under the same address. Ms. Lam Yuk Ling has been appointed as our agent for the acceptance of service of process and notices on our behalf in Hong Kong.

As we were incorporated in the Cayman Islands, our operations are subject to the Cayman Companies Law and to our constitution comprising our Memorandum and the Articles of Association. A summary of certain provisions of our constitution and relevant aspects of the Cayman Companies Law is set out in Appendix III to this prospectus.

2. Changes in our share capital

At incorporation, our authorized share capital was US\$51,200 divided into 51,200 Shares of US\$1.00 each.

Pursuant to the resolutions in writing of our Shareholders passed on April 18, 2018 (1) our authorized share capital of US\$51,200 was first subdivided into 5,120,000 Shares with a par value of US\$0.01 each; and (2) our authorized share capital was then increased from 5,120,000 Shares of US\$0.01 each to 10,000,000,000 Shares of US\$0.01 each by the creation of an additional 9,994,880,000 Shares of US\$0.01 each.

Upon completion of the Capitalization Issue, our issued share capital was US\$6,000,000 divided into 600,000,000 Shares with a par value of US\$0.01 each.

Immediately following completion of the Capitalization Issue and Global Offering (without taking into account any Share which may be issued upon any exercise of the Over-allotment Option and the options which may be granted under the Share Option Scheme), our issued share capital will be US\$8,000,000 divided into 800,000,000 Shares, all fully paid or credited as fully paid.

Save as disclosed above and as mentioned in the paragraph headed “Resolutions in writing of our Shareholder passed on October 20, 2018” below, there has been no alteration in our share capital within the two years immediately preceding the date of this prospectus.

3. Changes in the share capital of our subsidiaries

Our subsidiaries are set out in the Accountant's Report set out in Appendix I to this prospectus. The following alterations in the share capital or registered capital (as the case may be) of our subsidiaries have taken place within the two years immediately preceding the date of this prospectus:

Tibet Xinchengyue

On March 12, 2018, Changzhou Yijian Investment Limited (常州宜建投资有限公司) (“**Changzhou Yijian**”), Changzhou Tongrun Infrastructure Engineering Limited (常州市通潤建設工程有限公司) (“**Changzhou Tongrun**”), Tibet Zhiying Investment Limited (西藏智盈投资有限公司) (“**Tibet Zhiying**”), Tibet Tongxin Capital Investment Management Co., Ltd. (西藏同信資本投資管理有限公司) (“**Tibet Tongxin**”), each an Independent Third Party, transferred 2.87%, 4.80%, 4.80% and 2.20% equity interests in Tibet Xinchengyue to Xincheng Fuyue Management Consulting Co., Ltd. (新城富悅管理諮詢有限公司) (“**Xincheng Fuyue**”), respectively, for a consideration of RMB15,353,000, RMB25,708,000, RMB28,026,000 and RMB12,845,000, respectively which were arrived at after arm's length negotiations with reference to the valuation. After such transfers, Tibet Xinchengyue was owned by Xincheng Fuyue as to 94.67% and Changzhou Zhuofan Advertisement Limited (常州卓凡廣告有限公司) as to 5.33%.

Xincheng Fuyue

On January 29, 2018, Xincheng Fuyue passed a shareholder's resolution to increase the registered share capital of Xincheng Fuyue from RMB50,000,000 to RMB128,000,000. Subsequent to the increase in the registered share capital, Changzhou Xincheng Property Investment Co., Ltd. remained as the sole shareholder of Xincheng Fuyue.

On March 5, 2018, Xincheng Fuyue increased its share capital from RMB128,000,000 to RMB129,292,929 and the registered capital increase of RMB1,292,929 was subscribed by Yue Xi Limited, an Independent Third Party, for a consideration of RMB4,795,796, which was determined based on the fair value of Xincheng Fuyue as in January 2018 appraised by an independent valuer. Subsequent to such capital increase, Xincheng Fuyue was owned as to 99% by Changzhou Xincheng Property Investment Co., Ltd. and 1% by Yue Xi Limited.

On March 30, 2018, Jiangsu Xinchengyue Holdings Co., Ltd., a wholly-owned subsidiary of the Company, acquired 99% equity interests in Xincheng Fuyue from Changzhou Xincheng Property Investment Co., Ltd. for a consideration of RMB241,454,800 determined based on the book value of the shareholders' equity attributable to the controlling shareholder of Xincheng Fuyue on a consolidated basis as of January 31, 2018.

Hangzhou Wanyue Property Management Limited (formerly known as Linan Dishang Property Management Co., Ltd.) (“Hangzhou Wanyue”)

On March 3, 2017, Hangzhou Dishang Real Estate Group Co., Ltd. entered into a share transfer agreement pursuant to which Hangzhou Dishang Real Estate Group Co., Ltd. agreed to transfer the 10% equity interest it held in Hangzhou Wanyue to Tibet Xinchengyue. Subsequent to such transfers, Tibet Xinchengyue owned 100% of the shareholding of Hangzhou Wanyue.

On March 29, 2017, Hangzhou Wanyue passed a shareholder’s resolution to increase the registered capital of Hangzhou Wanyue from RMB3.0 million to RMB8.0 million. Subsequent to the increase in registered capital, Tibet Xinchengyue remained as the sole shareholder of Hangzhou Wanyue.

