THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

HEVOL SERVICES GROUP CO. LIMITED

和泓服務集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6093)

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

Financial adviser to the Company

中毅資本有限公司
Grand Moore Capital Limited

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

A letter from the Board is set out from pages 4 to 12 of this circular.

27 February 2020

CONTENTS

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

"Acquisition"	the acquisition of the Sale Asset by the Purchaser from the Sellers, as contemplated under the Sale and Purchase Agreement
"Acquisition Announcement"	the Company's announcement dated 28 December 2019 in relation to the Sale and Purchase Agreement
"Beijing Hongsheng" or "Purchaser"	Beijing Hongsheng Investment Limited* (北京泓升投資有限責任公司), a company established as a limited liability company under the laws of the PRC, and a wholly-owned subsidiary of the Company
"Board"	the board of Directors of the Company
"Brilliant Brother"	Brilliant Brother Group Limited, the controlling Shareholder
"Closing"	closing of the Acquisition, which took place on 22 January 2020
"Company"	Hevol Services Group Co. Limited (stock code: 6093), a company incorporated under the laws of the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
"Conditions"	the conditions precedent to the sale and purchase of the Sale Asset set out in the Sale and Purchase Agreement
"Connected Person(s)"	has the same meaning as ascribed thereto under the Listing Rules
"Consideration"	the consideration of RMB29,590,500 for the Acquisition
"Director(s)"	the Directors of the Company
"Enlarged Group"	the Group after Closing
"First Seller"	Tongjin Real Estate Development Ltd. SH* (上海同進置業有限公司), a company incorporated under the laws of PRC with limited liability which owned 60% of the equity interest of the Target Company immediately prior to Closing, and is owned ultimately as to 47.5% by Mr. Liu Zhe (劉哲), 47.5% by Mr. Sun Yigong (孫益功) and 5% by Ms. Huang Min (黃旻) respectively

"Framework Announcement"	the Company's announcement dated 23 October 2019 in relation to the Investment Framework Agreement
"GFA"	gross floor area
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Investment Framework Agreement"	the investment framework agreement dated 23 October 2019 entered into among the Company, the Purchaser, the Target Company, Mr. Yang and the First Seller setting out the framework of the Acquisition
"Latest Practicable Date"	21 February 2020, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
"Listing"	the Company's listing on the Stock Exchange on 12 July 2019, the details of which are set out in, amongst others, the Prospectus
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Mr. Yang"	Mr. Yang Delin (楊德林)
"PRC"	the People's Republic of China, which for the purpose of this circular, will exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Prospectus"	the Company's prospectus dated 27 June 2019 issued in connection with the Listing
"Remaining Shareholder"	Huzhou Yongrun Enterprise Management Consulting Partnership* (湖州雍潤企業管理諮詢合夥企業(有限合夥)), a limited liability partnership established in the PRC that owns 30% of the total equity interest of the Target Company as at the Latest Practicable Date, and is owned ultimately as to 50% by Mr. Yang and 50% by Mr. Yang Zhiheng (楊知恒) respectively
"RMB"	Renminbi, the lawful currency of the PRC

"Sale and Purchase Agreement"	the conditional sale and purchase agreement dated 28 December 2019 entered into by the Purchaser, the Sellers, the Target Company, the Remaining Shareholder and Mr. Yang in relation to the Acquisition, on the terms and conditions set out therein
"Sale Asset"	the subject of the Acquisition, i.e. 70% of the equity interest in the Target Company as at the Latest Practicable Date
"Second Seller"	Huzhou Yihong Enterprise Management Consulting Limited Liability Partnership* (湖州懿宏企業管理諮詢合夥企業(有限合夥)), a limited liability partnership established in the PRC which owned 10% of the equity interest of the Target Company immediately prior to Closing, and is owned ultimately as to 50% by Ms. Chen Yunzhu (陳韻竹) and 50% by Mr. Ren Yunquan (任雲泉) respectively
"Sellers"	collectively, the First Seller and the Second Seller
"Share(s)"	ordinary shares of US$0.00001 each in the capital of the Company
"Shareholder(s)"	registered holder(s) of the issued Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Substantial Shareholder"	has the meaning ascribed to it under the Listing Rules
"Target Company"	Shanghai Tongjin Property Management Services Co. Ltd* (上海同進物業服務有限公司), a company incorporated in the PRC with limited liability and is owned collectively (i) by the Sellers and the Remaining Shareholder immediately prior to Closing and (ii) by the Purchaser and the Remaining Shareholders upon Closing and as at the Latest Practicable Date
"Target Group"	the Target Company and its subsidiaries, namely Jiangsu Tongjin Property Management Services Co., Ltd* (江蘇同進物業服務有限公司) and Shanghai Wanrun Property Management Co., Ltd* (上海萬潤物業管理有限公司)
"US$"	United States Dollars, the lawful currency of the United States of America
"%"	per cent

* *for identification purposes only*

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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6093)

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

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

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

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

Principal place of business in Hong Kong:
Suite 3101, Everbright Centre
108 Gloucester Road
Wanchai
Hong Kong

27 February 2020

To the Shareholders

Dear Sir/Madam,

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

INTRODUCTION

References are made to (i) the Framework Announcement of the Company dated 23 October 2019 in relation to the Group's entering into of the Investment Framework Agreement to set out the framework of the Acquisition, and (ii) the Acquisition Announcement of the Company dated 28 December 2019 in relation to the entering of the Sale and Purchase Agreement to effect the Acquisition.

On 30 December 2019 (before trading hours), the Company published the Acquisition Announcement dated 28 December 2019 under which the Company announced that the Purchaser (a wholly-owned subsidiary of the Company), the Sellers, the Target Company, the Remaining Shareholder and Mr. Yang entered into the Sale and Purchase Agreement, pursuant to which the Purchaser conditionally agreed to purchase, and the Sellers conditionally agreed to sell, the Sale Asset. In particular, the First Seller will sell 60% of the total equity interest and the Second Seller will sell 10% of the total equity interest of the Target Company, respectively. Closing took place on 22 January 2020.

The purpose of this circular is to provide you with further details of the Acquisition and the Target Group for information purposes only. No general meeting will be convened to approve the Acquisition as the Company had obtained written approval for the Acquisition in accordance with Rule 14.44 of the Listing Rules from its controlling Shareholder, Brilliant Brother, which held more than 50% of the issued Shares of the Company as at the date of such approval. To the best of the Directors' knowledge, information and belief, after having made all reasonable enquiries, no Shareholders or any of their respective associates have any material interest in the Acquisition and therefore no Shareholder would be required to abstain from voting if the Company were to convene a general meeting for the approval of the Acquisition.

THE SALE AND PURCHASE AGREEMENT

The principal terms of the Sales and Purchase Agreement are as follows:

Date: 28 December 2019

Parties:

(1) Beijing Hongsheng, a wholly-owned subsidiary of the Company (as Purchaser)
(2) The Sellers
(3) The Target Company
(4) The Remaining Shareholder
(5) Mr. Yang

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Sellers, the Remaining Shareholder, the Target Company and Mr. Yang and their respective ultimate beneficial owners (if applicable) are third parties independent of the Company and its Connected Persons.

Assets to be acquired

Pursuant to the Sale and Purchase Agreement, the Purchaser conditionally agreed to purchase, and the Sellers conditionally agreed to sell, the Sale Asset, representing 70% of the total equity interest of the Target Company as at the Latest Practicable Date.

The Consideration and payment terms

The Consideration for the Acquisition is RMB29,590,500, which has been satisfied in the following manner:

(i) the deposit of RMB12,600,000, which represents approximately 42.6% of the Consideration, was paid on the date of the signing of the Investment Framework Agreement on 23 October 2019;

(ii) an amount of RMB12,275,250, which represents approximately 41.5% of the Consideration, had been paid in cash by 31 December 2019; and

(iii) an amount of RMB4,715,250, which represents approximately 15.9% of the Consideration, had been fully settled and paid in cash by 7 February 2020.

The Group has financed the Consideration by the internal resources of the Group.

Basis of the Consideration

The Consideration was determined after arm's length negotiation between the Company and the Sellers after considering the following factors: (i) the then unaudited consolidated net profits after tax of the Target Company for the year ended 31 December 2018; (ii) the preliminary draft valuation of 70% of the Target Group of approximately RMB30,544,000 as at 30 September 2019 based on the market approach compiled by an independent valuer *(Note)*; and (iii) the factors as set out in the section headed "Reasons for and Benefits of the Acquisition" in this letter. Based on the above, the Directors (including the independent non-executive Directors) are of the view that the Consideration is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The final valuation of the Target Group was based on the audited financial figure of the Target Group and the preliminary draft valuation results of the Target Group was based on the unaudited figure of the Target Group. The difference was mainly due to cut-off error of recognition of some revenue by the Target Company in October 2019 which should be treated as revenue for the period ended 30 September 2019, and has been addressed in the audited financial results for the nine months ended 30 September 2019.

The audited financial results of the Target Group have been prepared for the financial year ended 31 December 2018 and the nine months ended 30 September 2019 respectively, and hence, the final valuation of the Target Group was available after 28 December 2019, i.e. the date of entering into of the Sale and Purchase Agreement. The Company had not taken into account the final valuation of the Target Group prior to the entering into of the Sale and Purchase Agreement. Nevertheless, as the final valuation of the Target Group is higher than the preliminary valuation of the Target Group, the Board considers that the Consideration is favourable to the Company and its Shareholders.

Note: The final valuation of 70% of the Target Group amounts to approximately RMB35,635,000 as at 30 September 2019 as set out in Appendix V to this circular.

Conditions

The Closing was conditional on, among other things:

(i) the Target Company has approved and adopted a revised and restated articles;

(ii) the Purchaser is reasonably satisfied on the due diligence review, inspection and investigation as to various aspects of the Target Company;

(iii) the Purchaser has obtained the necessary authorisation through written shareholder approval or through general meeting (as needed) to approve the Acquisition;

(iv) the Acquisition be in compliance with the rules and regulations of the Stock Exchange and the Listing Rules;

(v) no material adverse effect on the Target Company (including any litigation) has occurred before the Closing;

(vi) all parties to the Sale and Purchase Agreement have obtained the necessary regulatory approval(s) in respect of the Acquisition (if needed), and

(vii) any other act and action requested by the Purchaser to effect the Closing.

In respect of condition (i) above, the major areas of changes to the revised and restated articles of the Target Company include the following:

(i) updating the list of shareholders and their investment;

(ii) should the chairman be unable to preside over and chair a general meeting or a board meeting, the meeting shall be presided over by a director elected by more than half members of the board;

(iii) matters such as distribution of profit, transactions involving an amount of RMB5.0 million or more, provision of guarantee and settlement of debt etc., must be approved by shareholders with more than two-third of voting rights;

(iv) the number of directors be reduced from four to three, whom shall be elected by the shareholders for a term of three years and can be re-elected;

(v) the board may appoint and remove the general manager and auditor;

(vi) providing that the supervisor shall be elected by the shareholders, and

(vii) providing that the shareholders have the rights to inspect accounting books of the Target Company.

Closing

Closing took place on 22 January 2020 when the Conditions had been fulfilled and registration of the transfer of the Sale Asset and the transfer of management of the Target Company to the Purchaser had been completed. Upon Closing, the Target Group has become non-wholly owned subsidiaries of the Company and the results and assets and liabilities of the Target Group have been consolidated into the consolidated financial statements of the Company.

Board composition of the Target Company

Upon Closing, the board of directors of the Target Company shall comprise not more than three directors, the Purchaser shall be entitled to appoint two directors and the Remaining Shareholder shall be entitled to appoint one director.

INFORMATION ABOUT THE PARTIES TO THE SALE AND PURCHASE AGREEMENT

Information of the Group and Beijing Hongsheng

The Group is a reputable market player in the property management industry in the PRC providing property management services and value-added services in the PRC.

Beijing Hongsheng is an investment holding company incorporated in the PRC. Beijing Hongsheng is a wholly-owned subsidiary of the Company.

Information of the Target Company

The Target Company is a company incorporated in the PRC with limited liability. The Target Company is a property management company incorporated in the PRC and located in Shanghai, the PRC, with approximately 3.7 million square meters of GFA under its management as at 30 September 2019.

The table below sets out the details of number of property management projects, GFA and types of properties under management of the Target Company as at 30 September 2019.

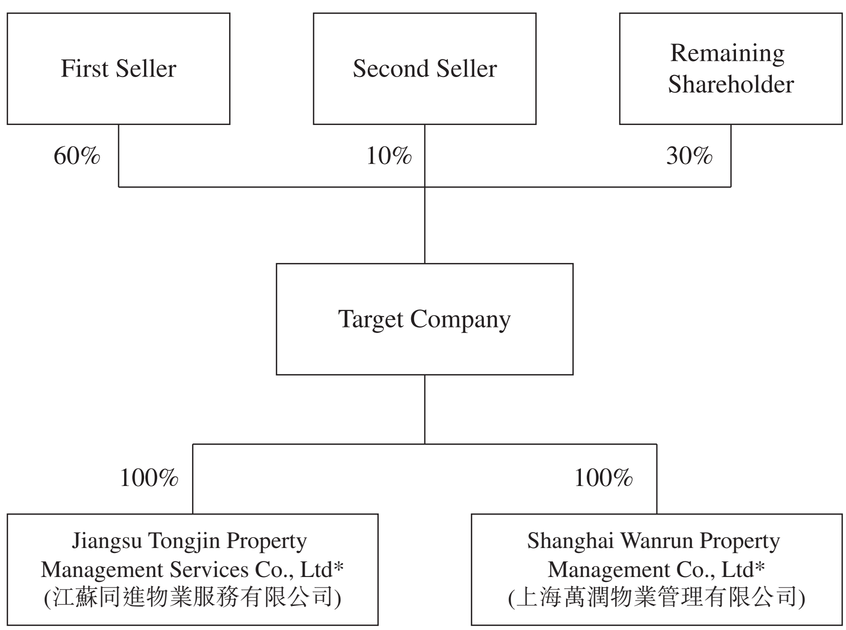
Location (province)	Number of property management projects	GFA of properties under its management in ’000 square meters	Types of properties
Shanghai	16	1,061	Residential & commercial properties, offices and government buildings
Jiangsu	14	2,232	Residential & commercial properties, and offices
Hebei	3	1	Government buildings and offices
Anhui	1	365	Residential properties
Total	**34**	**3,659**	

The table below sets out certain consolidated financial information of the Target Company for the years ended 31 December 2016, 2017 and 2018, and the nine months period ended 30 September 2018 and 2019 as extracted from Appendix II to this circular:

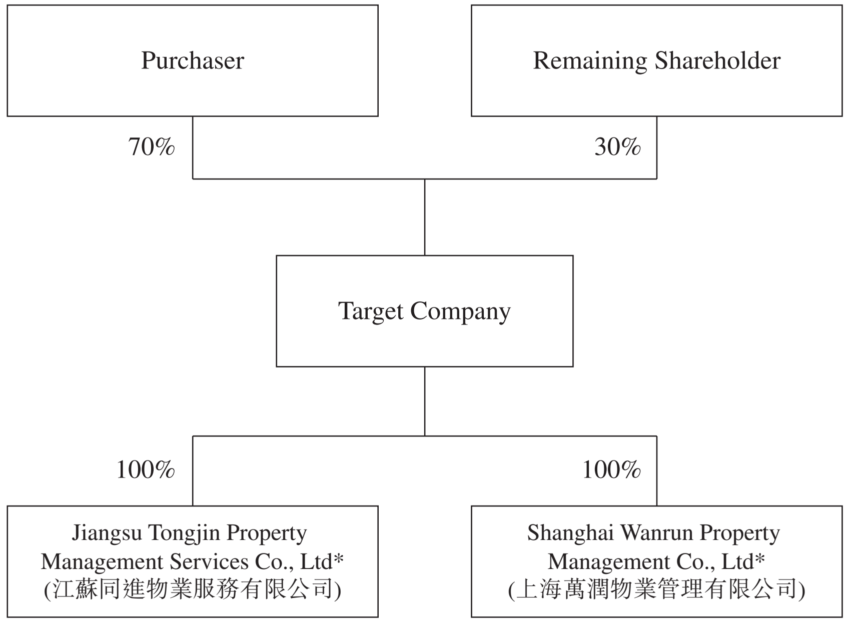
	The year ended 31 December			**Nine months period ended 30 September**	
	2016	**2017**	**2018**	**2018**	**2019**
	(audited)	(audited)	(audited)	(unaudited)	(audited)
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Profit before taxation	5,010	1,400	2,591	1,968	4,161
Profit after taxation	3,529	275	1,784	1,336	3,531

The audited consolidated net asset value of the Target Company as at 30 September 2019 is approximately RMB10.3 million.

