寶龍商業管理控股有限公司
POWERLONG COMMERCIAL MANAGEMENT HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock code: 9909

GLOBAL OFFERING

Sole Sponsor

農銀國際
ABC INTERNATIONAL

Sole Global Coordinator and Joint Bookrunner

農銀國際
ABC INTERNATIONAL

Joint Bookrunners

兴证国际 INDUSTRIAL SECURITIES INTERNATIONAL

國泰君安(香港) GUOTAI JUNAN (HONG KONG)

CRIC 克而瑞證券 CRIC SECURITIES CO. LTD

中泰國際 ZHONGTAI INTERNATIONAL

招銀国际 CMB INTERNATIONAL

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

Powerlong Commercial Management Holdings Limited
寶龍商業管理控股有限公司

(Incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING

Number of Offer Shares under the Global Offering	:	**150,000,000 Shares (subject to the Over-allotment Option)**
Number of Hong Kong Offer Shares	:	**15,000,000 Shares (subject to reallocation)**
Number of International Offer Shares	:	**135,000,000 Shares (including 14,369,156 Reserved Shares under the Preferential Offering) (subject to reallocation and the Over-allotment Option)**
Offer Price	:	**Not more than HK$10.00 per Offer Share and expected to be not less than HK$7.50, plus brokerage fee of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)**
Nominal value	:	**HK$0.01 per Share**
Stock code	:	**9909**

Sole Sponsor

Sole Global Coordinator and Joint Bookrunner

Joint Bookrunners

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

The Offer Price is expected to be fixed by agreement between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and the Company on the Price Determination Date. The Price Determination Date is expected to be on or around Thursday, December 19, 2019 and, in any event, no later than Sunday, December 22, 2019. The Offer Price will be no more than HK$10.00 per Offer Share and is currently expected to be no less than HK$7.50 per Offer Share unless otherwise announced. Investors applying for Hong Kong Offer Shares must pay, on application, the maximum Offer Price of HK$10.00 per Share, unless otherwise announced, together with brokerage fee of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price is less than HK$10.00 per Offer Share.

The Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) may, with the consent of the Company, reduce the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, an announcement will be published on the Stock Exchange's website at www.hkexnews.hk and on the Company's website at www.powerlongcm.com no later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering. Further details are set out in "Structure of the Global Offering" and "How to Apply for the Hong Kong Offer Shares and Reserved Shares." If, for any reason, the Offer Price is not agreed between the Sole Global Coordinator (on behalf of the Underwriters) and the Company on or before Sunday, December 22, 2019, the Global Offering will not proceed and will lapse. For more information, see "Underwriting — Underwriting Arrangements and Expenses — The Hong Kong Public Offering — Grounds for Termination."

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States, except in transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act. The Offer Shares may be offered, sold or delivered outside of the United States in accordance with Regulation S under the U.S. Securities Act.

Share certificates issued in respect of the Hong Kong Offer Shares will only become valid at 8:00 a.m. on Monday, December 30, 2019, provided that the Global Offering has become unconditional in all respects (including the Underwriting Agreements not having been terminated in accordance with their terms) at any time prior to 8:00 a.m. on Monday, December 30, 2019.

December 16, 2019

If there is any change in the following expected timetable, our Company will issue an announcement to be published on the website of the Stock Exchange at www.hkexnews.hk and the website of our Company at www.powerlongcm.com.

Despatch **BLUE** Application Forms to Qualifying Powerlong Shareholders on or before	Monday, December 16, 2019
Latest time to complete electronic applications under the **White Form eIPO** service through the designated website at **www.eipo.com.hk**[2]	11:30 a.m. on Thursday, December 19, 2019
Application lists open[3]	11:45 a.m. on Thursday, December 19, 2019
Latest time for lodging **WHITE**, **YELLOW** and **BLUE** Application Forms	12:00 noon on Thursday, December 19, 2019
Latest time to give **electronic application instructions** to HKSCC[4]	12:00 noon on Thursday, December 19, 2019
Latest time to give complete payment of **White Form eIPO** applications by effecting internet banking transfer(s) or PPS payment transfer(s)	12:00 noon on Thursday, December 19, 2019
Application lists close	12:00 noon on Thursday, December 19, 2019
Expected Price Determination Date[5]	on or around Thursday, December 19, 2019
(1) Announcement of the final Offer Price, the results of the applications in the Hong Kong Public Offering and the Preferential Offering, the indication of level of interest in the International Offering and the basis of allocation of the Hong Kong Offer Shares and the Reserved Shares under the Hong Kong Public Offering and the Preferential Offering to be published (i) on the website of the Stock Exchange at **www.hkexnews.hk**; and (ii) on the website of our Company at **www.powerlongcm.com**[6] on or before	Friday, December 27, 2019
(2) Results of allocations (with successful applicants' identification document numbers or Hong Kong business registration numbers) in the Hong Kong Public Offering and the Preferential Offering will be available through a variety of channels as described in the section headed "How to apply for the Hong Kong Offer Shares and Reserved Shares — E. Publication of Results" in this prospectus from	Friday, December 27, 2019

A full announcement of the Hong Kong Public Offering and the Preferential Offering containing (1) and (2) above to be published on the website of the Stock Exchange at **www.hkexnews.hk** and the website of our Company at **www.powerlongcm.com**[6] from	Friday, December 27, 2019
Results of allocations in the Hong Kong Public Offering and the Preferential Offering will be available at **www.iporesults.com.hk** (alternatively: English **https://www.eipo.com.hk/en/Allotment**; Chinese **https://www.eipo.com.hk/zh-hk/Allotment**) with a "search by ID" function	Friday, December 27, 2019
Despatch/collection of **White Form** e-Refund payment instructions/refund checks in respect of wholly successful (if applicable) and wholly and partially unsuccessful applications under the Hong Kong Public Offering and the Preferential Offering on or before[7][8]	Friday, December 27, 2019
Despatch/collection of Share certificates of the Offer Shares or deposit of Share certificates of Offer Shares into CCASS in respect of wholly or partially successful applications under the Hong Kong Public Offering and the Preferential Offering on or before[5][9]	Friday, December 27, 2019
Dealings in the Shares on the Stock Exchange expected to commence at 9:00 a.m. on	Monday, December 30, 2019

Notes:

(1) All dates and times refer to Hong Kong local dates and times, except as otherwise stated.

(2) You will not be permitted to submit your application to the **White Form eIPO** Service Provider through the designated website at **www.eipo.com.hk** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

(3) If there is a "black" rainstorm warning or a tropical cyclone warning signal number 8 or above and/or Extreme Conditions in force at any time between 9:00 a.m. and 12:00 noon on Thursday, December 19, 2019, the application lists will not open on that day. See "How to Apply for the Hong Kong Offer Shares and Reserved Shares — D. Effect of Bad Weather on the Opening of the Application Lists" in this prospectus for details. If the application lists do not open and close on Thursday, December 19, 2019, the dates mentioned in this section may be affected. A press announcement will be made by us in such event.

(4) Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should see "3. Applying for Hong Kong Offer Shares" and "6. Applying by Giving Electronic Application Instructions to HKSCC via CCASS" under the section headed "How to Apply for the Hong Kong Offer Shares and Reserved Shares — A. Applications for Hong Kong Offer Shares" in this prospectus.

(5) The Price Determination Date is expected to be on or around Thursday, December 19, 2019 and in any event, not later than Sunday, December 22, 2019. If for any reason, the Offer Price is not agreed between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and us by Sunday, December 22, 2019, the Global Offering will not proceed and will lapse.

(6) Neither the website of our Company nor any of the information contained on the website of our Company forms part of this prospectus.

(7) e-Refund payment instructions/refund checks will be issued in respect of wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering and the Preferential Offering and also in respect of wholly or partially successful applications in the event that the final Offer Price is less than the price payable per Offer Share on application. Part of the applicant's Hong Kong identity card number or passport number, or, if the application is made by joint applicants, part of the Hong Kong identity card number or passport number of the first-named applicant, provided by the applicant(s) may be printed on the refund check, if any. Such data would also be transferred to a third party for refund purposes. Banks may require verification of an applicant's Hong Kong identity card number or passport number before cashing the refund check. Inaccurate completion of an applicant's Hong Kong identity card number or passport number may lead to delays in encashment of, or may invalidate, the refund checks.

(8) Applicants who have applied on (i) **WHITE** Application Forms for 1,000,000 or more Hong Kong Offer Shares under the Hong Kong Public Offering or; (ii) **BLUE** Application Forms for 1,000,000 or more Reserved Shares under Preferential Offering and have provided all required information may collect any refund checks and Share certificates in person from our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong between 9:00 a.m. to 1:00 p.m. on Friday, December 27, 2019. Applicants being individuals who are eligible for personal collection may not authorize any other person to make collection on their behalf. Applicants being corporations who are eligible for personal collection must attend by their authorized representatives bearing letters of authorisation from their corporation stamped with the corporation's chop. Both individuals and authorized representatives of corporations must produce, at the time of collection, identification and (where applicable) authorisation documents acceptable to our Hong Kong Share Registrar.

Applicants who have applied on **YELLOW** Application Forms for 1,000,000 or more Hong Kong Offer Shares under the Hong Kong Public Offering and have provided all required information may collect their refund checks, if any, in person but may not elect to collect their Share certificates as such Share certificates will be deposited into CCASS for the credit of their designated CCASS Participants' stock accounts or CCASS Investor Participant stock accounts, as appropriate. The procedures for collection of refund checks for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants.

Applicants who have applied through the **White Form eIPO** service for 1,000,000 or more Hong Kong Offer Shares under the Hong Kong Public Offering can collect their Share certificates (if any) in person from our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shop 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong between 9:00 a.m. to 1:00 p.m. on Friday, December 27, 2019. For applicants who apply through the **White Form eIPO** service and paid the application monies from a single bank account, e-Refund payment instructions (if any) will be despatched to their application payment bank account on or before Friday, December 27, 2019. For applicants who apply through the **White Form eIPO** service and used multi-bank accounts to pay the application monies, refund check (if any) will be despatched to the address specified in their **electronic application instruction** to the **White Form eIPO** Service Provider on or before Friday, December 27, 2019, at their own risk.

Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should see "How to Apply for the Hong Kong Offer Shares and Reserved Shares" in this prospectus for details. Uncollected Share certificates and/or refund checks will be despatched by ordinary post, at the applicants' own risk to the addresses specified in the relevant applications. See "How to Apply for the Hong Kong Offer Shares and Reserved Shares — A. Applications for Hong Kong Offer Shares — 6. Applying by Giving Electronic Application Instructions to HKSCC via CCASS" in this prospectus for details.

Applicants who have applied for less than 1,000,000 Hong Kong Offer Shares or Reserved Shares and any uncollected Share certificates and/or refund checks will be despatched by ordinary post at the applicant's risk, to the address specified in the relevant applications.

See "How to Apply for the Hong Kong Offer Shares and Reserved Shares — G. Refund of Application Monies" and "How to Apply for the Hong Kong Offer Shares and Reserved Shares — H. Despatch/Collection of Share Certificates and Refund Monies" in this prospectus.

(9) Share certificates for the Offer Shares will only become valid certificates of title at 8:00 a.m. on Monday, December 30, 2019 provided that (i) the Global Offering has become unconditional in all respects and; (ii) none of the Underwriting Agreements has been terminated in accordance with its terms.

Particulars of the structure of the Global Offering, including the conditions thereto, see "Structure of the Global Offering" in this prospectus.

The **BLUE** Application Forms have been despatched to all Qualifying Powerlong Shareholders save for certain core connected persons of the Company who will not participate in the Preferential Offering.

Qualifying Powerlong Shareholders may also obtain a printed copy of this prospectus, free of charge, during normal business hours from any of the designated branches of the receiving bank and the designated offices of each of the Hong Kong Underwriters as set out in "How to Apply for the Hong Kong Offer Shares and Reserved Shares" in this prospectus. Distribution of this prospectus and/or the **BLUE** Application Forms into any jurisdiction other than Hong Kong may be restricted by law. Persons in possession of this prospectus and/or the **BLUE** Application Forms (including, without limitation, agents, custodians, nominees and trustees) should inform themselves of, and observe, any such restrictions. Any failure to comply with such restrictions may constitute a violation of the securities laws of any such jurisdiction.

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

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. The Company has not authorized anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on as having been authorized by the Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, officers, representatives, employees, agents or professional advisors or any other person or party involved in the Global Offering and the Preferential Offering.

This summary aims to give you an overview of the information contained in this prospectus. Since it is a summary, it does not contain all the information that may be important to you. You should read this prospectus in its entirety before you decide to invest in the Offer Shares.

There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in "Risk Factors." You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

We are a leading commercial operational service provider in China, as measured by GFA under management as of December 31, 2018, according to Frost & Sullivan. As of December 31, 2018, we had 45 retail commercial properties under management, with an aggregate GFA under management of approximately 4.5 million sq.m., excluding car parks. We were ranked fourth among all commercial operational service providers in China in terms of GFA under management, excluding car parks, as of December 31, 2018, representing a market share of 0.8%. We have grown to be a leader in managing and operating retail commercial properties since our establishment in 1993. We are one of the few commercial operational service providers in China possessing the expertise and capability of managing a diversified portfolio of retail commercial properties in terms of target consumer, property location and size and property type. We provide commercial operational services under four brands, namely "Powerlong One Mall" (寶龍一城), "Powerlong City" (寶龍城), "Powerlong Plaza" (寶龍廣場) and "Powerlong Land" (寶龍天地). We believe we enjoy considerable brand recognition in the markets where we operate. We were granted the "Best Brand Value Award" (最佳品牌價值獎) in 2019 by China Financial Market (中國融資) and the "Commercial Real Estate Golden Awards" (商業地產金坐標獎) in 2019 by Winshang.com (贏商網). As of June 30, 2019, we had 45 retail commercial properties under management with an aggregate GFA under management of approximately 6.4 million sq.m., and were contracted to provide commercial operational services for a total of 59 retail commercial properties with an aggregate contracted GFA of approximately 7.5 million sq.m. We also provide residential property management services for residential properties, office buildings and serviced apartments. As of June 30, 2019, we had 44 properties under management under our residential property management service segment with an aggregate GFA under management of approximately 10.6 million sq.m., and were contracted to manage 69 properties with an aggregate contracted GFA of approximately 17.1 million sq.m. Our Controlling Shareholder, Powerlong Holdings, is a leading large-scale and multi-functional commercial real estate developer in China. The Listing of our Company will constitute a spin-off from Powerlong Holdings.

To enhance the experience of consumers, tenants and property owners, we have built an integrated online ecosystem based on our PM system, connecting consumers, tenants and property owners through "Powerlong Didika" (寶龍滴滴卡) mobile application, "Powerlong Yoyo" (寶龍悠悠), "Mall Plus @ Powerlong" (寶龍商+) WeChat mini apps and our AMP system, respectively. We were recognized as "China's Real Estate Market Leader for Digitalization" (中國地產數字化領軍企業獎) in 2019 by China Smart Real Estate Influence Ranking (中國智慧房產影響力排行榜). We believe that our integrated online ecosystem has enabled us to increase our productivity through enhanced interaction and connectivity with customers and drive our business change and growth through innovation.

We experienced rapid growth in our revenue, net profit, aggregate GFA under management and aggregate contracted GFA over the Track Record Period. Our revenue increased from RMB752.7 million in 2016 to RMB973.0 million in 2017, and further to RMB1,200.4 million in 2018, representing a CAGR of 26.3%. Our net profit increased from RMB62.9 million in 2016 to RMB78.6 million in 2017, and further to RMB133.3 million in 2018, representing a CAGR of 45.6%. Our revenue increased by 29.8% from RMB577.0 million for the six months ended June 30, 2018 to RMB749.1 million for the six months ended June 30, 2019 while our net profit increased by 45.9% from RMB59.7 million for the six months ended June 30, 2018 to RMB87.1 million for the six months ended June 30, 2019. Our aggregate GFA under management increased from approximately 14.4 million sq.m. as of December 31, 2016 to approximately 15.7 million sq.m. as of December 31, 2017, and further to approximately 16.6 million sq.m. as of December 31, 2018 and approximately 16.9 million sq.m. as of June 30, 2019. Our aggregate contracted GFA increased from approximately 16.1 million sq.m. as of December 31, 2016 to approximately 18.4 million sq.m. as of December 31, 2017, and further to approximately 21.7 million sq.m. as of December 31, 2018 and approximately 24.6 million sq.m. as of June 30, 2019.

OUR BUSINESS MODEL

During the Track Record Period, we generated revenue primarily from two business segments:

- Commercial operational services, which primarily include (i) market research and positioning, tenant sourcing and opening preparation services to property developers or property owners during the preparation stage before the opening of a retail commercial property; (ii) commercial operation and management services during the operation stage of a retail commercial property to property owners or tenants, including retail commercial property management services, tenant management and rent collection services and other value-added services. Historically, we provided other value-added services in two ways. Starting from January 1, 2019, we decided to adopt the same way for providing other value-added services. See "Business — Our Business Model" for details; and (iii) property leasing services with respect to units located within the shopping streets and shopping malls.

- Residential property management services, which primarily include (i) pre-sale management services to property developers during their pre-sale activities such as cleaning, security and maintenance of pre-sale display units and sales offices; (ii) residential property management services to property owners or property owners' associations at the post-delivery stages such as security, cleaning, gardening and repair and maintenance services; and (iii) other value-added services to property owners, tenants or residents of our managed properties, such as pre-delivery preparation and trash handling services, common area, advertising space and car park management services.

The table below sets forth the types of our commercial operational services and the corresponding fees we typically received during the Track Record Period:

Type of Service	Fee Received
Market research and positioning, tenant sourcing and opening preparation services	
– Market research and positioning services	one-time fixed service fee
– Tenant sourcing services	a fixed service fee equals to approximately two months' rent
– Opening preparation services	a fixed service fee on a per sq.m. basis
Commercial operation and management services	
– Retail commercial property management services	a fixed fee on a per sq.m. basis
– Tenant management and rent collection services	a service fee on a commission basis
– Other value-added services	a service fee on a commission basis or operation income
Property leasing services	rental income

We generally price our commercial operational services charged on a fixed fee basis with reference to (i) brand, size and location of a retail commercial property; (ii) the availability of utilities; (iii) the complication in tenant sourcing; and (iv) the service period. We generally price our commercial operational services charged on a commission basis with reference to market standard and fee rates charged by our competitors within the same area. We charged a lump-sum service fee for our property management services during the Track Record Period. Under the lump-sum basis business model, we are entitled to retain the full amount of service fees received as revenue and bear the costs incurred in providing such services.

For other services provided under our residential property management service segment, we charged a fixed fee or a service fee on commission basis. We generally price our residential property management services with reference to (i) the relevant price guide under local pricing regulations; (ii) management fees charged in nearby and comparable communities; (iii) our estimated costs and target profit margins; and (iv) the scope and quality of our services.

For details of our pricing policies, see "Business — Commercial Operational Services — Commercial Operational Service Fees" and "Business — Residential Property Management Services — Residential Property Management Service Fees." For details of our revenue recognition policies, see "Financial Information — Critical Accounting Policies and Estimates."

We strive to expand our business by securing more engagements from Independent Third Parties. During the Track Record Period, revenue generated from Independent Third Parties as a percentage of our total revenue continued to increase. In 2016, 2017 and 2018, revenue generated from Independent Third Parties accounted for approximately 65.4%, 78.7% and 81.9%, respectively, of our total revenue. For the six months ended June 30, 2018 and 2019, revenue generated from Independent Third Parties accounted for approximately 81.0% and 86.0%, respectively, of our total revenue.

The table below sets forth our gross profit and gross profit margin by business segment for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2016		2017		2018		2018		2019	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB	*%*	*RMB*	*%*	*RMB*	*%*	*RMB* (unaudited)	*%*	*RMB*	*%*
	(in thousands, except for percentages)									
Commercial operational services	146,908	23.4	229,129	28.9	294,392	30.1	134,031	28.9	182,001	29.3
Residential property management services	17,506	14.1	24,274	13.4	31,482	14.3	16,613	14.7	15,886	12.4
Total	164,414	21.8	253,403	26.0	325,874	27.1	150,644	26.1	197,887	26.4

The table below sets forth our contracted GFA and GFA under management as of the dates and revenue for the periods indicated by business segment:

	As of/for the year ended December 31,									As of/ for the six months ended June 30,					
	2016			2017			2018			2018			2019		
	Contracted GFA	GFA under management	Revenue	Contracted GFA	GFA under management	Revenue	Contracted GFA	GFA under management	Revenue	Contracted GFA	GFA under management	Revenue	Contracted GFA	GFA under management	Revenue
	sq.m.	*sq.m.*	*RMB*	*sq.m.*	*sq.m.*	*RMB*	*sq.m.*	*sq.m.*	*RMB*	*sq.m.*	*sq.m.*	*RMB* (unaudited)	*sq.m.*	*sq.m.*	*RMB*
	(in thousands)														
Commercial operational services	6,185	5,364	628,250	6,435	5,940	792,363	6,919	6,373	979,631	6,435	5,940	463,989	7,522	6,373	621,162
Residential property management services	9,934	9,056	124,467	11,991	9,711	180,619	14,792	10,207	220,767	12,856	9,934	113,016	17,070	10,572	127,897
Total	16,119	14,420	752,717	18,426	15,651	972,982	21,710	16,580	1,200,398	19,291	15,874	577,005	24,592	16,945	749,059

OUR COMPETITIVE STRENGTHS

We believe the following competitive strengths have contributed and will continue to contribute to our success: (i) a leading commercial operational service provider in China; (ii) strong retail commercial property operation and management expertise; (iii) new growth opportunities derived from long-term and stable business cooperation with the Remaining Powerlong Group; (iv) asset-light business model enabling us to replicate our success to retail commercial properties developed or owned by Independent Third Parties; (v) integrated online ecosystem enabling us to effectively manage our business operations and enhance customer and consumer experience; and (vi) an experienced management team and a dedicated operational team with strong execution capability.

OUR BUSINESS STRATEGIES

We plan to reinforce our leading position in the retail commercial property operation and management field and further expand our business scale. We intend to pursue the following strategies to achieve this goal: (i) reinforce our leading position in the Yangtze River Delta; (ii) continue to replicate our success to selected properties through asset-light business model; (iii) further expand our commercial operational service segment through strategic acquisitions and investments; (iv) continue to deploy technology to enhance consumers' experience and engagement and improve our operational efficiency; and (v) attract, retain and motivate talent through systematic training programs and constructive career development opportunities.

COMMERCIAL OPERATIONAL SERVICES

We began to provide commercial operational services to developers and owners of retail commercial properties in 2007. We have a long-term and stable cooperation with the Remaining Powerlong Group, and have provided commercial operational services to all retail commercial properties developed by the Remaining Powerlong Group. We provide commercial operational services under four brand names, namely, "Powerlong One Mall" (寶龍一城), "Powerlong City" (寶龍城), "Powerlong Plaza" (寶龍廣場) and "Powerlong Land" (寶龍天地). Capitalizing on these four well-recognized brand names and our expertise in operating and managing retail commercial properties, we began to provide commercial operational services to an Independent Third Party in 2014. As of June 30, 2019, we had four retail commercial properties which were developed or owned by Independent Third Parties under our management. All four properties were operated and managed using one of those four brand names. We are one of the few commercial operational service providers in China managing a diversified portfolio of retail commercial properties in terms of target consumer, property location and size and property type. As of June 30, 2019, we provided commercial operational services to a total of 59 retail commercial properties with an aggregate contracted GFA of approximately 7.5 million sq.m. Among these 59 retail commercial properties, 45 retail commercial properties are currently in operation, with an aggregate GFA under management of approximately 6.4 million sq.m. The table below sets forth the number of retail commercial properties that were in operation and their aggregate GFA under management by brand name as of June 30, 2019:

	Number	**GFA under management**
		(sq.m. '000)
Powerlong One Mall (寶龍一城)	1	171
Powerlong City (寶龍城)	2	437
Powerlong Plaza (寶龍廣場)	36	5,383
Powerlong Land (寶龍天地)	6	382
Total	**45**	**6,373**

Our commercial operational services primarily comprise: (i) market research and positioning, tenant sourcing and opening preparation services; (ii) commercial operation and management services; and (iii) property leasing services. The table below sets forth a breakdown of our revenue from commercial operational service segment by service line for the periods indicated:

	Year ended December 31,						**Six months ended June 30,**			
	2016		**2017**		**2018**		**2018**		**2019**	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*	*RMB* (unaudited)	*%*	*RMB*	*%*
	(in thousands, except for percentages)									
Market research and positioning, tenant sourcing and opening preparation services	71,511	11.4	70,436	8.9	52,214	5.3	29,185	6.3	48,605	7.8
Commercial operation and management services	481,802	76.7	563,994	71.2	719,301	73.5	336,234	72.5	458,725	73.9
– Retail commercial property management services	335,364	53.4	431,921	54.5	559,737	57.1	255,320	55.0	310,994	50.1
– Tenant management and rent collection services	25,212	4.0	31,274	4.0	58,757	6.1	29,919	6.5	35,587	5.7
– Other value-added services	121,226	19.3	100,799	12.7	100,807	10.3	50,995	11.0	112,144	18.1
Property leasing services	74,937	11.9	157,933	19.9	208,116	21.2	98,570	21.2	113,832	18.3
Total	628,250	100.0	792,363	100.0	979,631	100.0	463,989	100.0	621,162	100.0

RESIDENTIAL PROPERTY MANAGEMENT SERVICES

We provide residential property management services for residential properties, serviced apartments and office buildings. Since the commencement of our residential property management business in 1993, we had been contracted to provide residential property management services in 37 cities across seven provinces and three municipalities as of June 30, 2019. Our residential property management services primarily comprise: (i) pre-sale management services; (ii) property management services; and (iii) other value-added services. The table below sets forth a breakdown of our revenue from the residential property management service segment by service line for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2016		2017		2018		2018		2019	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*	*RMB* (unaudited)	*%*	*RMB*	*%*
	(in thousands, except for percentages)									
Pre-sale management services	2,188	1.8	2,110	1.2	3,021	1.4	1,642	1.5	6,867	5.4
Property management services	92,523	74.3	146,452	81.1	178,788	81.0	95,970	84.9	101,265	79.1
Other value-added services	29,756	23.9	32,057	17.7	38,958	17.6	15,404	13.6	19,765	15.5
Total	124,467	100.0	180,619	100.0	220,767	100.0	113,016	100.0	127,897	100.0

RELATIONSHIP WITH THE REMAINING POWERLONG GROUP

We started our business in 1993 by providing property management support to the Remaining Powerlong Group. We began to provide commercial operational services to the Remaining Powerlong Group in 2007 as it continued to expand its property portfolio and became a leader in developing retail commercial properties in the PRC. We provide various commercial operational services to the Remaining Powerlong Group before and after its submission of tender proposal for land, as well as residential property management services. We believe our long and close working relationship with the Remaining Powerlong Group has been mutually beneficial to both parties and has contributed to our success. During the Track Record Period, we provided commercial operational services to all retail commercial properties developed by the Remaining Powerlong Group, and residential property management services to a substantial portion of residential property projects, serviced apartments and office buildings developed by the Remaining Powerlong Group. The Remaining Powerlong Group was our largest customer and largest supplier during the Track Record Period.

In addition to the cooperation with the Remaining Powerlong Group, we also strive to expand our business by securing engagements from Independent Third Parties. We started to provide commercial operational services to retail commercial properties owned by Independent Third Parties in 2014. As of June 30, 2019, four retail commercial properties under our management were developed or owned by Independent Third Parties. See "Business — Relationship with the Remaining Powerlong Group" for details.

For commercial operational services, since June 30, 2019 and up to the Latest Practicable Date, we had further been contracted to provide comprehensive integrated commercial operational services with respect to three retail commercial properties developed or owned by Independent Third Parties with an aggregate contracted GFA of approximately 183,000 sq.m., and to provide market research, positioning and other consulting services with respect to three retail commercial properties developed and owned by Independent Third Parties with an aggregate contracted GFA of approximately 458,000 sq.m. In addition, on June 11, 2019, we entered into a memorandum of understanding with an Independent Third Party with respect to a retail commercial property with an estimated contracted GFA of approximately 84,000 sq.m. Since June 30, 2019 and up to the Latest Practicable Date, we had also entered into seven memoranda of understanding with Independent Third Parties with respect to retail commercial properties with an estimated aggregate contracted GFA of approximately 599,000 sq.m. See "Business — Commercial Operational Services — Portfolio of Retail Commercial Properties — Pipeline Projects" for details. For residential property management services, we have entered into preliminary management contracts with Independent Third Parties to provide residential property management services with respect to five residential property projects with an aggregate contracted GFA of approximately 705,100 sq.m. See "Business — Residential Property Management Services — Pipeline Projects" for details.

The table below sets forth a breakdown of our revenue by business segment and type of customer for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2016		2017		2018		2018		2019	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*	*RMB* (unaudited)	*%*	*RMB*	*%*
	(in thousands, except for percentages)									
Commercial operational services	628,250	83.4	792,363	81.5	979,631	81.6	463,989	80.4	621,162	82.9
Fellow subsidiaries [(1)]	213,175	28.3	159,427	16.4	173,628	14.4	89,685	15.5	76,440	10.2
Other related parties [(2)]	14,403	1.9	15,162	1.6	11,709	1.0	3,596	0.7	10,736	1.4
External customers [(3)(4)]	400,672	53.2	617,774	63.5	794,294	66.2	370,708	64.2	533,986	71.3
Residential property management services	124,467	16.6	180,619	18.5	220,767	18.4	113,016	19.6	127,897	17.1
Fellow subsidiaries [(1)]	32,892	4.4	32,325	3.3	32,515	2.7	16,215	2.8	16,834	2.2
Other related parties[(2)]	–	–	–	–	–	–	–	–	1,146	0.2
External customers [(3)]	91,575	12.2	148,294	15.2	188,252	15.7	96,801	16.8	109,917	14.7
Total	752,717	100.0	972,982	100.0	1,200,398	100.0	577,005	100.0	749,059	100.0

Notes:

(1) Refer to the Remaining Powerlong Group and other entities controlled by Mr. Hoi Kin Hong.

(2) Refer to joint ventures or associates of the Remaining Powerlong Group.

(3) Refer to Independent Third Parties.

(4) Include rental income derived from property leasing services provided to external customers under our commercial operational service segment.

The table below sets forth a breakdown of our revenue from commercial operational services for the periods indicated by type of developer:

	Year ended December 31,						Six months ended June 30,			
	2016		2017		2018		2018		2019	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*	*RMB* (unaudited)	*%*	*RMB*	*%*
	(in thousands, except percentages)									
Properties developed by:										
Remaining Powerlong Group[(1)]	594,425	94.6	722,980	91.2	881,336	90.0	417,538	90.0	563,409	90.7
Joint ventures[(2)]	29,769	4.8	36,753	4.7	44,962	4.6	20,469	4.4	29,940	4.8
Independent Third Parties[(3)]	4,056	0.6	32,630	4.1	53,333	5.4	25,982	5.6	27,813	4.5
Total	628,250	100.0	792,363	100.0	979,631	100.0	463,989	100.0	621,162	100.0

Notes:

(1) Refer to properties developed by the Remaining Powerlong Group as well as properties jointly developed by the Remaining Powerlong Group and Independent Third Parties in which the Remaining Powerlong Group held a controlling interest.

(2) Refer to properties developed by joint ventures formed by the Remaining Powerlong Group and Independent Third Parties but neither had control. These properties comprise Tianjin Powerlong Plaza, Xiaoshan Powerlong Plaza, Yangzhou Powerlong Plaza and Lin'an Qingshan Lake Powerlong Plaza.

(3) Refer to properties developed and owned by Independent Third Parties or properties in which neither the Remaining Powerlong Group nor our Group held any ownership interest. These properties comprise Xiasha Guozi Powerlong Land, Yiwu Powerlong Plaza, Fuling Powerlong Plaza and Jiangyou Powerlong Plaza. Xiasha project consists of two separate retail commercial properties, namely, the Xiasha Powerlong Plaza which is owned by the Remaining Powerlong Group and the Xiasha Guozi Powerlong Land which is owned by an Independent Third Party. The revenue derived from the provision of commercial operation and management services to the Xiasha project could not be further broken down between the Xiasha Powerlong Plaza and the Xiasha Guozi Powerlong Land primarily because these two separate properties are managed by the same team due to the proximity of their locations and we do not keep separate records for fees received or costs incurred by each property. As a result, the portion of revenue derived from Xiasha Guozi Powerlong Land has been included in Xiasha project and in the revenue derived from properties developed by the Remaining Powerlong Group.

The table below sets forth the revenue from our residential property management services for the periods indicated by type of developer:

	Year ended December 31,						Six months ended June 30,			
	2016		2017		2018		2018		2019	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*	*RMB* (unaudited)	*%*	*RMB*	*%*
	(in thousands, except percentages)									
Properties developed by:										
Remaining Powerlong Group[1]	121,695	97.8	174,293	96.5	213,955	96.9	109,439	96.8	123,897	96.9
Joint ventures [2]	2,772	2.2	6,326	3.5	6,812	3.1	3,577	3.2	4,000	3.1
Total	124,467	100.0	180,619	100.0	220,767	100.0	113,016	100.0	127,897	100.0

Notes:

(1) Refer to properties developed by the Remaining Powerlong Group, as well as properties jointly developed by the Remaining Powerlong Group and Independent Third Parties in which the Remaining Powerlong Group held a controlling interest.

(2) Refer to properties developed by joint ventures formed between the Remaining Powerlong Group and Independent Third Parties but neither party had control of such joint ventures. These properties comprise Tianjin Yujiapu, Xiaoshan, Yangzhou, Ningbo, Jinjiang Xintang and Zhoushan Putuo projects.

OUR CUSTOMERS AND SUPPLIERS

Our customers primarily consist of property developers, property owners, property owners' associations and tenants. In 2016, 2017 and 2018 and the six months ended June 30, 2019, revenue generated from provision of services to our five largest customers amounted to RMB269.9 million, RMB233.8 million, RMB246.4 million and RMB113.1 million, respectively, accounting for approximately 35.9%, 24.0%, 20.5% and 15.1% of our total revenue, respectively. In 2016, 2017 and 2018 and the six months ended June 30, 2019, revenue generated from provision of services to our largest customer, the Remaining Powerlong Group, amounted to RMB246.1 million, RMB191.8 million, RMB206.1 million and RMB93.3 million, respectively, accounting for approximately 32.7%, 19.7%, 17.2% and 12.5% of our total revenue, respectively. Other than the Remaining Powerlong Group, we also generated revenue from provision of services to other two connected persons during the Track Record Period. See "Business — Customers" for details.

Our suppliers primarily consist of (i) owners of shopping street units and shopping malls who lease such shopping street units, car parks, common areas and advertising spaces of shopping streets and shopping malls to us for subsequent sublease; and (ii) subcontractors who provide cleaning, security, gardening and certain repair and maintenance services. In 2016, 2017 and 2018 and the six months ended June 30, 2019, purchases from our five largest suppliers amounted to RMB36.1 million, RMB57.3 million, RMB76.3 million and RMB98.1 million, respectively, accounting for approximately 13.9%, 16.8%, 19.3% and 36.3%, respectively, of our total purchases. In 2016, 2017 and 2018 and the six months ended June 30, 2019, purchases from our single largest supplier, the Remaining Powerlong Group, amounted to RMB10.9 million, RMB21.0 million, RMB28.5 million and RMB62.7 million, respectively, accounting for approximately 4.2%, 6.2%, 7.2% and 23.2%, respectively, of our total purchases. During the Track Record Period, other than the Remaining Powerlong Group, none of our major suppliers was also our customer. See "Business — Suppliers" for details.

CONTROLLING SHAREHOLDERS

Immediately upon completion of the Capitalization Issue and the Global Offering, Mr. Hoi Kin Hong (in his personal capacity and via Skylong Holdings) together with his spouse, Ms. Wong Lai Chan, Mr. Hoi Wa Fong (in his personal capacity and via Sky Infinity Holdings) together with his spouse, Ms. Shih Sze Ni Cecilia, and Ms. Hoi Wa Fan (in her personal capacity and via Walong Holdings and Mantong Trading), will in aggregate own approximately 65.32% of Powerlong Holdings. Powerlong Holdings owns the entire issued share capital of Powerlong BVI Holding, which in turn owns approximately 67.50% of the enlarged issued share capital of our Company taking no account of any Shares which may be issued pursuant to the exercise of the Over-allotment Option. Hence, Powerlong BVI Holding, Powerlong Holdings, Skylong Holdings, Sky Infinity Holdings, Walong Holdings, Mantong Trading, Mr. Hoi Kin Hong, Mr. Hoi Wa Fong, Ms. Hoi Wa Fan, Ms. Wong Lai Chan and Ms. Shih Sze Ni Cecilia as a group, and each of them on an individual basis, will be our Controlling Shareholders under the Listing Rules.

SUMMARY KEY FINANCIAL INFORMATION

The summary historical data of financial information set forth below have been derived from, and should be read in conjunction with, our combined audited financial statements, including the accompanying notes, set forth in the Accountant's Report attached as Appendix I to this prospectus, as well as the information set forth in "Financial Information."

Selected Combined Statements of Profit or Loss Data

	Year ended December 31,			Six months ended June 30,	
	2016	**2017**	**2018**	**2018**	**2019**
	RMB	*RMB*	*RMB*	*RMB* (unaudited)	*RMB*
			(in thousands)		
Revenue	752,717	972,982	1,200,398	577,005	749,059
Gross profit	164,414	253,403	325,874	150,644	197,887
Operating profit	106,148	148,399	225,467	105,800	138,877
Profit before income tax	87,736	114,361	182,859	85,269	119,681
Profit for the year/period	62,937	78,592	133,343	59,719	87,136

We experienced rapid growth in our revenue and net profit during the Track Record Period, which was in line with the increases in our aggregate GFA under management and our contracted GFA. Our gross profit margin also increased during the Track Record Period, primarily reflecting the increase in gross profit margin of our commercial operational services. We incurred a loss on misappropriation of assets of RMB13.4 million in 2017. See "Financial Information — Results of Operations — Administrative Expenses" for details.

Selected Combined Statements of Financial Position Data

	As of December 31,			As of June 30,
	2016	2017	2018	2019
	RMB	*RMB*	*RMB*	*RMB*
		(in thousands)		
Non-current assets	767,734	806,979	719,147	289,417
Current assets	1,196,005	941,012	1,458,465	1,828,783
Total assets	1,963,739	1,747,991	2,177,612	2,118,200
Current liabilities	1,502,248	1,201,578	1,597,010	1,469,849
Net current (liabilities)/assets	(306,243)	(260,566)	(138,545)	358,934
Non-current liabilities	443,712	450,042	350,679	351,253
Total equity	17,779	96,371	229,923	297,098

As of December 31, 2016, 2017 and 2018, we had net current liabilities of RMB306.2 million, RMB260.6 million and RMB138.5 million, respectively. As of June 30, 2019, we improved our current liability position and recorded net current assets of RMB359.0 million. Our net current assets decreased from RMB359.0 million as of June 30, 2019 to RMB239.6 million as of October 31, 2019. See "Net Current Liabilities and Working Capital Sufficiency" below and "Financial Information — Current Assets and Current Liabilities" for details.

Key Financial Ratios

	As of/for the year ended December 31,			As of/for the six months ended June 30,
	2016	2017	2018	2019
Return on assets	2.9%	4.2%	6.8%	8.1%
Return on equity	N/A	137.7%	81.7%	66.1%
Current ratio	0.80	0.78	0.91	1.24
Liabilities to assets ratio	0.99	0.94	0.89	0.86

Our negative return on equity in 2016 was primarily due to the negative total equity amount at the beginning of 2016 as a result of previously accumulated losses. Our return on equity decreased from approximately 137.7% in 2017 to approximately 81.7% in 2018 and further to approximately 66.1% for the six months ended June 30, 2019. These decreases were primarily due to (i) our relatively low equity base in 2017; and (ii) the increases in our equity base resulting from accumulation of retained earnings from 2016 to the six months ended June 30, 2019.

Selected Combined Statements of Cash Flows

The table below sets forth a summary of our combined statements of cash flows for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2016	2017	2018	2018	2019
	RMB	*RMB*	*RMB*	*RMB* (unaudited)	*RMB*
			(in thousands)		
Operating cash flow before changes in working capital	172,385	245,633	337,374	163,126	180,714
Net cash generated from operating activities	281,350	323,744	356,195	117,757	199,961
Net cash generated from/(used in) investing activities	478,472	289,774	(31,199)	(275,122)	(494,096)
Net cash (used in)/generated from financing activities	(742,698)	(652,250)	115,509	142,561	(124,544)
Net increase/(decrease) in cash and cash equivalents	17,124	(38,732)	440,505	(14,804)	(418,679)
Cash and cash equivalents at the beginning of the year/period	134,484	151,604	112,876	112,876	553,378
Cash and cash equivalents at the end of the year/period, represented by bank balances and cash	151,604	112,876	553,378	98,071	134,277

We recorded accumulated losses of approximately RMB68.2 million and RMB15.2 million as of January 1, 2016 and 2017, respectively, which was primarily due to (i) relatively high administrative expenses incurred at our headquarters comparing to our business scale prior to 2016. Our headquarters, Shanghai Shangsheng, recorded an accumulated loss of approximately RMB31.0 million as of January 1, 2016. This was mainly because we only had 28 retail commercial properties under our management as of January 1, 2016, many of which had not entered into maturity stage, and we were in the process of expanding our business to seek a revenue breakthrough in order to achieve economies of scale; and (ii) significant losses recognized for certain retail commercial properties. Our project companies managing the Tianjin Powerlong Plaza, Caolu Powerlong Plaza, Bengbu Powerlong Plaza and Wuxi Powerlong Plaza recorded an aggregate accumulated loss of approximately RMB67.9 million as of January 1, 2016 primarily due to (i) ineffective positioning in terms of property size and location; and (ii) fragmented ownership, which caused difficulties for us to provide unified quality services and enhance the consumers' shopping experience. These were mainly because we were still in the process of accumulating experience and enhancing the expertise required for managing retail commercial properties. See "Business — Commercial Operational Services — Commercial Operational Service Fees — Loss-making Retail Commercial Properties" for details. We have taken various measures to enhance our profitability, including (i) dedicating more resources to the Yangtze River Delta, where we believe has great growth potential due to the significant demand for quality commercial operational services. Since January 1, 2016 and up to June 30, 2019, we had nine retail commercial properties in the Yangtze River Delta commencing their operations and beginning to generate stable revenue. Retail commercial properties located in the Yangtze River Delta tend to be more profitable compared to retail commercial properties located in other areas in China which are under our management; (ii) expanding our business scale to achieve economies of scale; (iii) adjusting our pricing standards upward as we have accumulated more experience and delivered better service quality; and (iv) promoting management digitalization to lower administrative expenses and staff cost. As a result of the implementation of those measures, we made up for the accumulated losses and started to generate retained earnings in 2017.

NET CURRENT LIABILITIES AND WORKING CAPITAL SUFFICIENCY

As of December 31, 2016, 2017 and 2018, we had net current liabilities of RMB306.2 million, RMB260.6 million and RMB138.5 million, respectively. We had net current liabilities as of each of these dates primarily because (i) we require tenants or residents of properties under our management to provide deposits as performance securities under the relevant lease agreement or property management service agreements, and we record such deposits as trade and other payables under current liabilities; (ii) we made an investment of approximately RMB330.5 million in Shanghai Life Insurance Co., Ltd. in 2015, which was classified as FVOCI and recognized as non-current assets while the funds we used to finance such investment were primarily advances from related parties, which were recognized as trade and other payables under current assets; and (iii) the incurrence of large amount of short-term borrowings. As of June 30, 2019, we improved our current liability position and recorded net current assets of RMB359.0 million, primarily because (i) we disposed of certain subsidiaries as part of our Reorganization, including Fuzhou Powerlong Commercial which holds equity investment in Shanghai Life Insurance Co., Ltd. As a result, we realized RMB295.2 million as other receivables; and (ii) we disposed of certain car parks and as a result recorded RMB66.3 million as other receivables. Our net current assets decreased from RMB359.0 million as of June 30, 2019 to RMB239.6 million as of October 31, 2019.

We expect to continue to improve our net current liabilities position with (i) the net proceeds from the Global Offering. See "Future Plans and Use of Proceeds — Use of Proceeds" for further information; (ii) funds generated from our business operations; and (iii) reducing our other payables by settling receivables from related parties. See "Financial Information — Current Assets and Current Liabilities" for details.

GLOBAL OFFERING STATISTICS

The statistics in the table below are based on the assumptions that: (i) the Global Offering is completed and 150,000,000 Shares are issued and sold in the Global Offering; (ii) the Over-allotment Option is not exercised; and (iii) 600,000,000 Shares are in issue upon completion of the Global Offering.

	Based on an Offer Price of HK$7.50 per Offer Share	**Based on an Offer Price of HK$10.00 per Offer Share**
Market capitalization of our Shares	HK$4,500 million	HK$6,000 million
Unaudited pro forma adjusted net tangible asset value per Share(1)	HK$2.41	HK$3.07

Note:

(1) The unaudited pro forma adjusted net tangible asset value per Share is calculated after making the adjustments referred to in "Appendix II — Unaudited Pro Forma Financial Information."

DIVIDEND POLICY AND DISTRIBUTABLE RESERVE

As we are a holding company, our ability to declare and pay dividends will depend on receipt of sufficient funds from our subsidiaries. We did not declare any dividends during the Track Record Period. The payment and the amount of any future dividends, if any, will be at the sole discretion of our Board of Directors and will also depend on various factors that our Board of Directors deem relevant. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the relevant laws. Our Board of Directors intends to recommend at the relevant shareholder meetings an annual dividend of no less than 30% of our profits available for distribution generated in each financial year beginning from the year ending December 31, 2019. The recommendation of the payment of dividend is subject to the absolute discretion of our Board of Directors, and after the Listing, and declaration of final dividend for the year will be subject to the approval of our Shareholders. Going forward, we will re-evaluate our dividend policy in light of our financial position and the prevailing economic climate. As of June 30, 2019, we had no distributable reserves available for distribution to our Shareholders. See "Financial Information — Dividend Policy and Distributable Reserve."

USE OF PROCEEDS

We estimate that we will receive net proceeds of approximately HK$1,223.5 million from the Global Offering, after deducting the underwriting commissions and other estimated expenses payable by us in connection with the Global Offering, assuming that the Over-allotment Option is not exercised and assuming an Offer Price of HK$8.75 per Share (being the mid-point of the indicative Offer Price range set forth on the cover page of this prospectus). We intend to use such net proceeds from the Global Offering for the purposes and in the amounts set forth below:

- approximately 50% or HK$611.8 million, will be used to pursue strategic acquisitions of and investments in other commercial operational service providers in order to scale up our commercial operational service business and expand our commercial operational service portfolio;

- approximately 25% or HK$305.9 million, will be used to upgrade our information technology systems for digitization and smart operation and management, aiming to enhance consumer experience, improve the quality of services provided to tenants and improve our operational efficiency;

- approximately 10% or HK$122.4 million, will be used to make equity investment in certain tenants and suppliers;

- approximately 5% or HK$61.2 million, will be used for the renovation of retail commercial properties developed or owned by Independent Third Parties under the asset-light business model; and

- approximately 10% or HK$122.4 million, will be used for general business purpose and working capital.

For more information, see "Future Plans and Use of Proceeds."

REASONS FOR THE SPIN-OFF

The board of directors of Powerlong Holdings considers that the Spin-Off is in the interests of Powerlong Holdings and its shareholders taken as a whole as the Spin-Off is expected to create greater value for them for the following reasons: (i) providing Powerlong Holdings and its shareholders an opportunity to realize the value of the investment in our Group; (ii) enabling our Group to build our identity as a separately listed group, have a separate fund-raising platform and broaden our investor base through the Global Offering, as well as allowing our Group to gain direct access to the capital market for equity and/or debt financing to fund our existing operations and future expansion without reliance on Powerlong Holdings; (iii) enhancing our Group's service quality through continuous improvement and upgrade of our existing operation and service system and providing our Group with a better platform to obtain funding for the improvement of our value-added services and our development of commercial operational services related to Internet of Things applications; (iv) enabling our Group to enhance our corporate profile, thereby increasing our ability to attract strategic investors who are seeking investments in the commercial operational and property management industry; and (v) enabling a more focused development, strategic planning and better allocation of resources for the Remaining Powerlong Group and our Group. For more information, see "History, Reorganization and Corporate Structure — Reasons for the Spin-Off."

RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGE

Newly Opened Retail Commercial Property

Our Shaoxing Paojiang Powerlong Plaza was opened on September 13, 2019 and our Lin'an Baihufan Powerlong Plaza was opened on November 22, 2019.

New Service Contracts and Memoranda of Understanding with respect to Properties Developed or Owned by Independent Third Parties

Since June 30, 2019 and up to the Latest Practicable Date, we had entered into six contracts with Independent Third Parties. Among these six contracts, three were related to the provision of comprehensive integrated commercial operational services and three were related to the provision of market research, positioning and other consulting services. We had also entered into memoranda of understanding with Independent Third Parties with respect to seven retail commercial properties with an estimated aggregate contracted GFA of approximately 599,000 sq.m. Since June 30, 2019 and up to the Latest Practicable Date, we had entered into preliminary management contracts with Independent Third Parties to provide residential property management services with respect to five residential property projects with an aggregate contracted GFA of approximately 705,100 sq.m. See "Business — Commercial Operational Services — Portfolio of Retail Commercial Properties — Pipeline Projects — New Service Contracts and Memoranda of Understanding with respect to Retail Commercial Properties Developed or Owned by Independent Third Parties" and "Business — Residential Property Management Services — Pipeline Projects — New Service Contracts with Independent Third Parties" for details.

New Service Contracts with respect to Properties Developed by the Remaining Powerlong Group or Joint Ventures of the Remaining Powerlong Group

Since June 30, 2019 and up to the Latest Practicable Date, we had entered into contracts to provide comprehensive integrated commercial operational services with respect to six retail commercial properties with an aggregate contracted GFA of approximately 635,300 sq.m., including five retail commercial properties developed by the Remaining Powerlong Group and one retail commercial property developed by a joint venture of the Remaining Powerlong Group. Among these six retail commercial properties, one will be operated and managed by us under "Powerlong City" (寶龍城), four will be operated and managed by us under "Powerlong Plaza" (寶龍廣場) and one will be operated and managed by us under "Powerlong One Mall" (寶龍一城).

In addition, since June 30, 2019 and up to the Latest Practicable Date, we had entered into preliminary management contracts with the Remaining Powerlong Group to provide residential property management services with respect to eight residential property projects with an aggregate contracted GFA of approximately 1,365,600 sq.m.

See "Business — Commercial Operational Services — Portfolio of Retail Commercial Properties — Pipeline Projects — New Service Contracts with respect to Retail Commercial Properties Developed by the Remaining Powerlong Group or Joint Ventures of the Remaining Powerlong Group" and "Business — Residential Property Management Services — Pipeline Projects — New Service Contracts with the Remaining Powerlong Group" for details.

Disposal of Subsidiaries

In preparation for the Listing and as part of our Reorganization, we have taken various steps to establish our Group, including the disposal of seven subsidiaries or, the disposal group. See "History, Reorganization and Corporate Structure — Reorganization" for details. Accordingly, those subsidiaries' assets and liabilities were classified as assets and liabilities associated with the disposal group as of June 30, 2019. As of June 30, 2019, the carrying amount of assets and liabilities associated with the disposal group was RMB609.2 million and RMB294.0 million, respectively.

Our Financial Position and Results of Operations Subsequent to the Track Record Period

Since June 30, 2019 and up to the Latest Practicable Date, our business remained stable which was in line with the past trends and our expectations. To the best of our knowledge, there is no change to the overall economic and market condition in China or in the PRC commercial operational and property management service market in which we operate that may have a material adverse effect on our business operations and financial position.

Based on our unaudited combined financial statements for the four months ended October 31, 2019, our average monthly revenue for the four months ended October 31, 2019 remained stable compared with the six months ended June 30, 2019 and our average monthly net profit for the four months ended October 31, 2019 remained stable compared with the six months ended June 30, 2019. Our revenue for the four months ended October 31, 2019 increased compared with the four months ended October 31, 2018. Our Directors confirmed that, since June 30, 2019 (being the date on which the latest audited combined financial information of our Group was prepared) and up to the date of this prospectus, there has been no material adverse change in our financial or trading position, indebtedness, mortgage, contingent liabilities, guarantees or prospects, and no event has occurred that would materially and adversely affect the information shown in our combined financial statements set out in the Accountant's Report included in Appendix I to this prospectus.

HISTORICAL NON-COMPLIANCE INCIDENTS AND LEGAL PROCEEDING

During the Track Record Period, we failed to comply with applicable laws and regulations relating to social insurance fund and housing provident fund contributions. During the Track Record Period, we were involved in a legal proceeding which has a potential claim against us of approximately RMB2.1 million. For details, see "Business — Legal Proceedings and Compliance" in this prospectus.

LISTING EXPENSES

The total amount of listing expenses that will be borne by us in connection with the Global Offering, including underwriting commissions, is estimated to be RMB80.0 million (based on the mid-point of the indicative Offer Price range) of which (i) approximately RMB9.6 million was charged to our combined statement of comprehensive income for the six months ended June 30, 2019; (ii) approximately RMB22.4 million is expected to be charged to our combined statement of profit or loss and other comprehensive income for the remaining period of the year ending December 31, 2019; and (iii) approximately RMB48.0 million is expected to be accounted for as a deduction from equity upon Listing. The professional fees and/or other expenses related to the preparation of the Listing are currently in estimates for reference only and the actual amount to be recognized is subject to adjustment based on audit and the then changes in variables and assumptions. Our Directors expect that our listing expenses will adversely affect on our financial performance for the year ending December 31, 2019.

SUMMARY OF MATERIAL RISK FACTORS

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

We believe some of the more significant risk factors include: (i) the success of our business is significantly related to general economic and market conditions; (ii) a significant portion of our revenue is from commercial operational services and residential property management services provided in relation to properties developed and/or owned by the Remaining Powerlong Group, which was also our single largest customer during the Track Record Period; (iii) we may not be able to assist property owners in renting out all newly developed properties and renewing existing leases; (iv) we may not be able to secure new or renew our existing commercial operational service contracts on favorable terms, or at all; and (v) certain anchor stores or other major tenants have significant impact on our ability to attract shoppers to most of the retail commercial properties under our management.

In this prospectus, unless the context otherwise requires, the following words and expressions have the following meanings. Certain technical terms are explained in "Glossary" in this prospectus

"Application Form(s)"	**WHITE** Application Form(s), **YELLOW** Application Form(s) and **GREEN** Application Form(s), or where the context so requires, any of them in relation to the Hong Kong Public Offering and **BLUE** Application Form(s) in relation to the Preferential Offering
"Articles of Association" or "Articles"	the amended and restated articles of association of the Company, conditionally adopted on December 10, 2019 and will come into effect upon Listing, as amended, supplemented or otherwise modified from time to time, a summary of which is set out in Appendix III to this prospectus
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Assured Entitlement"	the entitlement of the Qualifying Powerlong Shareholders to apply for the Reserved Shares on an assured basis under the Preferential Offering to be determined on the basis of their respective shareholdings in Powerlong Holdings at 4:30 p.m. on the Record Date
"Audit Committee"	the audit committee of the Board
"Available Reserved Shares"	has the meaning ascribed to it in the section headed "Structure of the Global Offering — The Preferential Offering — Basis of Allocation for Applications for Reserved Shares" in this prospectus
"Beneficial Powerlong Shareholder(s)"	any beneficial owner of Powerlong Shares whose Powerlong Shares are registered, as shown in the register of members of Powerlong Holdings, in the name of a registered Powerlong Shareholder at 4:30 p.m. on the Record Date
"**BLUE** Application Form(s)"	the application form(s) to be sent to Qualifying Powerlong Shareholders to subscribe for the Reserved Shares pursuant to the Preferential Offering
"Board" or "Board of Directors"	the board of directors of the Company
"Business Day"	any day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for business
"BVI"	the British Virgin Islands

"Capitalization Issue"	the issue of 449,912,222 Shares to be made upon capitalization of certain sums standing to the credit of the share premium account of our Company as referred to in "Statutory and General Information — A. Further Information about Our Company — 4. Written resolutions of our Shareholders passed on December 10, 2019" in Appendix IV to this prospectus
"Cayman Islands Companies Law"	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
"CCASS Operational Procedures"	the operational procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to the operation and functions of CCASS as from time to time in force
"CCASS Participant"	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
"China" or "PRC"	the People's Republic of China, but for the purpose of this prospectus and for geographical reference only, excludes Hong Kong, Macau and Taiwan
"close associate(s)"	has the meaning ascribed to it under the Listing Rules
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company" or "our Company"	Powerlong Commercial Management Holdings Limited (寶龍商業管理控股有限公司) (formerly known as Powerlong Commercial Holdings Limited (寶龍商業控股有限公司)), an exempted company incorporated in the Cayman Islands with limited liability on March 25, 2019

"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Controlling Shareholder(s)"	has the meaning ascribed to it under the Listing Rules, and unless the context requires otherwise, refers to Powerlong BVI Holding, Powerlong Holdings, Skylong Holdings, Sky Infinity Holdings, Walong Holdings, Mantong Trading, Mr. Hoi Kin Hong, Mr. Hoi Wa Fong, Ms. Hoi Wa Fan, Ms. Wong Lai Chan and Ms. Shih Sze Ni Cecilia, which constitute a group of controlling shareholders
"core connected person(s)"	has the meaning ascribed to it under the Listing Rules
"CSRC"	the China Securities Regulatory Commission (中國證券監督管理委員會), a regulatory body responsible for the supervision and regulation of the Chinese national securities markets
"Deed of Indemnity"	the deed of indemnity dated December 10, 2019 and executed by our Controlling Shareholders in favor of our Company (for itself and as trustee for its subsidiaries), see "Statutory and General Information — D. Other Information — 1. Tax and other indemnities" in Appendix IV to this prospectus for details
"Deed of Non-Competition"	the deed of non-competition dated December 10, 2019 and executed by our Controlling Shareholders in favor of our Company (for itself and as trustee for its subsidiaries), see "Relationship with Controlling Shareholders — Deed of Non-Competition" in this prospectus for details
"Director(s)" or "our Directors"	director(s) of the Company
"EIT"	the PRC enterprise income tax
"EIT Law"	the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法), enacted on March 16, 2007, effective from January 1, 2008 and amended on February 24, 2017 and December 29, 2018, respectively, by the SCNPC
"Extreme Conditions"	extreme conditions caused by a super typhoon as announced by the Government of Hong Kong
"Frost & Sullivan"	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., our industry consultant and an Independent Third Party
"Fuzhou Powerlong Commercial"	Fuzhou Powerlong Commercial Operational Management Company Limited* (福州寶龍商業經營管理有限公司), a company established in the PRC with limited liability on April 28, 2005 and an indirect wholly-owned subsidiary of Powerlong Holdings upon completion of the Reorganization
"Global Offering"	the Hong Kong Public Offering and the International Offering

"**GREEN** Application Form(s)"	the application form(s) to be completed by the **White Form eIPO** Service Provider, Computershare Hong Kong Investor Services Limited
"Group," "our Group," "we," "our" or "us"	our Company and our subsidiaries or, where the context so requires, in respect of the period before our Company became the holding company of our present subsidiaries, the business operated by such subsidiaries or their predecessors (as the case may be)
"Hangzhou Junlong"	Hangzhou Junlong Enterprise Management Company Limited* (杭州駿龍企業管理有限公司), a company established in the PRC with limited liability on July 23, 2014 and an indirect wholly-owned subsidiary of our Company
"HKAS(s)"	Hong Kong Accounting Standards
"HKFRS(s)"	Hong Kong Financial Reporting Standard(s) (including HKASs and Interpretations) issued by the HKICPA)
"HKICPA"	Hong Kong Institute of Certified Public Accountants
"HKSCC"	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong dollars" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong Offer Shares"	the 15,000,000 Offer Shares being initially offered by our Company for subscription pursuant to the Hong Kong Public Offering, subject to reallocation as described in the section headed "Structure of the Global Offering" in this prospectus
"Hong Kong Public Offering"	the offer of the Hong Kong Offer Shares for subscription by the public in Hong Kong at the Offer Price (plus brokerage fee of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%), on and subject to the terms and conditions of this prospectus and the Application Forms, as further described in "Structure of the Global Offering" in this prospectus
"Hong Kong Share Registrar"	Computershare Hong Kong Investor Services Limited
"Hong Kong Underwriters"	the underwriters of the Hong Kong Public Offering listed on "Underwriting — Hong Kong Underwriters"

"Hong Kong Underwriting Agreement"	the underwriting agreement dated December 13, 2019 relating to the Hong Kong Public Offering and entered into by, among others, our Company, our Controlling Shareholders, the Sole Global Coordinator and the Hong Kong Underwriters, as further described in "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Hong Kong Underwriting Agreement" in this prospectus
"Huihong Management"	Huihong Management (PTC) Limited (匯鴻管理有限公司), a private trust company limited by shares incorporated in the BVI on July 2, 2019 which is wholly-owned by Mr. Hoi Wa Fong, our executive Director and one of our Controlling Shareholders, as a special purpose vehicle to hold Shares as the trustee of the Huihong Trust
"Huihong Trust"	a trust established on July 2, 2019, with Huihong Management being appointed as the trustee, for the purpose of a share incentive scheme to be adopted by the Company at least six months after Listing
"Independent Third Party(ies)"	an individual(s) or a company(ies) who or which is/are not connected with (within the meaning of the Listing Rules) any Directors, chief executive or substantial shareholders (within the meaning of the Listing Rules) of our Company, its subsidiaries or any of their respective associates (within the meaning of the Listing Rules)
"International Offer Shares"	the 135,000,000 Offer Shares being initially offered by our Company for subscription at the Offer Price pursuant to the International Offering, together with, where relevant, any additional Shares to be issued pursuant to the exercise of the Over-allotment Option, subject to reallocation as described in the section headed "Structure of the Global Offering" in this prospectus
"International Offering"	the conditional offering of the International Offer Share(s) by the International Underwriters outside the United States in offshore transactions in reliance on Regulation S, as further described in "Structure of the Global Offering" in this prospectus
"International Underwriters"	the underwriters of the International Offering
"International Underwriting Agreement"	the international underwriting agreement relating to the International Offering and to be entered into by, among others, our Company, our Controlling Shareholders, the Sole Global Coordinator and the International Underwriters on or about the Price Determination Date, as further described in "Underwriting — Underwriting Arrangements and Expenses — International Offering — International Underwriting Agreement" in this prospectus

"Joint Bookrunners"	ABCI Capital Limited, China Industrial Securities International Capital Limited, Guotai Junan Securities (Hong Kong) Limited, CRIC Securities Company Limited, Zhongtai International Securities Limited and CMB International Capital Limited
"Joint Lead Managers"	ABCI Securities Company Limited, China Industrial Securities International Capital Limited, Guotai Junan Securities (Hong Kong) Limited, CRIC Securities Company Limited, Zhongtai International Securities Limited, CMB International Capital Limited and Lead Securities (HK) Limited
"Latest Practicable Date"	December 6, 2019, being the latest practicable date for the purpose of ascertaining certain information in this prospectus prior to its publication
"Listing"	the listing of the Shares on the Main Board
"Listing Committee"	the listing sub-committee of the board of directors of the Stock Exchange
"Listing Date"	the date on which dealings in the Shares on the Main Board first commence
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
"M&A Rules"	the Rules on the Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (關於外國投資者併購境內企業的規定), jointly issued by the State-owned Assets Supervision and Administration Commission (國務院國有資產監督管理委員會), the MOFCOM, the SAT, the SAIC, the CSRC and the SAFE on August 8, 2006 and re-issued by the MOFCOM on June 22, 2009
"Macau"	the Macau Special Administrative Region of the PRC
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with GEM of the Stock Exchange
"Mantong Trading"	Mantong (HK) Trading Co., Ltd., a company incorporated in Hong Kong with limited liability on May 14, 2013, which is wholly-owned by Ms. Hoi Wa Fan, our non-executive Director and one of our Controlling Shareholders. It is one of our Controlling Shareholders

"Memorandum" or "Memorandum of Association"	the amended and restated memorandum of association of our Company, conditionally adopted on December 10, 2019 and will come into effect upon Listing, as amended, supplemented or otherwise modified from time to time, a summary of which is set out in Appendix III to this prospectus
"MOF"	the Ministry of Finance of the PRC (中華人民共和國財政部)
"MOFCOM"	the Ministry of Commerce of the PRC (中華人民共和國商務部)
"MOHURD" or "Ministry of Construction"	the Ministry of Housing and Urban-Rural Development of the PRC (中華人民共和國住房和城鄉建設部) or its predecessor, the Ministry of Construction of the PRC (中華人民共和國建設部)
"MOP"	Macau Pataca, the lawful currency of the Macau Special Administrative Region of the PRC
"NDRC"	the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
"Nomination Committee"	the nomination committee of the Board
"NPC"	the National People's Congress of the PRC (中華人民共和國全國人民代表大會)
"Offer Price"	the final Hong Kong dollar price per Share (exclusive of brokerage fee, SFC transaction levy and Stock Exchange trading fee) at which the Offer Shares are to be subscribed for pursuant to the Global Offering
"Offer Share(s)"	the Hong Kong Offer Shares and the International Offer Shares together with, where relevant, any additional Shares to be issued pursuant to the exercise of the Over-allotment Option
"Over-allotment Option"	the option expected to be granted by the Company to the Sole Global Coordinator under the International Underwriting Agreement to require the Company to issue and allot up to 22,500,000 additional Shares (representing 15% of the Offer Shares initially being offered under the Global Offering) at the Offer Price, to cover over-allocations of the International Offering, if any, as further described in "Structure of the Global Offering" in this prospectus
"PBOC"	the People's Bank of China (中國人民銀行), the central bank of the PRC
"Powerlong BVI"	Powerlong (BVI) V Limited, a company incorporated in the BVI with limited liability on August 11, 2008 and a direct wholly-owned subsidiary of our Company

"Powerlong BVI Holding"	Powerlong Real Estate (BVI) Holdings Limited, a company incorporated in the BVI with limited liability on July 20, 2007, which is wholly-owned by Powerlong Holdings and is one of our Controlling Shareholders
"Powerlong Commercial Hong Kong"	Powerlong Commercial Group Holdings Limited (寶龍商業集團控股有限公司) (formerly known as Powerlong (Hong Kong) 5 Limited (寶龍(香港)5有限公司)), a company incorporated in Hong Kong with limited liability on October 3, 2008 and an indirect wholly-owned subsidiary of our Company
"Powerlong Group"	Powerlong Holdings and its subsidiaries, including our Group
"Powerlong Group Development"	Powerlong Group Development Co., Ltd.* (寶龍集團發展有限公司), a foreign-invested enterprise established in the PRC on July 11, 1992, which is indirectly owned as to 88.9% and 1% by Mr. Hoi Kin Hong, one of our Controlling Shareholders, and Ms. Hoi Wa Lam, our non-executive Director, respectively
"Powerlong Holdings"	Powerlong Real Estate Holdings Limited (寶龍地產控股有限公司) (stock code: 1238), an exempted company incorporated in the Cayman Islands with limited liability on July 18, 2007 and the shares of which are listed on Main Board. It will indirectly hold approximately 67.5% of the issued share capital of our Company immediately upon completion of the Capitalization Issue and the Global Offering, assuming that the Over-allotment Option is not exercised
"Powerlong Shareholders"	holders of the Powerlong Shares
"Powerlong Shares"	ordinary shares of HK$0.01 each in the share capital of Powerlong Holdings
"PRC Government"	the central government of the PRC and all governmental subdivisions (including provincial, municipal and other regional or local government entities) and organizations of such government or, as the context requires, any of them
"PRC Legal Advisor"	Grandall Law Firm (Shanghai), legal advisor to our Company on PRC laws in connection with the Global Offering
"Preferential Offering"	the preferential offering to the Qualifying Powerlong Shareholders of 14,369,156 Reserved Shares (representing approximately 9.58% of the Offer Shares initially being offered under the Global Offering) in the form of the Assured Entitlement out of the Shares offered under the International Offering at the Offer Price, as further described in "Structure of the Global Offering — The Preferential Offering" in this prospectus and subject to the terms and conditions stated in this prospectus and in the **BLUE** Application Form

"Price Determination Date"	the date, expected to be on or around Thursday, December 19, 2019 but no later than Sunday, December 22, 2019, on which the Offer Price is to be fixed by our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) for the purposes of the Global Offering
"Principal Share Registrar"	Maples Fund Services (Cayman) Limited
"Province" or "province"	each being a province or, where the context requires, a provincial level autonomous region or municipality under the direct supervision of the PRC Government
"Qualifying Powerlong Shareholders"	holders of the shares of Powerlong Holdings, whose names appear on the register of members of Powerlong Holdings as at 4:30 p.m. on the Record Date
"Record Date"	December 9, 2019, being the record date for ascertaining the Assured Entitlement
"Regulation S"	Regulation S under the U.S. Securities Act
"Remaining Powerlong Group"	Powerlong Holdings and its subsidiaries after completion of the Spin-Off, which excludes our Group
"Remuneration Committee"	the remuneration committee of the Board
"Renminbi" or "RMB"	the lawful currency of the PRC
"Reorganization"	the reorganization of the Group in preparation of the Listing, see "History, Reorganization and Corporate Structure — Reorganization" in this prospectus for details
"Reserved Shares"	the 14,369,156 Offer Shares being offered by our Company pursuant to the Preferential Offering to the Qualifying Powerlong Shareholders as the Assured Entitlement, which are to be allocated out of the Shares being offered under the International Offering
"SAFE"	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
"SAIC"	the State Administration for Industry and Commerce of the PRC (中國國家工商行政管理總局), including, as the context may require, its local counterparts, which was merged into the State Administration of Market Regulation (中國國家市場監督管理總局)
"SAT"	the State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
"SCNPC"	the Standing Committee of the NPC

"Securities and Futures Commission" or "SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Shanghai Juanxin"	Shanghai Juanxin Enterprise Management Company Limited* (上海鐫新企業管理有限公司), a company established in the PRC with limited liability on September 18, 2014 and an indirect wholly-owned subsidiary of our Company
"Shanghai Powerlong Commercial"	Shanghai Powerlong Commercial Property Management Co., Ltd.* (上海寶龍商業地產管理有限公司) (formerly known as Xiamen Hualong Commercial Property Management Company Limited* (廈門華龍商業地產管理有限公司) and Xiamen Bairun Commercial Property Management Company Limited* (廈門百潤商業地產有限公司)), a company established in the PRC with limited liability on June 29, 2007 and an indirect wholly-owned subsidiary of our Company
"Shanghai Powerlong Property Management"	Shanghai Powerlong Property Management Company Limited* (上海寶龍物業管理有限公司) (formerly known as Shandong Powerlong Commercial Property Management Company Limited* (山東寶龍商業物業管理有限公司), Taian Powerlong Commercial Property Management Company Limited* (泰安寶龍商業物業管理有限公司) and Taian Hualong Property Management Company Limited* (泰安華龍物業管理有限公司)), a company established in the PRC with limited liability on April 5, 2007 and an indirect wholly-owned subsidiary of our Company
"Shanghai Shangsheng"	Shanghai Shangsheng Investment Management Consulting Company Limited* (上海商盛投資管理諮詢有限公司), a company established in the PRC with limited liability on December 15, 2010 and an indirect wholly-owned subsidiary of our Company
"Shanghai Xuxin"	Shanghai Xuxin Enterprise Management Company Limited* (上海煦新企業管理有限公司), a company established in the PRC with limited liability on September 26, 2014 and an indirect wholly-owned subsidiary of our Company
"Share(s)"	ordinary share(s) with nominal value of HK$0.01 each in the share capital of the Company, which are to be traded in Hong Kong dollars and listed on the Main Board
"Shareholder(s)"	holder(s) of the Share(s)

"Sky Infinity Family"	Sky Infinity Family Limited, a company incorporated in Bahamas with limited liability on November 21, 2018, which is owned as to 50% by Serangoon Limited and 50% by Seletar Limited, respectively as nominees in trust for Credit Suisse Trust Limited, the trustee of the Sky Infinity Trust
"Sky Infinity Holdings"	Sky Infinity Holdings Limited, a company incorporated in the BVI with limited liability on July 20, 2007, which is wholly-owned by Sky Infinity Family and is one of our Controlling Shareholders
"Sky Infinity Trust"	a discretionary trust established by Mr. Hoi Wa Fong, the settlor, with Credit Suisse Trust Limited acting as trustee, further details of which are described in "Relationship with Controlling Shareholders" in this prospectus
"Skylong Holdings"	Skylong Holdings Limited, a limited liability company incorporated in the BVI on July 20, 2007, which is wholly-owned by Mr. Hoi Kin Hong and is one of our Controlling Shareholders
"Sole Global Coordinator"	ABCI Capital Limited
"Sole Sponsor"	ABCI Capital Limited, the sole sponsor for the Listing
"Spin-Off"	the separate listing of our Shares on the Main Board, by way of the Global Offering (including the Preferential Offering)
"Stabilizing Manager"	ABCI Securities Company Limited
"State Council"	the State Council of the PRC (中華人民共和國國務院)
"Stock Borrowing Agreement"	the stock borrowing agreement expected to be entered into between the Stabilizing Manager and Powerlong BVI Holding on or about the Price Determination Date
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed to it under the Listing Rules
"substantial shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Taicang Baohua"	Taicang Baohua Property Management Limited* (太倉寶華物業管理有限公司), a company established in the PRC with limited liability on October 9, 2006 and an indirect wholly-owned subsidiary of our Company.
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers issued by the SFC as amended, supplemented or otherwise modified from time to time

"Teng Wen"	Shanghai Teng Wen Network Technology Co., Ltd.* (上海騰聞網絡科技有限公司), a company established in the PRC with limited liability on June 21, 2012, one of our strategic partners and an Independent Third Party
"Track Record Period"	the period comprising the three years ended December 31, 2016, 2017 and 2018 and the six months ended June 30, 2019
"Underwriters"	the Hong Kong Underwriters and the International Underwriters
"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
"United States" or "U.S."	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"U.S. Securities Act"	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
"US$"	U.S. dollars, the lawful currency of the United States
"VAT"	the PRC value-added tax
"Walong Holdings"	Walong Holdings Limited, a company incorporated in the BVI with limited liability on July 20, 2007, which is wholly-owned by Ms. Hoi Wa Fan, our non-executive Director and one of our Controlling Shareholders. It is one of our Controlling Shareholders
"**WHITE** Application Form(s)"	the application form(s) for the Hong Kong Offer Shares for use by the public who require(s) such Hong Kong Offer Shares to be issued in the applicant's/applicants' own name(s)
"**White Form eIPO**"	the application for Hong Kong Offer Shares to be issued in the applicant's own name by submitting applications online through the designated website of the **White Form eIPO** Service Provider at **www.eipo.com.hk**
"**White Form eIPO** Service Provider"	Computershare Hong Kong Investor Services Limited
"Wuxi Powerlong Commercial"	Wuxi Powerlong Commercial Property Management Company Limited* (無錫寶龍商業物業管理有限公司) (formerly known as Wuxi Hualong Commercial Property Management Company Limited* (無錫華龍商業物業管理有限公司)), a company established in the PRC with limited liability on April 8, 2008 and an indirect wholly-owned subsidiary of our Company
"Xiamen Hualong Property Management"	Xiamen Hualong Property Management Limited* (廈門華龍物業管理有限公司), a company established in the PRC with limited liability on April 14, 1993 and an indirect wholly-owned subsidiary of our Company

"Xiamen Lianshang"	Xiamen Lianshang Logistic Company Limited* (廈門聯商物流有限公司), a company established in the PRC with limited liability on January 24, 2008 and an indirect wholly-owned subsidiary of Powerlong Holdings
"**YELLOW** Application Form(s)"	the application form(s) for the Hong Kong Offer Shares for use by the public who require(s) such Hong Kong Offer Shares to be deposited directly into CCASS
"%"	per cent

Unless the content otherwise requires, references to "2016," "2017" and "2018" in this prospectus refer to our financial year ended December 31 of such year.

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

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

* *For identification purposes only*

This glossary of technical terms contains terms used in this prospectus in connection with us and our business. Some of these terms and their meanings may not correspond to standard industry meanings or usage of such terms.