4. Resolutions in writing of our Shareholder passed on October 20, 2018

Pursuant to the written resolutions dated October 20, 2018 passed by the Shareholder of the Company, among other matters:

- (a) conditional on (aa) the Listing Committee granting listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus; and (bb) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise:
 - (i) the Memorandum and Articles of Association were approved and conditionally adopted;
 - (i) the Global Offering and the Over-allotment Option were approved and our Directors were authorized to allot and issue Shares pursuant to the Global Offering and such number of Shares as may be required to be allotted and issued upon the exercise of the Over-allotment Option;
- (b) a general unconditional mandate was given to our Directors to allot, issue and deal with Shares or securities convertible into Shares and to make or grant offers, agreements or options (including any warrants, bonds, notes and debentures conferring any rights to subscribe for or otherwise receive Shares) which would or might require Shares to be allotted, issued or dealt with, with an aggregate number of Shares (otherwise than pursuant to, or in consequence of, the Global Offering, a rights issue and any other share incentive scheme or any scrip dividend scheme or similar arrangements, any adjustment of rights to subscribe for Shares under options and warrants or a special authority granted by our Shareholders or an issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Memorandum and Articles of Association), not exceeding the sum of 20% of the issued share capital immediately following the completion of the Global Offering

but excluding any Shares, which may be issued pursuant to the exercise of the Over-allotment Option, until the conclusion of our next annual general meeting, or the passing of an ordinary resolution by the Shareholders renewing, revoking or varying the authority to our Directors, whichever occurs first;

- (c) a general unconditional mandate (the “Repurchase Mandate”) was given to our Directors to exercise all powers of the Company to purchase Shares with an aggregate number of Shares of not exceeding 10% of the issued share capital of our Company immediately following the completion of the Global Offering but excluding any Shares, which may be issued pursuant to the exercise of the Over-allotment Option until the conclusion of our next annual general meeting, or the passing of an ordinary resolution by the Shareholders renewing, revoking or varying the authority given to our Directors, whichever occurs first;
- (d) the extension of the general mandate to allot, issue and deal with Shares to include the number of Shares repurchased pursuant to paragraph (c) above; and
- (e) conditional upon the share premium account of our Company having sufficient balance, or otherwise being credited as a result of the issue of the Offer Shares by our Company pursuant to the Global Offering, our Directors were authorised to allot and issue a total of 599,999,800 Shares credited as fully paid at par to the persons whose names appear on the register of members of our Company at the close of business on November 5, 2018 (as nearly as possible without involving fractions) by way of capitalisation of such sum standing to the credit of the share premium account of our Company, and the Shares to be allotted and issued shall rank *pari passu* in all respects with the existing issued Shares.

5. Repurchases of our own securities

(a) *Provisions of the Listing Rules*

The Listing Rules permit companies with a primary listing on the Hong Kong Stock Exchange to repurchase their securities on the Hong Kong Stock Exchange subject to certain restrictions, the more important of which are summarized below:

(i) *Shareholders’ approval*

All proposed repurchases of Shares (which must be fully paid up) by a company with a primary listing on the Hong Kong 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 Shareholder on October 20, 2018, a general unconditional mandate (the “**Repurchase Mandate**”) was given to the Directors authorizing any repurchase by us of Shares on the Hong Kong Stock Exchange or on any other stock exchange on which the securities may be listed and which is recognized by the SFC and the Hong Kong Stock Exchange for this purpose, of not more than 10% of the aggregate nominal value of our share capital in issue immediately following the completion of the Global Offering, 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 our Memorandum and Articles of Association or any other applicable laws to be held or when revoked or varied by an ordinary resolution of Shareholders in general meeting, whichever first occurs.

(ii) Source of funds

Repurchases must be funded out of funds legally available for the purpose in accordance with our Articles and the Cayman Companies Law. A listed company may not repurchase its own securities on the Hong Kong Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Hong Kong Stock Exchange from time to time.

(iii) Trading restrictions

The total number of Shares which we may repurchase is up to 10% of the total number of our Shares in issue immediately after the completion of the Global Offering. We may not issue or announce a proposed issue of Shares for a period of 30 days immediately following a repurchase of Shares, without the prior approval of the Hong Kong Stock Exchange. We are also prohibited from repurchasing Shares on the Hong Kong Stock Exchange if the repurchase would result in the number of listed Shares which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Hong Kong Stock Exchange. We are required to procure that the broker appointed by us to effect a repurchase of Shares discloses to the Hong Kong Stock Exchange such information with respect to the repurchase as the Hong Kong Stock Exchange may require. As required by the prevailing requirements of the Listing Rules, an issuer shall not purchase its shares on the Hong Kong Stock Exchange if the purchase price is higher by 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Hong Kong Stock Exchange.

(iv) Status of repurchased Shares

All repurchased Shares (whether effected on the Hong Kong Stock Exchange or otherwise) will be automatically delisted and the certificates for those Shares must be cancelled and destroyed.

(v) *Suspension of repurchase*

Pursuant to the Listing Rules, we may not make any repurchases of Shares after a price sensitive development has occurred or has been the subject of a decision until such time as the price sensitive information has been made publicly available. In particular, under the requirements of the Listing Rules in force as of the date hereof, during the period of one month immediately preceding the earlier of:

- (i) the date of the Board meeting (as such date is first notified to the Hong Kong Stock Exchange in accordance with the Listing Rules) for the approval of our results for any year, half year, quarterly or any other interim period (whether or not required under the Listing Rules); and
- (ii) the deadline for us to publish an announcement of our results for any year or half-year under the Listing Rules, or quarter or any other interim period (whether or not required under the Listing Rules), and in each case ending on the date of the results announcement, we may not repurchase Shares on the Hong Kong Stock Exchange unless the circumstances are exceptional.

(vi) *Procedural and reporting requirements*

As required by the Listing Rules, repurchases of Shares on the Hong Kong Stock Exchange or otherwise must be reported to the Hong Kong 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 Hong Kong Stock Exchange business day following any day on which we may make a purchase of Shares. The report must state the total number of Shares purchased the previous day, the purchase price per Share or the highest and lowest prices paid for such purchases. In addition, our annual report is required to disclose details regarding repurchases of Shares made during the year, including a monthly analysis of the number of shares repurchased, the purchase price per Share or the highest and lowest price paid for all such purchases, where relevant, and the aggregate prices paid.