The following diagram sets forth the group structure of the Target Company immediately prior to Closing:



The following diagram sets forth the group structure of the Target Company immediately after Closing:



Information of the Sellers

The First Seller is a real estate development company incorporated in the PRC with limited liability.

The Second Seller is a limited liability partnership established in the PRC and is principally engaged in business management consultation.

Information on the Remaining Shareholder

The Remaining Shareholder is a limited liability partnership established in the PRC and is principally engaged in business management consultation.

Information on Mr. Yang

Mr. Yang is a PRC resident.

REASONS FOR AND BENEFITS OF THE ACQUISITION

As stated in the Prospectus, in view of continuous growth in the PRC economy and urbanisation, apart from growing the Group's business through organic growth initiatives, the Company plans to expand the breadth and contents of the Group's service offerings and property portfolio by mergers and acquisition by acquiring a majority shareholding of property management companies.

The Board believes that the Acquisition will be complementary to the Group's existing property management services. The Acquisition enables the Group to further expand its property management service portfolio, especially in the Yangtze River Delta region, the PRC. The Board is therefore of the view that the Acquisition is a lateral expansion of the Group's existing business.

The Acquisition is therefore considered by the Directors (including the independent non-executive Directors) to be a good opportunity in geographical expansion of and provide synergies to the Group's existing property management business. The Directors (including the independent non-executive Directors) consider that the terms and conditions of the Acquisition are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

FINANCIAL EFFECT OF THE ACQUISITION

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

Earnings

The audited net profit after tax of the Group for year ended 31 December 2018, as disclosed in the Prospectus, was approximately RMB16.9 million.

As set out in Appendix II to this circular, the Target Group recorded an audited net profit after tax of approximately RMB1.8 million for the financial year ended 31 December 2018 and approximately RMB3.5 million for the nine months ended 30 September 2019.

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

Assets and liabilities

As set out in the unaudited pro forma financial information of the Enlarged Group in Appendix IV to this circular, if the Acquisition had been taken place on 30 June 2019, the Group's total assets would increase from approximately RMB239.4 million to approximately RMB305.4 million and total liabilities would increase from approximately RMB181.7 million to approximately RMB243.9 million, resulting in an overall increase in total consolidated net assets from approximately RMB57.7 million as at 30 June 2019 to approximately RMB61.5 million upon Closing.

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

IMPLICATIONS OF THE LISTING RULES

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

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, none of the Shareholders has any material interest in the Acquisition and no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Acquisition.

Since no Shareholder is required to abstain from voting if the Company shall be required to convene a general meeting for approving the Acquisition, the Company had obtained a written approval from its controlling Shareholder, Brilliant Brother, which holds 286,439,934 Shares in the Company (representing approximately 71.61% of the total issued share capital of the Company) carrying rights to vote at a general meeting. Accordingly, such written shareholders' approval has been accepted in lieu of holding a general meeting for the approval of the Acquisition pursuant to Rule 14.44 of the Listing Rules. Therefore, no general meeting of the Company will be convened to approve the Acquisition.

RECOMMENDATION

The Directors (including the independent non-executive Directors) consider that the terms of the Acquisition are fair and reasonable and the Acquisition is in the interest of the Company and the Shareholders as a whole. Although a general meeting will not be convened by the Company to approve the Acquisition, if such a general meeting were to be convened by the Company, the Board would recommend the Shareholders to vote in favour of the resolution to approve the Acquisition.

GENERAL

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

Yours faithfully,
By order of the Board,
Hevol Services Group Co. Limited
Wang Wenhao
Executive Director

FINANCIAL SUMMARY

The financial information of the Group for each of the three financial years ended 31 December 2016, 2017 and 2018 are disclosed in the Company's Prospectus, and the financial information of the Group for the six months ended 30 June 2019 are disclosed in the Company's interim report (the "**2019 Interim Report**"). The aforesaid are incorporated by reference into this circular. The said Prospectus and 2019 Interim Report have been posted on the website of the Stock Exchange at http://www.hkex.com.hk and the website of the Company at http://www.hevolwy.com.cn/.

The financial information of the Group for the three financial years ended 31 December 2016, 2017 and 2018 are disclosed in the Prospectus dated 27 June 2019, from pages I-4 to I-47. The quick link is below:

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

The financial information of the Group for the six months period ended 30 June 2019 are disclosed in the 2019 Interim Report published on 18 September 2019, from pages 24 to 52. The quick link is below:

https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0918/ltn20190918373.pdf

INDEBTEDNESS

Lease Liabilities

As at the close of business on 31 December 2019, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Enlarged Group had current and non-current lease liabilities amounting to approximately RMB1,208,000 and RMB967,000, respectively.

Contingent Liabilities

As at the close of business on 31 December 2019, the Enlarged Group did not have any significant contingent liabilities.

Disclaimer

Save as aforesaid in this section of the circular and apart from enlarged intra-group liabilities and normal trade payables in the ordinary course of business, as at the close of business on 31 December 2019, the Enlarged Group did not have any other debt securities issued and outstanding, or authorized or otherwise created but unissued, loans or any term loans (secured, unsecured, guaranteed or otherwise), any other borrowings or indebtedness in the nature of borrowing including bank overdrafts and any liabilities under acceptances (other than normal trade bills) or other similar indebtedness, acceptance credits, debentures, mortgages, charges, finance lease or hire purchase commitments, guarantees or other material contingent liabilities. The Enlarged Group did not have any plan for material external debt financing.

WORKING CAPITAL

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

MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2018, being the date to which the latest published audited financial statements of the Group were made up.

FINANCIAL AND TRADING PROSPECTS OF THE GROUP

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

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

The Target Group is primarily engaged in the property management industry, including residential properties, offices, government buildings and commercial properties. With more than 16 years of experience, it has established a high-quality property service brand image in the Yangtze River Delta regional market in the PRC. As at 30 September 2019, the total GFA of properties under management of the Target Group was approximately 3.7 million square meters. Its property management projects were mainly located in Shanghai, Jiangsu, Anhui and Hebei provinces in the PRC.

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

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

The following is the text of a report set out on pages II-1 to II-67, received from the Company's reporting accountants, Grant Thornton Hong Kong Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

Grant Thornton
致同

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION OF SHANGHAI TONGJIN PROPERTY MANAGEMENT SERVICES CO. LTD

TO THE DIRECTORS OF HEVOL SERVICES GROUP CO. LIMITED

Introduction

We report on the historical financial information of Shanghai Tongjin Property Management Services Co. Ltd (the "**Target Company**") and its subsidiaries, namely Jiangsu Tongjin Property Management Services Co., Ltd and Shanghai Wanrun Property Management Co., Ltd (collectively referred to as the "**Target Group**") set out on pages II-4 to II-67, which comprises the consolidated statements of financial position of the Target Group as at 31 December 2016, 2017 and 2018 and 30 September 2019, the statements of financial position of the Target Company as at 31 December 2016, 2017 and 2018 and 30 September 2019, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Target Group for the years ended 31 December 2016, 2017 and 2018 and the nine months ended 30 September 2019 (the "**Relevant Periods**") and a summary of significant accounting policies and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages II-4 to II-67 forms an integral part of this report, which has been prepared for inclusion in the circular of Hevol Services Group Co. Limited (the "**Company**") dated 27 February 2020 (the "**Circular**") in connection with the proposed acquisition of 70% equity interest of the Target Company.

Directors' Responsibility for the Historical Financial Information

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

Reporting Accountants' Responsibility

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

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

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

Opinion

In our opinion the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Target Group's financial position as at 31 December 2016, 2017 and 2018 and 30 September 2019, the Target Company's financial position as at 31 December 2016, 2017 and 2018 and 30 September 2019 and of the Target Group's financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation and presentation set out in note 2.1 to the Historical Financial Information.

Review of Stub Period Comparative Financial Information

We have reviewed the stub period comparative financial information of the Target Group which comprises the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the nine months ended 30 September 2018 and other explanatory information (the "**Stub Period Comparative Financial Information**"). The directors of the Target Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of preparation and presentation set out in note 2.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the International Auditing and Assurance Standards Board ("**IAASB**"). A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in note 2.1 to the Historical Financial Information.

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

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page II-4 have been made.

Dividends

We refer to note 9 to the Historical Financial Information which states that no dividends have been paid by the Target Company in respect of the Relevant Periods.

Grant Thornton Hong Kong Limited
Certified Public Accountants
Level 12
28 Hennessy Road
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Hong Kong

27 February 2020

Han Pui Yu
Practising Certificate No.: P07101

I. HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

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

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

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

Consolidated Statements of Profit or Loss and Other Comprehensive Income

		Year ended 31 December			**Nine months ended 30 September**	
	Notes	**2016**	**2017**	**2018**	**2018**	**2019**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Revenue	*4*	73,795	78,169	85,617	63,695	68,045
Cost of sales		(64,630)	(69,572)	(73,913)	(54,050)	(58,328)
Gross profit		9,165	8,597	11,704	9,645	9,717
Other income	*5*	653	260	507	448	594
Administrative expenses		(4,808)	(7,453)	(9,584)	(8,096)	(6,133)
Finance costs	*6*	–	(4)	(36)	(29)	(17)
Profit before income tax	*6*	5,010	1,400	2,591	1,968	4,161
Income tax expense	*8*	(1,481)	(1,125)	(807)	(632)	(630)
Profit and total comprehensive income for the year/period		3,529	275	1,784	1,336	3,531

Consolidated Statements of Financial Position

		As at 31 December			As at 30 September
	Notes	**2016**	**2017**	**2018**	**2019**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
ASSETS AND LIABILITIES					
Non-current assets					
Property, plant and equipment	*11*	7,007	7,066	6,163	5,641
Intangible assets	*12*	257	173	120	48
Deposits	*14*	1,334	1,550	1,193	977
Deferred tax assets	*18*	654	1,169	2,125	2,687
		9,252	9,958	9,601	9,353
Current assets					
Trade and other receivables	*14*	13,055	16,469	18,865	29,852
Amount due from a shareholder	*15*	–	3,240	3,690	–
Bank balances and cash		21,353	24,663	26,412	30,968
		34,408	44,372	48,967	60,820
Current liabilities					
Trade and other payables	*16*	30,059	37,441	38,921	45,480
Contract liabilities	*4(a)*	4,110	5,566	6,099	10,038
Lease liability	*17*	–	205	219	230
Income tax liabilities		1,612	2,531	3,177	4,036
		35,781	45,743	48,416	59,784
Net current (liabilities)/assets		(1,373)	(1,371)	551	1,036
Total assets less current liabilities		7,879	8,587	10,152	10,389
Non-current liability					
Lease liability	*17*	–	433	214	40
Net assets		7,879	8,154	9,938	10,349
EQUITY					
Paid-up capital	*19*	5,000	5,000	5,000	5,000
Reserves	*20*	2,879	3,154	4,938	5,349
Total equity		7,879	8,154	9,938	10,349

Statements of Financial Position of The Target Company

	Notes	As at 31 December 2016 RMB'000	2017 RMB'000	2018 RMB'000	As at 30 September 2019 RMB'000
ASSETS AND LIABILITIES					
Non-current assets					
Investments in subsidiaries	*13*	3,743	3,743	3,743	3,743
Property, plant and equipment	*11*	6,941	7,020	6,129	5,626
Intangible assets	*12*	257	173	120	48
Deposits	*14*	1,076	1,293	1,193	977
Deferred tax assets	*18*	640	1,147	2,114	2,663
		12,657	13,376	13,299	13,057
Current assets					
Trade and other receivables	*14*	12,799	16,230	18,180	29,323
Amount due from a shareholder	*15*	–	3,240	3,690	–
Bank balances and cash		16,688	21,704	23,443	23,244
		29,487	41,174	45,313	52,567
Current liabilities					
Trade and other payables	*16*	27,827	34,719	36,123	41,668
Amounts due to subsidiaries	*13*	2,383	3,504	3,771	–
Contract liabilities	*4(a)*	4,086	5,535	6,048	9,874
Lease liability	*17*	–	205	219	230
Income tax liabilities		1,212	2,208	2,869	3,752
		35,508	46,171	49,030	55,524
Net current liabilities		(6,021)	(4,997)	(3,717)	(2,957)
Total assets less current liabilities		6,636	8,379	9,582	10,100
Non-current liability					
Lease liability	*17*	–	433	214	40
Net assets		6,636	7,946	9,368	10,060
EQUITY					
Paid-up capital	*19*	5,000	5,000	5,000	5,000
Reserves	*20*	1,636	2,946	4,368	5,060
Total equity		6,636	7,946	9,368	10,060

Consolidated Statements of Changes in Equity

	Paid-up capital *RMB'000* *(note 19)*	Statutory reserve* *RMB'000* *(note 20)*	(Accumulated losses)/ Retained profits* *RMB'000*	Total equity *RMB'000*
Balance at 1 January 2016	5,000	670	(1,320)	4,350
Profit and total comprehensive income for the year	–	–	3,529	3,529
Transactions with owners				
– Appropriation to statutory reserve	–	414	(414)	–
As at 31 December 2016 and 1 January 2017	5,000	1,084	1,795	7,879
Profit and total comprehensive income for the year	–	–	275	275
Transactions with owners				
– Appropriation to statutory reserve	–	131	(131)	–
As at 31 December 2017 and 1 January 2018	5,000	1,215	1,939	8,154
Profit and total comprehensive income for the year	–	–	1,784	1,784
Transactions with owners				
– Appropriation to statutory reserve	–	172	(172)	–
As at 31 December 2018 and 1 January 2019	5,000	1,387	3,551	9,938
Profit and total comprehensive income for the period	–	–	3,531	3,531
Transactions with owners				
– Deemed distribution *(note 15)*	–	–	(3,120)	(3,120)
As at 30 September 2019	5,000	1,387	3,962	10,349
Balance at 1 January 2018	5,000	1,215	1,939	8,154
Profit and total comprehensive income for the period	–	–	1,336	1,336
As at 30 September 2018 (unaudited)	5,000	1,215	3,275	9,490