"AMP system"	asset management platform system
"average property management fee(s)"	average monthly property management fee calculated as the total property management fee receivable during a specified period divided by the GFA under management during that same period
"average retail commercial property management fee(s)"	weighted average monthly retail commercial property management fee calculated as the total retail commercial property management fee receivable during a specified period divided by the GFA under management excluding car parks during that same period
"CAGR"	compound annual growth rate
"commission basis"	a revenue-generating model whereby we retain a percentage of the total amount of fees received as our service fees
"contracted GFA"	GFA managed or to be managed by us for which we have entered into relevant commercial operational or residential property management service contracts, which includes GFA of car parks
"ECL"	expected credit losses
"FVOCI"	financial assets at fair value through other comprehensive income
"GDP"	gross domestic product
"GFA"	gross floor area
"GFA under management"	the portion of contracted GFA of (i) retail commercial properties under our management which are in operation; or (ii) properties that have been delivered to us for property management purposes under residential property management service segment. GFA of car parks are included for purpose of calculating GFA under management
"ICP license"	value-added telecommunications services operating license for internet information services
"IoT" or "Internet of Things"	a network of physical devices, vehicles, buildings and other item — embedded with electronics, software, sensors and network connectivity that enable these objects to collect and exchange data
"launch period"	early stage of a newly opened retail commercial property which typically lasts for a fixed period of three to five years

"lump-sum basis"	a revenue-generating model for our residential property management service segment whereby we charge a pre-determined property management fee per sq.m. for all units (whether sold or unsold) on a periodic basis which represents the "all-inclusive" fees for all of the residential property management services provided by our employees and subcontractors. Property developers, property owners and residents will be responsible for paying our property management fees for the sold and unsold units respectively on a periodic basis
"occupancy rate"	a rate calculated as actual leased area divided by available lease area of a retail commercial property as of the end of each relevant period based on our internal record
"PD platform"	Powerlong desk, an office automation system
"PMS" or "PM system"	property management system
"QR code"	abbreviated from Quick Response Code, a type of dot matrix barcode that can be read by a two-dimensional barcode scanner or a smart phone, which translates the dots into various types of characters
"residential property management service(s)"	residential property management service(s) we provided for residential properties, office buildings and serviced apartments, for the purpose of this prospectus
"retail commercial property(ies)"	property(ies) which is/are designated for use as shopping malls and/or shopping streets
"small to mid-sized commercial operational service provider"	a commercial operational service provider which has annual revenue under RMB200.0 million and manages less than ten retail commercial properties
"sq.m."	square meter(s)
"Top 100 Property Management Companies"	an annual ranking of China-based property management companies by overall competitiveness published by China Index Academy based on a number of key indicators, including management scale, operational performance, service quality, growth potential and social responsibility
"undelivered GFA"	the portion of contracted GFA of properties that are not yet ready to be delivered for property management purpose under our residential property management service segment
"Yangtze River Delta"	a geographical region in China including Shanghai Municipality, Zhejiang and Jiangsu Provinces for purposes of this prospectus

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

- our business prospects;
- future developments, trends and conditions in the industry and markets in which we operate;
- our business strategies and plans to achieve these strategies;
- our ability to identify and integrate suitable acquisition targets;
- general economic, political and business conditions in the markets in which we operate;
- changes to the regulatory environment and general outlook in the industry and markets in which we operate;
- the effects of the global financial markets and economic crisis;
- our ability to reduce costs;
- our dividend policy;
- the amount and nature of, and potential for, future development of our business;
- capital market developments;
- the actions and developments of our competitors;
- changes or volatility in interest rates, foreign exchange rates, equity prices or other rates or prices in the industry and markets in which we operate;
- certain statements in "Financial Information" with respect to trends in prices, volumes, operations, margins, overall market trends, risk management and exchange rates; and
- other statements in this prospectus that are not historical facts.

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

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

An investment in our Shares involves various risks. You should carefully consider the following information about risks, together with the other information contained in this prospectus, including our combined financial statement and related notes, before you decide to purchase our Shares. If any of the circumstances or events described below actually arises or occurs, our business, results of operations, financial conditions and prospects would likely suffer. In any such case, the market price of our Shares could decline, and you may lose all or part of your investment. This prospectus also contains forward-looking information that involves risks and uncertainties. Our actual results could differ materially from those anticipated in the forward-looking statements as a result of many factors, including the risks described below and elsewhere in this prospectus.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

The success of our business is significantly related to general economic and market conditions.

We derive our revenue primarily from providing commercial operational services. Our concentration in providing commercial operational services means that we are subject to a number of factors that could adversely affect the retail environment and demand for retail commercial properties generally, including:

- changes in international, national, regional and local economic conditions such as impact caused by the trade war between the PRC and the United States;
- impact on tenants and demand for retail space from the increasing use of the Internet by retailers and consumers;
- local real estate conditions, such as an oversupply of, or reduction in demand for, retail space or retail goods, decreases in rental rates and the availability and creditworthiness of tenants;
- levels of consumer spending, changes in consumer confidence and fluctuations in seasonal spending; and
- changes in applicable laws and regulations, including tax, environmental, safety and zoning.

Periods of economic weakness or recession, rising interest rates, fiscal or political uncertainty, market volatility, declining demand for commercial real estate, falling real estate values, disruption to the global capital or credit markets or the public perception that any of these events may occur may also negatively affect the retail environment and demand for retail commercial properties. A significant deterioration in the retail environment and a decline in demand for retail commercial properties could have a material adverse effect on us.

A significant portion of our revenue is from commercial operational services and residential property management services provided in relation to properties developed and/or owned by the Remaining Powerlong Group, which was also our single largest customer during the Track Record Period.

During the Track Record Period, a significant portion of our commercial operational service and residential property management service contracts were related to the management of properties developed by the Remaining Powerlong Group. In 2016, 2017 and 2018 and the six months ended June 30, 2019, revenue generated from our provision of commercial operational services to the retail commercial properties developed by the Remaining Powerlong Group accounted for approximately 94.6%, 91.2%, 90.0% and 90.7% of our revenue generated from our provision of commercial operational services, while revenue generated from our provision of residential property management services to properties developed by the Remaining Powerlong Group accounted for approximately 97.8%, 96.5%, 96.9% and 96.9% of our revenue generated from our provision of residential property management services.

The Remaining Powerlong Group was our single largest customer during the Track Record Period. In 2016, 2017 and 2018 and the six months ended June 30, 2019, revenue recorded for providing services to the Remaining Powerlong Group amounted to RMB246.1 million, RMB191.8 million, RMB206.1 million and RMB93.3 million, respectively. We mainly provide (i) (a) market research and positioning, tenant sourcing and opening preparation services; (b) tenant management and rent collection services; and (c) other value-added services, mainly include car park, common area and advertising space management services, to the Remaining Powerlong Group under our commercial operational service segment; and (ii) pre-sale management services to the Remaining Powerlong Group under our residential property management service segment.

As we do not have control over the Remaining Powerlong Group's business strategy, nor the macroeconomic or other factors that affect their business operations, any adverse development in the operations of the Remaining Powerlong Group or its ability to develop new properties may affect our ability to procure new commercial operational service and residential property management service contracts. In addition, we cannot assure you that all of our commercial operational service and residential property management service contracts with the Remaining Powerlong Group will be renewed successfully upon their expiration. We cannot assure you that we will be successful in procuring service contracts from alternative sources to make up for the shortfall in a timely manner or on favorable terms. Though we plan to expand our business by seeking cooperation with Independent Third Parties, we cannot assure you that we will be successful in doing so. Should any of these events occur, our business, financial condition and results of operations could be materially and adversely affected.

We may not be able to assist property owners in renting out all newly developed properties and renewing existing leases.

Under our commercial operational service segment, we provide property leasing services with respect to units located within the shopping streets and shopping malls, where we lease such properties from property owners and sublease to tenants. However, we may not be able to assist property owners in leasing all of their new properties to an appropriate mix of tenants. In addition, when leases for existing properties under our management expire, we may not be able to assist property owners in renewing such leases on favorable terms, or at all. As we receive a rental income pursuant to our arrangements with the relevant property owners, if we are unable to rent out such properties to tenants, and the retail commercial properties under our management fail to achieve the occupancy rate upon opening or maintain a high occupancy rate during their life cycle as agreed, our rental income may decrease, and as a result, our results of operations and financial condition may be adversely affected.

We may not be able to secure new or renew our existing commercial operational service contracts on favorable terms, or at all.

We believe that our ability to expand our portfolio of commercial operational service contracts is key to our sustainable growth. During the Track Record Period, we procured new commercial operational service contracts primarily through contracting with property developers. The selection of a commercial operational service provider by property developers depends on a number of factors, including but not limited to the quality of services, the level of pricing and the operating history of the commercial operational service provider. We cannot assure you that we will be able to procure new commercial operational service contracts on favorable terms, or at all. Our efforts may be hindered by factors beyond our control, which may include, among others, changes in general economic conditions, evolving government regulations as well as supply and demand dynamics within the commercial operational service market. In addition, both termination and non-renewal of commercial operational service contracts could potentially be detrimental to our reputation and diminish our competitiveness within the market. During the Track Record Period, we did not experience any failure to renew our commercial operational service contracts.

Certain anchor stores or other major tenants have significant impact on our ability to attract shoppers to retail commercial properties under our management.

Retail commercial properties under our management are typically anchored by supermarkets, cinemas and other large international or nationally recognized tenants. The operations of these retail commercial properties could be materially and adversely affected if these anchors or other major tenants fail to comply with their contractual obligations or cease their operations.

Certain anchor stores and other large retailers have experienced, and may continue to experience decreases in consumer traffic in their retail stores due to uncertainty and less-than-desirable levels of consumer confidence, increased competition from alternative retail options such as those accessible via the Internet and other forms of pressure on their business models. As pressure on these anchor stores and large retailers increases, their ability to maintain their stores and meet their obligations both to property owners and us and to their external lenders may be impaired and result in closures of their stores or them seeking lease modification with the property owners. Any lease modification or termination could be unfavorable to us as our various service fees from commercial operational services may decrease as a result of such modification or termination.

If any of the anchor or major tenant was to close its stores at the retail commercial properties under our management, we may have difficulty and experience delay in sourcing new tenants, as well as in leasing spaces in areas adjacent to such vacant anchor store or large retailer, at attractive rates, or at all. Additionally, anchor store or large retailer closures may result in decreased consumer traffic, which could lead to decreased sales at other stores. If the business of stores operating in the retail commercial properties under our management were to decline significantly due to the closing of anchor stores or other large retailers, adverse economic conditions, or other reasons, tenants may be unable to pay their retail commercial property management fees or other expenses. In the event of any default by a tenant, we may not be able to fully recover, and/or may experience delays and costs in enforcing our rights as a service provider to recover amounts due to us under the terms of our agreements with such parties.

We may not be able to accurately position the retail commercial properties under our management.

During the Track Record Period, a majority of our revenue from commercial operational service segment derived from the provision of commercial operation and management services and property leasing services to our managed retail commercial properties, which accounted for approximately 88.6%, 91.1%, 94.7% and 92.2%, respectively, of revenue from the commercial operational service segment. However, we may not be able to sustain the current growth of or further expand our commercial operational services.

In the event that we are not able to accurately position a retail commercial property and assess the potential competitive status, we may suffer loss to that particular retail commercial property. During the Track Record Period, we incurred losses in connection with the management of retail commercial properties. In 2016, 2017 and 2018 and the six months ended June 30, 2019, such losses amounted to approximately RMB34.2 million, RMB81.7 million, RMB65.3 million and RMB25.6 million, respectively, and were related to the management of seven, 14, 14 and 11 retail commercial properties, respectively. We incurred losses with respect to the management of these properties primarily due to our failure to assess the market demand and competitive status, resulting in low consumer traffic. Our revenue generated from the management of the aforementioned loss-making retail commercial properties amounted to approximately RMB171.5 million, RMB204.2 million, RMB245.3 million and RMB76.2 million in 2016, 2017 and 2018 and the six months ended June 30, 2019, respectively, representing approximately 27.3%, 25.8%, 25.0% and 12.3%, respectively, of our revenue from the commercial operational service segment for the same periods. See "Business — Commercial Operational Services — Commercial Operational Service Fees — Loss-making Retail Commercial Properties" for details.

Our efforts to improve our ability to accurately assess the market demand and competitive status may not be successful which in turn would adversely affect our results of operations and financial condition.

We may encounter difficulties in collecting our property management fees which may affect our profitability.

We incurred losses in connection with the provision of residential property management services during the Track Record Period. Such losses amounted to approximately RMB2.4 million, RMB7.0 million, RMB9.3 million and RMB9.2 million, respectively, with respect to the management of ten, nine, 12 and 12 properties, respectively. The losses were incurred primarily due to low collection rate of management fees. Our revenue generated from the management of the aforementioned loss-making properties amounted to approximately RMB12.1 million, RMB42.1 million, RMB41.7 million and RMB40.9 million in 2016, 2017 and 2018 and the six months ended June 30, 2019, respectively, representing approximately 9.7%, 23.3%, 18.9% and 32.0%, respectively, of our revenue from the residential property management service segment. See "Business — Residential Property Management Services — Residential Property Management Service Fees — Service Fees Charged for Property Management Services" for details. Our efforts to improve the quality of our residential property management services may not be successful, which in turn would adversely affect our results of operations and financial condition.

Reliance on single largest supplier during the Track Record Period.

In 2016, 2017 and 2018 and the six months ended June 30, 2019, purchases from our single largest supplier, the Remaining Powerlong Group, amounted to RMB10.9 million, RMB21.0 million, RMB28.5 million and RMB62.7 million, respectively, accounting for approximately 4.2%, 6.2%, 7.2% and 23.2%, respectively, of our total purchases. See "Business — Suppliers" for details. These purchases mainly represent rent payments with respect to our leased car parks, advertising spaces and common areas. During the Track Record Period, we primarily provided car park, advertising space and common area management services in two ways where (i) we received a commission as a percentage of the income generated from such car parks, advertising spaces and common areas; and (ii) we leased such car parks, advertising spaces and common areas from property owners and were entitled to the income generated. Starting from January 1, 2019, we had adopted the second way for managing all car parks, advertising spaces and common areas. We expect the purchases from the Remaining Powerlong Group to increase after the new arrangement. If the Remaining Powerlong Group decides to terminate business relationship with us, we may not be able to easily find replacements, which may materially and adversely affect our business and financial results.

We may experience fluctuations in our labor and subcontracting costs.

In 2016, 2017 and 2018 and the six months ended June 30, 2019, our staff costs accounted for 56.0%, 54.1%, 54.3% and 51.4% of our total cost of services, respectively. We also engage third-party subcontractors to provide cleaning, greening and maintenance services for all properties under our management and security services for some properties under our management. In 2016, 2017 and 2018 and the six months ended June 30, 2019, our subcontracting costs accounted for 19.1%, 20.5%, 19.9% and 18.8% of our total cost of services, respectively. We believe that controlling and reducing our staff and subcontracting costs are essential to maintaining and improving our profit margins. However, we face pressure from rising staff and subcontracting costs due to various contributing factors, including but not limited to:

- *Increase in minimum wage* — The minimum wage in regions we operate has increased substantially in recent years, directly affecting our staff costs as well as the fees we pay to our third-party subcontractors.

- *Increase in headcount* — As we expand our operations, the headcount of our commercial operational and residential property management staff, sales and marketing staff and administrative staff will continue to grow. We will also need to retain and continuously recruit qualified employees to meet our growing demand for talent, which will further increase our total headcount. In addition, as we continue to expand our business scale, we plan to increase the usage of third-party subcontractors. The increase in headcount will also increase our costs such as those related to salaries, training, social insurance and housing provident fund contributions and quality control measures.

- *Delay in implementing technological solutions, service standardization and other measures to reduce our reliance on manual labor and cost of services* — Usually there is a lapse between the time we begin commercial operational services or residential property management services for a particular property and the time we start implementing any of our measures to reduce our reliance on manual labor and cost of services. Before we carry out such measures, our ability to mitigate the impact of any increases in staff and subcontracting costs is limited.

We cannot assure you that we will be able to control our costs or improve our operational efficiency. If we fail to achieve this goal, our business, financial condition and results of operations could be materially and adversely affected.

Rapid growth of the e-commerce business in China may have negative impact on the operation of physical stores which may in turn affect our profitability.

As the e-commerce business in China has experienced rapid growth, the purchasing habits of the consumers may undergo significant changes. People may tend to shop online instead of visiting the physical stores which may result in decrease of consumer traffic at retail commercial properties under our management. This may negatively impact the business and financial condition of our tenants. In the event that the business and financial condition of these tenants are affected by the change in purchasing habits or preferences of the consumers, they may decrease their rental area or even cease to rent the shop units. We cannot assure you that we will be able to maintain our historical growth rates of revenue and profit, or remain profitable, if such adverse changes occur.

Brand and reputation are our key assets, which will be affected by how we are perceived in the marketplace.

Brand and its attributes are our key assets. We provide commercial operational services under the brand of Powerlong (寶龍), and classify the retail commercial properties under our management into four brands, namely, "Powerlong One Mall" (寶龍一城), "Powerlong City" (寶龍城), "Powerlong Plaza" (寶龍廣場) and "Powerlong Land" (寶龍天地). We entered into a trademark licensing agreement with Powerlong Group Development on August 8, 2019, pursuant to which, we are entitled to use these four brand names for free during their respective valid terms. See "Connected Transactions — (A) Continuing Connected Transactions Fully Exempt from the Reporting, Annual Review, Announcement and Independent Shareholders' Approval Requirements — 2. Trademark Licensing" in this prospectus for details. We charge a fixed amount of brand use fee when providing commercial operational services to Independent Third Parties. Our ability to attract and retain customers is highly dependent upon the external perceptions of our level of service, trustworthiness, business practices, management, workplace culture, financial condition, our response to unexpected events and other subjective qualities. Negative perceptions or publicity regarding these matters, even if related to seemingly isolated incidents and whether or not factually correct, could erode trust and confidence and damage our reputation among existing and potential clients, which could make it difficult for us to attract new customers and maintain existing ones.

We believe our continued success depends on our ability to preserve, grow and leverage the value of such brands. The protection of our brand, including related trademarks, may require the expenditure of significant financial and operational resources. Moreover, the steps we take to protect our brand may not adequately protect our rights or prevent third parties from infringing or misappropriating our trademarks. Even when we detect infringement or misappropriation of our trademarks, we may not be able to enforce all such trademarks. Any unauthorized use by third parties of our brand may adversely affect our brand. Furthermore, as we continue to expand our business, there is a risk we may face claims of infringement or other alleged violations of third-party intellectual property rights, which may restrict us from leveraging our brand in a manner consistent with our business goals.

Our memoranda of understanding with respect to managing properties developed or owned by Independent Third Parties may not be materialized.

Since June 30, 2019 and up to the Latest Practicable Date, we had entered into several memoranda of understanding with various Independent Third Parties, pursuant to which we may further negotiate and develop business relationship with them for managing properties developed or owned by them. See "Business — Commercial Operational Services — Portfolio of Retail Commercial Properties — Pipeline Projects" for details. As the terms contained in the memoranda of understanding are subject to further negotiation and determination, there is no assurance that we will enter into formal management contracts with these Independent Third Parties or the management contracts will be materialized.

Our business strategies are subject to uncertainties and risks and our future growth may therefore not materialize as planned.

As of December 31, 2016, 2017 and 2018 and June 30, 2019, our aggregate contracted GFA under commercial operational service segment amounted to approximately 6.2 million sq.m., 6.4 million sq.m., 6.9 million sq.m. and 7.5 million sq.m., respectively. As of the same dates, our aggregated contracted GFA under residential property management service segment amounted to approximately 9.9 million sq.m., 12.0 million sq.m., 14.8 million sq.m. and 17.1 million sq.m., respectively. We seek to continue expanding our business through increasing our contracted GFA and the number of properties we are contracted to manage in existing and new markets, including properties developed by the Remaining Powerlong Group and Independent Third Parties. See "Business — Our Business Strategies" in this prospectus for details. However, we base our expansion plans on our assessment of market prospects. We cannot assure you that our assessment will prove to be correct or that we can grow our business as planned. Our expansion plans may be affected by a number of factors, most of which are beyond our control. Such factors include:

- changes in the PRC's economic conditions in general and the real estate market in particular;
- changes in disposable personal income in the PRC;
- changes in government regulations;
- changes in the supply of and demand for retail commercial operational and residential property management services;
- our ability to generate sufficient liquidity internally and obtain external financing;
- our ability to recruit and train competent employees;
- our ability to select and work with suitable third-party subcontractors and suppliers;
- our ability to understand the needs of tenants in the commercial properties where we provide commercial operational services and residents or tenants in the properties where we provide residential property management services;
- our ability to adapt to new markets where we have no prior experience and in particular, whether we can adapt to the administrative, regulatory and tax environments in such markets;

- our ability to leverage our brand names and to compete successfully in new markets, particularly against the incumbent players in such markets who might have more resources and experience than we do; and

- our ability to improve our administrative, technical, operational and financial infrastructure.

Since our business strategies are subject to uncertainties and risks, we cannot assure you that our future growth will materialize. Our business, financial condition, results of operations and growth prospects could be materially and adversely affected if our future plans fail to achieve positive results.

We recorded net current liabilities during the Track Record Period. We cannot assure you that we will not continue to experience net current liabilities in the future, which could expose us to liquidity risks.

We recorded net current liabilities of RMB306.2 million, RMB260.6 million and RMB138.5 million as of December 31, 2016, 2017 and 2018, respectively. Our net current liabilities as of December 31, 2016, 2017 and 2018 were primarily because (i) we require tenants or residents of properties under our management to provide deposits as performance securities under the relevant lease agreement or property management service agreements, and we record such deposits as a current liabilities under trade and other payables; (ii) we made an investment of approximately RMB330.5 million in Shanghai Life Insurance Co., Ltd. in 2015, which was classified as FVOCI and recognized as non-current assets while the funds we used to finance such investment were primarily advances from related parties, which were recognized as trade and other payables under current assets; and (iii) the incurrence of significant short-term borrowings. See "Financial Information — Current Assets and Current Liabilities" in this prospectus for further discussion on our net current liabilities.

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

We may encounter difficulties in collecting our service fees and rents, which could lead to impairment of our trade receivables.

We may encounter difficulties when collecting our service fees and rents where a tenant has experienced decreases in consumer traffic in its retail store or any difficulties in continuing operations for any other factors for retail commercial property management and property management fees in communities with relatively high vacancy rates. Even though we seek to collect overdue service fees and rents through a number of collection measures, we cannot assure you that such measures will be effective or enable us to accurately predict our future collection rate.

Our allowance for impairment of operating lease and trade receivables amounted to RMB10.7 million, RMB12.6 million, RMB13.4 million and RMB16.8 million as of December 31, 2016, 2017 and 2018 and June 30, 2019, respectively. Our collection rate of retail commercial property management fees, calculated by dividing the retail commercial property management fees we actually received during a period by the total retail commercial property management fees payable to us accumulated during the same period, was 94.9%, 95.9%, 96.3% and 95.8% in 2016, 2017 and 2018 and the six months ended June 30, 2019, respectively. Our collection rate for the six month ended June 30, 2019 was relatively low as compared with other periods mainly because we tend to increase our collection efforts toward the end of each quarter and as a result the year-end collection rates are generally higher. Our collection rate of property management fees, calculated by dividing the property management fees we actually received during a period by the total property management fees payable to us accumulated during the same period was 83.0%, 85.4%, 81.0% and 69.3% in 2016, 2017 and 2018 and the six months ended June 30, 2019, respectively. Pursuant to the terms of our property management service contracts, property owners are typically required to pay their property management fee on a monthly, quarterly, semi-annually or annually basis and we normally receive payment for our residential property management services within 30 days after the issuance of the demand notes at the end of each month. However, certain property owners do not pay their property management fees in accordance with the terms of the relevant property management service contracts and tend to pay such fees in one or more installments during or towards the end of a year. As a result, the collection rate of our property management fees continues to increase towards the end of a year, which explains why our collection rate of our property management fees for the six months ended June 30, 2019 was relatively low compared to those for the prior years. See "Business — Residential Property Management Services — Residential Property Management Service Fees — Service Fees Charged for Property Management Services" for details.

Although our management's estimates and the related assumptions were made in accordance with information available to us, such estimates or assumptions may need to be adjusted if new information becomes known. See "Financial Information — Critical Accounting Policies and Estimates — Operating Lease and Trade and Other Receivables" in this prospectus for details. In the event that actual recoverability is lower than expected, or that our past allowance for impairment of trade receivables becomes insufficient in light of any new information, we may need to provide for an additional allowance for impairment of trade receivables, which could in turn materially and adversely affect our business, financial condition and results of operations.

We may not be able to recover our deferred tax assets.

In the application of our accounting policies, our management is required to make judgments, estimates and assumptions about the carrying amounts of certain assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Therefore, actual results may differ from these accounting estimates. Our deferred tax assets amounted to RMB43.2 million, RMB57.8 million, RMB56.5 million and RMB55.8 million as of December 31, 2016, 2017 and 2018 and June 30, 2019, respectively.

Based on our accounting policies, we recognize deferred tax assets relating to certain temporary differences and tax losses when our management considers it is probable that future taxable profit will be available and as a result, the temporary differences or tax losses can be utilized. The outcome of the actual utilization of such temporary differences or tax losses may be different. If there is a significant adverse change in our performance, some or all of the relevant deferred tax assets may need to be written-off and charged to the income statement, which could have an adverse effect on our financial condition. Moreover, utilization of deferred tax assets significantly depends on our management's judgment as to whether sufficient profits or taxable temporary differences will be available in the future.

We are susceptible to changes in the regulatory landscape of the PRC real estate industry.

As a commercial operational and residential property management service provider, our growth potential is, and will likely continue to be, affected by developments in the PRC real estate industry. The PRC Government promulgates new laws and regulations from time to time in relation to the PRC real estate industry. In recent years, the PRC Government has implemented a series of measures to contain the pace of economic growth, particularly the perceived over-heating in the real estate market. While the PRC Government may still regard the real estate industry important, it has taken restrictive measures to discourage speculation and increase the supply of affordable residential properties. From time to time, the PRC Government adjusts or introduces macroeconomic policies to encourage or restrict development in the property sector through regulating, among others, land grants, pre-sales of properties, bank financing, mortgage and taxation. Measures taken by the PRC Government to control money supply, credit availability and fixed assets also have an impact on the PRC real estate industry. In the event that these measures decelerate the overall growth of property development in the PRC, we may experience slower growth in the market for commercial operational and residential property management services, which could in turn restrict our potential in and efforts to expand our business.

We are susceptible to adverse regulatory and economic developments in the Yangtze River Delta.

We focus on cities with high population densities in economically developed regions, and a significant portion of our operations are concentrated in the Yangtze River Delta. As of June 30, 2019, we had a geographic presence in 40 cities, 18 of which were located in the Yangtze River Delta. As of December 31, 2016, 2017 and 2018 and June 30, 2019, the aggregate contracted GFA in those cities, including commercial operational and residential property management services, amounted to approximately 6.4 million sq.m., 7.5 million sq.m., 10.4 million sq.m. and 11.9 million sq.m., respectively, accounting for approximately 39.5%, 40.8%, 48.1% and 48.5%, respectively, of our aggregate contracted GFA. The revenue generated from our commercial operational services and residential property management services in those regions contributed to 48.7%, 59.3%, 60.3% and 62.5% of our total revenue in 2016, 2017 and 2018 and the six months ended June 30, 2019, respectively. Thus, any adverse regulatory and economic developments in those markets that may dampen demand or prices for our services, and in turn could materially and adversely affect our business, financial conditions and results of operations.

We face a wide range of competition and may fail to compete effectively and operate profitably.

We compete with other commercial operational service and residential property management service providers that operate on national, regional and local scales. They may have stronger capital resources, longer operating histories, better track records, greater brand or name recognition, greater expertise in regional and local markets and greater financial, technical, marketing and public relations resources than we do. They may also be better positioned than we are to compete for customers, financing, skilled management and labor resources, and devote more resources to the development, expansion, and promotion of their commercial operational and residential property management services. In addition, property developers may establish their own in-house property management businesses or engage their affiliated service providers. These developments may reduce the availability of business opportunities and customers as there would be fewer property developers in the market who would be willing to refer business to us. Since our competitors may seek to emulate our business model, we may lose our competitive edge should we fail to continue improving and thereby distinguish ourselves from other service providers. Our customers may opt to work with our competitors upon the expiry of our existing service contracts as competitive pressures intensify, and we may be less likely to successfully obtain new service contracts.

In addition, our efforts to compete may compel us to reduce prices for our commercial operational and residential property management services, while competitive pressures may force us to further enhance service quality, thereby increasing our cost of services. We cannot assure you that we will be able to pass additional costs to our customers. Failures to compete effectively may erode our profit margins and market share, which could in turn materially and adversely affect our business, financial condition, results of operations and growth potential.

We are exposed to risks associated with relying on third-party subcontractors to perform certain commercial operational and residential property management services.

We engage third-party subcontractors to provide cleaning, greening and maintenance services for all properties under our management and security services for some properties under our management during the Track Record Period. We select our third-party subcontractors based on factors such as professional qualifications, industry reputation, service quality and price competitiveness. However, we cannot assure you that they will always perform in accordance with our expectations. They may act in ways that are contrary to our instructions, their contractual obligations and our own quality standards, and we may not be able to monitor them as directly and efficiently as compared with our own employees. This subjects us to risks associated with being held responsible for their substandard performance, including but not limited to litigation, reputational damage, disruptions to our business and monetary claims from our customers. We may also incur additional costs while seeking to monitor or replace third-party subcontractors who do not perform in accordance with our expectations.

Furthermore, when our existing subcontracting agreements expire, we may not be able to renew them or hire suitable replacements in a timely manner, or at all. Whether we renew our subcontracting agreements or hire replacements, we cannot assure you that we will be able to do so on favorable terms. We also do not have control over the ability of our subcontractors to maintain qualified, experienced and sizeable teams. In the event that our third-party subcontractors do not perform their obligations properly or in a timely manner, the work process could be interrupted which could potentially result in a breach of the contract. Any of such events could materially and adversely affect our service quality and reputation, as well as our business, financial condition and results of operations.

We may fail to secure new or renew our existing residential property management service contracts on favorable terms, or at all.

During the Track Record Period, we procured new residential property management service contracts primarily through making tender bids. The selection of a property management service provider depends on a number of factors, including but not limited to the quality of services, the level of pricing and the operating history of the property management service provider. In 2016, 2017 and 2018 and the six months ended June 30, 2019, the success rate of our tender bids for properties developed by the Remaining Powerlong Group for which we provided residential property management services was 100.0%, 85.7%, 77.3% and 90.0%, respectively. During the Track Record Period, the success rate of our tender bids for properties jointly developed by the Remaining Powerlong Group and other Independent Third Parties was 100.0%. We cannot assure you that we will be able to procure new residential property management service contracts on favorable terms, or at all. Our efforts may be hindered by factors beyond our control, which may include, among others, changes in general economic conditions, evolving government regulations as well as supply and demand dynamics within the property management industry.

During the Track Record Period, we entered into preliminary management contracts with property developers during the later stages of property development. Such contracts are transitional in nature and facilitate the transfer of legal and actual control of the properties from property developers to individual property owners. We would enter into property management service contracts with the property owners' associations upon their establishment. Preliminary management contracts typically expire when property management service contracts are entered into between property owners' associations of properties and us. See "Business — Residential Property Management Services — Contracts Under Our Residential Property Management Services" in this prospectus for details. We cannot assure you that the property owners' associations will enter into property management service contracts with us instead of our competitors. Our customers select us based on parameters such as quality and cost, and we cannot assure you that we will always be able to balance such parameters diligently.

Even when we succeed in entering into property management service contracts with property owners' associations, we cannot assure you that they will be renewed upon expiration. It is also possible that they may be terminated for cause. In such cases, our business and results of operations could be materially and adversely affected. There is no guarantee that we would be able to find other business opportunities and enter into alternative property management service contracts on favorable terms, or at all. In addition, both termination and non-renewal of property management service contracts could potentially be detrimental to our reputation and diminish our competitiveness within the industry.

We are susceptible to changes in the regulatory landscape of the PRC commercial operational and residential property management service market.

We seek to comply with the regulatory regime of the commercial operational and residential property management service market in conducting our business operations. In particular, the PRC Government promulgates new laws and regulations relating to commercial operational service and property management fees from time to time. The fees charged by property management companies nationwide are regulated by the price administration department and construction administration department of the State Council pursuant to the government guidance price and market regulated price set for relevant properties taking into consideration the nature and features of such properties. According to the Notice Regarding Property Management Pricing Cost Supervision and Examination Approaches (Trial) by the NDRC and the Ministry of Construction (FGJG [2007] No. 2285) (《國家發展改革委、建設部關於印發〈物業服務定價成本監審辦法(試行)〉的通知》) (發改價格 2007 2285號), which was jointly issued by the NDRC and the Ministry of Construction on September 10, 2007 and came into effect on October 1, 2007, the competent government authority shall formulate or regulate property management fee standards and implement pricing supervision and examination on relevant property management companies. The price charged for residential property management services shall be the average cost of community property management services approved by the competent government authority. In December 2014, the NDRC issued the Circular of the NDRC on the Opinions on Relaxing Price Controls in Certain Services (FGJG [2014] No. 2755) (《國家發展改革委關於開放部分服務價格意見的通知》) (發改價格 2014 2755號) or the Circular, which requires the relevant provincial authorities to relax all price control policies in relation to residential properties, with certain exceptions. See "Regulatory Overview — Legal Supervision Over Property Management Enterprises — Fees Charged by Property Management Enterprises" in this prospectus for details. In light of the Circular, we expect that price controls on residential property related services will be relaxed over time. For now, our property management service fees will continue to be subject to price controls until the relevant authorities pass local regulations to implement the Circular while our commercial operational service fees are not subject to price control. However, we cannot assure you that the PRC Government may not reverse its policy and impose or re-impose limits on commercial operational and property management service fees, respectively. In the event that it imposes limits on these fees, we may see diminished profit margins as our staff, subcontracting and other costs increase. We cannot assure you that we would be able to respond to such changes by timely and effectively implementing our cost-saving measures, nor that we would be able to pass any additional costs to our customers. The PRC Government may also unexpectedly promulgate new laws and regulations related to other aspects of our industry. This could increase our compliance and operational costs, thereby materially and adversely affecting our business, financial condition and results of operations.

Our future acquisitions or investments may not be successful and we may face difficulties in integrating acquired operations with our existing operation.

We plan to evaluate opportunities to acquire or invest in other commercial operational service providers. However, we cannot assure you that we will be able to identify suitable opportunities. Acquisitions and investments involve uncertainties and risks, including, without limitation, potential ongoing financial obligations and unforeseen or hidden liabilities, failure to achieve the intended objectives, benefits or revenue-enhancing opportunities, and diversion of resources and management attention. Even if we manage to identify suitable opportunities, we may not be able to complete the acquisitions or investments on terms favorable or acceptable to us, in a timely manner, or at all. The inability to identify suitable acquisition or investment targets or complete acquisitions or investments could materially and adversely affect our competitiveness and growth prospects. In addition, we may face difficulties in integrating acquired operations with our existing business. Such difficulties could disrupt our ongoing business, distract our management and employees or increase our expenses, any of which could materially and adversely affect our business, financial position and results of operations.

We may not be able to secure funding to fund our planned operations.

To fund our future growth plans, including to diversify our business mix by acquiring or investing in other commercial operational service providers, we need to secure additional funding to fund our future capital expenditures. Historically, we have funded our operations primarily with cash generated from operations, bank borrowings and advances from related parties. We cannot assure you that we will be able to secure funding on terms acceptable to us or in a timely manner, or at all. If our internally generated capital resources and available credit facilities are insufficient to finance our capital expenditure and growth plans, we may have to seek additional financing from third parties, including banks, venture capital funds, joint-venture partners and other strategic investors. We may also consider raising funds through the issuance of new Shares, which would lead to the dilution of our existing Shareholders' interests in our Company. If we are unable to obtain financing in a timely manner, at a reasonable cost and on acceptable terms, we may be forced to delay our expansion plans, or downsize or abandon such plans, which may materially and adversely affect our business, financial condition and results of operations, as well as our future prospects.

We have entered into various strategic cooperation agreements which may not materialize in accordance with our future plan.

We have entered into various strategic cooperation agreements with certain business partners including Yum China Holdings, Inc. Pursuant to this agreement, Yum China Holdings, Inc. undertakes and enjoys priority to lease a certain portion of our managed commercial properties during the term of this agreement. The amount of transaction in relation to our cooperation with Yum China Holding, Inc. and its subsidiaries amounted to approximately RMB3.7 million, RMB3.7 million, RMB4.7 million and RMB3.1 million in 2016, 2017 and 2018 and the six months ended June 30, 2019, respectively, representing revenue we received for retail commercial property management services provided to two internationally recognized chain restaurant brands operated by Yum China Holdings, Inc. Moreover, before the Spin-Off, the Powerlong Group entered into a strategic cooperation framework agreement with Teng Wen, pursuant to which our Group will work with Teng Wen to implement terms of the cooperation. Pursuant to this agreement with Teng Wen, Teng Wen will (i) provide us with the relevant expertise, equipment, knowledge or platforms to facilitate our provision of commercial operational services and residential property management services at our managed properties; and (ii) enhance the functionalities of our digital platforms and information technology systems in the future. We also formed a joint venture, Shanghai Baoshen Digital Technology Co., Ltd. (上海寶申數字科技有限公司) with Teng Wen on April 18, 2019, with an aim of developing our information technology systems as well as implementing our digitalization efforts. See "Business — Our Digitalization Efforts" for details. We did not record any amount of transaction with Teng Wen during the Track Record Period. However, we cannot assure you that the strategic cooperation as contemplated will materialize as planned or at all. Our business partners may fail to provide us with the relevant expertise, equipment, knowledge and platforms due to reasons beyond our control. In such event, we may not be able to implement our future plan in accordance with our scheduled timeline and our business, financial position and results of operations could be materially and adversely affected.

We may not be able to grow our business and reduce staff costs through using digital platforms.

We have launched digital platforms to integrate online and offline information and resources, connect consumers with us and allow them to easily access our services, and enable tenants or property owners of our managed retail commercial properties to introduce and promote new products and services. We also expect to reduce staff costs by improving operational efficiency using digital platforms. However, the existing digital platforms are relatively new and still evolving and we cannot assure you that we will be able to develop and launch our digital platforms as planned. We also cannot assure you that our investment in the digital platforms can be recovered in a timely manner, or at all, or our return would be comparable to those of other companies. The future growth of our digital platforms depends on our ability to continue to understand consumers' needs and preferences and attract new users. Given the ever-changing consumer preferences, we must stay abreast of emerging life-style and consumer preferences and anticipate product and service trends that will appeal to existing and potential users. New products and services, or entry into new markets, may require substantial time, resources and capital, and profitability targets may not be achieved. We cannot assure you that retail consumers at our managed properties will use the products and services provided or to be provided through our digital platforms. We may also fail to attract suitable merchants to provide products and services on our platforms. If consumers cannot find information that fulfills their needs, they may lose interest in our digital platforms and thus may use our digital platforms less frequently, if at all, which in turn, could materially adversely affect our business, financial condition and results of operations.

In addition, we engaged third-party service providers to build and maintain the digital platforms for us, hence, the communication as well as steady relationships with such third-party service providers are essential for the successful delivery and performance of our digital platforms. In the event that our communication and relationship with such third-party service providers do not go as planned, we may need to incur additional costs in resolving the issues or even finding replacements, which may adversely affect our business operations. If we fail to develop and launch the digital platforms as planned, we may not be able to grow our business and reduce staff costs as expected.

Our success depends on the retention of our senior management team and our ability to attract and retain qualified and experienced employees.

Our continued success depends on the efforts of our senior management team and other key employees. As they possess key connections and industry expertise, losing their services may have a material adverse effect on our business. For example, Mr. Hoi Wa Fong, our executive Director, has been responsible for our overall strategic decisions and business planning since 2013. We believe that his insight into and knowledge of our industry, business operations and history have guided and will continue to guide us toward success. In addition, Mr. Zhang Yunfeng, our executive Director and chief executive officer, has more than 13 years of experience in commercial real estate development and operation, and held senior financial and management positions in one of the leading commercial real estate companies prior to joining our Group. Mr. Pang Mengxuan, our deputy general manager, has more than 25 years of experience in the commercial operational service industry. We believe that their expertise will help us compete more effectively. For further details on our Directors and senior management, see “Directors and Senior Management” in this prospectus. If one or more members of our senior management or our key employees are unable or unwilling to continue their employment with us, we may not be able to replace them with qualified personnel in a timely manner, or at all, which may result in material adverse changes to our established brand image, reputation, service quality or standards, and in turn, may disrupt our business and materially and adversely affect our business, financial condition and results of operations.

We are subject to risks arising from any failure of, or inadequacies in our digital platforms.

We may encounter technical problems, security issues and logistical issues that may prevent our digital platforms from functioning properly and our users from receiving desired products and services. If we are unable to resolve such problems in a timely manner, or at all, we may lose our existing users or face lower user engagement. In addition, we may not be able to recruit sufficient qualified personnel to support the growth of our digital platforms. As confirmed by our PRC Legal Advisor, the operation of our existing digital platforms do not require an ICP license under the relevant PRC laws and regulations. See “Business — Our Digitalization Efforts” in this prospectus for details. However, our future development of and investment in our digital platforms may be subject to PRC laws and regulations governing license approval and renewal and we cannot assure you that we can obtain or renew our license on time, if at all. Any of the foregoing could adversely affect our reputation, business, financial condition and results of operations.

We are exposed to risks associated with the use of third-party online payment platforms.

We accept payments via various methods, including but not limited to online payments through third-party platforms such as WeChat Pay and Alipay. Transactions conducted through WeChat Pay and Alipay involve the transmission of confidential information such as credit card numbers, personal information and billing addresses over public networks. In recent years, the use of third-party platforms in the PRC has grown in parallel with consumer confidence in their security and efficiency. However, we do not have control over the security measures taken by providers of our third-party platforms. In the event that the security and integrity of these third-party platforms are compromised, we may experience material adverse effects on our ability to process our service fees. We may also be perceived as partially responsible for failures to secure personal information and be subjected to claims alleging possible liability brought by the customers. Such legal proceedings could damage our reputation and materially and adversely affect our business, financial condition and results of operations. In addition, the

PRC Government may yet promulgate new laws and policies to regulate the use of third-party online payment platforms. Such measures may increase our compliance and operational costs, for example by requiring that we pay higher transaction fees.

We may experience failures in or disruptions to our information technology systems.

We rely on our information technology systems to manage key operational functions including, among others, managing and monitoring daily business operations and settling payments with our customers. However, we cannot assure you that damages or interruptions caused by power outages, computer viruses, hardware and software failures, telecommunication failures, fires, natural disasters, security breaches and other similar occurrences relating to our information systems will not occur going forward. We may incur significant costs in restoring any damaged information technology systems. Failures in or disruptions to our information technology systems and loss or leakage of confidential information could cause transaction errors, processing inefficiencies and the loss of customers and sales. We may thus experience material adverse effects on our business and results of operations.

We are exposed to risks associated with failing to detect and prevent fraud, negligence or other misconduct committed by our employees, third-party subcontractors or other third parties.

We are exposed to fraud, negligence or other misconduct, intended or unintended, committed by our employees, subcontractors, agents, customers or other third parties that could subject us to financial losses and sanctions imposed by governmental authorities as well as seriously harm our reputation. We cannot assure you that our risk management and internal control systems will always enable us to detect, prevent and take remedial measures in relation to fraud, negligence or other misconduct committed by our employees, third-party subcontractors or other third parties in a timely and effective manner. Examples of such behavior include crimes such as theft, vandalism and bribery during tenders. During the Track Record Period, a former employee of one of our subsidiaries located in Changzhou was caught embezzling funds for an aggregate amount of approximately RMB13.4 million, and as a result, we recognized a loss on misappropriation of assets of RMB13.4 million in 2017. See "Financial Information — Period to Period Comparisons of Our Results of Operations — 2017 Compared to 2016 — Administrative Expenses" in this prospectus for details.

Although we have limited control over the behavior of any of these parties, we may be viewed as at least partially responsible for their conduct on contractual or tortious grounds or suffer loss as a result of their misconducts. We may become, or be joined as, a defendant in litigation or other administrative or investigative proceedings and be held accountable for injuries or damages sustained by our customers or other third parties. In the event that we cannot recover related costs from the employees, third-party subcontractors or other third parties involved in the misconducts, our business, financial condition and results of operations could be materially and adversely affected. Such misconducts could also attract negative publicity on our Group, damaging our reputation and brand value.

We may be involved in legal disputes from time to time, which may adversely affect our financial position, divert management attention and harm our reputation.

From time to time, we may be directly or indirectly involved in legal disputes with employees, tenants, subcontractors, regulatory bodies, customers or other third parties. These legal disputes may relate to, contractual warranties, employment, negligence and intellectual property. For example, tenants may bring claims against us for perceived failures (actual or otherwise) to perform in accordance with their expectations as to service quality. Our employees and subcontractors may also sue us for various reasons, including, among others, occupational injuries and employment related disputes. We are subject to risks associated with having limited control over the behavior of employees, subcontractors and other third parties who may accidentally or intentionally harm the interests of our customers. Any claims, disputes and legal proceedings brought against us, with or without merit, could result in substantial costs and divert capital resources and management attention. We may suffer damage to our reputation regardless of whether we prevail, leading to material adverse effects on our business, financial position and brand value.

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

The public areas of the properties under our management may suffer damage as a result of occurrences beyond our control, including but not limited to natural disasters, accidents or intentional harm. According to the Measures for the Management of Special Maintenance of Residential Buildings (《住宅專項維修資金管理辦法》), which was jointly issued by the Ministry of Construction and the MOF on December 4, 2007 and became effective on February 1, 2008, owners of residential properties are required to establish special maintenance funds which is used for maintenance, renewal, transformation of residential common parts, common facilities and equipment. Nevertheless, there is no guarantee that there will be sufficient sums in those special maintenance funds. Where the damage is caused by natural disasters such as earthquakes, floods or typhoons, or accidents or intentional harm such as fires, the damage caused may be extensive. At times additional resources may have to be allocated to assist police and other governmental authorities in investigating criminal actions that may have been involved.

As the property management service provider, we may be viewed as responsible for restoring the public areas and assisting any investigative efforts. In the event that there is any shortfall in the special funds necessary to cover all the costs involved, we may have to compensate for the difference with our own resources first. We would need to collect the amount of the shortfall from the property owners later. To the extent that our attempts are unsuccessful, we may experience material adverse effects on our business, financial condition and results of operations. Although PRC law mandates that property owners shall top-up the special fund once less than 30% of the initial amount of money remains, there is no guarantee that any refill plan proposed would be approved by property owners' associations or the local housing authority. See "Regulatory Overview — Legal Supervision Over Property Management Enterprises — Supervision Over Fund for House Repair" in this prospectus for details. As we intend to continue growing our business, the likelihood of such occurrences may rise in proportion to any increases in the number of our managed properties. In addition, we may expand into markets that are geographically located in areas susceptible to earthquakes or typhoons and thereby increase the chances of us being affected by these natural disasters and therefore materially and adversely affect our business, financial condition and results of operations.

Our employees and third-party subcontractors may sustain work injuries during the ordinary course of providing commercial operational and residential property management services.

Work injuries may occur during the ordinary course of our business. For example, repair and maintenance services performed by our employees or subcontractors may involve the handling of tools and machinery that carry the inherent occupational risk of accidents. Hence, we are exposed to risks in relation to work safety, including but not limited to claims for injuries, fatal or otherwise, sustained by our employees and third-party subcontractors. Such occurrences may also damage our reputation within the commercial operational and residential property management service market. We may also experience business disruptions and be required to implement additional safety measures or modify our business model as a result of any governmental or other investigations. As a result, our business, financial condition, results of operations could be materially and adversely affected.

We may fail to obtain or renew required permits, licenses, certificates or other relevant PRC governmental approvals necessary for our business operations.

We are required to obtain governmental approvals in the form of permits, licenses and certificates to provide our commercial operational and residential property management services. Generally, they are only issued or renewed after certain conditions have been satisfied. We cannot assure you that we will not encounter obstacles toward fulfilling such conditions that delay us in obtaining or renewing, or result in our failure to obtain or renew, the required governmental approvals. In addition, the PRC Government and relevant authorities may promulgate new policies in relation to the conditions for issuance or renewal from time to time. We cannot guarantee that such new policies will not present unexpected obstacles toward our ability to obtain or renew the required permits, licenses and certificates or that we will be able to overcome these obstacles in a timely manner, or at all. Loss of or failure to obtain or renew our permits, licenses and certificates could result in disruption to our business operations, potentially leading to material adverse effects on our business and results of operations.

We may be subject to fines for our failure to register for and/or contribute to social insurance fund and housing provident fund for some of our employees.

During the Track Record Period, some of our PRC subsidiaries did not register for housing provident fund and/or fully contribute to certain social insurance and housing provident funds for their employees. The total outstanding amount of our social insurance and housing provident fund contributions was approximately RMB5.2 million and RMB2.7 million, respectively, as of June 30, 2019. We made provisions in a total amount of RMB0.7 million, RMB2.2 million, RMB2.8 million and RMB2.2 million, respectively, in respect of the potential liabilities arising from our non-compliance concerning social insurance and housing provident fund contributions in 2016, 2017 and 2018 and the six months ended June 30, 2019.

As advised by our PRC Legal Advisor, according to the relevant PRC laws and regulations, the relevant authorities may demand us to register and establish accounts for housing provident funds, for employees within a prescribed period, failing which the relevant authorities may impose a penalty from RMB10,000 to RMB50,000. The relevant PRC authorities may (i) demand us to pay the outstanding social insurance contributions within a prescribed period and we may be liable to a late payment fee equal to 0.05% of the outstanding amount for each day of delay. If we fail to make such payments, we may be liable to a penalty of one to three times the amount of the outstanding contributions; and (ii) order us to pay the outstanding housing provident fund contributions within a prescribed time period, failing which the relevant PRC authorities may apply to a People's Court for compulsory enforcement. See "Business — Legal Proceedings and Compliance — Historical Non-compliance Incidents" in this prospectus for details.

We are required to go through the tender and bidding process when obtaining the property management service contract.

According to the relevant PRC laws and regulations, property developers shall engage the residential property management service providers to provide preliminary property management services by going through the tender process, and complete the necessary filing and registration procedures. If a property developer fails to do so, it might be ordered to rectify this non-compliance by competent authorities and imposed a penalty up to RMB100,000. However, there are no specific laws and regulations in the PRC setting out administrative penalties upon residential property management service providers for failing to enter into preliminary management service contracts through a tender and bidding process.

In the event that a property developer fails to undergo the required tender process and administration filing for any of our new preliminary management service contracts in the future and the local government requires the relevant property developer to rectify within a prescribed period, the relevant property developer may need to organize another tender and bidding process to select a residential property management service provider for their projects. In the case that we do not win the tender and bidding, we may not continue our residential property management services for the relevant projects and, as a result, our revenue and business may be negatively impacted.

Some of the properties were occupied by us for free in the PRC.

As of the Latest Practicable Date, we leased three properties in the PRC and occupied 40 commercial management offices and 45 residential property management offices for free in the PRC. See "Business — Properties — Properties Occupied by Us for Free" for details regarding such arrangements. If our landlords are not the owner or not authorized by the owner to lease or grant the right to use the properties to us, we may need to seek alternative properties and incur additional costs for relocation. Any dispute or claim in relation to lease of and the rights to use of the properties occupied by us, including any litigation involved allegations of illegal or unauthorized use of these properties, may require us to relocate our business premises. If any of our leases are terminated as a result of any challenge by third parties or any failures of our landlords to renew the leases or obtain their legal titles or the requisite government approval or consent to lease the relevant properties, we may need to seek alternatives premises and incur additional costs for relocation.

We may fail to effectively protect our intellectual property rights.

We rely on our trade name and trademarks to build brand value and recognition, which we believe are key to our future growth and for fostering customer loyalty. Unauthorized use or infringement of our trade names or trademarks may impair our brand value and recognition. Third parties may use our intellectual property in ways that damage our reputation in the commercial operational and property management service market. We primarily rely on a combination of copyrights, trademarks, confidentiality agreements and domain name registrations to protect our intellectual property rights. On August 8, 2019, we entered into a trademark licensing agreement with Powerlong Group Development, pursuant to which Powerlong Group Development granted us the right to use or sub-license certain trademarks in our ordinary course of business. See "Connected Transactions — (A) Continuing Connected Transactions Fully Exempt from the Reporting, Annual Review, Announcement and Independent Shareholders' Approval Requirements — 2. Trademark Licensing" in this prospectus for details. We cannot assure you that our measures to protect our intellectual property will be sufficient and that we will be able to detect all misappropriation or unauthorized use of our trade name and trademarks in a timely manner, or at all. There is also no guarantee that we will be successful in any enforcement proceedings that we undertake. Litigation to protect our intellectual property may be time-consuming, costly and divert management attention from our operations. While experiencing material adverse effects on our business and financial condition, failures to protect our intellectual property rights may also diminish our competitiveness and market share.

Any claims by third parties alleging possible infringement of their intellectual property rights would have a material adverse effect on our business, brand value and reputation.

We may subject to claims from competitors or third parties alleging intellectual property infringement in our ordinary course of business from time to time. Any claims or legal proceedings brought against us in relation to such issues, with or without merit, could result in substantial costs and divert capital resources and management attention. In the event of an adverse determination, we may be compelled to pay substantial damages or to seek licenses from third parties and pay ongoing royalties on unfavorable terms. In addition, regardless of whether we prevail, intellectual property disputes may damage our brand value and reputation in the eyes of current and potential customers and within our industry. As a result, our business, financial condition and results of operations could be materially and adversely affected.

Our insurance coverage may not sufficiently cover the risks related to our business.

We purchase and maintain insurance policies that we believe are customary with the standard commercial practice in our industry and as required under the relevant laws and regulations. For further details on the insurance policies we maintain, see "Business — Insurance" in this prospectus. However, we cannot assure you that our insurance policies will provide adequate coverage for all the risks in connection with our business operations. Consistent with customary practice in the PRC, we do not carry any business interruption insurance or litigation insurance. In addition, insurance policies against disruption or damage caused by instances such as natural disasters, wars, civil unrest and acts of terrorism are not available in the PRC on commercially practicable terms. We may be required to bear our losses to the extent that our insurance coverage is insufficient. If we were to incur substantial losses and liabilities that are not covered by our insurance policies, we could suffer significant costs and diversion of our resources, and thereby materially and adversely affecting our business, financial condition and results of operations.

We recorded accumulated losses during the Track Record Period.

We recorded accumulated losses of approximately RMB68.2 million and RMB15.2 million as of January 1, 2016 and 2017, respectively, which was primarily due to (i) relatively high administrative expenses incurred at our headquarters comparing to our business scale prior to 2016. Our headquarters, Shanghai Shangsheng, recorded an accumulated loss of approximately RMB31.0 million as of January 1, 2016. This was mainly because we only had 28 retail commercial properties under our management as of January 1, 2016, many of which had not entered into maturity stage, and we were in the process of expanding our business to seek a revenue breakthrough in order to achieve economies of scale; and (ii) significant losses recognized for certain retail commercial properties. Our project companies managing the Tianjin Powerlong Plaza, Caolu Powerlong Plaza, Bengbu Powerlong Plaza and Wuxi Powerlong Plaza recorded an aggregate accumulated loss of approximately RMB67.9 million as of January 1, 2016 primarily due to (i) ineffective positioning in terms of property size and location; and (ii) fragmented ownership, which caused difficulties for us to provide unified quality services and enhance the consumers' shopping experience. These were mainly because we were still in the process of accumulating experience and enhancing the expertise required for managing retail commercial properties. See "Business — Commercial Operational Services — Commercial Operational Service Fees — Loss-making Retail Commercial Properties" and "Financial Information — Dividend Policy and Distributable Reserve" for details. We may record losses again in the future, which may in turn reduce our retained earnings, materially and adversely affect our profitability, financial condition, results of operations as well as our ability to pay dividends to our Shareholders.

Our historical financial results may not be indicative of our future performance.

Our business achieved rapid growth during the Track Record Period. In 2016, 2017 and 2018 and the six months ended June 30, 2019, our revenue was RMB752.7 million, RMB973.0 million, RMB1,200.4 million and RMB749.1 million, respectively, while our net profit was RMB62.9 million, RMB78.6 million, RMB133.3 million and RMB87.1 million, respectively. These historical results should not be taken as indicative of our future performance. We may not be able to sustain our rapid growth or may not even be able to grow our business at all. Further, our interim results, growth rates and profitability may not be indicative of our annual results or our future results, and our historical interim and annual results, growth rates and profitability may not be indicative of our future performance for the corresponding periods.

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

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

We made loans to certain related parties for which we received interest income during the Track Record Period.

We extended interest-bearing loans to our related parties, in an aggregate amount of RMB694.0 million and RMB232.3 million, respectively, as of December 31, 2016 and 2017, and recognized interest income in an amount of RMB64.7 million, RMB51.6 million and RMB1.9 million, respectively, in 2016, 2017 and 2018. All interest-bearing loans to related parties had been fully settled as of December 31, 2018.

The loans to our related parties may not be in compliance with the General Lending Provisions (《貸款通則》), a regulation promulgated by the PBOC in 1996. According to the General Lending Provisions, only financial institutions may legally engage in the business of extending loans, and loans as between companies that are not financial institutions are prohibited. The PBOC may impose penalties on the lender equivalent to one to five times of the income generated (being interests charged) from loan advancing activities. The potential maximum penalty amounted to RMB591.0 million, calculated as five times of interest income we recognized in respect of loans during the Track Record Period in an amount of RMB118.1 million. However, according to the Provisions of the Supreme People's Court on Several Issues concerning the Application of Law in the Trial of Private Lending Cases (《最高人民法院關於審理民間借貸案件適用法律若干問題的規定》) promulgated on June 23, 2015 and effective on September 1, 2015, loans among companies are legal if extended for purposes of financing production or business operations. PRC courts will also support a company's claim for interest in respect of such a loan as long as the annual interest rate does not exceed 24%.

See "Financial Information — Description of Certain Combined Balance Sheet Items — Prepayment and Other Receivables — Other Receivables" for details. In the event that we are ordered by the PBOC to pay the penalties, our financial conditions and results of operations will be adversely affected.

RISKS RELATING TO DOING BUSINESS IN THE PRC

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

All of our major businesses, assets, operations are located in the PRC. Accordingly, our financial condition, results of operations and prospects are, to a significant degree, subject to the economic, political, social and legal conditions in the PRC. The PRC economy differs from that of most developed countries in many respects, including the extent of government involvement, level of economic development, investment control, resource allocation, growth rate and control over foreign exchange. Before its adoption of reform and open-door policies beginning in 1978, the PRC was primarily a planned economy. Since then, the PRC economy has been transitioning to become a market economy with socialist characteristics.

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

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

Restrictions on currency exchange under PRC laws and regulations may limit our ability to satisfy obligations denominated in foreign currencies.

Currently, the Renminbi cannot be freely converted into foreign currencies, and the conversion and remittance of foreign currencies are subject to PRC foreign exchange regulations. All of our revenue is denominated in Renminbi. Under our current corporate structure, we derive our income primarily from dividend payments made by our PRC subsidiaries. Shortages in the availability of foreign currency may restrict the ability of our PRC subsidiaries to pay dividends or other payments to us or satisfy other foreign currency-denominated obligations, if any.

Under existing PRC foreign exchange regulations, the Renminbi is convertible without prior approval from the SAFE for current account transactions so long as certain procedures are complied with. Examples of such current account transactions include profit distributions and interest payments. However, prior approval and registration with the SAFE is required for capital account transactions. Examples of capital account transactions include foreign direct investment and the repayment of loan principal. We cannot assure you that the PRC Government, in seeking to regulate the economy, will not restrict access to foreign currencies for current account transactions in the future. Such restrictions may limit our ability to convert cash from our operating activities into foreign currencies to make dividend payments or satisfy any foreign currency-denominated obligations we may have. Moreover, limitations on the flow of funds between us and our PRC subsidiaries may restrict our ability to provide financing to our PRC subsidiaries and take advantage of business opportunities in response to market conditions.

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

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

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

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

Economic growth in the PRC has, in the past, been accompanied by periods of high inflation. In response, the PRC Government has implemented policies from time to time to control inflation, such as restricting the availability of credit by imposing tighter bank lending policies or higher interest rates. The PRC Government may take similar measures in response to future inflationary pressures. Rampant inflation without the PRC Government's mitigation policies would likely increase our costs, thereby materially reducing our profitability. We cannot assure you that we will be able to pass any additional costs to our customers. On the other hand, such control measures may also lead to slower economic activity and we may see reduced demand for our services.

Uncertainties with respect to the PRC legal system could limit the legal protection available to you.

The legal system in the PRC has inherent uncertainties that could limit the legal protection available to our Shareholders. As we conduct all of our business operations in the PRC, we are principally governed by PRC laws, rules and regulations. The PRC legal system is based on the civil law system. Unlike the common law system, the civil law system is established on the written statutes and their interpretation by the Supreme People's Court (最高人民法院), while prior legal decisions and judgments have limited significance as precedent. Additionally, such PRC written statutes are often principle-oriented and required detailed interpretations by the enforcement bodies for further application and enforcement. The PRC Government has been learning from the common law system, and has made significant progress in promulgating laws and regulations related to economic affairs and matters, such as corporate organization and governance, foreign investments, commerce, taxation and trade.

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

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

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

In addition, Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned (最高人民法院關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排) or the Arrangement, was promulgated by the Supreme People's Court on July 3, 2008 and became effective on August 1, 2008. Pursuant to the Arrangement, a party with a final court judgment rendered by a Hong Kong court requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing may apply for recognition and enforcement of the judgment in the PRC. Similarly, a party with a final judgment rendered by a PRC court requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing may apply for recognition and enforcement of such judgment in Hong Kong. A choice of court agreement in writing is defined as any agreement in writing entered into between the parties after the effective date of the arrangement in which a Hong Kong or PRC court is expressly designated as the court having sole jurisdiction for the dispute. Therefore, it may not be possible to enforce a judgment rendered by a Hong Kong court in the PRC if the parties in dispute do not agree to enter into a choice of court agreement in writing. It may be difficult or impossible for investors to enforce a Hong Kong court judgment against our assets or our Directors or senior management in the PRC.

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

Pursuant to the EIT Law, which came into effect on January 1, 2008 and was amended on February 24, 2017 and December 29, 2018, an enterprise established outside the PRC whose "de facto management body" is located in the PRC is considered a "PRC resident enterprise" and will generally be subject to the uniform enterprise income tax rate, or EIT rate, of 25% on its global income. Under the implementation rules of the EIT Law, "de facto management body" is defined as the organizational body that effectively exercises management and control over such aspects as the business operations, personnel, accounting and properties of the enterprise.

On April 22, 2009, the SAT released the Notice Regarding the Determination of Chinese-Controlled Offshore Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies (《關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知》) or Circular 82, as amended on January 29, 2014 and December 29, 2017, which sets out the standards and procedures for determining whether the "de facto management body" of an enterprise registered outside of the PRC and controlled by PRC enterprises or PRC enterprise groups is located within the PRC. Under Circular 82, a foreign enterprise controlled by a PRC enterprise or PRC enterprise group is considered a PRC resident enterprise if all of the following apply: (i) the senior management and core management departments in charge of daily business operations are located mainly within the PRC; (ii) financial and human resources decisions are subject to determination or approval by persons or bodies in the PRC; (iii) major assets, accounting books, company seals and minutes and files of board and shareholders' meetings are located or kept within the PRC; and (iv) at least half of the enterprise's directors with voting rights or senior management reside within the PRC. In addition, Circular 82 also requires that the determination of "de facto management body" shall be based on the principle that substance is more important than form. Further to Circular 82, SAT issued the Chinese-Controlled Offshore Incorporated Resident Enterprises Income Tax Regulation (Trial Implementation) (《境外註冊中資控股居民企業所得税管理辦法(試行)》) or Bulletin 45, which took effect on September 1, 2011 and was amended on June 1, 2015, October 1, 2016 and June 15, 2018, to provide more guidance on the implementation of Circular 82 and clarify the reporting and filing obligations of such "Chinese-controlled offshore incorporated resident enterprises." Bulletin 45 provides procedures and administrative details for the determination of resident status and administration of post-determination matters. Although Circular 82 and Bulletin 45 explicitly provide that the above standards apply to enterprises which are registered outside of the PRC and controlled by PRC enterprises or PRC enterprise groups, Circular 82 may reflect the SAT's criteria for determining the tax residence of foreign enterprises in general. All members of our senior management are currently based in the PRC. If we are deemed a PRC resident enterprise, the EIT rate of 25% on our global taxable income may reduce capital we could otherwise divert to our business operations.

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

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

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

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

The SAFE promulgated the Circular of the SAFE on Issues concerning Foreign Exchange Administration of the Overseas Investment and Financing and the Round-tripping Investment Made by Domestic Residents through Special-Purpose Companies (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) or Circular 37, in July 2014, which abolished and superseded the Circular on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents to Engage in Financing and Round Trip Investment via Overseas Special Purpose Vehicles (《關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》). Pursuant to Circular 37 and its implementation rules, PRC residents, including PRC institutions and individuals, must register with local branches of the SAFE in connection with their direct or indirect offshore investments in an overseas special purpose vehicle, or SPV, directly established or indirectly controlled by PRC residents for the purposes of offshore investment and financing with their legally owned assets or interests in domestic enterprises, or their legally owned offshore assets or interests or any inbound investment through SPVs. Such PRC residents are also required to amend their registrations with SAFE when there is change to the required information of the registered SPV, such as changes to its PRC resident individual shareholder, name, operation period or other basic information, or the PRC individual resident's increase or decrease in its capital contribution in the SPV, or any share transfer or exchange, merger or division of the SPV. In accordance with the Notice of the SAFE on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》), the foreign exchange registration aforesaid has been directly reviewed and handled by banks since June 1, 2015, and the SAFE and its branches perform indirect regulation over such foreign exchange registration through local banks. Under this regulation, failure to comply with the registration procedures set forth in Circular 37 may result in restrictions being imposed on the foreign exchange activities of our PRC subsidiaries, including the payment of dividends and other distributions to its offshore parent or affiliate, the capital inflow from the offshore entities and its settlement of foreign exchange capital, and may also subject the relevant onshore company or PRC residents to penalties under PRC foreign exchange administration regulations.

We are committed to complying with and ensuring that our Shareholders who are subject to the regulations will comply with the relevant rules. Any future failure by any of our Shareholders who is a PRC resident, or controlled by a PRC resident, to comply with relevant requirements under this regulation could subject us to penalties or sanctions imposed by the PRC Government. However, we may not at all times be fully aware or informed of the identities of all of our Shareholders who are PRC residents, and we may not always be able to timely compel our Shareholders to comply with the requirements of Circular 37. Moreover, we cannot assure you that the PRC Government will not have a different interpretation of the requirements of Circular 37 in the future.

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

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

The Security Review Rules prohibits foreign investors from bypassing the security review requirement by structuring transactions through proxies, trusts, indirect investments, leases, loans, control through contractual arrangements or offshore transactions. If we are found to be in violation of the Security Review Rules and other PRC laws and regulations with respect to merger and acquisition activities in the PRC, or fail to obtain any of the required approvals, the relevant regulatory authorities would have broad discretion in dealing with such violations, including levying fines, revoking business and operating licenses, confiscating our income and requiring us to restructure or unwind our restructuring activities. Any of these actions could cause significant disruption to our business operations and could materially and adversely affect our business, financial condition and results of operations. Furthermore, if the business of any target company we plan to acquire falls into the ambit of security review, we may not be able to successfully acquire such company either by equity or asset acquisition, capital contribution or any contractual arrangement. We may grow our business in part by acquiring other companies operating in our industry. Complying with the requirements of the relevant regulations to complete such transactions could be time-consuming, and any required approval processes, including approval from the MOFCOM, may delay or inhibit our ability to complete such transactions, thus affecting our ability to expand our business or maintain our market share.

RISKS RELATING TO THE SPIN-OFF AND THE GLOBAL OFFERING

There has been no prior market for our Shares, and their liquidity and market price following the Global Offering may be volatile.

Prior to the Global Offering, there was no public market for our Shares. The indicative offer price range and the Offer Price will be determined by negotiations between us and the Sole Global Coordinator (on behalf of the Underwriters), and they may differ significantly from the market price of our Shares following the Global Offering.

We have applied to list and deal in our Shares on the Stock Exchange. However, even if approved, there can be no guarantee that: (i) an active or liquid trading market for our Shares will develop; or (ii) if such a trading market does develop, it will be sustained following completion of the Global Offering; or (iii) the market price of our Shares will not decline below the Offer Price. The trading volume and price of our Shares may be subject to significant volatility in response to, among others, the following factors:

- variations in our financial condition and/or results of operations;
- changes in securities analysts' estimates of our financial condition and/or results of operations, regardless of the accuracy of information on which their estimates are based;
- changes in investors' perception of us and the investment environment generally;
- loss of visibility in the markets due to lack of regular coverage of our business;
- strategic alliances or acquisitions;
- potential litigations or regulatory investigations;
- loss of key personnel;
- changes in laws and regulations that impose limitations on our industry;
- announcements made by us or our competitors;
- changes in pricing adopted by us or our competitors;
- the liquidity of the market for our Shares; and
- general economic and other factors.

Potential investors will experience immediate and substantial dilution as a result of the Global Offering and could face dilution as a result of future equity financings.

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

We will comply with Rule 10.08 of the Listing Rules, which specifies that no further Shares or other securities of the Company (subject to certain exceptions) may be issued or form the subject of any agreement to such an issue within six months from the Listing Date. However, after six months from the Listing Date we may raise additional funds to finance future acquisitions or expansions of our business operations by issuing new Shares or other securities of the Company. As a result, the percentage shareholding of the then Shareholders may be diluted and such newly issued Shares or other securities may confer rights and privileges that have priority over those of the then Shareholders.

Future or perceived sales of substantial amounts of our Shares could affect their market price.

The market price of our Shares could decline as a result of future sales of substantial amounts of our Shares or other related securities, or the perception that such sales may occur. Our ability to raise future capital at favorable times and prices may also be materially and adversely affected. Our Shares held by the Controlling Shareholders are currently subject to certain lock-up undertakings, see "Underwriting — Underwriting Arrangements and Expenses" in this prospectus. However, we cannot assure you that following the expiration of the lock-up periods, these Shareholders will not dispose of any Shares. We cannot predict the effect of any future sales of the Shares by any of our Shareholders on the market price of our Shares.

We may not declare dividends on our Shares in the future.

Any declaration of dividends will be proposed by our Board of Directors, and the amount of any dividends will depend on various factors, including, without limitation, our results of operations, financial condition, capital requirements and surplus, contractual restrictions, future prospects and other factors which our Board of Directors may determine are important. See "Financial Information — Dividend Policy and Distributable Reserve" in this prospectus for details. We cannot guarantee when, if and in what form dividends will be paid. Our historical dividend policy should not be taken as indicative of our dividend policy in the future.

Investors may experience difficulties in enforcing their Shareholder rights under Cayman Islands law as the protection afforded to minority shareholders under Cayman Islands law may be different from that under the laws of Hong Kong or other jurisdictions.

The Company is incorporated in the Cayman Islands and its affairs are governed by its Memorandum, Articles, the Cayman Islands Companies Law and the common law of the Cayman Islands. The rights of our Shareholders to take action against our Directors, the rights of minority shareholders to instigate actions and the fiduciary responsibilities of our Directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interest of minority shareholders may differ from those of Hong Kong or those of other jurisdictions where investors may be located. As a result, minority Shareholders may not enjoy the same rights as those afforded under the laws of Hong Kong or in other jurisdictions. A summary of the company law of the Cayman Islands on protection of minority shareholders is set out in "Appendix III — Summary of the Constitution of the Company and Cayman Islands Companies Law — Summary of Cayman Islands Company Law and Taxation."

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

Immediately after the Global Offering, our Controlling Shareholders will directly or indirectly control the exercise of 67.5% of voting rights in the general meeting of the Company. For further details, see "Relationship with Controlling Shareholders" in this prospectus. The interests of our Controlling Shareholders may differ from the interests of our other Shareholders. Our Controlling Shareholders will have significant influence on the outcome of any corporate transaction or other matters submitted to our Shareholders for approval, including mergers, consolidations, sales of all or substantially all of our assets, election of Directors and other significant corporate actions. This concentration of ownership may discourage, delay or prevent changes in control of the Company that would otherwise benefit our other Shareholders. To the extent that the interests of our Controlling Shareholders conflict with those of our other Shareholders, our other Shareholders may be deprived of opportunities to advance or protect their interests.

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

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

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

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

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

Prior or subsequent to the publication of this prospectus, there has been or may be press and media coverage regarding us and the Global Offering, in addition to marketing materials we published in compliance with the Listing Rules. Such press and media coverage may include references to information that do not appear in this prospectus or is inaccurate. We have not authorized the publication of any such information contained in unauthorized press and media coverage. Therefore, we make no representation as to the appropriateness, accuracy, completeness or reliability of any information disseminated in the media and do not accept any responsibility for the accuracy or completeness of any financial information or forward-looking statements contained therein. To the extent that any of the information in the media is inconsistent or conflicts with the contents of this prospectus, we expressly disclaim it. Accordingly, prospective investors should only rely on information included in this prospectus and not on any of the information in press articles or other media coverage in deciding whether or not to purchase the Offer Shares.

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

MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, an issuer must have a sufficient management presence in Hong Kong, which normally means that at least two of its executive directors must be ordinarily residents in Hong Kong. We do not have a sufficient management presence in Hong Kong for the purpose of satisfying the requirement under Rule 8.12 of the Listing Rules. We have applied for a waiver from strict compliance with Rule 8.12 of the Listing Rules primarily on the basis that, as our headquarters and principal business operations are located in the PRC, our management is best able to attend to its function by being based in the PRC. We have applied to the Stock Exchange for, and the Stock Exchange has granted us a waiver from strict compliance with Rule 8.12 of the Listing Rules subject to, among others, the following conditions:

(a) pursuant to Rule 3.05 of the Listing Rules, we have appointed two authorized representatives, Mr. Zhang Yunfeng, our executive Director, and Ms. Chan Pung Fei ("**Ms. Chan**"), our joint company secretary, who will act as our Company's principal channel of communication with the Stock Exchange. Ms. Chan is an ordinarily resident in Hong Kong. Each of our authorized representatives will be available to meet with the Stock Exchange in Hong Kong within a reasonable time frame upon the request of the Stock Exchange and will be readily contactable by telephone, facsimile and email. Each of our authorized representatives is authorized to communicate on our behalf with the Stock Exchange. Our Company has been registered as a non-Hong Kong Company under Part 16 of the Companies Ordinance and Ms. Chan has also been authorized to accept service of legal process and notices in Hong Kong on behalf of our Company;

(b) both of our authorized representatives have means to contact our Directors (including our independent non-executive Directors) promptly at all times as and when the Stock Exchange wishes to contact our Directors for any matters. Our Directors who are not ordinarily residents in Hong Kong possess or can apply for valid travel documents to visit Hong Kong and will be able to meet with the Stock Exchange within a reasonable period of time, when required. Each of our Directors has provided his/her mobile phone number, residential phone number, fax number and email address to our authorized representatives. In the event that a Director expects to travel, he/she will endeavor to provide the phone number of the place of his/her accommodation to our authorized representatives or maintain an open line of communication via his/her mobile phone. Each of our Directors and authorized representatives has also provided his/her mobile number, office phone number, fax number and email address to the Stock Exchange;

(c) pursuant to Rule 3A.19 of the Listing Rules, we have appointed Giraffe Capital Limited as our compliance advisor, which will have access at all times to our authorized representatives, Directors, senior management and other officers of our Company, and will act as an additional channel of communication between the Stock Exchange and us; and

(d) meetings between the Stock Exchange and our Directors could be arranged through our authorized representatives or the compliance advisor, or directly with our Directors within a reasonable time frame. Our Company will promptly inform the Stock Exchange of any changes of our authorized representatives and/or the compliance advisor.

JOINT COMPANY SECRETARIES

According to Rules 3.28 and 8.17 of the Listing Rules, the secretary of our Company must be a person who has the requisite knowledge and experience to discharge the functions of the company secretary and is either (i) a member of the Hong Kong Institute of Chartered Secretaries, a solicitor or barrister as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong) or a certified public accountant as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong); or (ii) an individual who, by virtue of his academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of company secretary.

We have appointed Ms. Chan and Ms. Jin Hong ("**Ms. Jin**") as our joint company secretaries. Ms. Jin is the general manager of the investor relations department of the Company. Her biographical information is set out in "Directors and Senior Management" in this prospectus. Ms. Chan is an associate member of the Hong Kong Institute of Chartered Secretaries, and therefore meets the requirements under Rules 3.28 and 8.17 of the Listing Rules. Since Ms. Jin does not possess a qualification stipulated in Rules 3.28 of the Listing Rules, she is not able to solely fulfill the requirements as a company secretary of a listed issuer stipulated under Rules 3.28 and 8.17 of the Listing Rules.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted us a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules in relation to the appointment of Ms. Jin as our joint company secretary. In order to provide support to Ms. Jin, we have appointed Ms. Chan as a joint company secretary to provide assistance to Ms. Jin, for a three-year period from the Listing Date so as to enable her to acquire the relevant experience (as required under Rule 3.28(2) of the Listing Rules) to duly discharge her duties.

Such waiver will be revoked immediately if and when Ms. Chan ceases to provide such assistance. We will liaise with the Stock Exchange before the end of the three-year period to enable it to assess whether Ms. Jin, having had the benefit of Ms. Chan's assistance for three years, will have acquired relevant experience within the meaning of Rule 3.28 of the Listing Rules so that a further waiver will not be necessary.