(vii) *Connected parties*

A company is prohibited from knowingly repurchasing securities on the Hong Kong Stock Exchange from a connected person (as defined in the Listing Rules) and a connected person shall not knowingly sell its securities to the Company on the Hong Kong Stock Exchange.

(b) *Reasons for repurchases*

The Directors believe that it is in the best interests of us and Shareholders for the Directors to have general authority from the Shareholders to enable the Directors to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made where the Directors believe that such repurchases will benefit us and our Shareholders.

(c) *Funding of repurchases*

In repurchasing securities, we may only apply funds legally available for such purpose in accordance with the Articles, the Listing Rules and the applicable laws and regulations of the Cayman Islands.

On the basis of the current financial position as disclosed in this prospectus and taking into account the current working capital position, the Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on our working capital and/or gearing position as compared with the position disclosed in this prospectus. The Directors, however, do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on our working capital requirements or gearing levels which in the opinion of the Directors are from time to time appropriate for us.

The exercise in full of the Repurchase Mandate, on the basis of 800,000,000 Shares in issue immediately following the completion of the Global Offering and the Capitalization Issue, could accordingly result in 80,000,000 Shares being repurchased by us during the period prior to (1) the conclusion of our next annual general meeting; (2) the expiration of the period within which we are required by any applicable law or our Articles to hold our next annual general meeting; or (3) the revocation or variation of the purchase mandate by an ordinary resolution of the Shareholders in general meeting, whichever occurs first (the “**Relevant Period**”).

(d) *General*

None of the Directors or, to the best of their knowledge having made all reasonable enquiries, any of their associates currently intends to sell any Shares to us or our subsidiaries.

The Directors have undertaken to the Hong Kong 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 and regulations of the Cayman Islands. We have not repurchased any Shares since our incorporation.

If, as a result of any repurchase of Shares, a shareholder’s proportionate interest in our voting rights 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 the 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 which results in the number of Shares held by the public being reduced to less than 25% of our Shares than in issue could only be implemented with the approval of the Hong Kong Stock Exchange 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.

No connected person has notified us that he or she has a present intention to sell Shares to us, or has undertaken not to do so, if the Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT OUR BUSINESS**1. Summary of Material Contracts**

We have entered into the following contracts (not being contracts entered into in the ordinary course of business) within the two years preceding the date of this prospectus that are or may be material:

- (a) the share acquisition agreement (股權併購協議) dated February 18, 2018 between Changzhou Xincheng Property Investment Co., Ltd. (常州新城物業投資有限公司) and Yue Xi Limited (悅曦有限公司) pursuant to which Yue Xi Limited (悅曦有限公司) agreed to subscribe for the registered capital increase of RMB1,292,929 in the registered share capital of Xincheng Fuyue Management Consulting Co., Ltd. (新城富悅管理諮詢有限公司) (representing 1% of the enlarged registered share capital) for a consideration of RMB4,795,796;
- (b) the share transfer agreement (股權轉讓協議) dated March 12, 2018 between Changzhou Xincheng Property Investment Co., Ltd. (常州新城物業投資有限公司) and Jiangsu Xinchengyue Holdings Co., Ltd. (江蘇新城悅控股有限公司) pursuant to which Jiangsu Xinchengyue Holdings Co., Ltd. (江蘇新城悅控股有限公司) agreed to acquire 99% equity interest in Xincheng Fuyue Management Consulting Co., Ltd. (新城富悅管理諮詢有限公司) held by Changzhou Xincheng Property Investment Co., Ltd. (常州新城物業投資有限公司) for a consideration of RMB241,454,800;
- (c) the share transfer agreement (股份轉讓協議) dated February 27, 2018 between Changzhou Tongrun Infrastructure Engineering Limited (常州市通潤建設工程有限公司) and Xincheng Fuyue Management Consulting Co., Ltd. (新城富悅管理諮詢有限公司) pursuant to which Changzhou Tongrun Infrastructure Engineering Limited (常州市通潤建設工程有限公司) agreed to transfer its 4.8% equity interest in Tibet Xinchengyue Property Services Co., Ltd. (西藏新城悅物業服務股份有限公司) to Xincheng Fuyue Management Consulting Co., Ltd. (新城富悅管理諮詢有限公司) for a consideration of RMB25,708,000;
- (d) the share transfer agreement (股份轉讓協議) dated February 27, 2018 between Tibet Tongxin Capital Investment Management Co., Ltd. (西藏同信資本投資管理有限公司) and Xincheng Fuyue Management Consulting Co., Ltd. (新城富悅管理諮詢有限公司) pursuant to which Tibet Tongxin Capital Investment Management Co., Ltd. (西藏同信資本投資管理有限公司) agreed to transfer its 2.2% equity interest in Tibet Xinchengyue Property Services Co., Ltd. (西藏新城悅物業服務股份有限公司) to Xincheng Fuyue Management Consulting Co., Ltd. (新城富悅管理諮詢有限公司) for a consideration for RMB12,845,000;
- (e) the share transfer agreement (股份轉讓協議) dated February 27, 2018 between Changzhou Yijian Investment Limited (常州宜建投資有限公司) and Xincheng Fuyue Management Consulting Co., Ltd. (新城富悅管理諮詢有限公司) pursuant to which Changzhou Yijian Investment Limited (常州宜建投資有限公司) agreed to transfer its 2.87% equity interest in Tibet Xinchengyue Property Services Co., Ltd. (西藏新城悅物業服務股份有限公司) to Xincheng Fuyue Management Consulting Co., Ltd. (新城富悅管理諮詢有限公司) for a consideration for RMB15,353,000;