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

Consolidated Statements of Cash Flows

		Year ended 31 December			Nine months ended 30 September	
		2016	2017	2018	2018	2019
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)	
Cash flows from operating activities						
Profit before income tax		5,010	1,400	2,591	1,968	4,161
Adjustments for:						
Amortisation of intangible assets	*6*	84	84	80	60	66
Depreciation of property, plant and equipment	*6*	802	802	834	633	583
ECL allowance on trade receivables	*6*	113	2,061	3,824	3,870	2,246
Finance costs	*6*	–	4	36	29	17
Bank interest income	*5*	(72)	(260)	(266)	(207)	(211)
Loss on disposal of property, plant and equipment	*6*	–	–	52	52	83
Write-off of intangible assets	*6*	–	–	–	–	6
Operating profit before working capital changes		5,937	4,091	7,151	6,405	6,951
Decrease/(Increase) in deposits, trade and other receivables		2,861	(5,691)	(5,863)	(16,942)	(13,017)
Increase in trade and other payables		3,563	7,382	1,480	3,573	6,559
(Decrease)/Increase in contract liabilities		(1,133)	1,456	533	3,535	3,939
Cash generated from/(used in) operations		11,228	7,238	3,301	(3,429)	4,432
Interest received		72	260	266	207	211
Income taxes paid		(265)	(721)	(1,117)	(1,116)	(333)
Net cash from/(used in) operating activities		11,035	6,777	2,450	(4,338)	4,310

		Year ended 31 December			Nine months ended 30 September	
		2016	2017	2018	2018	2019
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Cash flows from investing activities						
Purchase of property, plant and equipment		(282)	(207)	(103)	(90)	(144)
Proceeds from disposal of property, plant and equipment		–	–	120	120	–
Purchase of intangible assets		–	–	(27)	–	–
(Increase)/Decrease in amount due from a shareholder		–	(3,240)	(450)	(450)	570
Net cash (used in)/from investing activities		(282)	(3,447)	(460)	(420)	426
Cash flows from financing activities	*22.2*					
Payment of lease liability		–	(20)	(241)	(181)	(180)
Repayment of amounts due to shareholders		(4,261)	–	–	–	–
Net cash used in financing activities		(4,261)	(20)	(241)	(181)	(180)
Net increase/(decrease) in cash and cash equivalents		6,492	3,310	1,749	(4,939)	4,556
Cash and cash equivalents at the beginning of the year/period		14,861	21,353	24,663	24,663	26,412
Cash and cash equivalents at the end of the year/period, represented by bank balances and cash		21,353	24,663	26,412	19,724	30,968

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. General information

Shanghai Tongjin Property Management Services Co. Ltd (上海同進物業服務有限公司, the "**Target Company**") was established in the People's Republic of China (the "**PRC**") with limited liability on 29 May 2003. Its registered office and principal place of business are located at No. 6, Lane 2742, Pudong Avenue, Pudong New District, Shanghai, the PRC.

The Target Company and its subsidiaries, excluding Haoshi Investment Management Consulting Co., Ltd. (上海浩獅投資管理諮詢有限公司, the "**Excluded Subsidiary**") (collectively referred to as the "**Target Group**") are principally engaged in the provision of property management services and related value-added services in the PRC. Particulars of the subsidiaries of the Target Group included in the preparation of the Historical Financial Information are set out in note 13.

The Target Company is controlled by Tongjin Real Estate Development Ltd. SH (上海同進置業有限公司, "**Tongjin Real Estate**"), a company established in the PRC.

2. Summary of significant accounting policies

2.1 Basis of preparation and presentation

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

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

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

– The principal activity of the Excluded Subsidiary was investment holding of equity investments in companies engaging in provision of garden greening and garbage disposal services. The Excluded Subsidiary was disposed by the Target Company subsequent to 30 September 2019. The Target Group is clearly delineated from the Excluded Subsidiary in terms of the nature of business and management.

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

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

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

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

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

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

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

All IFRSs effective for the accounting periods beginning on or before 1 January 2019 (including IFRS 9 "Financial Instruments" ("**IFRS 9**"), IFRS 15 "Revenue from Contracts with Customers" ("**IFRS 15**") and IFRS 16 "Leases" ("**IFRS 16**")) are consistently applied to the Target Group throughout the Relevant Periods, except for any new standards and amendments that are not yet effective for the accounting period beginning on or after 1 January 2019.

The Historical Financial Information has been prepared on the historical cost basis.

In preparing the Historical Financial Information, the directors of the Target Company has given consideration to the future liquidity of the Target Company in light of its net current liabilities of RMB2,957,000 as at 30 September 2019. This condition indicates the existence of a material uncertainty that may cast significant doubt about the Target Company's ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business. The Historical Financial Information have been prepared on the assumption that the Target Company will continue to operate as a going concern notwithstanding the condition prevailing as at 30 September 2019, because the Target Company's immediate holding company has agreed to provide continuous financial support to enable the Target Company to meet its liabilities and obligations as and when they fall due and to continue its operations, until the date on which it ceases to have any direct or indirect ownership interest in the Target Company. In addition, the Company has undertaken, from the date that the Company becomes the controlling shareholder of the Target Company, to provide continuous financial support to enable the Target Company to meet its liabilities and obligations as and when they fall due and to continue its operations with effective from the completion of the Proposed Acquisition up to twelve months after the completion of the Proposed Acquisition. As a result, the directors of the Target Company consider that it is appropriate for the Target Company to adopt the going concern basis in preparing the Historical Financial Information.

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

2.2 Issued but not yet effective IFRSs

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

IFRS 17	Insurance Contract[2]
Amendments to IAS 1 and IAS 8	Definition of Material[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IFRS 3	Definition of a Business[4]
Amendments to IFRSs	Amendments to References to the Conceptual Framework in IFRSs[1]
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform[1]

1 Effective for annual periods beginning on or after 1 January 2020

2 Effective for annual periods beginning on or after 1 January 2021

3 Effective date not yet determined

4 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

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

2.3 Basis of consolidation

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

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

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

In the Target Company's statements of financial position, investments in subsidiaries are carried at cost less any impairment loss (note 2.17) unless the subsidiary is held for sale or included in a disposal group. The results of the subsidiaries are accounted for by the Target Company on the basis of dividends received and receivable at each reporting date. All dividends whether received out of the investee's pre or post-acquisition profits are recognised in the Target Company's profit or loss.

2.4 Foreign currency translation

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

2.5 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses (note 2.17). The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

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

Buildings	5%
Furniture and equipment	20%
Motor vehicles	20-33.3%

The assets' depreciation methods, residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

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

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 Target Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other costs, such as repairs and maintenance are charged to the profit or loss during the Relevant Periods in which they are incurred.

2.6 Intangible assets

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

Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives of 5 years. Amortisation commences when the intangible assets are available for use. The assets' amortisation methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Intangible assets are tested for impairment as described below in note 2.17.

2.7 Financial instruments

Recognition and derecognition

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

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

Financial assets

Classification and initial measurement of financial assets

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

Financial assets, are classified into the following categories:

– amortised cost;

– FVTPL; or

– fair value through other comprehensive income ("**FVOCI**").

The classification is determined by both:

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

– the contractual cash flow characteristics of the financial asset.

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

Subsequent measurement of financial assets

Debt investments

Financial assets at amortised cost

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

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

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

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

Financial liabilities

Classification and measurement of financial liabilities

Financial liabilities include the Target Company's amounts due to subsidiaries and trade and other payables of the Target Group.

Financial liabilities (other than lease liability) are initially measured at fair value, and, where applicable, adjusted for transaction costs. Subsequently, financial liabilities (other than lease liability) are measured at amortised cost using the effective interest method. All interest related charges are recognised as expenses in the period in which they are incurred.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in profit or loss.

Trade and other payables and the Target Company's amounts due to subsidiaries

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

2.8 Impairment of financial assets

IFRS 9's impairment requirements use more forward-looking information to recognise ECL – the "ECL model". The Target Group's trade and other receivables, amount due from a shareholder and bank balances and cash fall within the scope of ECL model.

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

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

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

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

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

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

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

Trade receivables

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

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

Other financial assets measured at amortised cost

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

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

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

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

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

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

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

– an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

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

For internal credit risk management, the Target Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Target Group, in full (without taking into account any collateral held by the Target Group).

Detailed analysis of the ECL assessment of trade receivables and other financial assets measured at amortised cost are set out in note 23.2.

Credit-impaired financial assets

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

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

– Significant financial difficulty of the debtor;

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

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

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

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

Write-off policy

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

2.9 Cash and cash equivalents

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

2.10 Leases

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

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

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

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

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

Measurement and recognition of leases as a lessee

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

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

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

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

Subsequent to initial measurement, the liability will be reduced for lease payments made and increased for interest cost on the lease liability. It is remeasured to reflect any reassessment or lease modification, or if there are changes in in-substance fixed payments. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

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

On the consolidated statements of financial position and the Target Company's statements of financial position, right-of-use assets have been included in "Property, plant and equipment", the same line as it presents the underlying assets of the same nature that it owns.

2.11 Contract liabilities

A contract liability is recognised when the customer pays consideration before the Target Group recognises the related revenue (see note 2.14). A contract liability would also be recognised if the Target Group has an unconditional right to receive consideration before the Target Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 2.7).

2.12 Provisions and contingent liabilities

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

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

2.13 Paid-up capital

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

2.14 Revenue recognition

The Target Group provides property management services, community-related services and property developer related services to property developers.

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

1. Identifying the contract with a customer

2. Identifying the performance obligations

3. Determining the transaction price

4. Allocating the transaction price to the performance obligations

5. Recognising revenue when/as performance obligation(s) are satisfied

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

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

Property management services

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

For property management services income from properties managed under lump-sum basis, where the Target Group acts as a principal and is primary responsible for providing the property management services to the property owners, the Target Group recognises the fee received or receivable from property owners as its revenue and all related property management costs as its cost of services. For property management services income from properties managed under commission basis, the Target Group recognises the commission, which is calculated by certain percentage of the total property management fee received or receivable from the property units, or total property management cost incurred or accrual by the property units, as its revenue for arranging and monitoring the services as provided by other suppliers to the property owners.

Community-related services

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

Property developer related services to property developers

Property developer related services include mainly i) on-site sales assistance services, which primarily included cleaning and security services to property developers, which are billed and settled based on actual level of services provided at pre-determined price and revenue is recognised when such services are provided and ii) property delivery related and other consulting services with property developers which are billed on monthly basis and revenue is recognised when the services are provided.

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.

2.15 Interest income

Interest income is recognised on a time proportion basis using the effective interest method.

For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of ECL allowance) of the asset.

2.16 Government grants

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

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

2.17 Impairment of non-financial assets

Property, plant and equipment, intangible assets and the Target Company's investments in subsidiaries are subject to impairment testing. They are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

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

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

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

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

2.18 Employee benefits

Retirement benefits

Retirement benefits to employees are provided through defined contribution plans.

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

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

Short-term employee benefits

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

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

2.19 Accounting for income taxes

Income tax comprises current tax and deferred tax.

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

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

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

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

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

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

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

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

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

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

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

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

(i) the same taxable entity; or

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

2.20 Segment reporting

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

2.21 Related parties

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3. Critical accounting estimates and judgements

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

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

Impairment of trade receivables and other financial assets

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

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

As at 31 December 2016, 2017 and 2018 and 30 September 2019, the carrying amounts of trade receivables and other financial assets are RMB35,742,000, RMB45,922,000, RMB50,160,000 and RMB61,797,000, respectively.

Current and deferred income taxes

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

Deferred income tax assets relating to certain temporary differences and tax losses are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different. The details of the deferred tax assets are set out in note 18.

Impairment assessment of Target Company's investments in subsidiaries

The management determines impairment of the Target Company's investments in subsidiaries (note 13) annually or more frequently if changes in circumstances indicate the carrying amount may not be recoverable. This estimate is based on the financial position and the future performance of the subsidiaries. Management reassesses the impairment of investment in subsidiaries at each reporting date. As at 31 December 2016, 2017 and 2018 and 30 September 2019, the carrying amount of the Target Company's investments in subsidiaries was RMB3,743,000, RMB3,743,000, RMB3,743,000 and RMB3,743,000, respectively.

Impairment assessment of property, plant and equipment

Property, plant and equipment (note 11) are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. When such a decline has occurred, the carrying amount is reduced to recoverable amounts. The recoverable amounts of the assets have been determined based on the higher of fair value less cost of disposal and value-in-use calculations. These calculations require the use of judgement and estimates. As at 31 December 2016, 2017 and 2018 and 30 September 2019, the carrying amount of property, plant and equipment was RMB7,007,000, RMB7,066,000, RMB6,163,000 and RMB5,641,000, respectively.

4. Revenue and segment reporting

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

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

	Year ended 31 December			Nine months ended 30 September	
	2016	**2017**	**2018**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Revenue from external customers and recognised over time					
Property management services	64,396	66,333	73,029	54,124	58,285
Related value-added services:					
– Community-related services	5,348	5,921	7,267	5,001	5,800
– Related services to property developers	4,051	5,915	5,321	4,570	3,960
	73,795	78,169	85,617	63,695	68,045

Geographical information

The major operating entities of the Target Group are domiciled in the PRC. As at 31 December 2016, 2017 and 2018 and 30 September 2019, substantially all of the non-current assets (other than deferred tax assets) of the Target Group were located in the PRC.

Information about major customers

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

(a) Contract liabilities

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

Target Group

	As at 31 December			As at 30 September
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contract liabilities	4,110	5,566	6,099	10,038

Target Company

	As at 31 December			As at 30 September
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contract liabilities	4,086	5,535	6,048	9,874

Contract liabilities of the Target Group and the Target Company mainly arise from the advance payments made by the customers while the underlying services are yet to be provided. Such liabilities increase as a result of the growth of the business.

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

Target Group

	As at 31 December			As at 30 September
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue recognised that was included in the contract liabilities at beginning of the year/period	(5,423)	(4,110)	(5,566)	(5,300)

Target Company

	As at 31 December			As at 30 September
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue recognised that was included in the contract liabilities at beginning of the year/period	(4,123)	(4,086)	(5,535)	(5,253)

(b) Unsatisfied performance obligations

For property management services, the Target Group recognises revenue in the amount that equals to the right to invoice which correspond directly with the value to the customer of the Target Group's performance to date, on a monthly basis. The Target Group has elected the practical expedient for not to disclose the remaining performance obligation for these types of contracts. The term of the contracts for value-added services to property developers is generally set to expire when the counterparties notify the Target Group that the services are no longer required.

For community-related services, they are rendered in short period of time and there is no unsatisfied performance obligation at each reporting date.