CONNECTED TRANSACTIONS

We have entered into certain transactions which will constitute continuing connected transactions for our Company under the Listing Rules after Listing. We have applied to the Stock Exchange for, and the Stock Exchange has granted us waivers from strict compliance with (i) the announcement requirement under Chapter 14A of the Listing Rules in respect of the continuing connected transactions as disclosed in "Connected Transactions — (B) Continuing connected transaction subject to the reporting, annual review and announcement requirements but exempted from the independent Shareholders' approval requirement"; and (ii) the announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the continuing connected transactions as disclosed in "Connected Transactions — (C) Continuing connected transactions subject to the reporting, annual review and announcement and independent Shareholders' approval requirements." Apart from the above waivers sought on the strict compliance of the announcement and independent Shareholders' approval requirements, we will comply with the relevant requirements under Chapter 14A of the Listing Rules. See "Connected Transactions" in this prospectus for details.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies Ordinance, Companies (Winding Up and Miscellaneous Provisions) Ordinance, Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information with regard to us. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this prospectus is accurate and complete in all material respects and is neither misleading nor deceptive, and there are no other matters the omission of which would render any statement herein or this prospectus misleading.

INFORMATION ON THE GLOBAL OFFERING

This prospectus is published solely in connection with the Hong Kong Public Offering and the Preferential Offering, which is part of the Global Offering. For applicants under the Hong Kong Public Offering and the Preferential Offering, this prospectus and the related Application Forms contain the terms and conditions of the Hong Kong Public Offering and the Preferential Offering. Details of the terms of the Global Offering are described in "Structure of the Global Offering" in this prospectus.

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

Neither the delivery of this prospectus nor any offering, sale or delivery made in connection with the Offer Shares should, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information contained in this prospectus is correct as of any date subsequent to the date of this prospectus.

UNDERWRITING

The Listing is sponsored by the Sole Sponsor. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms and conditions of the Hong Kong Underwriting Agreement, subject to agreement on the Offer Price between the Company and the Sole Global Coordinator (on behalf of the Underwriters) on the Price Determination Date. The International Offering is expected to be fully underwritten by the International Underwriters subject to the terms and conditions of the International Underwriting Agreement, which is expected to be entered into on or around the Price Determination Date, subject to the agreement on the Offer Price between us and the Sole Global Coordinator (for itself and on behalf of the Underwriters). If, for any reason, the Offer Price is not agreed upon amongst us and the Sole Global Coordinator (for itself and on behalf of the Underwriters), the Global Offering will not proceed and will lapse. Further details about the Underwriters and the underwriting arrangements are contained in "Underwriting" in this prospectus.

RESTRICTIONS ON OFFER AND SALE OF THE OFFER SHARES

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

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

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Listing Committee for the approval for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus (including Shares to be issued pursuant to the Capitalization Issue and the Global Offering, and additional Shares which may be issued pursuant to the exercise of the Over-allotment Option).

Except that we have applied for the Listing to the Stock Exchange, no part of the Shares or loan capital of the Company is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

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

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the approval for the listing of, and permission to deal in, our Shares on the Stock Exchange and the compliance with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional advisor for details of the settlement arrangements as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

REGISTER OF MEMBERS AND STAMP DUTY

The principal register of members of our Company will be maintained by the Principal Share Registrar, Maples Fund Services (Cayman) Limited, in the Cayman Islands and the branch register of members of our Company will be maintained by the Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, in Hong Kong. All Shares to be issued pursuant to the Capitalization Issue, the Global Offering and any Shares to be issued upon exercise of the Over-allotment Option will be registered on the branch register of members of our Company in Hong Kong. Only Shares registered on the branch register of members of our Company in Hong Kong may be traded on the Stock Exchange.

No stamp duty is payable by applicants in the Global Offering.

Dealings in our Shares registered in the branch register of members of our Company in Hong Kong will be subject to Hong Kong stamp duty. The current rate of stamp duty in Hong Kong is 0.2% of the consideration or, if higher, the market value of our Shares being sold or transferred.

Unless determined otherwise by our Company, dividends payable in Hong Kong dollars in respect of Shares will be paid to the shareholders listed on the branch register of members of our Company in Hong Kong, by ordinary post, at the Shareholders' risk, to the registered address of each Shareholder, or if joint Shareholders, to the first-named therein in accordance with the Articles.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisors if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposal of, dealing in or exercising any rights attached to the Shares. None of the Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors or any other person or party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription for, purchase, holding or disposal of, dealing in or exercising any rights attached to the Shares.

APPLICATION PROCEDURE FOR THE HONG KONG OFFER SHARES AND RESERVED SHARES

The application procedures for Hong Kong Offer Shares and the Reserved Shares are set out in the section headed "How to Apply for the Hong Kong Offer Shares and Reserved Shares" in this prospectus and the relevant Application Forms.

OVER-ALLOTMENT AND STABILIZATION

Further details of the arrangements relating to stabilization and the Over-allotment Option are set out in "Structure of the Global Offering — Over-allotment Option" and "Structure of the Global Offering — Stabilization" in this prospectus. Unless otherwise specified, all relevant information in this prospectus assumes no exercise of the Over-allotment Option.

CSRC APPROVAL AND OTHER RELEVANT PRC AUTHORITIES APPROVAL

The Listing does not require the approval of the CSRC or any other PRC Government authorities under the current PRC laws, rules and regulations.

CURRENCY TRANSLATIONS

Solely for your convenience, unless indicated otherwise, this prospectus contains certain translations at the following exchange rates:

US$1.00 to HK$7.8293
US$1.00 to RMB7.0383
HK$1.00 to RMB0.8990

No representation is made and none should be construed as being made that any amounts could actually be converted in RMB, US$ or HK$ at the rates indicated or at any rates at all.

LANGUAGE

If there is any inconsistency between the English version of this prospectus and its Chinese translation, the English version of this prospectus shall prevail. If there is any inconsistency between the Chinese names of PRC nationals, entities, departments, facilities, certificates, titles, laws, regulations and the like mentioned in this prospectus and their English translations, the Chinese names shall prevail.

ROUNDING

In this prospectus, where information is presented in hundreds, thousands, ten thousands, millions, hundred millions or billions, certain amounts of less than one hundred, one thousand, ten thousand, one million, a hundred million or a billion, as the case may be, have been rounded to the nearest hundred, thousand, ten thousand, million, hundred million or billion, respectively. Unless otherwise stated, all the numerical figures are rounded to one decimal place. Any discrepancies in any table or chart between totals and sums of amounts listed therein are due to rounding.

DIRECTORS

Name	Address	Nationality
Executive Directors		
Mr. Hoi Wa Fong (許華芳)	No.1399 Xinzhen Road Minhang District Shanghai China, 201101	Chinese (Macau)
Mr. Zhang Yunfeng (張雲峰)	Room 905, Unit 3, Building 2 Jiangning Wanda Square Jiangning District Nanjing, Jiangsu China	Chinese
Non-executive Directors		
Ms. Hoi Wa Fan (許華芬)	Room B, 5/F, Block A Ocean Garden Vai Yan 1441 A Qitan Road Taipa Macau	Chinese (Macau)
Ms. Hoi Wa Lam (許華琳)	Room A, 17/F Nam Fong Building Youyi Road Macau	Chinese (Macau)
Independent non-executive Directors		
Ms. Ng Yi Kum, Estella (伍綺琴)	Flat B, 5/F, Block A2 Oasis No.8–12 Peak Road The Peak Hong Kong	Chinese (Hong Kong)
Mr. Chan Wai Yan, Ronald (陳惠仁)	5 York Road Kowloon Hong Kong	Chinese (Hong Kong)
Dr. Lu Xiongwen (陸雄文)	Room 502, Bld 5 Lane 399 Yunjin Road Xuhui District Shanghai China, 200030	Chinese

See "Directors and Senior Management" in this prospectus for further details of our Directors and senior management members.

PARTIES INVOLVED IN THE GLOBAL OFFERING

Sole Sponsor	**ABCI Capital Limited** 11/F, Agricultural Bank of China Tower 50 Connaught Road Central Hong Kong
Sole Global Coordinator	**ABCI Capital Limited** 11/F, Agricultural Bank of China Tower 50 Connaught Road Central Hong Kong
Joint Bookrunners	**ABCI Capital Limited** 11/F, Agricultural Bank of China Tower 50 Connaught Road Central Hong Kong
	China Industrial Securities International Capital Limited 7/F, Three Exchange Square 8 Connaught Place Central, Hong Kong
	Guotai Junan Securities (Hong Kong) Limited 28/F, Low Block, Grand Millennium Plaza 181 Queen's Road Central Hong Kong
	CRIC Securities Company Limited Unit 2007 & 2403, Great Eagle Centre 23 Harbour Road, Wanchai Hong Kong
	Zhongtai International Securities Limited 19th Floor, Li Po Chun Chambers 189 Des Voeux Road Central Central, Hong Kong
	CMB International Capital Limited 45th Floor, Champion Tower 3 Garden Road, Central Hong Kong

Joint Lead Managers	**ABCI Securities Company Limited** 10/F, Agricultural Bank of China Tower 50 Connaught Road Central Hong Kong
	China Industrial Securities International Capital Limited 7/F, Three Exchange Square 8 Connaught Place Central, Hong Kong
	Guotai Junan Securities (Hong Kong) Limited 28/F, Low Block, Grand Millennium Plaza 181 Queen's Road Central Hong Kong
	CRIC Securities Company Limited Unit 2007 & 2403, Great Eagle Centre 23 Harbour Road, Wanchai Hong Kong
	Zhongtai International Securities Limited 19th Floor, Li Po Chun Chambers 189 Des Voeux Road Central Central, Hong Kong
	CMB International Capital Limited 45th Floor, Champion Tower 3 Garden Road, Central Hong Kong
	Lead Securities (HK) Limited Unit A, 23/F, The Wellington 198 Wellington Street Sheung Wan, Hong Kong
Legal advisors to our Company	*As to Hong Kong law:* **Sidley Austin** Level 39 Two International Finance Centre 8 Finance Street Central Hong Kong
	As to PRC law: **Grandall Law Firm (Shanghai)** 23-25/F, Garden Square 968 West Beijing Road Shanghai China
	As to Cayman Islands law: **Maples and Calder (Hong Kong) LLP** 53rd Floor, The Center 99 Queen's Road Central Hong Kong

Legal advisors to the Sole Sponsor and the Underwriters	*As to Hong Kong law:* **Jingtian & Gongcheng LLP** Suites 3205-3207, 32/F., Edinburgh Tower The Landmark 15 Queen's Road Central Hong Kong *As to PRC law:* **JunHe LLP.** 26/F, HKRI Centre One HKRI Taikoo Hui 288 Shimen Road (No.1) Shanghai China
Auditor and reporting accountant	**PricewaterhouseCoopers** *Certified Public Accountants* 22/F, Prince's Building Central Hong Kong
Compliance advisor	**Giraffe Capital Limited** 3/F, 8 Wyndham Street Central Hong Kong
Industry consultant	**Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.** 1018, Tower B 500 Yunjin Road Shanghai 200232 PRC
Receiving bank	**Bank of China (Hong Kong) Limited** 1 Garden Road Hong Kong

Registered office	Maples Corporate Services Limited P.O. Box 309, Ugland House Grand Cayman, KY1-1104 Cayman Islands
Headquarters and principal place of business in the PRC	Baolong Building 1399 Xinzhen Road Minhang District Shanghai PRC
Principal place of business in Hong Kong	19/F, Lee Garden One 33 Hysan Avenue Causeway Bay Hong Kong
Company's website	**www.powerlongcm.com** *(The information on this website does not form part of this prospectus)*
Joint company secretaries	Ms. Jin Hong (金紅) Room 502, No.9 338 Lane, North Huting Road Songjiang District Shanghai Ms. Chan Pung Fei (陳芃霏) *ACS, ACIS* 19/F, Lee Garden One 33 Hysan Avenue Causeway Bay Hong Kong
Authorized representatives	Mr. Zhang Yunfeng (張雲峰) Room 905, Unit 3, Building 2 Jiangning Wanda Square Jiangning District Nanjing Jiangsu China Ms. Chan Pung Fei (陳芃霏) 19/F, Lee Garden One 33 Hysan Avenue Causeway Bay Hong Kong
Audit Committee	Ms. Ng Yi Kum, Estella *(Chairman)* Dr. Lu Xiongwen Mr. Chan Wai Yan, Ronald

Remuneration Committee	Dr. Lu Xiongwen *(Chairman)* Mr. Chan Wai Yan, Ronald Mr. Hoi Wa Fong
Nomination Committee	Mr. Hoi Wa Fong *(Chairman)* Dr. Lu Xiongwen Mr. Chan Wai Yan, Ronald
Principal Share Registrar and transfer office	**Maples Fund Services (Cayman) Limited** PO Box 1093, Boundary Hall Cricket Square Grand Cayman KY1-1102 Cayman Islands
Hong Kong Share Registrar	**Computershare Hong Kong Investor Services Limited** Shops 1712-1716, 17th Floor, Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
Principal banks	**Industrial and Commercial Bank of China Limited, Gubei Branch** No. 918 Huangjincheng Road Changning District Shanghai PRC **Bank of Communication Limited, Jinshan Branch** No. 121 East Fanghu Road Huli District Xiaman PRC **Agricultural Bank of China Limited, Xingang Branch** No. 121 Xingang Road Hongkou District Shanghai PRC

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

We believe that the sources of information are appropriate and we have taken reasonable and cautious care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading in any material respect or that any fact has been omitted that would render such information false or misleading in any material respect. We, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters or any of our or their respective directors, senior management, representatives or any other person involved in the Global Offering have not independently verified such information and have made no representation as to the accuracy and completeness thereof, other than Frost & Sullivan. The relevant information and statistics may not be consistent with such other information and statistics compiled within or outside the PRC. As a result, you are advised not to place undue reliance on such information.

SOURCES OF INFORMATION

We have commissioned Frost & Sullivan, an independent market researcher and consultant, to analyze and report on the commercial operational and residential property management service market in China. Frost & Sullivan is an independent global consulting firm founded in 1961 in New York. Frost & Sullivan offers industry research and market strategies and provides growth consulting and corporate training. Its industry coverage in China includes chemicals, materials and food, commercial aviation, consumer products, environment and building technologies, healthcare, industrial automation and electronics, industrial and machinery, and technology, media and telecom. We have agreed to pay Frost & Sullivan a total fee of RMB600,000 for the preparation of the Frost & Sullivan Report.

Frost & Sullivan Report

Our Company has included certain information from the Frost & Sullivan Report in this prospectus because our Directors believe that such information facilitates an understanding of the relevant market for potential investors. The market research process for the Frost & Sullivan Report has been undertaken through detailed primary research which involves discussing the status of commercial operational and residential property management service market with leading industry participants and industry experts. Secondary research involved reviewing company reports, independent research reports and data based on Frost & Sullivan's own research database.

Analysis and forecasts contained in the Frost & Sullivan Report are based on the following major assumptions at the time of compiling such reports: (i) China's economy is likely to maintain steady growth in the next decade; (ii) China's social, economic, and political environment is likely to remain stable in the forecast period; and (iii) market drivers such as accelerating urbanization, continuous growth of per capita disposable income, government support for consumption and service industries, continuous growth in investment in commercial properties will drive commercial operational service market.

OVERVIEW OF MACRO ECONOMY IN CHINA

Nominal GDP

According to the National Bureau of Statistics of China, driven by a series of economic stimulus policies including the Revitalisation Plans of Ten Key Industries and "One Belt and One Road," China's nominal GDP registered a relatively robust growth at a CAGR of 8.7%, expanding from RMB59.3 trillion in 2013 to RMB90.0 trillion in 2018. According to the International Monetary Fund (IMF), the nominal GDP in China is forecast to keep growing at a CAGR of 8.2% from 2018 to 2023 and would increase gently to RMB133.5 trillion in 2023.

Total Sales Revenue of Houses for Business Use

In line with the growing trend of real estate industry in China and the continuous growth of costs in the development of houses for business use, total sales revenue of houses for business use in China has increased from RMB828.0 billion in 2013 to RMB1,334.9 billion in 2018, representing a CAGR of approximately 10.0%. From 2018 to 2023, the total sales revenue of houses for business use in China is expected to maintain a steady growth and reach RMB1,956.4 billion by the end of 2023, with a CAGR of approximately 7.9% during the period.

CHINA'S COMMERCIAL OPERATIONAL SERVICE MARKET

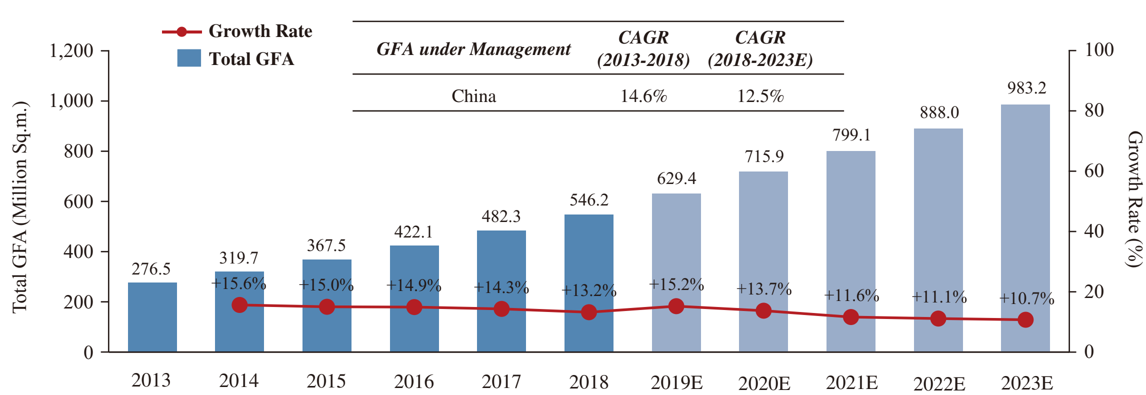
Definition and Introduction

Commercial operational service refers to a full range of consulting and operation services for commercial properties from the period of design and construction to the period of handover and operation to achieve a higher rental and occupancy rate, determine the appropriate tenant mix and create a unique lifestyle experience to attract customers. Commercial properties refer to various retailing places mainly including enclosed and open-air shopping malls and open-air shopping streets within large-scale and multi-functional development projects.

During the preparation stage before the opening, the services provided to property developers or property owners by commercial operational service companies primarily include (i) market research and positioning services such as conducting market research and analysis and advising on the design and construction of the commercial properties, (ii) tenant sourcing service which involves identifying and soliciting tenants for commercial properties and coordinating the signing of the tenancy agreements, and (iii) preparation services in anticipation of the opening of the retail commercial properties including supervising the design and execution of the construction plan and managing the entry of tenants. During the operation stage of a retail commercial property, the services provided to property owners or tenants normally involve (i) retail commercial property management services to tenants including security, cleaning, repair and maintenance and tenant coaching services, (ii) tenant management and rent collection services to property owners which involve providing support and guidance to tenants on their operations, handling tenants' enquiries and complaints, processing rent payment and ensuring timely payment of rent by tenants, and (iii) other value-added services to property owners including pre-delivery preparation and trash handling, advertising space and common area and car park management services. Commercial operational service providers also provide property leasing services with respect to units located within the shopping streets and shopping malls.

Market Size of Commercial Operational Service Market

Total GFA under Management by Commercial Operational Service Providers (China), 2013 — 2023E

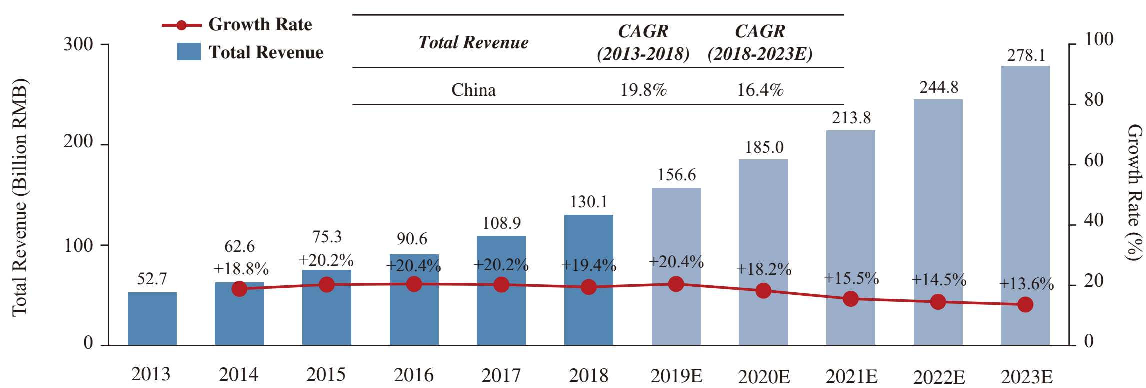


GFA under Management	*CAGR (2013-2018)*	*CAGR (2018-2023E)*
China	14.6%	12.5%

Source: Frost & Sullivan Analysis

From 2013 to 2018, the total GFA under management by commercial operational service providers has increased from 276.5 million sq.m. in 2013 to 546.2 million sq.m. in 2018, with a CAGR of 14.6%. In the future, the total GFA under management by commercial operational service providers is expected to grow continuously, reaching 983.2 million sq.m. in 2023, with a CAGR of 12.5% from 2018 to 2023.

Total Revenue of Commercial Operational Service Providers (China), 2013 — 2023E



Source: Frost & Sullivan Analysis

With the acceleration of urbanization and the increasing investment in commercial properties, the commercial operational service market kept fast growth in recent years. From 2013 to 2018, the total revenue of commercial operational service providers in China increased from RMB52.7 billion to RMB130.1 billion, with a CAGR of 19.8%. In the future, the development of commercial operational service market is expected to maintain stable growth. In 2023, the total revenue of commercial operational service market is projected to reach RMB278.1 billion, with an expected CAGR of 16.4% from 2018 to 2023.

Market Drivers

Accelerating Urbanization and Continuous Growth of Per Capita Disposable Income: During the period from 2013 to 2018, the urbanization rate in China increased from 53.7% to 59.6%. Meanwhile, per capita annual disposable income observed an increase from RMB26,467 to RMB39,251 with a CAGR of 8.2%. The accelerating urbanization and continuous growth of per capita disposable income stimulated the demands for commercial operational services and promoted the development of commercial operational service market in China.

Population, Urbanization and Per Capita Disposable Income (China and Yangtze River Delta), 2013 — 2018

	2013	2014	2015	2016	2017	2018	2018 — 2023E CAGR
China							
Total Population (million)	1,360.7	1,367.8	1,374.6	1,382.7	1,390.1	1,395.4	0.2%
Urban Population (million)	731.1	749.2	771.2	793.0	813.5	831.4	2.6%
Urbanization Rate	53.7%	54.8%	56.1%	57.4%	58.5%	59.6%	2.4%
Per Capita Annual Disposable Income (RMB)	26,467	28,844	31,195	33,616	36,396	39,251	8.1%
Yangtze River Delta							
Total Population (million)	158.5	158.9	159.3	160.1	161.0	162.1	0.6%
Urban Population (million)	107.7	109.4	110.7	112.9	114.9	117.3	2.1%
Urbanization Rate	67.9%	68.8%	69.5%	70.5%	71.4%	72.4%	1.4%
Per Capita Annual Disposable Income (RMB)	36,050	39,202	42,346	45,807	49,683	53,885	8.2%

Source: National Bureau of Statistics of China; Frost & Sullivan Analysis

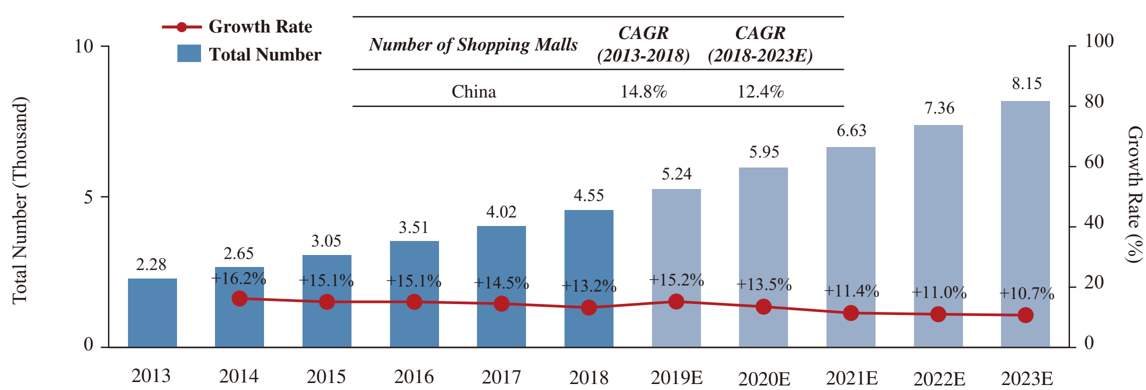
Government Support for Consumption and Service Industries: According to a series of policies and regulations such as “13th Five-Year Development Plan” (十三五規劃) issued in 2015, the PRC Government has proposed to promote the consumption and service industries together with commitment to optimize the economic structure and shift to a more consumption-led and service-led growth model from its traditional reliance on investments and exports. In detailed, “The Guidance for Promoting Consumption in the 13th Five-Year Period,” or The Guidance issued by the MOFCOM in 2016 has put forward that the consumption needs to be promoted by fostering new areas of consumer demands and optimizing consumption environment and set up the goal that the total retail sales of consumer goods shall reach RMB48 trillion by 2020, with a CAGR of 10% from 2015 to 2020. Besides, The Guidance encourages the shopping centers to introduce multiple services, such as catering, leisure and entertainment and educational training. With forceful support of policies and regulations, the consumption level of citizens is expected to be enhanced and the demands for the commercial properties, such as shopping centers will increase. Thus, the improvement of consumption levels and the specialization of service industries will stimulate the demand for professional commercial operational services and expedite the development of commercial operational service market in China.

Meanwhile, the plan has proposed to accelerate the urban agglomeration in the Yangtze River Delta Megalopolis. Government supports on the development of various industries, enlargement of infrastructure construction investments and improvement of traffic facilities will attract large number of people move to Yangtze River Delta. The increasing density of population in Yangtze River Delta will stimulate the consumption demand and drive the development of commercial operational service market.

As such, we, as a commercial operational service provider, could benefit from the government support under such policies as a result of strong consumer demands, thereby improving the overall traffic of the shopping malls operated by us. In addition, the increasing demand of commercial operational services could bring us more business opportunities, which would in turn increase our revenue.

Continuous Growth of Investment in Commercial Properties: Investment in commercial properties in China has experienced a dramatic increase and total floor area of commercial properties both under construction and completed has maintained a steady growth in recent years, bringing great consumption potential and broader development prospect to the commercial operational service market. With continuous growth of investment in commercial properties, the total number of shopping malls grew continuously. From 2013 to 2018, the total number of shopping malls has increased from approximately 2,280 to approximately 4,550, with a CAGR of 14.8%. In the future, the total number of shopping malls in China is expected to increase continuously, reaching approximately 8,150, with a CAGR of 12.4% from 2018 to 2023.

Total Number of Shopping Malls (China), 2013 — 2023E



Source: Frost & Sullivan Analysis

Future Opportunities and Challenges

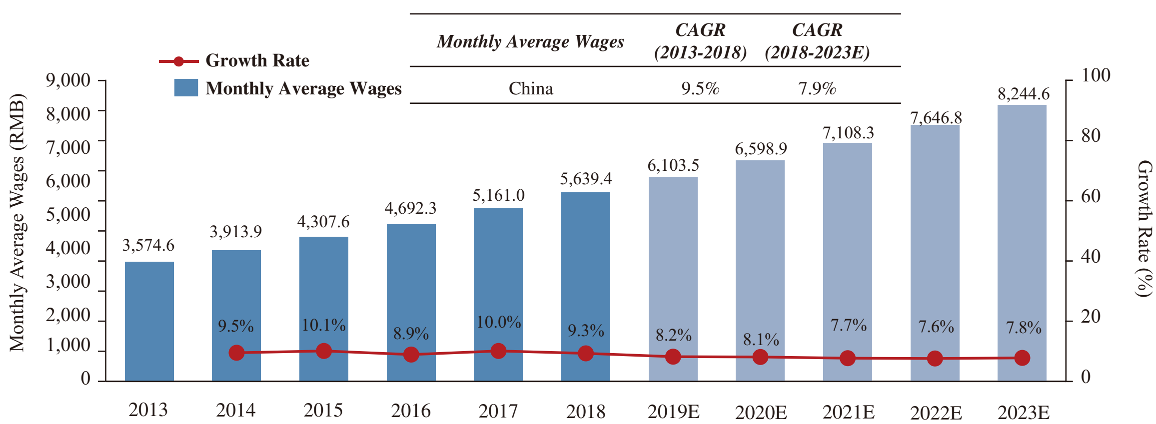
Increasing Market Concentration: Commercial properties have emerged in large numbers in China since 2012, bringing fierce competition in the commercial operational service market. Among commercial operational service providers, property developer-affiliated operators will gradually dominate the market with increasing market concentration. The continuous expansion of branded commercial properties will support the development of property developer-affiliated commercial operational service providers, who fully understand the strategies, operation models and relevant expertise. Furthermore, the relatively small-scale property developers have the preference to operate their commercial properties under renowned brands to have more visitor flows, higher occupancy rates and higher rentals, and are inclined to use affiliated commercial operational service providers.

Popularity of Asset-light Model and Strategy: Asset-light model and strategy, which can lighten the financial burdens of holding and acquiring assets by commercial operational service providers and improve operational efficiency, will popularize in the future along with the development of the commercial operational service market in China. With the asset-light model and strategy, commercial operational service providers will optimize the allocation of resources and provide reasonable service portfolios by outsourcing part of their services such as cleaning, gardening and maintenance, which will bring higher profit margins to commercial operational service providers, and is conductive to promote the outward expansion in the market.

Various Service Categories: Due to the vigorous development of the commercial operational service market in China, there has been increasing competition among commercial operational service providers. To maintain market competitiveness, commercial operational service providers will provide more diversified services, improve service qualities and invest in talent reserve to ensure operational efficiency and gain more market shares. Meanwhile, the commercial operational service providers are committed to combine their services with online platforms and mobile applications and enrich the value-added services such as paid memberships, membership points, gift cards and portable battery rental for better promotion and a good shopping experience for consumers.

Labor and Operation Cost: The commercial operational service market is a labor-intensive market and involves a large number of workers such as securities, cleaners and maintainers. The minimum monthly wage is increasing continuously in recent years, resulting in growing labor costs to commercial operational service providers. From 2013 to 2018, the monthly average wages of worker in commercial operational service market increased from RMB3,574.6 to RMB5,639.4, with a CAGR of 9.5%. The monthly average wages of worker are expected to reach RMB8,244.6 in 2023, with a CAGR of 7.9% from 2018 to 2023. Moreover, the utility expenses such as electricity and water have likewise increased in the last few years. Therefore, the rising labor and operation costs may reduce the profit margin for commercial operational service providers.

Monthly Average Wages of Worker in Commercial Operational Service Market (China), 2013 — 2023E



Source: Frost & Sullivan Analysis

Entry Barriers

Service Experience: Due to increasing concentration of China's commercial operational service market, mature operation and management experience and successful project experience are particularly important for commercial operational service providers to shape their brand image. Furthermore, in terms of large-scale and integrated shopping centers with various tenant mix, rich and mature management experience has a guiding role for the commercial operational service team in the actual operation and management process, which is one of the entry barriers to new entrants.

Customer Bases: Existing participants in China's commercial operational service market require a sufficient customer base to establish brand reputation. Due to increasing competition and concentration of China's commercial operational service market, customers have a preference to renowned and experienced commercial operational service providers. Thus, new entrants will face great challenges to attract consumers and establish their own customer bases.

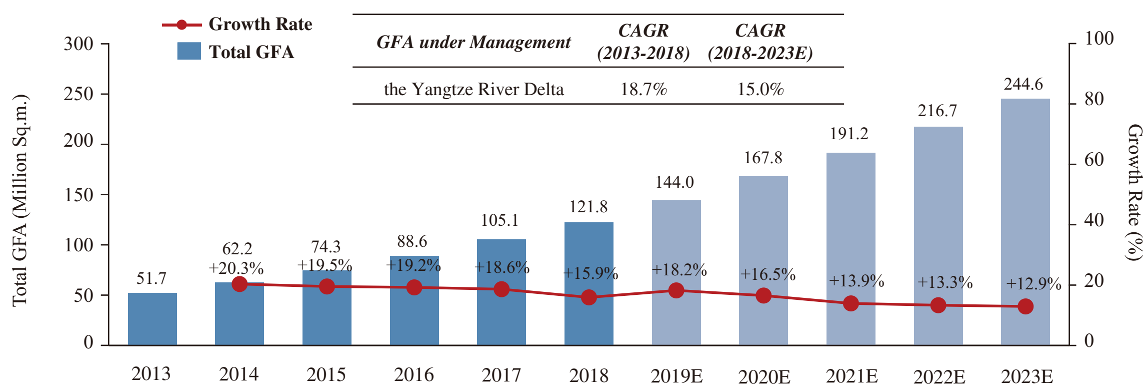
Professional Talents: Owing to expanding service scope and complexity, professional and experienced talents are required in each part of the operation and management services. Moreover, under the developing trend of providing diversified and differentiated services and creating a unique lifestyle experience, there will be higher requirements for the technology and innovation level in the commercial operational service market. Therefore, it is rather difficult for new entrants to recruit adequate talents with professional skills and experience.

Advanced Operation Model: The commercial operational service providers with innovative operation model have the capability to integrate project and customer resources and further acquire plenty of project resources such as large-scale and high-end shopping centers, which can enhance their competitive position. However, the acquisition of new operation models requires exploration and accumulation for quite a long time, making one of the main entry barriers for new entrants.

COMMERCIAL OPERATIONAL SERVICE MARKET IN YANGTZE RIVER DELTA

Market Size of Commercial Operational Service Market in Yangtze River Delta

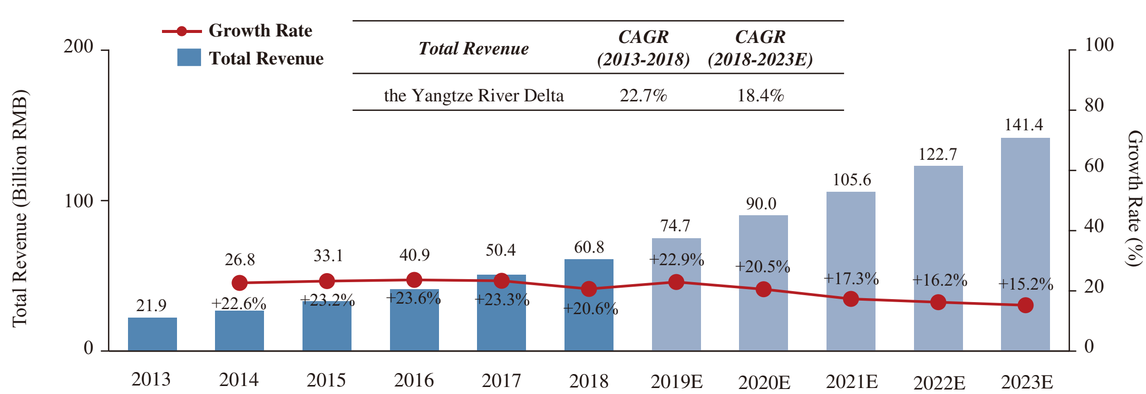
Total GFA under Management by Commercial Operational Service Providers (Yangtze River Delta), 2013 — 2023E



Source: Frost & Sullivan Analysis

With the increasing disposable income and consumption level in Yangtze River Delta, the demand of shopping malls has been stimulated in recent years. The total GFA under management by commercial operational service providers in Yangtze River Delta increased from 51.7 million sq.m. in 2013 to 121.8 million sq.m. in 2018, with a CAGR of 18.7%. The total GFA under management by commercial operational service providers in Yangtze River Delta is expected to reach 244.6 million sq.m. in 2023, with a CAGR of 15.0% from 2018 to 2023.

Total Revenue of Commercial Operational Service Providers (Yangtze River Delta), 2013 — 2023E



Source: Frost & Sullivan Analysis

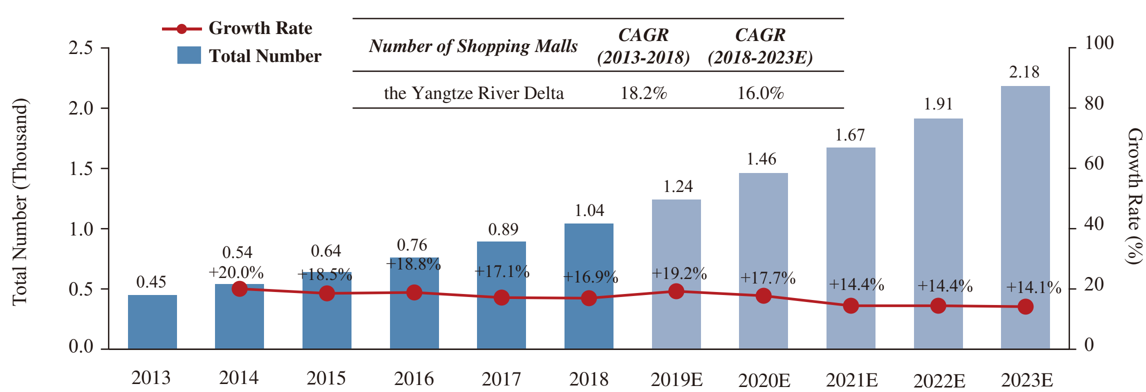
With the accelerating regional economic development and the urbanization rate in the Yangtze River Delta, the total revenue of commercial operational service market kept fast growth in recent years. From 2013 to 2018, the total revenue of commercial operational service providers in the Yangtze River Delta has increased from RMB21.9 billion to RMB60.8 billion, with a CAGR of 22.7%. In 2023, the total revenue of commercial operational service market in the Yangtze River Delta is projected to reach RMB141.4 billion, with an expected CAGR of 18.4% from 2018 to 2023.

Market Drivers

Rapid Urbanization: With the accelerated regional economic development in the Yangtze River Delta, the urbanization rate of the Yangtze River Delta increased from 67.9% in 2013 to 72.4% in 2018, along with the urban population growing from 107.7 million in 2013 to 117.3 million in 2018. The rapid urbanization promoted the development of commercial property market and stimulated an increasing demand for commercial operational services.

Further Development of Commercial Property Market: The continuous economic growth accompanied by the rising investment in commercial property market drives the development of regional commercial property market and stimulates the demands for commercial operational services. The total number of shopping malls has increased from approximately 450 in 2013 to approximately 1,040 in 2018, with a CAGR of 18.2%. In the future, the total number of shopping malls in the Yangtze River Delta is expected to reach approximately 2,180 in 2023, with a CAGR of 16.0% from 2018 to 2023.

Total Number of Shopping Malls (Yangtze River Delta), 2013 — 2023E



Source: Frost & Sullivan Analysis

Favorable Policies: A series of policies has launched by Chinese government in recent years to promote the development of commercial operational service market in the Yangtze River Delta. For instance, the State Council ratified the "Development Plan of the City Cluster in the Yangtze River Delta" (《長江三角洲城市群發展規劃》) in 2016, which plans to build 26 cities in the Yangtze River Delta into a world-class city cluster by 2020. These cities are also the forerunners of economic transformation from manufacturing-led to service-oriented. The transformation process will release corresponding demands for commercial operational services.

Future Opportunities and Challenges

Combination with Residential Communities: In the Yangtze River Delta, there are large number of high-end residential communities, promoting the emergence and development of commercial operational service market based on residential communities. Besides commercial operational services, the commercial operational service providers also provide additional community services such as community supermarkets and children-related services. With the enhanced penetration in residential communities, commercial operational service providers focusing on family consumers will have broader development potentials in the Yangtze River Delta.

Customized and Specialized Commercial Projects: Owing to the high purchasing power and relatively mature consumption ideas, the customers in the Yangtze River Delta generally have higher requirements for shopping environments and experiences. Therefore, to attract more customers, the commercial operational service providers in the Yangtze River Delta will concentrate on the customized design of tenant mix, store layout and operation models. Meanwhile, the commercial operational service providers in the Yangtze River Delta will have the preference of specialized commercial projects combining with innovative marketing campaigns, such as art exhibitions, science and technology exhibitions, theme exhibitions.

Expansion of Service Scope with Internet: As the wide application of Internet technology and mobile applications, the commercial operational service providers are devoted to expand their service scope with the application of Internet. For instance, the commercial operational service providers start to develop their own applications or systems to assist tenants in managing stores and build connections with customers by providing tenant introduction and promotion information.

COMPETITIVE LANDSCAPE

Top 5 Commercial Operational Service Companies by GFA under Management (China), 2018

Ranking	Company	Background Information	Market Share
1	Company A	A leading commercial operational service provider in China which manages a large number of commercial properties and focuses on homogeneous commercial properties which can be rapidly developed and expanded.	6.6%
2	Company B	A leading commercial operational service provider in China which provides commercial operational services to diversified retail commercial properties under different brands nationwide.	1.8%
3	Company C	A leading commercial operational service provider in China which provides commercial operational services to multi-functional commercial properties and regional shopping centers in many cities in China.	0.9%
4	Our Group	A leading commercial operational service provider in China which is one of the few commercial operational service providers in China possessing the expertise and capability of managing a diversified portfolio of retail commercial properties.	0.8%
5	Company D	A leading commercial operational service provider which focuses on multi-functional commercial properties in the Yangtze River Delta, the Bohai Economic Rim and the Pearl River Delta.	0.8%
Top 5			10.9%

Note: GFA under management does not include car park areas.

Source: Annual Report; Frost & Sullivan Analysis

In China, there are more than 2,000 commercial operational service providers in 2018. The commercial operational service market is relatively fragmented, with the top five companies accounting for approximately 10.9% of total GFA under management in 2018. Our Group is one of the few leading commercial operational service companies with diversified and differentiated retail commercial properties in terms of target consumer, property location and size and property type in China. Our Group was ranked the 4th among the commercial operational service companies in China, with a market share of 0.8% in terms of total GFA under management of commercial operational service market in China. According to the Enterprises Development Research Center of the State Council, Tsinghua University's Real Estate Research Institute and the China Index Academy, our "Powerlong Plaza" series were ranked second among "Top 10 China Commercial Properties" in terms of brand value for seven consecutive years from 2011 and ranked first in 2018.

Top 5 Commercial Operational Service Companies by Revenue of Commercial Operational Service (China), 2018

Ranking	Company	Background Information	Market Share
1	Company A	A leading commercial operational service provider in the PRC which manages a large number of commercial properties and focuses on homogeneous commercial properties which can be rapidly developed and expanded.	3.4%
2	Company B	A leading commercial operational service provider in the PRC which provides commercial operational services to diversified retail commercial properties under different brands nationwide.	1.4%
3	Company C	A leading commercial operational service provider in the PRC which provides commercial operational services to multi-functional commercial properties and regional shopping centers in many cities in the PRC.	1.1%
4	Company E	A leading commercial operational service provider headquartered in Singapore, which provides commercial operational services to integrated developments and shopping malls in the PRC	0.8%
5	Our Group	A leading commercial operational service provider in China which is one of the few commercial operational service providers in China possessing the expertise and capability of managing a diversified portfolio of retail commercial properties.	0.8%
Top 5			7.5%
Others			92.5%
Total			100.0%

Source: Annual Report; Frost & Sullivan Analysis

The commercial operational service market in China is fragmented, with the top five commercial operational service companies accounting for 7.5% in terms of revenue of commercial operational service in 2018. Our Group was ranked the fifth with a market share of 0.8% in terms of revenue of commercial operational service.

Top 5 Commercial Operational Service Companies by GFA under Management (the Yangtze River Delta), 2018

Ranking	Company	Background Information	Market Share
1	Company A	A leading commercial operational service provider in China which manages a large number of commercial properties and focuses on homogeneous commercial properties which can be rapidly developed and expanded.	6.3%
2	Company B	A leading commercial operational service provider in China which provides commercial operational services to diversified retail commercial properties under different brands nationwide.	2.2%
3	Company D	A leading commercial operational service provider which focuses on multi-functional commercial properties in the Yangtze River Delta, the Bohai Economic Rim and the Pearl River Delta.	2.0%
4	Our Group	A leading commercial operational service provider in China which is one of the few commercial operational service providers in China possessing the expertise and capability of managing a diversified portfolio of retail commercial properties.	1.4%
5	Company E	A leading commercial operational service provider headquartered in Singapore, which provides commercial operational services to integrated developments and shopping malls in China.	0.9%
Top 5			12.8%
Others			87.2%
Total			100.0%

Note: GFA under management does not include car park areas.

Source: Annual Report; Frost & Sullivan Analysis

As for the commercial operational service market in the Yangtze River Delta, the top five companies account for approximately 12.8% of total GFA under management in 2018, demonstrating a relatively fragmented market. Our Group was ranked the 4th among the commercial operational service companies in the Yangtze River Delta, with a market share of 1.4% in terms of total GFA under management of commercial operational service market in the Yangtze River Delta.

CHINA'S RESIDENTIAL PROPERTY MANAGEMENT SERVICE MARKET

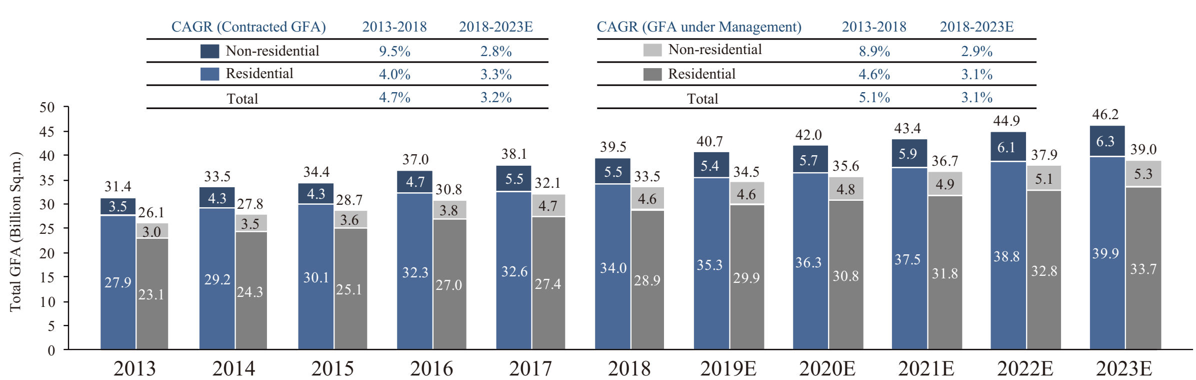
Definition and Introduction

Property management is the operation, control and oversight of real estate as used in its most broad terms. Management indicates a need to be cared for, monitored and accountability given for its useful life and condition. Property management is also the management of personal property, equipment, tooling, and physical capital assets that are acquired and used to build, repair, and maintain end item deliverables. Most China's residential property management service companies provide services for a wide range of properties, including residential properties and non-residential properties including serviced apartments, office buildings, government buildings, industrial facilities, arenas and stadiums, schools, hospitals and others.

Residential property management service companies generally offer these services: (i) traditional residential property management services; and (ii) other services, mainly including pre-delivery services, consulting services and value-added services.

Market Size of Property Management Service Market

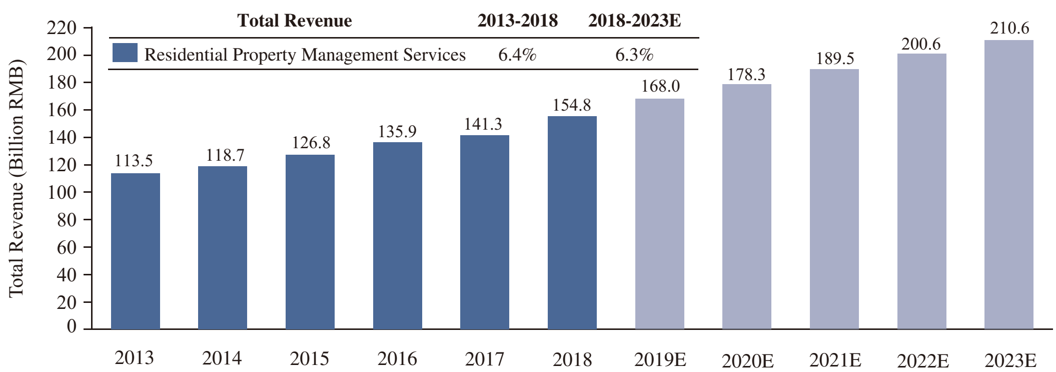
Total Contracted GFA and Total GFA under Management by Property Management Service Companies (China), 2013 — 2023E



Source: Frost & Sullivan Analysis

From 2013 to 2018, the total contracted GFA of residential properties has increased from 27.9 billion sq.m. in 2013 to 34.0 billion sq.m. in 2018, with a CAGR of 4.0%. In 2023, the total contracted GFA of residential properties is expected to reach 39.9 billion sq.m., with a CAGR of 3.3% from 2018 to 2023. From 2013 to 2018, the total GFA under management of residential properties has increased from 23.1 billion sq.m. in 2013 to 28.9 billion sq.m. in 2018, with a CAGR of 4.6%. In 2023, the total GFA under management of residential properties is expected to reach 33.7 billion sq.m., with a CAGR of 3.1% from 2018 to 2023.

Total Revenue of Residential Property Management Service Companies (China), 2013 — 2023E



Source: Frost & Sullivan Analysis

From 2013 to 2018, the total revenue of residential property management service market has increased from RMB113.5 billion to RMB154.8 billion, with a CAGR of 6.4%. In 2023, the total revenue is expected to reach RMB210.6 billion, with an expected CAGR of 6.3% from 2018 to 2023.

Market Drivers

Increasing Per Capita Disposable Income and Rapid Urbanization: From 2013 to 2018, per capita annual disposable income saw an increase from RMB26,467 to RMB39,251 with a CAGR of 8.2%. Such growth has a positive effect on Chinese residents' purchasing power and demand for residential property management service. During the same period, the urbanization rate in China increased from 53.7% to 59.6%. The rapid urbanization results in an increasing demand for residential property management services with the rapid growth of real estate market.

Continuous Development of Real Estate Market: The PRC Government has increased the land supply owing to the rapid urbanization and growing per capital disposable income. Thus, the real estate market achieved continuous development in recent years. The total GFA of commodity properties transacted in China increased from 1,305.5 million sq.m. in 2013 to 1,716.5 million sq.m. in 2018, with a CAGR of 5.6%. Accordingly, the continuous development of real estate market increases the demands of residential property management services.

Extensive Implication of Data Digitalization and Technology: The residential property management service companies in China have delivered more standardized services along with the development of residential property management service market. In particular, the improvement of information technology and data digitalization enables companies to improve the quality of services and reduce operation cost, labor cost, energy and material consumption effectively.

Involvement in Capital Market: With the wider participation of residential property management service companies in the capital market, powerful support from capital market is a major driver of the residential property management service market. Diversified capital operation methods can accelerate the integration and mergers and acquisitions among residential property management service companies, which can enable companies to significantly increase market share and form scale management effect. Moreover, involvement in capital market can accelerate the improvement of service quality and increase the brand reputation and recognition from customers.

Future Opportunities

Enhanced Standardization and Automation: An increasing number of leading companies are making efforts to enhance the standardization of residential property management services, such as intelligent system in communities, including access control system and parking management system. In addition, many more investment in automation technology is purposed to improve the efficiency of residential property management services.

Accelerated Industry Concentration: The degree of concentration of the residential property management service market is increasing in recent years as a result of policy environment, market competition and information technology. Especially, a few leading residential property management service companies are seeking access to enhance management standards and core competitiveness through mergers and acquisitions. Moreover, residential property management service companies are making efforts to develop alliance and consolidation to achieve scale economies resulting in the increasing concentration level of China's residential property management service market.

Expansion of Service Scope: Residential property management services gradually extend from the initial residential property to offices, industrial parks, public facilities, etc. With the separation and transfer of "Three Supplies and One Industry" (三供一業), more property types will be included in the residential property management service scope, and service providers will meanwhile participate in the municipal management gradually. Combined with community consumption upgrades, residential property management service companies will extend from the property services to life services, further expanding the business chain and industrial chain in the future.

Competitive Landscape of Residential Property Management Service Market

The residential property management service market in the PRC is very fragmented with over 100,000 residential property management service companies, which generally provide residential property management service to residential and non-residential properties in 2018.

Top 5 Property Management Service Companies by Revenue (China), 2018

Ranking	Company	Background Information	Market Share (%)
1	Company F	A leading property management service company in China, providing property management service, pre-delivery service, community asset service, community life service, intelligent technology service, etc.	3.2%
2	Company G	A listed company who is a leading happy living service provider nationwide, providing property service, community living service and consulting service.	2.2%
3	Company H	A listed company who is a leading residential property management service company in China, providing property management services, community value-added services and value-added services to non-property owners.	1.5%
4	Company I	A leading property management service company in China who has wide coverage nationwide mainly in South China.	1.4%
5	Company J	A leading property management service company who provides comprehensive property management services and development service of property management service platform.	1.4%
Top 5			9.7%
Others			90.3%
Total			100.0%

Source: Annual Report; Frost & Sullivan Analysis

The property management service market in China is fragmented, with the top five property management service companies accounting for 9.7% in terms of revenue in 2018.

Our business operations are subject to extensive supervision and regulation by the PRC Government. This section sets out a summary of the main laws, regulations and policies to which we are subject.

FOREIGN INVESTED PROPERTY MANAGEMENT ENTERPRISES

According to Regulations on Foreign Investment Guidelines (《指導外商投資方向規定》) (Order No. 346 of the State Council), which was promulgated by the State Council on February 11, 2002 and came into effect on April 1, 2002, foreign investment projects shall be classified into four categories, namely "encouraged," "permitted," "restricted" and "prohibited." Encouraged, restricted and prohibited foreign investment projects shall be listed in the Guidance Catalogue for Foreign Investment (《外商投資產業指導目錄》), while foreign investment projects that do not fall within the encouraged, restricted and prohibited categories shall be classified as belonging to the category of permitted foreign investment projects. The permitted foreign investment projects are not listed in the Guidance Catalogue for Foreign Investment.

According to Announcement No. 22 in 2016 issued by the NDRC and the MOFCOM regarding the establishment and changes of wholly foreign-owned enterprises which the special market entry management measures prescribed by the state do not apply to, shall be only subject to record-filling instead of examination and approval (issued and came into effect on October 8, 2016), the establishment of foreign-invested enterprises which the special market entry management measures prescribed do not apply to and their changes shall be subject to record-filing instead of examination and approval. Upon approval of the State Council, the scope under foreign investment special market entry management measures shall be subject to relevant provisions on equity and executives requirements in the categories of restricted, prohibited and encouraged industries as stipulated in the 2015 revision of Guidance Catalog of Industries for Foreign Investment (《外商投資產業指導目錄》).

Pursuant to the Provisional Administrative Measures on Establishment and Modifications (Filing) for Foreign Investment Enterprises (《外商投資企業設立及變更備案管理暫行辦法》) promulgated by the MOFCOM on October 8, 2016, amended on July 30, 2017 and June 29, 2018, establishment and changes of foreign investment enterprises that are not subject to the approval under the special entry management measures shall be filed with the relevant commerce authorities.

The 2017 revision of the Guidance Catalogue for Guiding Foreign Investment (Order No. 4 of the NDRC and the MOFCOM in 2017) (《外商投資產業指導目錄(2017)》) (jointly revised by the NDRC and the MOFCOM on June 28, 2017 and came into effect on July 28, 2017) classifies industries to be invested by foreign investors into two categories: encouraged industries and industries contained in the Negative List (including restricted industries and prohibited industries).

According to the Regulations on Foreign Investment Guidelines, any industry not falling into any of the encouraged, restricted or prohibited industries is a permitted industry, which is generally open to foreign investment unless specifically prohibited or restricted by other PRC regulations. And the property management service market is a market that allows foreign investors to make investments.

According to the Special Administrative Measures for Access of Foreign Investment (Negative List) (Edition 2018) (外商投資准入特別管理措施(負面清單) (2018年版)) (Order [2018] No.18 of the NDRC and the MOFCOM) issued by the NDRC and the MOFCOM on June 28, 2018 and came into effect on July 28, 2018, the Negative List for foreign investment access specified in the 2017 Revision of Guidance Catalog for Guiding Foreign Investment are repealed simultaneously, while the catalog of encouraged industries for foreign investment is still valid. Pursuant to the Special Administrative Measures for Access of Foreign Investment (Negative List) (Edition 2018), the property management service market does not fall within the negative list for access of foreign investment.

LEGAL SUPERVISION OVER PROPERTY MANAGEMENT ENTERPRISES

Qualification of Property Management Enterprises

According to the Regulations on Property Management (《物業管理條例》) (Order No. 379 of the State Council), which was promulgated on June 8, 2003, came into effect since September 1, 2003, and was amended on August 26, 2007, February 6, 2016 and March 19, 2018, enterprises engaged in property management activities shall have independent corporate capacity. The construction administration authority of the State Council shall, jointly with the relevant authorities, established a join honesty incentives and joint dishonesty punishment mechanism, and strengthen industry creditworthiness administration.

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

According to the Decision of the State Council on Canceling a Group of Administrative Licensing Items (《國務院關於取消一批行政許可事項的決定》) (GF [2017] No. 46) issued by the State Council on September 22, 2017 which came into effect on the same day, qualification accreditation for property management enterprises of Level One acknowledged by Provincial and municipal government departments of Housing and Urban-Rural was canceled.

According to the Notice of the General Office of the MOHURD on Effectively Implementing the Work of Canceling the Qualification Accreditation for Property Management Enterprises (《住房城鄉建設部辦公廳關於做好取消物業服務企業資質核定相關工作的通知》) (Jian ban fang [2017] No. 75) issued by the General Office of the MOHURD on December 15, 2017 and came into effect on the same day, application, change, renewal or re-application of the qualifications of property management enterprises shall not be accepted, and the qualifications obtained already shall not be a requirement for property management enterprises to undertake new property management projects.

According to the Decision of State Council to Amend and Repeal Certain Administrative Regulations (2018) (《國務院關於修改和廢止部分行政法規的決定》(2018)) (Order No. 698 of the State Council) issued by the State Council on 19 March 2018, all the qualification requirements for the property management enterprises have been removed.

Appointment of Property Management Companies

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

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

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

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

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

Fees Charged by Property Management Enterprises

According to the Notice on Issuing Measures on the Charges of Property Service (《關於印發〈物業服務收費管理辦法〉的通知》) (Fa Gai Jia Ge [2003] No.1864) (jointly promulgated by the NDRC and the Ministry of Construction on November 13, 2003 and came into effect on January 1, 2004), property management enterprises are permitted to charge fees from property owners for the maintenance, conservation and management of properties, ancillary facilities and related grounds, and the maintenance of the environmental health and order of relevant areas according to relevant residential property management services contracts.

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

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

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

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

According to the Notice on Issuing Provisions on Clearly Marking the Prices of Property Services (《關於印發〈物業服務收費明碼標價規定〉的通知》) (FGJJ [2004] No. 1428), which was jointly issued by the NDRC and the Ministry of Construction on July 19, 2004 and came into effect on October 1, 2004, property management companies shall clearly mark the price, state service items and standards and relevant information on services (including the property management services as stipulated in the residential property management service agreement as well as services other than services agreed in the property management contracts engaged by property owners) provided to the owners. If the charging standard at a clearly marked rate changes, property management companies shall adjust all relevant information one month before implementing the new standard and indicate the date of implementing the new standard. If property management companies do not comply with guidance prices according to the marked price or mark false price, they shall be ordered to make a rectification, confiscated of the illegal gains; where the circumstances are serious, an order shall be issued for the suspension of business operations for rectification, or revocation of the business license by the agency of industry and commerce administration in accordance with the Provisions on the Administrative Punishment of Price-related violations (《價格違法行為行政處罰規定》).

According to the Notice Regarding Property Management Pricing Cost Supervision and Examination Approaches (Trial) by the NDRC and the Ministry of Construction (《國家發展改革委、建設部關於印發〈物業服務定價成本監審辦法(試行)〉的通知》) (FGJG [2007] No. 2285), which was jointly issued by the NDRC and the Ministry of Construction on September 10, 2007 and came into effect on October 1, 2007, the competent price administration department of people's government formulates or regulates property management charging standards and implement pricing cost supervision and examination on relevant management enterprises. The pricing cost of residential property management services should be the social average cost of community property services as verified by the competent price administration department. With the assistance of competent real estate administrative department, competent pricing department of people's government is responsible to organize the implementation of the property management pricing cost supervision and examination work. Residential property management service pricing cost shall include staff costs, expenses for daily operation and maintenance on public facilities and equipment, green conservation costs, sanitation fee, order maintenance cost, public facilities and equipment as well as public liability insurance costs, office expenses, shared administration fee, fixed assets depreciation and other fees approved by property owners.

According to the Circular of the NDRC on the Opinions on Relaxing Price Controls in Certain Services (《國家發展和改革委員會關於放開部分服務價格意見的通知》) (FGJG[2014] No. 2755), which was promulgated by the NDRC and became effective on December 17, 2014, the competent price departments of all provinces, autonomous regions and municipalities are supposed to perform relevant procedures to liberalize the prices of the following types of services that have met the relevant competitive conditions:

- Residential property management services for non-government-supported houses. Property management fees are fees charged by residential property management service providers for the maintenance, conservation and management of non-government-supported houses, their supporting facilities and equipment and the relevant sites thereof, maintaining the environment, sanitation, and order within the geographical scope of the managed properties as agreed upon in the residential property management service contract upon commission of the property owners. The provincial price authorities shall, jointly with the housing and urban-rural development administrative authorities, implement government guidance prices for property management fees charged in relation to government-supported houses, houses under housing reform, older residential communities and preliminary residential property management services with regard to the actual situation.

- Parking services in residential communities. Fees charged by residential property management service providers or parking service companies from property owners or residents of residential areas for the management of parking spaces, parking facilities and parking orders as agreed upon in the parking services contract upon commission of the property owners.

According to the Guidance on the Planning, Construction and Management of Urban Parking Facilities (《關於城市停車設施規劃建設及管理的指導意見》) (Jian Cheng 2010 No. 74) jointly promulgated by the MOHURD, the Ministry of Public Security and the NDRC and came into effect on May 19, 2010, a licensed management system shall be adopted with market access and exit standards and the open, fair and equitable selection of professional urban parking service enterprises.

Pursuant to Guidance on Further Improving Charging Policies for Motor Vehicle Parking Service (《關於進一步完善機動車停放服務收費政策的指導意見》) (Fa Gai Jia Ge [2015] No.2975) jointly promulgated by the NDRC, the MOHURD and the Ministry of Transport on December 15, 2015 and came into effect on the same day, the fee charged in parking service shall be determined mainly by the market, the price of which have met competitive conditions shall be liberalized, and the scope of government guidance prices in parking services shall be gradually reduced to encourage the construction of parking facilities by social capital.

Supervision Over Fund for House Repair

According to the Notice Regarding the Further Reinforcement of Reform on Housing Systems and Acceleration of Housing Facilities in Cities and Towns by the State Council (《國務院關於進一步深化城鎮住房制度改革加快住房建設的通知》) (GF [1998] No.23) issued on July 3, 1998 and came into effect on the same day, post-sale housing maintenance and management shall be strengthened by establishing special maintenance funds for housing common areas, equipment and public facilities, so as to consolidate the inspection system on the management and application of special maintenance funds by property owners.

According to the Regulations on Property Management, property owners of residential properties, non-residential properties in a residential community or non-residential properties that are attached with a single residential building, shall be subject to special maintenance funds in accordance with relevant national regulations. Property owners shall own special maintenance funds, which shall be used for repair, renewal and renovation of common areas and facilities of properties upon the expiry of warranty period, and for no other purpose. The measures for collection, application and management of special maintenance funds shall be stipulated by the construction administrative department and the MOF. Property owners' gains from operations of common areas or common facilities of properties shall be mainly used for replenishing special maintenance funds, or shall be used based on decisions made at a general meeting.

Management and application of special maintenance funds shall be stipulated in a property management contract, with which property management companies shall comply when providing relevant services.

According to the Measures on the Special Funds for Residence Maintenance (《住宅專項維修資金管理辦法》) jointly issued by the Ministry of Construction and the MOF on December 4, 2007 and came into effect on February 1, 2008, property owners of the followings shall be subject to special funds for residence maintenance:

- A residential unit, provided that one owned by a property owner and share no common areas or facilities with other properties shall not be included;

- A non-residential unit in a residential community or a non-residential unit attached with a single residential building outside a residential community.

Property owners of commodity residential buildings or non-residential buildings shall be subject to special funds for residence maintenance in proportion to the gross floor areas owned, in which the initial amount of special funds for residence maintenance per square meter shall be 5% to 8% of the installation projects for local residential buildings. As for the competent construction (real estate) authorities of the people's government of municipalities, city or counties, initial amounts of special funds for residence maintenance shall be reasonably determined based on local situations and subject to proper adjustments.

If special funds for residence maintenance balances in the ledger accounts of property owners fail to be 30% of initial deposits, the shortage shall be filled in time. Where the general meeting of property owners is in place, a meeting shall be held to decide upon renewal plans. If the general meeting of property owners is not in place, the measures for renewal shall be established by the competent construction (real estate) authorities of the people's government and departments of finance of municipalities, city or counties.

The application of special funds for residence maintenance shall be convenient and quick, fair and transparent, and beneficiaries and bearers should match. As agreed in a property management contract, maintenance and conservation expenses on common areas or facilities of residence shall be borne by property management companies, and shall not be expensed from the special funds for residence maintenance.

LEGAL SUPERVISION OVER THE INTERNET INFORMATION SERVICES

Supervision Over the Internet Information Services

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

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

Where an entity provides commercial internet information service without a license or provides service beyond the scope of the license, the competent telecommunication administrative department of province, autonomous region or municipality shall order it to make correction within a prescribed time limit. Where there are illegal gains, such gains shall be confiscated; and a fine more than 3 times and less than 5 times of such gains shall be imposed. Where there is no illegal gain or the gain is less than RMB50,000, a fine of RMB100,000 to RMB1 million shall be imposed. Where the circumstance is serious, the website shall be ordered to shut down.

Where an entity provides non-commercial internet information service without a filing or provides services beyond the scope of the services placed in the record, the competent provincial telecommunication administrative department of province, autonomous region or municipality shall order it to make corrections within a prescribed time limit and to shut down the website if it refused to make corrections.

Supervision On Mobile Internet Application Information Services

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

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

LEGAL SUPERVISION OVER ADVERTISING BUSINESS

According to the Advertising Law of the PRC (《中華人民共和國廣告法》) (Order No.34 of the President) (issued by the SCNPC on October 27, 1994, came into effect on February 1, 1995 and revised on April 24, 2015 and October 26, 2018), advertisement shall be expressed in a true, legal, healthy manner, in line with requirements of construction of socialist spiritual civilization and development of Chinese national fine cultural tradition, shall not contain false or misleading content and defraud or mislead consumers. Advertisers, advertising agents and advertisement publishers shall abide by the laws, regulations and the principles of justice, honesty and fair competition in carrying out advertising activities. Local market supervision administration department at and above the county level shall take charge of the supervision and administration on advertising within their respective administrative jurisdictions. Other relevant departments of the local people's governments at and above the county level shall take charge of the advertising management related work within their respective scope of duties.

LEGAL SUPERVISION OVER REAL ESTATE BROKERAGE BUSINESS

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

According to the Administrative Measures for Real Estate Brokerage (《房地產經紀管理辦法》) (Order No.8 of the MOHURD, the NDRC and the Ministry of Human Resources and Social Security) (issued by the MOHURD, the NDRC and the Ministry of Human Resources and Social Security on January 20, 2011, came into effect on April 1, 2011 and revised on March 1, 2016, came into effect on April 1, 2016), real estate brokerage refers to the acts of providing intermediary and agency services to and collecting commissions from clients by real estate brokerage institutions and real estate brokers for the purpose of promoting real estate transactions. Sufficient number of real estate agents shall be equipped to establish real estate brokerage agencies and their branches. Real estate brokerage agencies and their branches shall go to the competent construction (real-estate) supervising department of the local municipality/city/county for handling the filing formalities within 30 days from the date of receiving business licenses.

SUPERVISION OVER LABOR AND SOCIAL SECURITY

According to the Labor Law of the PRC (《中華人民共和國勞動法》) (Order No. 28 of the President), which was promulgated by the SCNPC on July 5, 1994, came into effect on January 1, 1995 and was amended on August 27, 2009 and December 29, 2018, an employer shall develop and improve its rules and regulations to safeguard the rights of its workers. An employer shall develop and improve its labor safety and health system, stringently implement national protocols and standards on labor safety and health, conduct labor safety and health education for workers, guard against labor accidents and reduce occupational hazards. Labor safety and health facilities must comply with relevant national standards. An employer must provide workers with the necessary labor protection gear that complies with labor safety and health conditions stipulated under national regulations, as well as provide regular health checks for workers that are engaged in operations with occupational hazards. Laborers engaged in special operations shall have received specialized training and obtained the pertinent qualifications. An employer shall develop a vocational training system. Vocational training funds shall be set aside and used in accordance with national regulations and vocational training for workers shall be carried out systematically based on the actual conditions of the company.

The Labor Contract Law of the PRC (《中華人民共和國勞動合同法》) (Order No. 65 of the President), which was promulgated by the SCNPC on June 29, 2007, came into effect on January 1, 2008, and was amended on December 28, 2012, and the Implementation Regulations on Labor Contract Law of the PRC (《中華人民共和國勞動合同法實施條例》) (Order No.535 of the State Council), which was promulgated on September 18, 2008 and became effective since the same day, stipulate that labor contracts shall be concluded if labor relationships are to be established. An employer and an employee may enter into a fixed-term labor contract, an at-will labor contract, or a labor contract that concludes upon the completion of certain work assignments, after reaching agreement upon due negotiations. An employer may legally terminate a labor contract and dismiss its employees after reaching agreement upon due negotiations with the employee or by fulfilling the statutory conditions. Labor contracts concluded prior to the enactment of the Labor Contract Law and subsisting within the validity period thereof shall continue to be honored. With respect to a circumstance where a labor relationship has already been established but no formal contract has been made, a written labor contracts shall be entered into within one month from the effective date of the Labor Contract Law.

According to the Interim Provisions on Labor Dispatch (《勞務派遣暫行規定》) (Order No. 22 of the Ministry of Human Resources and Social Security), which was promulgated by the Ministry of Human Resources and Social Security on 24 January 2014 and came into effect on 1 March 2014, employers may use dispatched laborers only for temporary, auxiliary or substitutable positions. And the employer shall strictly control the number of dispatched laborers which shall not exceed 10% of the total number of its workers.

According to the Interim Regulations on Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》) (Order No.259 of the State Council) (issued by the State Council on January 22, 1999, came into effect on the same day and amended on March 24, 2019 by the Decision of the State Council on Revising Certain Administrative Regulation (March 2019 (《國務院關於修改部分行政法規的決定》)), the Regulation on Work Related Injury (《工傷保險條例》) (Order No. 375 of the State Council) (issued by the State Council on April 27, 2003, came into effect on January 1, 2004 and revised on December 20, 2010), the Regulations on Unemployment Insurance (《失業保險條例》) (Order No.258 of the State Council) (issued by the State Council on January 22, 1999 and came into effect on the same day) and the Notice Regarding Trial Measures on Employee Maternity Insurance of Enterprises (《關於發佈〈企業職工生育保險試行辦法〉的通知》) (Order [1994] No. 504 of the Ministry of Labor and Social Insurance) (issued by the Ministry of Labor on December 14, 1994 and came into effect on January 1, 1995), enterprises incorporated in the PRC shall provide their employees with benefit plans, which include basic pension insurance, unemployment insurance, maternity insurance, work injury insurance and basic medical insurance. Employers must carry out social insurance registration with local social insurance agency, provide social insurance and pay or withhold the relevant social insurance premiums for or on behalf of employees. According to the Social Insurance Law of PRC (《中華人民共和國社會保險法》) (Order No.35 of the President), which was promulgated by the SCNPC on October 28, 2010, became effective on July 1, 2011 and was amended on 29 December 2018, for employers failing to conduct social insurance registration, the administrative department of social insurance shall order them to make corrections within a prescribed time limit; if they still fail to do so within the time limit, employers shall have to pay a penalty over one time but no more than three times of the amount of the social insurance premium payable by them, and their executive staffs and other directly responsible persons shall be fined RMB500 to RMB3,000. Where an employer fails to pay social insurance premiums in full or on time, the social insurance premium collection agency shall order it to pay or make up the balance within a prescribed time limit, and shall impose a daily late fee at the rate of 0.05% of the outstanding amount from the due date; if still failing to pay within the time limit prescribed, a fine of one time to three times the amount in default will be imposed on them by the relevant administrative department.

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

INTELLECTUAL PROPERTY RIGHTS RELATED LAWS AND REGULATIONS

Patent Law

According to the Patent Law of the PRC (《中華人民共和國專利法》) (No. 11 Order of the President of the PRC) (issued by the SCNPC on March 12, 1984, came into effect on April 1, 1985, revised on September 4, 1992, August 25, 2000 and December 27, 2008 and implemented on October 1, 2009), the patent administrative department of the State Council is responsible for managing patent work of the whole nation. The patent management departments of the people's governments of each province, autonomous region and municipality directly under the central government are responsible for the patent management in their respective administrative regions. The patent adopts the principle of "prior application," i.e., one invention can only be awarded one patent, where two or more applicants file applications for patent for the identical invention or creation respectively, the patent right shall be granted to the applicant whose application was filed first. If the same applicant files application for a patent for the utility models and a patent for invention for the identical invention or creation at the same time, the patent for the utility models obtained first has not been terminated, and the applicant who declares to abandon such patent for the utility models may be granted a patent right for invention. Only inventions and utility models which are original, creative and practicable shall be granted patents. The validity period of patent right for invention is 20 years, while the validity period of utility models and exterior design is 10 years, all counted from the date of application. Using its patent without obtaining the permit of the patent holder is an infringing act of its patent right.

Trademark Law

According to the Trademark Law of the PRC (《中華人民共和國商標法》) (Order No.10 of the SCNPC) (promulgated by the SCNPC on August 23, 1982, came into effect on March 1, 1983 and revised on February 22, 1993, October 27, 2001 and August 30, 2013 and came into effect on May 1, 2014) and the PRC Trademark Law Implementing Regulations (《中華人民共和國商標法實施條例》) (Order No. 651 of the State Council) (promulgated by the State Council on August 3, 2002, came into effect on September 15, 2002, and revised on April 29, 2014 and came into effect on May 1, 2014), the trademark office of the SAIC shall be responsible for the registration and administration of trademarks in China. The period of validity of a registered trademark shall be ten years, starting from the day the registration is approved. When it is necessary to continue using the registered trademark upon expiration of period of validity, A trademark registrant shall make an application for renewal within 12 months before the expiration in accordance with the requirements. If such an application cannot be filed within that period, an extension period of six months may be granted. The period of validity for each renewal of registration shall be 10 years as of the next day of the previous period of validity. If the formalities for renewal have not been handled upon expiration of period of validity, the registered trademarks will be deregistered. A trademark registrant could license another party to use its registered trademark by entering into a trademark licensing contract. Where another party is licensed to use a registered trademark, the licenser shall report the license to the Trademark Office for recordation, and the Trademark Office shall publish it. An unrecorded license may not be used as a defense against a third party in good faith. Trademark registration adopts the principle of "prior application." Where two or more trademark registration applicants apply for registration of identical or similar trademarks to be used on identical or similar goods, the trademark, the registration of which is applied for first, shall be preliminarily approved and published; or if the applications are filed on the same day, the trademark which is used first shall be preliminarily approved and published, while the applications of the others shall be rejected without publication. Any person applying for the registration of a trademark must not prejudice the existing right of others obtained by priority, nor may any person register in advance a trademark that has already been used by another person and has already gained a sufficient degree of reputation through that person's use.

Copyright Law

The Copyright Law of the PRC (《中華人民共和國著作權法》) (No. 31 Order of the President of the PRC) (issued by the SCNPC on September 7, 1990, came into effect on June 1, 1991 and revised on October 27, 2001 and February 26, 2010 and came into effect on 1 April 2010) specifies that works of Chinese citizens, legal persons or other organizations, including works of literature, art, natural sciences, social sciences and engineering technologies created in the form of writing or oral or computer software, whether published or not, all enjoy the copyright in accordance with the law. Copyright holders can enjoy multiple rights, including the right of publication, the right of authorship and the right of reproduction.

The Measures for the Registration of Computer Software Copyright (《計算機軟件著作權登記辦法》) (No.1 Order of the National Copyright Administration) (issued by the National Copyright Administration on February 20, 2002, and came into effect on the same day) regulates the registration of software copyright, the exclusive licensing contract and transfer contracts of software copyright. The National Copyright Administration is mainly responsible for the registration and management of national software copyright and recognizes the China Copyright Protection Center as the software registration organization. The China Copyright Protection Center will grant respective certificates of registration to computer software copyright applicants in compliance with the regulations of the Measures for the Registration of Computer Software Copyright and the Regulations on Protection of Computers Software (《計算機軟件保護條例》) (No.339 Order of the State Council) (issued by the State Council on December 20, 2001, came into effect on January 1, 2002, revised on January 8, 2011 and January 30, 2013 and came into effect on March 1, 2013).