- (f) the share transfer agreement (股份轉讓協議) dated February 27, 2018 between Tibet Zhiying Investment Limited (西藏智盈投資有限公司) and Xincheng Fuyue Management Consulting Co., Ltd. (新城富悅管理諮詢有限公司) pursuant to which Tibet Zhiying Investment Limited (西藏智盈投資有限公司) agreed to transfer its 4.8% equity interest in Tibet Xinchengyue Property Services Co., Ltd. (西藏新城悅物業服務股份有限公司) to Xincheng Fuyue Management Consulting Co., Ltd. (新城富悅管理諮詢有限公司) for a consideration for RMB28,026,000;
- (g) the share transfer agreement (股權轉讓協議) dated March 3, 2017 between Hangzhou Dishang Real Estate Group Co., Ltd. (杭州地上房地產集團有限公司) and Tibet Xinchengyue Property Services Co., Ltd. (西藏新城悅物業服務股份有限公司) pursuant to which Hangzhou Dishang Real Estate Group Co., Ltd. (杭州地上房地產集團有限公司) agreed to transfer its 10% equity interest in Linan Dishang Property Management Co., Ltd. (臨安地上物業管理有限公司) to Tibet Xinchengyue Property Services Co., Ltd. (西藏新城悅物業服務股份有限公司) for a consideration for RMB300,000;
- (h) the Deed of Non-Competition; and
- (i) the Hong Kong Underwriting Agreement.










2. Intellectual Property Rights of our Group

As of the Latest Practicable Date, we have registered the following intellectual property rights which, in the opinion of our Directors, are material to our business.


(a) Trademarks

As of the Latest Practicable Date, we have registered the following trademarks:

No.	Trademark	Registration Number	Name of Registered Proprietor	Class	Place of Registration	Date of Registration	Expiry Date
1	新橙社	15286708	Changzhou Xincheng Information Technology Co., Ltd.	9	PRC	October 21, 2015	October 20, 2025
2	新橙社	15286709	Changzhou Xincheng Information Technology Co., Ltd.	36, 42	PRC	October 21, 2015	October 20, 2025

No.	Trademark	Registration Number	Name of Registered Proprietor	Class	Place of Registration	Date of Registration	Expiry Date
3	新橙社	16359836	Changzhou Xincheng Information Technology Co., Ltd.	35	PRC	April 21, 2016	April 20, 2026
4	新橙悦	20733853	Tibet Xinchengyue	36	PRC	September 14, 2017	September 13, 2027
5	 新城悦	21064360	Tibet Xinchengyue	36	PRC	December 14, 2017	December 13, 2027
6	 新城悦	21064641	Tibet Xinchengyue	36	PRC	May 14, 2018	May 13, 2028
7	新城悦	304467132	Hong Kong Xinchengyue Development Limited	35, 36, 37, 45	HK	March 21, 2018	March 20, 2028
8	A  XINCHENGYUE SERVICE B  XINCHENGYUE SERVICE C  XINCHENGYUE SERVICE D  XINCHENGYUE SERVICE	304468898	Hong Kong Xinchengyue Development Limited	35, 36, 37, 45	HK	March 22, 2018	March 21, 2028
9	A  新城悦 B  新城悦 C  新城悦 D  新城悦	304469013	Hong Kong Xinchengyue Development Limited	35, 36, 37, 45	HK	March 22, 2018	March 21, 2028
10	A  B 	304469059	Hong Kong Xinchengyue Development Limited	35, 36, 37, 45	HK	March 22, 2018	March 21, 2028

As of the Latest Practicable Date, we have applied for the registration of the following trademarks:

No.	Trademark	Application Number	Name of Applicant	Class	Place of Registration	Date of Application
1		25245070	Tibet Xinchengyue	36	PRC	July 10, 2017

(b) Domain Names

As of the Latest Practicable Date, we have registered the following domain names:

No.	Domain Name	Registered Owner	Date of Registration	Expiry Date
1	Xinchengyue.cn	Tibet Xinchengyue	June 24, 2016	June 24, 2019
2	Xinchengyue.com.cn	Tibet Xinchengyue	June 24, 2016	June 24, 2019
3	Xinchengyue.com	Tibet Xinchengyue	January 20, 2016	January 20, 2022

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

(a) Interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations

Immediately following completion of the Global Offering (assuming that the Over-allotment Option has not been exercised), the interests or short positions of our Directors or chief executives in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to us and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, under Section 352 of the SFO, to be entered in the register referred to in that section, or which will be required, under the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (“**Model Code**”), once the Shares are listed will be as follows:

Interest in Shares or Underlying Shares of the Company

Name of Director	Nature of interest	Number of Shares or underlying Shares	Approximate percentage of shareholding interest
Mr. Wang ^(Note)	Founder of a discretionary trust	600,000,000	75%

Note: Mr. Wang is the founder of Hua Sheng Trust, through which Standard Chartered Trust (Cayman) Limited held long position in 600,000,000 Shares through its controlled corporations in its capacity as trustee.

(b) Interests and short positions of the Substantial Shareholders in the Shares and Underlying Shares of the Company

For information on the persons who will, immediately following the completion of the Global Offering (without taking into account the Shares which may be issued or allotted upon any exercise of the Over-allotment Option and any options which have been or may be granted under the Share Option Scheme), have interests or short positions in our Shares or underlying Shares which would fall to be disclosed to us and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying the rights to vote in all circumstances at general meetings of the Company, please see the section headed “Substantial Shareholders” in this prospectus.

(c) Interests of the Substantial Shareholders of Any Member of Our Group (Other than Our Company)

So far as the Directors are aware, immediately following the completion of the Global Offering, no persons will, directly or indirectly, be interested in 10% or more of the nominal value of the share capital carrying rights to vote in all circumstances at general meetings of any member of the Group (other than us).

2. Particulars of Service Contracts

(a) Executive Directors

Each of the executive Directors has entered into a service contract with us, under which they agreed to act as executive Directors for an initial term of three years commencing from the Listing Date, which may be terminated by not less than three months’ notice in writing served by either the relevant executive Director or us.