5. Other income

	Year ended 31 December			Nine months ended 30 September	
	2016	**2017**	**2018**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Bank interest income	72	260	266	207	211
Unconditional government grants	581	–	241	241	383
	653	260	507	448	594

6. Profit before income tax

Profit before income tax is arrived at after charging:

	Year ended 31 December			Nine months ended 30 September	
	2016	**2017**	**2018**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Finance costs					
Interest expenses on lease liability	–	4	36	29	17
Other items					
Auditors' remuneration	14	5	3	2	3
Amortisation of intangible assets	84	84	80	60	66
Depreciation of property, plant and equipment	802	802	834	633	583
Loss on disposal of property, plant and equipment	–	–	52	52	83
Write-off of intangible assets	–	–	–	–	6
ECL allowance on trade receivables *(note 14)*	113	2,061	3,824	3,870	2,246

7. Employee benefit expenses (including directors' emoluments)

	Year ended 31 December			Nine months ended 30 September	
	2016	2017	2018	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Salaries, bonus and allowances	30,676	32,358	27,910	20,658	20,713
Retirement benefit scheme contributions	6,140	6,365	4,393	3,373	2,895
Other employee benefits	881	734	1,012	742	836
	37,697	39,457	33,315	24,773	24,444

8. Income tax expense

	Year ended 31 December			Nine months ended 30 September	
	2016	2017	2018	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Current tax – PRC enterprise income tax					
Current year/period	1,509	1,640	1,763	1,600	1,192
Deferred tax					
Origination of temporary differences *(note 18)*	(28)	(515)	(956)	(968)	(562)
Total income tax expense	1,481	1,125	807	632	630

The income tax provision of certain PRC entities of the Target Group has been calculated at the statutory tax rate of 25% on the estimated assessable profits for the Relevant Periods, based on the existing legislation, interpretations and practices in respect thereof.

Pursuant to the relevant laws and regulation in the PRC, certain of the Target Group's PRC entities are qualified as small low-profit enterprises enjoyed a preferential tax rate of 20% for the years ended 31 December 2016, 2017 and 2018 and the nine months ended 30 September 2018 and 2019. In addition, in accordance with the "Notice on Preferential Income Tax Policies Applicable to Small Low-profit Enterprises", the small and low-profit enterprises with annual taxable income of less than RMB300,000 for the year ended 31 December 2016, RMB500,000 for the year ended 31 December 2017 and RMB1,000,000 for each of the year ended 31 December 2018 and the nine months ended 30 September 2018 and 2019, were also entitled a tax concession for 50%, 50%, 50%, 50%, and 75% of its taxable income, respectively.

A reconciliation of income tax expense and accounting profits at applicable tax rate is as follows:

	Year ended 31 December			Nine months ended 30 September	
	2016	2017	2018	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Profit before income tax	5,010	1,400	2,591	1,968	4,161
Tax at the applicable rate of 25%	1,252	350	649	492	1,040
Tax effect on non-deductible expenses	77	221	191	174	54
Tax effect on non-taxable income	(20)	–	(477)	(415)	(436)
Utilisation of tax losses previously not recognised	(4)	–	(30)	(30)	(87)
Tax effect of tax losses not recognised	–	319	516	456	14
Tax effect on preferential income tax rate applicable to certain subsidiaries	106	–	(42)	(45)	45
Tax impact on deductible temporary difference not recognised	70	235	–	–	–
Income tax expense	1,481	1,125	807	632	630

9. Dividends

No dividends were paid, declared or proposed during the Relevant Periods, nor has any dividend been proposed subsequent to 30 September 2019.

10. Directors' emoluments and five highest paid individuals

(a) Directors' remuneration

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

Name of director	Fees	Basic salaries and allowances	Retirement benefit scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2016				
Yang Delin	–	183	42	225
Sun Yigong	–	–	–	–
Liu Zhe	–	–	–	–
Huang Min	–	–	–	–
	–	183	42	225
Year ended 31 December 2017				
Yang Delin	–	180	41	221
Sun Yigong	–	–	–	–
Liu Zhe	–	–	–	–
Huang Min	–	–	–	–
	–	180	41	221
Year ended 31 December 2018				
Yang Delin	–	269	45	314
Sun Yigong	–	–	–	–
Liu Zhe	–	–	–	–
Huang Min	–	–	–	–
	–	269	45	314

Name of director	Fees	Basic salaries and allowances	Retirement benefit scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Nine months ended 30 September 2019				
Yang Delin	–	230	33	263
Sun Yigong	–	–	–	–
Liu Zhe	–	–	–	–
Huang Min	–	–	–	–
	–	230	33	263
Nine months ended 30 September 2018 (Unaudited)				
Yang Delin	–	202	32	234
Sun Yigong	–	–	–	–
Liu Zhe	–	–	–	–
Huang Min	–	–	–	–
	–	202	32	234

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

(b) Five highest paid individuals

For the years ended 31 December 2016, 2017 and 2018 and the nine months ended 30 September 2018 (unaudited) and 2019, the five individuals whose emoluments were the highest in the Target Group include 1, 1, 1, 1 and 1 director, respectively, whose emoluments are reflected in the analysis presented in note 10(a), the emoluments paid to the remaining 4, 4, 4, 4 and 4 individuals, respectively, are as follows:

	Year ended 31 December			Nine months ended 30 September	
	2016	**2017**	**2018**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Basic salaries and allowances	812	847	962	727	961
Retirement benefit scheme contributions	148	154	223	137	166
	960	1,001	1,185	864	1,127

The aggregate of the emoluments in respect of the remaining 4, 4, 4, 4 and 4 individuals for the years ended 31 December 2016, 2017 and 2018 and the nine months ended 30 September 2018 (unaudited) and 2019 fell within the following bands:

	Year ended 31 December			Nine months ended 30 September	
	2016	**2017**	**2018**	**2018**	**2019**
	Number of individuals				
				(unaudited)	
HK$Nil to HK$1,000,000	4	4	4	4	4

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

11. Property, plant and equipment

Target Group

	Buildings *RMB'000*	Furniture and equipment *RMB'000*	Motor vehicles *RMB'000*	Total *RMB'000*
As at 1 January 2016				
Cost	6,466	2,710	598	9,774
Accumulated depreciation	(458)	(1,481)	(308)	(2,247)
Net book amount	6,008	1,229	290	7,527
Year ended 31 December 2016				
Opening net book amount	6,008	1,229	290	7,527
Additions	–	282	–	282
Depreciation	(309)	(436)	(57)	(802)
Closing net book amount	5,699	1,075	233	7,007
As at 31 December 2016 and 1 January 2017				
Cost	6,466	2,992	598	10,056
Accumulated depreciation	(767)	(1,917)	(365)	(3,049)
Net book amount	5,699	1,075	233	7,007
Year ended 31 December 2017				
Opening net book amount	5,699	1,075	233	7,007
Additions	–	207	654	861
Depreciation	(307)	(420)	(75)	(802)
Closing net book amount	5,392	862	812	7,066
As at 31 December 2017 and 1 January 2018				
Cost	6,466	3,199	1,252	10,917
Accumulated depreciation	(1,074)	(2,337)	(440)	(3,851)
Net book amount	5,392	862	812	7,066

	Buildings	Furniture and equipment	Motor vehicles	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2018				
Opening net book amount	5,392	862	812	7,066
Additions	–	103	–	103
Disposal	–	–	(172)	(172)
Depreciation	(307)	(305)	(222)	(834)
Closing net book amount	5,085	660	418	6,163
As at 31 December 2018 and 1 January 2019				
Cost	6,466	3,302	654	10,422
Accumulated depreciation	(1,381)	(2,642)	(236)	(4,259)
Net book amount	5,085	660	418	6,163
Nine months ended 30 September 2019				
Opening net book amount	5,085	660	418	6,163
Additions	–	144	–	144
Disposal	–	(83)	–	(83)
Depreciation	(231)	(189)	(163)	(583)
Closing net book amount	4,854	532	255	5,641
As at 30 September 2019				
Cost	6,466	2,144	654	9,264
Accumulated depreciation	(1,612)	(1,612)	(399)	(3,623)
Net book amount	4,854	532	255	5,641

Depreciation charges recognised is analysed as follows:

	Year ended 31 December			Nine months ended 30 September	
	2016	2017	2018	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Administrative expenses	802	802	834	633	583

As at 31 December 2016, 2017 and 2018 and 30 September 2019, the net carrying amount of motor vehicles of the Target Group includes an amount of approximately RMBNil, RMB636,000, RMB418,000 and RMB255,000, respectively, in respect of right-of-use asset held under a lease arrangement (note 17). The additions in respect of the Target Group's right-of-use asset amounted to RMBNil, RMB654,000, RMBNil, RMBNil and RMBNil for the years ended 31 December 2016, 2017 and 2018 and the nine months ended 30 September 2018 and 2019, respectively.

Target Company

	Buildings	Furniture and equipment	Motor vehicles	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2016				
Cost	6,466	2,505	598	9,569
Accumulated depreciation	(458)	(1,344)	(308)	(2,110)
Net book amount	6,008	1,161	290	7,459
Year ended 31 December 2016				
Opening net book amount	6,008	1,161	290	7,459
Additions	–	261	–	261
Depreciation	(309)	(413)	(57)	(779)
Closing net book amount	5,699	1,009	233	6,941
As at 31 December 2016 and 1 January 2017				
Cost	6,466	2,766	598	9,830
Accumulated depreciation	(767)	(1,757)	(365)	(2,889)
Net book amount	5,699	1,009	233	6,941
Year ended 31 December 2017				
Opening net book amount	5,699	1,009	233	6,941
Additions	–	207	654	861
Depreciation	(307)	(400)	(75)	(782)
Closing net book amount	5,392	816	812	7,020

	Buildings *RMB'000*	Furniture and equipment *RMB'000*	Motor vehicles *RMB'000*	Total *RMB'000*
As at 31 December 2017 and 1 January 2018				
Cost	6,466	2,973	1,252	10,691
Accumulated depreciation	(1,074)	(2,157)	(440)	(3,671)
Net book amount	5,392	816	812	7,020
Year ended 31 December 2018				
Opening net book amount	5,392	816	812	7,020
Additions	–	101	–	101
Disposal	–	–	(172)	(172)
Depreciation	(307)	(291)	(222)	(820)
Closing net book amount	5,085	626	418	6,129
As at 31 December 2018 and 1 January 2019				
Cost	6,466	3,074	654	10,194
Accumulated depreciation	(1,381)	(2,448)	(236)	(4,065)
Net book amount	5,085	626	418	6,129
Nine months ended 30 September 2019				
Opening net book amount	5,085	626	418	6,129
Additions	–	141	–	141
Disposal	–	(70)	–	(70)
Depreciation	(231)	(180)	(163)	(574)
Closing net book amount	4,854	517	255	5,626
As at 30 September 2019				
Cost	6,466	2,049	654	9,169
Accumulated depreciation	(1,612)	(1,532)	(399)	(3,543)
Net book amount	4,854	517	255	5,626

As at 31 December 2016, 2017 and 2018 and 30 September 2019, the net carrying amount of the motor vehicles of the Target Company includes an amount of approximately RMBNil, RMB636,000, RMB418,000 and RMB255,000, respectively, in respect of right-of-use asset held under a lease arrangement (note 17). The additions in respect of the Target Company's right-of-use asset amounted to RMBNil, RMB654,000, RMBNil, RMBNil and RMBNil for the years ended 31 December 2016, 2017 and 2018 and the nine months ended 30 September 2018 and 2019, respectively.

12. Intangible assets

Target Group and Target Company

	Computer software *RMB'000*
As at 1 January 2016	
Cost	467
Accumulated amortisation	(126)
Net book amount	341
Year ended 31 December 2016	
Opening net book amount	341
Amortisation	(84)
Closing net book amount	257
As at 31 December 2016 and 1 January 2017	
Cost	467
Accumulated amortisation	(210)
Net book amount	257
Year ended 31 December 2017	
Opening net book amount	257
Amortisation	(84)
Closing net book amount	173

	Computer software
	RMB'000
As at 31 December 2017 and 1 January 2018	
Cost	467
Accumulated amortisation	(294)
Net book amount	173
Year ended 31 December 2018	
Opening net book amount	173
Addition	27
Amortisation	(80)
Closing net book amount	120
As at 31 December 2018 and 1 January 2019	
Cost	494
Accumulated amortisation	(374)
Net book amount	120
Nine months ended 30 September 2019	
Opening net book amount	120
Write-off	(6)
Amortisation	(66)
Closing net book amount	48
As at 30 September 2019	
Cost	429
Accumulated amortisation	(381)
Net book amount	48

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

	Year ended 31 December			Nine months ended 30 September	
	2016	**2017**	**2018**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Administrative expenses	84	84	80	60	66

13. Investments in subsidiaries

Particulars of the subsidiaries (excluding the Excluded Subsidiary) as at 31 December 2016, 2017 and 2018 and 30 September 2019 are as follows:

Name of company	**Place of establishment and business and date of establishment**	**Registered and paid-up capital**	**Equity interest held**	**Principal activities**
Shanghai Wanrun Property Management Co., Ltd (上海萬潤物業管理有限公司)	The PRC/ 5 April 2005	RMB500,000	100%	Provision of property management services and related value-added services
Jiangsu Tongjin Property Management Services Co., Ltd (江蘇同進物業服務有限公司)	The PRC/ 9 January 2009	RMB5,000,000	100%	Provision of property management services and related value-added services

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

Both subsidiaries have adopted 31 December as their financial year end date.

The amounts due to subsidiaries are unsecured, interest fee and repayable on demand.

14. Trade and other receivables

Target Group

		As at 31 December			As at 30 September
		2016	2017	2018	2019
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables					
– Third parties		13,644	17,508	23,337	36,030
– Related parties	*21(c)*	716	1,221	1,290	1,590
		14,360	18,729	24,627	37,620
Less: ECL allowance		(2,609)	(4,670)	(8,494)	(10,740)
		11,751	14,059	16,133	26,880
Other receivables					
Deposits and other receivables		2,638	3,960	3,925	3,949
Less: deposits, non-current portion		(1,334)	(1,550)	(1,193)	(977)
Current portion		1,304	2,410	2,732	2,972
		13,055	16,469	18,865	29,852

Target Company

		As at 31 December			As at 30 September
		2016	**2017**	**2018**	**2019**
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables					
– Third parties		13,387	17,243	22,943	35,462
– Related parties	*21(c)*	716	1,221	1,290	1,590
		14,103	18,464	24,233	37,052
Less: ECL allowance		(2,550)	(4,580)	(8,450)	(10,642)
		11,553	13,884	15,783	26,410
Other receivables					
Deposits and other receivables		2,322	3,639	3,590	3,890
Less: deposits, non-current portion		(1,076)	(1,293)	(1,193)	(977)
Current portion		1,246	2,346	2,397	2,913
		12,799	16,230	18,180	29,323

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

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

The ageing analyses of net trade receivables at each reporting date, based on the invoice date are as follows:

Target Group

	As at 31 December			As at 30 September
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0 – 90 days	4,704	6,089	5,013	12,089
91 – 180 days	1,985	2,208	2,773	4,658
181 – 365 days	2,139	3,105	3,845	6,138
1 to 2 years	1,622	1,406	2,878	2,053
Over 2 years	1,301	1,251	1,624	1,942
	11,751	14,059	16,133	26,880

Target Company

	As at 31 December			As at 30 September
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0 – 90 days	4,678	6,037	4,689	11,868
91 – 180 days	1,856	2,163	2,763	4,548
181 – 365 days	2,096	3,057	3,832	6,004
1 to 2 years	1,622	1,378	2,876	2,052
Over 2 years	1,301	1,249	1,623	1,938
	11,553	13,884	15,783	26,410

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

Target Group

	Year ended 31 December			Nine months ended 30 September	
	2016	**2017**	**2018**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Balance at the beginning of the year/period	2,496	2,609	4,670	4,670	8,494
ECL allowance recognised	113	2,061	3,824	3,870	2,246
Balance at the end of the year/period	2,609	4,670	8,494	8,540	10,740

Target Company

	Year ended 31 December			Nine months ended 30 September	
	2016	**2017**	**2018**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Balance at the beginning of the year/period	2,296	2,550	4,580	4,580	8,450
ECL allowance recognised	254	2,030	3,870	3,883	2,192
Balance at the end of the year/period	2,550	4,580	8,450	8,463	10,642

The Target Group and the Target Company have established a provision matrix that is based on its historical credit loss experience and external indicators, adjusted for forward-looking factors specific to the debtors. Details of the credit risk and provision of ECL allowance are set out in note 23.2.