The Provisions of the Supreme People's Court on Several Issues Concerning the Application of Law in Hearing Cases of Civil Disputes of Information Network Transmission Right (《最高人民法院關於審理侵害信息網絡傳播權民事糾紛案件適用法律若干問題的規定》) (No.20 FS [2012]) (issued by the Supreme People's Court on December 17, 2012 and came into effect on January 1, 2013) specifies that network users or network service providers provide, through information networks, any work, performance, or audio or video recording in which the right holders enjoy the transmission right of information network without due permission, unless otherwise provided by laws or administrative regulations, they shall be regarded as infringing upon the transmission right of information network by the people's court.

Domain Name

According to the Measures for the Administration of Internet Domain Names (《互聯網域名管理辦法》) (No. 43 Order of the Ministry of Industry and Information Technology) (issued by the Ministry of Industry and Information Technology on August 24, 2017 and came into effect on November 1, 2017), the Ministry of Industry and Information Technology shall conduct supervision and administration of the domain name services nationwide, the communications administrations of all provinces, autonomous regions and municipalities directly under the Central Government shall conduct supervision and administration of the domain name services within their respective administrative regions. Domain name registration services shall, in principle, be subject to the principle of "apply first, register first." An agency of domain name registration that provides domain registration services shall require the applicant to provide the true, accurate and complete information about the domain name holder's identity for the registration purpose. Where any organization or individual registers or uses any domain name in violation of the provisions, which constitutes a crime, it or he shall be subject to criminal liability in accordance with the law; or if the act does not constitute a crime, it or he shall be punished by the relevant department in accordance with the law.

PRC LAWS AND REGULATIONS ON TAX

Income Tax

In accordance with the PRC Enterprise Income Tax Law (《中華人民共和國企業所得稅法》) (No. 63 Order of the President of the PRC) issued by the NPC on March 16, 2007 and became effective from January 1, 2008 and amended by the SCNPC on February 24, 2017 and December 29, 2018 and the Regulation on the Implementation of Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》) (No. 512 Order of the State Council) (promulgated on December 6, 2007 and became effective from January 1, 2008), enterprises are classified as either "resident enterprises" or "non-resident enterprises." Resident Enterprises are set up in the PRC under the PRC laws, or are set up in accordance with the law of the foreign country (region) whose actual administration institution is in PRC. Non-resident enterprises are established under the law of the foreign country (region) with "de facto management bodies" outside the PRC, but have set up institutions or establishments in PRC or, without institutions or establishments set up in the PRC, have income originating from PRC.

A resident enterprise shall pay EIT on its income originating from both inside and outside PRC at an EIT rate of 25%. A non-resident enterprise that has establishments or places of business in the PRC shall pay EIT on its income originating from PRC obtained by such establishments or places of business, and on its income which deriving outside PRC but has actual connection with such establishments or places of business, at the EIT rate of 25%. A non-resident enterprise that does not have an establishment or place of business in the PRC, or it has an establishment or place of business in the PRC but the income has no actual connection with such establishment or place of business, shall pay EIT on its passive income derived from the PRC at a reduced rate EIT of 10%. A withholding tax at the rate of 10% is applicable to dividends payable to investors that are non-resident enterprises (those who do not reside or have a place of business in China, or those that reside or have a place of business but to whom the relevant income tax is not actually associated) to the extent such dividends derived from sources within China unless there is an applicable tax treaty between the jurisdiction of non-resident enterprises and China, which may reduce or provide an exemption for the tax. Similarly, any gain realized on the transfer of shares by such investors is subject to 10% of the PRC income tax rate (or lower treaty rate if applicable) if such gain is regarded as income derived from sources within China.

According to the Arrangements Between the PRC and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) (signed on August 21, 2006 and came into effect on December 8, 2006) and relevant protocols (the Second Protocol signed on January 30, 2008 and came into effect on June 11, 2008; the Third Protocol signed on May 27, 2010 and came into effect on December 20, 2010; the Fourth Protocol signed on April 1, 2015 and came into effect on December 29, 2015), if any company incorporated in Hong Kong holds no less than 25% of the equity of a PRC company, its dividend obtained from the company incorporated in the PRC shall be taxed with a tax rate of 5% as the withholding income tax, otherwise shall be taxed with a tax rate of 10% as the withholding income tax.

According to the Announcement of the SAT on Issues concerning "Beneficial Owners" in Tax Treaties (《國家稅務總局關於稅收協定中"受益所有人"有關問題的公告》) (SAT Public Notice [2018] No. 9) promulgated by the SAT on February 3, 2018 and effective on April 1, 2018), "beneficial owner" shall refer to a party who holds ownership and control over incomes or the rights or assets from which the incomes are derived. When determining the applicant's status of the "beneficial owner," it shall be analyzed comprehensively according to the actual circumstances of the specific cases. If the applicant is obligated to pay more than 50% of his or her income in twelve months to residents in a third country or region, or the business operated by the applicant does not constitute the actual business activities (including actual manufacturing, distribution and management activities), the above factors is generally unfavorable to the determination of the identity of "Beneficial Owners" for applicants.

According to the SAT Announcement on Several Issues concerning the Enterprise Income Tax on Income from the Indirect Transfer of Assets by Non-Resident Enterprises (《關於非居民企業間接轉讓財產企業所得稅若干問題的公告》) (GJSWZJGG [2015] No. 7) (issued by the SAT and came into effect on February 3, 2015, Article 8.2 & 13 of this Announcement have been annulled), where a non-resident enterprise indirectly transfers equities and other assets of a PRC resident enterprise to avoid the EIT payment obligation by making an arrangement with no reasonable business purpose, such indirect transfer shall be redefined and recognized as a direct transfer in accordance with the relevant provisions of EIT Law. Where the EIT on the income from the indirect transfer of real estate or equities shall be paid in accordance with the provisions of this Announcement, the entity or individual that directly assumes the obligation to make relevant payments to the transferor according to the provisions of the relevant laws or as agreed upon in the contract shall be the withholding agent. If the equity transferor fails to declare and pay tax payable of indirectly transferred taxable property income in the PRC on time and in full amount, and the withholding agent fails to withhold the tax, in addition to recovering the tax payable, the equity transferor shall be charged with interest on a daily basis according to the relevant provisions of the Regulations on the Implementation of the Enterprise Income Tax Law of the PRC.

Value-added Tax

According to the Temporary Regulations on Value-Added Tax of the PRC (《中華人民共和國增值稅暫行條例》) (No. 134 Order of the State Council) (issued on December 13, 1993 by the State Council, came into effect on January 1, 1994 and revised on November 10, 2008, February 6, 2016 and November 19, 2017) and the Detailed Implementing Rules for the Implementation of the Temporary Regulations on Value Added Tax of the PRC (《中華人民共和國增值稅暫行條例實施細則》) (No. 65 Order of the MOF) (issued and came into effect on December 25, 1993 by the MOF, revised on December 15, 2008 by the MOF and the SAT, came into effect on January 1, 2009 and revised on October 28, 2011 by the MOF and came into effect on November 1, 2011), entities and individuals that sell goods or labor services of processing, repair or replacement, sell services, intangible assets, or immovables, or import goods within the territory of the People's Republic of China are taxpayers of VAT, and shall pay VAT in accordance with these Regulations. The VAT rate is 6% for taxpayers selling services or intangible assets.

In accordance with the MOF and the SAT Notice on Fully Launch of the Pilot Scheme for the Conversion of Business Tax to VAT (《關於全面推開營業稅改徵增值稅試點的通知》) (CS [2016] No. 36) (issued by the MOF and the SAT on March 23, 2016 and came into effect on May 1, 2016), with the approval by the State Council, the State started to fully implement the pilot change from business tax to VAT on May 1, 2016. All taxpayers of business tax in construction industry, real estate industry, financial industry and living service industry have been included in the scope of the pilot and should pay VAT instead of business tax.

City Maintenance and Construction Tax and Educational Surcharges

According to the State Council Notice on Unifying the System of Urban Maintenance and Construction Tax and Education Surcharge Paid by Domestic and Foreign-invested Enterprises and Individuals (《關於統一內外資企業和個人城市維護建設稅和教育費附加制度的通知》) (GF [2010] No. 35) (issued by the State Council on October 18, 2010 and came into effect on December 1, 2010), since December 1, 2010, the Temporary Regulation on Urban Maintenance and Construction Tax of the PRC (《中華人民共和國城市維護建設稅暫行條例》) issued by the State Council in 1985 and the Temporary Provisions on the Collection of Educational Surcharges (《徵收教育費附加的暫行規定》) issued by the State Council in 1986 and laws, rules and regulations and policies issued by the State Council and competent departments in charge of relevant financial and tax authorities of the State Council in respect of City Maintenance and Construction Tax and Educational Surcharges since 1985 and 1986 shall apply to foreign-invested enterprises, foreign enterprises and foreign individuals at the same time.

According to the Temporary Regulation on Urban Maintenance and Construction Tax of the PRC (《中華人民共和國城市維護建設稅暫行條例》) (GF [1985] No. 19) (issued by the State Council on February 8, 1985, with retrospective effect from January 1, 1985 and revised on January 8, 2011), entities and individuals who pay consumption tax, VAT and business tax shall pay city maintenance and construction tax. The payment of city maintenance and construction tax is based on the actual amount of consumption tax, VAT and business tax paid by the taxpayers and shall be paid respectively at the same time along with the consumption tax, VAT and business tax. If the location of the taxpayer is in city downtown area, the tax rate shall be 7%; if the location of the taxpayer is in a county or town, the tax rate shall be 5%; the tax rate shall be 1% for taxpayer located out of city downtown area, country or town.

According to the Temporary Provisions on the Collection of Educational Surcharges (GF [1986] No. 50) (issued by the State Council on April 28, 1986, came into effect on July 1, 1986 and revised on June 7, 1990, August 20, 2005 and January 8, 2011), entities and individuals obliged to pay consumption tax, VAT and business tax shall pay educational surcharges, except for entities paying additional charges for rural education. The tax rate of education surcharges shall be 3% of the actual amount of consumption tax, VAT and business tax paid by the entities and individuals and paid at the same time respectively along with the VAT, business tax and consumption tax.

FOREIGN EXCHANGE REGULATIONS OF THE PRC

According to Regulations on the Administration of Foreign Exchange of the PRC (《中華人民共和國外匯管理條例》) (No. 193 Order of the State Council) (issued by the State Council on January 29, 1996, came into effect on April 1, 1996 and revised on January 14, 1997 and August 5, 2008), foreign currency earnings of domestic entities or individuals can be transferred back to the PRC or deposited overseas; the conditions and time limit of transferring back to China and overseas deposit shall be specified by the foreign exchange administration department of the State Council according to the international receipts and payments status and requirements of foreign exchange administration. Foreign exchange receipts for current account transactions may be retained or sold to financial institutions engaged in the settlement or sale of foreign exchange according to the relevant provisions of the State. Domestic entities or individuals who directly make overseas investment or involve in distribution or trade of foreign securities or derivative products, shall go through the formalities for registration in accordance with the provisions of the foreign exchange administration department of the State Council. The entities or individuals shall file an application for approval or recordation before registration if the State requires them to get approval or make filings before registration. The exchange rate for RMB follows a managed floating exchange rate system based on market demand and supply.

According to the Provisions on Administration of Settlement, Sale and Payment of Foreign Exchange (《結匯、售匯及付匯管理規定》) (YF [1996] No. 210) (issued by the PBOC on June 20, 1996 and came into effect on July 1, 1996), foreign exchange receipts under the current account of foreign-invested enterprises may be retained within the maximum amount approved by the foreign exchange administration department and the exceeding part shall be sold to a designated foreign exchange bank or sold through the foreign exchange swap center.

According to the SAFE Circular on the Management of Offshore Investment and Financing and Round Trip Investment By Domestic Residents through Special Purpose Vehicles (Huifa [2014] No. 37) (《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) (promulgated by SAFE and came into effect on July 4, 2014), the SAFE and its branch (hereafter referred to as the "SAFE") carry out registration management for domestic resident's establishment of special purpose vehicles (SPV). A SPV is defined as "offshore enterprise directly established or indirectly controlled by the domestic resident (including domestic institution and individual resident) with their legally owned assets and equity of the domestic enterprise, or legally owned offshore assets or equity, for the purposes of investment and financing." Before a domestic resident contributes its legally owned onshore or offshore assets and equity to a SPV, the domestic resident shall conduct foreign exchange registration for offshore investment with the local branch of the SAFE. If SPV registered offshore has any change of basic information such as the individual shareholder, name, operation term, or if there is a capital increase, decrease, equity transfer or swap, merge, spin-off or other amendment of the material items, they shall complete foreign exchange alteration of the registration formality for offshore investment in the SAFE.

According to the Notice of the SAFE on Further Simplifying and Improving the Foreign Exchange Management Policies for Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》) (Hui Fa [2015] No.13) issued by the SAFE on February 13, 2015 and came into effect on June 1, 2015, reviews and foreign exchange registration approval under overseas direct investment and foreign exchange registration under overseas direct investment shall be carried out directly by the banks that has obtained the financial institution identification codes issued by the foreign exchange regulatory authorities and that has opened the capital account information system at the foreign exchange regulatory authority in the place where it is located. SAFE and its branches shall implement indirect supervision over foreign exchange registration of direct investment via the banks.

According to the Notice on Reforming and Regulating the Administration of Foreign Exchange Settlement under the Capital Account (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) (HF [2016] No. 16) (issued by the SAFE and came into effect on June 9, 2016), the settlement of foreign exchange receipts under the capital account (including foreign exchange capital, external debts, funds repatriated from overseas listing, etc.) entitled to discretionary settlement according to relevant policies, shall be conducted in the banks as actually needed for business operation. The RMB funds obtained by a domestic entity from its discretionary settlement of foreign exchange receipts under the capital account shall be included in the account pending for foreign exchange settlement and payment. The discretionary exchange settlement ratio of foreign exchange receipts under the capital account of domestic entities is tentatively set as 100%. The SAFE may adjust the above ratio in due time in accordance with the balance of international payment status. Foreign exchange receipts under the capital account of domestic entities and its capital in Renminbi obtained from foreign exchange settlement shall not be directly or indirectly used for payments outside its business scope.

According to the Notice of the SAFE on the Reform of the Administrative Approach for the Settlement of Foreign Exchange Capital Funds of Foreign-Invested Enterprises (Hui Fa [2015] No. 19) (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》) issued by the SAFE on March 30, 2015 and came into effect on June 1, 2015, a voluntary settlement mechanism for foreign exchange capital funds to foreign-invested enterprises shall be implemented, that is the foreign exchange capital in the capital account of a foreign-invested enterprise for which the rights and interests of monetary contribution have been confirmed by the local foreign exchange bureau (or the book-entry registration of monetary contribution by the banks) can be settled at the banks based on the actual operational needs of the foreign-invested enterprise. The proportion of Discretional Foreign Exchange Settlement of the foreign exchange capital of a foreign-invested enterprise is temporarily set at 100%. The SAFE may adjust the foregoing percentage as appropriate based on prevailing international balance of payments. The RMB funds obtained by a foreign-invested enterprise from its willingness-based exchange settlement of capital shall be included into a foreign exchange settlement account for pending payment.

HISTORY AND DEVELOPMENT

History

Our history can be traced back to 1993, when we established our first operating subsidiary, Xiamen Hualong Property Management, to provide complementary property management support to our Controlling Shareholder, Powerlong Holdings, a leading large-scale and multi-functional commercial real estate developer in China. Following Powerlong Holdings' commencement of development of retail commercial properties, we have expanded our service scope to provide commercial operational services in 2007. Benefiting from the mutually beneficial and complementary relationship between Powerlong Holdings and us, we have become a full spectrum commercial operational and residential property management service provider in China and expanded our geographic coverage quickly to the Yangtze River Delta and other major regions across China. We also began to provide commercial operational services to properties owned by Independent Third Parties in 2014. According to Frost & Sullivan, in terms of GFA under management excluding car parks, we were ranked the 4th among the commercial operational service companies in the Yangtze River Delta in 2018.

As of June 30, 2019, we provided commercial operational services to a total of 59 retail commercial properties across 34 cities with an aggregate contracted GFA of approximately 7.5 million sq.m., among which 45 retail commercial properties with an aggregate GFA under management of approximately 6.4 million sq.m. were opened and are in operation. Since the commencement of our residential property management business in 1993, we had been contracted to provide residential property management services in 37 cities across seven provinces and three municipalities as of June 30, 2019. As of the same date, we managed a total of 44 properties with an aggregate GFA under management of approximately 10.6 million sq.m.

Business Development Milestones

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

Year	Event
1993	We commenced to provide residential property management services with the establishment of Xiamen Hualong Property Management
2007	We commenced to provide commercial operational services with the establishment of Shanghai Powerlong Commercial and our first managed retail commercial property in Fuzhou commenced operation
2013	Our first managed retail commercial property in Shanghai commenced operation
2014	We began to provide commercial operational services to properties owned by Independent Third Parties and our first managed retail commercial property in Hangzhou commenced operation
2015	We launched our first generation digital platform design for consumer use, namely "Powerlong Didika" (寶龍滴滴卡) mobile application
2016	Our two managed retail commercial properties under the brand "Powerlong City" (寶龍城) commenced operation

2018	Our first managed retail commercial property under the brand "Powerlong One Mall" (寶龍一城) commenced operation. We established "creativity lab" (創想實驗室) for innovating, experimenting and implementing our digitalization efforts. We formed strategic relationship with Teng Wen in order to capitalize on its strong technological expertise and support which will allow us to provide our customers with better integrated online and offline services
2019	We were granted the 2018-2019 Outstanding Enterprise Award in Commercial Property (2018-2019年度商業地產卓越企業) by Commercial Property Golden Awards Selecting Committee (商業地產金座標獎評選委員會) and Winshang.com (贏商網)

OUR CORPORATE DEVELOPMENTS

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on March 25, 2019. As of the date of incorporation, the authorized share capital of our Company was HK$380,000 divided into 38,000,000 ordinary shares of HK$0.01 each, among which one fully paid Share was issued to the initial subscriber which is an Independent Third Party at par and such Share was transferred to Powerlong BVI Holding at par on the same day.

Our Principal Operating Subsidiaries

We carry out our business through various subsidiaries in the PRC. Our principal operating subsidiaries comprise major holding companies and/or subsidiaries which contributed a substantial amount of our Group's revenue and profit during the Track Record Period. Details of the major corporate developments including major shareholding changes of our principal operating subsidiaries in the PRC are set out below.

Shanghai Shangsheng

Shanghai Shangsheng was established in the PRC on December 15, 2010 as a limited liability company with an initial registered capital of US$3,000,000 fully paid up in cash. Since the date of its establishment, it has been wholly-owned by Powerlong Commercial Hong Kong, an indirect wholly-owned subsidiary of our Company.

Shanghai Shangsheng and its subsidiaries have been principally engaged in the provision of commercial operational and residential property management services in the Yangtze River Delta, Southeast China, Mid-west China and the Bohai Economic Rim since their establishment.

Shanghai Powerlong Commercial

Shanghai Powerlong Commercial was established in the PRC on June 29, 2007 as a limited liability company with an initial registered capital of RMB1,000,000 fully paid up in cash and was owned as to 71% by Fuzhou Powerlong Real Estate Development Company Limited* (福州寶龍房地產發展有限公司) ("**Fuzhou Real Estate**"), an indirect wholly-owned subsidiary of Powerlong Holdings, and 29% by Mr. Hong Qunfeng (洪群峰), a supervisor of certain subsidiaries of our Company in the PRC.

On December 24, 2007, Mr. Hong Qunfeng transferred his entire equity interest in Shanghai Powerlong Commercial to Fuzhou Real Estate at a consideration of RMB290,000. The consideration was determined after arm's length negotiation with reference to the then paid-up registered capital of Shanghai Powerlong Commercial. On the same date, the registered capital of Shanghai Powerlong Commercial was increased to RMB5,000,000 through a capital injection in the amount of RMB4,000,000 by Fuzhou Real Estate. Upon completion of such equity transfer and increase in registered capital, Shanghai Powerlong Commercial became wholly-owned by Fuzhou Real Estate.

On September 26, 2011, Fuzhou Real Estate transferred its entire equity interest in Shanghai Powerlong Commercial to Shanghai Shangsheng, an indirect wholly-owned subsidiary of our Company, at a consideration of RMB5,000,000. The consideration was determined with reference to the then paid-up registered capital of Shanghai Powerlong Commercial. Upon completion of such equity transfer, Shanghai Powerlong Commercial became wholly-owned by Shanghai Shangsheng.

Shanghai Powerlong Commercial, its subsidiaries and branch offices have been principally engaged in the provision of commercial operational and residential property management services in the Yangtze River Delta, Southeast China, Mid-west China and the Bohai Economic Rim since their establishment.

Shanghai Powerlong Property Management

Shanghai Powerlong Property Management was established in the PRC on April 5, 2007 as a limited liability company with an initial registered capital of RMB500,000 fully paid up in cash and was wholly-owned by Powerlong Group Development, a company controlled by Mr. Hoi Kin Hong, one of our Controlling Shareholders.

On August 29, 2007, Powerlong Group Development transferred its entire equity interest in Shanghai Powerlong Property Management to Xiamen Hualong Property Management, an indirect wholly-owned subsidiary of our Company, at a consideration of RMB500,000. The consideration was determined with reference to the then paid-up registered capital of Shanghai Powerlong Property Management. Upon completion of such equity transfer, Shanghai Powerlong Property Management became wholly-owned by Xiamen Hualong Property Management.

Subsequent to a series of increases in registered capital of Shanghai Powerlong Property Management through capital injection in the aggregate amount of RMB4,500,000 by Xiamen Hualong Property Management, the registered capital of Shanghai Powerlong Property Management was increased to RMB5,000,000.

Shanghai Powerlong Property Management has been principally engaged in the provision of residential property management services in Yangtze River Delta, Southeast China, Mid-west China and the Bohai Economic Rim since its establishment.

Fuzhou Powerlong Commercial

Fuzhou Powerlong Commercial was established in the PRC on April 28, 2005 as a limited liability company with an initial registered capital of RMB1,000,000 fully paid up in cash and was owned as to 78.05% by Powerlong Group Development, 15.00% by Xiamen Powerlong Information Industry Company Limited* (廈門寶龍信息產業發展有限公司) ("**Xiamen Powerlong Information**"), a company wholly-owned by Mr. Hoi Kin Hong, one of our Controlling Shareholders, 2.25% by Mr. Cai Changzhi (蔡長質), an Independent Third Party, 2.00% by Mr. Gao Lifeng (高力峰), an Independent Third Party, 1.35% by Mr. Chen Qiangren (陳強韌), an Independent Third Party, and 1.35% by Ms. Xu Jianman (許健滿), the sister of Mr. Hoi Kin Hong, one of our Controlling Shareholders.

On August 30, 2007, Powerlong Group Development, Xiamen Powerlong Information, Mr. Cai Changzhi, Mr. Gao Lifeng, Mr. Chen Qiangren and Ms. Xu Jianman transferred their respective equity interest in Fuzhou Powerlong Commercial to Shanghai Powerlong Commercial, an indirect wholly-owned subsidiary of our Company, at a total consideration of RMB1,000,000. The consideration was determined after arm's length negotiation with reference to the then paid-up registered capital of Fuzhou Powerlong Commercial. Upon completion of such equity transfers, Fuzhou Powerlong Commercial became wholly-owned by Shanghai Powerlong Commercial.

On December 24, 2008, the registered capital of Fuzhou Powerlong Commercial was increased to RMB10,000,000 through a capital injection in the amount of RMB9,000,000 by Shanghai Powerlong Commercial, an indirect wholly-owned subsidiary of our Company. As of January 1, 2016, Fuzhou Powerlong Commercial was wholly-owned by Shanghai Powerlong Commercial.

As part of the Reorganization, the entire equity interest in Fuzhou Powerlong Commercial was transferred to Xiamen Lianshang, an indirect wholly-owned subsidiary of Powerlong Holdings, on May 10, 2019. See "Reorganization" for details.

Fuzhou Powerlong Commercial had been principally engaged in the provision of commercial operational and residential property management services in Fuzhou since its establishment and prior to the transfer of its entire equity interest to Xiamen Lianshang.

Wuxi Powerlong Commercial

Wuxi Powerlong Commercial was established in the PRC on April 8, 2008 as a limited liability company with an initial registered capital of RMB500,000 fully paid up in cash. Since the date of its establishment, it has been wholly-owned by Shanghai Powerlong Commercial, an indirect wholly-owned subsidiary of our Company.

On August 28, 2012, the registered capital of Wuxi Powerlong Commercial was increased to RMB10,000,000 through a capital injection in the amount of RMB9,500,000 by Shanghai Powerlong Commercial.

Wuxi Powerlong Commercial had been principally engaged in the provision of commercial operational and residential property management services in Wuxi since its establishment.

Hangzhou Junlong

Hangzhou Junlong was established in the PRC on July 23, 2014 as a limited liability company with an initial registered capital of RMB1,000,000 fully paid up in cash. Since the date of its establishment, it has been wholly-owned by Shanghai Powerlong Commercial, an indirect wholly-owned subsidiary of our Company.

Hangzhou Junlong has been principally engaged in the provision of commercial operational and residential property management services in Hangzhou since its establishment.

Shanghai Juanxin

Shanghai Juanxin was established in the PRC on September 18, 2014 as a limited liability company with an initial registered capital of RMB1,000,000 fully paid up in cash. Since the date of its establishment, it has been wholly-owned by Shanghai Powerlong Commercial, an indirect wholly-owned subsidiary of our Company.

Shanghai Juanxin has been principally engaged in the provision of commercial operational and residential property management services in Shanghai since its establishment.

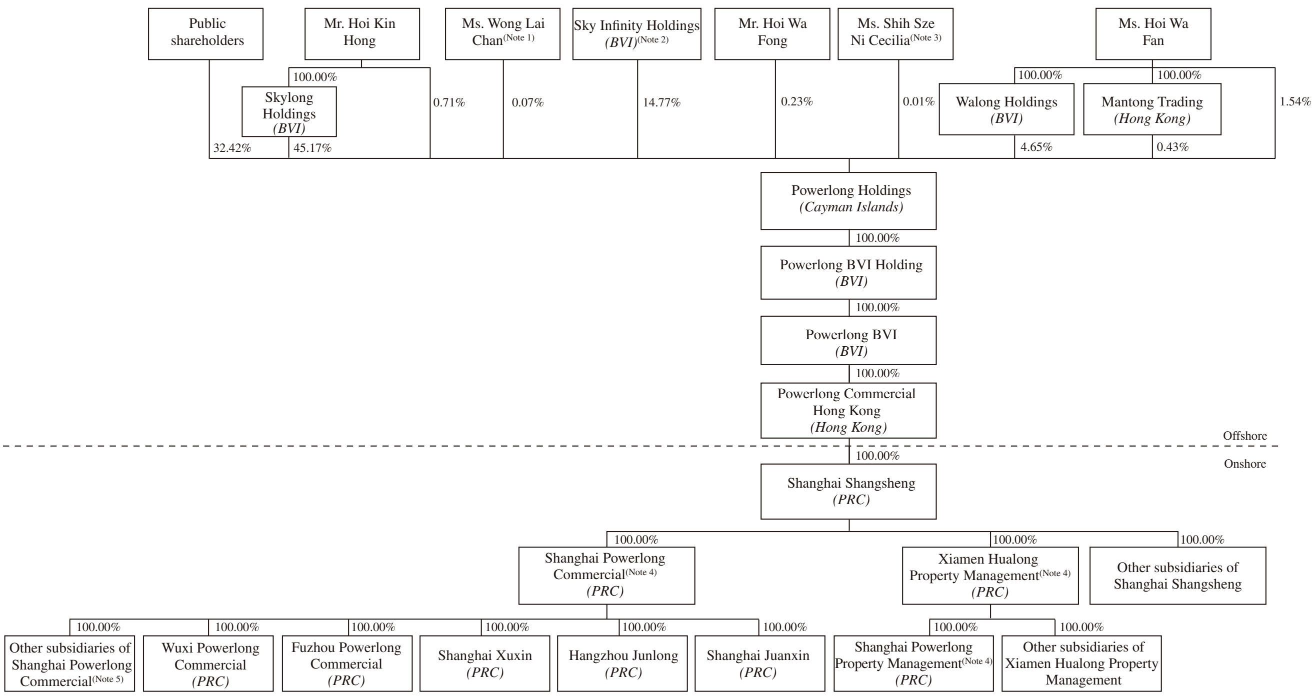
Shanghai Xuxin

Shanghai Xuxin was established in the PRC on September 26, 2014 as a limited liability company with an initial registered capital of RMB1,000,000 fully paid up in cash. Since the date of its establishment, it has been wholly-owned by Shanghai Powerlong Commercial, an indirect wholly-owned subsidiary of our Company.

Shanghai Xuxin has been principally engaged in the provision of commercial operational and residential property management services in Shanghai since its establishment.

REORGANIZATION

The following diagram illustrates our shareholding structure before the Reorganization:



Notes:

1. Ms. Wong Lai Chan is the spouse of Mr. Hoi Kin Hong.
2. Sky Infinity Holdings is wholly owned by Sky Infinity Family, which is in turn wholly owned by Credit Suisse Trust Limited through its two wholly-owned subsidiaries: Serangoon Limited and Seletar Limited. Credit Suisse Trust Limited is the trustee of a discretionary trust established by Mr. Hoi Wa Fong, the settlor.
3. Ms. Shih Sze Ni Cecilia is the spouse of Mr. Hoi Wa Fong.
4. Each of Shanghai Powerlong Commercial, Xiamen Hualong Property Management and Shanghai Powerlong Property Management operates certain branch companies.
5. With a view to streamlining the structure of our Group, certain subsidiaries of Shanghai Powerlong Commercial with no active business operation had been deregistered. As confirmed by our PRC Legal Advisor, none of such companies had any material non-compliance with any applicable PRC laws and regulations or was subject to any material claims, litigations or legal proceedings that could have a material adverse affect on our Group's financial condition from January 1, 2016, being the commencement date of the Track Record Period, to the respective completion dates of their deregistration.

In preparation for the Listing, the following Reorganization steps were implemented to establish our Group:

1. Disposal of Fuzhou Powerlong Commercial

Fuzhou Powerlong Commercial was established on April 28, 2005 as a limited liability company for the purpose of providing commercial operational services. Fuzhou Powerlong Commercial made an investment of approximately RMB330.5 million in Shanghai Life Insurance Co., Ltd. in 2015 utilizing the surplus working capital generated from our business with a view to gaining profit from such investment. For each of the years ended December 31, 2016, 2017 and 2018, the net profit of Fuzhou Powerlong Commercial amounted to approximately RMB11.4 million, RMB14.9 million and RMB8.3 million, respectively. Since Fuzhou Powerlong Commercial has transferred its commercial operational services business to a branch company of Shanghai Powerlong Commercial in March 2019, Fuzhou Powerlong Commercial has no active business operation since then. In order to streamline the structure of our Group, on May 10, 2019, Fuzhou Powerlong Commercial's sole shareholder, Shanghai Powerlong Commercial, transferred the entire equity interest in Fuzhou Powerlong Commercial to Xiamen Lianshang, a wholly-owned subsidiary of the Powerlong Holdings, at a consideration of RMB10,100,000. The consideration was determined after arm's length negotiation with reference to the net asset value of Fuzhou Powerlong Commercial as of March 31, 2019 as assessed by an independent valuer and was settled in cash on May 13, 2019. Upon completion of the equity transfer, Fuzhou Powerlong Commercial ceased to be a subsidiary of Shanghai Powerlong Commercial.

2. Disposal of Hangzhou Fuyang Powerlong Commercial Investment Management Company Limited* (杭州富陽寶龍商業投資管理有限公司) ("Hangzhou Fuyang")

Hangzhou Fuyang was established on December 15, 2014 as a limited liability company for the purpose of providing commercial operational services. In addition to providing commercial operational services, it holds a number of car parking lots (the "**Car Parking Lots**"). For the year ended December 31, 2016, the net loss of Hangzhou Fuyang amounted to approximately RMB0.5 million, while for each of the years ended December 31, 2017 and 2018, the net profit of Hangzhou Fuyang amounted to approximately RMB0.6 million and RMB1.1 million, respectively. Given that our Group does not engage in property investment and in order to achieve clear business delineation between our Group and the Remaining Powerlong Group, on July 10, 2019, Hangzhou Fuyang's sole shareholder, Shanghai Powerlong Commercial, transferred the entire equity interest in Hangzhou Fuyang to Xiamen Lianshang, a wholly-owned subsidiary of Powerlong Holdings, at a consideration of RMB1,054,880.02. The consideration was determined after arm's length negotiation with reference to the net asset value of Hangzhou Fuyang as of May 31, 2019 and was settled in cash on August 2, 2019. Upon completion of the equity transfer, Hangzhou Fuyang ceased to be a subsidiary of Shanghai Powerlong Commercial. Given that Hangzhou Fuyang was engaged in the provision of commercial operational services, Hangzhou Fuyang transferred its entire business (except for the Car Parking Lots) to a branch company of Shanghai Powerlong Commercial, an indirect subsidiary of our Company, and such business transfer was completed on July 31, 2019.

3. Disposal of Hangzhou Haolong Enterprise Management Co., Ltd.* (杭州皓龍企業管理有限公司) ("Hangzhou Haolong")

Hangzhou Haolong was established on August 22, 2013 as a limited liability company for the purpose of providing commercial operational services. For each of the years ended December 31, 2016, 2017 and 2018, the net profit of Hangzhou Haolong amounted to approximately RMB2.1 million, RMB3.7 million and RMB3.5 million, respectively. Since Hangzhou Haolong has transferred its commercial operational services business to a branch company of Shanghai Powerlong Commercial in May 2019, Hangzhou Haolong has no active business operation since then. In order to streamline the structure of our Group, on July 18, 2019, Hangzhou Haolong's sole shareholder, Shanghai Powerlong Commercial, transferred the entire equity interest in Hangzhou Haolong to Xiamen Lianshang, a wholly-owned subsidiary of Powerlong Holdings, at a consideration of RMB5,000,000. The consideration was determined after arm's length negotiation with reference to the then paid-up registered capital of Hangzhou Haolong and was settled in cash on August 2, 2019. Upon completion of the equity transfer, Hangzhou Haolong ceased to be a subsidiary of Shanghai Powerlong Commercial.

4. Disposal of Hangzhou Xiaoshan Yulong Commercial Management Co., Ltd.* (杭州蕭山御龍商業管理有限公司) ("Hangzhou Xiaoshan")

Hangzhou Xiaoshan was established on September 17, 2014 as a limited liability company for the purpose of providing commercial operational services. For each of the years ended December 31, 2016, 2017 and 2018, the net profit of Hangzhou Xiaoshan amounted to approximately RMB0.2 million, RMB6.0 million and RMB5.3 million, respectively. Since Hangzhou Xiaoshan has transferred its commercial operational services business to a branch company of Shanghai Powerlong Commercial in February 2019, Hangzhou Xiaoshan has no active business operation since May 2019. In order to streamline the structure of our Group, on July 26, 2019, Hangzhou Xiaoshan's sole shareholder, Shanghai Powerlong Commercial, transferred the entire equity interest in Hangzhou Xiaoshan to Xiamen Lianshang, a wholly-owned subsidiary of Powerlong Holdings, at a consideration of RMB1,000,000. The consideration was determined after arm's length negotiation with reference to the then paid-up registered capital of Hangzhou Xiaoshan and was settled in cash on August 2, 2019. Upon completion of the equity transfer, Hangzhou Xiaoshan ceased to be a subsidiary of Shanghai Powerlong Commercial.

5. Disposal of Changzhou Junlong Commercial Management Co., Ltd.* (常州駿龍商業管理有限公司) ("Changzhou Junlong")

Changzhou Junlong was established on February 5, 2013 as a limited liability company for the purpose of providing commercial operational services. For each of the years ended December 31, 2016 and 2018, the net profit of Changzhou Junlong amounted to approximately RMB2.5 million and RMB4.7 million, respectively. While for the year ended December 31, 2017, Changzhou Junlong recorded a net loss which amounted to approximately RMB3.7 million. Since Changzhou Junlong has transferred its commercial operational services business to a branch company of Shanghai Powerlong Commercial in September 2018, Changzhou Junlong has no active business operation since June 2019. In order to streamline the structure of our Group, on June 13, 2019, Changzhou Junlong's sole shareholder, Shanghai Powerlong Commercial, transferred the entire equity interest in Changzhou Junlong to Xiamen Lianshang, a wholly-owned subsidiary of Powerlong Holdings, at a consideration of RMB1,000,123.89. The consideration was determined after arm's length negotiation with reference to the net asset value of Changzhou Junlong as of May 31, 2019 and was settled in cash on June 25, 2019. Upon completion of the equity transfer, Changzhou Junlong ceased to be a subsidiary of Shanghai Powerlong Commercial.

6. Disposal of Luoyang Powerlong Commercial Property Management Co., Ltd.* (洛陽寶龍商業物業管理有限公司) ("Luoyang Powerlong")

Luoyang Powerlong was established on September 30, 2007 as a limited liability company for the purpose of providing commercial operational services and has entered into certain guarantee agreements to provide guarantee for certain bank loans taken out by the Remaining Powerlong Group. For each of the years ended December 31, 2016, 2017 and 2018, the net profit of Luoyang Powerlong amounted to approximately RMB5.2 million, RMB3.3 million and RMB4.8 million, respectively. Since Luoyang Powerlong has transferred its commercial operational services business to a branch company of Shanghai Powerlong Commercial in March 2019, Luoyang Powerlong has no active business operation since then. In order to streamline the structure our Group and to release the obligation of our Group in respect of such guarantee which will constitute continuing connected transaction for us upon Listing, on July 3, 2019, Luoyang Powerlong's sole shareholder, Shanghai Powerlong Commercial, transferred the entire equity interest in Luoyang Powerlong to Xiamen Lianshang, a wholly-owned subsidiary of Powerlong Holdings, at a consideration of RMB10,000,000. The consideration was determined after arm's length negotiation with reference to the then paid-up registered capital of Luoyang Powerlong and was settled in cash on July 30, 2019. Upon completion of the equity transfer, Luoyang Powerlong ceased to be a subsidiary of Shanghai Powerlong Commercial.

7. Disposal of Jinjiang Yulong Commercial Property Management Co., Ltd.* (晉江御龍商業物業管理有限公司) ("Jinjiang Yulong")

Jinjiang Yulong was established on November 18, 2011 as a limited liability company for the purpose of providing commercial operational services and has entered into certain guarantee agreements to provide guarantee for certain bank loans taken out by the Remaining Powerlong Group. For each of the year ended December 31, 2016 and 2018, the net profit of Jinjiang Yulong amounted to approximately RMB2.1 million and RMB1.2 million, while for the year ended December 31, 2017, Jinjiang Yulong recorded the net loss which amounted to approximately RMB1.2 million. Since Jinjiang Yulong has transferred its commercial operational services business to a branch company of Shanghai Powerlong Commercial in March 2019, Jinjiang Yulong has no active business operation since May 2019. In order to streamline the structure of our Group and to release the obligation of our Group in respect of such guarantee which will constitute continuing connected transaction for us upon Listing, on July 19, 2019, Jinjiang Yulong's sole shareholder, Shanghai Powerlong Commercial, transferred the entire equity interest in Jinjiang Yulong to Xiamen Lianshang, a wholly-owned subsidiary of Powerlong Holdings, at a consideration of RMB1,000,000. The consideration was determined after arm's length negotiation with reference to the then paid-up registered capital of Jinjiang Yulong and was settled in cash on August 2, 2019. Upon completion of the equity transfer, Jinjiang Yulong ceased to be a subsidiary of Shanghai Powerlong Commercial.

8. Incorporation of our Company

On March 25, 2019, our Company was incorporated in the Cayman Islands as an exempted company with limited liability. As of the date of incorporation, the authorized share capital of our Company was HK$380,000 divided into 38,000,000 ordinary shares of HK$0.01 each, among which one fully-paid Share was issued to the initial subscriber, an Independent Third Party, at par and such Share was transferred to Powerlong BVI Holding at par on the same day. On April 11, 2019, an additional 199 fully-paid Shares were issued to Powerlong BVI Holding at par, following which our Company remained as a direct wholly-owned subsidiary of Powerlong BVI Holding.

9. Acquisition of Powerlong BVI by our Company

On July 19, 2019, our Company acquired the entire issued shares of Powerlong BVI, an indirect wholly-owned subsidiary of Powerlong Holdings, from Powerlong BVI Holding. In consideration of such acquisition, our Company issued and allotted 78,800 Shares to Powerlong BVI Holding on the same day. Upon completion of the acquisition, Powerlong BVI became a direct wholly-owned subsidiary of our Company.

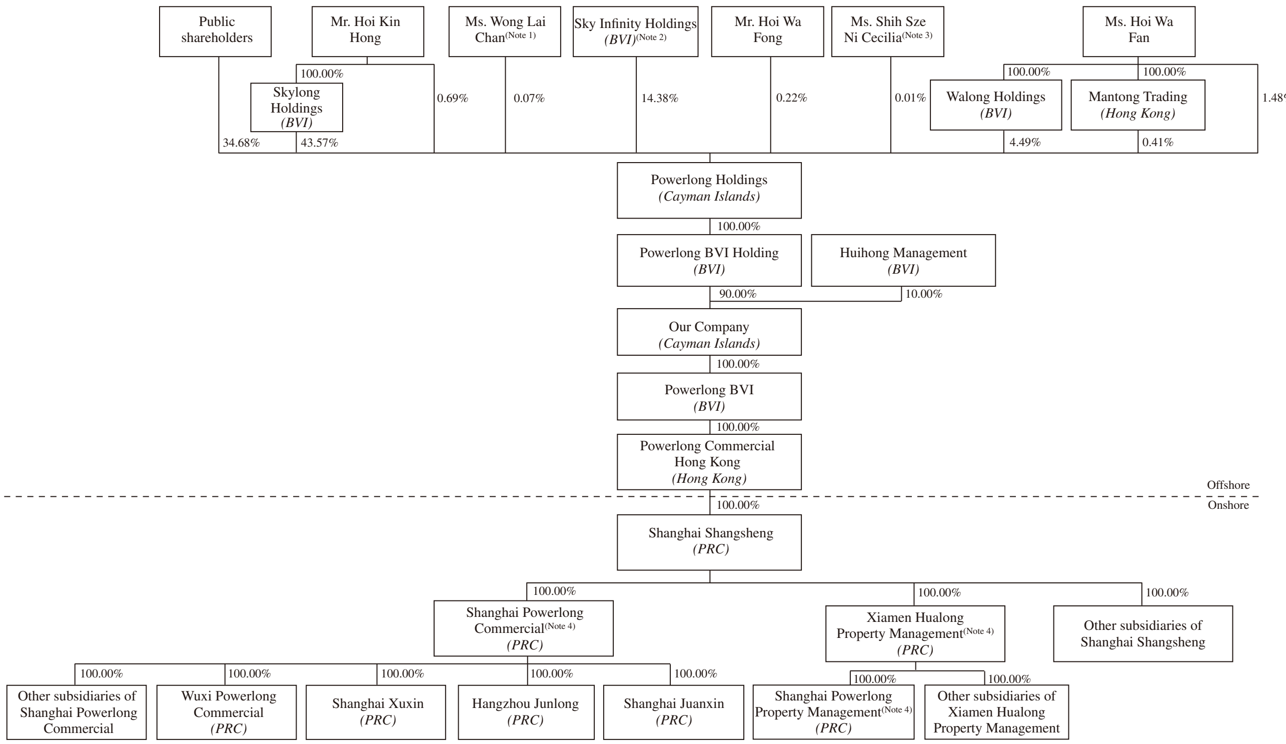
10. Incorporation of Huihong Management and issue and allotment of our Shares to Huihong Management

For the purpose of implementing the share incentive scheme to retain talent, promote the long-term sustainable development of our Group and achieve mutual gain for our Company, employees and Shareholders, on July 2, 2019, Huihong Management was incorporated in the BVI as a special purpose vehicle to hold Shares to be granted to eligible grantees under a share incentive scheme to be adopted at least six months after the Listing. As of the date of incorporation, 100 shares were issued to Mr. Hoi Wa Fong, our executive Director.

On July 19, 2019, our Company issued and allotted 8,778 fully paid Shares to Huihong Management at par, following which our Company became owned as to 90% and 10% by Powerlong BVI Holding and Huihong Management, respectively.

Our PRC Legal Advisor has confirmed that all the equity transfers in respect of the PRC subsidiaries of our Company as described above were properly and legally completed and settled and all necessary approvals and registrations from the relevant PRC authorities have been obtained and completed. Our PRC Legal Advisor has further confirmed that none of the companies which had been disposed of in the course of the Reorganization had any material non-compliance with any applicable PRC laws and regulations or was subject to any material claims, litigations or legal proceedings that could have a material adverse affect on our Group's financial condition from January 1, 2016, being the commencement date of the Track Record Period, to the respective dates of their disposal.

The following chart sets out the shareholding structure of our Group immediately following the completion of the Reorganization but immediately before the completion of the Capitalization Issue and the Global Offering:



Notes:

1. Ms. Wong Lai Chan is the spouse of Mr. Hoi Kin Hong.
2. Sky Infinity Holdings is wholly owned by Sky Infinity Family, which is in turn wholly owned by Credit Suisse Trust Limited through its two wholly-owned subsidiaries: Serangoon Limited and Seletar Limited. Credit Suisse Trust Limited is the trustee of a discretionary trust established by Mr. Hoi Wa Fong, the settlor.
3. Ms. Shih Sze Ni Cecilia is the spouse of Mr. Hoi Wa Fong.
4. Each of Shanghai Powerlong Commercial, Xiamen Hualong Property Management and Shanghai Powerlong Property Management operates certain branch companies.

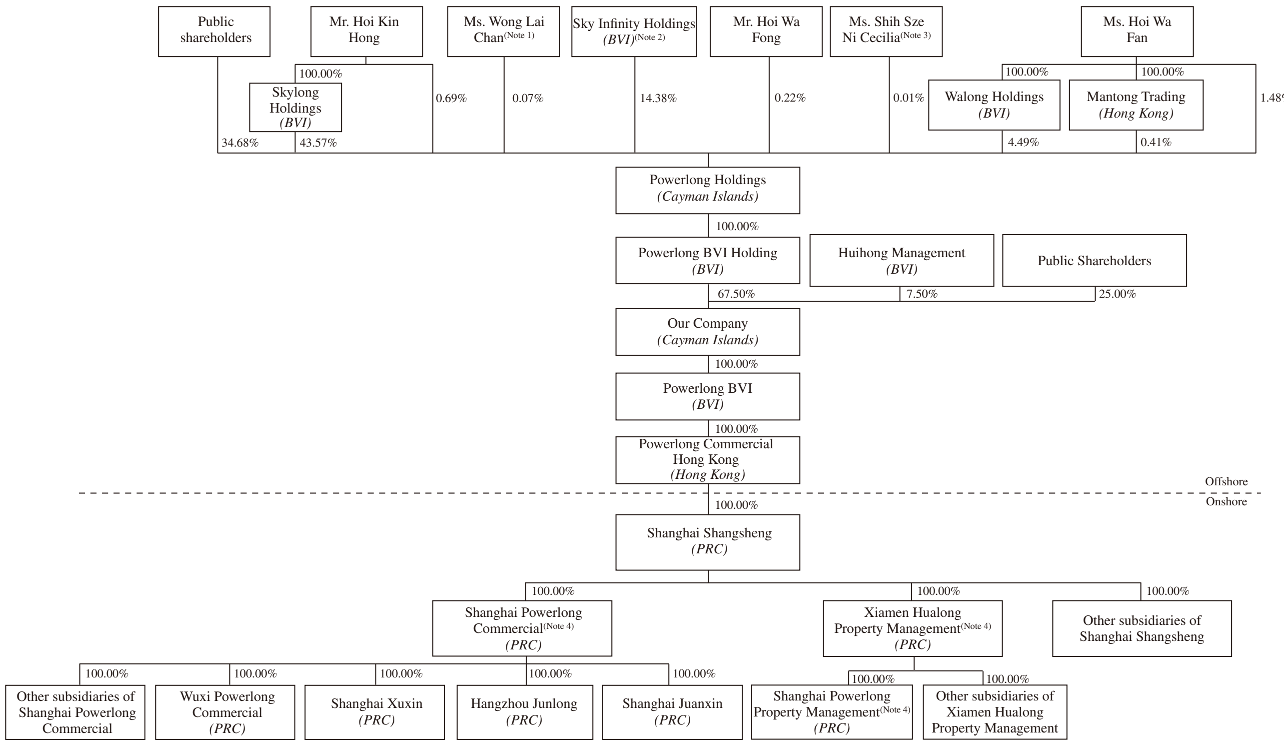
INCREASE OF AUTHORIZED SHARE CAPITAL

On December 10, 2019, our Company increased its authorized share capital to HK$20,000,000 by the creation of 1,962,000,000 additional Shares of nominal value of HK$0.01 each.

CAPITALIZATION ISSUE

Pursuant to the resolutions of our Shareholders passed on December 10, 2019, conditional on the share premium account of our Company being credited as a result of the Global Offering, our Directors are authorized to capitalize HK$4,499,122.22 standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par 449,912,222 Shares for issue and allotment to holders of Shares whose names appear on the register of members of our Company on the date of passing such resolution in proportion (as near as possible without involving fractions so that no fraction of a share shall be issued and allotted) to their then existing respective shareholdings in our Company. The Shares to be issued and allotted pursuant to such resolution shall carry the same rights in all respects with the existing issued Shares.

The shareholding structure of our Group immediately following the completion of the Reorganization, the Capitalization Issue and the Global Offering (assuming the Over-allotment Option is not exercised) is set out as follows:



Notes:

1. Ms. Wong Lai Chan is the spouse of Mr. Hoi Kin Hong.
2. Sky Infinity Holdings is wholly owned by Sky Infinity Family, which is in turn wholly owned by Credit Suisse Trust Limited through its two wholly-owned subsidiaries: Serangoon Limited and Seletar Limited. Credit Suisse Trust Limited is the trustee of a discretionary trust established by Mr. Hoi Wa Fong, the settlor.
3. Ms. Shih Sze Ni Cecilia is the spouse of Mr. Hoi Wa Fong.
4. Each of Shanghai Powerlong Commercial, Xiamen Hualong Property Management and Shanghai Powerlong Property Management operates certain branch companies.

PRC REGULATORY REQUIREMENTS

Our PRC Legal Advisor advised that the Reorganization is not subject to the M&A Rules and the Interim Administrative Measures for the Record-filing of the Incorporation and Change of Foreign-invested Enterprises (外商投資企業設立及變更備案管理暫行辦法).

According to the Circular on Relevant Issues concerning Foreign Exchange Administration of Overseas Investment and Financing and Round-trip Investments by Domestic Residents through Special Purpose Vehicles (國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知) ("**Circular No. 37**") promulgated by the SAFE and which replaced the Circular on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents' Corporate Financing and Round-trip Investment Through Offshore Special Purpose Vehicles (關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知) ("**Circular No. 75**") and became effective on July 14, 2014, PRC residents are required to make registration regarding establishing or controlling offshore companies. Our PRC Legal Advisor confirmed that Mr. Hoi Kin Hong and Mr. Hoi Wa Fong had all completed the registrations as required by the SAFE.

REASONS FOR THE SPIN-OFF

Pursuant to the Listing Rules and in accordance with the corporate structure and ownership of our Company, the Listing of our Company will constitute a spin-off from Powerlong Holdings.

The board of directors of Powerlong Holdings considers that the Spin-Off is in the interests of Powerlong Holdings and its shareholders taken as a whole as the Spin-Off is expected to create greater value for them for the following reasons:

(a) the Spin-Off will provide Powerlong Holdings and its shareholders an opportunity to realize the value of investment in our Group under a separate standalone platform for our business;

(b) the Spin-Off will enable our Group to build our identity as a separately listed group through our continuous business expansion on the provision of commercial operational services to commercial properties developed by independent property developers, have a separate fund-raising platform for our strategic acquisitions and investments and broaden our investor base through the Global Offering. As advised by Frost & Sullivan, investment in the PRC commercial properties has experienced a dramatic increase in recent years, bringing great consumption potential and broader development prospect to the commercial operational service market. Meanwhile, due to the vigorous development of the commercial operational service market in the PRC, there has been increasing competition between commercial operational service providers. Our Group proposes to acquire or invest in other commercial operational services providers, taking into account the management team, business scale, financial condition and profitability and expected return rate, to further expand our business and brand awareness in the market. Meanwhile, with our leading position in the PRC commercial operational service industry and our strong retail commercial operation and management expertise, we will continue to provide commercial operational services to the properties developed by independent property developers through asset-light business model. Given that the potential acquisition and business cooperation will require significant funding and the Remaining Powerlong Group is engaged in a capital intensive business, our Group may not be able to rely solely on the Remaining Powerlong Group for adequate and timely financial support for us to capture potential business opportunities. The Spin-Off will allow our Group to gain direct access to the capital market for equity and/or debt financing to fund our existing operations and future expansion without reliance on Powerlong Holdings, thereby improving our operating and financial management efficiencies; At the same time, our Group is in the process of registering a brand new trademark to be used as our recognized image for our future business expansion developers. Gaining a listing status in Hong Kong could induce the independent property developers to get to know more about our Group and our business, which can speed up our business expansion through future business cooperation with such property developers;

(c) the Spin-Off will enhance our Group's service quality through continuous improvement and upgrade of our existing operation and service system. Our Group is committed to further develop our existing free WeChat Mini Programs for both tenants and consumers, and enrich free value-added services such as paid memberships, membership points and gift cards for better promotion of tenants, and higher engagement with consumers. Currently, our Group is cooperating with a well-known PRC software and information technology service provider on the development of Internet of Things applications for commercial operational services, including but not limited to upgrades on shopping guidance system, service desks, intelligent terminals and energy and lighting systems. Considering the continuous funding requirement for the IoT applications development, the Spin-Off will provide our Group with a better platform to obtain funding for the improvement of our value-added services and our development of commercial operational services related to IoT applications. Such improvement and development will lead to an enhancement of service quality of our Group and provide shoppers with improved shopping experience;

(d) the Spin-Off will enable our Group to enhance our corporate profile, thereby increasing our ability to attract strategic investors who are seeking investments in the commercial operational and property management industry, which could provide synergy for our Group, for investment in and forming strategic partnerships directly with our Group; and

(e) the Spin-Off will enable a more focused development, strategic planning and better allocation of resources for the Remaining Powerlong Group and our Group with respect to their respective businesses. Both the Remaining Powerlong Group and our Group will benefit from the efficient decision-making process under the separate management structure for seizing emerging business opportunities, especially with a dedicated management team for our Group to focus on our development.

The Spin-Off by Powerlong Holdings complies with the requirements of Practice Note 15 of the Listing Rules.

You should read this prospectus in its entirety before you decide to invest in the Offer Shares, and not rely solely on key or summarized information. The financial information in this section has been extracted without material adjustment from "Appendix I — Accountant's Report." All market statistics quoted in this prospectus, unless otherwise specified, are from an industry report issued by Frost & Sullivan. For the qualifications of Frost & Sullivan as well as details of the industry report, see "Industry Overview."

OVERVIEW

We are a leading commercial operational service provider in China, as measured by GFA under management as of December 31, 2018, according to Frost & Sullivan. As of December 31, 2018, we had 45 retail commercial properties under management, with an aggregate GFA under management of approximately 4.5 million sq.m., excluding car parks. We were ranked fourth among all commercial operational service providers in China in terms of GFA under management, excluding car parks, as of December 31, 2018, representing a market share of 0.8%. We have grown to be a leader in managing and operating retail commercial properties since our establishment in 1993. We are one of the few commercial operational service providers in China possessing the expertise and capability of managing a diversified portfolio of retail commercial properties in terms of target consumer, property location and size and property type. We provide commercial operational services under four brands, namely "Powerlong One Mall" (寶龍一城), "Powerlong City" (寶龍城), "Powerlong Plaza" (寶龍廣場) and "Powerlong Land" (寶龍天地). We believe we enjoy considerable brand recognition in the markets where we operate. We were granted the "Best Brand Value Award" (最佳品牌價值獎) in 2019 by China Financial Market (中國融資) and the "Commercial Real Estate Golden Awards" (商業地產金坐標獎) in 2019 by Winshang.com (贏商網). As of June 30, 2019, we had 45 retail commercial properties under management with an aggregate GFA under management of approximately 6.4 million sq.m., and were contracted to provide commercial operational services for a total of 59 retail commercial properties with an aggregate contracted GFA of approximately 7.5 million sq.m. We also provide residential property management services for residential properties, office buildings and serviced apartments. As of June 30, 2019, we had 44 properties under management under our residential property management service segment with an aggregate GFA under management of approximately 10.6 million sq.m., and were contracted to manage 69 properties with an aggregate contracted GFA of approximately 17.1 million sq.m.

Our principal business lines include:

- Commercial operational services, which primarily include (i) market research and positioning, tenant sourcing and opening preparation services to property developers or property owners during the preparation stage before the opening of a retail commercial property; (ii) commercial operation and management services during the operation stage of a retail commercial property to property owners or tenants; and (iii) property leasing services with respect to units located within the shopping streets and shopping malls.

- Residential property management services, which primarily include (i) pre-sale management services to property developers during their pre-sale activities such as cleaning, security and maintenance of pre-sale display units and sales offices; (ii) property management services to property owners or property owners' associations at the post-delivery stages such as security, cleaning, gardening and repair and maintenance services; and (iii) other value-added services to property owners, tenants or residents of our managed properties, such as pre-delivery preparation and trash handling services, common area, advertising space and car park management services.

To enhance the experience of consumers, tenants and property owners, we have built an integrated online ecosystem based on our PM system, connecting consumers, tenants and property owners through "Powerlong Didika" (寶龍滴滴卡) mobile application and "Powerlong Yoyo" (寶龍悠悠), "Mall Plus @ Powerlong" (寶龍商+) WeChat mini apps and our AMP system, respectively. We were recognized as "China's Real Estate Market Leader for Digitalization" (中國地產數字化領軍企業獎) in 2019 by China Smart Real Estate Influence

Ranking (中國智慧房產影響力排行榜). We believe that our integrated online ecosystem has enabled us to increase our productivity through enhanced interaction and connectivity with customers and drive our business change and growth through innovation.

We experienced rapid growth in our revenue, net profit, aggregate GFA under management and aggregate contracted GFA over the Track Record Period. Our revenue increased from RMB752.7 million in 2016 to RMB973.0 million in 2017, and further to RMB1,200.4 million in 2018, representing a CAGR of 26.3%. Our net profit increased from RMB62.9 million in 2016 to RMB78.6 million in 2017, and further to RMB133.3 million in 2018, representing a CAGR of 45.6%. Our revenue increased by 29.8% from RMB577.0 million for the six months ended June 30, 2018 to RMB749.1 million for the six months ended June 30, 2019 while our net profit increased by 45.9% from RMB59.7 million for the six months ended June 30, 2018 to RMB87.1 million for the six months ended June 30, 2019. Our aggregate GFA under management increased from approximately 14.4 million sq.m. as of December 31, 2016 to approximately 15.7 million sq.m. as of December 31, 2017, and further to approximately 16.6 million sq.m. as of December 31, 2018 and approximately 16.9 million sq.m. as of June 30, 2019. Our aggregate contracted GFA increased from approximately 16.1 million sq.m. as of December 31, 2016 to approximately 18.4 million sq.m. as of December 31, 2017, and further to approximately 21.7 million sq.m. as of December 31, 2018 and approximately 24.6 million sq.m. as of June 30, 2019.

OUR STRENGTHS

We believe that our strong market position is mainly attributable to the following competitive strengths:

A leading commercial operational service provider in China

We are a leading commercial operational service provider in China, as measured by GFA under management as of December 31, 2018, according to Frost & Sullivan. As of December 31, 2018, we had 45 retail commercial properties under management, with an aggregate GFA under management of approximately 4.5 million sq.m., excluding car parks. We were ranked fourth among all commercial operational service providers in China in terms of GFA under management, excluding car parks, as of December 31, 2018, representing a market share of 0.8%. We have over 25 years of experience in the property management field since our establishment in 1993 and have grown to be a leader in managing and operating retail commercial properties. As of June 30, 2019, we had been contracted to manage 59 retail commercial properties, with an aggregate contracted GFA of approximately 7.5 million sq.m. We are one of the few commercial operational service providers in China with the expertise and capability of managing a diversified portfolio of retail commercial properties in terms of target consumer, property location and size and property type.

We provide commercial operational services under four brands, namely, "Powerlong One Mall" (寶龍一城), "Powerlong City" (寶龍城), "Powerlong Plaza" (寶龍廣場) and "Powerlong Land" (寶龍天地). Retail commercial properties under each brand target different consumer groups, aiming to enhance the value of shopping trips for and cater to the needs of each consumer group. For example, our "Powerlong One Mall" (寶龍一城) and "Powerlong City" (寶龍城) brands, which feature innovative architectural designs and offer an exciting selection of brand name stores and a variety of engaging activities, mainly targeting high-end and mid-to-high-end consumers. In addition, retail commercial properties under our management vary in size and positioning based on their geographic locations. Our flagship brand, "Powerlong Plaza" (寶龍廣場), ranges in size from approximately 30,000 sq.m. to 200,000 sq.m. of GFA, and each retail commercial property under this brand has been designed to be a community, district or city shopping, dining, entertainment and mixed-use destination. See "— Commercial Operational services — Brands under Our Management" for details. Moreover, a majority of our portfolio under our commercial operational service segment consists of both enclosed shopping malls and open-air shopping streets.

We employ a broad array of leasing, operation and management strategies tailored to make each retail commercial property as productive as possible, and have a proven track record in managing retail commercial properties. We believe we enjoy considerable brand recognition in the markets where we operate. We were recognized as "China's Real Estate Market Leader for Digitalization" (中國地產數字化領軍企業獎) in 2019 by China Smart Real Estate Influence Ranking (中國智慧房產影響力排行榜), and were granted the "Best Brand Value Award" (最佳品牌價值獎) in 2019 by China Financial Market (中國融資) and the "Commercial Real Estate Golden Awards" (商業地產金坐標獎) in 2019 by Winshang.com. Our "Powerlong Plaza" series was ranked second among "Top 10 China Commercial Properties" in terms of brand value for seven consecutive years from 2011, and ranked first in 2018 by the Enterprises Development Research Center of the State Council, Tsinghua University's Real Estate Research Institute and the China Index Academy. Our Xiamen Powerlong One Mall was granted "Project of the Year for Operational Excellence" in 2018 by People.cn (人民網), "Model Business Award" in 2019 by ifeng.com and "Quality and Innovation Commercial Project Award" in 2018 by China Business Network. Our Hangzhou Binjiang Powerlong City was awarded "Commercial Complex of the Year" in 2018 by The Times Weekly. We believe that our well-established market position and brand image will enable us to continue to capture opportunities presented by market developments and expand our market share in the industry.

Strong retail commercial property operation and management expertise

Leveraging our strong retail commercial property operation and management expertise, we offer our clients comprehensive integrated commercial operational services, including market research and positioning, tenant sourcing and management, property and facilities management and other services. Our strong retail commercial property operation and management expertise mainly consists of:

- ***Strong market research and positioning capability:*** We conduct market research and analysis as well as brand positioning and planning, and advise property developers or owners on the design and construction of a commercial property from marketing and positioning perspectives. We have established a standardized approach to preparing (i) general space distribution blueprints and construction plans; (ii) strategic positioning of individual stores; and (iii) detailed blueprints laying out the tenant mix and store position. Our extensive experience has provided us with a distinct familiarity with and deep understanding of the markets and business conditions in the regions where we operate, while our industry expertise has enabled us to design retail commercial properties that satisfy local market demand and effectively manage our properties that are attractive to tenants and consumers.

- ***Strong tenant sourcing capability supported by our large brand bank:*** We have established relationships with a wide range of tenants, which include anchor stores, national in-line tenants and local retailers. We maintain a brand bank (品牌庫) of tenants covering over 7,100 brands, which serves as our quality tenant base and primary source of leasing commitments for new retail commercial properties. We have established strategic cooperation relationships with over 140 brands which had stores in more than five of our retail commercial properties as of June 30, 2019. In addition, among those 7,100 brands, we had served over 500 brands for more than five years as of June 30, 2019.

- ***Strong commercial operation and management capability:*** For all shopping malls opened within the last three years, we have maintained an average of approximately 90% occupancy rate after the opening. The high occupancy rate is primarily attributable to:

  - *Strong tenant coaching and management capability* — We assist our tenants to be successful in their business. We provide assistance to tenants in relation to store interior design and decoration, and training to tenants' staff on store display, interacting and building strong relations with consumers. Recognizing that consumer preferences change frequently, we proactively manage and adjust our tenant mix in order to maintain a balanced tenant portfolio that adapt to new consumer trends. We also continue to develop and enhance our digital platforms to connect tenants with their consumers.

- *Strong marketing and promotion capability* — We anticipate consumers' needs and collaborate with selected tenants to identify opportunities for achieving their respective corporate objectives. After commencement of operations of retail commercial properties, we continue to support our tenants by actively attracting traffic to our retail commercial properties through various promotional programs. These mutually-beneficial promotional activities serve to instill confidence in our current and potential tenants for retail commercial properties under our management. Our strong marketing and promotion capability helps us maintain a high level of consumer traffic. For example, our Xiamen Powerlong One Mall attracted a consumer traffic of approximately 300,000 during the first two days of operation, and approximately 1.3 million during the seven-day National Day holiday period following its opening on September 30, 2018.

- *Quality facility management services* — We provide quality facility management services, mainly including janitorial, security and mechanical maintenance services to ensure the safe and orderly operation of all facilities, thus to provide a comfortable shopping environment for consumers.

We believe we have the expertise, experience and proven capabilities that allow us to capitalize on growth opportunities in our industry and further expand our business.

New growth opportunities derived from long-term and stable business cooperation with the Remaining Powerlong Group

We have a long-term and stable business cooperation with the Remaining Powerlong Group, which is dedicated to developing and operating large-scale multi-functional retail commercial properties. During the Track Record Period, we provided commercial operational services to all retail commercial properties developed by the Remaining Powerlong Group, and residential property management services to a substantial portion of residential property projects, serviced apartments and office buildings developed by the Remaining Powerlong Group. Our strong retail commercial property operation and management expertise enables us to assist the Remaining Powerlong Group in establishing its market position as one of the leaders in developing retail commercial properties in the PRC. The Remaining Powerlong Group was ranked among "China Top 10 Brands for Commercial Real Estate Development" for eight consecutive years from 2011 and "China Excellent Commercial Real Estate Developers" in 2018 by the Enterprises Development Research Center of the State Council, Tsinghua University's Real Estate Research Institute and the China Index Academy. The Remaining Powerlong Group was also ranked among "China Best 10 Commercial Real Estate Developers" in 2018 in terms of comprehensive strengths by China Real Estate Association and China Real Estate Appraisal.

Our long-term and stable business cooperation with the Remaining Powerlong Group has also helped us solidify our position as a leading commercial operational service provider in the PRC. As of June 30, 2019, the Remaining Powerlong Group had a land bank with an aggregate GFA of approximately 24.4 million sq.m. (including those attributable to the other shareholders of jointly developed projects), a large portion of which will be used to develop projects that comprise retail commercial properties, such as shopping malls integrated with or in the vicinity of residential properties. As of June 30, 2019, the Remaining Powerlong Group had 70 property projects under development with an aggregate GFA of approximately 15.8 million sq.m. (including those attributable to the other shareholders of jointly developed projects). Having maintained a long-term and stable business cooperation with the Remaining Powerlong Group, we believe we are well-positioned to continue to benefit from the extensive project reserve of the Remaining Powerlong Group, which we believe will continue to drive the growth of our commercial operational service segment going forward.

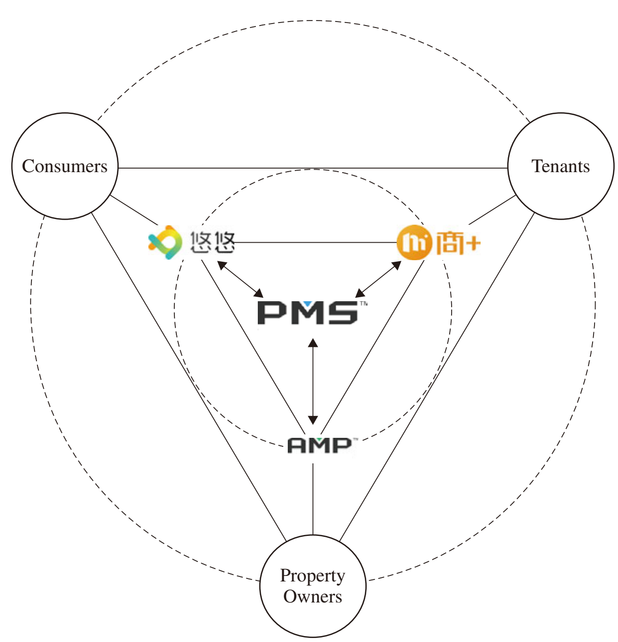
Asset-light business model enabling us to replicate our success to retail commercial properties developed or owned by Independent Third Parties

Our business is not capital intensive and as a result, we enjoy a relatively less restrictive cash flow compared to property developers in general. This asset-light business model has enabled us to replicate our success to retail commercial properties developed or owned by Independent Third Parties. We started to provide commercial operational services for retail commercial properties owned by Independent Third Parties in 2014. In 2016, 2017 and 2018 and the six months ended June 30, 2019, revenue derived from commercial operational services for retail commercial properties developed or owned by Independent Third Parties amounted to RMB4.1 million, RMB32.6 million, RMB53.3 million and RMB27.8 million, respectively, accounting for 0.6%, 4.1%, 5.4% and 4.5%, respectively, of our revenue from commercial operational service segment. As of June 30, 2019, we had four retail commercial properties developed or owned by Independent Third Parties under management. Since June 30, 2019 and up to the Latest Practicable Date, we had been contracted with Independent Third Parties with respect to another three retail commercial properties to provide comprehensive integrated commercial operational services and three retail commercial properties to provide market research, positioning and other consulting services. See "— Commercial Operational Services — Portfolio of Retail Commercial Properties — Pipeline Projects" for details.

Through providing commercial operational services to Independent Third Parties, we were able to assist these parties in enhancing the value of their retail commercial properties, and at the same time, we gained experience in understanding and meeting differentiated client and consumer demand. We believe that property developers seek service providers with broad industry networks as well as the ability to provide integrated services. As the commercial property market grows and becomes more established, we believe that the demand for independent commercial operational service provider like us will continue to increase. Accordingly, we believe that our asset-light business model will enable us to capture future opportunities in the industry and expand our operations with other independent property developers.

Integrated online ecosystem enabling us to effectively manage our business operations and enhance customer and consumer experience

To enhance the experience of consumers, tenants and property owners, we have built an integrated online ecosystem based on our PM system, connecting consumers, tenants and property owners through "Powerlong Didika" (寶龍滴滴卡) mobile application and "Powerlong Yoyo" (寶龍悠悠), "Mall Plus @ Powerlong" (寶龍商+) WeChat mini apps and our AMP system, respectively. The diagram below illustrates our integrated online ecosystem:



- ***PM System.*** We place a strong emphasis on management digitalization. We launched our PD platform in 2016, which was further upgraded to the current PM system in 2018 to integrate finance management and business operation functions. Our PM system is instrumental in providing commercial operational services. It integrates five subsystems, including project management subsystem, tenant sourcing and lease management subsystem, operation and marketing subsystem, engineering planning and management subsystem, and cost management and tender subsystem. It acts as a centralized platform for monitoring and managing various aspects of our operation and management of retail commercial properties, helping us to improve our operational efficiency and lower our operational costs.

- ***Powerlong Yoyo (寶龍悠悠).*** We launched "Powerlong Didika" (寶龍滴滴卡) mobile application in September 2015 to allow consumers to access general information about the retail commercial properties, queue for restaurants, park cars, send queries and file complaints. We further launched our second-generation platform "Powerlong Yoyo" (寶龍悠悠), a WeChat mini app built for consumer use in 2018, through which consumers can readily access digital directories and concierge services that help them, for example, find their way around the property, locate deals and obtain information about any promotional events, pay parking fees, manage their loyalty points and redeem for gifts. To enhance consumer experience, we are in the process of transferring our registered members from "Powerlong Didika" (寶龍滴滴卡) to "Powerlong Yoyo" (寶龍悠悠) WeChat mini app, which is expected to complete by the end of 2019.

- ***Mall Plus @ Powerlong (寶龍商+).*** We launched "Mall Plus @ Powerlong" (寶龍商+) in 2018, a WeChat mini app designed for the use of our tenants. Through "Mall Plus @ Powerlong" (寶龍商+), tenants can (i) send offers and information to shoppers' smartphones as they stroll through a retail commercial property; (ii) market their products or services and convert the online visits to actual offline sales; (iii) better manage their stores as all the operational data will be recorded; and (iv) provide after-sale services more easily and ultimately attracting shoppers to revisit.

- ***AMP System.*** AMP system is a system utilized by the property owners to monitor the performance of their property portfolio. By connecting PM system to AMP system, we share all business data collected from our commercial operational services to the property owners on a real-time basis. Property owners' asset management team would then be able to monitor, analyze and track these data and produce relevant reports from the property owners' perspective to maximize their management efficiency.

We analyze consumer data collected through our online ecosystem and turn it into information that we and our tenant partners can use to enhance the shopping experiences for consumers. We were recognized as "China's Real Estate Market Leader for Digitalization" (中國地產數字化領軍企業獎) in 2019 by China Smart Real Estate Influence Ranking (中國智慧房產影響力排行榜). We believe that our integrated online ecosystem has enabled us to increase our productivity and connectedness and drive our business change and growth through innovation.

An experienced management team and a dedicated operational team with strong execution capability

We have an experienced management team with a proven track record in providing commercial operational services and residential property management services. Our management team possesses a diverse set of background across complementary expertise and disciplines, and has an average of over 15 years of experience in the real estate industry. In particular, Mr. Hoi Wa Fong, our Chairman and executive Director, has over 15 years of experience in the real estate development and operation, corporate management and strategic decision-making, which serves to help us make timely and appropriate business decisions based on market trends and development. Mr. Hoi Wa Fong has received many awards and recognitions for his entrepreneurship and industry expertise, including being awarded "2019 Role Model - Leadership Award" (榜樣力量-領袖領跑人物) by Commercial Real Estate Festival of China, "2018 Top 10 Gold - Medal CEO of China Real Estate Listed Companies" by the Enterprises Development Research Center of the State Council, Tsinghua University's Real Estate Research Institute and the China Index Academy, "China Commercial Real Estate Industry Outstanding Contribution

Award” by the 15th China Commercial Real Estate Summit, “2018 Annual Leaders in the PRC Real Estate Industry” by China Real Estate News and “2018 Top 30 CEO in the Real Estate Industry in China” by house.sina.com.cn. Our management team plays a key role in formulating our corporate strategies, monitoring business operations and enforcing risk control measures. Our executive Director and chief executive officer, Mr. Zhang Yunfeng, has more than 13 years of experience in commercial real estate development and operation, and held senior financial and management positions in one of the leading commercial real estate companies prior to joining our Group in March 2015. Mr. Pang Mengxuan, our deputy general manager, has more than 25 years of experience in the commercial operational service industry. We believe that our management team’s extensive experience has provided us with valuable industry insight and expertise, enabling us to achieve our business goals and distinguish us from our competitors.

In addition, we have a dedicated operational team with strong execution capabilities. As of June 30, 2019, our operational team had over 4,000 members. We provide our employees with training and growth opportunities to support their ongoing success. In addition, we have a strong focus on management development to drive strong operational performance and continuing innovation. We believe that the industry knowledge, technical expertise and strong execution capabilities of our operational team have been, and will continue to be, our important assets, contributing to our future sustainable development.

OUR BUSINESS STRATEGIES

We plan to reinforce our leading position in the retail commercial property operation and management field and further expand our business scale. We intend to pursue the following strategies to achieve this goal:

Reinforce our leading position in the Yangtze River Delta

With the aim of further reinforcing our leading position in the Yangtze River Delta, we plan to continue to dedicate significant resources to this region, particularly in economic hubs like Shanghai, Hangzhou, Ningbo and Nanjing.