The appointments of the executive Directors are subject to the provisions of retirement and rotation of Directors under the Articles.

(b) Non-executive Director and Independent Non-executive Directors

Each of the non-executive Directors and the independent non-executive Directors has signed an appointment letter with us for a term of three years with effect from the Listing Date. Under their respective appointment letters, each of the independent non-executive Directors is entitled to a fixed Director’s fee while the non-executive directors are not entitled to any remuneration. The appointments are subject to the provisions of retirement and rotation of Directors under the Articles and the applicable Listing Rules.

(c) Others

- (a) Save as disclosed above, none of the Directors has entered into any service contract with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

- (b) During the year ended December 31, 2017, the aggregate of the remuneration and benefits in kind payable to the Directors (in their role as senior management and employee before their appointment as Directors respectively) was approximately RMB4,255,000. Details of the Directors' remuneration are also set out in note 37 of the Accountant's Report set out in Appendix I to this prospectus. Save as disclosed in this prospectus, no other emoluments have been paid or are payable, in respect of the year ended December 31, 2017 by us to the Directors.
- (c) Under the arrangements currently in force, the aggregate of the remuneration and benefits in kind payable to the Directors for the year ending December 31, 2018 is estimated to be approximately RMB3.6 million.
- (d) None of the Directors or any past Directors of any members of our Group has been paid any sum of money for the three years ended December 31, 2017 (i) as an inducement to join or upon joining us or (ii) for loss of office as a Director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group.
- (e) There has been no arrangement under which a Director has waived or agreed to waive any remuneration or benefits in kind for the three years ended December 31, 2017.
- (f) None of the Directors has been or is interested in the promotion of, or in the property proposed to be acquired by, us, and no sum has been paid or agreed to be paid to any of them in cash or shares or otherwise by any person either to induce him to become or to qualify him as a Director, or otherwise for services rendered by him in connection with the promotion or formation of the Company.

3. Fees or commissions received

Save as disclosed in this prospectus, none of the Directors or any of the persons whose names are listed under the sub-section headed “– Other Information – Consent of Experts” below had received any commissions, discounts, agency fee, brokerages or other special terms in connection with the issue or sale of any capital of any member of our Group within the two years immediately preceding the date of this prospectus.

4. Disclaimers

Save as disclosed in this prospectus:

- (a) none of our Directors or chief executives has any interests and short positions in the Shares, underlying Shares and debentures of the Company or its associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to us and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to us and the Hong Kong Stock Exchange, in each case once our Shares are listed on the Hong Kong Stock Exchange;

- (b) so far as is known to any of our Directors or chief executives, no person has an interest or short position in the Shares and underlying Shares which would fall to be disclosed to us and the Hong Kong 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 our Directors nor any of the parties listed in the section headed “E. Other Information – 6. Qualification of Experts” of this Appendix is interested in our promotion, or in any assets which have, within the two years immediately preceding the issue of this prospectus, been acquired or disposed of by or leased to us, or are proposed to be acquired or disposed of by or leased to us;
- (d) save as disclosed in this prospectus or in connection with the Underwriting Agreements, none of our Directors nor any of the parties listed in the section headed “E. Other Information – 6. Qualification of Experts” of this Appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group;
- (e) save in connection with the Underwriting Agreements, none of the parties listed in the paragraph headed “E. Other Information – 6. Qualification of Experts” of this Appendix: (i) is interested legally or beneficially in any of our Shares or any shares in any of our subsidiaries; or (ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group; and
- (f) none of our Directors or their respective associates (as defined under the Listing Rules) or any of our Shareholders (who to the knowledge of our Directors owns more than 5% of our issued share capital) has any interest in our five largest suppliers or our five largest revenue payment collection channels.

D. SHARE OPTION SCHEME

Summary of terms of the Share Option Scheme

The following is a summary of the principal terms of the Share Option Scheme conditionally adopted by a resolution in writing passed by our Shareholder on October 20, 2018 (“**Adoption Date**”):

1. Purpose of the scheme and performance target

The purpose of the Share Option Scheme is to enable our Group to grant options as defined in the Share Option Scheme to selected participants as incentives or rewards for their contributions to our Group. The Board has not specified any performance target that must be achieved before options can be exercised.

Given that the Board are entitled to determine any performance targets to be achieved and that the exercise price of an option cannot in any event fall below the price stipulated in the Listing Rules or such higher price as may be fixed by the Board, it is expected that grantees

of an option will make an effort to contribute to the development of our Group so as to bring about an increase of market price of the Shares in order to capitalize on the benefits of the options granted.

2. *Who may join*

The Board may, at their absolute discretion, invite any person belonging to any of the following classes of participants (“**Eligible Persons**”), to take up options to subscribe for Shares:

Any employee (whether full time or part time) of our Company, its subsidiaries or any entity (“**Invested Entity**”) in which our Group holds any equity interest, including:

- (a) any executive Director of our Company, its subsidiaries or Invested Entity;
- (b) any non-executive Director (including independent non-executive Director) of our Company, its subsidiaries or any Invested Entity;
- (c) any senior management of our Company, its subsidiaries or Invested Entity;

and, for the purposes of the Share Option Scheme, the options may be granted to any company wholly owned by one or more persons belonging to any of the above classes of participants. For the avoidance of doubt, any person who falls within any of the above classes shall not, by itself, unless the Board otherwise determines, be construed as a grantee of option under the Share Option Scheme.

Upon acceptance of the option, the grantee shall pay HK\$1.00 to our Company as consideration for the grant.