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

15. Amount due from a shareholder

As at 31 December 2017 and 2018, the amount due from a shareholder is unsecured, interest-free and repayable on demand.

During the nine months ended 30 September 2019, the directors of the Target Company resolved that the amount due from a shareholder of RMB3,120,000 was waived by the Target Company. Accordingly, the amount due from a shareholder of RMB3,120,000 was accounted for as a deemed distribution for the nine months ended 30 September 2019. This constituted a non-cash transaction during the nine months ended 30 September 2019.

16. Trade and other payables

Target Group

	As at 31 December			As at 30 September
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables				
– Third parties	1,954	2,604	4,128	4,781
Other payables				
Accrued charges and other payables	1,759	2,393	2,179	3,458
Amounts collected on behalf of property owners	8,796	12,740	16,991	21,192
Other tax liabilities	1,078	1,224	1,809	2,126
Staff costs and welfare accruals	16,472	18,480	13,814	13,923
	28,105	34,837	34,793	40,699
	30,059	37,441	38,921	45,480

Target Company

	As at 31 December			As at 30 September
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables				
– Third parties	1,932	2,503	4,022	4,634
Other payables				
Accrued charges and other payables	1,160	1,743	1,931	2,873
Amounts collected on behalf of property owners	7,519	11,230	14,991	19,123
Other tax liabilities	1,078	1,218	1,766	2,076
Staff costs and welfare accruals	16,138	18,025	13,413	12,962
	25,895	32,216	32,101	37,034
	27,827	34,719	36,123	41,668

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

Target Group

	As at 31 December			As at 30 September
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0 – 30 days	977	1,793	2,237	2,221
31 – 180 days	860	644	1,755	2,345
181 – 365 days	101	90	8	106
Over 1 year	16	77	128	109
	1,954	2,604	4,128	4,781

Target Company

	As at 31 December			As at 30 September
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0 – 30 days	963	1,727	2,162	2,120
31 – 180 days	852	609	1,739	2,328
181 – 365 days	101	90	8	77
Over 1 year	16	77	113	109
	1,932	2,503	4,022	4,634

17. Lease liability

Target Group and Target Company

During the year ended 31 December 2017, the Target Company acquired a motor vehicle to support its operations under a lease arrangement. The lease had initial lease terms for three years and carried an effective interest rate of 6% per annum.

The analysis of the lease liability is as follows:

	As at 31 December			As at 30 September
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Total minimum lease payments:				
Due within one year	–	241	240	240
Due over one year but less than two years	–	240	220	40
Due over two years but less than five years	–	220	–	–
	–	701	460	280
Future finance charges on lease liability	–	(63)	(27)	(10)
Present value of lease liability	–	638	433	270

The present value of lease liability is as follows:

	As at 31 December			As at 30 September
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Present value of minimum lease payments:				
Due within one year	–	205	219	230
Due over one year but less than two years	–	219	214	40
Due over two years but less than five years	–	214	–	–
	–	638	433	270
Less: Portion due within one year included under current liabilities	–	(205)	(219)	(230)
Non-current portion included under non-current liability	–	433	214	40

Lease liability is effectively secured as the right to the leased assets will revert to the lessor in the event of default.

As at 31 December 2017, 2018 and 30 September 2019, the lease liability of approximately RMB638,000, RMB433,000 and RMB270,000 respectively were guaranteed by a director of the Target Company, Mr. Yang Delin.

Depreciation charges recognised in profit or loss in respect of the right-of-use asset (i.e. motor vehicle) is analysed as follows:

	Year ended 31 December			Nine months ended 30 September	
	2016	**2017**	**2018**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Administrative expenses	–	18	218	163	163

18. Deferred tax assets

Target Group

The movement of deferred tax assets is as follows:

	ECL allowance on trade receivables
	RMB'000
At 1 January 2016	626
Recognised in profit or loss *(note 8)*	28
At 31 December 2016 and 1 January 2017	654
Recognised in profit or loss *(note 8)*	515
At 31 December 2017 and 1 January 2018	1,169
Recognised in profit or loss *(note 8)*	956
At 31 December 2018 and 1 January 2019	2,125
Recognised in profit or loss *(note 8)*	562
At 30 September 2019	2,687

As at 31 December 2016, 2017 and 2018 and 30 September 2019, the Target Group had unused tax losses of approximately RMB169,000, RMB1,444,000, RMB3,388,000 and RMB3,323,000, respectively to carry forward against future taxable income. As at 31 December 2016, 2017 and 2018 and 30 September 2019, no deferred tax asset has been recognised in respect of these losses due to the unpredictability of future profit streams.

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

	As at 31 December			As at 30 September
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
2018	169	116	–	–
2022	–	1,328	1,324	976
2023	–	–	2,064	2,064
2024	–	–	–	283
	169	1,444	3,388	3,323

Target Company

The movement of deferred tax assets is as follows:

	ECL allowance on trade receivables
	RMB'000
At 1 January 2016	576
Recognised in profit or loss	64
At 31 December 2016 and 1 January 2017	640
Recognised in profit or loss	507
At 31 December 2017 and 1 January 2018	1,147
Recognised in profit or loss	967
At 31 December 2018 and 1 January 2019	2,114
Recognised in profit or loss	549
At 30 September 2019	2,663

As at 31 December 2016, 2017 and 2018 and 30 September 2019, the branch offices of the Target Company had unused tax losses of approximately RMBNil, RMB1,324,000, RMB3,388,000 and RMB3,040,000, respectively to carry forward against future taxable income. As at 31 December 2016, 2017 and 2018 and 30 September 2019, no deferred tax asset has been recognised in respect of these losses due to the unpredictability of future profit streams.

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

	As at 31 December			As at 30 September
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
2022	–	1,324	1,324	976
2023	–	–	2,064	2,064
	–	1,324	3,388	3,040

19. Paid-up capital

As at 31 December 2016, 2017 and 2018 and 30 September 2019, the paid-up capital of the Target Company was RMB5,000,000.

20. Reserves

Target Group

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

Statutory reserve

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

Target Company

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

	Statutory reserve *RMB'000*	(Accumulated losses)/ Retained profits *RMB'000*	Total *RMB'000*
Balance at 1 January 2016	466	(2,957)	(2,491)
Profit and total comprehensive income for the year	–	4,127	4,127
Transactions with owners			
– Appropriation to statutory reserve	413	(413)	–
As at 31 December 2016 and 1 January 2017	879	757	1,636
Profit and total comprehensive income for the year	–	1,310	1,310
Transactions with owners			
– Appropriation to statutory reserve	131	(131)	–
As at 31 December 2017 and 1 January 2018	1,010	1,936	2,946
Profit and total comprehensive income for the year	–	1,422	1,422
Transactions with owners			
– Appropriation to statutory reserve	142	(142)	–
As at 31 December 2018 and 1 January 2019	1,152	3,216	4,368
Profit and total comprehensive income for the period	–	3,812	3,812
Transactions with owners			
– Deemed distribution *(note 15)*	–	(3,120)	(3,120)
As at 30 September 2019	1,152	3,908	5,060

21. Material related party transactions

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

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

Related parties	**Relationship with the Target Group**
Tongjin Real Estate	Immediate holding company
Kunshan Tongjin Real Estate Co., Ltd. (崑山同進置業有限公司)	A company controlled by Tongjin Real Estate
Shanghai Zhizhen Industrial Development Co., Ltd. (上海致臻實業發展有限公司)	A company controlled by Tongjin Real Estate
Shanghai Boxing Real Estate Co., Ltd. (上海博星房產有限公司)	A company controlled by Tongjin Real Estate
Shanghai Fudao Real Estate Co., Ltd. (上海富島房地產有限公司)	A company controlled by Tongjin Real Estate

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

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

	Year ended 31 December			**Nine months ended 30 September**	
	2016	**2017**	**2018**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Companies controlled by Tongjin Real Estate					
– Revenue arising from provision of property management and related value-added services	4,628	4,337	2,241	1,812	1,277

(c) Balances with related parties

	As at 31 December			As at 30 September
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amounts due from related parties				
Trade receivables				
– Companies controlled by Tongjin Real Estate	716	1,221	1,290	1,590

(d) Key management personnel remuneration

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

22. Notes to the consolidated statements of cash flows

22.1 Major non-cash transaction

In addition to the transactions/information disclosed elsewhere in the Historical Financial Information, during the year ended 31 December 2017, the Target Group entered into lease arrangements in respect of the acquisition of property, plant and equipment with a total capital value at the inception of the leases of RMB654,000.

22.2 Reconciliation of liabilities arising from financing activities

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

	Amounts due to shareholders	Lease liability	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2016	4,261	–	4,261
Cash flows			
– Repayment	(4,261)	–	(4,261)
At 31 December 2016 and 1 January 2017	–	–	–
Non-cash transaction:			
– Acquisition of property, plant and equipment	–	654	654
– Interest expenses on lease liability	–	4	4
Cash flows			
– Outflow from financing activities	–	(20)	(20)
At 31 December 2017 and 1 January 2018	–	638	638
Non-cash transaction:			
– Interest expenses on lease liability	–	36	36
Cash flows			
– Outflow from financing activities	–	(241)	(241)
At 31 December 2018 and 1 January 2019	–	433	433
Non-cash transaction:			
– Interest expenses on lease liability	–	17	17
Cash flows			
– Outflow from financing activities	–	(180)	(180)
At 30 September 2019	–	270	270

23. Financial risk management and fair value measurements

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

23.1 Categories of financial assets and liabilities

Target Group

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

	As at 31 December			As at 30 September
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets at amortised cost				
– Trade and other receivables	13,055	16,469	18,865	29,852
– Deposits	1,334	1,550	1,193	977
– Amount due from a shareholder	–	3,240	3,690	–
– Bank balances and cash	21,353	24,663	26,412	30,968
	35,742	45,922	50,160	61,797
Financial liabilities at amortised cost				
– Trade and other payables	30,059	37,441	38,921	45,480
Lease liability	–	638	433	270
	30,059	38,079	39,354	45,750

Target Company

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

	As at 31 December			As at 30 September
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets at amortised cost				
– Trade and other receivables	12,799	16,230	18,180	29,323
– Deposits	1,076	1,293	1,193	977
– Amount due from a shareholder	–	3,240	3,690	–
– Bank balances and cash	16,688	21,704	23,443	23,244
	30,563	42,467	46,506	53,544
Financial liabilities at amortised cost				
– Trade and other payables	27,827	34,719	36,123	41,668
– Amounts due to subsidiaries	2,383	3,504	3,771	–
Lease liability	–	638	433	270
	30,210	38,861	40,327	41,938

23.2 Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Target Group. The Target Group's maximum exposure to credit risk in relation to financial assets is limited to the carrying amount at each reporting date as disclosed in note 23.1.

(i) Trade receivables

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

In addition, as set out in note 2.8, the Target Group assesses ECL under IFRS 9 on trade receivables based on provision matrix, the expected loss rates are based on the payment profile for sales in the past 36 months as well as the corresponding historical credit losses during that period. The historical rates are adjusted to reflect current and forwarding-looking macroeconomic factors affecting the customer's ability to settle the amount outstanding. At each reporting date, the historical default rates are updated and changes in the forward-looking estimates are analysed. However, given the short period exposed to credit risk, the impact of these macroeconomic factors has not been considered significant within the reporting period.

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

As at 31 December 2016, 2017 and 2018 and 30 September 2019, the loss allowance provision for trade receivables was determined as follows. The expected credit losses below also incorporated forward-looking information and reflected the change in credit quality:

Target Group

	Third parties				Related parties	Total
	0 – 90 days	91 – 180 days	181 – 365 days	Over 1 year		
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2016						
Weighted average expected loss rate	4.6%	16.7%	19.0%	36.8%	0.5%	
Gross carrying amount	4,669	2,312	2,501	4,162	716	14,360
Loss allowance provision	214	385	476	1,530	4	2,609
At 31 December 2017						
Weighted average expected loss rate	8.2%	17.8%	19.0%	57.7%	0.5%	
Gross carrying amount	5,992	2,620	3,695	5,201	1,221	18,729
Loss allowance provision	490	469	702	3,002	7	4,670
At 31 December 2018						
Weighted average expected loss rate	11.7%	20.1%	23.0%	63.9%	0.5%	
Gross carrying amount	5,599	3,423	4,890	9,425	1,290	24,627
Loss allowance provision	653	689	1,123	6,022	7	8,494
At 30 September 2019						
Weighted average expected loss rate	11.5%	19.0%	21.9%	70.4%	0.5%	
Gross carrying amount	13,444	5,734	7,793	9,059	1,590	37,620
Loss allowance provision	1,548	1,092	1,710	6,382	8	10,740

Target Company

	Third parties				Related parties	Total
	0 – 90 days	91 – 180 days	181 – 365 days	Over 1 year		
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2016						
Weighted average expected loss rate	4.0%	16.8%	19.1%	36.8%	0.5%	
Gross carrying amount	4,613	2,162	2,452	4,160	716	14,103
Loss allowance provision	184	363	470	1,529	4	2,550
At 31 December 2017						
Weighted average expected loss rate	8.0%	17.8%	18.2%	57.9%	0.5%	
Gross carrying amount	5,926	2,565	3,601	5,151	1,221	18,464
Loss allowance provision	475	459	657	2,982	7	4,580
At 31 December 2018						
Weighted average expected loss rate	11.8%	20.1%	23.0%	63.9%	0.5%	
Gross carrying amount	5,236	3,411	4,874	9,422	1,290	24,233
Loss allowance provision	616	687	1,120	6,020	7	8,450
At 30 September 2019						
Weighted average expected loss rate	11.3%	19.2%	22.0%	70.5%	0.5%	
Gross carrying amount	13,168	5,610	7,627	9,057	1,590	37,052
Loss allowance provision	1,493	1,080	1,679	6,382	8	10,642

(ii) Other financial assets at amortised cost

Other financial assets at amortised cost include deposits, other receivables, amount due from a shareholder and bank balances and cash. In order to minimise the credit risk of deposits, other receivables and amount due from a shareholder, the management would make periodic collective and individual assessment on the recoverability of deposits, other receivables and amount due from a shareholder based on historical settlement records and past experience as well as collateral and current external information. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In addition, the management is of opinion that there is no significant increase in credit risk on these financial assets since initial recognition as the risk of default is low after considering the factors as set out in note 2.8 and, thus, ECL recognised is based on 12-month ECL and the impact of ECL is insignificant to the Historical Financial Information.