The PRC Government has issued various policies to promote the integrated development of the Yangtze River Delta, and expects it to become a center of modern service industry and a competitive world-class city cluster. The nominal GDP of the Yangtze River Delta reached RMB18.1 trillion in 2018, accounting for 20.1% of China’s total nominal GDP in 2018. As one of China’s economically developed regions, the number of shopping malls in the Yangtze River Delta increased from approximately 450 as of December 31, 2013 to approximately 1,040 as of December 31, 2018, representing a CAGR of 18.2%, while the GFA under management increased from approximately 51.7 million sq.m. as of December 31, 2013 to approximately 121.8 million sq.m. as of December 31, 2018, representing a CAGR of 18.7%, pursuant to Frost & Sullivan. As result of the rapid urbanization and rising purchasing power of Chinese households, Frost & Sullivan expects that by 2023, there will be approximately 2,180 shopping malls in the Yangtze River Delta, with an estimated aggregate GFA under management of approximately 244.6 million sq.m. We expect that such increases will generate significant demand for quality commercial operational services and present new opportunities for our future growth. We were ranked fourth in the Yangtze River Delta in terms of GFA under management, excluding car parks, as of December 31, 2018, according to Frost & Sullivan. Our leading position and proven track record in the Yangtze River Delta has enabled us to win high-profile service contracts. We plan to further our commitment to growing our business in the Yangtze River Delta and believe we can seize the opportunity to reinforce our advantage in this region.

Continue to replicate our success to selected properties through asset-light business model

Our asset-light business model has enabled us to replicate our success to retail commercial properties developed or owned by Independent Third Parties. We intend to further replicate this successful business model in selected retail commercial properties in the future. We plan to establish strategic cooperation with national and local leading property developers, and expect to obtain new engagements for retail commercial properties through such cooperation. Frost & Sullivan expects that the number of shopping malls in China will increase from approximately 4,550 as of December 31, 2018 to approximately 8,150 as of December 31, 2023, representing a CAGR of 12.4%, while the GFA under management will increase from approximately 546.2 million sq.m. as of December 31, 2018 to approximately 983.2 million sq. m. as of December 31, 2023. We believe such increases will present significant demand for quality commercial operational services. According to Frost & Sullivan, national and local leading property developers typically have their in-house residential property management service providers. However, there are a limited number of property developers in China having their in-house commercial operational services providers, which possess the expertise to operate and manage retail commercial properties of different sizes and types. As a result, we believe that we are well-positioned to benefit from positive trends in our markets and capitalize on the growth opportunities in the retail commercial property market. We also plan to lease shopping malls that show significant renovation potential from property owners for repositioning and refurbishment and subsequent sublease. When evaluating a target shopping mall, we will take into account customer demographics and competitive environment of such shopping mall's market area, with a focus on increasing occupancy at the retail commercial properties with a sustainable occupancy cost.

In addition, we plan to continue to improve the quality of our residential property management services and strive to secure new engagements from third-party developers to achieve organic growth and business expansion. To achieve this goal, we have set up ten regional management offices to be responsible for (i) overseeing the management of all properties within the designated area; and (ii) implementing our quality control measures as well as business expansion plans.

Further expand our commercial operational service segment through strategic acquisitions and investments

Leveraging our proven track record and extensive experience in managing retail commercial properties, we plan to further expand our business scale and market share through strategic acquisitions or investments.

We plan to selectively evaluate opportunities with a focus on cities located in economically developed regions where we believe there exist significant growth potential, such as the Yangtze River Delta. We plan to acquire or invest in small to mid-sized commercial operational service providers that meet our internal criteria in terms of management team, business profile, operating performance as well as growth potential. We expect the management team of a target company to possess appropriate capabilities and experience in managing retail commercial properties. We initially plan to target companies managing five or more retail commercial properties. Moreover, we will consider a target company's operating performance, including profitability and compliance record. We intend to target companies managing retail commercial properties that we believe can provide significant growth opportunities to us. We expect to broaden our geographic coverage and specialized service capabilities through such acquisition and investment strategy, and in turn drive our growth and improve our profitability. In addition, we plan to make equity investment in certain tenants with growth potential with an aim of establishing close strategic relationship with them. By investing in these tenants, we not only aim to realize return from such investment but also to enhance our capability in securing quality tenants to the retail commercial properties under our management. We plan to fund these acquisitions or investments with proceeds from the Global Offering and cash generated from our internal operations. As of the Latest Practicable Date, we had not identified any acquisition target.

Continue to deploy technology to enhance consumers' experience and engagement and improve our operational efficiency

Our technology strategy primarily focuses on (i) enhancing the shopping experience for consumers; and (ii) improving our operational efficiency and driving business change through innovation.

We plan to deploy technology, including artificial intelligence and Internet of Things to promote consumer interaction and improve consumers' shopping experience. For example, we plan to roll out smart parking using automatic plate recognition technology in all retail commercial properties under our management. In addition, we plan to implement a loyalty point program, allowing consumers to automatically accumulate points for any of their purchases in retail commercial properties under our management.

We also plan to continue to invest in our integrated online ecosystem to enhance our data handling capabilities. We intend to enhance our capabilities in analyzing consumer data and other operational data collected through our online ecosystem and utilize such analysis to assist our senior management in making business decisions with respect to retail commercial property planning and positioning, tenant mix determination and precision marketing. For example, we plan to use consumer mapping technology to better understand the traffic patterns within a shopping mall and identify opportunities to improve the performance of such mall in terms of merchandising and revenue. In addition, we intend to use artificial intelligence to improve our operational efficiency and reduce labor costs. For example, we intend to test new artificial intelligence-enabled security robots to patrol our shopping malls, and artificial intelligence-enabled machine to handle consumer inquiries and complaints.

Attract, retain and motivate talent through systematic training programs and constructive career development opportunities

We are committed to building a highly skilled and specialized team with strong execution capabilities that shares our values, vision and corporate culture. We believe our future success and growth strategies largely depend on our ability to attract and retain talent. We plan to continue to provide our employees with systematic training programs and constructive career development opportunities, including the "Vigorous Dragons" (潛龍) program designed for management trainees who are fresh university graduates, the "Rising Dragons" (飛龍) program designed for mid-level management personnel, the "Supreme Dragons" (臻龍) program designed for senior management as well as the "Ingenious Dragons" (蛟龍) program designed for personnel holding Doctorate degrees, to cultivate and retain key employees and support their ongoing career development. We also expect our focus on management development to drive strong operational performance and continuing innovation. In addition, we plan to continue to offer competitive remuneration packages to attract and retain talent. We believe our employees are key to our success and we strive to instill an atmosphere of corporate collegiality and collective success.

OUR BUSINESS MODEL

During the Track Record Period, we generated revenue primarily from two business segments:

Commercial Operational Services

We manage and operate a diversified portfolio of retail commercial properties including shopping malls and shopping streets, which vary in target consumer, property location and size and property type. We provide:

- market research and positioning, tenant sourcing and opening preparation services to property developers during the preparation stage of a retail commercial property, which primarily involve:

  (i) conducting market research and analysis in order to formulate an optimal plan with respect to the positioning, tenant and brand mix of a retail commercial property, and advising on the design and construction of a retail commercial property from marketing and positioning perspectives. We receive a one-off fixed fee for providing such market research and positioning services; and

(ii) identifying and soliciting tenants for such retail commercial property, coordinating the signing of tenancy agreements, supervising the design and construction works, managing the entry of tenants, formulating resource allocation plan, conducting on-site supervision and coordination works, and organizing opening ceremony and promotion events. For such tenant sourcing services, we receive a fixed fee which typically equals to two times the first month rent. For such opening preparation services, we received a fixed fee on per sq.m. basis.

- commercial operation and management services during the operation stage of a retail commercial property to property owners or tenants, which primarily involve:

(i) retail commercial property management services to tenants, including (a) property management services such as security, cleaning, repair and maintenance services; (b) tenant coaching such as providing training to tenants' staff on store display, building strong customer relations and advising tenants on layout and interior design of their stores; and (c) marketing and promotion services such as holding various promotional activities to attract traffic to our retail commercial properties. We receive a fixed fee on a per sq.m. per month basis;

(ii) tenant management and rent collection services to property owners, including handling tenants' enquiries and complaints, processing rent payments and ensuring timely payment of rents by tenants, and assisting the property owners in optimizing the tenant mix. We charge a service fee based on commission basis; and

(iii) other value-added services to property owners, mainly including, management services with respect to car parks, advertising spaces and common areas. During the Track Record Period, we primarily provided such services in two ways where (a) we received a commission as a percentage of the income generated from such car parks, advertising spaces and common areas; and (b) we leased such car parks, advertising spaces and common areas from property owners and were entitled to the income generated. Starting from January 1, 2019, we had adopted the second way for managing all car parks, advertising spaces and common areas.

- property leasing services with respect to units located within the shopping streets and shopping malls during the launch period which typically ranges from three to five years. We lease the shopping street units and shopping malls from property owners, and sublease to tenants. We receive rental income from tenants.

Residential Property Management Services

We provide residential property management services to residential properties, serviced apartments and office buildings, including:

- pre-sale management services to property developers during their pre-sale activities, such as cleaning, security and maintenance services for pre-sale display units and sales offices. We charge a fixed service fee for such services;

- property management services such as security, cleaning, gardening and repair and maintenance services to property owners or property owners' associations at the post-delivery stages. We charge a property management fee on a lump-sum, per sq.m. basis; and

- other value-added services such as pre-delivery preparation and trash handling services, common area, advertising space and car park management services to property owners, tenants or residents of our managed properties. We typically charge a commission-based or fixed fee for such services.

The table below sets forth a breakdown of our total revenue by business segment and type of customer for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2016		2017		2018		2018		2019	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*	*RMB* (unaudited)	*%*	*RMB*	*%*
	(in thousands, except for percentages)									
Commercial operational services	628,250	83.4	792,363	81.5	979,631	81.6	463,989	80.4	621,162	82.9
Fellow subsidiaries (1)	213,175	28.3	159,427	16.4	173,628	14.4	89,685	15.5	76,440	10.2
Other related parties (2)	14,403	1.9	15,162	1.6	11,709	1.0	3,596	0.7	10,736	1.4
External customers (3) (4)	400,672	53.2	617,774	63.5	794,294	66.2	370,708	64.2	533,986	71.3
Residential property management services	124,467	16.6	180,619	18.5	220,767	18.4	113,016	19.6	127,897	17.1
Fellow subsidiaries (1)	32,892	4.4	32,325	3.3	32,515	2.7	16,215	2.8	16,834	2.2
Other related parties (2)	–	–	–	–	–	–	–	–	1,146	0.2
External customers (3)	91,575	12.2	148,294	15.2	188,252	15.7	96,801	16.8	109,917	14.7
Total	752,717	100.0	972,982	100.0	1,200,398	100.0	577,005	100.0	749,059	100.0

Notes:

(1) Refer to the Remaining Powerlong Group and other entities controlled by Mr. Hoi Kin Hong.

(2) Refer to joint ventures or associates of the Remaining Powerlong Group.

(3) Refer to Independent Third Parties.

(4) Include rental income derived from property leasing services provided to external customers under our commercial operational service segment.

We strive to expand our business by securing engagements from Independent Third Parties. During the Track Record Period, revenue generated from Independent Third Parties as a percentage of our total revenue continued to increase. In 2016, 2017 and 2018, revenue generated from Independent Third Parties accounted for approximately 65.4%, 78.7% and 81.9%, respectively, of our total revenue. For the six months ended June 30, 2018 and 2019, revenue generated from Independent Third Parties accounted for approximately 81.0% and 86.0%, respectively, of our total revenue.

Growth of Our Commercial Operational Services and Residential Property Management Services Portfolio

The table below sets forth the movement of our contracted GFA and GFA under management of commercial operational services by type of developer during the Track Record Period:

	Year ended December 31,						Six months ended June 30,	
	2016		2017		2018		2019	
	Contracted GFA	GFA under management	Contracted GFA	GFA under management	Contracted GFA	GFA under management	Contracted GFA	GFA under management
	sq.m.	*sq.m.*	*sq.m.*	*sq.m.* (in thousands)	*sq.m.*	*sq.m.*	*sq.m.*	*sq.m.*
As of the beginning of the year/period								
Properties developed by the Remaining Powerlong Group(1)	5,210	3,849	5,546	5,018	5,705	5,301	5,999	5,643
Properties developed by joint ventures(2)	395	307	395	307	395	395	585	395
Properties developed by Independent Third Parties(3)	39	39	244	39	335	244	335	335
	5,644	4,195	6,185	5,364	6,435	5,940	6,919	6,373
New engagement								
Properties developed by the Remaining Powerlong Group(1)	336	1,169	159	283	294	342	603	–
Properties developed by joint ventures(2)	–	–	–	88	190	–	–	–
Properties developed by Independent Third Parties(3)	205	–	91	205	–	91	–	–
	541	1,169	250	576	484	433	603	–
As of the end of the year/period								
Properties developed by the Remaining Powerlong Group(1)	5,546	5,018	5,705	5,301	5,999	5,643	6,602	5,643
Properties developed by joint ventures(2)	395	307	395	395	585	395	585	395
Properties developed by Independent Third Parties(3)	244	39	335	244	335	335	335	335
	6,185	5,364	6,435	5,940	6,919	6,373	7,522	6,373

Notes:

(1) Refer to properties developed by the Remaining Powerlong Group as well as properties jointly developed by the Remaining Powerlong Group and Independent Third Parties in which the Remaining Powerlong Group held a controlling interest.

(2) Refer to properties developed by joint ventures formed by the Remaining Powerlong Group and Independent Third Parties but neither had control. These properties comprise Tianjin Powerlong Plaza, Xiaoshan Powerlong Plaza, Yangzhou Powerlong Plaza and Lin'an Qingshan Lake Powerlong Plaza.

(3) Refer to properties developed and owned by Independent Third Parties or properties in which neither the Remaining Powerlong Group nor our Group held any ownership interest. These properties comprise Xiasha Guozi Powerlong Land, Yiwu Powerlong Plaza, Fuling Powerlong Plaza and Jiangyou Powerlong Plaza. Xiasha project consists of two separate retail commercial properties, namely, the Xiasha Powerlong Plaza which is owned by the Remaining Powerlong Group and the Xiasha Guozi Powerlong Land which is owned by an Independent Third Party. The revenue derived from the provision of commercial operation and management services to the Xiasha project could not be further broken down between the Xiasha Powerlong Plaza and the Xiasha Guozi Powerlong Land primarily because these two separate properties are managed by the same team due to the proximity of their locations and we do not keep separate records for fees received or costs incurred by each property. As a result, the portion of revenue derived from Xiasha Guozi Powerlong Land has been included in Xiasha project and in the revenue derived from properties developed by the Remaining Powerlong Group.

The table below sets forth the movement of our contracted GFA and GFA under management of residential property management services by type of developer during the Track Record Period:

	Year ended December 31,						Six months ended June 30,	
	2016		2017		2018		2019	
	Contracted GFA	GFA under management	Contracted GFA	GFA under management	Contracted GFA	GFA under management	Contracted GFA	GFA under management
	sq.m.	*sq.m.*	*sq.m.*	*sq.m.* (in thousands)	*sq.m.*	*sq.m.*	*sq.m.*	*sq.m.*
As of the beginning of the year/period								
Properties developed by the Remaining Powerlong Group(1)	9,624	7,760	9,610	8,732	11,524	9,387	14,016	9,883
Properties developed by joint ventures(2)	324	107	324	324	467	324	776	324
	9,948	7,867	9,934	9,056	11,991	9,711	14,792	10,207
New engagements								
Properties developed by the Remaining Powerlong Group(1)	378	1,363	1,914	655	2,492	496	2,066	365
Properties developed by joint ventures(2)	–	217	143	–	309	–	212	–
	378	1,580	2,057	655	2,801	496	2,278	365

	Year ended December 31,						Six months ended June 30,	
	2016		2017		2018		2019	
	Contracted GFA	GFA under management	Contracted GFA	GFA under management	Contracted GFA	GFA under management	Contracted GFA	GFA under management
	sq.m.	*sq.m.*	*sq.m.*	*sq.m.* *(in thousands)*	*sq.m.*	*sq.m.*	*sq.m.*	*sq.m.*
Terminations								
Properties developed by the Remaining Powerlong Group(1)	391	391	–	–	–	–	–	–
Properties developed by joint ventures(2)	–	–	–	–	–	–	–	–
	391	391	–	–	–	–	–	–
As of the end of the year/period								
Properties developed by the Remaining Powerlong Group(1)	9,610	8,732	11,524	9,387	14,016	9,883	16,082	10,248
Properties developed by joint ventures(2)	324	324	467	324	776	324	988	324
	9,934	9,056	11,991	9,711	14,792	10,207	17,070	10,572

Notes:

(1) Refers to properties developed by the Remaining Powerlong Group, as well as properties jointly developed by the Remaining Powerlong Group and Independent Third Parties in which the Remaining Powerlong Group held a controlling interest.

(2) Refer to properties developed by joint ventures formed between the Remaining Powerlong Group and Independent Third Parties but neither party had control of such joint ventures. These properties comprise Tianjin Yujiapu, Xiaoshan, Yangzhou, Ningbo, Jinjiang Xintang and Zhoushan Putuo projects.

COMMERCIAL OPERATIONAL SERVICES

Overview

We began to provide commercial operational services to developers, tenants and owners of retail commercial properties in 2007. We have a long-term and stable cooperation with the Remaining Powerlong Group, and have provided commercial operational services to all retail commercial properties developed by the Remaining Powerlong Group. We provide commercial operational services under four brand names, namely, "Powerlong One Mall" (寶龍一城), "Powerlong City" (寶龍城), "Powerlong Plaza" (寶龍廣場) and "Powerlong Land" (寶龍天地). These four brand names have been jointly developed by us and the Remaining Powerlong Group. The market recognition of these four brand names is attributable to the quality of retail commercial properties developed by the Remaining Powerlong Group under each brand name as well as our strong commercial operational service capabilities, which are crucial to the successful operation of these retail commercial properties. These four brand names are currently owned and were licensed to us by a connected person, Powerlong Group Development. Capitalizing on these four well-recognized brand names and our expertise in operating and managing retail commercial properties, we began to provide commercial operational services to a third-party property owner in 2014. In 2016, 2017 and 2018 and the six months ended June 30, 2019, revenue generated from our commercial operational service segment amounted to RMB628.3 million, RMB792.4 million, RMB979.6 million and RMB621.2 million, respectively, representing approximately 83.4%, 81.5%, 81.6% and 82.9%, respectively, of our total revenue for the same periods.

We are one of the few commercial operational service providers in China managing a diversified portfolio of retail commercial properties in terms of target consumer, property location and size and property type. We provide commercial operational services under four brands, namely, "Powerlong One Mall" (寶龍一城), "Powerlong City" (寶龍城), "Powerlong Plaza" (寶龍廣場) and "Powerlong Land" (寶龍天地). Retail commercial properties under each brand target different consumer groups, which aim to enhance the value of shopping trips for and cater to the needs of each consumer group. Retail commercial properties under our management vary in size and positioning based on their geographic locations. Moreover, a majority of our portfolio under our commercial operational service segment consists of both enclosed shopping malls and open-air shopping streets. According to Frost & Sullivan, there are a limited number of commercial operational service providers in China that are able to build and operate a variety of brand names to represent the differentiated positioning of retail commercial properties. In addition, according to Frost & Sullivan, there are a limited number of commercial operational service providers which possess the expertise to operate and manage retail commercial properties of different sizes and types. As of June 30, 2019, we provided commercial operational services to a total of 59 retail commercial properties with an aggregate contracted GFA of approximately 7.5 million sq.m. Among these 59 retail commercial properties, 45 retail commercial properties are currently in operation with an aggregate GFA under management of approximately 6.4 million sq.m. Moreover, a majority of our portfolio under our commercial operational service segment consists of both enclosed shopping malls and open-air shopping streets. The table below sets forth the number of retail commercial properties that were in operation and their aggregate GFA under management by brand name as of June 30, 2019:

	Number	**GFA under management**
		(sq.m. '000)
Powerlong One Mall (寶龍一城)	1	171
Powerlong City (寶龍城)	2	437
Powerlong Plaza (寶龍廣場)	36	5,383
Powerlong Land (寶龍天地)	6	382
Total	**45**	**6,373**

Out of the 59 retail commercial properties for which we had been contracted to provide commercial operational services, 51 were developed by the Remaining Powerlong Group, four were jointly developed by the Remaining Powerlong Group and Independent Third Parties, and four were developed or owned by Independent Third Parties. In 2016, 2017 and 2018 and the six months ended June 30, 2019, revenue generated from provision of commercial operational services with respect to properties developed by the Remaining Powerlong Group amounted to approximately RMB594.4 million, RMB723.0 million, RMB881.3 million and RMB563.4 million, respectively, accounting for approximately 94.6%, 91.2%, 90.0% and 90.7%, respectively, of our revenue generated from commercial operational services for those same periods.

The table below sets forth a breakdown of retail commercial properties for which we had been contracted to provide commercial operational services and our aggregate contracted GFA as of the dates, and revenue generated from providing commercial operational services with respect to such properties for the periods indicated by type of developer:

	As of/for the year ended December 31,												As of/ for the six months ended June 30,							
	2016				2017				2018				2018				2019			
	Number	Contracted GFA	Revenue		Number	Contracted GFA	Revenue		Number	Contracted GFA	Revenue		Number	Contracted GFA	Revenue		Number	Contracted GFA	Revenue	
		sq.m.	*RMB*	*%*		*sq.m.*	*RMB*	*%*		*sq.m.*	*RMB*	*%*		*sq.m.*	*RMB* (unaudited)	*%*		*sq.m.*	*RMB*	*%*
	(in thousands, except for percentages and numbers)																			
Properties developed by:																				
Remaining Powerlong Group[(1)]	36	5,546	594,425	94.6	39	5,705	722,980	91.2	42	5,999	881,336	90.0	39	5,705	417,538	90.0	51[(4)]	6,602	563,409	90.7
Joint ventures[(2)]	3	395	29,769	4.8	3	395	36,753	4.7	4	585	44,962	4.6	3	395	20,469	4.4	4	585	29,940	4.8
Independent Third Parties[(3)]	3	244	4,056	0.6	4	335	32,630	4.1	4	335	53,333	5.4	4	335	25,982	5.6	4	335	27,813	4.5
Total	42	6,185	628,250	100.0	46	6,435	792,363	100.0	50	6,919	979,631	100.0	46	6,435	463,989	100.0	59	7,522	621,162	100.0

Notes:

(1) Refer to properties developed by the Remaining Powerlong Group as well as properties jointly developed by the Remaining Powerlong Group and Independent Third Parties in which the Remaining Powerlong Group held a controlling interest.

(2) Refer to properties developed by joint ventures formed by the Remaining Powerlong Group and Independent Third Parties but neither had control. These properties comprise Tianjin Powerlong Plaza, Xiaoshan Powerlong Plaza, Yangzhou Powerlong Plaza and Lin'an Qingshan Lake Powerlong Plaza.

(3) Refer to properties developed and owned by Independent Third Parties or properties in which neither the Remaining Powerlong Group nor our Group held any ownership interest. These properties comprise Xiasha Guozi Powerlong Land, Yiwu Powerlong Plaza, Fuling Powerlong Plaza and Jiangyou Powerlong Plaza. Xiasha project consists of two separate retail commercial properties, namely, the Xiasha Powerlong Plaza which is owned by the Remaining Powerlong Group and the Xiasha Guozi Powerlong Land which is owned by an Independent Third Party. The revenue derived from the provision of commercial operation and management services to the Xiasha project could not be further broken down between the Xiasha Powerlong Plaza and the Xiasha Guozi Powerlong Land primarily because these two separate properties are managed by the same team due to the proximity of their locations and we do not keep separate records for fees received or costs incurred by each property. As a result, the portion of revenue derived from Xiasha Guozi Powerlong Land has been included in Xiasha project and in the revenue derived from properties developed by the Remaining Powerlong Group.

(4) Among the 51 retail commercial properties developed by the Remaining Powerlong Group as of June 30, 2019, four retail commercial properties for which we were contracted to provide commercial operational services during the six months ended June 30, 2019 had yet to contribute to our revenue. See"— Portfolio of Retail Commercial Properties — Not Yet In Operation and Have Not Contributed to Our Revenue" for details.

As of December 31, 2016, 2017 and 2018 and June 30, 2019, our aggregate GFA under management under our commercial operational service segment was approximately 5.4 million sq.m., 5.9 million sq.m., 6.4 million sq.m. and 6.4 million sq.m., respectively. As of the same dates, our aggregate contracted GFA under the commercial operational service segment was approximately 6.2 million sq.m., 6.4 million sq.m., 6.9 million sq.m. and 7.5 million sq.m., respectively.

Scope of Services

Our commercial operational services primarily comprise: (i) market research and positioning, tenant sourcing and opening preparation services; (ii) commercial operation and management services; and (iii) property leasing services, details of which are set out as follows:

- ***Market research and positioning, tenant sourcing and opening preparation services***

Market research and positioning services	We conduct market research and analysis, prepare reports on feasibility study, financial projection and marketing and positioning strategies with an aim of optimizing the positioning, tenant and brand mix of the retail commercial properties, and provide advice on the design and construction plans of the retail commercial properties from marketing and positioning perspectives.
Tenant sourcing and opening preparation services	We help property owners identify and solicit target tenants and arrange the signing of tenancy agreements. We also supervise the design and construction works, manage the entry of tenants, formulate resource allocation plans, conduct on-site supervision and coordination works, and organize opening ceremonies and promotion events.

- ***Commercial operation and management services***

Retail commercial property management services	*Security services* — We seek to ensure that the properties we manage are safe and in good order. Our security services include, among others, traffic management, patrolling, access control, visitor handling, video surveillance, car park security, emergency management and fire safety; *Cleaning services* — We provide general cleaning and hygiene maintenance to common areas including, among others, staircases, railings, hallways, car parks, atriums and gardens; *Repair and maintenance services* — We arrange repair and maintenance services for elevator systems, air-conditioning systems, power supply and distribution systems, water supply and drainage systems, fire extinguishing systems and other facilities and equipment located in common areas of properties; *Tenant coaching* — We strive to help tenants achieve better business performance through providing assistance to monitor and analyze their business data and provide training to tenants' staff on store display, building strong consumer relations and advising tenants on store display, store layout and interior design; and *Marketing and promotion services* — We hold various promotional activities including holiday sales, public relation and promotion events, aiming to attract traffic to our retail commercial properties and increase tenants' sales.

Tenant management and rent collection services	We provide tenant management and rent collection services to property owners, including, among others, handling tenant enquiries and complaints, processing rent payments, ensuring timely payment of rents by tenants, and assisting the property owners in adjusting and optimizing tenant mix.
Other value-added services	We provide other value-added services to property owners, mainly including, management services with respect to car parks, advertising spaces and common areas. During the Track Record Period, we primarily provided such services in two ways where (i) we received a commission as a percentage of the income generated from such car parks, advertising spaces and common areas; and (ii) we leased such car parks, advertising spaces and common areas from property owners and were entitled to the income generated. Starting from January 1, 2019, we had adopted the second way for managing all car parks, advertising spaces and common areas.

- ***Property leasing services***

Property leasing services	We provide property leasing services with respect to units located within the shopping streets and certain shopping malls. We lease shopping street units and shopping malls from property owners, and sublease to tenants.

We generally provide market research and positioning, tenant sourcing and opening preparation services immediately after the signing of commercial operational service contracts with property developers with respect to a retail commercial property until the opening of such retail commercial property. The Remaining Powerlong Group is principally engaged in the business of property development, property investment and other property development related services. In order to ensure and maximize the profitability of a retail commercial property development project, the Remaining Powerlong Group relies on a professional commercial operational service provider to conduct market research and feasibility study with respect to, among other things, the population, competitive landscape and public transportation arrangement in the vicinity of such retail commercial property development project. By providing market research and feasibility analysis before the Remaining Powerlong Group's submission of tender proposal for land, we help conduct preliminary market research and assist them in making investment decisions. After a parcel of land is acquired by the Remaining Powerlong Group, we will then conduct in-depth research with respect to the design, positioning, size and tenant mix for the retail commercial property to help it realize the expected return. We believe such long and close working relationship with the Remaining Powerlong Group is mutually beneficial and has contributed to both of our successes. Moreover, as the Remaining Powerlong Group focuses on property development related services, it does not maintain a brand bank (品牌庫) covering a wide range of tenants, and as a result, does not possess tenant sourcing capability. Therefore, the Remaining Powerlong Group relies on a professional commercial operational service provider to provide tenant sourcing services for the retail commercial properties it develops. As of June 30, 2019, we had established relationships with a wide range of tenants and maintained a brand bank (品牌庫) of tenants covering over 7,100 brands. See "— Our Strengths — Strong retail commercial property operation and management expertise" for details. We have developed four brand names, including "Powerlong One Mall" (寶龍一城), "Powerlong City" (寶龍城), "Powerlong Plaza" (寶龍廣場) and "Powerlong Land" (寶龍天地) jointly with the Remaining Powerlong Group through 12 years of cooperation with respect to over 40 retail commercial properties. The market recognition of these four brand names is attributable to the quality of such retail commercial properties developed by the Remaining Powerlong Group under each brand name as well as our strong commercial operational service capabilities, which are crucial to the successful operation of these retail commercial properties. These four brand names represent four differentiated retail commercial properties in terms of target consumer, property location and size and property type. See "— Brands under Our Management" for details.

We then provide commercial operation and management services upon the opening of a retail commercial property. During the Track Record Period, neither we nor other parties terminated any commercial operational service contracts.

During the Track Record Period, property developers typically engaged us approximately 18 to 24 months before the opening of a retail commercial property. For all shopping malls opened within the last three years, we have maintained an average occupancy rate of approximately 90% after the opening.

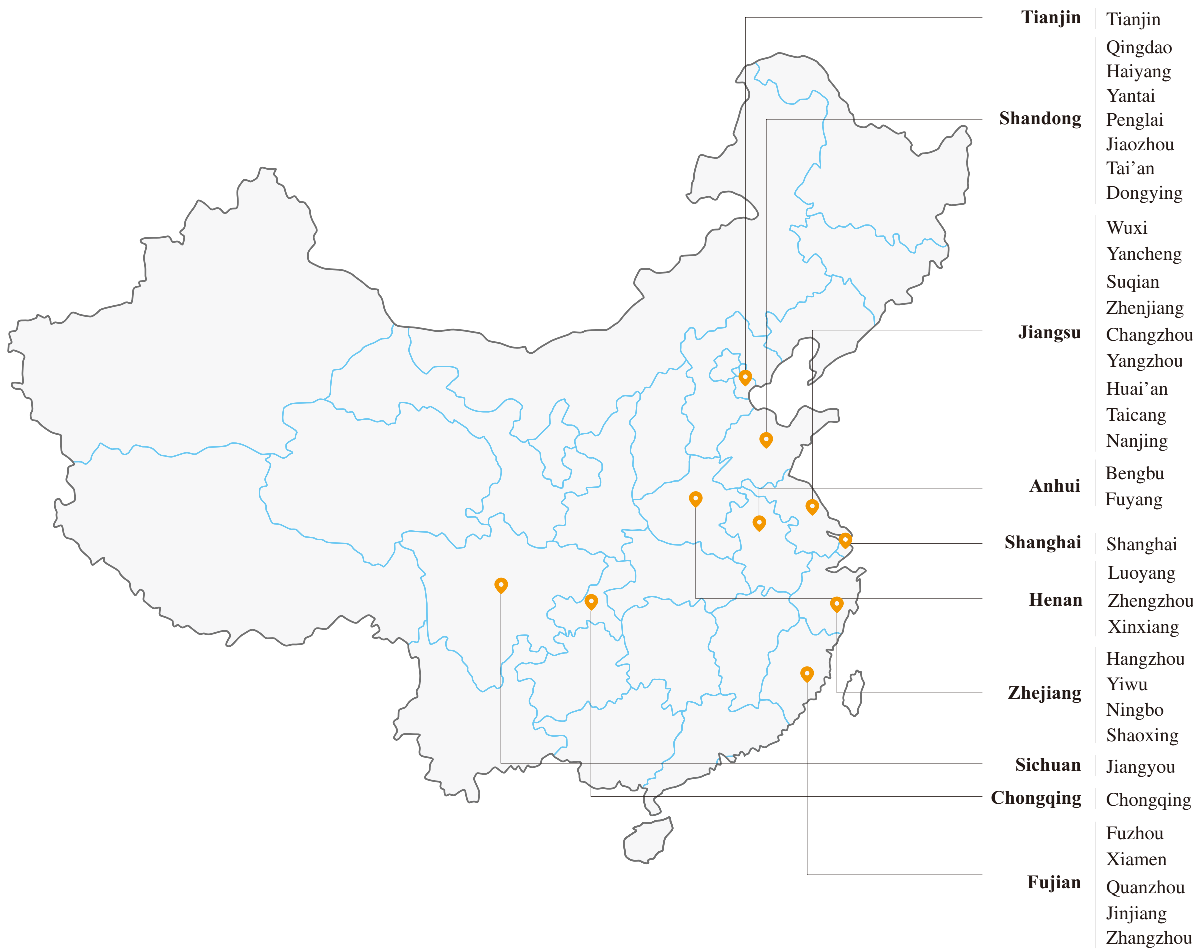
The table below sets forth a breakdown of our revenue from commercial operational service segment by service line for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2016		2017		2018		2018		2019	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*	*RMB* (unaudited)	*%*	*RMB*	*%*
	(in thousands, except for percentages)									
Market research and positioning, tenant sourcing and opening preparation services	71,511	11.4	70,436	8.9	52,214	5.3	29,185	6.3	48,605	7.8
Commercial operation and management services	481,802	76.7	563,994	71.2	719,301	73.5	336,234	72.5	458,725	73.9
Property leasing services	74,937	11.9	157,933	19.9	208,116	21.2	98,570	21.2	113,832	18.3
Total	628,250	100.0	792,363	100.0	979,631	100.0	463,989	100.0	621,162	100.0

Our Geographic Presence

We began to provide commercial operational services for a shopping mall in Fuzhou, Fujian Province in 2007. In the same year, we also began to provide commercial operational services to a shopping street located in Taicang, Jiangsu Province, the first retail commercial property under our management located in the Yangtze River Delta. Since then, we had established strong footprint in the Yangtze River Delta, and expanded our geographic presence to 34 cities across seven provinces and three municipalities in China as of June 30, 2019. We primarily focus on managing retail commercial properties in Shanghai Municipality and other major cities including, among others, Hangzhou, Xiamen and Fuzhou. We also proactively evaluate the business environment of other cities located in economically developed areas and may decide to expand into such cities. See "— Our Business Strategies" for details.

The map below illustrates the locations of retail commercial properties we managed and were contracted to manage as of June 30, 2019:



The table below sets forth a breakdown of our aggregate contracted GFA as of the dates, and revenue generated from the commercial operational services for the periods indicated by geographic region:

	As of/for the year ended December 31,									As of/for the six months ended June 30,					
	2016			2017			2018			2018			2019		
	Contracted GFA	Revenue		Contracted GFA	Revenue		Contracted GFA	Revenue		Contracted GFA	Revenue		Contracted GFA	Revenue	
	sq.m.	*RMB*	*%*	*sq.m.*	*RMB*	*%*	*sq.m.*	*RMB*	*%*	*sq.m.*	*RMB* (unaudited)	*%*	*sq.m.*	*RMB*	*%*
	(in thousands, except for percentages)														
Yangtze River Delta	2,571	319,113	50.8	2,693	491,073	62.0	3,175	618,689	63.2	2,693	287,301	61.9	3,563	406,519	65.4
Southeast China[(1)]	679	99,283	15.8	679	99,588	12.6	679	113,964	11.6	679	53,815	11.6	792	65,015	10.5
Midwest China[(2)]	1,294	110,971	17.7	1,385	123,556	15.6	1,385	153,481	15.7	1,385	77,309	16.7	1,404	89,612	14.4
Bohai Economic Rim[(3)]	1,641	98,883	15.7	1,679	78,146	9.8	1,679	93,497	9.5	1,679	45,564	9.8	1,764	60,016	9.7
Total	6,185	628,250	100.0	6,435	792,363	100.0	6,919	979,631	100.0	6,435	463,989	100.0	7,522	621,162	100.0

Notes:

(1) Comprises Fujian and Hainan Provinces.
(2) Comprises Anhui, Sichuan and Henan Provinces and Chongqing Municipality.
(3) Comprises Tianjin Municipality and Shandong Province.

The table below sets forth the number of retail commercial property which we had been contracted to provide commercial operational services as of the dates and the gross profit and gross profit margin for the periods indicated by geographic region:

	As of/ for the year ended December 31,									As of/ for the six months ended June 30,		
	2016			2017			2018			2019		
	Number of property	Gross profit (4)	Gross profit margin (4)	Number of property	Gross profit/ loss (4)	Gross profit margin (4)	Number of property	Gross profit/ loss (4)	Gross profit margin (4)	Number of property	Gross profit/ loss (4)	Gross profit margin (4)
		RMB	*%*		*RMB*	*%*		*RMB*	*%*		*RMB*	*%*
	(in thousands, except for percentages and numbers)											
Yangtze River Delta	22	95,586	30.0	24	188,786	38.4	28	249,189	40.3	32	171,762	42.3
Southeast China(1)	4	34,567	34.8	4	37,848	38.0	4	44,009	38.6	6	13,255	20.4
Midwest China(2)	7	30,270	27.3	8	41,809	33.8	8	49,781	32.4	9	24,286	27.1
Bohai Economic Rim(3)	9	3,822	3.9	10	(17,792)	(22.8)	10	(9,814)	(10.5)	12	2,458	4.1
Total	42	164,245	26.1	46	250,651	31.6	50	333,165	34.0	59	211,761	34.1

Notes:

(1) Comprises Fujian and Hainan Provinces.
(2) Comprises Anhui, Sichuan, Henan Provinces and Chongqing Municipality.
(3) Comprises Tianjin Municipality and Shandong Province.
(4) The cost of services of our headquarters was not included in calculating the gross profit and gross profit margin since our headquarters provided services to projects located in different regions and the cost of services incurred was not attributable to a particular project.

The number of retail commercial property located in the Yangtze River Delta which we had been contracted to provide commercial operational services increased from 22 as of December 31, 2016 to 24 as of December 31, 2017, and further increased to 28 and 32 as of December 31, 2018 and June 30, 2019, respectively, which were mainly attributable to our strategy to reinforce our leading position in that region. See "— Our Business Strategies" for details. The number of retail commercial property located in Southeast China, Midwest China and the Bohai Economic Rim remained stable throughout the Track Record Period.

The gross profit of retail commercial properties under our management located in the Yangtze River Delta, Southeast China and Midwest China generally experienced healthy growth from 2016 to 2018 with gross profit margin reaching over 30% in such regions. The growth in our gross profit for retail commercial properties under our management in the Yangtze River Delta was mainly due to the relatively stronger economic backdrop of the region and we expect the trend to continue.

In the Bohai Economic Rim, we experienced gross loss of RMB17.8 million in 2017 and RMB9.8 million in 2018 and negative gross profit margin of 22.8% in 2017 and 10.5% in 2018. We believe the gross loss in 2017 was mainly due to (i) ineffective positioning of certain projects in terms of property size and location; and (ii) fragmentation of project location and ownership, which made it difficult for us to provide unified quality services to enhance consumers' shopping experience. We have implemented various measures to enhance the profitability of the properties located in this region, including (i) submitting renovation proposal to property owners to conduct renovations; and (ii) deploying technology to improve our operational efficiency and lower our operational costs. See "— Commercial Operational Services — Commercial Operational Service Fees — Loss-making Retail Commercial Properties." As a result, our profitability was improved in 2018 and the six months ended June 30, 2019.

Portfolio of Retail Commercial Properties

In Operation and Have Contributed to Our Revenue

The table below sets forth certain information of each retail commercial property that commenced operation and had contributed to our revenue during the Track Record Period by brand name. As of June 30, 2019, all 45 retail commercial properties listed below were under the four brand names which were licensed to us by a connected person, Powerlong Group Development. See “Connected Transactions — (A) Continuing Connected Transactions Fully Exempt from the Reporting, Annual Review, Announcement and Independent Shareholders’ Approval Requirements — 2. Trademark Licensing” in this prospectus for details.

						Occupancy rate[3]					Revenue[4]			
						As of December 31,			As of June 30,		Year ended December 31,			Six months ended June 30,
Project	Opening date	Location	Geographic region	Contract effective date[1]	Contract term[2]	2016	2017	2018	2019	GFA under management	2016	2017	2018	2019
	(Month-Year)			*(Month-Year)*	*(Years)*	%	%	%	%	*(sq.m.)*	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Powerlong One Mall (寶龍一城)														
1. Xiamen (廈門)	September 2018	Xiamen	Southeast China	December 2015	10	–	–	97.9	94.6	170,585	4,904	9,069	29,046	21,230
Powerlong City (寶龍城)														
1. Qibao (七寶)	October 2016	Shanghai	Yangtze River Delta	June 2014	10	85.7	66.7	84.0	89.8	150,567	19,247	44,900	36,104	31,112
2. Binjiang (濱江)	December 2016	Hangzhou	Yangtze River Delta	January 2015	10	96.1	90.9	98.6	98.1	286,699	16,649	65,861	79,311	44,009
Powerlong Plaza (寶龍廣場)														
1. Luoyang (洛陽)	December 2011	Luoyang	Midwest China	March 2009	No fixed term	88.8	88.0	84.9	92.9	138,350	17,158	15,192	15,674	11,758
2. Xinxiang (新鄉)	September 2012	Xinxiang	Midwest China	September 2011	No fixed term	98.5	96.0	98.2	96.8	171,433	24,498	22,693	24,350	15,507
3. Suqian (宿遷)	September 2011	Suqian	Yangtze River Delta	September 2011	No fixed term	99.4	85.0	100.0	97.3	150,660	19,897	22,806	24,699	17,636
4. Yancheng (鹽城)	September 2011	Yancheng	Yangtze River Delta	April 2011	No fixed term	82.0	88.4	88.9	87.1	199,409	23,118	22,629	28,056	19,082
5. Caolu (曹路)	December 2013	Shanghai	Yangtze River Delta	May 2017	No fixed term	99.4	98.9	97.1	96.5	81,720	35,588	39,661	38,235	16,694
6. Bengbu (蚌埠)	December 2009	Bengbu	Midwest China	March 2009	No fixed term	70.0	71.4	62.6	89.2	346,880	21,387	18,185	17,568	9,218
7. Anxi (安溪)	December 2010	Quanzhou	Southeast China	May 2011	10	99.9	100.0	99.9	98.2	85,374	20,502	21,561	18,305	12,603
8. Jinjiang (晉江)	December 2013	Jinjiang	Southeast China	December 2012	No fixed term	89.0	90.6	89.4	81.7	236,892	18,267	15,325	15,913	9,531
9. Xiasha (下沙)[5]	November 2014	Hangzhou	Yangtze River Delta	September 2014	10	94.6	89.0	94.7	94.6	98,660	30,840	33,942	43,083	26,051
10. Jiaozhou (膠州)	February 2015	Jiaozhou	Bohai Economic Rim	December 2014	10	94.2	94.3	97.5	97.3	164,772	12,742	12,857	14,271	11,011
11. Zhenjiang (鎮江)	September 2015	Zhenjiang	Yangtze River Delta	September 2015	No fixed term	91.8	95.3	89.4	95.0	138,880	14,017	17,473	22,306	12,614
12. Fengxian (奉賢)	November 2015	Shanghai	Yangtze River Delta	December 2014	10	85.1	91.8	91.6	92.1	117,715	26,990	44,544	57,425	30,605
13. Lingang (臨港)	December 2015	Shanghai	Yangtze River Delta	December 2014	10	96.6	99.1	99.4	96.9	70,720	13,549	24,048	31,544	18,071
14. Hechuan (合川)	December 2014	Chongqing	Midwest China	December 2012	10	87.3	89.0	87.0	85.0	147,403	12,895	12,599	12,142	7,652
15. Xiaoshan (蕭山)	December 2015	Hangzhou	Yangtze River Delta	December 2014	10	87.8	90.2	87.7	85.0	143,836	13,075	19,631	19,626	13,857
16. Fuyang (富陽)	December 2015	Hangzhou	Yangtze River Delta	April 2015	10	57.9	85.3	89.0	82.3	77,186	5,159	8,179	13,149	7,578

Project	Opening date	Location	Geographic region	Contract effective date[1]	Contract term[2]	Occupancy rate[3] As of December 31, 2016	2017	2018	As of June 30, 2019	GFA under management	Revenue[4] Year ended December 31, 2016	2017	2018	Six months ended June 30, 2019
	(Month-Year)			(Month-Year)	(Years)	%	%	%	%	(sq.m.)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
17. Penglai (蓬萊)	November 2016	Penglai	Bohai Economic Rim	November 2015	10	72.6	84.0	93.0	90.2	148,213	8,599	14,153	13,019	7,850
18. Laishan (萊山)	December 2016	Yantai	Bohai Economic Rim	September 2016	10	86.6	63.2	52.4	65.8	100,027	4,782	6,469	5,222	2,622
19. Changzhou (常州)	June 2016	Changzhou	Yangtze River Delta	March 2013	10	81.2	87.6	89.6	74.5	170,134	14,745	17,888	28,582	18,062
20. Yangzhou (揚州)	January 2017	Yangzhou	Yangtze River Delta	July 2015	10	94.5	93.1	80.2	74.0	88,659	6,760	13,851	15,727	6,828
21. Wujing (吳涇)	July 2017	Shanghai	Yangtze River Delta	April 2016	10	–	94.6	94.0	90.4	45,017	1,550	7,905	21,036	10,068
22. Yiwu (義烏)	November 2017	Yiwu	Yangtze River Delta	May 2016	20	–	100.0	91.4	89.0	90,992	2,241	14,077	17,321	8,299
23. Qingpu (青浦)	September 2018	Shanghai	Yangtze River Delta	October 2011	10	–	–	100.0	100.0	171,673	3,259	4,492	30,824	30,094
24. Chengyang (城陽)	October 2009	Qingdao	Bohai Economic Rim	March 2009	No fixed term	56.7	62.3	58.7	69.8	443,262	24,188	10,669	11,636	8,005
25. Zhengzhou (鄭州)	December 2009	Zhengzhou	Midwest China	March 2009	No fixed term	57.1	99.0[6]	71.6	80.2	235,606	31,536	24,113	25,427	17,325
26. Licang (李滄)	December 2011	Qingdao	Bohai Economic Rim	June 2011	No fixed term	66.4	69.8	70.4	74.4	174,167	18,849	10,870	15,837	7,495
27. Jimo (即墨)	December 2011	Qingdao	Bohai Economic Rim	November 2010	No fixed term	59.8	69.7	66.1	75.5	175,513	12,030	11,879	16,621	12,166
28. Tianjin (天津)	December 2014	Tianjing	Bohai Economic Rim	November 2011	10	60.9	38.3	57.6	50.4	162,836	9,934	3,271	9,609	3,433
29. Wuxi (無錫)	October 2010	Wuxi	Yangtze River Delta	October 2010	No fixed term	96.8	92.4	94.2	97.2	192,865	36,623	34,641	31,295	20,268
30. Fuzhou (福州)	April 2007	Fuzhou	Southeast China	November 2006	37	97.1	97.0	99.4	95.0	186,178	55,610	53,633	50,701	21,648
31. Baoshan (寶山)	December 2015	Shanghai	Yangtze River Delta	December 2015	10	99.9	97.2	91.3	91.7	35,854	13,283	17,985	18,783	10,923
32. Jiading (嘉定)	October 2016	Shanghai	Yangtze River Delta	December 2015	10	93.9	92.2	97.4	95.3	144,072	11,544	28,560	46,325	23,616
33. Fuyang (阜陽)	December 2017	Fuyang	Midwest China	June 2016	10	–	94.5	78.2	71.4	140,441	1,681	12,222	22,307	8,638
34. Fuling (涪陵)	December 2017	Chongqing	Midwest China	August 2016	20	–	97.3	93.8	93.8	113,854	1,815	14,546	19,470	10,568
35. Jiangyou (江油)	November 2018	Jiangyou	Midwest China	July 2017	20	–	–	88.3	88.6	91,342	–	4,007	16,542	8,946
36. Tai'an (泰安)	September 2012	Tai'an	Bohai Economic Rim	March 2009	No fixed term	65.8	72.3	70.5	70.9	102,677	3,278	3,764	4,101	3,063
Powerlong Land (寶龍天地)														
1. Huaxin (華新)	December 2015	Shanghai	Yangtze River Delta	January 2016	10	90.1	93.0	81.9	80.1	51,113	5,752	3,790	9,098	5,224
2. Haiyang (海陽)[7]	June 2017	Haiyang	Bohai Economic Rim	February 2017	No fixed term	–	19.1	25.3	25.3	37,470	1,243	1,606	347	145
3. Huaian (淮安)	July 2017	Huai'an	Yangtze River Delta	July 2017	No fixed term	–	83.6	97.4	95.0	59,384	2,192	2,072	1,653	1,005
4. Taicang (太倉)	March 2007	Taicang	Yangtze River Delta	March 2009	No fixed term	79.8	85.2	74.8	75.2	25,476	769	803	774	624
5. Xiasha Guozi (下沙國資)	November 2014	Hangzhou	Yangtze River Delta	April 2014	10	94.0	90.4	91.3	90.5	39,039	–	–	–	–
6. Dongying (東營)[7]	September 2016	Dongying	Bohai Economic Rim	December 2014	10	89.6	84.3	72.2	55.2	169,917	3,238	2,608	2,834	924
Total											**625,983**	**791,029**	**975,898**	**583,658**

Notes:

(1) Contract effective date represents the date on which we began to provide our commercial operational services pursuant to the relevant commercial operational service contract entered into between us and the relevant property developer or owner.

(2) Contract term represents the period of time during which we provide commercial operation and management services. The contract term typically commenced on the opening date of the relevant retail commercial property.

(3) Occupancy rate is calculated as actual leased area divided by available lease area of a retail commercial property as of the end of each relevant period based on our internal record. The occupancy rate only applies to retail commercial properties for which we have provided tenant sourcing services and may be higher or lower in different periods within one year.

(4) Excludes revenue derived from retail commercial properties for which we only provided market research and positioning services, and did not provide any other commercial operational services during the operation stage of such retail commercial properties.

(5) Includes revenue generated from Xiasha Guozi Powerlong Land. Xiasha project consists of two parts, Xiasha Powerlong Plaza and Xiasha Guozi Powerlong Land. The latter was owned by an Independent Third Party.

(6) Local transportation authority has carried out construction works near the retail commercial property since late 2016. In anticipation of a decrease in traffic due to the construction works, certain part of the retail commercial property of approximately 52,500 sq.m. was closed in February 2017 in order to conduct renovation work with respect to such area and adjust tenant mix. As we did not take into account the GFA under management of the closed area when calculating the occupancy rate of the Zhengzhou project as of December 31, 2017, the occupancy rate of this project as of December 31, 2017 was significantly higher as compared with December 31, 2016.

(7) Haiyang Powerlong Land had relatively low occupancy rates during the Track Record Period because it was of the preparation stage and we have not provided any tenant sourcing services. Dongying Powerlong Land had relevant low occupancy rates during the Track Record Period because the property developer is in the process of assigning the units within the shopping street to members of village collective economic organization, and we only provide limited management services.

During the Track Record Period, we typically provided market research and positioning, tenant sourcing and opening preparation prior to the opening date of each retail commercial property and provide commercial operation and management services after its opening. For example, Qibao Powerlong City was opened in October 2016, we provided market research and positioning, tenant sourcing and opening preparation prior to its opening. After its opening, we started to provide commercial operation and management services including (i) retail commercial property management services; (ii) tenant management and rent collection services; and (iii) other value-added services. For certain retail commercial properties that contain shopping street, we provide property leasing services to units located within such shopping street. As different services are provided with respect to a retail commercial property over different stages of such retail commercial property, revenue derived from such retail commercial property may fluctuate. During the Track Record Period, fluctuations in revenue derived from a retail commercial property primarily reflected:

- fluctuations in revenue generated from market research and positioning, tenant sourcing and opening preparation services with respect to certain retail commercial properties under our management, primarily as a result of us providing market research and positioning, tenant sourcing and opening preparation services with respect to a retail commercial property during the preparation stage for the opening which typically ranges from 15 to 18 months prior to its opening date. We receive one-off service fees for providing market research and positioning services and recognize such service fees as revenue when the relevant market research and positioning report is delivered to and accepted by our customer. We typically provide such market research and positioning report to our customer within a certain period after started providing such services and we recognize revenue after our customer accepts such report. We receive one-off service fees for providing tenant sourcing and opening preparation services and may be entitled to a performance fee if the occupancy rate of a retail commercial property exceeds the agreed level. We recognize service fees received as revenue by referring to the progress towards complete satisfaction of our performance obligation. Typically, a majority of such service fee will be recognized as revenue within 12 months before the opening date of a retail commercial property and a small portion will be recognized in the year following its opening. We recognize performance fee as revenue within three to six months after the opening date when the performance fee has been determined by our customer.

- fluctuations in revenue generated from retail commercial property management services with respect to certain retail commercial properties under our management, which were primarily due to (i) fluctuations in occupancy rates of a retail commercial property in a given year, resulting in fluctuations in retail commercial property management service fees. For example, revenue generated from Tianjin project decreased from approximately RMB9.9 million in 2016 to RMB3.3 million in 2017 and further increased to RMB9.6 million in 2018 primarily because its occupancy rate decreased from 60.9% as of December 31, 2016 to 38.3% as of December 31, 2017, and then increased to 57.6% as of December 31, 2018 which caused corresponding changes in revenue generated from retail commercial property management services for this project; and (ii) adjustment of fees or tenant mix of retail commercial properties or renovation projects conducted within retail commercial properties with an aim of improving tenant mix and the performance of such properties. As a result of such adjustment, certain lease contracts may be terminated and we do not receive service fees until we successfully source new tenants. Further, we do not receive service fees for the units affected by the renovation project until the renovation project is completed. For example, revenue generated from Chengyang project decreased from approximately RMB24.2 million in 2016 to RMB10.7 million in 2017 partially as a result of (i) the termination of a lease contract between the property owner and an anchor tenant in May 2016 where such anchor tenant had contributed approximately RMB5.0 million to retail commercial property management service revenue in 2016; and (ii) the renovation work conducted within the shopping mall in 2017 during which we did not receive any retail commercial property management service fees for the affected units, which caused a decrease in our revenue generated from retail commercial property management services for this project. Revenue generated from Suqian project increased from approximately RMB19.9 million in 2016 to RMB22.8 million in 2017 while its occupancy rate decreased from 99.4% as of December 31, 2016 to 85.0% as of December 31, 2017. In June 2017, a lease contract with an anchor tenant relating to a rentable area of approximately 13,000 sq.m. was terminated. We changed this area into two separate rentable spaces for which we charged a relatively high retail commercial property management fee rate per sq.m. and proactively adjusted the tenant mix by sourcing two new tenants which commenced their operation in November 2017 and January 2018, respectively. Further, we increased the overall retail commercial property management service fee rate per sq.m. for certain in-line tenants and local retailers in 2017, resulting in an increase in revenue generated from retail commercial property management services. As a result of the foregoing, revenue generated from Suqian project increased from 2016 to 2017 despite the decrease in occupancy rate from 99.4% as of December 31, 2016 to 85.0% as of December 31, 2017 because of the termination of that lease contract.

  Revenue generated from Zhengzhou project decreased from RMB31.5 million in 2016 to RMB24.1 million in 2017 while its occupancy rate increased from 57.1% as of December 31, 2016 to 99.0% as of December 31, 2017. Local transportation authority has carried out construction works near the retail commercial property since late 2016. In anticipation of a decrease in traffic due to the construction works, certain part of the retail commercial property of approximately 52,500 sq.m. was closed in February 2017 in order to conduct renovation work with respect to such area and adjust tenant mix which led to a decrease in revenue in 2017. Further, we reduced our service fee rate with respect to shop units which were affected by the construction works and renovation work, resulting in a decrease in revenue generated from retail commercial property management services from 2016 to 2017. As we did not take into account the GFA under management of the closed area when calculating the occupancy rate of the Zhengzhou project as of December 31, 2017, the occupancy rate of this project as of December 31, 2017 was significantly higher as compared with December 31, 2016. In September 2018, the closed area gradually commenced operation after the renovation, resulting in a slight increase in revenue.

- fluctuations in revenue generated from tenant management and rent collection services with respect to certain retail commercial properties under our management, which were primarily due to our calculation and recognition of tenant management and rent collection service fees were based on amount of rent receivable and actually collected from tenants. As the rent collection status for a retail commercial property may change over periods, revenue generated from tenant management and rent collection services may fluctuate. As revenue generated from tenant management and rent collection services only accounted for approximately 4.0%, 4.0%, 6.1% and 5.7%, respectively, of our revenue generated from commercial operational services in 2016, 2017 and 2018 and the six months ended June 30, 2019, fluctuations in revenue generated from tenant management and rent collection service fees had relatively small impact on the fluctuations of revenue generated from a retail commercial property during the Track Record Period.

- fluctuations in revenue generated from other value-added services with respect to certain retail commercial properties under our management, which were primarily due to (i) changes in service fee arrangements with respect to certain retail commercial properties in 2017, or the 2017 Arrangement. Pursuant to the 2017 Arrangement, we agreed to remit 70% of income generated from car parks, advertising spaces and common areas to property owners for retail commercial properties which were in operation and under our management for over three years. Prior to such change, we were entitled to 100% of income generated from car parks, advertising spaces and common areas with respect to these retail commercial properties. For example, the decrease in revenue generated from Chengyang project from approximately RMB24.2 million in 2016 to RMB10.7 million in 2017 were partially due to the 2017 Arrangement which caused a decrease in revenue generated from other value-added services for this project in 2017; and (ii) circumstances beyond our control. For example, local transportation authority conducted construction works in the area where a retail commercial property under our management is located, resulting in a decrease in revenue generated from other value-added services. For example, revenue generated from Fuzhou project decreased from approximately RMB55.6 million in 2016 to RMB53.6 million in 2017 and further decreased to RMB50.7 million in 2018 primarily as a result of construction works being conducted near the shopping mall which resulted in the decrease in revenue generated from other value-added services during the respective periods.

- fluctuations in revenue generated from property leasing services with respect to certain retail commercial properties under our management, which were primarily due to changes in aggregate rental area as a result of expirations of existing lease contracts or signings of new lease contracts. We typically enter into lease contracts with individual property owners of shopping street units for a fixed term of three to five years. Upon expiration of such contracts, we will not generate any revenue from property leasing services. For example, revenue generated from Anxi project decreased from approximately RMB21.6 million in 2017 to RMB18.3 million in 2018 partially due to a decrease in revenue generated from property leasing services from 2017 to 2018 as a result of a decrease in the aggregate rental area resulting from the expiration of lease contracts.

During the Track Record Period, the fluctuations in revenue for each of the retail commercial properties under our management might not correlate with the changes in occupancy rates of such retail commercial property, mainly because (i) occupancy rate of a retail commercial property was calculated as actual leased area divided by available lease area of a retail commercial property as of the end of each relevant period, while revenue derived from such retail commercial property was an aggregate amount for a given period or year; (ii) our revenue generated from market research and positioning services and tenant sourcing and opening preparation services were not directly affected by the changes in occupancy rates; and (iii) revenue generated from shopping streets were largely affected by the aggregate rental area as well as the different fee arrangements adopted during the launch period for units within the shopping streets. For example, we lease certain units within shopping streets to tenants on a free or discount basis during the launch period of a shopping street. Hence, fluctuations in our revenue generated from a retail commercial property do not correlate with the changes in its occupancy rates.

Not Yet In Operation but Have Contributed to Our Revenue

The table below sets forth certain information of each retail commercial property for which we had been contracted to provide commercial operational services as of June 30, 2019. These retail commercial properties had not commenced operation as of June 30, 2019, but had contributed to our revenue during the Track Record Period.

All ten retail commercial properties listed below are developed by the Remaining Powerlong Group or joint ventures of the Remaining Powerlong Group and will be operated and managed under the brand name of "Powerlong Plaza" which was licensed to us by a connected person, Powerlong Group Development. See "Connected Transactions — (A) Continuing Connected Transactions Fully Exempt from the Reporting, Annual Review, Announcement and Independent Shareholders' Approval Requirements — 2. Trademark Licensing" in this prospectus for details.

	Project	Brand	Location	Contract effective date[1]	Contract term[2]	Contracted GFA	Actual/expected opening date[3]	Revenue[4] Year ended December 31, 2018	Revenue[4] Six months ended June 30, 2019
				(Month-Year)	*(Years)*	*(sq.m.)*		*(RMB'000)*	*(RMB'000)*
1.	Shanghai Baoyang (上海寶楊)	Powerlong Plaza	Shanghai	March 2019	20	148,407	December 2019	65	7,491
2.	Nanjing Gaochun (南京高淳)	Powerlong Plaza	Nanjing	January 2019	20	73,200	December 2019	793	4,418
3.	Shaoxing Paojiang (紹興袍江)	Powerlong Plaza	Shaoxing	April 2019	20	30,000	September 2019	922	3,986
4.	Hangzhou Dajiangdong (杭州大江東)	Powerlong Plaza	Hangzhou	November 2017	10	62,373	June 2020	283	–
5.	Ningbo Shimeidi (寧波詩美地)	Powerlong Plaza	Ningbo	November 2018	20	93,924	December 2019	1,637	5,525
6.	Tianjin Binhai (天津濱海)	Powerlong Plaza	Tianjin	January 2019	20	61,883	December 2019	–	3,302
7.	Lin'an Baihufan (臨安白湖畈)	Powerlong Plaza	Hangzhou	December 2018	20	55,700	November 2019	–	5,172
8.	Lin'an Qingshan Lake (臨安青山湖)	Powerlong Plaza	Hangzhou	December 2018	20	189,524	June 2020	–	5,822
9.	Ningbo Yuanda (寧波遠大)	Powerlong Plaza	Ningbo	November 2018	20	143,588	September 2020	–	279
10.	Yancheng New District (鹽城新區)	Powerlong Plaza	Yancheng	March 2019	20	135,932	October 2020	–	1,509
Total								**3,700**	**37,504**

Notes:

(1) Contract effective date typically represents the date on which we begin to provide our commercial operational services pursuant to the relevant commercial operational service contract entered into between us and the relevant property developer or owner. For Shanghai Baoyang Powerlong Plaza, Nanjing Gaochun Powerlong Plaza and Shaoxing Paojiang Powerlong Plaza, we began to provide commercial operational services prior to the contract effective date, and as a result recognized revenue for the relevant period prior to the relevant contract effective date.

(2) Contract term represents the period of time during which we provide commercial operation and management services. The contract term typically commence on the opening date of the relevant retail commercial property.

(3) Expected opening date represents the date on which a retail commercial property is expected to open pursuant to the relevant commercial operational service contract entered into between us and the property developer or confirmation from the property developer. The actual opening date of a retail commercial property may change subject to various factors, including but not limited to construction process, tenant sourcing progress and other unforeseen circumstances.

(4) Refer to revenue generated from our provision of market research and positioning, tenant sourcing and opening preparation services before the opening of a retail commercial property.

A certain portion of the revenue generated from our commercial operational service segment was derived from market research and positioning services provided to certain retail commercial properties for which we did not provide any other services under our commercial operational segment. Such revenue was attributable to our headquarters instead of a particular project. As a result, there were differences between the aggregate revenue generated by each of the retail commercial properties we had been contracted to provide commercial operational services and the revenue generated from our commercial operational service segment. In 2016, 2017 and 2018 and six months ended June 30, 2019, such differences amounted to RMB2.3 million, RMB1.3 million, RMB0.3 million and nil, respectively.

Not Yet In Operation and Have Not Contributed to Our Revenue

The table below sets forth certain information of each retail commercial property for which we had been contracted to provide commercial operational services as of June 30, 2019. These retail commercial properties had not commenced operation as of June 30, 2019 and had not contributed to our revenue during the Track Record Period. These retail commercial properties listed below are developed by the Remaining Powerlong Group or joint ventures of the Remaining Powerlong Group and will be operated and managed under the brand names of "Powerlong Plaza" and "Powerlong Land" which were licensed to us by a connected person, Powerlong Group Development. See "Connected Transactions — (A) Continuing Connected Transactions Fully Exempt from the Reporting, Annual Review, Announcement and Independent Shareholders' Approval Requirements — 2. Trademark Licensing" in this prospectus for details.

	Project	Brand	Location	Contract effective date(1)	Contract term(2)	Contracted GFA	Actual/expected opening date(3)
				(Month-Year)	*(Years)*	*(sq.m.)*	
1.	Jiaozhou Shaohai Historical and Cultural Street (膠州少海歷史文化街)	Powerlong Land	Jiaozhou	May 2019	No fixed term	23,415	May 2020
2.	Xinxiang West Composite Buildings (新鄉西公建)	Powerlong Land	Xinxiang	May 2019	20	18,300	June 2020
3.	Jinjiang Chencun (晉江陳村)	Powerlong Plaza	Jinjiang	June 2019	20	46,486	December 2019
4.	Zhangzhou Lantian (漳州藍田)	Powerlong Plaza	Zhangzhou	June 2019	5	66,186	December 2020
Total						**154,387**	

Notes:

(1) Contract effective date represents the date on which we began to provide our commercial operational services pursuant to the relevant commercial operational service contract entered into between us and the relevant property developer or owner.

(2) Contract term represents the period of time during which we provide commercial operation and management services. The contract term typically commenced on the opening date of the relevant retail commercial property.

(3) Expected opening date represents the date on which a retail commercial property is expected to open pursuant to the relevant commercial operational service contract entered into between us and the property developer or confirmation from the property developer. The actual opening date of a retail commercial property may change subject to various factors, including but not limited to construction process, tenant sourcing progress and other unforeseen circumstances.

Pipeline Projects

New Service Contracts and Memoranda of Understanding with respect to Retail Commercial Properties Developed or Owned by Independent Third Parties

Since June 30, 2019 and up to the Latest Practicable Date, we had entered into six contracts with Independent Third Parties. Among these six contracts, three were related to the provision of comprehensive integrated commercial operational services and three were related to the provision of market research, positioning and other consulting services. Our expected revenue contribution from these properties for the three years ending December 31, 2021 amounts to approximately RMB90.6 million. The expected revenue is calculated based on the past experience of our management and historical occupancy rate of similar projects taking into account of a number of factors, including the service fee stated in the contract, the stipulated payment schedule, the estimated opening date of each retail commercial property, the estimated project progress and the projected occupancy rate for the three years ending December 31, 2021.

The table below sets forth certain information of each of the retail commercial properties developed or owned by Independent Third Parties for which we had been contracted to provide comprehensive integrated commercial operational services. The information below is prepared on the basis of our current plans and our management's present expectation, which is subject to various risks, assumptions and uncertainties.

	Project	Brand	Location	Contract date	Contract term	Contracted GFA	Expected opening date
				(Month-Year)	*(Years)*	*(sq.m.)*	*(Month-Year)*
1.	Chongqing Tiansheng Project (重慶天生項目)	Powerlong Plaza	Chongqing	July 2019	10	80,000	September 2021
2.	Qingshan Lake Science and Technology City Investment Project(1) (青山湖科技城科投項目)	Powerlong Plaza	Hangzhou	September 2019	20	53,000	June 2020
3.	Nan'an City Luodong Town (南安市羅東鎮)	Powerlong Plaza	Nan'an	November 2019	No fixed term	50,000	October 2021
Total						**183,000**	

Note:

(1) This project is developed by the Remaining Powerlong Group but owned by an Independent Third Party.

With respect to Chongqing Tiansheng, Qingshan Lake Science and Technology City Investment and Nan'an City Luodong Town projects for which we had been contracted to provide comprehensive integrated commercial operational services, we will manage these three retail commercial properties under the brand name of "Powerlong Plaza" which was licensed to us by a connected person, Powerlong Group Development. See "Connected Transactions — (A) Continuing Connected Transactions Fully Exempt from the Reporting, Annual Review, Announcement and Independent Shareholders' Approval Requirements — 2. Trademark Licensing" in this prospectus for details. According to Frost & Sullivan, it is an industry norm in the PRC that a third-party developer or owner agrees with a leading commercial operational service provider to operate and manage a retail commercial property developed or owned by such third-party developer or owner using the service provider's brand names. This is primarily because a leading commercial operational service provider can leverage its brand name and expertise to source leasing commitments for and attract traffic to such retail commercial property, both of which are essential to the success of a retail commercial property. This is the reason why Independent Third Party would like to use those four brand names once it engages us to provide comprehensive integrated commercial operational services.

The table below sets forth certain information of each retail commercial property developed and owned by Independent Third Parties for which we had been contracted to provide market research, positioning and other consulting services. Each of these retail commercial properties commenced its operation before our engagement and the relevant Independent Third Party engaged us to provide these services in order to improve the performance of such retail commercial property. In line with our strategy relating to exploring potential projects developed or owned by Independent Third Parties, these projects do not operate under one of our four brand names. The expected revenue contribution and information below are prepared on the basis of our current plans and our management's present expectation, which are subject to various risks, assumptions and uncertainties.

	Project	Brand	Location	Contract date	Contract term	Contracted GFA	Service start date
				(Month-Year)	*(Years)*	*(sq.m.)*	*(Month-Year)*
1.	Zhengzhou Phoenix City (鄭州鳳凰城)	N/A	Zhengzhou	July 2019	No fixed term	329,000	July 2019
2.	Quanzhou Anhai Shangyuecheng Project (泉州安海上悅城項目)	N/A	Quanzhou	July 2019	No fixed term	81,000	July 2019
3.	Fuzhou Future City Project (福州未來城項目)	N/A	Fuzhou	July 2019	No fixed term	48,000	July 2019
Total						**458,000**	

Three of these six management contracts listed above were subsequently entered into following the signing of the memoranda of understanding in June 2019.

As part of our continuing effort to replicate our success through our asset-light business model, we have set up a business expansion department which is responsible for exploring potential projects developed or owned by Independent Third Parties, mainly through participating in government-organized tender procedures, internal referrals and other external marketing events and activities. After a target is identified, we will submit a proposal to the target for its assessment. If the response is favorable, we will then enter into a memorandum of understanding to set forth both parties' intention towards entering into a formal management contract. We typically start to conduct the on-site feasibility study after entering into a memorandum of understanding and will prepare and submit for internal review a report based on such feasibility study. After receiving internal approval, we will prepare and send to the other party a fee quote for its review and consideration. We will continue to negotiate with the other party to reach agreement on key commercial terms which will be set forth in a management contract. Once prepared, the draft management contract will be further reviewed and confirmed by both parties before it is finalized and executed.

On June 11, 2019, we entered into a memorandum of understanding with an Independent Third Party with respect to providing commercial operational services for its retail commercial property with an estimated contracted GFA of approximately 84,000 sq.m., which is located in Yancheng, under the "Powerlong Plaza" brand. Since June 30, 2019 and up to the Latest Practicable Date, we had entered into seven memoranda of understanding with Independent Third Parties with respect to providing commercial operational services for their retail commercial properties under the "Powerlong Plaza" brand. These projects were located in Yangzhou, Jinhua, Suzhou, Hefei, Changsha, Chongqing and Dongguan, respectively, and would involve an estimated aggregate contracted GFA of approximately 599,000 sq.m. The information here regarding these projects is prepared on the basis of current plans and our management's present expectation, which is subject to changes, various risks, assumptions and uncertainties. We had also entered into a strategic cooperation agreement with a third-party rail transit company relating to the long-term cooperation with respect to the retail commercial properties to be developed above or adjacent to the subway stations and depots in Xiamen. We may or may not enter into formal management contracts with these Independent Third Parties, and if we do, the timing of which will also be subject to various factors and uncertainties.

New Service Contracts with respect to Retail Commercial Properties Developed by the Remaining Powerlong Group or Joint Ventures of the Remaining Powerlong Group

Since June 30, 2019 and up to the Latest Practicable Date, we had entered into contracts to provide comprehensive integrated commercial operational services with respect to six retail commercial properties with an aggregate contracted GFA of approximately 635,300 sq.m., including five retail commercial properties developed by the Remaining Powerlong Group and one retail commercial property developed by a joint venture of the

Remaining Powerlong Group. Among these six retail commercial properties, one will be operated and managed by us under "Powerlong City" (寶龍城), four will be operated and managed by us under "Powerlong Plaza" (寶龍廣場) and one will be operated and managed by us under "Powerlong One Mall" (寶龍一城).

The table below sets forth certain information of each of the retail commercial properties developed by the Remaining Powerlong Group or joint ventures of the Remaining Powerlong Group for which we had been contracted to provide commercial operational services:

	Project	Brand	Location	Contract date	Contract term	Contracted GFA	Expected opening date
				(Month-Year)	*(Years)*	*(sq.m.)*	*(Month-Year)*
1.	Zhoushan New City[1] (舟山新城)	Powerlong Plaza	Zhoushan	July 2019	20	69,880	December 2021
2.	West of Shaoxing Zhuji[2] (紹興諸暨城西)	Powerlong Plaza	Shaoxing	October 2019	20	138,600	December 2020
3.	Taizhou Jiaojiang[2] (台州椒江)	Powerlong City	Taizhou	October 2019	20	115,000	June 2021
4.	Ningbo Yuyao[2] (寧波余姚)	Powerlong Plaza	Ningbo	October 2019	20	50,500	October 2021
5.	Ningbo Fenghua[2] (寧波奉化)	Powerlong Plaza	Ningbo	November 2019	20	71,300	October 2021
6.	Ningbo Yinzhou New City[2] (寧波鄞州新城)	Powerlong One Mall	Ningbo	November 2019	20	190,100	December 2021
Total						**635,380**	

Notes:

(1) This project was developed by a joint venture of the Remaining Powerlong Group.

(2) These projects were developed and owned by the Remaining Powerlong Group.

Disposal of Subsidiaries

In preparation for the Listing, we have taken various steps to establish our Group, including the disposal of seven subsidiaries. See "History, Reorganization and Corporate Structure — Reorganization" for details. The disposal of these seven subsidiaries had been completed as of the Latest Practicable Date, and as result, their results of operations will not be combined with our Group's results of operations in any future period. See Note 20 to the Accountant's Report in Appendix I to this prospectus.

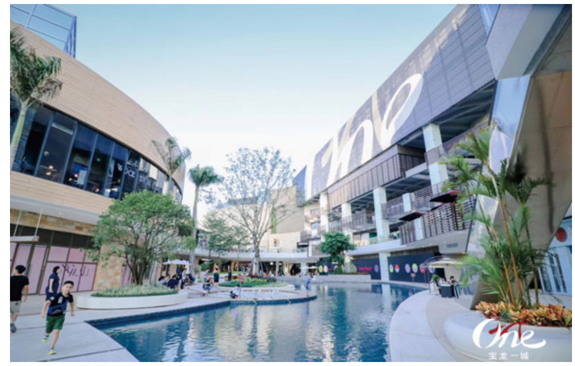
Brands under Our Management

We provide our commercial operational services under four brands, namely, "Powerlong One Mall" (寶龍一城), "Powerlong City" (寶龍城), "Powerlong Plaza" (寶龍廣場) and "Powerlong Land" (寶龍天地). These four brand names have been jointly developed by us and the Remaining Powerlong Group. The market recognition of these four brand names is attributable to the quality of retail commercial properties developed by the Remaining Powerlong Group under each brand name as well as our strong commercial operational service capabilities, which are crucial to the successful operation of these retail commercial properties. These four brand names are currently owned and were licensed to us by a connected person, Powerlong Group Development, which is not a member of the Remaining Powerlong Group. Our flagship brand, "Powerlong Plaza" (寶龍廣場), ranges in size from approximately 30,000 sq.m. to 200,000 sq.m. of GFA, and each retail commercial property under this brand has been designed to be a community, district or city shopping, dining, entertainment and mixed-use destination. The retail commercial properties managed under these four brands vary in terms of target consumer, property location and size and property type. As of June 30, 2019, all 59 retail commercial properties which we had been contracted to provide commercial operational services were under these four brands. We entered into a trademark licensing agreement with Powerlong Group Development on August 8, 2019, pursuant to which, we are entitled to use these four brand names for free during their respective valid terms. See "Connected Transactions — (A) Continuing Connected Transactions Fully Exempt from the Reporting, Annual Review, Announcement and Independent Shareholders' Approval Requirements — 2. Trademark Licensing" in this prospectus for details. For retail commercial properties developed or owned by Independent Third Parties, we typically charge a brand use fee on an annual basis. For retail commercial properties developed by the Remaining Powerlong Group or its joint ventures, we typically do not charge brand use fee or charge a lower fee. Our services also differentiate based on the target consumer, property location and size and property type. The table below sets forth the features about the four brands under our management:

Brand name	Description
Powerlong One Mall (寶龍一城)	Powerlong One Mall is the premium brand under our management, targeting high-end consumers. Retail commercial properties under this brand are typically located in city centers of first and second-tier cities. It features many flagship stores. Each Powerlong One Mall is designed as a landmark shopping mall in the relevant area.
Powerlong City (寶龍城)	Powerlong City targets mid-to-high-end consumers. Retail commercial properties under this brand are typically located in key commercial districts of first and second-tier cities and feature a broad selection of brand name stores. Powerlong City is a premium version over Powerlong Plaza, which injects spirit of art into commercial context.
Powerlong Plaza (寶龍廣場)	Our flagship brand, "Powerlong Plaza" (寶龍廣場), ranges in size from approximately 30,000 sq.m. to 200,000 sq.m. in term of GFA of shopping malls. Each retail commercial property under this brand has been designed to be a community, district or city shopping, dining, entertainment and mixed-use destination. Our community level Powerlong Plaza generally has a size of 30,000 sq.m. to 50,000 sq.m., such as Fengxian Powerlong Plaza, having a GFA of approximately 49,800 sq.m. for its shopping mall. Our district level Powerlong Plaza generally has a size between 50,000 sq.m. and 80,000 sq.m., such as Qingpu Powerlong Plaza, having a GFA of approximately 54,200 sq.m. for its shopping mall. Our city level Powerlong Plaza generally has a size of over 80,000 sq.m., such as Suqian Powerlong Plaza, having a GFA of approximately 120,600 sq.m. for its shopping mall.
Powerlong Land (寶龍天地)	Powerlong Land is designed as community-friendly shopping streets, targeting neighborhood and community residents, providing a relaxed shopping experience and meeting the specific need of the relevant community.