3. *Maximum number of Shares*

- (a) Subject to the provisions of paragraph 3(b) below:
 - (i) The total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of our Company must not in aggregate exceed 80,000,000 Shares, being 10% (“**Scheme Mandate Limit**”) of the Shares in issue immediately after completion of the Global Offering (assuming the Over-allotment Option is not exercised and no exercise of any option which may be granted under the Share Option Scheme) unless our Company obtains a fresh approval from its shareholders pursuant to paragraphs (ii) and/or (iii) below. Options lapsed in accordance with the terms of the Share Option Scheme will not be counted for the purpose of calculating the Scheme Mandate Limit.

- (ii) Our Company may seek an approval from the shareholders in general meeting to refresh the Scheme Mandate Limit from time to time such that the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of our Company shall not exceed 10% of the Shares in issue as of the date of such shareholders' approval. Options previously granted under the Share Option Scheme (including options which are outstanding, cancelled, lapsed or exercised in accordance with the Share Option Scheme) will not be counted for the purpose of calculating the new limit. Our Company must send a circular containing the information required under Rule 17.02(2)(d) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules to the shareholders.
- (iii) Our Company may seek separate shareholders' approval in general meeting to grant options over and above the Scheme Mandate Limit provided that the options in excess of the Scheme Mandate Limit are granted only to the Eligible Persons specified by our Company before such approval is sought and for whom specific approval is then obtained. Our Company must issue a circular containing the information required under Rule 17.02(2)(d) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules to the shareholders.
- (b) The maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company shall not in aggregate exceed 30% of the Shares in issue from time to time. No option may be granted under the Share Option Scheme and any other share option schemes of our Company if such limit is exceeded.
- (c) If our Company conducts a share consolidation or subdivision after the 10% limit has been approved in general meeting, the maximum number of securities that may be issued upon exercise of all options to be granted under all of the share option schemes of our Company under the 10% limit as a percentage of the total number of issued shares at the date immediately before and after such consolidation or subdivision shall be the same.

4. *Maximum entitlement of each participant*

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme (including both exercised or outstanding options) to each Eligible Person in any 12-month period must not exceed 1% of the issued share capital of our Company for the time being ("**Individual Limit**"). Any further grant of options in excess of the Individual Limit in any 12-month period up to and including the date of such further grant must be subject to the issue of a circular to the shareholders and the shareholders' approval in general meeting of our Company with such Eligible Person and its associates abstaining from voting.

5. *Grant of options to connected persons*

- (a) Any grant of options under the Share Option Scheme and any other schemes to a connected person or any of their respective associates must be approved by independent non-executive Directors of our Company (excluding any independent non-executive Director who is the grantee of the options).
- (b) Where any grant of options to a substantial shareholder or an independent non-executive Director of our Company, or any of their respective associates, would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:
 - (i) representing in aggregate over 0.1% of the Shares in issue; and
 - (ii) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK\$5 million;

such proposed grant of options must be approved by shareholders in general meetings of our Company. Our Company must send a circular to the shareholders. All connected persons of our Company must abstain from voting in favor of the proposed grant of options at such general meeting. Our Company shall comply with the requirements under Rule 13.40, Rule 13.41 and Rule 13.42 of the Listing Rules.

6. *Time of acceptance and exercise of Option*

An option may be accepted by an Eligible Person within 15 days from the date of the offer of grant of the option.

Subject to the discretion of the Board who may impose restrictions on the exercise of the option, an option may be exercised one year after the date on which the option is granted and shall expire on the earlier of the last day of (i) a six years period from the date of such grant and (ii) the expiration of the Share Option Scheme.

7. *Subscription price for Shares*

The subscription price (“**Subscription Price**”) for Shares under the Share Option Scheme shall be a price determined by the Directors, but shall not be less than the highest of (i) the closing price of Shares as stated in the Stock Exchange’s daily quotations on the date of grant of that option, which must be a business day; (ii) the average closing price of Shares as stated in the Stock Exchange’s daily quotations for the five business days immediately preceding the date of grant of that option; and (iii) the nominal value of the Shares.

8. *Ranking of Shares*

Shares issued upon the exercise of an option shall not carry voting rights until the registration on our Company's register of members of the option holder as the holder thereof. If under the terms of a resolution passed or an announcement made by our Company prior to the date of exercise of an option, a dividend is to be or is proposed to be paid to holders of Shares on the register of members on a date prior to such date of exercise, the Shares to be issued upon such exercise will not be entitled to such dividend. Subject as aforesaid, Shares allotted upon the exercise of an option shall rank equally in all respects with the Shares in issue on the date of such exercise.

9. *Restrictions on the time of grant of Options*

No offer for grant of options shall be made after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has been announced pursuant to the requirements of Listing Rules. In particular, during the period commencing one month immediately preceding the earlier of (i) the date of the meeting of the Board for the approval of our Company's interim, quarterly, half-yearly or annual results (whether or not it is required under the Listing Rules), and (ii) the last date on which our Company must publish its interim, quarterly, half-yearly or annual results announcement under the Listing Rules (whether or not it is required under the Listing Rules), and ending on the date of the announcement of the results, no option may be granted.

The Board may not grant any option to any Eligible Person who is a Director during the periods or times in which Directors are prohibited from dealing in shares pursuant to the Model Code for Securities Transactions by Directors of Listed Companies prescribed by the Listing Rules or any corresponding code or securities dealing restrictions adopted by our Company.

10. *Period of the Share Option Scheme*

The Share Option Scheme will remain in force for a period of six years commencing from the Adoption Date.

11. *Lapse of Option*

If the grantee of an option ceases to be an Eligible Person by reason of:

- (a) termination of his employment (if the Eligible Person is an employee of our Company, its subsidiaries or any Invested Entity) as any one of more of the grounds that he has been guilty of misconduct, bankruptcy, insolvency or conviction for a criminal offence or has made any arrangements or composition with his creditors generally;
- (b) death, winding-up or dissolution; or

- (c) voluntary resignation, retirement, expiry of employment contract or termination of employment (if the Eligible Person is an employee of our Company, its subsidiaries or any Invested Entity) on any grounds other than those set out in (a) or (b) above,

then the grantee's outstanding option shall lapse on or before:

- (A) in the case of (a) above, on the date of the grantee's termination of employment;
- (B) in the case of (b) above, on the date which is the earlier of 12 months after the grantee so ceases or the expiration of the Option Period (as defined in the Share Option Scheme); and
- (C) in the case of (c) above, on the date which is one month from the date of the grantee's cessation of employment.