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

23.3 Liquidity risk

Liquidity risk relates to the risk that the Target Group will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Target Group is exposed to liquidity risk in respect of settlement of their recognised financial liabilities as summarised in note 23.1, and also in respect of its cash flow management. The Target Group's objective is to maintain an appropriate level of liquid assets and committed lines of funding to meet its liquidity requirements in the short and longer term.

Analysed below is the Target Group's remaining contractual maturities for its financial liabilities as at 31 December 2016, 2017 and 2018 and 30 September 2019. When the creditor has a choice of when the liability is settled, the liability is included on the basis of the earliest date on when the Target Group can be required to pay. Where the settlement of the liability is in instalments, each instalment is allocated to the earliest period in which the Target Group is committed to pay.

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

Target Group

	Within 1 year or on demand *RMB'000*	Over 1 year but within 2 years *RMB'000*	Over 2 years but within 5 years *RMB'000*	Total contractual undiscounted amount *RMB'000*	Carrying amount *RMB'000*
As at 31 December 2016					
Trade and other payables	30,059	–	–	30,059	30,059
As at 31 December 2017					
Trade and other payables	37,441	–	–	37,441	37,441
Lease liability	241	240	220	701	638
	37,682	240	220	38,142	38,079
As at 31 December 2018					
Trade and other payables	38,921	–	–	38,921	38,921
Lease liability	240	220	–	460	433
	39,161	220	–	39,381	39,354
As at 30 September 2019					
Trade and other payables	45,480	–	–	45,480	45,480
Lease liability	240	40	–	280	270
	45,720	40	–	45,760	45,750

Target Company

Other than the lease liability as described above, as at 31 December 2016, 2017 and 2018 and 30 September 2019, the Target Company's contractual maturity for its financial liabilities were within one year or on demand. The carrying amounts of its financial liabilities approximate their contractual undiscounted cash flows.

23.4 Interest rate risk

The Target Group and the Target Company are mainly exposed interest rate risk on the interest-bearing bank deposits. and lease liability. Bank deposits at variable rates expose the Target Group to cash flow interest rate risk. The Target Group is also exposed to fair value interest rate risk for the fixed rate lease liability. No sensitivity analysis is presented since the directors of the Target Company consider the exposure of cash flow interest rate and fair value interest rate risk arising from variable-rate bank deposits and fixed rate lease liability, respectively, will not be significant in the near future.

23.5 Fair value of financial assets and liabilities

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

24. Capital management

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

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

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target Company and its subsidiaries in respect of any period subsequent to 30 September 2019.

*Set out below is the management discussion and analysis on the Target Group for the three years ended 31 December 2018 and the nine months ended 30 September 2019 (the "**Track Record Period**"). The following financial information is based on the financial information of the Target Group as set out in Appendix II to this circular.*

BUSINESS REVIEW

The Target Group is a property management service provider, which provides property management services, community-related services and related services to property developers. The Target Group mainly provides property management services to residential projects and commercial properties located in Shanghai, Jiangsu, Anhui and Hebei provinces in the PRC with approximately 3.7 million meters of GFA under its management as at 30 September 2019.

Property Management Services

The Target Group provides a range of property management services to property owners, residents and property developers. The services include security, cleaning, greening, gardening services as well as repair and maintenance services. Its property management portfolio focuses on residential communities but also covers other types of properties such as commercial properties.

Community-Related Services

As an extension of the Target Group's property management services business, the Target Group provides community-related services to property owners and residents of the property management projects to address their lifestyle and daily needs, to enhance customer experience, satisfaction and royalty, as well as to create a healthier and more convenient living community for property owners and residents.

Related Services to property developers

The Target Group offers sales assistance services as well as consulting services to property developers to address their various needs on property management. It provides display unit management services, market planning services and visitor reception services to property developers during the sales and marketing phase of property management projects in order to facilitate the sale of development projects.

FINANCIAL REVIEW

Revenue

During the Track Record Period, the revenue of the Target Group increased steadily. During the years ended 31 December 2016, 2017 and 2018, and the nine months ended 30 September 2018 and 2019, the Target Group's total revenue amounted to approximately RMB73.8 million, RMB78.2 million, RMB85.6 million, RMB63.7 million and RMB68.0 million, respectively. The increase in revenue was mainly due to (i) the introduction of new projects and expansion of GFA under management; (ii) rising occupancy rates, which contributed to the increase in the Target Group's revenue from property management services; and (iii) the expansion of community value-added services.

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

	Year ended 31 December			Nine months ended 30 September	
	2016	**2017**	**2018**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Property management services	64,396	66,333	73,029	54,124	58,285
Community-related services	5,348	5,921	7,267	5,001	5,800
Related services to property developers	4,051	5,915	5,321	4,570	3,960
Total	73,795	78,169	85,617	63,695	68,045

Cost of sales

For the years ended 31 December 2016, 2017, 2018 and the nine months ended 30 September 2018 and 2019, the Target Group's cost of sales amounted to approximately RMB64.6 million, RMB69.6 million, RMB73.9 million, RMB54.1 million and RMB58.3 million, respectively. The increase in cost of sales mainly resulted from the scale-up of the Target Group's business.

Gross profit

During the Track Record Period, the Target Group's gross profit increased steadily. For the years ended 31 December 2016, 2017, 2018 and the nine months ended 30 September 2018 and 2019, the Target Group recorded gross profit of approximately RMB9.2 million, RMB8.6 million, RMB11.7 million, RMB9.6 million and RMB9.7 million, respectively; and overall gross profit margin of approximately 12.4%, 11.0%, 13.7%, 15.1% and 14.3%, respectively. The general increase in the Target Group's gross profit margin for the three years ended 31 December 2018 was primarily attributable to economies of scale, effective cost control, and the growth of community value-added services which has a higher gross profit margin. The decrease in the Target Group's gross profit margin for the nine months ended 30 September 2019 compared to 30 September 2018 was due to operation loss of a new property management project which involved the provision of management services to a government building during the year ended 31 December 2018. This new property management project nevertheless contributed profit for the nine months ended 30 September 2019.

Other income

For the years ended 31 December 2016, 2017, 2018 and the nine months ended 30 September 2018 and 2019, the Target Group's other income amounted to approximately RMB0.7 million, RMB0.3 million, RMB0.5 million, RMB0.4 million and RMB0.6 million, respectively. Other income of the Target Group mainly consisted of bank interest income and non-recurring items such as unconditional government grant.

Administrative expenses

For the years ended 31 December 2016, 2017, 2018 and the nine months ended 30 September 2018 and 2019, the Target Group's total administrative expenses amounted to approximately RMB4.8 million, RMB7.5 million, RMB9.6 million, RMB8.1 million and RMB6.1 million, respectively. The increase in the Target Group's administrative expenses for the three years ended 31 December 2018 was mainly due to the increase in expected credit loss ("**ECL**") allowance on trade receivables and staff costs. The decrease in the Target Group's administrative expenses for the nine months ended 30 September 2018 and 2019, was mainly due to decrease in ECL allowance expense on trade receivables bad debts.

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

	Year ended 31 December			Nine months ended 30 September	
	2016	**2017**	**2018**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Amortization	84	84	80	60	66
Depreciation	802	802	834	633	583
ECL allowance on trade receivables	113	2,061	3,824	3,870	2,246
Entertainment expenses	299	317	404	304	222
Printing and stationery	396	590	461	297	205
Professional fees	114	256	210	106	132
Staff costs	1,289	1,460	1,873	1,546	1,653
Travelling and transportation	986	1,006	1,072	767	403
Others	725	877	826	513	623
Total	4,808	7,453	9,584	8,096	6,133

The increase in staff costs was mainly due to the increase in both the headcount and average salary of administrative employees. More administrative employees were recruited to deal with the expanded business. The increase in ECL allowance on trade receivables for the three years ended 31 December 2018 was mainly due to the increase in trade receivables, which was caused by the revenue growth from property management services. ECL allowance on trade receivables decreased from approximately RMB3.9 million for the nine months ended 30 September 2018 to approximately RMB2.2 million for the nine months ended 30 September 2019, primarily due to implementation of strict collection policy.

Profit for the year/period

Profit for the years ended 31 December 2016, 2017, 2018 and the nine months ended 30 September 2018 and 2019 was approximately RMB3.5 million, RMB0.3 million, RMB1.8 million, RMB1.3 million and RMB3.5 million, respectively, representing a downward trend for the three years ended 31 December 2018 which was attributable to an increase in ECL allowance on trade receivables. Profit for the nine months ended 30 September 2019 rebound to approximately RMB3.5 million from corresponding period in 2018 due to an increase of property management projects and decrease in ECL allowance expense on trade receivables.

Trade and other receivables

As at 31 December 2016, 2017, 2018, and 30 September 2019, net trade receivables of the Target Group amounted to approximately RMB11.8 million, RMB14.1 million, RMB16.1 million and RMB26.9 million, respectively. The increase in the amount of trade receivables corresponded with the increase in the Target Group's revenue. Other receivables of the Target Group consist of deposits and other receivables which are mainly attributable to security deposits and are paid to the local authorities for providing property management services in accordance with local law requirements.

Amount due from a shareholder

Amount due from a shareholder of the Target Group mainly arise from advances to a shareholder in prior years. During the nine months ended 30 September 2019, the directors of the Target Company resolved that the amount due from a shareholder of RMB3,120,000 was waived and accordingly, such amount was accounted for as a deemed distribution during the nine months ended 30 September 2019.

Bank balances and cash

The Target Group had bank balances and cash as at 31 December 2016, 2017, 2018 and 30 September 2019 in the amounts of approximately RMB21.4 million, RMB24.7 million, RMB26.4 million and RMB31.0 million, respectively. The majority of the bank balances and cash were held in the form of bank deposits, with the remaining balances in the form of cash at bank and in hand. As at 30 September 2019, no bank balance was pledged for borrowings.

Trade and other payables

As at 31 December 2016, 2017, 2018, and 30 September 2019, trade payables of the Target Group amounted to approximately RMB2.0 million, RMB2.6 million, RMB4.1 million and RMB4.8 million, respectively. The increase in trade payables was consistent with the increase in the Target Group's cost of sales. Other payables mainly consist of amounts collected on behalf of property owners and staff costs and welfare accruals. The increase in the amounts collected on behalf of property owners was due to the increase in the Target Group's GFA as more deposits were collected on behalf of property owners for paying of utilities.

Contract liabilities

Contract liabilities of the Target Group consist of property management fees paid by customers in advance for the services which have not been provided and not been recognised as revenue. As at 31 December 2016, 2017, 2018, and 30 September 2019, contract liabilities of the Target Group amounted to approximately RMB4.1 million, RMB5.6 million, RMB6.1 million and RMB10.0 million, respectively. The increase in contract liabilities was primarily due to the increase in the Target Group's GFA under management and customer base during the Track Record Period.

Gearing

As at 31 December 2016, 2017, 2018, and 30 September 2019, the Target Group did not have any outstanding debt (including bank borrowings and notes payable) and accordingly the Target Group did not have any gearing ratio for the corresponding period.

Capital structure

As at 31 December 2016, 2017, 2018, and 30 September 2019, the Target Group's bank balances and cash were mainly denominated in Renminbi.

As at 31 December 2016, 2017, 2018, and 30 September 2019, equity attributable to the owners of the Target Group amounted to approximately RMB7.9 million, RMB8.2 million, RMB9.9 million and RMB10.3 million, respectively. During the Track Record Period, the financial position of the Target Group remained stable. The Target Group recorded net current liabilities of approximately RMB1.4 million as at both 31 December 2016 and 2017, and net current assets of approximately RMB0.6 million and RMB1.0 million as at 31 December 2018 and 30 September 2019, respectively.

Liquidity and financial resources

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

As at 31 December 2016, 2017 and 2018 and 30 September 2019, the Target Group did not have any capital commitment. As at 31 December 2016, 2017 and 2018 and 30 September 2019, the Target Group had lease liability of approximately RMBNil, RMB0.6 million, RMB0.4 million and RMB0.3 million, respectively. The lease liability was secured by the pledged motor vehicle and guaranteed by Mr. Yang.

Pledging of assets

As at 31 December 2016, 2017 and 2018 and 30 September 2019, right-of-use asset in respect of a motor vehicle held under lease arrangement with net carrying amount of RMBNil, RMB0.6 million, RMB0.4 million and RMB0.3 million was pledged to secure the lease liability as at 31 December 2016, 2017 and 2018 and 30 September 2019, respectively.

Significant investments, material acquisitions and disposals

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

Contingent liabilities

As at 30 September 2019, the Target Group did not have any contingent liabilities.

Foreign exchange risk

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

Future plans for material investments or capital assets

As at 30 September 2019, the Target Group did not have any plan for material investments or capital assets.

Employment and remuneration policy

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

As at 31 December 2016, 2017 and 2018 and 30 September 2019, the Target Group had 382, 409, 375 and 356 employees, respectively.

Prospects

The Target Group has a wide geographical coverage of property projects, strong brand strength and service quality. It plans to continue to promote low-cost brand expansion strategy and achieve business expansion through securing new contracts from small and medium property developers, governments, industry parks and schools. In addition to continuing to expand its business scale, it will also maintain service quality and owners' satisfaction, as well as to focus on obtaining new market opportunities through bidding for new property management projects for expansion. The Target Group will selectively evaluate the opportunities in the surrounding areas of its existing business locations, increase the density of projects through business expansion, and realise geographical synergy and complementary effects among regions, so as to further enhance its management efficiency, maximise the economies of scale and maintain a reasonable balance between the geographic coverage and profitability of its property management services.

A) UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

(i) Introduction to the unaudited pro forma financial information

The following is an illustrative unaudited pro forma consolidated statement of financial position of the Enlarged Group ("**Unaudited Pro Forma Financial Information**"), being Hevol Services Group Co. Limited and its subsidiaries (collectively referred to as the "**Group**") together with the equity interest in Shanghai Tongjin Property Management Services Co. Ltd (the "**Target Company**") and its subsidiaries, namely Jiangsu Tongjin Property Management Services Co., Ltd and Shanghai Wanrun Property Management Co., Ltd (collectively referred as to the "**Target Group**"), which have been prepared in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants, for the purpose of illustrating the effect of the proposed acquisition of 70% equity interest of the Target Group (the "**Proposed Acquisition**") pursuant to the sale and purchase agreement dated 28 December 2019 (the "**Sale and Purchase Agreement**") on the Group as set out for inclusion in this circular (the "**Circular**").

The Unaudited Pro Forma Financial Information has been prepared to illustrate the effect of the Proposed Acquisition on the consolidated financial position of the Enlarged Group as at 30 June 2019 as if the Proposed Acquisition had been completed on 30 June 2019. The Unaudited Pro Forma Financial Information has been prepared for illustrative purpose only, and because of its hypothetical nature, it may not give a true picture of the financial position of the Enlarged Group had the Proposed Acquisition been completed as at the specified dates or any future date.

The Unaudited Pro Forma Financial Information of the Enlarged Group should be read in conjunction with the historical financial information of the Group set out in the published interim report of the Company for the six months ended 30 June 2019 and other financial information included elsewhere in the Circular.