We set forth below certain information about retail commercial properties under each of the four brands:

"Powerlong One Mall" (寶龍一城)

Xiamen Powerlong One Mall, Xiamen

As of June 30, 2019, we had one retail commercial property under Powerlong One Mall brand in operation, Xiamen Powerlong One Mall. It is located in one of the major commercial districts in Xiamen, and is conveniently accessible by subway and bus. It features a wide collection of world-renowned brands and fine domestic restaurants, many of which introduced their first store in Xiamen through cooperation with us. We aim to provide consumers with all-around, one-stop shopping experience, and also commit to building a high-end immersive shopping atmosphere. As our first Powerlong One Mall project, Xiamen Powerlong One Mall was designed by an internationally renowned architectural firm. An art center is located in the shopping mall, aiming to establish an artistic vibe and providing visitors with a whole new different shopping experience.

Xiamen Powerlong One Mall received numerous awards including, among others, "Star Award" (2018年度星秀獎), "Model Business Award" (商業典範榜樣), and "Outstanding Project for All-around Operation Project Award" (綜合運營優秀項目) from various entities in 2018. For details about these awards, see "— Awards."

The GFA under management and occupancy rate of Xiamen Powerlong One Mall were 170,585 sq.m. and approximately 94.6%, respectively, as of June 30, 2019.

"Powerlong City" (寶龍城)

Shanghai Qibao Powerlong City, Shanghai

Hangzhou Binjiang Powerlong City, Hangzhou

As of June 30, 2019, we had two retail commercial properties under Powerlong City brand in operation, namely, Shanghai Qibao Powerlong City and Hangzhou Binjiang Powerlong City. Shopping malls under Powerlong City brand aim to provide a broad selection of brand name stores and target mid-to-high-end consumers. Shanghai Qibao Powerlong City is our benchmark for providing an engaging shopping experience, featuring movie theater and all sorts of other entertainment facilities. In addition, we offer high quality brands across dining, apparel and other major areas to accommodate the needs of the visitors. Hangzhou Binjiang

Powerlong City is our benchmark for innovative operation and management. Our "Powerlong Yoyo" and other technology initiatives were first tested and used in Hangzhou Binjiang Powerlong City, and then expanded to other retail commercial properties. Shanghai Qibao Powerlong City and Hangzhou Binjiang Powerlong City are both designed by internationally renowned architectural firm and have an art gallery or art center located in or near the shopping mall, demonstrating our dedication to inject spirit of art into commercial context.

As of June 30, 2019, the GFA under management and occupancy rate of Shanghai Qibao Powerlong City were 150,567 sq.m. and approximately 89.8%, respectively. For Hangzhou Binjiang Powerlong City, the GFA under management and the occupancy rate were 286,698 sq.m. and approximately 98.1%, respectively, as of the same date.

"Powerlong Plaza" (寶龍廣場)

Jiading Powerlong Plaza, Shanghai

Jiangyou Powerlong Plaza, Sichuan

As of June 30, 2019, we had 36 retail commercial properties under Powerlong Plaza brand in operation. These retail commercial properties are located in 25 cities, including, among others, Bengbu, Changzhou, Chongqing, Fuyang, Fuzhou, Hangzhou, Jiangyou, Jinjiang, Luoyang, Qingdao, Jiaozhou, Penglai, Quanzhou, Shanghai, Suqian, Tai'an, Tianjin, Wuxi, Xinxiang, Yancheng, Yangzhou, Yantai, Yiwu, Zhenjiang and Zhengzhou. During the Track Record Period, our asset-light business model had enabled us to replicate our success to retail commercial properties developed or owned by Independent Third Parties. Powerlong Plaza projects located in Yiwu, Jiangyou and Fuling were all developed or owned by Independent Third Parties. Powerlong Plaza is our flagship brand providing standardized features in terms of brand offering and architectural design. It targets a wider consumer market, providing relatively affordable choices and featuring many Internet celebrity brands. It embraces eco-friendly concept and aims at providing shoppers with one-stop shopping experience.

The aggregate GFA under management and average occupancy rate of all 36 retail commercial properties under Powerlong Plaza brand were 5,383,272 sq.m. and approximately 85.5%, respectively, as of June 30, 2019.

"Powerlong Land" (寶龍天地)

Xiasha Powerlong Land, Hangzhou

Huai'an Powerlong Land, Huai'an

As of June 30, 2019, we had six retail commercial properties under Powerlong Land brand in operation. These retail commercial properties are located in Taicang, Shanghai, Hangzhou, Dongying, Haiyang and Huai'an, respectively. Powerlong Land is designed as community-friendly shopping streets which provides neighborhood and community residents with a relaxed shopping experience. It features open-air shopping streets which could seamlessly blend into nearby tourist attractions. Our operation of the Powerlong Land aims to express various themes such as love, school campus and tourism.

The aggregate GFA under management of all six retail commercial properties under Powerlong Land brand were 382,400 sq.m. as of June 30, 2019. The average occupancy rate for four retail commercial properties under Powerlong Land brand (excluding Dongying Powerlong Land and Haiyang Powerlong Land) as of June 30, 2019 was approximately 85.3%.

Tenant Management

We have established relationships with a wide range of tenants, which include anchor stores such as movie theaters and supermarkets, and other national in-line tenants and local retailers. As of December 31, 2016, 2017 and 2018 and June 30, 2019, our brand bank had over 4,100, 6,100, 7,000 and 7,100 brands, respectively. We formulate tailored plans for allocating different types of tenants in a retail commercial property based on its positioning by considering the target consumer, property location and size and property type. We entered into a strategic cooperation agreement with Yum China Holdings, Inc. on July 31, 2018, pursuant to which Yum China Holdings, Inc. undertakes and enjoys priority to lease certain portion of retail commercial properties under our management during the term of this agreement. The term of this agreement is five years.

It is our priority to form long-term relationships with major tenants across various kinds of retail businesses. We partner with well-known cinemas, nationally recognized supermarkets, international fashion brands and internationally recognized fast food restaurants. Some of which are considered as our anchor tenants which consistently drive consumer traffic to retail commercial properties under our management, and make them more attractive to other potential tenants. We also partner with other brands to diversify our brand offerings. We believe our strong tenant sourcing and management team is able to capitalize on our current success and further attract new tenants to diversify our brand offerings. We believe that our large brand bank reflects tenants' recognition of our brand name and our commitment to quality commercial operational services. As a result, a large number of tenants choose to cooperate with us and operate their stores in multiple retail commercial properties under our management. See "— Contracts Under Our Commercial Operational Services — Key Terms of Contracts with Tenants" for details.

The table below sets forth the number of our strategic partners with whom we had cooperated in five or more retail commercial properties as of June 30, 2019:

	Number of strategic partners as of June 30, 2019
Cooperated in more than five retail commercial properties	149
Cooperated in more than ten retail commercial properties	48

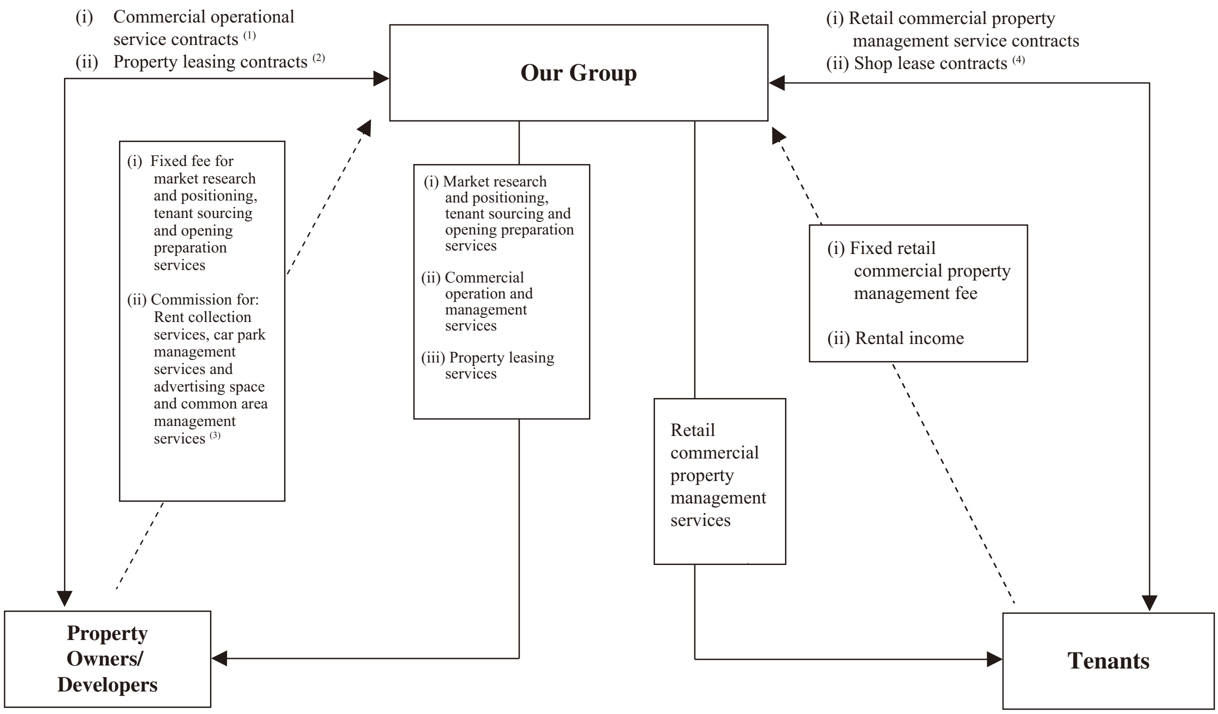
Commercial Operational Service Fees

The table below sets forth the types of our commercial operational services and the corresponding fees we typically received during the Track Record Period:

Type of Service	Fee Received
Market research and positioning, tenant sourcing and opening preparation services	
– Market research and positioning services	one-time fixed service fee
– Tenant sourcing services	a fixed service fee equals to approximately two months' rent
– Opening preparation services	a fixed service fee on a per sq.m. basis
Commercial operation and management services	
– Retail commercial property management services	a fixed fee on a per sq.m. basis
– Tenant management and rent collection services	a service fee on a commission basis
– Other value-added services	a service fee on a commission basis or operation income
Property leasing services	rental income

We are entitled to retain the full amount of service fees collected from property developers, property owners or tenants as revenue and bear the costs incurred in providing such services.

The diagram below illustrates our relationships with various parties under our commercial operational service segment during the Track Record Period:



Notes:

(1) Commercial operational service contracts entered into with property developers of the retail commercial properties include (i) market research and positioning service contracts; (ii) tenant sourcing service contracts; and (iii) operational service contracts.

(2) For property leasing services, we enter into property leasing contracts with owners of units located within the shopping streets and owner of a shopping mall.

(3) During the Track Record Period, we adopted two fee arrangements for car park, advertising space and common area management service fees. See "— Our Business Model — Commercial Operational Services" for details.

(4) We lease shopping street units and a shopping mall from their owners, and then enter into lease contracts with tenants to sublease these properties to tenants.

We typically choose to enter into commercial operational service contracts with property developer or owners to ensure that we could receive stable service income without being affected by market uncertainties. In certain circumstances where the property owners seek fixed rental income and we expect that entering into property leasing arrangements would deliver a higher return compared to entering into commercial operational service contracts, we may decide to enter into property leasing contracts to lease the shopping street units and shopping malls from property owners, and sublease to tenants.

Service Fees Charged on a Fixed Fee Basis

We charge a fixed and all-inclusive fee for our market research and positioning, tenant sourcing and opening preparation services and retail commercial property management services, which we provide through our own employees and subcontractors. We are entitled to retain the full amount of these fees collected from property owners, property developers or tenants as revenue and bear the costs incurred in providing such services.

Prior to negotiating and entering into agreements with the tenants, property owners or property developers, we seek to form an estimate as to our cost of services. Our cost of services includes, among others, staff costs, subcontracting costs and utility expenses. As we bear such expenses ourselves, our profit margins are affected by our ability to reduce our cost of services.

In the event that we experience unexpected increases in our cost of services, we may, according to the term of relevant agreements, propose to raise our service fees while negotiating to renew the relevant agreements.

Service Fees Charged on a Commission Basis

We charge:

(i) a service fee for our tenant management and rent collection services according to the terms in the relevant contracts, which generally ranged from 3% to 30% of the monthly rent during the Track Record Period. We determine our service fee by taking into consideration various factors including, among others, fee rate charged by our competitors for similar properties and level of difficulty in managing that particular property. We tend to charge a higher fee for properties developed or owned by Independent Third Parties because (a) we need to allocate more resources when managing such properties; and (b) we charge an annual brand use fee for such properties; and

(ii) a service fee for certain car park, advertising space and common area management services, which typically ranged from 30% to 100% of the income generated from such car parks, advertising spaces and common areas during the Track Record Period.

Subject to terms of the relevant contracts, we generally bear the costs incurred in our provision of services, including without limitation, staff costs, training costs, repair and maintenance expenses, cleaning expenses and tax expenses.

Other Fee Arrangements

For a small number of our car parks, we lease the car parks from property owners first and then provide parking services to the consumers. In these cases, we do not receive commissions from the property owners. Instead, we pay rent to the property owners and retain the parking fees paid by the users of car parks.

In addition, in order to increase our operation flexibility maximize our profitability, we have agreed with the Remaining Powerlong Group to adopt a new arrangement with respect to car park, common area and advertising space management starting from January 1, 2019, pursuant to which we lease all car parks, common areas and advertising spaces from the Remaining Powerlong Group and manage these car parks, common areas and advertising spaces. Under such new arrangement, we pay an annual rent to the Remaining Powerlong Group. We believe that this new arrangement will provide us with more flexibility to manage the car parks, common areas and advertising spaces and exercise initiatives to further enhance our service quality in return of higher income. For details, see "Connected Transactions — (C) Continuing Connected Transactions Subject to the Reporting, Annual Review, Announcement and Independent Shareholders' Approval Requirements."

Rental Income

We lease properties from owners of units located within the shopping streets and owners of shopping malls and sublease such retail commercial properties to tenants. We receive rental income from the tenants primarily on a quarterly basis.

For units located within the shopping streets, we typically enter into operational service contracts with individual property owners, pursuant to which we act as sub-lessor to source tenants for these units and receive rent payments. Under such arrangement, we do not need to pay rent to the individual property owners during an agreed period of time as an exchange for our market cultivation efforts. Upon the expiry of such period, if we decide to continue leasing and operating such properties and extend the contract, we generally agree to pay individual property owners an agreed amount of rent.

For such shopping malls, we typically lease properties from property owners and act as a sub-lessor to sublease the units in the shopping malls to tenants. We are responsible to pay an agreed amount of rent to property owners during the launch period of a shopping mall, which generally ranges from three to five years. After such period, we generally agree to pay property owner (i) an agreed percentage of rent received from the tenants; or (ii) a fixed amount of rent, whichever is greater.

Loss-making Retail Commercial Properties

During the Track Record Period, we incurred losses in connection with the management of certain retail commercial properties. In 2016, 2017 and 2018 and the six months ended June 30, 2019, such losses amounted to approximately RMB34.2 million, RMB81.7 million, RMB65.3 million and RMB25.6 million, respectively, and were related to the management of seven, 14, 14 and 11 retail commercial properties, respectively. For loss-making retail commercial properties that commenced operations prior to January 1, 2015, we incurred losses as these properties failed to generate sufficient revenue to cover the costs of our continuing services as a result of the relatively low occupancy rates, which adversely affected our service fees from retail commercial property management services, tenant management and rent collection services and other value-added services. The relatively low occupancy rates of these loss-making properties were mainly caused by low traffic to such properties as tenants tend to terminate their leases or seek lease modifications when they experience decreases in consumer traffic. The low traffic of these properties was mainly caused by (i) ineffective positioning in terms of property size and location; or (ii) fragmented ownership, which caused difficulties for us to provide unified quality services and enhance the consumers' shopping experience. For loss-making retail commercial properties that commenced operations after January 1, 2015, we incurred losses primarily because these properties were in their respective launch period, during which we provided value-added services on a free or discount basis to attract traffic as well as provide support to tenants. Our revenue generated from the management of the aforementioned loss-making retail commercial properties amounted to approximately RMB171.5 million, RMB204.2 million, RMB245.3 million and RMB76.2 million in 2016, 2017 and 2018 and the six months ended June 30, 2019, respectively, representing approximately 27.3%, 25.8%, 25.0% and 12.3%, respectively, of our revenue from the commercial operational service segment for the same periods.

We have continued to provide commercial operational services to these loss-making properties, and have implemented various measures to enhance the profitability of these loss-making properties, including (i) submitting renovation proposal to property owners to conduct renovations with an aim of improving the overall quality and competitiveness of these retail commercial properties and achieving higher occupancy rates. For example, we prepared a renovation plan for Jimo Powerlong Plaza located in Qingdao at the beginning of 2019. The property owner of Jimo Powerlong Plaza reviewed and approved our renovation plan, and subsequently invested approximately RMB18.2 million for the renovation projects. We further assisted the property owner in identifying and soliciting new tenants and arranging the signing of lease agreements. As of September 26, 2019, Jimo Powerlong Plaza had achieved an occupancy rate of over 83.1%; (ii) deploying technology to improve our operational efficiency and lower our operational costs. We have been continuing upgrading our technology systems, enabling us to monitor and manage various aspects of our operations and management of retail commercial properties online; and (iii) enhancing our relationships with tenants and continuing to expand our brand bank, enabling us to proactively adjust tenant mix to drive traffic to retail commercial properties under our management. In addition, we plan to evaluate our pricing policies and cost analysis with respect to these loss-making properties, and regularly make appropriate adjustments.

Our Pricing Policy

For our commercial operational services charged on a fixed fee basis, we generally price our market research and positioning, tenant sourcing and opening preparation services, as well as retail commercial property management services with reference to, among others, (i) brand, size and location of a retail commercial property; (ii) availability of utilities; (iii) the complication in tenant sourcing; and (iv) the service period.

For our commercial operation and management services charged on a commission basis, we price (i) tenant management and rent collection services mainly with reference to the rate charged by competitors and positioning of the retail commercial properties; and (ii) other value-added services mainly with reference to market standard and the rate charged by our competitors within the same area. We regularly evaluate our financial information to ensure that we are able to control our operating costs in order to sustain our profit margins.

For our property leasing services, we price the rent mainly with reference to market rate of the nearby area and the rate for similar type of property in the market.

Our typical historical pricing standards with respect to commercial operational services provided to properties developed by the Remaining Powerlong Group and Independent Third Parties are set forth below:

- we charged a fixed fee for market research and positioning service based on the size of a retail commercial property, which is the same for properties developed by the Remaining Powerlong Group and Independent Third Parties;

- we charged the same level of opening preparation service fee (including a portion of tenant sourcing service fees) which is a fixed amount for properties developed by the Remaining Powerlong Group and Independent Third Parties;

- we charged the same level of retail commercial property management fees and value-added service fees for properties developed by the Remaining Powerlong Group and Independent Third Parties;

- we charged approximately 3% to 5% of the monthly rent for tenant management and rent collection services provided to properties developed by the Remaining Powerlong Group and 30% of the monthly rent for tenant management and rent collection services provided to properties developed or owned by Independent Third Parties because we typically need to allocate more resources when managing such properties; and

- we charged brand use fees for properties developed or owned by Independent Third Parties.

In order to standardize our operations, we adjusted certain pricing standards in the end of 2018 while others remain the same, under which:

- we standardize our pricing policy and formulate a separate pricing standard for tenant sourcing service fee, which is the same level, two times the first month rent, for properties developed by the Remaining Powerlong Group and Independent Third Parties; and

- we charge 5% of the monthly rent or above for tenant management and rent collection services provided to properties developed by the Remaining Powerlong Group and 5% to 30% of the monthly rent for tenant management and rent collection services provided to properties developed or owned by Independent Third Parties.

The average retail commercial property management fee for properties developed by the Remaining Powerlong Group and joint ventures was approximately RMB9.0 per sq.m., RMB9.4 per sq.m., RMB11.1 per sq.m. and RMB11.6 per sq.m. in 2016, 2017 and 2018 and the six months ended June 30, 2019, respectively. The average retail commercial property management fee for properties developed by Independent Third Parties was approximately RMB13.0 per sq.m., RMB11.1 per sq.m. and RMB13.1 per sq.m. in 2017, 2018 and the six months ended June 30, 2019, respectively. Our average retail commercial property management fees for properties developed by the Remaining Powerlong Group and joint ventures were slightly lower compared to the average retail commercial property management fees for properties developed by Independent Third Parties during the Track Record Period, primarily because the retail commercial properties developed by the Remaining Powerlong

Group and joint ventures include (i) several loss-making properties for which we recorded losses during the Track Record Period; and (ii) shopping streets for which we managed under the brand "Powerlong Land" and charged a relatively low retail commercial property management fee as we do not provide air-conditioning services to open-air shopping streets.

Payment and Credit Terms

We set forth below the typical payment and credit terms of our service fees and rental income by type of contract during the Track Record Period:

Type of contract	Payment and credit terms
Market research and positioning service contract	Fixed service fees which generally include a prepayment upon signing of contract and installments according to our work progress
Tenant sourcing service contract	Fixed service fees generally payable to us in two installments by the property developers, one is prepayment before we start to provide tenant sourcing services, the other is payable after property developers confirm our tenant sourcing results
Retail commercial property management contract	Quarterly fixed retail commercial property management fees generally payable to us by tenants at the beginning of each quarter
Operational service contract	With respect to opening preparation services: • Fixed service fees which generally include a prepayment upon signing of contract and installments according to our work progress With respect to tenant management and rent collection service: • Service fees on commission basis generally payable to us semi-annually or quarterly by property owners With respect to other value-added services: • We retain certain percentage of the fees collected as service fees and remit the rest to property owners • We generally receive prepaid rent or parking fees from tenants or consumers
Shop lease contract	A prepaid generally payable to us by tenants on a quarterly basis

Process of Obtaining Retail Commercial Property Projects

Properties Developed by the Remaining Powerlong Group

The following flow chart illustrates the typical process of obtaining our commercial operational service contracts with respect to properties developed by the Remaining Powerlong Group:

Before obtaining a parcel of land for the development of a retail commercial property, the Remaining Powerlong Group will invite us to submit a proposal for provision of commercial operational services for the retail commercial property

↓

We conduct preliminary market research and feasibility study, and prepare and submit a proposal which typically consists of a market research report, proposed pricing standards for our services and an analysis of expected income to the Remaining Powerlong Group for review

↓

The Remaining Powerlong Group will review our proposal by considering various factors include, among others, the estimated return and our proposed pricing standards

↓

The Remaining Powerlong Group will determine whether or not to award us the commercial operational service contract

↓

Sign commercial operational service contract

Properties Developed by Joint Ventures of the Remaining Powerlong Group or Independent Third Parties

The following flow chart illustrates the typical process of obtaining our commercial operational service contracts with respect to properties developed by joint venture of the Remaining Powerlong Group or Independent Third Parties:

Engage the property developer and submit our proposal for the provision of commercial operational services

The property developer will review our proposal and decide whether to cooperate with us through its internal selection process, which typically involves detailed assessment of our proposal along with proposals submitted by other service providers

We may enter into a memorandum of understanding setting forth the preliminary terms of our cooperation should they decide to cooperate with us

We will then start commercial negotiation while conducting preliminary market research and feasibility study, and reach agreement on the terms of commercial operational service contract

Sign commercial operational service contract

Contracts Under Our Commercial Operational Services

Key Terms of Contracts with Property Developers of the Shopping Malls

Our commercial operational service contracts with property developers of the shopping malls typically include the following key terms:

- *Scope of services* — Our contracts set forth the scope of commercial operational services to be provided by us, which normally includes (i) market research and positioning, tenant sourcing and opening preparation services; and (ii) commercial operation and management services including tenant management and rent collection and other value-added services;

- *Service fees* — Our contracts set forth the service fees for our commercial operational services, comprising (i) a fixed service fee for our market research and positioning, tenant sourcing and opening preparation services normally payable before the opening of the shopping malls; and (ii) commissions for our tenant management services and value-added services payable to us after the opening of the shopping malls;

- *Our obligations* — We are primarily responsible for, among other things, managing the operation of the shopping malls, regularly reporting to the property developer on the operation and the business plan of the shopping malls and preparing the budgeting proposal and rental income forecast relating to the operation of the retail commercial properties for each year to be submitted to the property owner for approval. In addition, we generally bear the operating costs incurred in our provision of services, including but not limited to staff costs, training costs, repair and maintenance expenses, cleaning expenses and tax expenses;

- *Property developers' obligations* — The property developers are primarily responsible for, among other things, obtaining all licenses, permits and consents from the PRC Government authorities for the operation of the retail commercial properties and ensuring that all facilities in the shopping malls are in compliance with the requirements for commercial operations. In addition, the property owners are also responsible for approving our budget proposal and once such proposal is accepted, the property developers shall pay the accompanying costs;

- *Term of service* — Our contracts typically have fixed term ranging from 10 to 20 years. The property developers may terminate the contract with cause with prior written notice to us. Upon termination of contract, such property developers need to pay liquidity damages (if applicable) and settle all the trade receivables, expenses and profits. We are also obligated to handover the documents and files relevant to that particular project to the party designated by the property owners; and

- *Dispute resolution* — Both parties are typically required to resolve any contractual disputes through good faith negotiations before resorting to arbitration or litigation.

Key Terms of Contracts with Individual Property Owners of the Shopping Streets

Our property leasing contracts with individual property owners who purchase the properties from the property developers typically involve the management of retail units in the shopping streets and include the following key terms:

- *Scope of services* — Our contracts set forth the scope of commercial operation and management services to be provided by us, including retail commercial property management, tenant management and rent collection and other value-added services;

- *Service fees* — The contracts set forth the service fees arrangement for our commercial operational services. For the first three years of newly developed properties, we will retain 100% of income generated from our management of the properties, i.e. rental income from tenants. After a fixed term stated in the contract, if we elect to continue leasing and operating such properties and extend the contract, we generally agree to pay individual property owners an agreed amount of rent;

- *Our obligations* — We are primarily responsible for, among other things, maintaining the properties, supervising tenants on their performance of their contract obligation. In addition, we generally bear the operating costs incurred in our provision of services, including but not limited to staff costs, training costs, repair and maintenance expenses, cleaning expenses and tax expenses;

- *Individual property owners' obligations* — The property owners are primarily responsible for, among other things, obtaining all licenses, permits and consents from the PRC Government authorities for lawful operation of the properties;

- *Term of service* — Our contracts typically have fixed term of three years. We generally have the right on deciding whether to terminate or extend the contract after three years; and

- *Dispute resolution* — Both parties are typically required to resolve any contractual disputes through good faith negotiations first before resorting to litigation.

Key Terms of Contracts with Property Owners of the Shopping Malls

Our property leasing contracts with property owners of the shopping malls typically include the following key terms:

- *Scope of leased property* — Our contracts set forth the scope of the properties to be leased by us;

- *Rent payment* — Our contracts set forth the terms of our rent payment to the property owners of the shopping malls which typically include fixed payments during the launch period. After such fixed period, we generally pay the property owners (i) certain percentage of the rental income received from the tenants; or (ii) a fixed amount of rent, whichever is greater;

- *Other payments* — Our contracts also set forth the terms for other payments such as, among others, advertising space and car park management services where we share the income with the property owners according to a certain percentage;

- *Our obligations* — While we are allowed to sublease the shop units in the retail commercial properties, we generally need to reach consensus with the property owner regarding the tenant mix. In addition, we generally bear the operating costs incurred in our provision of services, including but not limited to staff costs, training costs, repair and maintenance expenses, cleaning expenses and related tax expenses;

- *Property owners' obligations* — The property owners are primarily responsible for, among other things, obtaining all licenses, permits and consents from the PRC Government authorities for the operation of the retail commercial properties and ensuring that all facilities in the shopping malls are in compliance with the requirements for commercial operations;

- *Term of service* — Our contracts typically have fixed terms ranging from 10 to 20 years. We generally have priority rights to extend the contract term upon notice before the expiration date; and

- *Dispute resolution* — Both parties are typically required to resolve any contractual disputes through good faith negotiations before resorting to litigation.

Key Terms of Contracts with Tenants

Our retail commercial property management service contracts with tenants typically include the following key terms:

- *Scope of services* — Our contracts set forth the scope of retail commercial property management services to be provided by us, which normally includes security, gardening, cleaning, repair and maintenance, tenant coaching, and marketing and promotion services;

- *Retail commercial property management fees* — The contracts set forth the amount of retail commercial property management fees, garbage cleaning fees, air-conditioning fees and utility fees. For overdue service fees, the tenants need to pay a penalty equal to a daily-accumulating surcharge at a certain percentage of the overdue amount;

- *Tenants' obligations* — The tenants are primarily responsible for, among other things, ensuring that the facilities in their shop and common area on their floor are in good condition and are in compliance with relevant guidelines issued by us, reporting any decoration work to be carried out in their shop to us for our prior approval, and cleaning the sewage and fume pipes (if applicable). In addition, the tenants are responsible for all loss resulting from theft, fire and other natural disasters, as well as personal injuries and property damage in their shop;

- *Term of service* — Our commercial property management service contracts typically have a term of three to five years which is equivalent to the length of the tenancy agreements between the tenants and the property owners;

- *Dispute resolution* — Both parties shall be required to resolve any contractual disputes through negotiations first before resorting to arbitration or litigation; and

- *Termination* — Both parties may terminate the contract with mutual consents.

Our shop lease contracts with tenants typically include the following key terms:

- *Location and use* — Our contracts set forth the location of the shop to be leased by the tenants and specifies the use of the shop. Tenants are not allowed to change the designated use of the shop without obtaining prior written consent from us;

- *Rent payment* — The contracts set forth the rent payable to us by the tenants which is adjustable over years;

- *Other payments* — The contracts also set forth the terms for other payments such as, among others, property management fees and utility fees;

- *Our obligations* — Our primary responsibilities include, amongst others, delivering the shop to the tenants for use and maintaining the structure and common area of the retail commercial properties;

- *Tenants' obligations* — The tenants are primarily responsible for, among others, obtaining all licenses, permits and consents from the PRC Government authorities for the lawful operation of their businesses and taking good care of all facilities in the shops;

- *Term of service* — Our contracts typically have fixed term under three years. Tenants generally have priority right to extend the lease upon three-month notice to us before the expiration date; and

- *Dispute resolution* — Both parties are typically required to resolve any contractual disputes through good faith negotiations first before resorting to litigation.

RESIDENTIAL PROPERTY MANAGEMENT SERVICES

Overview

We began to provide residential property management services in Xiamen, Fujian Province in 1993 and have since been contracted to manage substantially all of the properties developed by the Remaining Powerlong Group. We provide residential property management services for residential properties, serviced apartments and office buildings. Since the commencement of our residential property management business in 1993, we had been contracted to provide residential property management services in 37 cities across seven provinces and three municipalities as of June 30, 2019.

The number of properties under our management increased from 36 as of December 31, 2016 to 38 as of December 31, 2017, and further to 42 as of December 31, 2018 and 44 as of June 30, 2019. As of December 31, 2016, 2017 and 2018 and June 30, 2019, our aggregate GFA under management amounted to approximately 9.1 million sq.m., 9.7 million sq.m., 10.2 million sq.m. and 10.6 million sq.m., respectively. As of the same dates, our aggregate contracted GFA amounted to approximately 9.9 million sq.m., 12.0 million sq.m., 14.8 million sq.m. and 17.1 million sq.m., respectively. Since June 30, 2019 and up to the Latest Practicable Date, we had entered into contracts to manage 13 properties under our residential property management service segment for an aggregate contracted GFA of approximately 2.1 million sq.m.

We achieved a steady growth in our revenue from the residential property management service segment during the Track Record Period. In 2016, 2017 and 2018 and the six months ended June 30, 2019, our revenue generated from residential property management service segment amounted to RMB124.5 million, RMB180.6 million, RMB220.8 million and RMB127.9 million, respectively, representing approximately 16.6%, 18.5%, 18.4% and 17.1% of our total revenue, respectively. Maintaining a long-term cooperative relationship with the Remaining Powerlong Group, we expect our provision of residential property management services to properties developed by the Remaining Powerlong Group continue to be our stable source of revenue in the foreseeable future.

The table below sets forth the number of properties we had been contracted to manage, contracted GFA and GFA under management as of the dates and revenue from our residential property management services for the periods indicated by type of developer:

	As of/for the year ended December 31,															As of/ for the six months ended June 30,									
	2016					2017					2018					2018					2019				
	Contracted GFA	GFA under management	Number of property[(3)]	Revenue		Contracted GFA	GFA under management	Number of property[(3)]	Revenue		Contracted GFA	GFA under management	Number of property[(3)]	Revenue		Contracted GFA	GFA under management	Number of property[(3)]	Revenue		Contracted GFA	GFA under management	Number of property[(3)]	Revenue	
	sq.m.	*sq.m.*		*RMB*	*%*	*sq.m.*	*sq.m.*		*RMB*	*%*	*sq.m.*	*sq.m.*		*RMB*	*%*	*sq.m.*	*sq.m.*		*RMB* (unaudited)	*%*	*sq.m.*	*sq.m.*		*RMB*	*%*
	(in thousands, except for percentages and numbers)																								
Properties developed by:																									
Remaining Powerlong Group[(1)]	9,610	8,732	37	121,695	97.8	11,524	9,387	43	174,293	96.5	14,016	9,883	52	213,955	96.9	12,389	9,610	47	109,439	96.8	16,082	10,248	62	123,897	96.9
Joint ventures[(2)]	324	324	3	2,772	2.2	467	324	4	6,326	3.5	776	324	6	6,812	3.1	467	324	4	3,577	3.2	988	324	7	4,000	3.1
Total	9,934	9,056	40	124,467	100.0	11,991	9,711	47	180,619	100.0	14,792	10,207	58	220,767	100.0	12,856	9,934	51	113,016	100.0	17,070	10,572	69	127,897	100.0

Notes:

(1) Refer to properties developed by the Remaining Powerlong Group, as well as properties jointly developed by the Remaining Powerlong Group and Independent Third Parties in which the Remaining Powerlong Group held a controlling interest.

(2) Refer to properties developed by joint ventures formed between the Remaining Powerlong Group and Independent Third Parties but neither party had control of such joint ventures. These properties comprise Tianjin Yujiapu, Xiaoshan, Yangzhou, Ningbo, Jinjiang Xintang and Zhoushan Putuo projects.

(3) Refer to the number of properties for which we had been contracted to provide residential property management services as of the respective dates.

Scope of Services

Our residential property management services comprise:

- Pre-sale management services

  We provide property management services to property developers for their pre-sale activities, such as cleaning, security and maintenance of pre-sale display units and sales offices.

- Property management services

  We provide management services to (i) property developers for unsold portion of the properties; and (ii) property owners or owners' associations for properties sold, including:

  Security services — Daily security services including, among others, traffic management, patrolling, access control, visitor management, video surveillance, car park security, emergency management and fire safety;

  Cleaning and gardening services — General cleaning, hygiene maintenance and gardening services, including pruning, fertilizing and pest control to the common areas of our managed properties. Such common areas may include, among others, staircases, railings, hallways, basements and gardens; and

  Repair and maintenance services — Repair and maintenance services for elevator systems, power supply and distribution systems, water supply and drainage systems, fire extinguishing systems and other facilities and equipment located in common areas of our managed properties.

- Other value-added services

  We provide other value-added services to property owners, tenants or residents of our managed properties which primarily comprise pre-delivery preparation and trash handling services, common area, advertising space management services and car park management services.

The table below sets forth a breakdown of our revenue from the residential property management service segment by service line for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2016		2017		2018		2018		2019	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*	*RMB* (unaudited)	*%*	*RMB*	*%*
	(in thousands, except for percentages)									
Pre-sale management services	2,188	1.8	2,110	1.2	3,021	1.4	1,642	1.5	6,867	5.4
Property management services	92,523	74.3	146,452	81.1	178,788	81.0	95,970	84.9	101,265	79.1
Other value-added services	29,756	23.9	32,057	17.7	38,958	17.6	15,404	13.6	19,765	15.5
Total	124,467	100.0	180,619	100.0	220,767	100.0	113,016	100.0	127,897	100.0

The tables below set forth (i) our revenue generated from property management services under residential property management service segment for the periods indicated; and (ii) the GFA under management in connection with the provision of property management services as of the dates indicated, by type of developer:

	As of/for the year ended December 31,						As of/for the six months ended June 30,			
	2016		2017		2018		2018		2019	
	Revenue	GFA	Revenue	GFA	Revenue	GFA	Revenue	GFA	Revenue	GFA
	RMB	*sq.m.* (1)	*RMB*	*sq.m.* (1)	*RMB*	*sq.m.* (1)	*RMB* (unaudited)	*sq.m.* (1)	*RMB*	*sq.m.* (1)
	(in thousands)									
Properties developed by:										
Remaining Powerlong Group	90,720	7,629	141,041	8,264	172,910	8,687	93,081	8,454	97,857	9,003
Joint ventures	1,803	312	5,411	312	5,878	312	2,889	312	3,408	312
Total	92,523	7,941	146,452	8,576	178,788	8,999	95,970	8,766	101,265	9,314

Note:

(1) Represents GFA under management, excluding car parks, in connection with the provision of property management services as of the dates indicated. We started providing property management services to certain projects during the course of a period, and such projects started generating full-year revenue only in the next year.

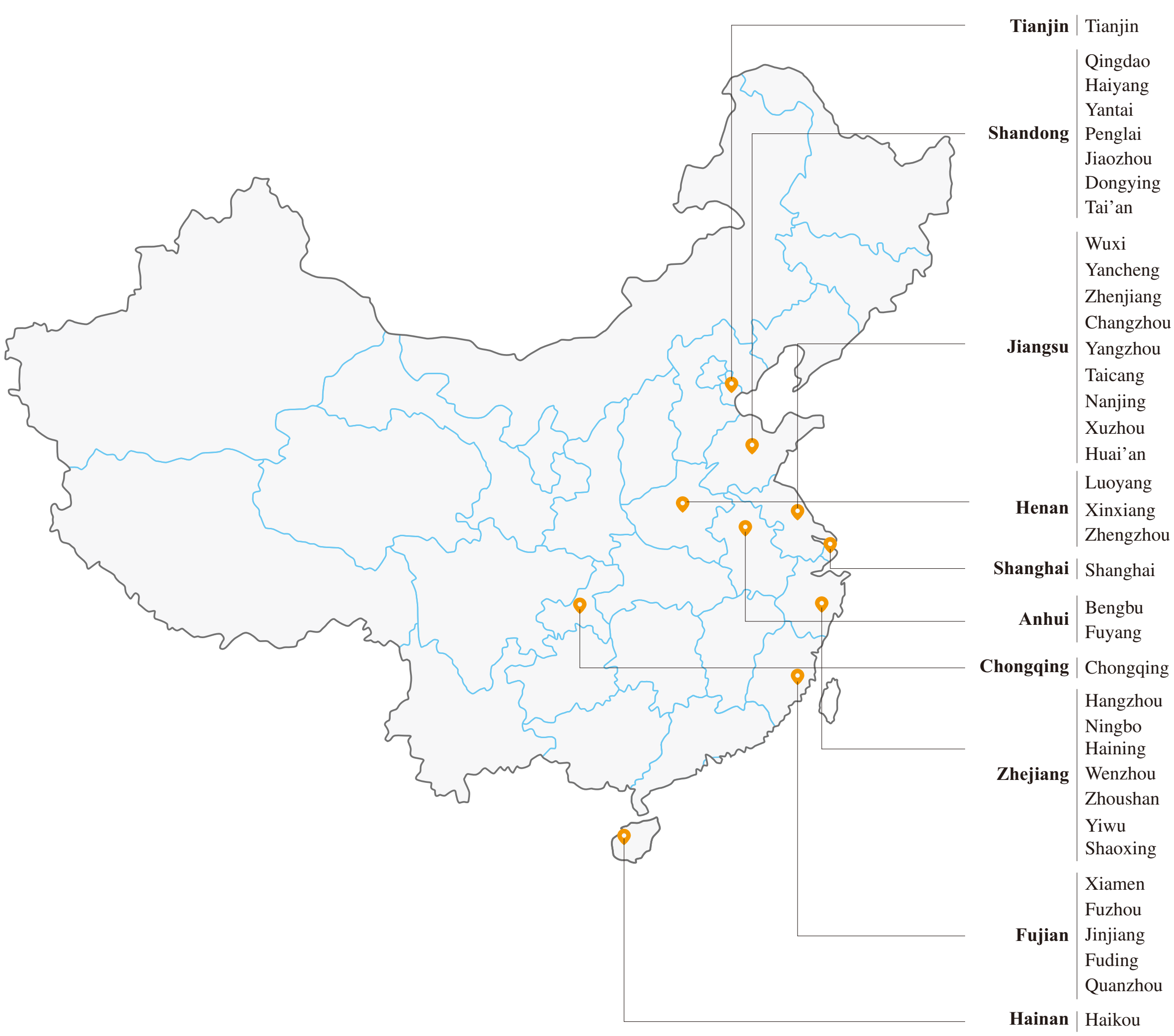
During the Track Record Period, the average revenue generated from property management services under residential property management service segment per sq.m. generally increased. Such increases were primarily due to the increases in the occupancy rate of the properties under management. For certain of the properties we contracted to provide property management services, before they were actually occupied, local regulations required us to charge a reduced property management fee. As a result, the average revenue generated from property management services increased along with the increase in the occupancy rate of such properties.

During the Track Record Period, we generated a majority of our revenue under residential property management service segment from managing residential properties and serviced apartments. Our GFA under management for the residential properties and serviced apartments grew steadily from approximately 8.7 million sq.m. as of December 31, 2016 to approximately 10.2 million sq.m. as of June 30, 2019. We expect such growth in our GFA under management of residential properties and serviced apartments to be sustainable, as we continue to contract to manage residential properties and serviced apartments developed by the Remaining Powerlong Group and strive to seek engagements from Independent Third Parties.

We endeavor to diversify our portfolio by contracting to manage more non-residential properties. We believe that the experience and recognition we gain from managing such properties will help us improve our profitability.

Our Geographic Presence

The map below illustrates the locations of the properties we managed and were contracted to manage as of June 30, 2019:



The table below sets forth a breakdown of our aggregate GFA under management as of the dates and our revenue from residential property management service segment for the periods indicated by geographic region:

	As of/for the year ended December 31,									As of/for the six months ended June 30,					
	2016			2017			2018			2018			2019		
	Contracted GFA	GFA under management	Revenue	Contracted GFA	GFA under management	Revenue	Contracted GFA	GFA under management	Revenue	Contracted GFA	GFA under management	Revenue	Contracted GFA	GFA under management	Revenue
	sq.m.	*sq.m.*	*RMB*	*sq.m.*	*sq.m.*	*RMB*	*sq.m.*	*sq.m.*	*RMB*	*sq.m.*	*sq.m.*	*RMB* (unaudited)	*sq.m.*	*sq.m.*	*RMB*
								(in thousands)							
Yangtze River Delta	3,791	3,636	47,271	4,817	3,791	85,985	7,265	4,064	104,582	5,523	3,791	55,713	8,376	4,188	61,692
Southeast China[(1)]	1,484	1,357	21,087	2,343	1,357	23,333	2,696	1,484	30,091	2,502	1,484	15,995	3,075	1,484	18,883
Midwest China[(2)]	2,352	1,852	31,075	2,525	2,352	34,647	2,525	2,352	36,845	2,525	2,352	18,070	2,766	2,594	20,564
Bohai Economic Rim[(3)]	2,306	2,210	25,034	2,306	2,210	36,654	2,306	2,306	49,249	2,306	2,306	23,238	2,852	2,306	26,758
Total	9,934	9,056	124,467	11,991	9,711	180,619	14,792	10,207	220,767	12,856	9,934	113,016	17,070	10,572	127,897

Notes:

(1) Comprises Fujian and Hainan Provinces.

(2) Comprises Anhui, Sichuan and Henan Provinces and Chongqing Municipality.

(3) Comprises Tianjin Municipality and Shandong Province.

Pipeline Projects

New Service Contracts with Independent Third Parties

Since June 30, 2019 and up to the Latest Practicable Date, we had entered into preliminary management contracts with Independent Third Parties to provide residential property management services with respect to five residential property projects with an aggregate contracted GFA of approximately 705,100 sq.m. The table below sets forth certain information of each of these residential properties:

	Project	Location	Contract date	Contract term	Contracted GFA
			(Month-Year)	*(years)*	*(sq.m.)*
1.	Ai Qing Hai Project (愛情海項目)	Haiyang	October 2019	5	210,000
2.	Baihong Yujingfu (百宏御璟府)	Jinjiang	November 2019	3	145,400
3.	Baihong Shuanglongshoufu (百宏雙龍首府)	Jinjiang	November 2019	3	43,000
4.	Xunxing Shiyun Hualin Spring Phase I (潯興世運華林春天一期)	Jinjiang	November 2019	3	115,800
5.	Xunxing Shiyun Hualin Spring Phase II (潯興世運華林春天二期)	Jinjiang	November 2019	3	190,900
Total					**705,100**

New Service Contracts with the Remaining Powerlong Group

Since June 30, 2019 and up to the Latest Practicable Date, we had entered into preliminary management contracts with the Remaining Powerlong Group to provide residential property management services with respect to eight residential property projects with an aggregate contracted GFA of approximately 1,365,600 sq.m. The table below sets forth certain information of each of these residential properties:

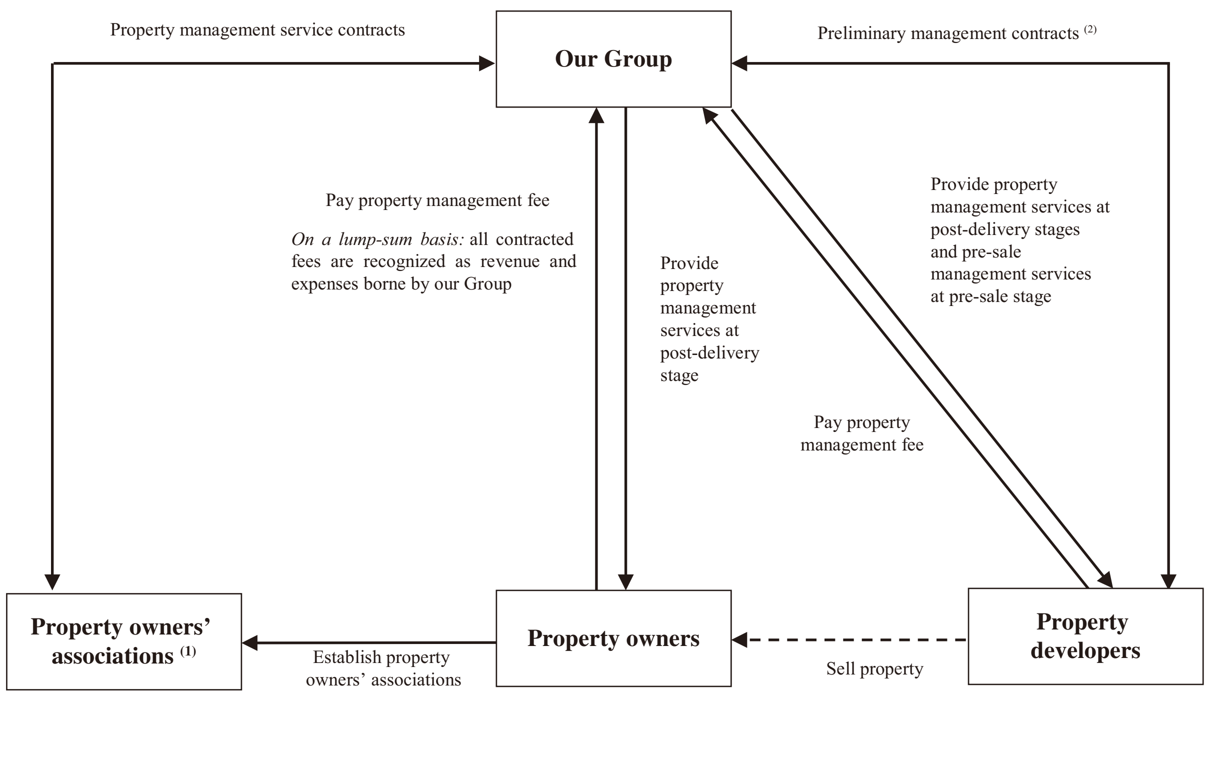
	Project	Location	Contract date	Contract term	Contracted GFA
			(Month-Year)	*(Years)*	*(sq.m.)*
1.	Xuzhou Tongshan (徐州銅山)	Xuzhou	July 2019	No fixed term	165,467
2.	Jiangsu Taizhou (江蘇泰州)	Taizhou	July 2019	No fixed term	297,613
3.	Wuxi Xinwu (無錫新吳)	Wuxi	July 2019	No fixed term	75,559
4.	Ningbo Yuyao (寧波余姚)	Ningbo	September 2019	No fixed term	212,685
5.	Ningbo Fenghua 3-18 (寧波奉化 3-18)	Ningbo	September 2019	No fixed term	127,062
6.	Ningbo Yinzhou (寧波鄞州)	Ningbo	September 2019	No fixed term	220,898
7.	Ningbo Fenghua 3-14 (寧波奉化 3-14)	Ningbo	December 2019	No fixed term	133,287
8.	Ningbo Fenghua 4-23 (寧波奉化 4-23)	Ningbo	December 2019	No fixed term	133,044
Total					**1,365,615**

Residential Property Management Service Fees

Service Fees Charged for Property Management Services

We charged a lump-sum service fee for our property management services during the Track Record Period. According to Frost & Sullivan, the lump-sum basis revenue model is the dominant method of collecting property management fees in the PRC with respect to residential and non-residential properties.

The diagram below illustrates our relationships with various parties under our property management service contracts:



Notes:

(1) A property owners' association is authorized under applicable PRC laws and regulations to act on behalf of the property owners.

(2) Our customers engage us through two types of agreements, namely, preliminary management contracts and property management service contracts. As advised by our PRC Legal Advisor, a preliminary management contract entered into between a property developer and us before delivery of the properties is legally binding on all future property owners before a property management service contract with respect to the properties comes into effect, provided that the contents of the preliminary management contract is included in the property sales agreements between the property developer and all future property owners; and a property management service contract entered into between a property owners' association and us is legally binding on all property owners in accordance with applicable PRC laws and regulations. For further details relating to the key terms of the preliminary management contracts and property management service contracts, see "— Residential Property Management Services — Contracts Under Our Residential Property Management Services."

We provide property management services through our own employees and third-party subcontractors. We are entitled to retain the full amount of property management fees collected as revenue, and bear the costs incurred and recognize such costs as our cost of services.

Prior to negotiating and entering into our property management service contracts, we seek to form, as accurately as possible, an estimate as to our cost of services. Our cost of services includes, among others, staff costs, subcontracting costs and utility expenses. As we bear such expenses ourselves, our profit margins are affected by our ability to control our cost of services. In the event that our cost of services are higher than anticipated, we would not be able to collect additional amounts from our customers to sustain our profit margins.

In 2016, 2017 and 2018 and the six months ended June 30, 2019, we incurred losses in connection with the management of ten, nine, 12 and 12 properties, respectively. We had discontinued to provide residential property management services with respect to two loss-making properties during the Track Record Period. We incurred losses with respect to these properties primarily because we received insufficient service fees with respect to these properties to cover the costs of our continuing services. We received insufficient service fees primarily because (i) certain property owners or residents refused to pay the property management service fees on the ground of fee disputes and our management considered that it was highly uncertain as to the amount of service fees can be received, as a result, such service fees could not be recognized as revenue initially; and (ii) we have not achieved economies of scale for our residential property management services and were in the process of improving our operational efficiency. Our revenue generated from managing the aforementioned loss-making properties amounted to approximately RMB12.1 million, RMB42.1 million, RMB41.7 million and RMB40.9 million in 2016, 2017 and 2018 and the six months ended June 30, 2019, respectively, representing approximately 9.7%, 23.3%, 18.9% and 32.0%, respectively, of our revenue from the residential property management service segment for the same periods. We endeavor to improve the quality of our residential property management services by allocating more resources and enhance our property management fee collection rate by implementing various measures. In 2018, we decided to make changes to our organization structure and subsequently set up ten regional management offices in the first half of 2019 to be responsible for (i) overseeing the management of all properties within the designated area; and (ii) implementing quality control measures as well as business expansion plans, including (a) designating dedicated personnel to ensure timely collection of property management fees; (b) evaluating reasons that lead to low collection rates and taking appropriate remedial actions; (c) implementing measures to improve our service quality to enhance residents' living experiences including, among others, visiting residents of our managed properties regularly and organizing various community events; (d) providing more convenient payment methods for paying property management fees; and (e) initiating legal proceedings to recover overdue service fees. With the increasing focus and measures taken in improving our service quality, we believe our collection rate of property management service fees will improve. We believe that the measures taken on improving our collection rate are effective and adequate as our collection rate of property management fees increased from 67.4% for the six months ended June 30, 2018 to 69.3% for the six months ended June 30, 2019. We expect that our collection rate of property management fees to be further improved by the end of 2019.

Service Fees Charged for Pre-sale Management Services and Other Value-added Services

We typically charged a monthly fixed service fee based on actual level of service completed for our pre-sale management services and a commission-based or fixed service fee for our other value-added services during the Track Record Period.

Our Pricing Policy

We generally price our residential property management services with reference to (i) the relevant price guide under local pricing regulations; (ii) management fees charged in nearby and comparable communities; (iii) our estimated costs and target profit margins; and (iv) the scope and quality of our services. We regularly evaluate our financial information to ensure that we collect sufficient property management fees to sustain our profit margins. During renewal negotiations of our property management service contracts, we may raise our property management fee rates as a condition precedent for continuing our services.

The price administration and construction administration departments of the State Council are jointly responsible for supervision over and administration of fees charged for property management and related services, and we are also subject to pricing controls issued by the PRC Government. In December 2014, the NDRC issued the Circular of the NDRC on the Opinions of Relaxing Price Controls in Certain Services (國家發展改革委關於放開部分服務價格意見的通知) (the "**Circular**"), which required provincial-level price administration authorities to relax all price control or guidance policies on residential properties, with certain exceptions. See "Regulatory Overview — Legal Supervision Over Property Management Enterprises" in this prospectus for details. We expect that pricing controls on residential properties will relax over time as relevant local authorities pass regulations to implement the Circular. For related risks, see "Risk Factors — Risks Relating to Our Business and Industry — We are susceptible to changes in the regulatory landscape of the PRC commercial operational and residential property management service market" in this prospectus.

In 2016, 2017 and 2018 and the six months ended June 30, 2019, our average property management fee rates for residential properties were approximately RMB1.7 per sq.m., RMB1.7 per sq.m., RMB1.8 per sq.m. and RMB1.8 per sq.m., respectively. According to Frost & Sullivan, in 2018, the average property management fee rate of Top 100 Property Management Companies for residential properties reached RMB1.31 per sq.m. Our average fee rates are above the industry average since our managed properties are mainly located in the Yangtze River Delta.

Payment and Credit Terms

We may charge property management fees on monthly, quarterly or annual basis, depending on the terms of our property management service contracts. Our customers are due to pay property management fees once we issue a demand note on a monthly or quarterly basis. For further details about our accounting policies regarding trade receivables, see "Financial Information — Critical Accounting Policies and Estimates" in this prospectus.

We primarily accept payments for property management fees through online transfers, auto-pay, credit card or third-party platforms such as WeChat Pay and Alipay. To facilitate timely collection of payments, we may regularly remind property developers, property owners and residents through text messages and written notices. To collect outstanding property management fees, we remind our customers of the outstanding amount at least twice a month by writing. For customers whose property management fees are overdue for more than six months, we usually send more reminders. We may issue a demand letter through legal advisor via registered mail, and may file a lawsuit to claim the outstanding amounts after the original due date. We issue one demand letter per year to ensure that we fulfill requirements under PRC statute of limitations, which imposes a three-year time frame within which we could sue for outstanding property management fees. Moreover, for a twenty-year period since the original due date, such three-year time frame will be reset every time the customer receives the demand letter.

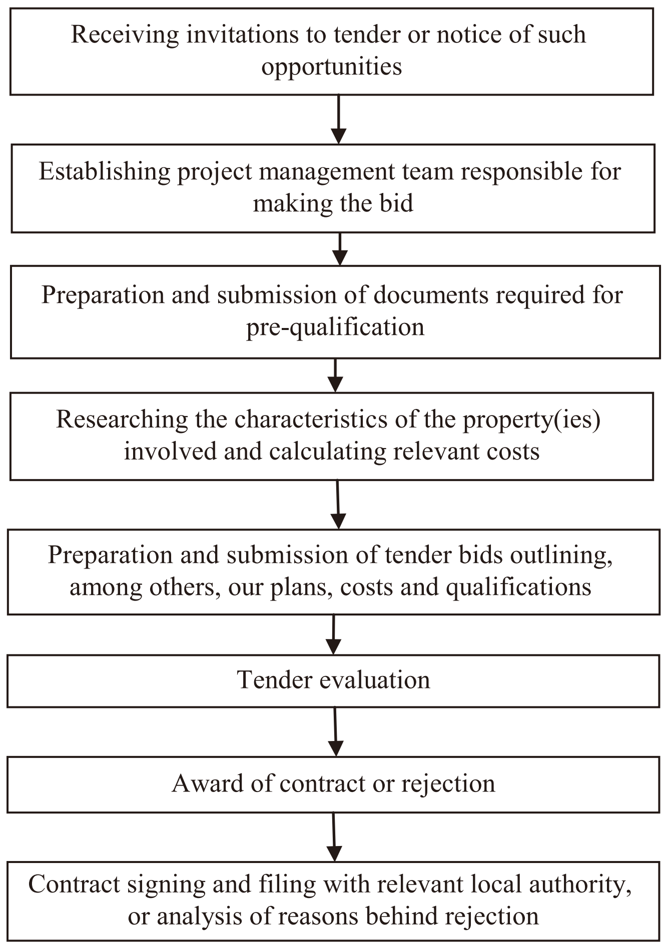
For pre-sale management services, we receive a monthly fee based on the actual level of service completed in that month.

For other value-added service fees charged on a commission basis, we receive an agreed portion of income generated. For other value-added service fees charged on a fixed fee basis, we receive service fees according to our work progress.

The Tender Process

As required by the applicable PRC laws and regulations, we obtain preliminary management contracts from property developers by participating in tenders, a competitive bidding or negotiation process whereby property developers evaluate and select from multiple property management service providers. Invitations to tender are usually issued by property developers for properties under development, or from property owners' associations for residential communities who wish to replace their existing property management service provider.

The following flow chart illustrates each stage of our typical tender process for obtaining property management service contracts:



In 2016, 2017 and 2018 and the six months ended June 30, 2019, the success rate of our tender bids for properties developed by the Remaining Powerlong Group for which we provided residential property management services was 100.0%, 85.7%, 77.3% and 90.0%, respectively. During the Track Record Period, the success rate of our tender bids for properties jointly developed by the Remaining Powerlong Group and other Independent Third Parties was 100.0%.

During the Track Record Period, we procured our preliminary management contracts from property developers through (i) tender procedures regulated by applicable PRC laws; or (ii) commercial negotiation pursuant to approvals obtained from relevant local authorities or otherwise not compulsorily required by the relevant local authorities.

We are not required under the relevant PRC laws and regulations to undergo tender process when we negotiate with customers directly for renewal of existing contracts.

Contracts Under Our Residential Property Management Services

Key Terms of Contracts for Pre-sale Management Services

Our pre-sale management service contracts with property developers typically include the following key terms:

- *Scope of services* — Our contracts set forth the scope of pre-sale management services to be provided by us, which normally includes daily operations and maintenance of the sales office;

- *Performance standards* — The pre-sale management service contracts would set forth the expected standards for our pre-sale management services, including the standards required in greeting and serving potential buyers, directing the cars in and out of the car parks and assisting the local police in maintaining the order and security;

- *Pre-sale management fees* — The pre-sale management fee is fixed and is payable monthly;

- *Rights and obligations of property developers* — The property developers are primarily responsible for, among other things, providing us with office supplies and other support necessary for carrying out our contractual obligations and paying all administrative expenses in relation to the pre-sale management services;

- *Terms of service* — The typical term of our contracts is one year. Actual term of our contracts depends on the length of pre-sale period set by the property developers;

- *Dispute resolution* — Both parties are typically required to resolve any contractual disputes through negotiations first before resorting to litigation; and

- *Termination* — Our pre-sale management contracts can be terminated by the property developers upon three-month prior written notice.

Key Terms of Contract for Property Management Services

Our property management service contracts consist of preliminary management contracts with property developers and property management service contracts with property owners or property owners' associations. These contracts typically include the following key terms:

- *Scope of services* — Our contracts set forth the scope of property management services to be provided by us, which normally includes security, cleaning, gardening and repair and maintenance services;

- *Performance scope and standards* — Our contracts set forth the areas to which our services relate, as well as expected standards for our property management services such as the frequency of performance of services including the cleaning of the public areas and the inspection of public facilities;

- *Property management fees* — Our contracts set forth the amount of property management fees, payable on a lump-sum basis by property developers, property owners or property owners' associations. The property developers are responsible for paying the property management fees for units that remain unsold. For overdue property management fees, property developers, property owners or property owners' associations pay a penalty equal to a daily-accumulating surcharge at a certain percentage of the overdue amount;

- *Property developers' obligations* — The property developers are primarily responsible for, among other things, ensuring that their purchasers understand and commit to their obligations in relation to the payment of property management fees, carrying out repair work if necessary, and providing us with office supplies, documents and other support necessary for carrying out our contractual obligations;

- *Term of service* — Majority of our preliminary management contracts do not have any fixed terms and expire only when the relevant property owners' association is established and a property management service contract is entered into to replace the preliminary management contract. The remaining preliminary management contracts generally have fixed terms of between two to five years. In addition, in the event that the property owners' association has yet to be established six months before the expiration of the contract and both parties are not able to reach an agreement on whether to extend the contract, the property developers shall look for new property management company before the expiration of contract;

- *Dispute resolution* — Both parties are typically required to resolve any contractual disputes through negotiations first before resorting to litigation; and

- *Termination* — Either party may terminate the contract with prior written notice to the other party.

After delivery of the properties by property developers to property owners, property owners may form and operate property owners' associations to act on behalf of the property owners. The Property Law of the People's Republic of China, the Regulations on Property Management and the Guidance Rules of the Owners' Meeting and the Property Owner's Association stipulate that property owners who account for more than half of the total number of property owners and own exclusive areas accounting for more than half of the total building area in the residential community may vote to establish property owners' associations at a property owner meeting.

The property owners' associations are independent from us. In order to secure and continue to secure property management service contracts, we must consistently provide quality services at competitive prices. According to the Regulations on Property Management, property owners may hire or dismiss property management service providers by votes from more than half of the property owners who account for more than half of the total number of property owners and own exclusive areas accounting for more than half of the total area of the building at the property owner meeting. The property owners' association may either hire a new property management service provider through the tender process or select one based on specific standards including terms and conditions of service, quality and price.

In the event that no property owners' association is formed after the delivery of properties, the preliminary management contracts we entered into with property developers at the pre-delivery stage would remain effective and oblige property owners and residents to pay property management fees directly to us. The preliminary management contract would terminate upon the formation of a property management service contract with the property owners' association. If the initial term of the preliminary management contract expire, and no property owners' association is formed or we fail to enter into a new property management service contract with the property owners' association, then (i) the preliminary management contract will be automatically renewed until we enter into a property management service contract with a property owners' association, if there is an appropriate term to that effect; or (ii) the parties to the preliminary management contract may negotiate to extend the services absent any automatic renewal provision in the contract. We would then enter into a new property management service contract with the property developer.

The table below sets forth the expiration schedule of our property management service contracts for properties we were contracted to manage as of June 30, 2019:

	Contracted GFA	Number of property management service contracts
	(sq.m. '000)	
Property management service contracts without fixed terms[(1)]	16,308	66
Property management service contracts with fixed terms expiring in		
Year ending December 31, 2019	–	–
Year ending December 31, 2020	582	2
Year ending December 31, 2021	180	1
Total	17,070	69

Note:

(1) Property management service contracts without fixed terms are generally preliminary management contracts entered into with property developers. A preliminary management contract will terminate automatically when a property owners' association is established and a new property management service contract is entered into. As we are unable to anticipate when a property owners' association for a residential property will be established, we deem such preliminary management contracts entered into with property developers are contracts without fixed terms.

In 2016, 2017 and 2018 and the six months ended June 30, 2019, our property management service contracts renewal rate (being the number of property management service contracts effective as at the relevant period end divided by the number of property management service contracts existing during the same period) was 95.2%, 100.0%, 100.0% and 100.0%, respectively. In 2016, we terminated two property management service contracts with respect to two loss-making properties in order to reallocate our resources to more profitable engagements and optimize our property management portfolio. Among these two contracts, one contract is with respect to a residential property located in Chengyang, Shandong Province. The revenue attributable to such terminated contract amounted to approximately RMB898,000, nil, nil and nil in 2016, 2017 and 2018 and the six months ended June 30, 2019, respectively, and the gross profit amounted to RMB243,000, nil, nil and nil in the same periods, respectively. The other contract is with respect to a residential property located in Licang, Shandong Province. The revenue attributable to such terminated contract amounted to approximately RMB958,000, RMB13,000, RMB17,000 and nil in 2016, 2017 and 2018 and the six months ended June 30, 2019, respectively, and the gross loss amounted to RMB1,044,000, RMB6,000, nil and nil in the same periods, respectively. We recognized revenue in 2017 and 2018 for the Licang project primarily because we recovered a small amount of property management service fees from certain property owners who defaulted on property management service fee payments. During the Track Record Period, other than those two service contracts terminated by us, no property management service contract was terminated by either the property developer or the property owners' association. Under PRC laws, property owners may engage or dismiss property management service providers by majority votes of property owners who account for a majority of the total number of property owners and own a majority of the total area of the relevant properties. During the Track Record Period, we did not experience any failure in entering into a new property management service contract with the property owners' association after its establishment. Nevertheless, we cannot assure that we will be able to successfully enter into a new property management service contract with the property owners' association after its establishment. See "Risk Factors — Risks Relating to our Business and Industry — We may fail to secure new or renew our existing residential property management service contracts on favorable terms, or at all" for details.

The table below sets forth our revenue, gross profit and gross profit margin attributable to (i) preliminary management contracts entered into between property developers and us; and (ii) property management service contracts entered into between property owners' associations and us for the periods indicated:

	Year ended December 31,									Six months ended June 30,					
	2016			2017			2018			2018			2019		
	Revenue	Gross profit	Gross profit margin	Revenue	Gross profit	Gross profit margin	Revenue	Gross profit	Gross profit margin	Revenue	Gross profit	Gross profit margin	Revenue	Gross profit	Gross profit margin
	RMB	*RMB*	*%*	*RMB*	*RMB*	*%*	*RMB*	*RMB*	*%*	*RMB*	*RMB*	*%*	*RMB*	*RMB*	*%*
											(unaudited)				
	(in thousands, except for percentages)														
Preliminary management contracts[1]	114,914	16,544	14.4	168,889	22,554	13.4	207,877	30,116	14.5	107,115	16,260	15.2	121,423	15,257	12.6
Property management service contracts[2]	9,553	962	10.1	11,730	1,720	14.7	12,890	1,366	10.6	5,901	353	6.0	6,474	629	9.7
Total	124,467	17,506	14.1	180,619	24,274	13.4	220,767	31,482	14.3	113,016	16,613	14.7	127,897	15,886	12.4

Notes:

(1) Xiamen project includes three parts, Xiamen Powerlong Center, Xiamen Yuhu and Xiamen Powerlong One City, among which only Xiamen Powerlong Center has a property owners' association. As the cost of services in relation to these three parts cannot be further divided, we include the revenue and cost of services for all three parts of Xiamen project in calculating the gross profit and gross profit margin attributable to preliminary management contracts.

(2) Represent the contracts we entered into with property owners' associations for Jinjiang and Taicang projects.

The gross profit margin attributable to the property management service contracts entered into between property owners' associations and us increased from 10.1% in 2016 to 14.7% in 2017 and decreased to 10.6% in 2018 primarily because the Jinjiang project consisted of several phases and we received service fees of approximately RMB770,000 for pre-delivery preparation services and trash handling services provided with respect to a phase of Jinjiang project that was completed and delivered in 2017. The gross profit margin attributable to the property management service contracts entered into between property owners' associations and us further increased from 6.0% for the six months ended June 30, 2018 to 9.7% for the six months ended June 30, 2019 primarily due to our continuous efforts to seek tenants for the common areas and advertising spaces. The gross profit margin attributable to the property management service contracts entered into between property owners' associations and us decreased slightly from 10.6% in 2018 to 9.7% for the six months ended June 30, 2019 primarily due to increasing cost of our services.

Other Value-added Services

With an aim of enhancing the level of convenience and meeting the daily needs of property owners and residents of our managed properties, we provide other value-added services through our daily contact and interactions with our customers during the process of providing residential property management services. Our other value-added services mainly include (i) pre-delivery preparation and trash handling services; (ii) common area and advertising space management services; and (iii) car park management services.

In 2016, 2017 and 2018 and the six months ended June 30, 2019, revenue generated from our other value-added services amounted to RMB29.8 million, RMB32.1 million, RMB39.0 million and RMB19.8 million, respectively, representing approximately 23.9%, 17.7%, 17.6% and 15.5% of our revenue from residential property management service segment, respectively.

Pre-delivery Preparation and Trash Handling Services

We provide pre-delivery preparation services to property developers, including formulating resource allocation plans and coordinating the delivery of properties to property owners. We also provide trash handling services to property owners.

Common Area and Advertising Space Management Services

Common areas are owned by all property owners as a whole. Generally, we are authorized under the property management service contracts or under property owners' consents of a certain scale as required by the PRC laws to lease out the common areas on behalf of the property owners. We assist property owners in leasing out common areas and advertising spaces and receive a portion of the income generated based on a ratio stipulated in the relevant contract. We also organize community events utilizing the common areas in our managed communities and receive fees in return from third-party merchants. We believe these activities can better connect us with residents and create a more amiable community.

Car Park Management Services

We provide car park management services for the parking spaces located within the common areas of our managed properties. The services include, among others, leasing out car park spaces, daily security and cleaning services. For car park management services, we receive a portion of parking fees collected as stipulated in the relevant contract.

OUR DIGITALIZATION EFFORTS

In order to reduce our reliance on manual labor and improve our overall operational efficiency and competitiveness, we emphasize on developing technological solutions and automating our key business operations through series of digitalization efforts. The table below sets forth the milestones with respect to our efforts in management digitalization:

Year	Milestone
2006	We launched the PD platform aiming to automate some of our business operations.
2015	We launched "Powerlong Didika" (寶龍滴滴卡) mobile application, our first generation digital platform designed for consumer use, and to improve interaction with consumers.
2018	• We established the "creativity lab" (創想實驗室), aiming to innovate, experiment and implement our digitalization efforts. • We upgraded our PD platform to PM system to integrate our finance management and business operation functions. • We cooperated with our strategic partner, Teng Wen, a subsidiary of Tencent Holdings Limited, to develop "Powerlong Yoyo" (寶龍悠悠) and "Mall Plus @ Powerlong" (寶龍商+) WeChat mini apps. Moreover, we worked with Teng Wen to establish an advanced technology platform that seamlessly integrates these WeChat mini apps and PM system in order to improve efficiency. • We formed a strategic relationship and a joint venture with Teng Wen in order to capitalize on their strong technological background and support which will allow us to accelerate our digitalization efforts and provide our customers with better integrated online and offline services.

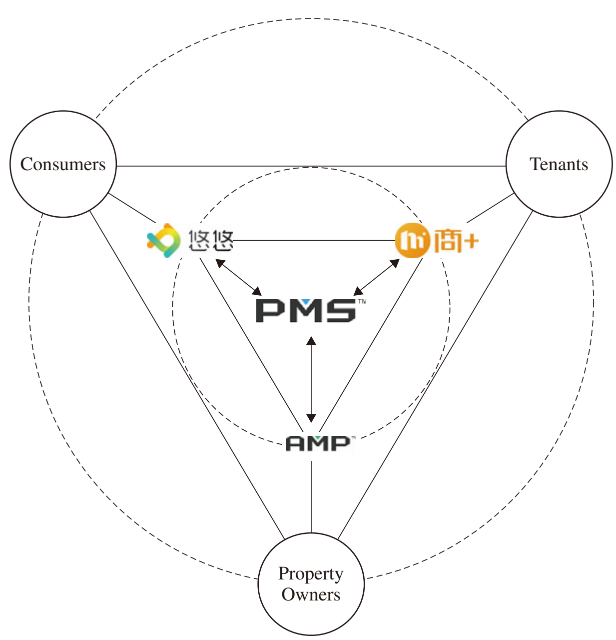
Through years of endeavor in developing and deploying technological solutions for our provision of commercial operational services, we have built an integrated online ecosystem which integrates all of our internal business operation and finance management systems while being capable of recording data for further utilization and analysis. In 2019, we were recognized as "China's Real Estate Market Leader for Digitalization" (中國地產數字化領軍企業獎) by China Smart Real Estate Influence Ranking (中國智慧房產影響力排行榜), which illustrated our market leading position in this field.

Integrated Online Ecosystem based on PM System

We strive to attain advanced standards in operation management and have developed strong information technology capabilities. We use information technology systems to plan and manage our budget, human resources, property management and financial reports, thereby improving our operational efficiency.

As early as 2006, we began to develop automated systems that have been tailored to the commercial operational and property management service market. We then launched the PD platform which integrated many aspects of our business operation, including, among others, tenant sourcing, property leasing and project management. In 2018, we upgraded the PD platform to PM system to provide a more advanced system integrating our finance management and business operation functions.

To further enhance the functionalities and technology support of our digital services and to keep up with the technology development in the market, before the Spin-Off, the Powerlong Group had entered in to a strategic cooperation framework agreement with Teng Wen in 2018, pursuant to which we will form a joint venture and work with Teng Wen to carry out the "New Commerce Plan" (鈕扣計劃). The strategic cooperation framework agreement sets forth certain details of such cooperation, mainly including, among others, contract term, confidentiality clause, rights and obligations of both parties and termination clause. As part of this plan, we have built an integrated online ecosystem based on PM system to connect consumers, tenants and property owners through multiple digital platforms including "Powerlong Yoyo" (寶龍悠悠) WeChat mini app for consumers, "Mall Plus @ Powerlong" (寶龍商+) WeChat mini app for tenants, and AMP system for property owners. PM system is the foundational piece to this integrated online ecosystem that connects these three main digital platforms. It not only has the functions of traditional office automation system covering our internal finance management and business operation functions but also provides gateways to receive external data for further analysis. We plan to continue to invest resources in digitalization and to optimize our integrated online ecosystem going forward including using the proceeds received from the Global Offering. See "Future Plans and Use of Proceeds — Use of Proceeds" for details. The diagram below illustrates the integrated online ecosystem and shows the relationships between the PM system and three digital platforms:



Below sets forth certain information regarding the PM system, AMP system, "Powerlong Yoyo" (寶龍悠悠) and "Mall Plus @ Powerlong" (寶龍商+) WeChat mini apps:

PM System

Our effort on management digitalization can be traced back to 2006 when we first launched the PD platform. The PD platform was then upgraded to the current PM system in 2018 to integrate the finance management and business operation functions. Our PM system is instrumental in providing commercial operational services. It integrates five subsystems, including project management subsystem, tenant sourcing and lease management subsystem, operation and marketing subsystem, engineering planning and management subsystem, and cost management and tender subsystem. We set forth below the main functions of each of the subsystem:

- Project management subsystem, which enables us to monitor every phase of our commercial operational services before the opening of a retail commercial property, including market positioning, formulating tenant and brand mix plans, tracking tenant sourcing progress, and preparing opening ceremony.

- Tenant sourcing and lease management subsystem, which provides systematic management of the retail commercial properties for which we provide property leasing services, including formulating business and brand mix plans, setting appropriate rental rate and overseeing contract signing process.

- Operation and marketing subsystem, which enables us to analyze and monitor many aspects of the performance of a retail commercial property on real-time basis, including, among others, consumer foot traffic and sales volume. In addition, it automates the fee collection process which significantly improves our management efficiency.

- Engineering planning and management subsystem, which provides systematic management of daily maintenance and renovation status of retail commercial properties under our management.

- Cost management and tender subsystem, which includes a supplier pool from which we can initiate online bidding process to make sure we select qualified suppliers at reasonable cost.