12. Rights on a general offer, a compromise or arrangement

In the event of a general offer, whether by way of take-over, or scheme of arrangement, is made to all the holders of Shares (or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror), and such offer becomes or is declared unconditional, a grantee (or his or her legal personal representative(s)) shall be entitled to exercise the Option (to the extent not already exercised) at any time within one month after the date on which such offer becomes or is declared unconditional.

In the event of compromise or arrangement between our Company and its members or creditors is proposed for the purposes of or in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company or companies, our Company shall give notice thereof to all option holders on the same date as it dispatches the notice which is sent to each member or creditor of our Company summoning the meeting to consider such a compromise or arrangement, and thereupon each option holder (his or her personal representative(s)) may by notice in writing to our Company (such notice to be received by our Company not later than seven Business Days prior to the proposed general meeting of our Company) accompanied by the remittance for the Subscription Price in respect of the relevant option exercise the option (to the extent not already exercised) either to its full extent or to the extent specified in such notice provided that the exercise of an option as aforesaid shall be conditional upon such compromise or arrangement being sanctioned by the court and becoming effective and as soon as possible thereafter our Company shall allot and issue such number of Shares to the option holder which falls to be issued on such exercise credited as fully paid and register the option holder as holder of such Shares.

13. Rights on winding up

In the event that a notice is given by our Company to the shareholders to convene a general meeting for the purposes of considering and, if thought fit, approving a resolution to voluntarily windup our Company, our Company shall forthwith give notice thereof to all option holders and thereupon, each option holder (or his or her legal personal representative(s)) may by notice in writing to our Company (such notice to be received by our Company not later than seven Business Days prior to the proposed general meeting of our Company) exercise the option (to the extent not already exercised) either to its full extent or to the extent specified in such notice, accompanied by a remittance for the full amount of the aggregate Subscription Price for the Shares in respect of which the notice is given whereupon our Company shall as soon as possible and, in any event, no later than one Business Day immediately prior to the date of the proposed general meeting referred to above, allot and issue the relevant Shares to the option holders credited as fully paid.

14. Adjustments to the subscription price

In the event of any reduction, sub-division or consolidation of the share capital of our Company or any rights issue or capitalization issue, or any distribution of capital assets to shareholders pro rata, the Subscription Price or the number of securities subject to options already granted so far as unexercised and/or the subscription price and/or the method of exercise of the option shall be adjusted in such manner as the Board may think fair and reasonable, provided always that (i) an option holder shall have the same proportion of issued share capital of our Company as that to which he was previously entitled before prior to such adjustments; and (ii) no alteration shall be made the effect of which would be to enable a Share to be issued at less than its nominal value. The issue of Shares or other securities of our Group as consideration for the acquisition of any assets or business of our Group may not be regarded as a circumstance requiring adjustment. In addition, in respect of any such adjustments, other than any adjustments made on a capitalization issue, an independent financial advisor or the auditors of our Company must confirm to the Board in writing that the adjustments satisfy the requirements of the relevant provision of the Listing Rules.

15. Cancellation of options

Any cancellation of options granted but not exercised must be approved by the Board, with participants and their associates abstaining from voting. New options may be issued to an option holder in place of his cancelled options only if there are available unissued options (excluding the cancelled options) within the limit set out in paragraph 3 above.

16. Termination of the Share Option Scheme

The Board may terminate the Share Option Scheme at any time and in such event no further options shall be offered, but options granted prior to such termination shall continue to be valid and exercisable in accordance with the provisions of the Share Option Scheme.

In the event of such termination of the Share Option Scheme, details of the options granted, including options exercised or outstanding, under the Share Option Scheme and options that become void or non-exercisable shall be disclosed in a circular to shareholders seeking approval of the first new scheme established thereafter.

17. Rights are personal to the grantee

An option is personal to the grantee and shall not be transferable or assignable.

18. Others

Any alternations to the Share Option Scheme in relation to the following areas shall be approved by the shareholders in general meeting:

- (a) any provisions relating to the matters set out in Rule 17.03 of the Listing Rules and the alternation to the terms and conditions will be more favorable to the Eligible Persons;
- (b) any alterations to the terms and conditions of the Share Option Scheme which are of a material nature, except where the alterations take effect automatically under the existing terms of the Share Option Scheme;
- (c) the amended terms of the Share Option Scheme must still comply with the relevant requirements of Chapter 17 of the Listing Rules; and
- (d) any change to the authority of the Directors or the scheme administrators in relation to any alteration to the terms of the Share Option Scheme.

Present status of the Share Option Scheme

(i) Approval of the Listing Committee required

The Share Option Scheme is conditional upon (a) the Listing Committee granting approval of the listing of and permission to deal in the Shares and any Shares (representing not more than 10% of our Company's issued share capital upon listing) falling to be issued pursuant to the exercise of the options; (b) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms thereof; and (c) the commencement of dealings in the Shares on the Stock Exchange.

(ii) Application for approval

Application has been made to the Listing Committee of the Stock Exchange for the approval of the listing of and permission to deal in the Shares (representing not more than 10% of our Company's issued share capital upon listing) which may fall to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme.

(iii) Grant of option

As of the date of this prospectus, no option has been granted or agreed to be granted under the Share Option Scheme.

E. OTHER INFORMATION

1. Estate Duty

We have been advised that no material liability for estate duty under PRC law is likely to fall upon us.