(ii) Unaudited pro forma consolidated statement of financial position

	The Group as at 30 June 2019	The Target Group as at 30 September 2019	Pro Forma Adjustments		The Enlarged Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	
Non-current assets					
Property, plant and equipment	5,219	5,641	2,046		12,906
Intangible assets	853	48	7,562		8,463
Investment properties	31,445	–			31,445
Goodwill	–	–	17,302		17,302
Deposits	–	977			977
Deferred tax assets	2,110	2,687			4,797
	39,627	9,353			75,890
Current assets					
Inventories	44	–			44
Trade and other receivables	62,129	29,852			91,981
Bank balances and cash	137,570	30,968	(29,591)	(1,500)	137,447
	199,743	60,820			229,472
Current liabilities					
Trade and other payables	88,127	45,480			133,607
Contract liabilities	58,717	10,038			68,755
Lease liabilities	917	230			1,147
Income tax liabilities	2,044	4,036			6,080
Dividends payable	25,400	–			25,400
	175,205	59,784			234,989
Net current assets/(liabilities)	24,538	1,036			(5,517)
Total assets less current liabilities	64,165	10,389			70,373
Non-current liabilities					
Lease liabilities	1,853	40			1,893
Deferred tax liabilities	4,600	–	2,402		7,002
	6,453	40			8,895
Net assets	57,712	10,349			61,478
EQUITY					
Issued capital	–*	5,000	(5,000)		–*
Reserves	57,712	5,349	(5,349)	(1,500)	56,212
Equity attributable to the equity holders of the Company	57,712	10,349			56,212
Non-controlling interests	–	–	5,266		5,266
Total equity	57,712	10,349			61,478

* *The balance represents amount less than RMB1,000.*

Notes:

1. The consolidated statement of financial position of the Group is extracted from the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2019, as set out in the published interim report of the Company for the six months ended 30 June 2019.

2. The consolidated statement of financial position of the Target Group as at 30 September 2019 are extracted from the accountants' report of the Target Group as set out in Appendix II to the Circular.

3. The identifiable assets and liabilities of the Target Group will be accounted for in the consolidated financial statements of the Enlarged Group at their fair values as required by the acquisition method of accounting in accordance with International Financial Reporting Standard 3 (Revised) "Business Combinations". For the purpose of the Unaudited Pro Forma Financial Information of the Enlarged Group, the allocation of the purchase consideration is determined based on the estimates of the fair values of the identifiable assets and liabilities of the Target Group made the by the directors of the Company, and by reference to a valuation report issued by International Valuation Limited, an independent qualified valuer, as if the Proposed Acquisition was completed on the 30 June 2019.

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

	Notes	***RMB'000***
Cash consideration	*(a)*	29,591
Less: Net identifiable assets acquired:		
Carrying amounts of net assets of the Target Group		10,349
Fair value adjustments	*(b)*	7,206
Total net assets acquired		17,555
Less: Non-controlling interests of the Target Group*		(5,266)
Identifiable assets acquired and liabilities assumed		12,289
Goodwill arising from the Proposed Acquisition	*(c)*	17,302

* The amount of non-controlling interests of approximately RMB5,266,000 is calculated at 30% of the total fair value of identifiable assets and liabilities of approximately RMB17,555,000 attributable to owners of the Target Group.

a) Pursuant to the Sale and Purchase Agreement, the cash consideration for the Proposed Acquisition amounted to of RMB29,590,500. The consideration will be financed by internal resources of the Group.

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

	Notes	**Carrying amount** *RMB'000*	**Fair value adjustment** *RMB'000*	**Fair value** *RMB'000*
Property, plant and equipment	*(i)*	5,641	2,046	7,687
Intangible assets	*(ii)*	48	7,562	7,610
Deposits		977	–	977
Deferred tax assets		2,687	–	2,687
Trade and other receivables		29,852	–	29,852
Cash and cash equivalents		30,968	–	30,968
Contract liabilities		(10,038)	–	(10,038)
Trade and other payables		(45,480)	–	(45,480)
Lease liabilities		(270)	–	(270)
Income tax liabilities		(4,036)	–	(4,036)
Deferred tax liabilities	*(iii)*	–	(2,402)	(2,402)
Net assets		10,349	7,206	17,555

Notes:

(i) This represents the fair value adjustment of the Target Group's buildings of approximately RMB2,046,000 which is determined based on market approach.

(ii) This represents the fair value adjustment for the Target Group's customer relationship. The fair value of the customer relationship of approximately RMB7,562,000 is estimated by adopting multi-period excess earnings method through the sum of the present values of future excess earnings attributable to the expected renewal period of the Target Group's management projects.

(iii) Deferred tax liabilities amounting to approximately RMB2,402,000 is calculated based on the total fair value adjustments of the property, plant and equipment and intangible assets which amounted to approximately RMB9,608,000, calculated at the People's Republic of China enterprise income tax rate of 25%.

c) In the preparation of the Unaudited Pro Forma Financial Information, fair values of the identifiable assets and liabilities of the Target Group as at 30 September 2019 were used to determine the goodwill of the Proposed Acquisition. Upon completion of the Proposed Acquisition, the fair values of the identifiable assets and liabilities of the Target Group as at the date of completion will be used to determine the actual amount of goodwill of the Proposed Acquisition. Such actual amount may be different from the amount presented herein and such difference may be significant.

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

4. The adjustment represents estimated legal and professional fees and other expenses of approximately RMB1,500,000 directly attributable to the Proposed Acquisition and the amounts will be recognised in profit or loss.

5. No other adjustment has been made to the Unaudited Pro Forma Financial Information to reflect any trading results or other transactions of the Enlarged Group entered into subsequent to 30 June 2019.

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

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

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

TO THE DIRECTORS OF HEVOL SERVICES GROUP CO. LIMITED

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Hevol Services Group Co. Limited (the "**Company**") and its subsidiaries, (collectively the "**Group**"), and Shanghai Tongjin Property Management Services Co. Ltd (the "**Target Company**") and its subsidiaries, namely Jiangsu Tongjin Property Management Services Co., Ltd and Shanghai Wanrun Property Management Co., Ltd (the "**Target Group**") (collectively the "**Enlarged Group**") by the directors of the Company for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of financial position as at 30 June 2019 and related notes as set out in IV-1 to IV-4 of the Company's circular dated 27 February 2020 (the "**Circular**") in connection with the proposed acquisitions of 70% equity interest of the Target Group (hereinafter collectively referred to as the "**Proposed Acquisition**"). The applicable criteria on the basis of which the directors of the Company have compiled the unaudited pro forma financial information are described in Part A of Appendix IV to the Circular.

The unaudited pro forma financial information has been compiled by the directors of the Company to illustrate the impact of the Proposed Acquisition on the Group's financial position as at 30 June 2019 as if the Proposed Acquisition had taken place at 30 June 2019. As part of this process, information about the Group's financial position as at 30 June 2019 has been extracted by the directors of the Company from the Group's condensed consolidated financial statements for the six months ended 30 June 2019, on which no audit or review report has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

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

Our Independence and Quality Control

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

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

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements ("**HKSAE**") 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the directors of the Company have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

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

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on the unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the events or transactions at 30 June 2019 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors of the Company in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and

- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

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

Opinion

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;

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

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Grant Thornton Hong Kong Limited
Certified Public Accountants
Level 12
28 Hennessy Road
Wanchai
Hong Kong

27 February 2020

Han Pui Yu
Practising Certificate No: P07101

INTERNATIONAL VALUATION LIMITED
國際評估有限公司

February 27, 2020

The Board of Directors
Hevol Services Group Co. Limited
Suite 3101
Everbright Centre
108 Gloucester Road
Wanchai
Hong Kong

Ref: 20191508

Dear Sir and Madam,

International Valuation Limited ("**IVL**") has concluded its analysis on the 70% equity interest in 上海同進物業服務有限公司 (the "**Target Company**") and its subsidiaries, excluding Haoshi Investment Management Consulting Co., Ltd. (上海浩獅投資管理諮詢有限公司, the "**Excluded Subsidiary**") collectively referred to as (the "**Target Group**"). The purpose of this engagement is to estimate the market value of the 70% equity interest in the Target Group as of September 30, 2019 (the "**Valuation Date**").

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

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

PURPOSE OF APPRAISAL

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

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

DEFINITION OF VALUE

The report was prepared in accordance with International Valuation Standards 2017. In estimating the market value of the equity appraised under this engagement, our efforts will be based on the following description of Market Value: *"Market Value is the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."* Unless otherwise noted, the market value of the 70% equity interest in the Target Group is determined on majority shares and going concern bases.

SCOPE OF THE ENGAGEMENT

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

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

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

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

This valuation report comprises:

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

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

SOURCES OF INFORMATION

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

- General descriptions and background of the Target Group;
- Share Purchase Agreement between the Company and the Target Group;
- Legal due diligence report for the Target Group;
- Project and contracts summary of the Target Group;
- Historical Consolidated financial statement of the Target Group for the years ended December 31, 2016 to December 31, 2018; and
- Consolidated management account of the Target Group for the 9 months ended September 30, 2018 and September 30, 2019.

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

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

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

CONCLUSION

Based on the information provided and the analysis conducted, and subject to the Major Assumptions and Statement of Limiting Conditions, our opinion of the market value of the 70% equity interest in the Target Group as of September 30, 2019 is reasonably represented in the amount of approximately, **RENMINBI THIRTY FIVE MILLION SIX HUNDRED AND THIRTY FIVE THOUSAND ONLY (RMB35,635,000).**

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

Respectfully submitted,
International Valuation Limited

CONTENTS

1. INTRODUCTION

Description of the Assignment

International Valuation Limited ("**IVL**") has concluded its analysis on the 70% equity interest in 上海同進物業服務有限公司 (the "**Target Company**") and its subsidiaries excluding Haoshi Investment Management Consulting Co., Ltd. (上海浩獅投資管理諮詢有限公司, the "**Excluded Subsidiary**") (collectively referred to as the "**Target Group**"). The purpose of this engagement is to estimate the market value of the 70% equity interest in the Target Group as of September 30, 2019 (the "**Valuation Date**") solely to assist the management (the "**Management**") of Hevol Service Group Co. Limited (the "**Company**") and its subsidiaries (together as the "**Group**") to determine the market value of the 70% equity interest in the Target Group as of the Valuation Date for transaction reference purpose.

The report was prepared in accordance with International Valuation Standards 2017. In estimating the market value of the equity appraised under this engagement, our efforts will be based on the following description of Market Value: *"Market Value is the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."* Unless otherwise noted, the market value of the 70% equity interest in the Target Group is determined on majority shares and going concern bases.

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

- Discussions with the Management concerning the history, development and prospect of the Target Group;

- Discussions with the Management to obtain an explanation and clarification of data provided;

- Analysis of conditions in, and the economic outlook for the territory which the Target Group operates and conducts its businesses;

- Analysis of general market data, including economic, governmental, and environmental forces, that may affect the value of the Target Group;

- Development of valuation models used to value the Target Group, including gathering market and industry information in support of various assumptions; and

- Analysis of other facts and data considered pertinent to this valuation to arrive at a conclusion of the market value of the 70% equity interest in the Target Group.

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

Sources of Information

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

- General descriptions and background of the Target Group;
- Share Purchase Agreement between the Company and the Target Group;
- Due diligence report for the Target Group;
- Project and contracts summary of the Target Group;
- Historical Consolidated financial statement of the Target Group for the years ended December 31, 2016 to December 31, 2018; and
- Consolidated management account of the Target Group for the 9 months ended September 30, 2018 and September 30, 2019.

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

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

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

2. PURPOSE OF APPRAISAL

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

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

3. OVERVIEW OF THE TARGET GROUP

Business Descriptions

The Target Company is a company incorporated in the People's Republic of China ("**PRC**") with limited liability. The Target Group is a property management company incorporated in the PRC and located in Shanghai, with 34 property management projects and approximately 3.7 million square meters of gross floor area under management as of the Valuation Date.

Target Business

The Target Company is a PRC-based property management company principally engaged in the provision of property management services including hotel management, property cleaning, and landscaping and other clubbing service in both public and private sectors in 34 projects in Shanghai, Jiangsu, Anhui and Hebei provinces in the PRC as of the Valuation Date.

Site Inspection

A site inspection was conducted in early December 2019 in Shanghai and Jiangsu. We visited five major estates of managed by the Target Group. Moreover, we have conducted meetings and discussions with the Management of the Target Group about the general conditions of the property management industry and local demand, location and pricing strategies, and business model. In general, our observations are consistent with the principal business activities of the Target Group.

4. ECONOMIC OVERVIEW

Overview of the Shanghai Economy

Shanghai is one of the world's largest seaports and a major industrial and commercial centre of China. Alongside Beijing, Chongqing, and Tianjin, it is one of the four municipalities directly controlled by the central government. Located at the mouth of the Yangtze River on China's east-central coast, Shanghai is regarded as the centre of Yangtze River Delta economic circle, the richest mega city cluster per capita in China.

According to Shanghai Statistical Bureau, the gross domestic product ("**GDP**") of Shanghai experienced 6.6 percent year-on-year growth to RMB3,268 billion in 2018. Being a core port for domestic and international trade, the value of imports and exports accounted for 20 percent of the country's total GDP. Also, Shanghai is transforming into a post-industrial economy by selecting six new pillar-industries, including information industry, financial services, commerce and trade, automobile manufacture, equipment assemblies and real estate. In 2018, around 70% of Shanghai's GDP was attributed to services industries. In addition, the share of low value-added manufacturing has decreased significantly, particularly the textile and heavy-equipment manufacturing industries as many of them have relocated outside Shanghai.

5. INDUSTRY OVERVIEW

The 2018 industry report on the top 100 property management companies, issued by the China Index Academy, showed that the industry was getting more concentrated and the top players are likely to continue to excel. The Top 10 companies had an 11.1 percent market share in 2017, compared to 10.2 percent in 2016, and their market share is likely to increase further through mergers and acquisitions. In addition, many property managers recorded good earnings growth in 2018, and some achieved more than 30 percent year-on-year growth in earnings per shares. The FY2018 earnings for smaller property management companies were even stronger due to a relatively small base, good organic growth with the support of a well-known parent and good execution.

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

Value-added services ("**VAS**") are emerged from the basic property management services recently. VAS to non-property owners are generally related to property sales and consultancy services, while VAS to property owners are related to the community's daily needs, such as housekeeping, repair and maintenance, child care, etc. According to China Index Academy, 41.7 percent of the net profit of top 100 property managers in 2017 was attributed to VAS, compared to 39.2 percent of the net profit in 2016.

6. DEFINITION OF VALUE

The report was prepared in accordance with International Valuation Standards 2017. In estimating the market value of the equity interest appraised under this engagement, our efforts will be based on the following description of Market Value: *"Market Value is the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."* Unless otherwise noted, the market value of 70% equity interest in the Target Group is determined on majority shares and going concern bases.

7. GENERAL VALUATION OVERVIEW

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

Income Approach

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

Market Approach

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

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

Cost Approach

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

Selected Approach

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

In estimating the market value of the equity interest in the Target Group, we relied primarily on the Market Approach. The Cost Approach was not adopted as it may not be able to reflect the expected future economic benefits of an income-generating business. The Income Approach is also not adopted since prospective financial projection at market participants' point of view, which is subject to a number of assumptions and contingent factors, was not reliably available.