PM system acts as a centralized office automation platform for monitoring and managing various aspects of our operation and management of retail commercial properties and helps us to improve operational efficiency and lowers operational costs. Moreover, it also serves as a gateway to connect to other platforms including AMP system, "Powerlong Yoyo" (寶龍悠悠) and "Mall Plus @ Powerlong" (寶龍商+) WeChat mini apps and form an integrated online ecosystem.

AMP System

AMP system is a system utilized by property owners to monitor the performance of their property portfolio. By connecting AMP system to PM system, we are able to share all business data collected from our commercial operational services with the property owners on real-time basis. Property owners' asset management teams would then be able to auto-monitor, analyze and track these data and produce relevant reports from property owners' perspective to maximize their management efficiency.

"Powerlong Yoyo" (寶龍悠悠) and "Mall Plus @ Powerlong" (寶龍商+) WeChat Mini Apps

To better improve the user experience of our digital platforms and to increase compatibility with our PM system, we work with Teng Wen to develop "Powerlong Yoyo" (寶龍悠悠) WeChat mini app, our second generation platforms built for consumer use, which has better technical support from payment and resource perspective and provides the users with enhanced services over the first generation mobile application, Powerlong Didika (寶龍滴滴卡). Below set forth some advantages we believe that the "Powerlong Yoyo" (寶龍悠悠) WeChat mini app have provided beyond the first generation mobile application:

- WeChat gateway: The WeChat mini app does not require any download or installation. Users may simply search "Powerlong Yoyo" (寶龍悠悠) in WeChat or scan the QR code and then they will be able to use it right away.
- Accessibility: "Powerlong Yoyo" (寶龍悠悠) WeChat mini app provides multiple ways of gaining access to the WeChat mini app, allowing more consumers to discover and use our WeChat mini app. It can also auto-detect the location of a user and make appropriate recommendations.
- Simplicity: A simplified user interface can bring better user experience.
- Cost-saving: The low development cost and short development cycle provide flexibility in market testing. Most of the functions in the previous generation may be transferred seamlessly.
- Compatibility: It is easier to utilize tools and software developed by Teng Wen. For example, the smart parking tool allows our users to use WeChat Pay for parking fees. In addition, it allows us to customize future services.
- Impact of social media: The WeChat mini app can benefit from the large user base of WeChat through word-of-mouth marketing, which is able to quickly disseminate our "Powerlong Yoyo" (寶龍悠悠) WeChat mini app to other users.

In addition to "Powerlong Yoyo" (寶龍悠悠) WeChat mini app, which is built for consumer use, we also work with Teng Wen to develop "Mall Plus @ Powerlong" (寶龍商+) WeChat mini app which is designed for tenant use. Below set forth some advantages of the "Mall Plus @ Powerlong" (寶龍商+) WeChat mini app:

- Integration: "Mall Plus @ Powerlong" (寶龍商+) WeChat mini app connects seamlessly with our financial and business operation systems, which allows our tenants to settle their payments with us online.
- Feedback and support: We can obtain the operation and sales data of the tenants through the app and further help improve their business.
- Compatibility with "Powerlong Yoyo" (寶龍悠悠): By connecting with "Powerlong Yoyo" (寶龍悠悠) WeChat mini app, we aim to build an enhanced loyalty point system that integrates tenants' members with our own members and in this way to increase consumer loyalty and form a mutual beneficial relationships with our tenants.

With "Powerlong Yoyo" (寶龍悠悠) and "Mall Plus @ Powerlong" (寶龍商+) WeChat mini apps, we aim at connecting consumers, tenants and us together. The data collected from the WeChat mini apps may be shared among all parties. From consumers' perspective, WeChat mini apps enable them to (i) easily access information such as searching for their desired stores to shop, looking for sales discount information and other sales events; (ii) use other services such as checking the map of our retail commercial properties or paying parking fees; and (iii) manage their loyalty points and redeem for gifts. From tenants' perspective, WeChat mini apps enable them to (i) market their products or services and convert the online visits to actual offline sales; (ii) better manage their stores as all the operational data will be recorded; and (iii) provide after-sale services more easily and ultimately attract revisits. From our perspective, the operational data collected from all retail commercial properties under our management will be gathered and stored to our PM system which allows us to analyze and monitor tenants' performance and provide timely feedbacks. Through accessing the operational data of the tenants, we can formulate better strategies for managing our relationships with the tenants. We plan to invest more resources, including using the proceeds received from the Global Offering, to further upgrade our "Powerlong Yoyo" (寶龍悠悠) and "Mall Plus @ Powerlong" (寶龍商+) WeChat mini apps in order to enhance their functionalities and provide better services. See "Future Plans and Use of Proceeds" for details.

Regulatory Requirement and Information Security of the Information Technology System and Digital Platforms

According to the Administrative Measures on Internet Information Services (互聯網信息服務管理辦法) which was issued by the State Council on September 25, 2000 and came into effect on the same day and was revised on January 8, 2011, Internet information services refer to the provision of information to web users through the Internet, which can be divided into commercial Internet information services and non-commercial Internet services. Commercial Internet information services refer to paid services of providing information to or creating web pages for web users through the Internet. Non-commercial Internet services refer to free services of providing public, commonly-shared information to web users through the Internet. Whether a certain Internet information service is regarded as commercial or non-commercial, depends on whether the provision of Internet information is free or not. See "Regulatory Overview — Legal Supervision Over the Internet Information Services — Supervision Over the Internet Information Services" for details. As advised by our PRC Legal Advisor, (i) the WeChat mini apps we use are regarded as "non-commercial Internet information services," as our customers do not need to pay for the Internet information services provided by us. We do not derive any revenue from our digital platforms; (ii) a license for value-added telecommunication services is not necessary for providing non-commercial Internet information services; and (iii) our online business is not subject to foreign ownership restrictions under relevant PRC laws and regulations.

In addition, our information technology system and digital platforms collect user data including name, gender, birth date, phone number, address and records of payment, complaints and request for repair and maintenance. We have implemented the following internal control measures to enhance information security:

- we have installed anti-virus software in our system. We upgrade such software from time to time and carry out inspections to detect virus intrusion on a regular basis. We also scan all incoming data to ensure that it is free from virus;

- we have adopted procedures such as regular system check, password policy, user authorization and approval, data backup and data recovery test to safeguard our users' data;

- we have designated our information technology department to conduct frequent review of our digital platforms and systems to ensure that our collection, storage and use of users' data comply with our internal policies and applicable laws and regulations. Our information technology department is responsible for restricting our employees' access right to users' data; and

- we have provided training to our employees to ensure that they are aware of our internal policies in relation to users' data protection.

SALES AND MARKETING

Our sales and marketing team is primarily responsible for planning and developing our overall marketing strategy, conducting market research, coordinating our sales and marketing activities to attract new customers and maintain and strengthen our relationships with existing customers, managing our efforts in relation to tender bids and negotiating the terms of our commercial operational service and residential property management service contracts. Our headquarter manages our overall sales and marketing strategies, while our regional subsidiaries and branches implement our sales and marketing strategies within their respective regions.

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

Property Developers

- ***The Remaining Powerlong Group*** — During the Track Record Period, most of our revenue from commercial operational and residential property management services was derived from properties developed by the Remaining Powerlong Group. We expect our provision of commercial operational and residential property management services to properties developed by the Remaining Powerlong Group will continue to be our stable source of revenue in the foreseeable future. We plan to maintain a long-term cooperative relationship with the Remaining Powerlong Group.

- ***Independent Third Parties*** — We endeavor to expand our cooperation with Independent Third Parties by providing quality services. We aim to take advantage of our broad industry networks and ability to provide integrated services to attract Independent Third Parties.

Property Owners, Residents and Tenants

We provide our services to property owners, residents and tenants of our managed properties, including retail commercial properties such as shopping malls and shopping streets, and other types of properties such as residential properties, serviced apartments and office buildings. For retail commercial properties, we formulate yearly marketing plan and our headquarter will be responsible for promotion events during the most important holiday seasons while our regional offices will launch various marketing activities based on local needs. Our purpose is to increase consumer traffic and facilitate interaction among property owners, tenants, retail consumers and us. We also provide promotional activities via the digital platforms which are available at some of our managed retail commercial properties and will soon be available to all by the end of 2019.

RELATIONSHIP WITH THE REMAINING POWERLONG GROUP

Overview

We started our business in 1993 by providing complementary property management support to the Remaining Powerlong Group, and began to provide commercial operational services to the Remaining Powerlong Group in 2007 as it continues to expand its property portfolio and becomes one of the leaders in developing retail commercial properties in the PRC.

The success of a retail commercial property depends on a number of factors, including strategic location, design and layout, wide ranging tenant mix and efficient promotion and marketing strategy. As a result, a retail commercial property developer tends to engage a commercial operational service provider at an early stage of developing a retail commercial property to conduct various preliminary market research and feasibility study and provide support for its decision-making relating to land acquisition, positioning, and design and layout of the retail commercial properties. On the strength of our strong market research and positioning capability and our strong tenant sourcing capability as well as our familiarity with and deep understanding of the Remaining Powerlong Group's strategies, business goals and specific requirements, we are typically invited by the Remaining Powerlong Group to submit a proposal on the provision of commercial operational services before it obtains a parcel of land for the development of a retail commercial property. Our proposal typically consists of a market research report, proposed pricing standards for our services and an analysis of expected rental income. Different departments such as the business development, asset management, finance, and legal departments of the Remaining Powerlong Group will then review the proposal from different perspectives, and make a definitive decision as whether to award us the commercial operational service contract for the relevant retail commercial property. By providing preliminary market research and feasibility study before the Remaining Powerlong Group's submission of tender proposal for land, we are able to assist them to make informed investment decisions. After a parcel of land is acquired by the Remaining Powerlong Group, we will then conduct in-depth research with respect to the design, positioning, size and tenant mix for the retail commercial property and provide tenant-sourcing services. We believe our long and close working relationship with the Remaining Powerlong Group is mutually beneficial to both parties and has contributed to our success.

During the Track Record Period, we provided commercial operational services to all retail commercial properties developed by the Remaining Powerlong Group, and residential property management services to a substantial portion of residential property projects, serviced apartments and office buildings developed by the Remaining Powerlong Group. The Remaining Powerlong Group was our largest customer and largest supplier during the Track Record Period. It is an industry norm, according to Frost & Sullivan, that commercial operational service providers would have a close working relationship with property developers under the same ultimate controlling shareholder. The total estimated GFA of properties developed by the Remaining Powerlong Group which expect to be managed by us amounted to approximately 24.6 million sq.m., 27.5 million sq.m. and 30.4 million sq.m. in 2019, 2020 and 2021, respectively, which is calculated based on (i) our existing contracts; (ii) the estimated GFA to be delivered by the Remaining Powerlong Group; and (iii) the Remaining Powerlong Group's development plan. This information is prepared on the basis of our management's present expectation, which is subject to various risks, assumptions and uncertainties. We expect to continue to provide services to the Remaining Powerlong Group and derive revenue for the provision of such services. Our Directors are of the view that it is unlikely that our current business relationships with the Remaining Powerlong Group would be materially adversely changed or terminated. See "Relationship with Controlling Shareholders — Our Business Relationship with the Remaining Powerlong Group" for details.

We strive to expand our business by securing engagements from Independent Third Parties. During the Track Record Period, revenue generated from Independent Third Parties as a percentage of our total revenue continued to increase. In 2016, 2017 and 2018, revenue generated from Independent Third Parties accounted for approximately 65.4%, 78.7% and 81.9%, respectively, of our total revenue. For the six months ended June 30, 2018 and 2019, revenue generated from Independent Third Parties accounted for approximately 81.0% and 86.0%, respectively, of our total revenue. The table below sets forth a breakdown of our revenue by business segment and type of customer for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2016		2017		2018		2018		2019	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*	*RMB* (unaudited)	*%*	*RMB*	*%*
	(in thousands, except for percentages)									
Commercial operational services	628,250	83.4	792,363	81.5	979,631	81.6	463,989	80.4	621,162	82.9
Fellow subsidiaries (1)	213,175	28.3	159,427	16.4	173,628	14.4	89,685	15.5	76,440	10.2
Other related parties (2)	14,403	1.9	15,162	1.6	11,709	1.0	3,596	0.7	10,736	1.4
External customers (3) (4)	400,672	53.2	617,774	63.5	794,294	66.2	370,708	64.2	533,986	71.3
Residential property management services	124,467	16.6	180,619	18.5	220,767	18.4	113,016	19.6	127,897	17.1
Fellow subsidiaries (1)	32,892	4.4	32,325	3.3	32,515	2.7	16,215	2.8	16,834	2.2
Other related parties (2)	–	–	–	–	–	–	–	–	1,146	0.2
External customers (3)	91,575	12.2	148,294	15.2	188,252	15.7	96,801	16.8	109,917	14.7
Total	752,717	100.0	972,982	100.0	1,200,398	100.0	577,005	100.0	749,059	100.0

Notes:

(1) Refer to the Remaining Powerlong Group and other entities controlled by Mr. Hoi Kin Hong.

(2) Refer to joint ventures or associates of the Remaining Powerlong Group.

(3) Refer to Independent Third Parties.

(4) Include rental income derived from property leasing services provided to external customers under our commercial operational service segment.

Services Provided to Properties Developed by the Remaining Powerlong Group

Commercial Operational Services

During the Track Record Period, we provided commercial operational services including (i) market research and positioning, tenant sourcing and opening preparation services; (ii) commercial operation and management services; and (iii) property leasing services, to the properties developed by the Remaining Powerlong Group. A significant portion of our revenue generated from the commercial operational service segment was derived from properties developed by the Remaining Powerlong Group during the Track Record Period.

The table below sets forth our contracted GFA as of the dates, and revenue generated from providing commercial operational services for the periods indicated by type of developer:

	As of/for the year ended December 31,									As of/ for the six months ended June 30,		
	2016			2017			2018			2019		
	Contracted GFA	Revenue		Contracted GFA	Revenue		Contracted GFA	Revenue		Contracted GFA	Revenue	
	sq.m.	*RMB*	*%*	*sq.m.*	*RMB*	*%*	*sq.m.*	*RMB*	*%*	*sq.m.*	*RMB*	*%*
	(in thousands, except for percentages)											
Properties developed by:												
Remaining Powerlong Group(1)	5,546	594,425	94.6	5,705	722,980	91.2	5,999	881,336	90.0	6,602	563,409(4)	90.7
Joint ventures(2)	395	29,769	4.8	395	36,753	4.7	585	44,962	4.6	585	29,940	4.8
Independent Third Parties(3)	244	4,056	0.6	335	32,630	4.1	335	53,333	5.4	335	27,813	4.5
Total	6,185	628,250	100.0	6,435	792,363	100.0	6,919	979,631	100.0	7,522	621,162	100.0

Notes:

(1) Refer to properties developed by the Remaining Powerlong Group as well as properties jointly developed by the Remaining Powerlong Group and Independent Third Parties in which the Remaining Powerlong Group held a controlling interest.

(2) Refer to properties developed by joint ventures formed by the Remaining Powerlong Group and Independent Third Parties but neither had control. These properties comprise Tianjin Powerlong Plaza, Xiaoshan Powerlong Plaza, Yangzhou Powerlong Plaza and Lin'an Qingshan Lake Powerlong Plaza.

(3) Refer to properties developed and owned by Independent Third Parties or properties in which neither the Remaining Powerlong Group nor our Group held any ownership interest. These properties comprise Xiasha Guozi Powerlong Land, Yiwu Powerlong Plaza, Fuling Powerlong Plaza and Jiangyou Powerlong Plaza. Xiasha project consists of two separate retail commercial properties, namely, the Xiasha Powerlong Plaza which is owned by the Remaining Powerlong Group and the Xiasha Guozi Powerlong Land which is owned by an Independent Third Party. The revenue derived from the provision of commercial operation and management services to the Xiasha project could not be further broken down between the Xiasha Powerlong Plaza and the Xiasha Guozi Powerlong Land primarily because these two separate properties are managed by the same team due to the proximity of their locations and we do not keep separate records for fees received or costs incurred by each property. As a result, the portion of revenue derived from Xiasha Guozi Powerlong Land has been included in Xiasha Project and in the revenue derived from properties developed by the Remaining Powerlong Group.

(4) As of June 30, 2019, four retail commercial properties for which we were contracted to provide commercial operational services during the six months ended June 30, 2019 had yet to contribute to our revenue. See"— Portfolio of Retail Commercial Properties — Not Yet In Operation and Have Not Contributed to Our Revenue" for details.

Though the absolute amount of revenue generated from commercial operational services with respect to properties developed by the Remaining Powerlong Group increased from RMB594.4 million in 2016 to RMB723.0 million in 2017 and further to RMB881.3 million in 2018, revenue generated from properties developed by the Remaining Powerlong Group as a percentage of our revenue from commercial operational services decreased from 94.6% in 2016 to 91.2% in 2017 and further to 90.0% in 2018. The general downward trend in the portion of revenue generated from commercial operational services provided to the properties developed by the Remaining Powerlong Group from 2016 to 2018 demonstrates that we have been able to reduce our reliance on the Remaining Powerlong Group, which is mainly attributable to our continuous efforts to seek cooperation with Independent Third Parties through our asset-light business model. See "Business — Our Business Strategies — Continue to replicate our success to selected properties through asset-light business model" and "— Our Efforts to Explore Market Opportunities with Independent Third Parties" below for details. We expect that revenue generated from commercial operational services for the properties developed by the Remaining Powerlong Group as a percentage of our revenue from commercial operational services to further decrease in 2019.

Residential Property Management Services

During the Track Record Period, we also provided residential property management services, including (i) pre-sale management services; (ii) property management services; and (iii) other value-added services, to the properties developed by the Remaining Powerlong Group. A significant portion of our revenue generated from the residential property management service segment was derived from properties developed by the Remaining Powerlong Group during the Track Record Period.

The table below sets forth our contracted GFA and GFA under management as of the dates and revenue from our residential property management services for the periods indicated by type of developer:

	As of/for the year ended December 31,												As of/ for the six months ended June 30,			
	2016				2017				2018				2019			
	Contracted GFA	GFA under management	Revenue		Contracted GFA	GFA under management	Revenue		Contracted GFA	GFA under management	Revenue		Contracted GFA	GFA under management	Revenue	
	sq.m.	*sq.m.*	*RMB*	*%*	*sq.m.*	*sq.m.*	*RMB*	*%*	*sq.m.*	*sq.m.*	*RMB*	*%*	*sq.m.*	*sq.m.*	*RMB*	*%*
	(in thousands, except for percentages)															
Properties developed by:																
Remaining Powerlong Group(1)	9,610	8,732	121,695	97.8	11,524	9,387	174,293	96.5	14,016	9,883	213,955	96.9	16,082	10,248	123,897	96.9
Joint ventures (2)	324	324	2,772	2.2	467	324	6,326	3.5	776	324	6,812	3.1	988	324	4,000	3.1
Total	9,934	9,056	124,467	100.0	11,991	9,711	180,619	100.0	14,792	10,207	220,767	100.0	17,070	10,572	127,897	100.0

Notes:

(1) Refer to properties developed by the Remaining Powerlong Group, as well as properties jointly developed by the Remaining Powerlong Group and Independent Third Parties in which the Remaining Powerlong Group held a controlling interest.

(2) Refer to properties developed by joint ventures formed between the Remaining Powerlong Group and Independent Third Parties but neither party had control of such joint ventures. These properties comprise Tianjin Yujiapu, Xiaoshan, Yangzhou, Ningbo, Jinjiang Xintang and Zhoushan Putuo projects.

The absolute amount of revenue generated from residential property management services with respect to properties developed by the Remaining Powerlong Group increased from RMB121.7 million in 2016 to RMB174.3 million in 2017 and further to RMB214.0 million in 2018, revenue generated from properties developed by the Remaining Powerlong Group as a percentage of our revenue from residential property management services decreased from 97.8% in 2016 to 96.5% in 2017 and then increased to 96.9% in 2018. We expect that revenue generated from properties developed by the Remaining Powerlong Group as a percentage of our revenue from residential property management services to further decrease in 2019. See "— Our Efforts to Explore Market Opportunities with Independent Third Parties" below for details.

Revenue Generated from Business where the Remaining Powerlong Group Has Right and Capability to Engage or Dismiss Service Provider

In the commercial operational service market, the property owners generally have the right and capability to engage or dismiss the service providers on the provision of commercial operational services. During the Track Record Period, the Remaining Powerlong Group usually owned the majority of the retail units or stores in the commercial properties managed by our Group and has engaged us to provide commercial operational services to the commercial properties owned by them. Certain retail units or stores in the commercial properties developed by the Remaining Powerlong Group was sold to individual owners. Such individual property owners would typically consider if a commercial operational service provider could meet their requirements on property leasing services prior to their purchase. The individual property owners have the right and capability to engage or dismiss the services providers in respect of property leasing services provided to them. However, when choosing the retail commercial property management services and other value-added service providers, the individual owners are only capable of engaging or dismissing the service providers when they jointly own the majority of the retail units or stores in those commercial properties. When the Remaining Powerlong Group owns the majority of the retail units or stores in the commercial property, the Remaining Powerlong Group has the right and capability to engage or dismiss the service provider on the provision of retail commercial property management and other value-added services.

Under our residential property management service segment, individual property owners would have chosen the residential property management service provider when they purchase the property and have the right to engage or dismiss such service provider. As advised by our PRC Legal Advisor, according to applicable PRC laws, the property owners with affirmative votes accounting for more than half of the total area of the property and more than half of the total number of the property owners can convene a general meeting to approve the engagement or dismissal of the property management service providers through the property owners' association. The property owners' association may either hire a new residential property management service provider through a tender process or select one based on specific standards associated with terms and conditions of service, quality and price. Prior to the establishment of the property owners' association, the property owners could execute their rights to engage or dismiss service providers by vote in a similar manner.

In 2016, 2017 and 2018 and the six months ended June 30, 2019, our revenue generated from business where the Remaining Powerlong Group has the right to engage service providers amounted to approximately RMB511.0 million, RMB554.1 million, RMB659.5 million and RMB448.9 million, which include revenue generated from (i) (a) market research and positioning, tenant sourcing and opening preparation services; (b) commercial operation and management services; and (c) pre-sale management services and other value-added services provided to the properties developed by the Remaining Powerlong Group; and (ii) property management services to the properties owned by the Remaining Powerlong Group and represent approximately 67.9%, 56.9%, 54.9% and 59.9% of our total revenue, respectively. The decreases between 2016 and 2018 were primarily due to (i) the increase of the amounts generated from the property leasing services as a results of (a) the increase of GFA of commercial properties owned by the individual property owners; and (b) the increase of the revenue for the tenant sourcing services we provided to the individual property owners and our strong tenant sourcing ability; (ii) the increase of GFA of residential properties owned by the individual property owners; and (iii) the increase of GFA of properties developed by Independent Third Parties. The increase in 2019 was primarily due to the change of revenue recognition from net basis to gross basis as a result of the adoption of new business model for the car parking lots management services and the common area and advertising space management services since January 1, 2019. Correspondingly, in 2016, 2017 and 2018 and the six months ended June 30, 2019, our revenue generated from business where the individual owners or independent property developers have the right to engage service providers amounted to approximately RMB241.7 million, RMB418.9 million, RMB540.9 million and RMB300.2 million, respectively, which represented approximately 32.1%, 43.1%, 45.1% and 40.1% of our total revenue, respectively.

In view of our current plan to provide commercial operational services for certain property developers and acquire several small to mid-sized property developers in 2020 and 2021, details of which are set out in the paragraph headed "Our Efforts to Explore Market Opportunities with Independent Third Parties," the contracted GFA of the properties to be delivered by the Remaining Powerlong Group and its joint ventures or associates for the three years ending December 31, 2021, the existing business contracts and the existing business models of our Group, it is expected that the percentage of our revenue generated from business where the Remaining Powerlong Group has the right to engage service providers to our total estimated revenue for the years ending December 31, 2020 and 2021 will gradually decrease to approximately 57% and 55%, respectively. The expected percentages mentioned above are prepared based on our current business plan and our management's present expectation, which are subject to various risks, assumptions and uncertainties.

Purchases from the Remaining Powerlong Group

Under our commercial operational service segment, we lease certain car parks, advertising spaces and common areas from the Remaining Powerlong Group for the provision of other value-added services. As a result of such arrangement, in 2016, 2017 and 2018 and the six months ended June 30, 2019, purchases from our single largest supplier, the Remaining Powerlong Group, accounted for 4.2%, 6.2%, 7.2% and 23.2%, respectively, of our total purchases. See "Business — Suppliers" for details.

Our Efforts to Explore Market Opportunities with Independent Third Parties

We have established strong retail commercial property operation and management expertise which includes (i) strong market research and positioning capability; (ii) strong tenant sourcing capability supported by our large brand bank; and (iii) strong commercial operation and management capability. See "— Our Strengths" for details. We believe such expertise would enable us to attract more market opportunities with Independent Third Parties. Furthermore, our business is not capital intensive and as a result, we have been utilizing this asset-light business model and proactively exploring market opportunities with respect to managing properties developed or owned by Independent Third Parties. Through providing commercial operational services to Independent Third Parties, we have been able to assist these parties in enhancing the value and improving the performance of their retail commercial properties. For example, a retail commercial property located in Fuling, Chongqing Municipality was originally managed by the developer's commercial operational service team under its own brand name. This retail commercial property did not commence operation as scheduled as the occupancy rate could not reach the expected level. We were later contracted with the developer of this retail commercial property in August 2016 with respect to the operation and management of this property under the brand name of "Powerlong Plaza." We conducted market research and analysis to formulate an optimal plan with respect to the positioning, tenant and brand mix of such retail commercial property, and pursuant to such plan, identified and solicited tenants for such retail commercial property. This retail commercial property successfully held its opening in December 2017 achieving an occupancy rate of 97.3% upon opening. We were contracted with the same developer with respect to its another retail commercial property located in Jiangyou, Sichuan Province in July 2017. This retail commercial property successfully held its opening in November 2018 achieving an occupancy rate of 88.3% upon opening. In addition, we were contracted with a developer which does not have its own commercial operational service team with respect to a retail commercial property located in Yiwu, Zhejiang Province in June 2016. This retail commercial property held its opening in November 2017 achieving an occupancy rate of 100.0% upon opening.

We have set up a business expansion department to be responsible for exploring potential projects developed or owned by Independent Third Parties through government publication, internal referral and external marketing events. We plan to continue to leverage the market recognition of those four brand names which have been jointly developed by us and the Remaining Powerlong Group and licensed to us by a connected person, Powerlong Group Development, to seek future cooperation opportunities with Independent Third Parties. We will consider the scope of services we are contracted to provide and decide whether we may manage and operate a retail commercial property under one of those four brand names. Where we are contracted with an Independent Third Party to provide comprehensive integrated commercial operational services, in particular, commercial operation and management services and need to establish a dedicated team for providing such services, we typically will manage such retail commercial property under one of those four brand names. Where we are engaged by an Independent Third Party before a retail commercial property commences its operation and contracted to provide market research and positioning services but not commercial operation and management services, or engaged by an Independent Third Party after a retail commercial property commences its operation and contracted to provide certain commercial operation and management services and need to allocate limited resources for providing such services, we typically will not permit the property developer or owner to use our brand names and as a result, such property owner or developer will continue to use the current brand names. Further, whether we will manage a retail commercial property developed or owned by an Independent Third Party under one of these four brand names is subject to our negotiation and final commercial arrangement with such Independent Third Party. According to Frost & Sullivan, it is an industry norm in the PRC that a third-party developer or owner agrees with a leading commercial operational service provider to operate and manage a retail commercial property developed or owned by such third-party developer or owner using the service provider's brand names. This is primarily because a leading commercial operational service provider can leverage its brand name and expertise to source leasing commitments for and attract traffic to such retail commercial property, both of which are essential to the success of a retail commercial property. We started to provide commercial operational services to retail commercial properties owned by Independent Third Parties in 2014. As of June 30, 2019, four retail commercial properties under our management were developed or owned by Independent Third Parties.

For commercial operational services, since June 30, 2019 and up to the Latest Practicable Date, we had further been contracted to provide comprehensive integrated commercial operational services with respect to three retail commercial properties developed or owned by Independent Third Parties with an aggregate contracted GFA of approximately 183,000 sq.m., and to provide market research, positioning and other consulting services with respect to three retail commercial properties developed and owned by Independent Third Parties with an aggregate contracted GFA of approximately 458,000 sq.m. In addition, on June 11, 2019, we entered into a memorandum of understanding with an Independent Third Party with respect to a retail commercial property with an estimated contracted GFA of approximately 84,000 sq.m. Since June 30, 2019 and up to the Latest Practicable Date, we had also entered into seven memoranda of understanding with respect to retail commercial properties developed or owned by Independent Third Parties with an estimated aggregate contracted GFA of approximately 599,000 sq.m. See "— Commercial Operational Services — Portfolio of Retail Commercial Properties — Pipeline Projects" for details. For residential property management services, we had established ten regional management offices in the first half year of 2019 to capture potential business development and acquisition opportunity on property management projects or companies. We had entered into preliminary management contracts with Independent Third Parties to provide residential property management services with respect to five residential property projects with an aggregate contracted GFA of approximately 705,100 sq.m. See "— Residential Property Management Services — Pipeline Projects" for details.

As of the Latest Practicable Date, the aggregate contracted GFA of properties developed or owned by Independent Third Parties for which we were contracted to manage was approximately 1.7 million sq.m. According to Frost & Sullivan, PRC's real estate macro-control policy has imposed limit on the profit margin of pure residential properties. Meanwhile, residential properties with commercial complex become a relatively high profit margin product portfolio. Hence, property developers would develop commercial complex as an ancillary to the residential properties. However, most of the small to mid-sized property developers are lack of sufficient experience in managing the commercial complex. In order to create an attractive selling point for the residential properties they developed and improve their profit margin, there is an increasing trend of property developers considering engaging the commercial service provider with abundant management experience to provide the commercial operational services for the commercial complex they developed. Hence, we, as a leading commercial operational service provider in China, have been approached by the small to mid-sized property developers with an aim of engaging us in providing commercial operational services. Meanwhile, we will continue to explore the potential business opportunities on operating and managing the properties developed or owned by independent property developers to enlarge our project portfolios. We are currently in the process of conducting internal due diligence review in respect of certain properties owned by independent property developers as well as negotiating with such independent property developers in the terms of the management contracts. We expect to reach an agreement with certain independent property developers by 2020. Taking into account (i) the properties which are currently under our due diligence review for contract and commercial negotiation with the independent property developers who wish to engage us to provide commercial operational services to the properties developed or owned by them; (ii) our strategic acquisition of and investment plan in other small to mid-sized commercial operational service providers; and (iii) our business expansion development plan on the properties developed or owned by Independent Third Parties, it is expected that the newly contracted GFA of such properties by end of 2020 and 2021 would reach approximately 1.7 million sq.m. and 3.0 million sq.m., respectively. We target to contract with ten commercial properties with an aggregate GFA of approximately 840,000 sq.m. by 2021. In particular, a property developer who engaged us in providing commercial operational services for a commercial property in Chongqing has approached us and expressed its intention to engage us in providing commercial operational services for another commercial property in Chongqing in 2020. In addition, an asset management fund, a state-owned property developer and a public transportation service company in Xiamen, who do not have their own commercial operational team to provide commercial operational services, have also approached us and explored the possibility of engaging us in providing commercial operational services for their commercial properties to be developed and/or acquired in the future on a long term basis. In the event that agreements could be reached with such asset management fund, state-owned property developer and public transportation service company, we expect our newly contracted GFA of commercial properties developed or owned by Independent Third Parties would be increased by approximately 690,000 sq.m. We target to acquire a small to mid-sized commercial operational service provider with approximately 880,000 sq.m. under management by using the proceeds from the Global Offering by 2021. We are at the preliminary stage of exploring the possibility of acquiring several mid-sized commercial operational service providers which are based in the Yangtze River Delta. Such commercial operational service providers are currently managing not less than 15 retail commercial properties with an aggregate GFA under management of approximately 1,000,000 sq.m. Should such acquisitions be materialized after the Listing, we expect that the aggregate GFA under management will increase by approximately 1,000,000 sq.m. For details of our strategic acquisition of small to mid-sized commercial operational service providers, see "Future Plans and Use of Proceeds" in this prospectus. We are in the process of conducting preliminary due diligence review on the residential properties developed by independent property developers and some of which are under commercial negotiation with such independent property developers on the terms of management contract. Based on the residential property projects available in the market, we expect our newly contracted GFA of residential properties developed or owned by Independent Third Parties would be increased by approximately 3.0 million sq.m. by 2021.

Considering (i) the vigorous development of the commercial operational service market in the PRC; (ii) our leading position in the PRC commercial operational service industry and our strong retail commercial operation and management expertise; (iii) our abundant management experience in the provision of property management services with respect to residential properties; (iv) our record of replicating our success to retail commercial properties developed or owned by Independent Third Parties via asset-light business model; (v) our achievement on the business expansion of properties developed or owned by Independent Third Parties for which we were contracted to manage in 2019; (vi) our comprehensive integrated commercial operational services; and (vii) our strategic acquisition of and investment in other commercial operational service providers, we believe that we are well-positioned to capture potential opportunities and could achieve our target relating to operation and management of retail commercial properties developed by independent property developers as mentioned above.

CUSTOMERS

We have a large, growing and loyal customer base primarily consisting of property developers, property owners, property owners' associations and tenants. The table below sets forth the types of our major customers for each of our business segments:

Business Segments	Major Customers
Commercial operational services	
• Market research and positioning, tenant sourcing and opening preparation services	Property owners and property developers
• Commercial operation and management services	
– Tenant management and rent collection services	Property owners
– Retail commercial property management services	Tenants
– Other value-added services	Property owners, tenants and consumers

Business Segments	Major Customers
• Property leasing services	Tenants
Residential property management services	
• Pre-sale management services	Property developers
• Property management services	Property developers, property owners and property owners' associations
• Other value-added services	Property owners, tenants and residents

In 2016, 2017 and 2018 and the six months ended June 30, 2019, revenue generated from provision of services to our five largest customers amounted to RMB269.9 million, RMB233.8 million, RMB246.4 million and RMB113.1 million, respectively, accounting for approximately 35.9%, 24.0%, 20.5% and 15.1% of our total revenue, respectively. In 2016, 2017 and 2018 and the six months ended June 30, 2019, revenue generated from provision of services to our largest customer, the Remaining Powerlong Group, amounted to RMB246.1 million, RMB191.8 million, RMB206.1 million and RMB93.3 million, respectively, accounting for approximately 32.7%, 19.7%, 17.2% and 12.5% of our total revenue, respectively. We have had ongoing business relationships with our top five customers during the Track Record Period for over five years. The transactions with the Remaining Powerlong Group constituted connected transactions. Other than the Remaining Powerlong Group, one of our five largest customers in 2016, Yangzhou Jinlun Powerlong Real Estate Co., Ltd. (揚州金輪寶龍置業有限公司) which is an associate of our substantial shareholder, Powerlong Holdings, and is indirectly owned as to approximately 51% by Powerlong Holdings, is our connected person, revenue from Yangzhou Jinlun Powerlong Real Estate Co., Ltd. was approximately RMB5.8 million, accounting for 0.8% of our total revenue in 2016. Other than the Remaining Powerlong Group, one of our five largest customers for the six months ended June 30, 2019, Hangzhou Zhanxiang Industrial Co., Ltd. (杭州展驤實業有限公司) which is associate of our substantial shareholder, Powerlong Holdings, and is indirectly owned as to approximately 50% by Powerlong Holdings, is our connected person, revenue from Hangzhou Zhanxiang Industrial Co., Ltd. was approximately RMB5.6 million accounting for 0.7% of our total revenue for the six months ended June 30, 2019. Other than the Remaining Powerlong Group and the other two joint ventures or associates of the Remaining Powerlong Group, which are real estate developers, our customers during the Track Record Period were all Independent Third Parties. As of the Latest Practicable Date, none of our Directors, Shareholders, members of senior management, the close associates of the aforementioned or any other member of our Group who owned more than 5% of our issued share capital held any interest in any of our five largest customers other than the Remaining Powerlong Group. During the Track Record Period, other than the Remaining Powerlong Group, none of our major suppliers was our customer.

See "Connected Transactions," "Relationship with Controlling Shareholders" and "Risk Factors — Risks Relating to our Business and Industry — A significant portion of our revenue is from commercial operational services and residential property management services provided in relation to properties developed and/or owned by the Remaining Powerlong Group, which was also our single largest customer during the Track Record Period" in this prospectus for details.

SUPPLIERS

We have established stable and long-term business relationships with most of our major suppliers. The table below sets forth the types of our major suppliers under each of our business segments:

Business Segments	Major Suppliers
Commercial operational services	
• Market research and positioning, tenant sourcing and opening preparation services	Advertising and public relations companies
• Commercial operation and management services	Subcontractors and suppliers providing cleaning, security, fire security, event planning and executing, and repair and maintenance services and property owners
• Property leasing services	Owners of units located in the shopping streets and owners of certain shopping mall
Residential property management services	
• Pre-sale management services	Subcontractors providing cleaning and gardening services
• Property management services	Subcontractors providing cleaning and gardening services
• Other value-added services	Subcontractors providing repair and maintenance services and advertising companies

In 2016, 2017 and 2018 and the six months ended June 30, 2019, purchases from our five largest suppliers amounted to RMB36.1 million, RMB57.3 million, RMB76.3 million and RMB98.1 million, respectively, accounting for approximately 13.9%, 16.8%, 19.3% and 36.3%, respectively, of our total purchases. Purchases from our single largest supplier, the Remaining Powerlong Group, amounted to RMB10.9 million, RMB21.0 million, RMB28.5 million and RMB62.7 million, respectively, accounting for approximately 4.2%, 6.2%, 7.2% and 23.2%, respectively, of our total purchases. The percentage of purchases from our single largest supplier, the Remaining Powerlong Group, increased from 7.2% in 2018 to 23.2% for the six months ended June 30, 2019, primarily because we incurred short-term lease expenditure in the six months ended June 30, 2019 as we changed our arrangement with respect to car park, common area and advertising space management with the Remaining Powerlong Group from January 1, 2019. See "Business — Our Business Model — Commercial Operational Services" and "Financial Information — Period to Period Comparisons of Our Results of Operations — Six Months Ended June 30, 2019 Compared to Six Months Ended June 30, 2018 — Cost of Services" for details.

To the best of our knowledge, as of the Latest Practicable Date, we were not aware of any information or arrangement that would lead to termination of our relationships with any of our major suppliers. During the Track Record Period, other than the Remaining Powerlong Group, none of our major suppliers was also our customer. In 2016, 2017 and 2018 and the six months ended June 30, 2019, purchases from our single largest supplier, the Remaining Powerlong Group, amounted to RMB10.9 million, RMB21.0 million, RMB28.5 million and RMB62.7 million, respectively, accounting for approximately 4.2%, 6.2%, 7.2% and 23.2%, respectively, of our total purchases. During the Track Record Period, we leased car parks from the Remaining Powerlong Group and then provided parking services to consumers. The Remaining Powerlong Group was also our single largest customer during the Track Record Period. In 2016, 2017 and 2018 and the six months ended June 30, 2019, revenue generated from our provision of services to the Remaining Powerlong Group amounted to RMB246.1 million, RMB191.8 million, RMB206.1 million and RMB93.3 million, respectively, accounting for approximately 32.7%, 19.7%, 17.1% and 12.5% of our revenue generated from our provision of services to the Remaining Powerlong Group, respectively. During the Track Record Period and up to the Latest Practicable Date, other than the Remaining Powerlong Group, all of our major suppliers were Independent Third Parties. As of the Latest Practicable Date, none of our Directors, supervisors, their close associates or any Shareholders who, to the knowledge of our Directors, owned more than 5% of our issued share capital, had any interest in any of our five largest suppliers other than the Remaining Powerlong Group. We do not have any long-term agreements with our top five suppliers. We typically enter into one-year agreements with our suppliers and renew them on an annual basis.

Selection and Management of Suppliers

We maintain a list of qualified suppliers which is subject to our evaluation every 12 months based on the suppliers' background, qualifications and industry reputation, as well as the quality of their products or services provided to us. We will only add new suppliers with whom we have not cooperated before to such list after recommendations from our regional offices and evaluation of their background, qualifications and industry reputation. For the suppliers who operate nationwide, our headquarter will be responsible for the selection process; on the other hand, our subsidiaries will be responsible for the selection of local suppliers. We typically engage our suppliers through a competitive bidding process. We select suppliers from the pool of qualified suppliers and send invitations for bids to at least three suppliers for procurements above a certain monetary threshold. We assess the bids by considering a wide range of factors, including price, quality and delivery time of their products or services.

After a selected supplier commences to provide the products or services, we regularly monitor and evaluate its performance on an annual basis. If a selected supplier has met our expected standard for consecutive years, we may enter into strategic cooperation framework agreement with such supplier. On the contrary, if a selected supplier delivered repeated sub-standard performances, we may remove such supplier from our list of qualified suppliers. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material disputes with our suppliers that may have a material adverse effect on our business, financial position and results of operations.

Subcontracting

We subcontract certain labor-intensive services and specialized or technical services, primarily including cleaning, security, greening, gardening, and repair and maintenance services, to subcontractors, which enables us to lower our operating costs, improve service quality, dedicate more resources to management and enhance the overall profitability of our operations. Our subcontractors specialize in the services they perform and, therefore, operate in an efficient manner. In 2016, 2017 and 2018 and the six months ended June 30, 2019, our subcontracting costs amounted to RMB112.3 million, RMB147.6 million, RMB174.1 million and RMB103.4 million, respectively. All of the subcontractors during the Track Record Period were Independent Third Parties.

Management of Subcontractors

We regularly monitor and evaluate the performance of our subcontractors. Project managers are expected to inspect the work of subcontractors on periodic basis and record any issues they detect. If a subcontractor repeatedly fails to meet our standards, we will terminate our cooperation and seek new subcontractors. We have also established internal policies and procedures for managing complaints received about services provided by our subcontractors.

Key Terms of Our Subcontracting Agreements

Our subcontracting agreements typically include the following key terms:

- *Term* — Such agreements are typically signed for six months to one year term and may be renewed by mutual consent. We will consider re-engaging the subcontractors based on the quality of their services.

- *Performance scope and standards* — The subcontracting agreements set forth the scope and expected standards of the subcontractor's services, including the areas which the subcontracting services should cover. For subcontracted services such as repair and maintenance of elevators and fire extinguishing systems, we may specify our expected quality standards and the types of inspections we require. We also require our subcontractors to adhere to our internal policies, such as those to do with quality standards, safety, reporting times, uniforms and etiquette guidelines.

- *Our rights and obligations* — Generally, we have both the right and obligation to supervise and evaluate our subcontractors. We generally pay subcontracting fees on a monthly or quarterly basis, depending on what is agreed in the contract. We are entitled to collect fines if our subcontractors fail to adhere to our performance scope and standards.

- *Rights and obligations of subcontractors* — Our subcontractors are responsible for obtaining all licenses, permits and certificates necessary for conducting their business operations in accordance with applicable laws and regulations. They also undertake to provide their services according to the scope, frequency and standards of quality prescribed in the relevant subcontracting agreements.

- *Risk allocation* — Our subcontractors manage their own employees, with whom we have no employment relationship. Our subcontractors are responsible for compensating their own employees who suffer damages to person or property in the course of providing the contracted services. They are also responsible for damages to person or property caused by their employees in the course of providing the contracted services.

- *Procurement of raw materials* — Our subcontractors are responsible for procuring all raw materials required to provide their services to us. For the parts that required replacement during the repair and maintenance process, the subcontractors will need to inform us before procuring the replacements. Our subcontractors shall bear the relevant cost if the value of the replacement part is below a certain amount.

- *Subcontracting fees* — Subcontracting fees are typically payable monthly, including costs incurred in connection with the procurement of materials, labor costs, equipment maintenance costs, insurance costs, tax expenses and other miscellaneous costs incurred by the subcontractors.

- *Termination and renewal* — We monitor and assess the performance of subcontractors regularly. Generally, we have the right to terminate the contract if our subcontractors fail to adhere to their rights and obligations, make repeated mistakes and if we receive multiple complaints from our customers in relation to their services. Proposals to renew the contract are generally made in writing 30 days before the contract expires.

QUALITY CONTROL

We prioritize quality in our services and believe that quality control is crucial to the long-term success of our business. We have designated personnel primarily responsible for overseeing our business operations to exercise quality control, focusing on maintaining standards of quality, standardizing our internal policies and procedures and monitoring adherence to those standards. They perform regular spot check at regional offices and headquarters.

Quality Control over Our Services

We have established a system to monitor the quality of our services, which includes multiple sets of standardized internal policies and procedures. For example, we require our employees and subcontractors to complete inspection checklists after each round of scheduled inspections, to record their observations and to update as to the property's conditions. We also draft guidance pamphlets on how to conduct certain aspects of our business operations, such as how to clean areas such as parking lots, bathrooms, elevators and other common areas and how to maintain and operate technical facilities such as elevator systems and fire-extinguishing equipment.

Quality Control over Subcontractors

We typically set forth expected quality standards in our subcontracting agreements. We regularly evaluate the performance of our subcontractors and may ask them to take appropriate and necessary rectification measures for incidents of substandard performance. We reserve the right to collect fines if our subcontractors fail to perform in accordance with our standards of quality and the right to decide whether to renew subcontracting agreements based on the outcome of our evaluations. See "— Suppliers — Subcontracting — Management of Subcontractors" and "— Suppliers — Subcontracting — Key Terms of Our Subcontracting Agreements" in this prospectus for details.

Feedback and Complaint Management

During the ordinary course of our business, we receive customer feedback and complaints about our services. Customers may provide us with feedback and complaints through various channels including, among others, dialing our national service hotline or by communicating with employees stationed at our property management projects. Customer feedback and complaints may relate to, for example, substandard services of our subcontractors and loss or damage to property.

We have established internal policies and procedures to respond to and record customer feedback and complaints and follow up with our customers for reviews on our responses. These internal policies and procedures are applicable across all of our property management projects.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any customer complaints about our services that would have a material adverse impact on our operations or financial results.

INTELLECTUAL PROPERTY

As of the Latest Practicable Date, we were the registered proprietor of two trademarks that we believe are material to our business and filed registration application for seven trademarks in Hong Kong. See "Statutory and General Information — B. Further Information about Our Business — 2. Intellectual Property Rights of Our Group" in Appendix IV to this prospectus for details.

We are licensed to use or sub-license 28 trademarks by entering into a trademark licensing agreement with Powerlong Group Development, pursuant to which Powerlong Group Development granted us the right to use the trademarks set out in "Statutory and General Information — B. Further Information about Our Business — 2. Intellectual Property Rights of Our Group" in Appendix IV to this prospectus. See "Connected Transactions — (A) Continuing Connected Transactions Fully Exempt from the Reporting, Annual Review, Announcement and Independent Shareholders' Approval Requirements — 2. Trademark Licensing" in this prospectus.

In addition, we have registered eight domain names that we believe are material to our business operation, see "Statutory and General Information — B. Further Information about Our Business — 2. Intellectual Property Rights of Our Group" in Appendix IV to this prospectus for details.

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

AWARDS

The table below sets forth a selection of the notable awards and recognitions we received as of the Latest Practicable Date:

Date of award or recognition	Name of award or recognition	Awarding entity
2019	Mall China Golden Mall Awards 2019 Excellent Management Company Award (中購聯2019年度購物中心行業優秀管理公司獎)	China Shopping Center Development Association of Mall China (中購聯購物中心發展委員會)
2019	Excellent Management Company Award (年度商業地產優秀運營商)	Winshang.com (贏商網) and China Experience Commercial Real Estate Development Forum Committee (中國體驗式商業地產發展論壇組委會)
2019	China's Real Estate Market Leaders in Digitalization Efforts (中國地產數字化領軍企業獎)	China Smart Real Estate Influence Ranking (中國智慧房產影響力排行榜)
2019	Best Brand Value Award (最佳品牌價值獎)	China Financial Market (中國融資)
2019	The 2018-2019 Outstanding Enterprise Award in Commercial Property (2018-2019年度商業地產卓越企業)	Commercial Property Golden Awards Selecting Committee (商業地產金座標獎評選委員會) and Winshang.com (贏商網)
2019	Xiamen Powerlong One Mall received Model Business Award (商業典範榜樣)	IFENG.COM (鳳凰網)
2018	Xiamen Powerlong One Mall received 2018 Star Award (2018年度星秀獎)	China Shopping Center Development Association of Mall China (中購聯購物中心發展委員會)
2018	Xiamen Powerlong One Mall received 2018 Quality and Innovation Commercial Entity Award (2018年度品質創新商業綜合體)	China Business Network (第一財經)
2018	Xiamen Powerlong One Mall received 2018 Outstanding All-around Operation Project Award (2018年度綜合運營優秀項目獎)	People.cn (人民網)

COMPETITION

According to Frost & Sullivan, leading commercial operational service providers are generally affiliated to real estate development companies with sufficient capitals to provide consulting services on the development and construction of retail commercial properties, tenant sourcing, operation and management services, etc. In addition, the commercial operational service market in the PRC was relatively fragmented. In 2018, the top five companies accounted for approximately 10.9% of aggregate GFA under management of commercial operational service market in the PRC. On the other hand, property management service market in the PRC is very fragmented with a large number of competitors providing comparable services. As of December 31, 2018, there were over 100,000 property management services companies providing property management services to residential and non-residential properties.

As a commercial operational and residential property management service provider in the PRC, we primarily compete with large national, regional and local commercial operational and property management companies. As one of the few leading commercial operational service companies with diversified and differentiated retail commercial properties and together with our competitive strengths, we believe that we are able to continue competing with these industry players. Moreover, new market entrants may face entry barriers such as brand reputation, capital requirement, customer relationship, operation and management capability, technology level and availability of talents, all of which we believe we have and will continue to overcome. For more information on the industry and the markets that we operate in, see "Industry Overview" and "Risk Factors — Risks Relating to our Business and Industry — We face a wide range of competition and may fail to compete effectively and operate profitably" in this prospectus.

ENVIRONMENTAL AND SOCIAL MATTERS

We are committed to operate our business in compliance with applicable environmental protection laws and regulations and have implemented relevant environmental protection measures in compliance with the required standards under applicable PRC laws and regulations.

Given the nature of our operations, we do not believe that we are subject to any material risks or compliance costs in relation to environmental issues. During the Track Record Period and up to the Latest Practicable Date, we were not subject to any material fines or penalties for non-compliance of PRC environmental laws, nor were we subject to any material administrative penalties in relation to violations of PRC environmental laws.

We have adopted policies on compensation and dismissal, equal opportunities, diversity, anti-discrimination, and other benefits and welfare.

We are subject to PRC laws in relation to occupational health and safety matters. We provide training to our employees regarding how to react during selected emergencies. During the Track Record Period and as of the Latest Practicable Date, we did not experience any material accidents involving personal injury or property damage. Our PRC Legal Advisor confirms that we have complied with all applicable labor laws and regulations in all material respects, and our Directors confirm that there were no material labor disputes or labor-related legal proceedings against us during the Track Record Period except as disclosed in this prospectus.

EMPLOYEES

We believe that the expertise, experience and professional development of our employees contribute to our growth. Our human resources department manages, trains and hires employees.

As of June 30, 2019, we had a total of 4,842 full-time employees in China. The table below sets forth the number and breakdown of our full-time employees by function:

	Number of employees	% of total
Headquarters	149	3.1%
Human resources and administrative department	221	4.6%
Finance management department	416	8.6%
Commercial operational service department	2,596	53.6%
Residential property management service department	1,460	30.2%
Total	4,842	100.0%

The table below sets forth a breakdown of our full-time employees by geographic location as of June 30, 2019:

	Number of employees	% of total
Yangtze River Delta	2,392	49.4%
Southeast China	706	14.6%
Midwest China	960	19.8%
Bohai Economic Rim	784	16.2%
Total	4,842	100.0%

As of the Latest Practicable Date, our employees at certain of our subsidiaries had formed labor unions. Our employees do not negotiate their terms of employment through the labor unions or by ways of collective bargaining agreements. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material strikes or labor disputes with our employees, nor did we receive any complaints, notices or orders from relevant government authorities or third parties that may have a material adverse effect on our business, financial position and results of operations.

Social Insurance and Housing Provident Fund Contributions

According to the relevant PRC laws and regulations, we are required make contributions to social insurance fund (including pension fund, medical insurance, unemployment insurance, work-related injury insurance, and maternity insurance) and housing provident fund for the benefit of our PRC employees. During the Track Record Period, some of our PRC subsidiaries did not register for housing provident fund and/or fully contribute to certain social insurance and housing provident funds for their employees primarily because the staff who were primarily in charge of these matters in our relevant subsidiaries and branch companies did not fully understand the different regulatory requirements in area where we operated. See "— Legal Proceedings and Compliance — Historical Non-compliance Incidents" for details.

Recruiting

We endeavor to recruit talented employees by offering competitive wages and benefits, systematic training opportunities and promotion opportunities.

As part of our efforts to recruit quality talents of our industry, we have established detailed sets of internal policies and procedures to guide each stage of our efforts. For example, we have guidelines on who are the appropriate interviewers for particular positions, how to conduct our phone interviews, standardized interview procedures and interview questions.

We also evaluate our recruitment procedures and job descriptions regularly. While we have determined the qualifications and traits desirable in ideal candidates for various management levels and positions, we strive to recruit candidates who fit into our corporate culture as well. Our recruitment process primarily includes the following stages:

- *Issue job posting*. Departments in need will apply to recruit for their vacancies. Our recruitment personnel in the human resources department will then issue job postings with descriptions of our required qualifications on internal and external platforms including online and offline channels such as our own website, campus recruit events jointly held by us and the Remaining Powerlong Group, headhunters, posters and online job banks. We also have a program for rewarding employees who have successfully referred candidates to us.

- *Review resumes*. Our human resources department and the department(s) in need will review applications and resumes with reference to our internal guidelines.

- *Interviews.* We select applicants from the pool of resumes for interviews. We conduct first round interview by phone, and second round in person. We give feedback to our candidates within a certain period after the interview.

- *Internal evaluation*. Once we select our candidates, we set their salaries after considering our budget and their individual qualifications. We also begin internal review and approval procedures by relevant levels of management for hiring new employees. We conduct background searches for candidates competing for managerial or higher positions.

- *Hiring*. We issue offer letters and assist admitted candidates with the necessary paperwork and orientation procedures.

- *Post-hiring*. We contact the candidates before the orientation and keep close attention to them within the probation period in order to help them adapt to the new environment.

Training and Development

We perceive our employees as key to our service quality and customer experience. As part of our long-term efforts to retain and motivate talent, we offer our employees career advancement prospects and training in professional skills.

Additionally, we provide training programs on a regular basis and across management levels, designing them with a view to our business needs and long-term strategies. Each year we draw up course curriculums for our employees covering key areas in our business operations, including but not limited to our corporate culture and policies, technical knowledge required for certain positions, leadership skills and general knowledge about the nature of our services.

Our Training Programs

We have multiple training programs tailored to different levels of employment. The details of these programs are as follows:

- *"Vigorous Dragons Program"* (潛龍計畫). We target our "Vigorous Dragons" management trainee program toward entry-level employees, all of whom are hired through our campus recruitment programs. We provide introductory courses covering, among other topics, general knowledge about the commercial operational and property management service market, the nuances of customer service as well the nature of our services. We believe our "Vigorous Dragons" training program is able (i) to promote our corporate image and influence; (ii) to train young employees who share our core value; (iii) to provide systematic training which gives us continuous source of talents; and (iv) to perfect our management team, which altogether help us assemble an elite and loyal workforce.

- *"Rising Dragons Program"* (飛龍計畫). We target our "Rising Dragons" training program toward mid-level management personnel. We provide advanced courses including, among others, case studies about retail commercial property management, introduction on our digitalization efforts, corporate culture and human resource management, and operation management of shopping malls. In the "Rising Dragons" training program, such issues would be discussed in greater depth. We also invite many experienced speakers to share their experience about management and provide courses that are tailored to assist employees in adjusting and succeeding in their managerial positions. This includes observing and learning from other benchmark shopping malls, among others.

- *"Supreme Dragons"* (臻龍計畫). We target our "Supreme Dragons" training program toward senior management. We aim at broadening the perspectives of these senior management personnel which help strengthen our overall management quality.

- *"Ingenious Dragons"* (蛟龍計畫). We target our "Ingenious Dragons" training program toward employees who hold doctorate degrees. We provide various courses aiming at strengthening their professional knowledge and management capability. The participants will be able to develop all-around skills by rotating through different departments and taking on many challenges.

We have woven into our training program mentorship, assessment, feedback and evaluation procedures for our employees to facilitate their growth and development. We believe that our training programs, combined with on-the-job learning, facilitate advancement of our employees.

OUR CASH MANAGEMENT POLICY

We have a bank account and cash management system to manage our cash inflows and outflows, applicable to all of our subsidiaries and branch offices in their ordinary course of business, details of which are set out as below:

Cash flow transactions	Cash handling policies and internal control measures
Cash inflow in relation to payments of commercial operational and property management service fees, deposits, rent or service fees from our customers	We have cashiers specifically responsible for cash collection. They verify that the cash collected is the correct amount prior to issuing receipts. We require that all cash collections be recorded within the same day.
Cash outflow in relation to refunding deposits or service fees to our customers and issuing checks	We initiate our internal approval process once we receive refund request from our customers. Based on the approval, our cashiers issue the refund after verifying the authenticity of the payment proof presented by the customers. Customers who lose their payment proofs may file the loss by completing forms and undergoing identity verification procedures.
	We allow customers to authorize a representative to collect the refund for them if they cannot do so in person. Authorized representatives are required to undergo identity verification procedures and provide relevant power of attorneys. Prior to processing any refund bills our cashiers and customer service personnel must sign and confirm, and record all reasons for making refunds.
	We track checks and require each check to be registered upon issuance. Our accountants and finance managers are required to conduct weekly inspection of check stubs and void checks. We also conduct random inspection at our branch offices every month.
Cash inventory and deposits	Our subsidiaries and branch offices generally are not allowed to keep more than RMB10,000 in cash on hand. We require excess amounts be deposited into the bank accounts of our subsidiaries and branch offices in a timely manner. Our employees are expected to check cash balances in inventory randomly on a weekly basis, and we assign accounting personnel to check cash balances and relevant records from time to time to reconcile the balances in our daily statement and online bank account. Our accounting personnel will report, analyze and resolve discrepancies or other issues they discover and record the results of their findings. Our headquarters will conduct spot checks to ensure compliance.

Cash flow transactions	Cash handling policies and internal control measures
	Our accountants will prepare the bank reconciliation statement before the fifth day of every month. Our finance managers are responsible for signing and verifying each entry on such statement. Our finance personnel at our headquarters will conduct monthly check on cash balances and bank reconciliation statement at our branch offices.
Cash transfers to our centralized bank account or the bank accounts of our subsidiaries and branch offices	We receive cash through methods such as checks, credit or debit card payments and bank transfers. Our employees are required to verify that key payment and other details of checks received are in good order. They are also required to timely file all proofs of payment. In cases such as bounced checks, failed credit and debit card payments and unsuccessful bank transfers, our employees are required to follow up on and take steps to resolve such issues immediately.
Cash transfers out of our centralized bank account or the bank accounts of our subsidiaries and branch offices	We make cash payments generally through bank transfers or issuing checks. We designate specific personnel to keep blank checkbooks and issue checks for our business. They are required to report any missing checkbooks or single checks with our banks as soon as possible, and to keep detailed records of issued checks including details such as issuing times, check numbers, amounts and payment reasons. It is also our policy to keep records of unissued checks, including those on which our personnel have made clerical errors.
Opening of and managing bank accounts of our subsidiaries and branch offices	Our subsidiaries and branch offices must adhere to our internal policies and procedures in relation to the opening of bank accounts. They are required to complete an application form before opening any bank accounts. Our subsidiaries and branch offices are required to reconcile and check bank balances on a monthly basis.

In 2017, a former employee of one of our subsidiaries located in Changzhou was caught embezzling funds for an aggregate amount of approximately RMB13.4 million. This employee was one of our cashiers when he committed the embezzlement. From October 19, 2017 to December 29, 2017, he misappropriated his position to make illegal transfer of company's funds to his own account for purchasing online lottery tickets. This incident was partly due to the lack of strict policies and procedures concerning fund security, mainly including (i) unrigorous approval process for internal fund management; (ii) improper storage of the access key for wire transfer authorization; and (iii) failure to change password of wire transfer authorization regularly. This former employee was charged with crime of embezzlement of funds and was subsequently convicted and imprisoned. He was ordered by the court to repay all of the illicit gains. We failed to recover the funds from such employee as he had spent all embezzled funds. As a result, we recognized a loss on misappropriation of assets of RMB13.4 million in 2017. See "Financial Information — Period to Period Comparisons of Our Results of Operations — 2017 Compared to 2016 — Administrative Expenses" for details. This former employee does not have any past or present relationship (business or otherwise) with us, our subsidiaries, our Directors, Shareholders, senior management or any of their respective associates.

To prevent recurrence of similar incident, we have taken remedial measures and enhanced our policies and procedures concerning fund security by:

- strengthening the security of the online wire transfer process by requiring dual-authorization and designating project finance managers to oversee payment transfers;
- strengthening protection of the access keys and passwords for wire transfer authorization; and
- establishing internal policies in relation to our financial management including but not limited to registering and tracking the issuance of checks.

We have engaged an independent consulting firm, as our internal control consultant (the "**Internal Control Consultant**") to review the remedial measures taken by us to address the embezzlement incident and the above policies and procedures. The scope of the internal control review was agreed between us, the Sole Sponsor, and the Internal Control Consultant. The Internal Control Consultant did not raise any further recommendation.

Taking into consideration of the above, our Directors are of the view, and the Sole Sponsor concurs, that our enhanced internal control measures are adequate and effective in relation to fund security.

INSURANCE

During the Track Record Period, we purchased accident insurance for some of our employees. We expressly require our subcontractors to form employment relationships with their own employees, and our subcontractors are responsible for compensating their own employees who suffer damages to person or property in the course of providing their services.

We also maintain liability insurance for property damage or personal injury suffered by third parties arising out of or related to our business operations. Consistent with the customary practice in China, we do not carry any business interruption insurance or litigation insurance. Our Directors believe that our existing insurance coverage is in line with the industry norm and is sufficient for our present operations. However, there is no assurance that the insurance policies we maintained are sufficient to cover all of our operational risks. See "Risk Factors — Risks Relating to Our Business and Industry — Our insurance coverage may not sufficiently cover the risks related to our business" in this prospectus for details.

CERTIFICATES, LICENSES AND PERMITS

We are required to obtain and maintain various certificates, licenses and permits in relation to our operations. As advised by our PRC Legal Advisor and confirmed by our Directors, during the Track Record Period, we obtained all material certificates, licenses and permits from relevant regulatory authorities for our operations in all material respects, and all of our certificates, licenses and permits were in force as of June 30, 2019. We are required to renew such certificates, licenses and permits from time to time. We had not experienced any material difficulty in obtaining or renewing the required permits and licenses for our business operations during the Track Record Period and up to the Latest Practicable Date.

PROPERTIES

Owned Property

As of June 30, 2019, we did not own any properties.

Leased Property

We do not have any self-owned properties. As of the Latest Practicable Date, we leased a total of three properties with an aggregate GFA of approximately 8,710 sq.m. primarily for offices in the PRC. During certain period of leasing these properties, we had not filed the lease agreements for these leased properties with the local housing administration authorities as required under PRC laws and regulations, primarily due to non-cooperation of the relevant landlords. Pursuant to the applicable PRC laws and regulations, leases must be registered with housing administration authorities. During the Track Record Period and up to the Latest Practicable Date, no fine or penalty had been imposed on us by the relevant government authorities.

As of the Latest Practicable Date, we had completed the filings for all lease agreements with the relevant government authorities. As advised by our PRC Legal Advisor, the historical non-filing would neither lead us to any penalty nor affect the validity of these lease agreements.

To prevent the recurrence of the non-filing, we have implemented internal control measures including (i) obtaining copy of the title certificates of the relevant properties before entering into the property lease agreements; (ii) registering the property lease agreements with the relevant government authorities in time; (iii) establishing guidance with respect to leased properties; (iv) maintaining records which contain detailed information of all leased properties; and (v) prohibiting signing of property lease agreement if no title certificate has been obtained for a property to prevent future non-compliances.

Properties Occupied by Us for Free

As of the Latest Practicable Date, we occupied (i) 40 commercial management offices with an aggregate GFA of approximately 16,547 sq.m. at properties where we provided commercial operational services; and (ii) 45 residential property management offices with an aggregate GFA of approximately 16,205 sq.m. at properties where we provided residential property management services, for free (the "**Arrangements**"). The landlord of each of our occupied commercial management offices is the property owner of the retail commercial property where such commercial management office is located in. The landlord of each of our occupied residential property management offices is the individual property owners of the residential property where such property management office is located in. We did not pay rent pursuant to the Arrangements.

As advised by our PRC Legal Advisor, for the Arrangements with respect to commercial operational services, no law or regulation requires the property developer of a retail commercial property to reserve a specific area exclusively for providing commercial operational services. Nonetheless, as confirmed by Frost & Sullivan, it is an industry norm that the property owner or developer of a retail commercial property would designate an area within such retail commercial property for commercial operational service provider to use as an office. In view of the foregoing, before we enter into a commercial operational service contract with a property owner or developer, we would consider whether an area will be provided to us to use as an office free of charge. Hence, as confirmed by our PRC Legal Advisor, the underlying basis for us to occupy and use the commercial management office for free was originated from the commercial operational service contracts entered into between us and the property owners or developers or written confirmation provided by the property owners or authorized users and therefore do not constitute leases under the PRC laws and regulations. Our PRC Legal Advisor advised that the property owners of these properties have the legal right or requisite authority to grant us the right to use such properties.

As advised by our PRC Legal Advisor, the Arrangements with respect to the residential property management services was made according to PRC's "Property Management Regulation" (物業管理條例), or Regulation, pursuant to which the Regulation requires a property developer to reserve certain area in the property it developed for exclusive property management service purposes. In view of the foregoing, when we enter into a preliminary management contract with a property developer or a property management service contract with a property owners' association, the contract will specify that we, as the property management service provider, have the right to occupy and use the area exclusively for providing property management services free of charge. Hence, as confirmed by our PRC Legal Advisor, the underlying basis for us to occupy and use the residential property management offices for free was originated from the preliminary management contracts or property management service contracts entered into between us and the property owners or developers or written confirmation provided by the property owners or authorized users and therefore do not constitute leases under the PRC laws and regulations. Our PRC Legal Advisor advised that the property owners of these properties have the legal right or requisite authority to grant us the right to use such properties.

As of the Latest Practicable Date, the property owners of four commercial management offices with an aggregate GFA of approximately 1,859 sq.m. had not provided us with the relevant building title certificates. As advised by our PRC Legal Advisor, since the property owners of such properties have agreed to (i) indemnify us for any damages arising from the defects in building titles; and (ii) provide us with alternative locations in case we are forced to relocate, such defects will not have a material adverse effect on our business or financial condition taken as a whole.

For related risks such as risk of relocation, see "Risk Factors — Risks Relating to Our Business and Industry — Some of the properties were occupied by us for free in the PRC" in this prospectus.

LEGAL PROCEEDINGS AND COMPLIANCE

Legal Proceedings

We may from time to time get involved in legal, arbitration or administrative proceedings in the ordinary course of our business. Save as disclosed below, as of the Latest Practicable Date, there were no legal, arbitration or administrative proceedings pending or threatened against us or any of our Directors which could have a material adverse effect on our financial condition or results of operations.

During the Track Record Period, we were involved in a legal proceeding which has a potential claim against us of approximately RMB2.1 million, details of which is set out below:

Background of the legal proceeding	**Legal consequences and remedial measures**
On January 2, 2019, one of our tenants initiated a civil lawsuit against us with the People's Court in Minhang District, Shanghai for contract disputes. The tenants claimed that we failed to undergo environmental impact assessment required for catering business with respect to the leased premises, making it unable to carry on its catering business after leasing such premises. Notwithstanding the fact that subsequently we undertook to resolve the environmental impact assessment issue, the tenant refused to perform the contract and initiated an action requesting for termination of the contract and claiming for liquidated damages. First hearing was held by the People's Court in Minhang District, Shanghai on April 1, 2019 and the case is currently pending for the results of judicial review of plaintiff's claim before second hearing can be held. Plaintiff's claim includes, among others, termination of contract, restitution and damages of approximately RMB5.1 million.	Based on the advice of the litigation lawyer engaged by us in this case, we are of the view that, taken into account the contributory negligence on the part of the plaintiff, we may be held liable for the possible amount of damages of approximately RMB2.1 million. We have made a provision of RMB2.1 million, which is the amount of possible liability we may face should we not prevail in this case. We believe that this contract dispute will not have any material adverse effect on our business, financial condition and results of operations.

Historical Non-compliance Incidents

Save for the following historical non-compliance incidents, our Directors are not aware of any material non-compliance of our Group with the applicable laws and regulations during the Track Record Period and as of the Latest Practicable Date:

Non-compliance incidents	Reasons for the non-compliance	Legal consequences and potential maximum penalties	Remedies and rectification measures taken
During the Track Record Period, we failed to (i) undertake payment and deposit registration of housing provident fund for some of our subsidiaries and branch companies; and (ii) make full contribution to the social insurance and housing provident funds for some of our employees as required under the relevant PRC laws and regulations. As of June 30, 2019, the aggregate outstanding amount of our social insurance and housing provident fund contributions was approximately RMB5.2 million and RMB2.7 million, respectively.	These non-compliance incidents were primarily due to the staff who were formerly in charge of these matters in our relevant PRC subsidiaries and branch companies and did not fully understand the different regulatory requirements in areas where we operated. In addition, to the best knowledge of our Directors having made reasonable enquiries, some of our employees did not want to participate in the social insurance and housing provident fund schemes as they do not want to bear their portion of contribution.	In respect of our failure to make full contribution to the social insurance and housing provident funds, according to the relevant PRC laws and regulations, the relevant PRC authorities may (i) demand us to pay the outstanding social insurance contributions within a prescribed period and we may be liable to a late payment fee equal to 0.05% of the outstanding amount for each day of delay. If we fail to make such payments, we may be liable to a penalty of one to three times the amount of the outstanding contributions; and (ii) order us to pay the outstanding housing provident fund contributions within a prescribed time period, failing which the relevant PRC authorities may apply to the People's Court for compulsory enforcement. Based on the relevant PRC laws and regulations set out above, as of June 30, 2019, our potential maximum liabilities equal to the sum of the aggregate outstanding amount of our social insurance and housing provident fund contributions and the late payment fee on the outstanding amount of our social insurance contribution. Based on the outstanding amount of our social insurance contribution of RMB5.2 million as of June 30, 2019, the potential maximum penalty which may be imposed on us if we fail to make required payment within the prescribed period equals to three times of the outstanding amount of our social insurance contribution.	Our Directors believe that such non-compliance would not have a material and adverse effect on our business and results of operations, considering that: (i) as advised by our PRC Legal Advisor, the likelihood that we would be required by relevant authorities to pay any shortfall for social insurance and housing provident fund contribution is low, and the likelihood that we would be subject to material administrative penalties by relevant authorities is low; (ii) as of the Latest Practicable Date, we had not received any notification from the relevant PRC authorities requiring us to pay material shortfalls or the penalties with respect to social insurance and housing provident funds; (iii) we had not been subject to any material administrative penalties during the Track Record Period and up to the Latest Practicable Date; (iv) we were not aware of any material employee complaints nor were involved in any material labor disputes with our employees with respect to social insurance and housing provident funds; (v) we have made provisions of RMB0.7 million, RMB2.2 million, RMB2.8 million and RMB2.2 million for the social insurance and housing provident fund contribution shortfall in 2016, 2017 and 2018 and the six months ended June 30, 2019, respectively; (vi) we have obtained an indemnity from our Controlling Shareholders to indemnify our Group against any claims, fines and other liabilities arising from such non-compliances; and (vii) we started to make full contribution to social insurance and housing provident funds for our employees in August 2019. We have established an internal control policy that requires full compliance with the relevant laws and regulations on social security insurance and housing provident fund and will enforce the policy and avoid future non-compliance. See "— Risk Management and Internal Control" for details.

RISK MANAGEMENT AND INTERNAL CONTROL

We are exposed to various risks during our operations. See "Risk Factors" in this prospectus for details. We have established risk management systems with relevant policies and procedures that we believe are appropriate for our business operations. Our key risk management objectives include: (i) identifying the different risks relevant to our operations; (ii) assessing and prioritizing the identified risks; (iii) developing appropriate risk management strategies for different risks; (iv) monitoring and managing risks and our risk tolerance level; and (v) executing measures to respond to those risks.

Our Board oversees and manages risks associated with our business. We have established the Audit Committee to review and supervise our financial reporting process and internal control system. The Audit Committee consists of three members, namely Ms. Ng Yi Kum, Estella, who serves as chairman of the committee, Dr. Lu Xiongwen and Mr. Chan Wai Yan, Ronald. For the qualifications and experience of these committee members, see "Directors and Senior Management" in this prospectus.

Internal Control Measures to Ensure Future Compliance

We have engaged an independent consulting firm, as our internal control consultant (the "**Internal Control Consultant**") to review the remedial measures taken by us to address the non-compliance incidents and the additional measures put in place to prevent recurrence of non-compliance incidents as set out in "— Legal Proceedings and Compliance — Historical Non-compliance Incidents." The scope of the internal control review was agreed between us, the Sole Sponsor, and the Internal Control Consultant. The Internal Control Consultant did not raise any further recommendation. Highlights of our internal control system include the following:

To prevent the recurrence of non-compliance incidents in respect of our (i) payment and deposit registration of housing provident fund; and (ii) social insurance and housing provident fund contributions, we have implemented the following enhanced internal control measures:

- We have established series of internal policies about social insurance and housing provident fund under Labor Law and related regulations to monitor our compliance with such laws and regulations, including but not limited to Regulation on the Administration of Housing Provident Funds (住房公積金管理條例), Regulation on the Implementation of the Employment Contract Law (勞動合同法實施條例) and Rules for Handling Arbitration Cases about Employment and Personnel Disputes (勞動人事爭議仲裁辦案規則);

- We have formulated internal policies, requiring the human resource department of our headquarters to confirm with human resource personnel of each subsidiary or branch company about the deposit registration and removal of housing provident fund, and the collection of relevant materials for records;

- We have formulated internal policies, requiring our human resource personnel of each subsidiary or branch company to calculate the social insurance and housing provident funds pursuant to the local laws and policies relating to the contribution base, and submit to our headquarters for approval;

- We have established an internal procedure on monitoring of our on-going compliance with relevant laws and regulations, which includes (i) identification of employment-related laws and regulations such as social insurance and housing provident funds, minimum wage and personal income tax; (ii) designation of our human resources manager to monitor and ensure our compliance with, and identify any updates to, such laws and regulations; and (iii) engagement of external legal advisor to evaluate and avoid the non-compliance risks when necessary; and

- In the event of a national policy change, our human resource department at headquarters will notify our subsidiaries and provide trainings on the implementation of social insurance and housing provident fund policies.

In addition, we continue to strengthen our internal control system by taking the following measures:

- Our Directors and senior management attended a training session on August 8, 2019 in relation to the relevant requirements of the Listing Rules and duties of directors of companies listed in Hong Kong;

- We have appointed Wen Haixia as our general manager of financial management center and Jin Hong as our joint company secretaries to ensure our compliance with relevant laws and regulations. For their biographical details, see "Directors and Senior Management";

- We have appointed Giraffe Capital Limited as our compliance advisor to advise us on compliance with the Listing Rules; and

- We have adopted various policies to ensure compliance with the Listing Rules, including those in relation to risk management, continuing connected transactions and information disclosure.

Taking into consideration of the above, our Directors are of the view that our enhanced internal control measures are adequate and effective for our current business environment.

OVERVIEW

Mr. Hoi Kin Hong, Ms. Wong Lai Chan, Mr. Hoi Wa Fong, Ms. Shih Sze Ni Cecilia and Ms. Hoi Wa Fan are family members, with Mr. Hoi Kin Hong and Ms. Wong Lai Chan being the father and mother of Mr. Hoi Wa Fong and Ms. Hoi Wa Fan, respectively, and Ms. Shih Sze Ni Cecilia being the spouse of Mr. Hoi Wa Fong. Immediately upon completion of the Capitalization Issue and the Global Offering, Mr. Hoi Kin Hong (in his personal capacity and via Skylong Holdings) together with his spouse, Ms. Wong Lai Chan, Mr. Hoi Wa Fong (in his personal capacity and via Sky Infinity Holdings) together with his spouse, Ms. Shih Sze Ni Cecilia, and Ms. Hoi Wa Fan (in her personal capacity and via Walong Holdings and Mantong Trading), will in aggregate own approximately 65.32% of Powerlong Holdings. Powerlong Holdings owns the entire issued share capital of Powerlong BVI Holding, which in turn owns approximately 67.50% of the enlarged issued share capital of our Company without taking into account of any Shares which may be issued pursuant to the exercise of the Over-allotment Option. Hence, Powerlong BVI Holding, Powerlong Holdings, Skylong Holdings, Sky Infinity Holdings, Walong Holdings, Mantong Trading, Mr. Hoi Kin Hong, Mr. Hoi Wa Fong, Ms. Hoi Wa Fan, Ms. Wong Lai Chan and Ms. Shih Sze Ni Cecilia as a group, and each of them on an individual basis, will be our Controlling Shareholders under the Listing Rules.