2. Litigation

As of the Latest Practicable Date, we are not aware of any other litigation or arbitration proceedings of material importance pending or threatened against us or any of our Directors that could have a material adverse effect on our financial condition or results of operations.

3. Sole Sponsor

The Sole Sponsor has made an application on our behalf to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus (including any Shares which may be issued pursuant to the exercise of the Over-allotment Option). The Sole Sponsor satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules. The fees to the Sole Sponsor were approximately US\$750,000 and were paid by us.

4. Preliminary expenses

The preliminary expenses incurred by us in relation to the incorporation of our Company are estimated to be approximately US\$10,000 and are payable by us.

5. Promoter

We have no promoter for the purpose of the Listing Rules. Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the Global Offering and the related transactions described in this prospectus.

6. Qualification of Experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

Commerce & Finance Law Offices	PRC Legal Advisor
PricewaterhouseCoopers	Certified Public Accountants, Hong Kong
Huatai Financial Holdings (Hong Kong) Limited . .	Sole Sponsor
Maples and Calder (Hong Kong) LLP	Cayman Legal Advisor
China Index Academy	Industry Consultant
PricewaterhouseCoopers Consultants (Shenzhen) Limited – Shanghai Branch	PRC Tax Advisor

7. Consent of Experts

Each of the experts named in paragraph 6 has given and has not withdrawn its respective written consent to the issue of this prospectus with the inclusion of its report and/or letter and/or valuation certificate and/or opinion and/or the references to its name included in this prospectus in the form and context in which it is respectively included.

8. Binding Effect

This prospectus shall have the effect, if an application is made in pursuance of this prospectus, of rendering all persons concerned bound by all 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.

9. Reserves available for distribution

As at December 31, 2017, we have no distributable reserve for distribution to our Shareholders.

F. MISCELLANEOUS

- (a) Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus:
- (i) no share or loan capital of the Company or any of its subsidiaries has been issued or agreed to be issued or is proposed to be fully or partly paid either for cash or a consideration other than cash;
 - (ii) no share or loan capital of the Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
 - (iii) no founders or management or deferred shares of the Company or any of its subsidiaries have been issued or agreed to be issued;

- (iv) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of the Company or any of its subsidiaries; and
 - (v) no commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any share in the Company or any of its subsidiaries.
- (b) Save as disclosed in this prospectus, our Group had not issued any debentures nor did it have any outstanding debentures or any convertible debt securities.
- (c) Our Directors confirm that:
- (i) there has been no material adverse change in the financial or trading position or prospects of the Group since April 30, 2018 (being the date to which the latest audited consolidated financial statements of the Group were prepared);
 - (ii) there is no arrangement under which future dividends are waived or agreed to be waived; and
 - (iii) there has not been any interruption in the business of the Group which may have or has had a significant effect on the financial position of the Group in the 12 months preceding the date of this prospectus.
- (d) Our principal register of members will be maintained by our principal registrar, Maples Fund Services (Cayman) Limited, in the Cayman Islands and our Hong Kong register of members will be maintained by our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, in Hong Kong. Unless the Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by our Hong Kong Share Registrar and may not be lodged in the Cayman Islands.
- (e) All necessary arrangements have been made to enable our Shares to be admitted into CCASS for clearing and settlement.
- (f) No company within our Group is presently listed on any stock exchange or traded on any trading system.
- (g) The Directors have been advised that, under the Cayman Companies Law, the use of a Chinese name by the Company for identification purposes only does not contravene the Cayman Companies Law.
- (h) The English and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

1. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to a copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were:

- (a) a copy of each of the **WHITE, YELLOW** and **GREEN** Application Forms;
- (b) a copy of each of the material contracts referred to the section headed “Statutory and General Information – Further Information About Our Business – Summary of Material Contracts” in Appendix IV to this prospectus; and
- (c) the written consents referred to in the section headed “Statutory and General Information – Other Information – Consent of Experts” in Appendix IV to this prospectus;

2. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Shearman & Sterling at 12th Floor Gloucester Tower, The Landmark, 15 Queen’s Road Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) our Memorandum and Articles of Association;
- (b) the Accountant’s Report from PricewaterhouseCoopers in respect of the historical financial information of the Group for the years ended December 31, 2015, 2016 and 2017 and the four months ended April 30, 2018, the texts of which are set out in Appendix I to this prospectus;
- (c) the report from PricewaterhouseCoopers in respect of the unaudited pro forma financial information, the text of which is set out in Appendix II to this prospectus;
- (d) the audited consolidated financial statements of our Company for the years ended December 31, 2015, 2016 and 2017 and the four months ended April 30, 2018;
- (e) the legal opinions issued by Commerce & Finance Law Offices, our PRC Legal Advisor, in respect of certain aspects of the Group and the property interests of the Group;
- (f) the legal opinion issued by Maples and Calder (Hong Kong) LLP, our Cayman Legal Advisor, summarizing certain aspects of Cayman Companies Law referred to in the section headed “Summary of Our Constitution and Cayman Companies Law” in Appendix III to this prospectus;
- (g) the Cayman Companies Law;

- (h) copies of material contracts referred to the section headed “Statutory and General Information – B. Further Information About Our Business – 1. Summary of Material Contracts” in Appendix IV to this prospectus;
- (i) the written consents referred to in the section headed “Statutory and General Information – E. Other Information – 7. Consent of Experts” in Appendix IV to this prospectus;
- (j) service contracts and letters of appointment entered into between the Company and each of the Directors;
- (k) China Index Academy Report;
- (l) the opinion issued by PricewaterhouseCoopers Consultants (Shenzhen) Limited – Shanghai Branch, our PRC Tax Advisor, in respect of PRC Corporate Income Tax Rule on Branch Profit Allocation for Applicable Rates from a China income tax perspective; and
- (m) the rules of the Share Option Scheme.



Xinchengyue Holdings Limited
新城悦控股有限公司