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

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

Introduction

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

Valuation Approach

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

To adopt the guideline public company method under the Market Approach, we have to determine the appropriate valuation multiples of comparable companies, in which we have considered enterprise-value-to-sales ("**EV/Sales**"), price-to-sales ("**P/S**"), enterprise-value-to-earnings-before-interest-and-tax ("**EV/EBIT**"), enterprise-value-to-earnings-before-interest-tax-depreciation-and-amortization ("**EV/EBITDA**"), price-to-earnings ("**P/E**") and price-to-book ("**P/B**") multiples.

EV/Sales and P/S multiples were not adopted since these multiples could not take into account of the differences in cost structure between the Target Group and the comparable companies. P/B multiple was not adopted because this method could not consider the profitability or the earning potential of the Target Group. EV/EBITDA and EV/EBIT multiples were not adopted because there might be differences in earning impact from accounting treatments between the Target Group and the comparable companies in relations to the recent promulgation of the International Financial Reporting Standard 16 – Leases ("**IFRS 16**") effective from annual financial reporting periods beginning on or after January 1, 2019 (early adoption allowed). In view of possible leasing of assets, there might be varying impact on the enterprise value (due to higher total debt from lease liabilities) and EBITDA (due to exclusion of operating lease expenses) of the comparable companies during the transition period. P/E multiple is a commonly used multiple for measuring the value of a profit-making company and the impact on net profit from the transition of HKFRS16 is relatively less severe. Hence, we have employed P/E multiple in the valuation for the Target Group as of the Valuation Date.

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

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

- The company is principally engaged in property management in the PRC, which is close to the Target Group's business;
- Over 50% of the total revenue of the company was generated from property management in the PRC in its preceding financial year; and
- The company was making profit according to the annual report of its preceding financial year and with pertaining listing history in Hong Kong.

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

Comparable Companies	Business description
Colour Life Services Group Co Ltd (1778 HK)	Colour Life Services Group Co., Ltd. is a real estate management company in the People's Republic of China.
China Overseas Property Holdings Ltd (2669 HK)	China Overseas Property Holdings Limited operates as a property management firm. The company manages residential communities, commercial properties and government properties in Hong Kong and Macau.
Zhong Ao Home Group Ltd (1538 HK)	Zhong Ao Home Group Limited is an independent property management company in China. The company provides property developers and owners with management services to residential properties. Zhong Ao Home Group also offers sales assistance by deploying on-site staff.
Country Garden Services Holdings Co Ltd (6098 HK)	Country Garden Services Holdings Company Limited provides real estate development services. The company develops residential apartments, multi-functional complex buildings, government and public facilities, industrial parks, highway service stations, and schools. Country Garden Services Holdings serves clients in China.
A-Living Services Co Ltd (3319 HK)	A-Living Services Co., Ltd. offers property management services. The company provides hydropower maintenance, interior decoration works, landscaping works, parking management, home cleaning services, and other services. A-Living Services offers services in China.
Greentown Service Group Co Ltd (2869 HK)	Greentown Service Group Co. Ltd. operates in the real estate service industry. The company provides property management, consulting, and community value-added services.

Comparable Companies	Business description
Ever Sunshine Lifestyle Services Group Ltd (1995 HK)	Ever Sunshine Lifestyle Services Group Limited operates as an investment holding company. The company and its subsidiaries, principally engages in provision of property management and value-added services to non-property owners. Ever Sunshine Lifestyle Services Group serves customers in China.
Riverine China Holdings Ltd (1417 HK)	Riverine China Holdings Limited operates as a property management company. The company offers engineering, repair and maintenance, security, and cleaning and gardening services. Riverine China Holdings serves office buildings, cultural venues, stadiums, exhibition halls, government properties, and industrial areas in China.

Source: Bloomberg

We are not aware of any other comparable companies satisfying the selection criteria but not selected in our valuation. Hence, the selections are considered exhaustive based on our research analysis.

Below are the P/E multiples of the comparable companies as of the Valuation Date as extracted from Bloomberg and latest published annual reports and/or interim reports as of the Valuation Date to arrive at the market value of the Target Group.

Comparable Companies	P/E Multiple
Colour Life Services Group Co Ltd (1778 HK)	9.2x
China Overseas Property Holdings Ltd (2669 HK)	29.6x
Zhong Ao Home Group Ltd (1538 HK)	4.9x
Country Garden Services Holdings Co Ltd (6098 HK)	41.4x
A-Living Services Co Ltd (3319 HK)	20.8x
Greentown Service Group Co Ltd (2869 HK)	38.1x
Ever Sunshine Lifestyle Services Group Ltd (1995 HK)	33.4x
Riverine China Holdings Ltd (1417 HK)	37.4x
Average	**26.8x**

Source: Bloomberg and latest published annual reports and/or interim reports of the comparable companies as of the Valuation Date.

We multiplied the average P/E multiple of the comparable companies as of the Valuation Date to the latest 12-month normalized net profit of the Target Group to arrive at the equity value of the Target Group. The financial information applied in this valuation is prepared on carve-out basis excluding the Excluded Subsidiary. The latest 12-month normalized net profit was based on the draft unaudited management accounts of the Target Group for the 9 months ended September 30, 2019 and September 30, 2018, and the year ended December 31, 2018 excluding any non-recurring other income/loss and impairment losses, and related adjustments and normalized with statutory profit tax rate. Incomes and expenses for the 9 months ended September 30, 2019 and the year ended December 31, 2018 are added, then minus those for the 9 months ended September 30, 2018. Common non-recurring items include, but not limited to, fair value change in financial assets/ liabilities, goodwill or other asset impairments, share compensation expenses, if any. Any gains or losses relating to the disposal of the Excluded Subsidiary upon completion of the transaction is also not included. An anticipated increase in provision on trade receivables based on management estimate is applied for conservative sake. We then adjusted the derived equity value of the Target Group with discount for lack of marketability ("**DLOM**") and control premium to account for the fact that the Target Group is a private company as of the Valuation Date and the subject equity interest is on controlling basis.

Discount for Lack of Marketability ("DLOM")

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

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

Based on Stout Restricted Stock Study Companion Guide 2019 published by Stout Risius Ross, LLC, a marketability discount of approximately 20.6% has been adopted.

Control Premium

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

Based on Mergerstat Control Premium Study published by FactSet Mergerstat, LLC, a control premium of approximately 22.4% has been adopted.

Summary of Calculation

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

As of September 30, 2019

	RMB
Latest 12-month Normalized Net Profit	1,863,000
Multiply: Average Market Multiple as of the Valuation Date	26.8x
Equity Value (marketable and minority basis)	**50,006,765**
Add: Control Premium of 22.4%	11,201,515
Less: Discount for Lack of Marketability of 20.6%	(10,301,394)
Market Value of 100% Equity Interest in the Target Group	**50,906,887**
Market Value of 70% Equity Interest in the Target Group (Rounded)	**35,635,000**

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

9. SENSITIVITY ANALYSIS

A sensitivity analysis on the Market Value of the Target Group was performed, assuming different levels of P/E and normalized net profit from the Target Group.

Normalised net profit	**Percentage of variation in P/E multiple**				
	-40%	**-20%**	**0%**	**20%**	**40%**
(RMB)					
1,117,800	12,829,000	17,105,000	**21,381,000**	25,657,000	29,933,000
1,410,400	17,105,000	22,806,000	**28,508,000**	34,209,000	39,911,000
1,863,000	**21,381,000**	**28,508,000**	**35,635,000**	**42,762,000**	**49,889,000**
2,235,600	25,657,000	34,209,000	**42,762,000**	51,314,000	59,866,000
2,608,200	29,933,000	39,911,000	**49,889,000**	59,866,000	69,844,000

10. MAJOR ASSUMPTIONS

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

- Unaudited management accounts of the Target Group for 9 months ended September 30, 2019 as provided by the Management can reasonably represent its financial position and performance of the Target Group as of the Valuation Date since audited financial accounts as of the Valuation Date was not available;

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

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

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

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

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

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

11. CONCLUSION OF VALUE

Based on the information provided and the analysis conducted, and subject to the Major Assumptions and Statement of Limiting Conditions, our opinion of the market value of the 70% equity interest in the Target Group as of September 30, 2019 is reasonably represented in the amount of approximately, **RENMINBI THIRTY FIVE MILLION SIX HUNDRED AND THIRTY FIVE THOUSAND ONLY (RMB35,635,000).**

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

Yours faithfully,
For and on behalf of

International Valuation Limited

Prepared by: Jack K.W. Leung, *CFA, CVA, FRM, MPhil*
Reviewed by: Winnie W.Y. Lam, *CFA*

Mr. Jack Leung has more than 16 years of experience in investment and financial analyses, including more than 9 years of experience in business and financial instruments valuations. Jack is a charter holder of Chartered Financial Analyst (CFA), Chartered Valuer and Appraiser, Singapore (CVA) and Financial Risk Manager (FRM). He graduated from the University of Hong Kong with a Master of Philosophy majored finance.

Ms. Winnie Lam has more than 9 years of experience in valuation and financial analyses, including business valuation, valuation of intangible assets, financial instruments, natural resources projects and purchase price allocation. Winnie is a charter holder of Chartered Financial Analyst (CFA) and she graduated from the Hong Kong University of Science and Technology with a Bachelor of Business Administration double-majored in finance and management of organizations.

12. STATEMENT OF LIMITING CONDITIONS

This analysis is subject to the following limiting conditions:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1. RESPONSIBILITY STATEMENT

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

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

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

(i) Long positions in the Shares

Director	Nature of Interest	Number of Ordinary Shares	Approximate percentage of the Company's total issued share capital
Mr. Liu Jiang	Interest of controlled corporation(1)	286,439,934(1)	71.61%

(ii) Long positions in the shares of associated corporations

Director	Name of Associated Corporation	Number of shares	Approximate percentage of the Company's total issued share capital
Mr. Liu Jiang	Brilliant Brother(1)	1	100%

Note:

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

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

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

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

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

Long Positions in the Shares

Name	Capacity/ Nature of Interest	Total Number of Shares	Approximate percentage of the Company's total issued share capital (%)
Mr. Liu Jiang[(1)]	Interest of controlled corporation	286,439,934	71.61%
Brilliant Brother	Beneficial owner	286,439,934	71.61%
Mrs. Liu Hong (劉宏)[(2)]	Interest of spouse	286,439,934	71.61%

Notes:

(1) The entire issued share capital of Brilliant Brother is held by Mr. Liu Jiang. Therefore, Mr. Liu Jiang is deemed to be interested in the shares held by Brilliant Brother in the Company under the SFO.

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

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

5. COMPETING INTERESTS

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

6. DIRECTORS' SERVICE CONTRACTS

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

7. DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE AND ASSETS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been, since 31 December 2018, being the date to which the latest published audited accounts of the Company were made up, acquired or disposed of, by or leased to any member of the Enlarged Group, or are proposed to be acquired or disposed of, by or leased to any member of the Enlarged Group.

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

8. LITIGATION

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

9. MATERIAL CONTRACTS

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

(a) the transfer agreement (轉讓協議) (in Chinese) dated 8 August 2018 between Hevol Holding Group Limited* (和泓控股集團有限公司) ("**Hevol Investment**") and Guizhou Hevol Abundance Property Management Limited* (貴州和泓豐盈物業管理有限公司) ("**Hevol Abundance**"), pursuant to which Hevol Investment shall transfer the share capital of RMB16,500,000 in Beijing Hongsheng to Hevol Abundance;

(b) the transfer agreement (轉讓協議) (in Chinese) dated 8 August 2018 between Hevol Real Estate Group Limited* (和泓置地集團有限公司) ("**Hevol Real Estate**") and Hevol Abundance, pursuant to which Hevol Real Estate shall transfer the share capital of RMB13,500,000 in Beijing Hongsheng to Hevol Abundance;

(c) the equity interest transfer agreement (股權轉讓協議) (in Chinese) dated 22 August 2018 between Hevol Real Estate and RIME Venture (HK) Limited, pursuant to which RIME Venture (HK) Limited shall acquire 2.03% of the equity interest in Hevol Abundance from Hevol Real Estate at a consideration of RMB1,184,850;

(d) the equity interest transfer agreement (股權轉讓協議) (in Chinese) dated 22 August 2018 between Hevol Investment and RIME Venture (HK) Limited, pursuant to which RIME Venture (HK) Limited shall acquire 2.49% of the equity interest in Hevol Abundance from Hevol Investment at a consideration of RMB1,448,160;

(e) the equity interest transfer agreement (股權轉讓協議) (in Chinese) dated 19 October 2018 between Hevol Real Estate and Guizhou Furuiying Information Consultancy Limited* (貴州福瑞盈信息諮詢有限公司) ("**Guizhou WFOE**"), pursuant to which Hevol Real Estate shall transfer its 42.97% equity interest in Hevol Abundance to Guizhou WFOE at a consideration of RMB2,148,500;

(f) the equity interest transfer agreement (股權轉讓協議) (in Chinese) dated 19 October 2018 between Hevol Investment and Guizhou WFOE, pursuant to which Hevol Investment shall transfer its 52.51% equity interest in Hevol Abundance to Guizhou WFOE at a consideration of RMB2,625,500;

(g) the trademark transfer and authorisation and licence agreement (商標轉讓及授權許可協議) (in Chinese) dated 30 November 2018 and entered into between Hevol Investment and Beijing Hongsheng, pursuant to which Hevol Investment has transferred and granted a licence to Beijing Hongsheng in respect of certain trademarks as specified therein;

(h) the instrument of transfer dated 26 December 2018 and entered into between the Company and Cherish Eagle Investment Limited in respect of the transfer of one ordinary share of RIME Venture Limited from Cherish Eagle Investment Limited to the Company in consideration of full payment of the purchase price paid to Cherish Eagle Investment Limited by the Company;

(i) the deed of indemnity dated 17 February 2019 and executed by the controlling Shareholders in favour of the Company;

(j) the deed of non-competition dated 14 June 2019 and executed by the controlling Shareholders in favour of the Company;

(k) the Hong Kong underwriting agreement in which the Company has agreed to offer the Shares for subscription by the public in Hong Kong with the underwriters as disclosed in the Prospectus;

(l) the Investment Framework Agreement; and

(m) the Sale and Purchase Agreement.

10. EXPERTS AND CONSENTS

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

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

As at the Latest Practicable Date, none of the experts above had any shareholding in any member of the Enlarged Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Enlarged Group, or had any interest, either direct or indirect, in any assets which had been since 31 December 2018 (being the date to which the latest published audited accounts of the Company were made up) acquired or disposed of by or leased to any member of the Enlarged Group, or were proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

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

11. GENERAL

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

(b) The principal place of business of the Company in Hong Kong is located at Suite 3101, Everbright Centre, 108 Gloucester Road, Wanchai, Hong Kong.

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

(d) The Hong Kong branch share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited, located at Shops 1712-1716, 17th Floor Hopewell Centre 183 Queen’s Road East Wanchai, Hong Kong.

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

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

12. DOCUMENTS FOR INSPECTION

Copies of the following documents are available for inspection during normal office hours at Suite 3101, Everbright Centre, 108 Gloucester Road, Wanchai, Hong Kong:

(a) the Memorandum and Articles of Association of the Company;

(b) the accountants' report of the Company for two years ended 31 December 2017 and 2018;

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

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

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

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

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

(h) this circular.