Credit Suisse Trust Limited (the "**Trustee**") is an independent professional trust administrator and the trustee of the Sky Infinity Trust. Serangoon Limited and Seletar Limited are companies established by the Trustee to act as its nominees to hold its interest in Sky Infinity Family. This is one of the trust structures commonly adopted by the Trustee. Sky Infinity Family is an intermediary holding company established by the Trustee to hold the interest in Sky Infinity Holdings. Mr. Hoi Wa Fong is not a director of Sky Infinity Family and he does not have the right to appoint or remove the directors of Sky Infinity Family. According to the articles of association of Sky Infinity Family, the right to appoint or remove a director is vested with its shareholder(s) (which is the Trustee) and its directors (which are companies nominated by the Trustee and unrelated to Mr. Hoi Wa Fong), instead of Mr. Hoi Wa Fong. Therefore, Mr. Hoi Wa Fong does not have any actual control over the administration of Sky Infinity Family. Unlike Sky Infinity Holdings, which is a trust property injected by Mr. Hoi Wa Fong to the Sky Infinity Trust and administered and controlled by Mr. Hoi Wa Fong, neither Serangoon Limited, Seletar Limited nor Sky Infinity Family is a trust property injected by Mr. Hoi Wa Fong to the Sky Infinity Trust. Each of the Trustee, Serangoon Limited, Seletar Limited and Sky Infinity Family is used for administrative purposes with a view to facilitating the management of the Sky Infinity Trust.

Mr. Hoi Wa Fong is the settlor of the Sky Infinity Trust. He appointed the initial Trustee and the initial protector of the Sky Infinity Trust. He has the power to give direction to the Trustee in relation to the investment of the trust property and through his control in Sky Infinity Holdings, he has the voting power and investment power in our Company.

Each of Powerlong BVI Holding, Skylong Holdings, Sky Infinity Holdings, Walong Holdings and Mantong Trading is an investment holding company. Powerlong Holdings and its subsidiaries are principally engaged in the businesses of property development, property investment and other property development related services (the "**Retained Business**").

DELINEATION OF BUSINESS

The Retained Business

Our Directors are of the view that there is clear delineation between the Retained Business and our business which, as a result, none of the Retained Business would compete, or is expected to compete, directly or indirectly, with our business.

The table below sets forth the principal business operations of our Group and the Remaining Powerlong Group as of the Latest Practicable Date:

Name of company	Principal business operations
Our Group	commercial operation including property leasing services with respect to units in the shopping streets and shopping malls developed or owned by the Remaining Powerlong Group and Independent Third Parties, property management and related services
The Remaining Powerlong Group	property development, property investment and other property development related services including property leasing services with respect to units in the shopping streets and shopping malls owned by the Remaining Powerlong Group

Given there is no overlap between the business operations of our Group and the Remaining Powerlong Group, there is clear delineation between the businesses of our Group and that of the Remaining Powerlong Group, our Directors are of the view that there is no competition between the businesses of our Group and that of the Remaining Powerlong Group.

Other businesses of our Controlling Shareholders

Mr. Hoi Kin Hong, one of our Controlling Shareholders has several investments in retail commercial property management service businesses in Macau as set out below (the "**Non-Core Business**"), which are operated through companies owned and/or controlled by Mr. Hoi Kin Hong and/or his associates. These companies do not form part of our Group as they are not part of our core business, notwithstanding that they are related to our core business. Details of the Non-Core Business are set out below:

Name	Place of incorporation	Shareholders	Administrators	Principal business
Cailong Investment Development Co., Ltd. (彩龍投資發展有限公司) ("**Cailong**")	Macau	1. Pou Long Construction and Land Investment Company Limited (寶龍集團發展有限公司) (60%), a company controlled by Mr. Hoi Kin Hong and his associates 2. First International Investment Development Co., Ltd. (第一國際投資發展有限公司) (40%), a company controlled by Independent Third Parties	Mr. Hoi Kin Hong, Mr. Wu Nuno, Ms. Hoi Wa Fan, Mr. Yong Wing Tai William and Mr. Choy Wang Kong	Provision of retail commercial property management services in Macau

Name	Place of incorporation	Shareholders	Administrators	Principal business
Dragon International Property Management Co., Ltd. (寶龍國際物業管理有限公司) ("**Dragon International**")	Macau	1. Mr. Hoi Kin Hong (55%) 2. Kok Keng Property Investments Co., Ltd. (國景物業投資有限公司) (45%), a company controlled by Independent Third Parties	Mr. Hoi Kin Hong, Ms. Hoi Wa Fan, Mr. Wu Nuno and Mr. Yong Wing Tai William	Provision of retail commercial property management services in Macau

Cailong has been providing retail commercial property management services to tenants in a shopping mall in Macau with around 200 shops, 270 car parking spaces and GFA under management of approximately 34,000 sq. m. For the years ended December 31, 2016, 2017 and 2018, the total revenue of Cailong amounted to approximately MOP$2.32 million (equivalent to approximately RMB2.02 million), approximately MOP$2.03 million (equivalent to approximately RMB1.77 million) and approximately MOP$2.33 million (equivalent to approximately RMB2.03 million), and the net loss of Cailong amounted to approximately MOP$237,000 (equivalent to approximately RMB206,664), approximately MOP$435,000 (equivalent to approximately RMB379,320) and approximately MOP$391,000 (equivalent to approximately RMB340,950), respectively.

Dragon International has been providing retail commercial property management services to tenants in a shopping street in Macau with around eight shops, 320 car parking spaces and GFA under management of approximately 9,000 sq.m. For the years ended December 31, 2016, 2017 and 2018, the total revenue of Dragon International amounted to approximately MOP$5.73 million (equivalent to approximately RMB4.99 million), approximately MOP$5.83 million (equivalent to approximately RMB5.07 million) and approximately MOP$5.90 million (equivalent to approximately RMB5.13 million), and the net profit of Dragon International amounted to approximately MOP$96,000 (equivalent to approximately RMB84,000), approximately MOP$97,000 (equivalent to approximately RMB84,000) and approximately MOP$144,000 (equivalent to approximately RMB125,000), respectively.

Unlike our Group which also provides (i) market research and positioning, tenant sourcing and opening preparation services to property developers or owners during the preparation stage before the official operation of a retail commercial property; and (ii) other commercial operation and management services during the operation stage of a retail commercial property to property owners or tenants such as tenant management and rent collection services and other value-added services, Cailong and Dragon International only provide retail commercial property management services such as security, cleaning, repair and maintenance services to tenants in Macau. Given that Cailong and Dragon International, and our Group operate in different geographical locations, have different business focus and operational scale, our Directors believe that our business is distinct from and operate independently of the Non-Core Business.

It is our strategy to focus on provision of comprehensive commercial operational and residential property management services in the PRC. As demonstrated above, the Non-Core Business controlled by Mr. Hoi Kin Hong and/or his associates is separate and distinct from our business. In order to focus our resources on commercial operational and residential property management service business in the PRC, we decided not to inject the Non-Core Business into our Group. Our Directors are of the view that there is no competition between the business of our Group and the Non-Core Business.

In addition to our business, each of Mr. Hoi Kin Hong, Mr. Hoi Wa Fong and Ms. Hoi Wan Fan has businesses including, among others, real estate investment, trading, hotels, wholesale and retail, and/or information technology development, which have no competition with the business of our Group.

To ensure that competition will not exist in the future, each of our Controlling Shareholders has entered into the Deed of Non-Competition in favor of our Company to the effect that each of them will not, and will procure each of their respective close associates not to, directly or indirectly participate in, or hold any right or interest, or otherwise be involved in any business which may be in competition with our business, see "— Deed of Non-Competition" below for details.

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

OUR BUSINESS RELATIONSHIP WITH THE REMAINING POWERLONG GROUP

We have a well-established and ongoing business relationship with the Remaining Powerlong Group. We have provided various services to the Remaining Powerlong Group, including residential property management services since 1993 through Xiamen Hualong Property Management and commercial operational services since 2007 upon the establishment of Shanghai Powerlong Commercial. As confirmed by our Industry Consultant, the business relationship between the Remaining Powerlong Group and us is common among PRC commercial operational and residential property management companies and their parent companies and has been mutually beneficial and complementary. The Remaining Powerlong Group is principally engaged in property development, property investment, hotel management and other property development related services, which require residential property management services in its daily operations. As of June 30, 2019, approximately 95.0% of the properties developed and owned by the Remaining Powerlong Group were managed by our Group. The remaining approximately 5.0% of the properties represents residential properties developed and owned by the Remaining Powerlong Group which were managed by independent property management service providers. These residential properties were not managed by us primarily because (i) we lost in the tender and bidding processes with respect to these properties; and (ii) we terminated certain property management service contracts. Over years of cooperation, our Group and the Remaining Powerlong Group have developed a well-established mutual understanding of the business operations of the other and jointly developed four well-known brands, namely "Powerlong Plaza" (寶龍廣場), "Powerlong One Mall" (寶龍一城), "Powerlong City" (寶龍城) and "Powerlong Land" (寶龍天地). Benefiting from such a long standing relationship, we are able to provide tailored services to the Remaining Powerlong Group to meet its specific needs and we are familiar with the standards and requirements of the Remaining Powerlong Group. Despite the vast choices of service providers that provide similar services in the market and the engagement of other service providers in several of their residential properties pursuant to the tender procedures, it would not be in the best interest of the Remaining Powerlong Group to select and engage another new service provider, considering the amount of time and relevant experience required for such new service provider to provide equally satisfying services that are comparable to that of our Group and the scope of full integrated services at different stages of the property development required by the Remaining Powerlong Group. We would typically start to be involved in the early development stage of the commercial properties of the Remaining Powerlong Group, where we would advise the Remaining Powerlong Group on the market positioning, branding and design of the development through a preliminary market research report, which is our key competitive strength over the other market players. Such involvement would span from before the Remaining Powerlong Group's submission of tender proposal for land. Before submitting the tender proposal for purchasing the land from governmental authorities, the Remaining Powerlong Group would work closely with us during the tender procedure and we would provide considerable advice on the development and tender proposal. The long and close working relationships between our Group and the Remaining Powerlong Group and our familiarity and understanding of the Remaining Powerlong Group's strategy on tender for land and requirements on success rate on tender for land, return rate and profitability could reduce the time required by the Remaining Powerlong Group for its preliminary planning of the project. The shorter lead time between planning and commencement of construction would result in a more efficient development process and saving on costs. As such, our Directors are of the view that it is unlikely that our current business relationships with the Remaining Powerlong Group would be materially adversely changed or terminated.

As disclosed above, given there is a certain degree of mutuality and complementarity of ongoing business between the Remaining Powerlong Group and our Group, as well as our proven track record in securing commercial operational property management service engagements from the Remaining Powerlong Group, we consider that we will continue to be able to secure future engagements from it and be able to maintain our revenue from the Remaining Powerlong Group upon Listing. Having considered (i) the historical transaction amounts of our services provided to the Remaining Powerlong Group and the growth trend for such services during the Track Record Period; (ii) the estimated transaction amounts relating services provided by our Group to the Remaining Powerlong Group pursuant to the existing contracts; (iii) the estimated increment of our service fees based on the commercial negotiation with the Remaining Powerlong Group and its associates in respect of the expected number of commercial properties which may require commercial operational property management services from our Group in the next three years; and (iv) our long-standing relationship with the Remaining Powerlong Group, we estimate that our revenue to be generated from the Remaining Powerlong Group for the years ending December 31, 2019, 2020 and 2021 will amount to approximately RMB276.4 million, RMB330.5 million and RMB395.4 million, respectively. For details, please see "Connected Transactions".

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

We believe that we are capable of carrying on our business independently of our Controlling Shareholders and their respective associates (other than our Group) after Listing for the following reasons:

Management Independence

Our Board comprises two executive Directors, two non-executive Directors and three independent non-executive Directors. Only one of our executive Directors, namely Mr. Hoi Wa Fong, is an executive director of Powerlong Holdings. Mr. Hoi Wa Fong has been responsible for taking in charge of the commercial operational service segment in the Remaining Powerlong Group since 2013 and is expected to devote half of his time in the day-to-day operation of our Group upon Listing. The two non-executive Directors, namely Ms. Hoi Wa Fan, who is a non-executive director of Powerlong Holdings, and Ms. Hoi Wa Lam, who is a director of certain subsidiaries of Powerlong Holdings, are not involved in the day-to-day management of our Group. There is also no overlap of senior management members between our Group and the Remaining Powerlong Group.

Each of the Directors is aware of his/her fiduciary duties as a Director, which require, among other things, that he/she acts for the benefit and in the best interests of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interests. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and any of the Directors or their respective close associates, the interested Director(s) shall abstain from voting at the relevant board meetings of our Company in respect of such transactions and shall not be counted in the quorum. In addition, we have an independent senior management team to carry out the business operation of our Group independently from our Controlling Shareholders.

Based on the reasons above, our Directors are of the view that our Group is capable of managing our business independently from our Controlling Shareholders and their respective close associates following the completion of the Capitalization Issue and the Spin-Off.

Operational Independence

We have full rights, hold and enjoy the benefit of all relevant licenses, have sufficient capital and employees necessary to make all decisions on, and to carry out, our own business operation independent from our Controlling Shareholders and their respective associates and will continue to do so after Listing.

In respect of our commercial operational services, before obtaining a parcel of land for the development of a property, the Remaining Powerlong Group would invite us to submit a proposal on the provision of commercial operational services for the property. The proposal would mainly include a market research report, the pricing standard and the estimated return on rental fee for the property. After the proposal is submitted, the Remaining Powerlong Group's business development department will review the market research report, the asset management department will review the estimated level of return, and the financial department and legal department will review the pricing standard and the rest of the proposal submitted. The Remaining Powerlong Group will determine whether or not to award the commercial operational services contract to us after the parcel of land has been successfully acquired. Our Group's engagements to provide commercial operational services to commercial properties developed by joint ventures or independent property developers are generally secured after an impartial selection process in accordance with the relevant property owners' established internal policy, typically through a review by a selection panel on the proposals obtained from several service providers. The selection panel will review the proposals it received and make its decision on whether or not to award the commercial operational services contract to the provider based on various factors including but not limited to the provider's brand image, property management experience, proposed estimated return on rental fee, proposed property promotion strategies and the pricing standard. The pricing standard submitted to the joint ventures or independent property developers by us is generally in line with that submitted to the Remaining Powerlong Group.

In respect of our residential property management services, at the pre-delivery stage, our preliminary management contracts for property projects developed by the Remaining Powerlong Group were secured through a standardized tender and bidding process conducted by the Remaining Powerlong Group whereby tenders would be evaluated by a tender evaluation committee established by the Remaining Powerlong Group in accordance with the Interim Measures for the Administration of Tendering and Bidding for Preliminary Property Management (前期物業管理招投標管理暫行辦法). The tender evaluation committee shall consist of an odd number of no less than five members, including at least a two-thirds majority of property management experts which are independent of our Group and the representative members from the Remaining Powerlong Group, and selected on a random basis from a list of experts compiled by the local real estate administrative department.

At the post-delivery stage, the residential property management services are provided by us directly to the property owners, and the property owners, through the property owners' general meetings, have the right to engage (or dismiss) the residential property management services provider. Both of our Group and the Remaining Powerlong Group do not have any influence over the engagement (or dismissal) of the residential property management services provider by the property owners. During the process, the property owners are entitled to conduct their own evaluation procedures in engaging (or dismissing) the residential property management services provider and both our Group and the Remaining Powerlong Group do not have any role or influence over the engagement (or dismissal) of the relevant residential property management services provider.

Since 2014, we have provided commercial operational services and residential property management services to properties developed by independent property developers or joint ventures established by the Remaining Powerlong Group and the independent property developers. We have set up a business expansion department which is responsible for exploring potential projects developed by the independent property developers via government publication, internal referral and external marketing events. Once a potential project is identified by the business expansion department, our market research center, legal department and financial management center would work together to prepare a preliminary proposal. After several rounds of internal discussions and due diligence investigation, the market research center will submit an advanced draft of the proposal to the independent property developer for consideration. Upon the substantial completion of business negotiation, the market research center will submit the final proposal to our president for review and approval.

We provided fully integrated commercial operational services to two independent property developers to enhance the value of their retail commercial properties in Yiwu and Fuling. The two retail commercial properties were opened in 2017 with high occupancy rate as a result of our efforts in providing strategic commercial operational services to such two independent property developers. We also continued our successful operation of a retail commercial property developed by an independent property developer in Jiangyou, Sichuan province in 2018. In respect of our commercial operational services, our contracted GFA of retail commercial properties developed or owned by Independent Third Parties as well as those jointly developed by the Remaining Powerlong Group and Independent Third Parties for which the Remaining Powerlong Group did not hold a controlling interest amounted to approximately 0.3 million sq.m. as of June 30, 2019. In addition, in respect of our residential property management services, our contracted GFA of properties developed by joint ventures formed between the Remaining Powerlong Group and Independent Third Parties but neither party had control of such joint ventures amounted to approximately 1.0 million sq.m. as of June 30, 2019.

As advised by Frost & Sullivan, it is a developing trend in the PRC commercial operational service market for commercial operational service providers to manage commercial properties developed by independent property developers, a trend that is becoming increasingly common. Our asset-light business model has enabled us to replicate our success to retail commercial properties developed or owned by Independent Third Parties. We intend to further replicate this successful business model in the future. Since June 30, 2019 and up to the Latest Practicable Date, we had been contracted to provide commercial operational services to six retail commercial properties, which are owned by Independent property developers. On June 11, 2019, we entered into a memorandum of understanding with an Independent Third Party with respect to a retail commercial property with an estimated contracted GFA of approximately 84,000 sq.m. Since June 30, 2019 and up to the Latest Practicable Date, we had also entered into memoranda of understanding with Independent Third Parties with respect to seven retail commercial properties with an estimated aggregate contracted GFA of approximately 599,000 sq.m. For details, please see " Commercial Operational Services — Portfolio of Retail Commercial Properties — Pipeline Projects" in Business section. Meanwhile, our Group has also been actively exploring potential opportunities for third-party commercial operational and residential property management service companies or projects at reasonable consideration. For residential property management services, we had entered into preliminary management contracts with Independent Third Parties to provide residential property management services with respect to five residential property projects with an aggregate contracted GFA of 705,100 sq.m. For details, please see "Business — Residential Property Management Services — Pipeline Projects."

Licenses required for operation

We hold and enjoy the benefit of all relevant licenses and permits material to the operation of our business.

Access to customers

We conduct our own sales and marketing primarily through our own sales and marketing team. Our Group has a large and diversified base of customers that are unrelated to our Controlling Shareholders and/or their respective close associates.

Operational facilities

As of the Latest Practicable Date and save as disclosed in the section headed "Connected transactions — (A) Continuing connected transactions fully exempted from the reporting, annual review, announcement and independent shareholders' approval requirements" in this prospectus, all the properties and facilities necessary for our business operations are independent from our Controlling Shareholders and their respective close associates.

Employees

As of the Latest Practicable Date, all of our full-time employees were recruited independently and primarily through recruitment websites, on-campus recruitment programs, recruiting firms and internal referrals.

Connected transactions with our Controlling Shareholders

The section headed "Connected transactions" in this prospectus sets out the continuing connected transactions between our Group and our Controlling Shareholders or their close associates which will continue after the completion of the Global Offering. All such transactions are determined after arm's length negotiations and on normal commercial terms. We expect that we will be able to maintain the aggregate amounts of the continuing connected transaction with our Controlling Shareholders or their respective close associates at a reasonable percentage with respect to our total revenues after the Listing. Accordingly, such continuing connected transactions are not expected to affect our operational independence as a whole.

Financial Independence

All loans, advances and balances due to or from members of the Remaining Powerlong Group which were not arising out of the ordinary course of business will be fully settled or waived before Listing. All share pledges and guarantees provided by or to members of the Remaining Powerlong Group on the borrowings of our Group or the Remaining Powerlong Group will also be fully released immediately before Listing.

In addition, we have our own internal control and accounting systems, accounting and finance department, independent treasury function for cash receipts and payment and independent access to third-party financing. Accordingly, we believe we are able to maintain financial independence from our Controlling Shareholders and their respective close associates.

DEED OF NON-COMPETITION

Each of our Controlling Shareholders has irrevocably and unconditionally undertaken to us in the Deed of Non-Competition that he/she/it will not, and will procure his/her/its close associates (other than members of our Group) not to directly or indirectly be involved in or undertake any business (other than our business) that directly or indirectly competes, or may compete, with our business, which includes providing commercial operational services and residential property management services (collectively referred to as the "**Restricted Businesses**"), or hold shares or interest in any companies or business that compete directly or indirectly with the business engaged by our Group from time to time, or conduct any Restricted Businesses, except where our Controlling Shareholders and their close associates hold less than 5% of the total issued share capital of any company (whose shares are listed on the Stock Exchange or any other stock exchange) which is engaged in any business that is or may be in competition with any business engaged by any member of our Group and they do not control 10% or more of the composition of the board of directors of such company.

Further, each of our Controlling Shareholders has undertaken that if any new business investment/other business opportunity relating to the Restricted Businesses (the "**Competing Business Opportunity**") is identified by/made available to him/her/it or any of his/her/its close associates, he/she/it shall, and shall procure that his/her/its close associates shall, refer such Competing Business Opportunity to our Company on a timely basis by giving written notice (the "**Offer Notice**") within 30 Business Days of identifying the target company (if relevant), the nature of the Competing Business Opportunity, the investment or acquisition costs and all other details reasonably necessary for our Company to consider whether to pursue such Competing Business Opportunity.

Upon receiving the Offer Notice, our Company shall seek approval from a board committee who do not have an interest in the Competing Business Opportunity (the "**Independent Board**") as to whether to pursue or decline the Competing Business Opportunity (any Director who has actual or potential interest in the Competing Business Opportunity shall abstain from attending (unless their attendance is specifically requested by the Independent Board) and voting at, and shall not be counted in the quorum for, any meeting convened to consider such Competing Business Opportunity). The Independent Board shall consider the financial impact of pursuing the Competing Business Opportunity offered, whether the nature of the Competing Business Opportunity is consistent with our Group's strategies and development plans and the general market conditions of our business. If appropriate, the Independent Board may appoint independent financial advisors and legal advisor to assist in the decision making process in relation to such Competing Business Opportunity. The Independent Board shall, within 30 Business Days of receipt of the written notice referred above, inform our Controlling Shareholders in writing on behalf of our Company its decision whether to pursue or decline the Competing Business Opportunity.

The relevant Controlling Shareholder shall be entitled but not obliged to pursue such Competing Business Opportunity if he/she/it has received a notice from the Independent Board declining such Competing Business Opportunity or if the Independent Board failed to respond within such 30 Business Days' period mentioned above. If there is any material change in the nature, terms or conditions of such Competing Business Opportunity pursued by the relevant Controlling Shareholder, he/she/it shall refer such revised Competing Business Opportunity to our Company as if it were a new Competing Business Opportunity.

The Deed of Non-Competition will lapse automatically if our Controlling Shareholders and their respective close associate cease to hold, whether directly or indirectly, 50% or above of our Shares with voting rights or our Shares cease to be listed on the Stock Exchange.

Each of our Controlling Shareholders has further undertaken to us that he/she/it will provide and procure his/her/its close associates to provide on best endeavor basis, all information necessary for the annual review by our independent non-executive Directors for the enforcement of the Deed of Non-Competition. They will make an annual declaration in our annual report on the compliance with the Deed of Non-Competition in accordance with the principle of voluntary disclosure in the corporate governance report.

In order to promote good corporate governance practices and to improve transparency, the Deed of Non-Competition includes the following provisions:

- our independent non-executive Directors shall review, at least on an annual basis, the compliance with the Deed of Non-Competition by our Controlling Shareholders;

- we will disclose the decisions on matters reviewed by the independent non-executive Directors (including the reasons for not taking up the Competing Business Opportunity referred to our Company) and the review by our independent non-executive Directors on the compliance with, and the enforcement of, the Deed of Non-Competition in our annual report or by way of announcement to the public in compliance with the requirements of the Listing Rules; and

- in the event that any of our Directors and/or their respective close associates has material interests in any matter to be deliberated by our Board in relation to the compliance and enforcement of Deed of Non-Competition, he/she may not vote on the resolutions of our Board approving the matter and shall not be counted towards the quorum for the voting pursuant to the applicable provisions in the Articles of Association.

CORPORATE GOVERNANCE MEASURES

Each of our Controlling Shareholders and his/her/its respective close associates may not compete with us as provided in the Deed of Non-Competition. Each of our Controlling Shareholders has confirmed that he/she/it fully comprehends his/her/its obligations to act in our Shareholders' best interests as a whole. Our Directors believe that there are adequate corporate governance measures in place to manage existing and potential conflicts of interest. In order to further avoid potential conflicts of interest, we have implemented the following measures:

(a) as part of our preparation for the Global Offering, we have amended our Articles of Association to comply with the Listing Rules. In particular, our Articles of Association provided that, unless otherwise provided, a Director shall not vote on any resolution approving any contract or arrangement or any other proposal in which such Director or any of his/her associates have a material interest nor shall such Director be counted in the quorum present at the meeting;

(b) a Director with material interests shall make full disclosure in respect of matters that may have conflict or potentially conflict with any of our interest and abstain from the board meetings on matters in which such Director or his/her associates have a material interest, unless the attendance or participation of such Director at such meeting of the Board is specifically requested by a majority of the independent non-executive Directors;

(c) we are committed that our Board should include a balanced composition of executive Directors, non-executive Directors and independent non-executive Directors. We have appointed independent non-executive Directors and we believe our independent non-executive Directors possess sufficient experience and they are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgment and will be able to provide an impartial, external opinion to protect the interests of our public Shareholders. Details of our independent non-executive Directors, see "Directors and Senior Management — Board of Directors — Independent non-executive Directors" in this prospectus;

(d) we have appointed Giraffe Capital Limited as our compliance advisor, which will provide advice and guidance to us in respect of compliance with the applicable laws and the Listing Rules including various requirements relating to Directors' duties and corporate governance;

(e) as required by the Listing Rules, our independent non-executive Directors shall review any connected transactions annually and confirm in our annual report that such transactions have been entered into in our ordinary and usual course of business, are either on normal commercial terms or on terms no less favorable to us than those available to or from independent third parties and on terms that are fair and reasonable and in the interests of our Shareholders as a whole; and

(f) on an annual basis, our independent non-executive Directors will review the non-compete undertakings provided by our Controlling Shareholders and their compliance with such undertakings.

OVERVIEW

Pursuant to Chapter 14A of the Listing Rules, our Directors, substantial shareholders and chief executive or those of our subsidiaries (other than the directors, substantial shareholders and chief executive of our insignificant subsidiaries), any person who was our Director or a director of our subsidiaries within 12 months preceding the Listing Date and any of their associates will become a connected person of our Company upon Listing. Upon Listing, our transactions with such connected persons will constitute connected transactions under Chapter 14A of the Listing Rules.

Our Directors confirm that after Listing, the following transactions between our Group and the relevant connected persons will continue, which will constitute our continuing connected transactions under Chapter 14A of the Listing Rules.

(A) CONTINUING CONNECTED TRANSACTIONS FULLY EXEMPTED FROM THE REPORTING, ANNUAL REVIEW, ANNOUNCEMENT AND INDEPENDENT SHAREHOLDERS' APPROVAL REQUIREMENTS

1. Property Lease

On December 10, 2019, our Company (for ourselves and on behalf of our other subsidiaries) entered into a master property lease agreement with Powerlong Holdings (the "**Property Lease Agreement**") with a term commencing from the Listing Date to December 31, 2021. Pursuant to the Property Lease Agreement, our Group will lease two properties from the Remaining Powerlong Group with a total GFA of approximately 4,026 sq.m. for office use.

For each of the years ended December 31, 2016, 2017 and 2018 and the six months ended June 30, 2019, the total rental paid by us to the Remaining Powerlong Group amounted to approximately RMB1.0 million, RMB1.1 million, RMB1.1 million and RMB0.9 million, respectively.

The rental to be paid under the Property Lease Agreement shall be determined on arm's length basis with reference to the historical transaction amounts during the Track Record Period and the prevailing market rent of similar property located in similar areas, and should not be less favorable than that offered by Independent Third Parties.

Our Directors estimate that the maximum annual rental payable by us under the Property Lease Agreement for each of the years ending December 31, 2019, 2020 and 2021 will not exceed RMB1.8 million, RMB1.8 million and RMB1.9 million, respectively. In arriving at the above annual caps, our Directors have considered (i) the historical rental amounts during the Track Record Period; (ii) the terms and conditions, in particular, the rent, under the existing lease agreement; and (iii) the expected increment in rental of the property to be leased by us.

Powerlong Holdings is our Controlling Shareholder and is therefore a connected person of our Company under the Listing Rules. Accordingly, the transaction contemplated under the Property Lease Agreement will constitute a continuing connected transaction for our Company under Chapter 14A of the Listing Rules upon the Listing.

As the maximum annual rental under the Property Lease Agreement is expected to be less than HK$3,000,000, the transactions under the Property Lease Agreement will be within the de minimis threshold provided under Rule 14A.76 of the Listing Rules upon Listing and will be exempted from the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

2. Trademark Licensing

On August 8, 2019, a trademark licensing agreement was entered into between Powerlong Group Development and Shanghai Shangsheng, (the "**PRC Trademark Licensing Agreement**"), pursuant to which Powerlong Group Development agreed to irrevocably and unconditionally grant to Shanghai Shangsheng and its subsidiaries the right to (i) use; and/or (ii) sub-license to a third party due to operational needs arising from its usual and ordinary course of business and other activities, certain trademarks (the "**Licensed Trademarks**") registered in the PRC for a perpetual term commencing from the date of the PRC Trademark Licensing Agreement on a royalty-free basis. See "Statutory and General Information — B. Further Information about Our Business — 2. Intellectual property rights of our Group" in Appendix IV to this prospectus for details. The PRC Trademark Licensing Agreement is not unilaterally terminable by Powerlong Group Development and Powerlong Group Development has undertaken to renew and maintain the registration of the Licensed Trademark upon expiry.

Our Directors believe that entering into a trademark licensing agreement with a term of more than three years can ensure the stability of our operations, and is beneficial to the interests of our Shareholders as a whole. The Sole Sponsor is of the view that it is normal business practice for agreements of this type to be of such duration.

Powerlong Group Development is indirectly owned as to approximately 88.9% by Mr. Hoi Kin Hong, who is one of our Controlling Shareholders and therefore, Powerlong Group Development is a connected person of our Company under the Listing Rules. Accordingly, the transactions under the PRC Trademark Licensing Agreement will constitute continuing connected transactions for our Company under Chapter 14A of the Listing Rules upon Listing.

As the right to use the Licensed Trademarks is granted to Shanghai Shangsheng and its subsidiaries on a royalty-free basis, the transactions under the PRC Trademark Licensing Agreement will be within the de minimis threshold provided under Rules 14A.76 of the Listing Rules upon Listing and will be exempted from the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

(B) CONTINUING CONNECTED TRANSACTION SUBJECT TO THE REPORTING, ANNUAL REVIEW AND ANNOUNCEMENT REQUIREMENTS BUT EXEMPTED FROM THE INDEPENDENT SHAREHOLDERS' APPROVAL REQUIREMENT

1. Car Parking Lots Management Services

On December 10, 2019, our Company (for ourselves and on behalf of our other subsidiaries) entered into a car parking lots management services framework agreement with Powerlong Holdings (for itself and on behalf of the other members of the Remaining Powerlong Group and its associates) (the "**Car Parking Lots Management Services Framework Agreement**"), pursuant to which our Group shall manage certain car parking lots owned by the Remaining Powerlong Group and/or its associates and subleased to customers in the properties we managed (the "**Car Parking Lots Management Services**"), for a term commencing from the Listing Date to December 31, 2021.

During the years ended December 31, 2016, 2017 and 2018, the income generated from the management of the car parking lots is generally (a) received as to 100% by our Group; or (b) (i) received as to 100% by our Group during certain period of time upon the opening of the shopping malls or the shopping streets (the "**Fixed Period**"); and (ii) shared between our Group and the Remaining Powerlong Group as to 30% and 70%, respectively, upon the expiry of the Fixed Period. Under such model, the net income received by our Group constituted income generated from related party, i.e. the Remaining Powerlong Group, given that the car parking lots space were owned by the Remaining Powerlong Group. For each of the years ended

December 31, 2016, 2017 and 2018, the total amount of fees paid by the Remaining Powerlong Group and/or its associates for the Car Parking Lots Management Services provided by our Group amounted to approximately RMB35.3 million, RMB37.2 million and RMB49.7 million, respectively. With an aim of reducing the amount of continuing connected transactions between our Group and the Remaining Powerlong upon Listing, our Group and the Remaining Powerlong Group have agreed to adopt a new car parking lots management arrangement since January 1, 2019, pursuant to which our Group will lease the car parking lots from the Remaining Powerlong Group and its associates and manage the car parking lots. Under such arrangement, our Group will pay an annual rent to the Remaining Powerlong Group and its associates, while the income generated from the car parking lots and received from independent third party customers will not constitute continuing connected transactions for our Group. Our Group believes that such new arrangement will provide it with more flexibility and autonomy to manage the car parking lots and exercise initiatives to further enhance the service quality in return for higher income.

Under the new business model, we will pay an annual rent to the Remaining Powerlong Group and its associates instead of sharing the total fee from end users with the Remaining Powerlong Group and its associates, which will result in (i) an increase in revenue of our Group as all fees from end users will be recognized on gross basis; and (ii) an increase in leasing expenses of our Group in respect of the aforementioned new leasing arrangement to be entered into between our Group and the Remaining Powerlong Group and its associates. Assuming we had adopted the new business model on January 1, 2016, the historical transaction amounts in respect of the Car Parking Lots Management Services for the years ended December 31, 2016, 2017 and 2018 would be approximately RMB26.8 million, RMB30.1 million and RMB31.4 million, respectively. The amounts are estimated based on the monthly parking management fee, the number of billable parking spaces and the parking space turnover rate of the relevant retail commercial properties under management with reference to the current lease agreements, which are on normal commercial terms under the prevailing market conditions and the total rental to be paid under the current lease agreements were reviewed by an independent professional property valuer and confirmed that were fair and reasonable and reflect the prevailing market rates for similar properties in similar locations in the PRC at relevant dates of entering the current lease agreements.

The table below shows the adjusted after-tax profit attributable to shareholders of our Group assuming that the new business model was adopted on January 1, 2016:

	For the year ended 31 December		
	2016	**2017**	**2018**
		(RMB' million)	
Actual after-tax profit attributable to shareholders of our Group (Audited)	62.9	78.6	133.3
Adjusted by:			
– Increase in revenue in respect of car parking lots recognized on gross basis *(Note 1)*	–	19.3	25.2
– Increase in leasing expenses in respect of new leasing arrangement for car parking lots *(Note 2)*	(26.8)	(19.3)	(10.9)
– Decrease in depreciation charges *(Note 3)*	8.3	9.0	6.9
– Tax effect of the above adjustments *(Note 4)*	4.6	(2.3)	(5.3)
Adjusted after-tax profit attributable to shareholders of our Group (Unaudited)	**49.0**	**85.3**	**149.2**

Notes:

1. For the years ended December 31, 2016, 2017 and 2018, the total fee received or receivable from the end users in relation to operation of car parking lots were RMB35.3 million, RMB56.5 million and RMB74.9 million, respectively, among which, the portion entitled and shared by our Group amounted to RMB35.3 million, RMB37.2 million and RMB49.7 million, respectively. The adjustment represents differences between the total fee received or receivable from the end users and the portion entitled to our Group for the years ended December 31, 2016, 2017 and 2018.

2. The amounts represent additional leasing expenses payable to the Remaining Powerlong Group and its associates in respect of new car parking lots leasing arrangement. The adjusted historical transaction amounts in respect of the car parking lots leasing arrangement on the assumption that such new arrangement was adopted during the years ended December 31, 2016, 2017 and 2018 are approximately RMB26.8 million, RMB30.1 million and RMB31.4 million, respectively. The amounts are estimated based on the monthly parking management fee, the number of billable parking spaces, and the parking space turnover rate of the relevant retail commercial properties under management with reference to the current lease agreements, which are on normal commercial terms under the prevailing market conditions and the total rental to be paid under the current lease agreements were reviewed by an independent professional property valuer and confirmed that were fair and reasonable and reflect the prevailing market rates for similar properties in similar locations in the PRC at relevant dates of entering the current lease agreements.

3. For the three years ended 31 December 2018, certain right-of-use of car parks were acquired from the Remaining Powerlong Group and the related amortization charged to cost of sale were approximately RMB8.3 million, RMB9.0 million and RMB6.9 million, respectively. For the purpose of this illustration, such amortization is excluded as the related right-of-use of car parks will be transferred to the Remaining Powerlong Group during the Reorganization.

4. The tax effect of the above adjustments is estimated by using the applicable income tax rate of our PRC subsidiaries at 25%.

For the six months ended June 30, 2019, the fee payable by our Group in respect of the car parking lots leasing arrangement is approximately RMB23.9 million.

The fees to be paid by our Group under the Car Parking Lots Management Services Framework Agreement shall be determined on arm's length basis with reference to, among others, (i) the market rental fee per car parking lot in similar locations and similar properties; and (ii) the occupancy rate of car parking lots leased by our Group from the Remaining Powerlong Group and its associates.

Our Directors estimate that the maximum annual fee payable by our Group under the Car Parking Lots Management Services Agreement for each of the three years ending December 31, 2019, 2020 and 2021 will not exceed RMB48.0 million, RMB48.7 million and RMB57.5 million, respectively.

In arriving at the above annual caps of Car Parking Lots Management Services, our Directors have considered the following factors which are considered to be reasonable and justifiable in the circumstances:

(i) the estimated transaction amounts for the year ending December 31, 2019 pursuant to the existing number of car parking lots under our management as of the Latest Practicable Date comprising (a) the fees payable by our Group for the ten months ended October 31, 2019 based on our Group's management account amounted to approximately RMB39.7 million; and (b) the fees payable by our Group for the two months ending December 31, 2019 amounted to approximately RMB8.3 million based on existing contracts;

(ii) the estimated transaction amounts for the year ending December 31, 2020 is similar to that of the previous year taking into account the similar number of car parking lots under management in 2020 as compared with the previous year; and

(iii) the estimated increase in the transaction amounts for the year ending December 31, 2021 of around 18% taking into account:

(a) our estimation on the new number of car parking lots to be managed by our Group from five commercial properties located in Yangtze River Delta and one commercial property located in Bohai Economic Rim which are expected to incur car park leasing expenses by our Group since 2021 based on the development plan of the Remaining Powerlong Group and/or its associates for the year ending December 31, 2021; and

(b) the estimated increment of rental fee on car parking lots based on the commercial negotiation with the Remaining Powerlong Group, which has been reviewed by an independent professional property valuer.

The annual cap amounts in respect of the Car Parking Lots Management Services for the years ending December 31, 2019, 2020 and 2021 are based on the annual rent payable by our Group to the Remaining Powerlong Group and its associates under the new arrangement. An independent professional property valuer engaged by us has reviewed the terms of the Car Parking Lots Management Services Framework Agreement to be entered into between our Group and the Remaining Powerlong Group and confirmed that such terms are on normal commercial terms under the prevailing market condition and the agreed annual rent payable by our Group to the Remaining Powerlong Group is fair and reasonable.

Powerlong Holdings is our Controlling Shareholder and is therefore a connected person of our Company under the Listing Rules. Accordingly, the transactions contemplated under the Car Parking Leasing Services Framework Agreement will constitute continuing connected transactions for our Company under Chapter 14A of the Listing Rules upon Listing.

As each of the applicable percentage ratios under the Listing Rules in respect of the annual caps in relation to the Car Parking Leasing Services is expected to be more than 0.1% but less than 5% on an annual basis, the transactions under the Car Parking Leasing Services Framework Agreement constitute continuing connected transactions for our Company which are subject to the reporting, annual review and announcement requirements but exempted from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

(C) CONTINUING CONNECTED TRANSACTIONS SUBJECT TO THE REPORTING, ANNUAL REVIEW, ANNOUNCEMENT AND INDEPENDENT SHAREHOLDERS' APPROVAL REQUIREMENTS

1. Residential Property Management Services

On December 10, 2019, our Company (for ourselves and on behalf of our other subsidiaries) entered into a consultation and management services framework agreement with Powerlong Holdings (for itself and on behalf of the other members of the Remaining Powerlong Group and its associates) (the "**Residential Property Management Services Framework Agreement**"), pursuant to which our Group agreed to provide to the Remaining Powerlong Group and/or its associates residential property management services, including but not limited to (i) residential property management services for unsold units and sales offices owned by the Remaining Powerlong Group and/or its associates; and (ii) early stage initiation services, including but not limited to providing staff training before the delivery of the properties and initiation residential property management service before the completion of property projects, and housing inspection services on properties developed by the Remaining Powerlong Group and/or its associates upon completion of construction and before delivery of the same to homeowners (the "**Residential Property Management Services**"), for a term commencing from the Listing Date to December 31, 2021.

For each of the years ended December 31, 2016, 2017 and 2018 and the six months ended June 30, 2019, the total amount of fees paid by the Remaining Powerlong Group and/or its associates for the Residential Property Management Services provided by our Group amounted to approximately RMB32.9 million, RMB32.3 million, RMB32.5 million and RMB18.0 million, respectively.

The service fees that we will charge for the Residential Property Management Services shall be determined after arm's length negotiations and taking into account (i) the nature of the properties; (ii) the location of the properties; (iii) the rate generally offered by us to independent third parties in respect of comparable services; (iv) the anticipated operational costs (including labors cost and material costs); and (v) comparable market prices quoted from at least two independent service providers. The service fees shall not be higher than the standard fees designated by the relevant regulatory authorities (if applicable) or lower than the standard fees to be charged from independent third parties.

Our Directors estimate that the maximum annual fee payable by the Remaining Powerlong Group and/or its associates under the Residential Property Management Services Framework Agreement for each of the three years ending December 31, 2021 will not exceed RMB53.6 million, RMB63.3 million and RMB74.7 million, respectively.

In arriving at the above annual caps of Residential Property Management Services, our Directors have considered the following factors which are considered to be reasonable and justifiable in the circumstances:

(i) the historical transaction amounts and growth trend for such services during the Track Record Period and the fees paid by the Remaining Powerlong Group and/or its associates for the ten months ended October 31, 2019 based on our Group's management account amounted to approximately RMB36.5 million;

(ii) the estimated transaction amounts for the year ending December 31, 2019 comprising:

  (a) the fees payable by the Remaining Powerlong Group and/or its associates for the two months ending December 31, 2019 amounted to approximately RMB7.3 million based on the existing signed contracts in respect of the Residential Property Management services as of the Latest Practicable Date; and

  (b) an additional revenue of approximately RMB9.8 million which would be recognized from the early stage initiation services for nine residential properties that have commenced development before October 2019 and will enter into pre-delivery stage but remained unsold in November and December 2019 including six properties located in Yangtze River Delta, two properties located in Southeast China and one property located in Midwest China and the relevant residential property management services for unsold units in November and December 2019;

(iii) the expected annual increase in the transaction amounts for each of the year ending December 31, 2020 and 2021 of around 18% taking into account:

  (a) in respect of the residential property management services for sales offices for the year ending December 31, 2020 and 2021, our estimation on the GFA of the contracted sales of the Remaining Powerlong Group and/or its associates based on the land bank of the Remaining Powerlong Group and/or its associates as of June 30, 2019 as well as their historical sales GFA and the related growth rate, which are expected to increase to 14% and 15% for the two years ending December 31, 2021;

(b) in respect of the residential property management services for unsold units, the expected aggregate area of properties owned and used by the Remaining Powerlong Group and/or its associates for the two years ending December 31, 2021, which was estimated based on the total area of unsold units managed by us and vacancy rate during the Track Record Period and are expected to increase to approximately 0.93 million sq.m. and 1.13 million sq.m. for the two years ending December 31, 2021 based on the land bank of the Remaining Powerlong Group and/or its associates as of June 30, 2019; and

(c) the historical CAGR of approximately 33.2% of the revenue generated from the Group's residential property management services from 2016 to 2018, which is in line with the expected business growth of the Group.

Powerlong Holdings is our Controlling Shareholder and is therefore a connected person of our Company under the Listing Rules. Accordingly, the transactions contemplated under the Residential Property Management Services Framework Agreement will constitute continuing connected transactions for our Company under Chapter 14A of the Listing Rules upon Listing.

As each of the applicable ratios under the Listing Rules in respect of the annual caps in relation to the Residential Property Management Services is expected to be more than 5% on an annual basis, the transactions under the Residential Property Management Services Framework Agreement will be subject to the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

2. Commercial Operational Services

On December 10, 2019, our Company (for ourselves and on behalf of our other subsidiaries) entered into a commercial operational services framework agreement (the "**Commercial Operational Services Framework Agreement**") with Powerlong Holdings (for itself and on behalf of the other members of the Remaining Powerlong Group and its associates), pursuant to which our Group agreed to provide commercial operational services on the commercial buildings owned or operated by the Remaining Powerlong Group and/or its associates, including but not limited to, (i) market research and positioning, (ii) tenant sourcing and opening preparation; and (iii) tenant management rent collection ("**Commercial Operational Services**"), for a term commencing from the Listing Date to 31 October 2021.

For each of the years ended December 31, 2016, 2017 and 2018 and the six months ended June 30, 2019, the total amount of fees paid by the Remaining Powerlong Group and/or its associates for the Commercial Operational Services provided by our Group amounted to approximately RMB227.6 million, RMB174.6 million, RMB185.3 million and RMB87.2 million, respectively.

The service fees that we will charge for the Commercial Operational Services shall be determined after arm's length negotiations with reference to (i) the location and size of the properties, (ii) the anticipated operational cost (including labor costs) for providing such services, and (iii) the price offered by us to independent property developers for similar services.

Our Directors estimate that the maximum annual fee payable by the Remaining Powerlong Group and/or its associates under the Commercial Operational Services Framework Agreement for each of the three years ending December 31, 2021 will not exceed RMB222.8 million, RMB267.2 million and RMB320.7 million, respectively.

In arriving at the above annual caps of Commercial Operational Services, our Directors have considered the following factors which are considered to be reasonable and justifiable in the circumstances:

(i) the historical transaction amounts and growth trend during the Track Record Period and the fees paid by the Remaining Powerlong Group and/or its associates for the ten months ended October 31, 2019 based on our Group's management account amounted to approximately RMB147.0 million;

(ii) the estimated transaction amounts for the year ending December 31, 2019 in relation to the Commercial Operational Services provided by our Group pursuant to the existing contracts as of the Latest Practicable Date and an additional revenue to be recognized in November and December 2019 including (a) approximately RMB29.4 million would be recognized from the commercial properties currently under management for the two months ending December 31, 2019; and (b) approximately RMB46.4 million would be recognized from the tenant sourcing services and the opening preparation services for five commercial properties located in Yangtze River Delta and one commercial property located in Bohai Economic Rim which were or will be opened during September to December 2019;

(iii) the estimated increase in the transaction amounts for the two years ending December 31, 2020 and 2021 of around 20% per annum taking into account:

(a) the expected aggregate area of properties to be rented by the Remaining Powerlong Group and/or its associates for the two years ending December 31, 2021, estimated based on the estimated land bank of the Remaining Powerlong Group and/or its associates as of June 30, 2019 and the development plan for 2020 to 2021 provided to our Group, which are approximately 9.4 million sq.m. and 10.5 million sq.m. for the two years ending December 31, 2021; and

(b) the historical CAGR of approximately 24.9% of the revenue generated from the Group's commercial operational services from 2016 to 2018, which is in line with the expected business growth of the Group.

Powerlong Holdings is our Controlling Shareholder and is therefore a connected person of our Company under the Listing Rules. Accordingly, the transactions contemplated under the Commercial Operational Services Framework Agreement will constitute continuing connected transactions for our Company under Chapter 14A of the Listing Rules upon Listing.

As each of the applicable percentage ratios under the Listing Rules in respect of the annual caps in relation to the Commercial Operational Services is expected to be more than 5% on an annual basis, the transactions under the Commercial Operational Services Framework Agreement constitute continuing connected transactions for our Company which are subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

3. Common Area and Advertising Space Management Services

On December 10, 2019, our Company (for ourselves and on behalf of our other subsidiaries) entered into a common area and advertising space management services framework agreement with Powerlong Holdings (for itself and on behalf of the other members of the Remaining Powerlong Group and its associates) (the "**Common Area and Advertising Space Management Services Framework Agreement**"), pursuant to which our Group shall manage the common area and advertising space in the properties owned by the Remaining Powerlong Group and/or its associates and sublease to the Independent Third Parties (the "**Common Area and Advertising Space Management Services**"), for a term commencing from the Listing Date to December 31, 2021.

During the years ended December 31, 2016, 2017 and 2018, the income generated from the management of common area and advertising space is generally (a) received as to 100% by our Group; or (b) (i) received as to 100% by our Group during certain period of time upon the Fixed Period; and (ii) shared between our Group and the Remaining Powerlong Group as to 30% and 70%, respectively, upon the expiry of the Fixed Period. Under such model, the net income received by our Group constituted income generated from related party, i.e. the Remaining Powerlong Group and its associates, given that the common area and advertising space were owned by the Remaining Powerlong Group. For each of the years ended December 31, 2016, 2017 and 2018, the total amount of fees paid by the Remaining Powerlong Group and/or its associates for the Common Area and Advertising Space Management Services provided by our Group amounted to approximately RMB88.5 million, RMB74.6 million and RMB71.1 million, respectively. With an aim of reducing the amount of continuing connected transactions between our Group and the Remaining Powerlong Group and its associates upon Listing, our Group and the Remaining Powerlong Group and its associates have agreed to adopt a new common area and advertising space management arrangement since January 1, 2019, pursuant to which our Group will lease the common area and advertising space from the Remaining Powerlong Group and its associates and manage the common area and advertising space. Under such arrangement, our Group will pay an annual rent to the Remaining Powerlong Group and its associates, while the income generated from the common area and advertising space management and received from independent third party customers will not constitute continuing connected transactions for our Group. Our Group believes that such new arrangement will provide it with more flexibility and autonomy to manage the common area and advertising space and exercise initiatives to further enhance the service quality in return for higher income.

Under the new business model, we will pay an annual rent to the Remaining Powerlong Group and its associates instead of sharing the total fee from end users with the Remaining Powerlong Group and its associates, which will result in (i) an increase in revenue of our Group as all fees from end users will be recognized on gross basis; and (ii) an increase in leasing expenses of our Group in respect of the aforementioned new leasing arrangement to be entered into between our Group and the Remaining Powerlong Group and its associates. Assuming we had adopted the new business model on January 1, 2016, the historical transaction amounts in respect of the Common Area and Advertising Space Management Services for the years ended December 31, 2016, 2017 and 2018 would be approximately RMB35.9 million, RMB49.7 million and RMB60.9 million, respectively. The amounts are estimated based on the operating performance and the maturity level of the relevant retail commercial properties under management with reference to the current lease agreements, which are on normal commercial terms under the prevailing market conditions and the total amount to be paid under the current lease agreements were reviewed by an independent professional property valuer and confirmed that were fair and reasonable and reflect the prevailing market rates for similar properties in similar locations in the PRC at relevant dates of entering the current lease agreements.

The table below shows the adjusted after-tax profit attributable to shareholders of our Group assuming that the new business model was adopted on January 1, 2016:

	For the year ended 31 December		
	2016	**2017**	**2018**
		(RMB' million)	
Actual after-tax profit attributable to shareholders of our Group (Audited)	62.9	78.6	133.3
Adjusted by:			
– Increase in revenue in respect of common area and advertising space recognized on gross basis *(Note 1)*	–	46.5	56.8
– Increase in leasing expenses in respect of new leasing arrangement for common area and advertising space *(Note 2)*	(35.9)	(49.7)	(60.9)
– Tax effect of the above adjustments *(Note 3)*	9.0	0.8	1.0
Adjusted after-tax profit attributable to shareholders of our Group (Unaudited)	**36.0**	**76.2**	**130.2**

Notes:

1. For the years ended December 31, 2016, 2017 and 2018, the total fee received or receivable from the end users in relation to common area and advertising space management were RMB88.5 million, RMB121.1 million and RMB127.9 million, respectively, among which, the portion entitled and shared by our Group amounted to RMB88.5 million, RMB74.6 million and RMB71.1 million, respectively. The adjustment represents differences between the total fee received or receivable from the end users and the portion entitled to our Group for the years ended December 31, 2016, 2017 and 2018.

2. The amounts represent additional leasing expenses payable to the Remaining Powerlong Group and its associates in respect of new common area and advertising space leasing arrangement. The amounts are estimated based on the operating performance and the maturity level of the relevant retail commercial properties under management with reference to the current lease agreements, which are on normal commercial terms under the prevailing market conditions and the total amount to be paid under the current lease agreements were reviewed by an independent professional property valuer and confirmed that were fair and reasonable and reflect the prevailing market rates for similar properties in similar locations in the PRC at relevant dates of entering the current lease agreements.

3. The tax effect of the above adjustments is estimated by using the applicable income tax rate of our PRC subsidiaries at 25%.

For the six months ended June 30, 2019, the fee payable by our Group in respect of the common area and advertising space leasing arrangement is approximately RMB33.9 million.

The fees to be paid by our Group under the Common Area and Advertising Space Management Services Framework Agreement shall be determined on arm's length basis with reference to, among others, (i) the market rent of the common area and advertising space in similar locations and similar properties; and (ii) the occupancy rate of the common area and advertising space leased by our Group from the Remaining Powerlong Group and its associates.

Our Directors estimate that the maximum annual fee payable by our Group under the Common Area and Advertising Space Management Services Agreement for each of the years ending December 31, 2019, 2020 and 2021 will not exceed RMB73.5 million, RMB85.3 million and RMB99.2 million, respectively.

In arriving at the above annual caps of Common Area and Advertising Space Management Services, our Directors have considered the following factors which are considered to be reasonable and justifiable in the circumstances:

(i) the estimated transaction amounts for the year ending December 31, 2019 pursuant to (a) the existing GFA of common area and advertising space under our management as of the Latest Practicable Date; (b) the fees payable by our Group for the ten months ended October 31, 2019 based on our Group's management account which amounted to approximately RMB56.6 million; and (c) the fees payable by our Group for the two months ending December 31, 2019 which amounted to approximately RMB16.9 million based on the existing contracts;

(ii) the estimated increase in the transaction amounts for the two years ending December 31, 2020 and 2021 at around 16% per annum taking into account our estimation on the new GFA of common area and advertising space to be managed by our Group from 17 commercial properties located in Yangtze River Delta, one commercial property located in Southeast China and one commercial property located in Bohai Economic Rim which are expected to incur leasing expenses by our Group since 2020 based on the development plan of the Remaining Powerlong Group and/or its associates for the two years ending December 31, 2020 and 2021; and

(iii) the estimated increment of rental fees based on the commercial negotiation with the Remaining Powerlong Group, which has been reviewed by an independent professional property valuer.

The annual cap amounts in respect of the Common Area and Advertising Space Management Services for the years ending December 31, 2019, 2020 and 2021 are based on the annual rent payable by our Group to the Remaining Powerlong Group under the new arrangement. An independent professional property valuer engaged by us has reviewed the terms of the lease agreement in respect of the common area and advertising space to be entered into between our Group and the Remaining Powerlong Group and confirmed that such terms are on normal commercial terms under the prevailing market condition and the agreed annual rent payable by our Group to the Remaining Powerlong Group is fair and reasonable.

Powerlong Holdings is our Controlling Shareholder and is therefore a connected person of our Company under the Listing Rules. Accordingly, the transactions contemplated under the Common Area and Advertising Space Management Services Framework Agreement will constitute continuing connected transactions for our Company under Chapter 14A of the Listing Rules upon Listing.

As each of the applicable percentage ratios under the Listing Rules in respect of the annual caps in relation to the Common Area and Advertising Space Management Services is expected to be more than 5% on an annual basis, the transactions under the Common Area and Advertising Space Management Services Framework Agreement constitute continuing connected transactions for our Company which are subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

(D) APPLICATION FOR WAIVER

The transaction described in "— (B) Continuing connected transaction subject to the reporting, annual review and announcement requirements but exempted from the independent Shareholders' approval requirement" constitutes our continuing connected transaction under the Listing Rules, which is exempted from the independent Shareholders' approval requirement but subject to the reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules.

The transactions described in "— (C) continuing connected transactions subject to the reporting, annual review, announcement and independent Shareholders' approval requirements" constitute our continuing connected transactions under the Listing Rules, which are subject to the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

In respect of these continuing connected transactions, pursuant to Rule 14A.105 of the Listing Rules, we have applied to the Stock Exchange for, and the Stock Exchange has granted, waivers exempting us from strict compliance with the announcement requirement under Chapter 14A of the Listing Rules in respect of the continuing connected transaction as disclosed in "— (B) Continuing connected transaction subject to the reporting, annual review and announcement requirements but exempted from the independent Shareholders' approval requirement"; and the announcement and independent Shareholders' approval requirements in respect of the continuing connected transactions as disclosed in "— (C) Continuing connected transactions subject to the reporting, annual review, announcement and independent Shareholders' approval requirements," subject to the condition that the aggregate amounts of the continuing connected transactions for each financial year shall not exceed the relevant amounts set forth in the respective annual caps (as stated above). Apart from the above waivers sought on the strict compliance of the announcement and independent Shareholders' approval requirements, we will comply with the relevant requirements under Chapter 14A of the Listing Rules.

If any terms of the transactions contemplated under the agreements mentioned above are altered or if our Company enters into any new agreements with any connected person in the future, we will fully comply with the relevant requirements under Chapter 14A of the Listing Rules unless we apply for and obtain a separate waiver from the Stock Exchange.

(E) DIRECTORS' VIEWS

Our Directors (including our independent non-executive Directors) consider that all the continuing connected transactions as disclosed in "— (B) Continuing connected transaction subject to the reporting, annual review and announcement requirements but exempted from the independent Shareholders' approval requirement" and "— (C) Continuing connected transactions subject to the reporting, annual review, announcement and independent Shareholders' approval requirements" have been and will be carried out (i) in the ordinary and usual course of our business; (ii) on normal commercial terms or better; and (iii) in accordance with the respective terms that are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

Our Directors (including our independent non-executive Directors) are also of the view that the annual caps of the continuing connected transactions as disclosed in "— (B) Continuing connected transaction subject to the reporting, annual review and announcement requirements but exempted from the independent Shareholders' approval requirement" and "— (C) Continuing connected transactions subject to the reporting, annual review, announcement and independent Shareholders' approval requirements" in this section are fair and reasonable and are in the interests of our Shareholders as a whole.

(F) SOLE SPONSOR'S VIEW

The Sole Sponsor is of the view (i) that the continuing connected transactions as disclosed in "— (B) Continuing connected transaction subject to the reporting, annual review and announcement requirements but exempted from the independent Shareholders' approval Requirement" and "— (C) Continuing connected transactions subject to the reporting, annual review, announcement and independent Shareholders' approval requirements" have been and will be entered into in the ordinary and usual course of our business, on normal commercial terms or better, that are fair and reasonable and in the interests of our Company and our Shareholders as a whole; and (ii) that the proposed annual caps (where applicable) of such continuing connected transactions are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

BOARD OF DIRECTORS

Our Board currently consists of seven Directors, comprising two executive Directors, two non-executive Directors and three independent non-executive Directors. The powers and duties of our Board include convening general meetings and reporting our Board's work at our Shareholders' meetings, determining our business and investment plans, preparing our annual financial budgets and final reports, formulating proposals for profit distributions and exercising other powers, functions and duties as conferred by the Articles. We have entered into service agreements with each of our executive Directors. We have also entered into letters of appointments with each of our non-executive Directors and independent non-executive Directors.

The table below shows certain information in respect of members of our Board and senior management of our Company:

Members of our Board

Name	Age	Existing position	Date of joining our Group	Date of appointment as Director	Roles and responsibilities	Relationship with other Directors and senior management
Mr. Hoi Wa Fong (許華芳)	41	Executive Director, chairman of the Board and president	February 1, 2013	March 25, 2019	Responsible for overseeing business development, formulation and implementation of business strategies, including acquisition plans and corporate finance of our Group	Brother of Ms. Hoi Wa Fan and cousin of Ms. Hoi Wa Lam
Mr. Zhang Yunfeng (張雲峰)	42	Executive Director and chief executive officer	March 9, 2015	August 8, 2019	Responsible for the formulation and implementation of the accountability system, business strategies and operational targets of our Group, as well as conducting operational and forecast analysis	None
Ms. Hoi Wa Fan (許華芬)	43	Non-executive Director	August 8, 2019	August 8, 2019	Responsible for providing guidance and formulation of business strategies for the overall development of our Group	Sister of Mr. Hoi Wa Fong and cousin of Ms. Hoi Wa Lam
Ms. Hoi Wa Lam (許華琳)	34	Non-executive Director	August 8, 2019	August 8, 2019	Responsible for providing guidance and formulation of business strategies for the overall development of our Group	Cousin of Mr. Hoi Wa Fong and Ms. Hoi Wa Fan
Ms. Ng Yi Kum, Estella (伍綺琴)	62	Independent non-executive Director	December 10, 2019	December 10, 2019	Responsible for providing independent advice on the operations and management of our Group	None
Mr. Chan Wai Yan, Ronald (陳惠仁)	39	Independent non-executive Director	December 10, 2019	December 10, 2019	Responsible for providing independent advice on the operations and management of our Group	None
Dr. Lu Xiongwen (陸雄文)	53	Independent non-executive Director	December 10, 2019	December 10, 2019	Responsible for providing independent advice on the operations and management of our Group	None

Members of our senior management

Name	Age	Existing position	Date of joining our Group	Date of appointment as senior management	Roles and responsibilities	Relationship with other Directors and senior management
Mr. Pang Mengxuan (龐夢軒)	46	Deputy general manager of our Group in charge of our market research center and investment management center	December 1, 2014	December 1, 2014	Responsible for market research, positioning planning, brand management and opening preparation of retail commercial properties of our Group	None
Mr. Zhang Jimin (張繼民)	45	Deputy general manager of our Group and general manager of our human resources center and internal control center	March 1, 2006	April 10, 2019	Responsible for the management of human resources, administrative systems and legal affairs of our Group, as well as monitoring and evaluating the effectiveness of the internal control system of our Group	None
Mr. Pan Xiaotao (潘嘯濤)	49	Deputy general manager of our Group in charge of our central China operational management center	June 25, 2018	December 26, 2018	Responsible for the formulation of business objectives and management plan of our Group in the central China region, as well as overseeing the operation of our Group in the central China region	None
Ms. Wen Haixia (溫海霞)	42	General manager of our financial management center	August 1, 2018	August 1, 2018	Responsible for the financial management, cost control and investment management of our Group	None

Executive Directors

Mr. Hoi Wa Fong (許華芳), aged 41, joined our Group as our president in February 2013. Mr. Hoi was appointed as our Director on March 25, 2019, and was re-designated as our executive Director and appointed as the chairman of our Board on August 8, 2019. He is responsible for overseeing business development, formulation and implementation of business strategies, including acquisition plans and corporate finance of our Group. Mr. Hoi currently holds directorships in various subsidiaries of our Group.

Mr. Hoi has over 18 years of experience in the real estate industry. From October 1999 to October 2001, Mr. Hoi worked as the deputy general manager of Xiamen Powerlong Decoration Design Works Co., Ltd. (廈門寶龍裝飾設計工程有限公司), an interior decoration and design company owned by Powerlong Holdings, where he was primarily responsible for human resources, financial management and cost control. From October 2001 to December 2003, Mr. Hoi worked as the deputy general manager of Xiamen Powerlong Real Estate Development Co., Ltd. (廈門寶龍房地產發展有限公司), a real estate development company controlled by Mr. Hoi Kin Hong, one of our Controlling Shareholders, where he was primarily responsible for financial and daily operation. From December 2003 to August 2009, Mr. Hoi worked as the vice president and was subsequently promoted as the chief vice president of Powerlong Group Development, a real estate development company controlled by Mr. Hoi Kin Hong, one of our Controlling Shareholders, where he was primarily responsible for the overall management of business operation. Since July 2007 and August 2009, he has been the executive director and chief executive officer of Powerlong Holdings, respectively, where he is primarily responsible for the overall management of the business operation. He was awarded various honors and awards, including Annual Leader in the Real Estate Industry in the PRC, Most Influential People in the Real Estate Industry in the PRC, Outstanding Individual Among Returned Overseas Chinese and Family Members, Top 10 Gold-Medal CEO of China Real Estate Listed Companies (中國房地產上市公司十大金牌CEO), TOP 30 CEO in the Real Estate Industry in China (中國地產年度CEO30強) and China Commercial Real Estate Industry Outstanding Contribution Award (中國商業地產行業傑出貢獻獎).

Mr. Hoi is a member of the tenth All-China Federation of Returned Overseas Chinese, a member of All-China Youth Federation, a director of China Overseas Friendship Association, a member of Chinese People's Political Consultative Conference for the city of Shanghai, the vice chairman of China Real Estate Chamber of Commerce, the vice-chairman of the Fujian Youth Federation and the chairman of the World Jinjiang Youth Association. He graduated from the school of management of Xiamen University (廈門大學) in the PRC, where he obtained a bachelor's degree in business management in July 2003. He also obtained an executive master of business administration (EMBA) degree from Cheung Kong Graduate School of Business (長江商學院) in the PRC in October 2007. He is currently pursuing a doctor of business association (DBA) degree at the Cheung Kong Graduate School of Business (長江商學院), in the PRC.

Mr. Hoi is the brother of Ms. Hoi Wa Fan and the cousin of Ms. Hoi Wa Lam, both our non-executive Directors.

Mr. Zhang Yunfeng (張雲峰), aged 42, joined our Group as our deputy general manager in March 2015 and has held senior positions in various business sectors of our Group, including the financial sector and operation management sector. Mr. Zhang was appointed as our executive Director and chief executive officer on August 8, 2019, and is primarily responsible for the formulation and implementation of the accountability system, business strategies and operational targets of our Group, as well as conducting operational and forecast analysis.

Mr. Zhang has over 13 years of experience in the real estate industry. Prior to joining our Group, from July 2006 to October 2011, Mr. Zhang worked in Nanjing Qinghe Investment Group Co., Ltd. (南京青和投資集團有限公司), an investment company focusing on real estate investment, with his last position as the general manager of the financial management center, where he was primarily responsible for the management of finance, cost, investment and financing activities of the group. From January 2012 to October 2013, Mr. Zhang worked as the deputy general manager of Chengdu Jinniu Wanda Plaza Investment Co., Ltd. (成都金牛萬達廣場投資有限公司), a real estate development company, where he was primarily responsible for the management of finance and financing activities. From October 2013 to November 2014, Mr. Zhang worked as the general manager of the finance department of Wanda Commercial Management Group Co., Ltd. (萬達商業管理集團有限公司), a commercial operational service company, where he was primarily responsible for financial management. From November 2014 to March 2015, Mr. Zhang also worked as the group deputy manager and general manager of the finance department of Wanda Property Management Co., Ltd. (萬達物業管理有限公司), a property group management company, where he was primarily responsible for financial management and participating in material operational decision-making process.

Mr. Zhang obtained a bachelor's degree in management and a master's degree in accounting from Nanjing University (南京大學) in the PRC in July 2000 and February 2007, respectively. He also obtained the qualification of intermediate accountant granted by MOF in the PRC in May 2005.

Non-executive Directors

Ms. Hoi Wa Fan (許華芬), aged 43, was appointed as our non-executive Director on August 8, 2019 and is responsible for providing guidance and formulation of strategies for the overall development of our Group. Since 2000, she has been the managing director of Nicole Boutique, a fashion brand concept store in Macau. Since December 2011, she has held the position of managing director of Ultra City Co., Ltd., a fashion retail company, where she has been primarily responsible for the overall management of business operation. Since April 2007, she has been the managing director of Pou Long Construction and Land Investment Company Limited (寶龍集團發展有限公司), a real estate development company controlled by Mr. Hoi Kin Hong, one of our Controlling Shareholders, where she is primarily responsible for the overall management and business development. Since September 2009, Ms. Hoi Wa Fan has been the non-executive director of Powerlong Holdings, where she is primarily responsible for providing guidance and formulation of development strategies for the overall development of Powerlong Holdings.

Ms. Hoi Wa Fan is the sister of Mr. Hoi Wa Fong, our executive Director, chairman of our Board and our president, and the cousin of Ms. Hoi Wa Lam, our non-executive Director.

Ms. Hoi Wa Lam (許華琳), aged 34, was appointed as our non-executive Director on August 8, 2019 and is responsible for providing guidance and formulation of development strategies for the overall development of our Group.

From June 2007 to April 2009, Ms. Hoi Wa Lam was the deputy general manager of Nicole Boutique, a fashion brand concept store in Macau, where she was primarily responsible for general administration and human resources. From November 2010 to June 2017, Ms. Hoi Wa Lam worked as the general manager of Shanghai Powerlong Huayun Art Development Co., Ltd. (上海寶龍華韻藝術發展有限公司), a cultural and art event planning and marketing company controlled by Mr. Hoi Kin Hong, one of our Controlling Shareholders, where she was primarily responsible for general management and business development. Since June 2017, she has been the head of cultural sector of Powerlong Holdings, where she is primarily responsible for the overall management and business development of the cultural sector of Powerlong Holdings. She was awarded various honors and awards, including Gold Star of Annual Focus People in National Art (《國家美術》金星獎•年度焦點人物) and TOP 100 most influential artist in the Art Power List in China (2018年度中國藝術權力榜TOP100最具影響力藝術人物).

Ms. Hoi Wa Lam is an executive member of the 4th Council of the World Jinjiang Youth Association (世界晉江青年聯誼會) and a vice chairman of the Powerlong Art Foundation (上海寶龍文化發展基金會). Ms. Hoi Wa Lam graduated from the University of Macau (澳門大學) in Macau, where she obtained a bachelor's degree in business administration in July 2008. She also obtained a master's degree in business administration from the University of Leicester in the United Kingdom in January 2011 and an executive master of business administration (EMBA) degree from Shanghai Jiao Tong University (上海交通大學) in the PRC in June 2018.

Ms. Hoi Wa Lam is the cousin of Mr. Hoi Wa Fong, our executive Director, chairman of our Board and our president, and Ms. Hoi Wa Fan, our non-executive Director.

Independent non-executive Directors

Ms. Ng Yi Kum, Estella (伍綺琴), aged 62, was appointed as our independent non-executive Director on December 10, 2019 and is responsible for providing independent advice on the operations and management of our Group. From September 2005 to November 2007, she was an executive director of Hang Lung Properties Limited (stock code: 101), a real estate development company whose shares are listed on the Main Board of the Stock Exchange. Prior to her joining in Hang Lung Properties Limited, she worked as a senior vice president of the Stock Exchange. From January 2008 to April 2014, Ms. Ng was the chief financial officer of Country Garden Holdings Company Limited (stock code: 2007), a real estate development company whose shares are listed on the Main Board of the Stock Exchange. Ms. Ng joined Tse Sui Luen Jewellery (International) Limited ("**TSL**") (stock code:

417), a jewelery company whose shares are listed on the Main Board of the Stock Exchange, in July 2015 and is currently an executive director, the deputy chairman, the chief strategy officer, the chief financial officer and the company secretary of TSL. She is primarily responsible for group finance and other administrative functions as well as defining corporate strategies of TSL.

Ms. Ng was an independent non-executive director of China Power Clean Energy Development Company Limited (stock code: 735), a clean energy development company which was delisted from the Stock Exchange in August 2019. She is currently an independent non-executive director of Tianjin Development Holdings Limited (stock code: 882), a utilities, hotel, electrical and mechanical, strategic and other investments and pharmaceutical company whose shares are listed on the Main Board of the Stock Exchange, Comba Telecom Systems Holdings Limited (stock code: 2342), a solution and service provider of wireless and communication systems whose shares are listed on the Main Board of the Stock Exchange, and CT Vision (International) Holdings Limited (formerly known as Win Win Way Construction Holdings Limited) (stock code: 994), a construction company whose shares are listed on the Main Board of the Stock Exchange. Ms. Ng served as an independent director of DS Healthcare Group, Inc. from May 2016 to May 2017, a healthcare company whose shares were listed on the Nasdaq Capital Market in the United States but were delisted in December 2016. She served as an independent non-executive director of China Mobile Games and Entertainment Group Limited, a mobile games and entertainment company whose shares are listed by way of American Depositary Shares on the Nasdaq Global Market in the United States, from September 2012 to August 2015. Ms. Ng also served as an independent non-executive director of Hong Kong Resources Holdings Company Limited (stock code: 2882), a jewelery company whose shares are listed on the Main Board of the Stock Exchange, from September 2008 to July 2015.

Ms. Ng is a qualified accountant and holds a master's degree in business administration from the Hong Kong University of Science and Technology in Hong Kong. She is an associate of The Institute of Chartered Accountants in England and Wales, The Institute of Chartered Secretaries and Administrators, a fellow of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants and a member of the American Institute of Certified Public Accountants. She is an elected member of Quality Tourism Services Association Governing Council (Retailer Category) with effect from December 2, 2019. She has also contributed her time to various public service appointments, including being a co-opted member of the audit committee of the Hospital Authority from December 2002 to November 2013.

Mr. Chan Wai Yan, Ronald (陳惠仁), aged 39, was appointed as our independent non-executive Director on December 10, 2019 and is responsible for providing independent advice on the operations and management of our Group. Mr. Chan founded Chartwell Capital Limited, an investment management company, in October 2007 and is currently the chief investment officer. He has been its responsible officer for Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO since November 2008 and February 2008, respectively. He was appointed by the Stock Exchange to serve as a member of the Listing Committee of the Main Board and GEM in July 2016. He is currently an independent non-executive director of Wine's Link International Holdings Limited (stock code: 8509), a wine products company whose shares are listed on GEM of the Stock Exchange.

Mr. Chan obtained a bachelor of science's degree in finance and accounting from the Leonard and Stern School of Business at New York University in the United States in May 2002.

Dr. Lu Xiongwen (陸雄文), aged 53, was appointed as our independent non-executive Director on December 10, 2019 and is responsible for providing independent advice on the operations and management of our Group. Since July 1991, he has been engaged in teaching and research in Fudan University (復旦大學) in the PRC. He became an associate professor and a professor in Fudan University in July 1997 and May 1999, respectively. During the period from 1996 and 2006, he also held various positions including assistant dean, head of marketing, associate dean and executive associate dean of the school of management in Fudan University. Since August 2006, he has been the dean of the school of management in Fudan University.

Dr. Lu is currently an independent non-executive director of Shanghai Jinqiao Export Processing Zone Development Co., Ltd.（上海金橋出口加工區開發股份有限公司）(stock code for A-shares: 600639.SH and stock code for B-shares: 900911.SH), a property development and management company for the Shanghai Jinqiao Export Processing Zone whose shares are listed on the Shanghai Stock Exchange, Baoshan Iron & Steel Co., Ltd.（寶山鋼鐵股份有限公司）(stock code: 600019.SH), an iron and steel smelting company whose shares are listed on the Shanghai Stock Exchange, and Shanghai New Huang Pu Industrial Group Co., Ltd.（上海新黃浦實業集團股份有限公司）(stock code: 600638.SH), a property development and management company whose shares are listed on the Shanghai Stock Exchange. He is currently also an independent non-executive director of Morgan Stanley Huaxin Securities Co., Ltd. (摩根士丹利華鑫證券有限責任公司), a joint venture company established by Morgan Stanley and Huaxin Securities and principally engaged in stocks underwriting and sponsoring, bonds issuance and proprietary trading, and SPD Silicon Valley Bank Co., Ltd.（浦發硅谷銀行有限公司）, a joint venture bank established by Shanghai Pudong Development Bank Co., Ltd. and Silicon Valley Bank.

Dr. Lu obtained a bachelor's degree, a master's degree and a doctor's degree in economics from Fudan University (復旦大學) in the PRC in July 1988, July 1991 and January 1997, respectively.

Save as disclosed above, none of our Directors have held any other directorships in listed companies during the three years immediately preceding the date of this prospectus.

Save as disclosed above, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there was no information relating to our Directors that is required to be disclosed pursuant to paragraphs (b) to (v) of Rule 13.51(2) of the Listing Rules or any other matters concerning any Director that needs to be brought to the attention of our Shareholders as of the Latest Practicable Date.

SENIOR MANAGEMENT

Our senior management is responsible for the day-to-day operations and management of our business.

Mr. Pang Mengxuan (龐夢軒), aged 46, joined our Group as the deputy general manager of our Group in charge of our market research center and investment management center in December 2014 and is primarily responsible for market research, positioning planning, brand management and opening preparation of retail commercial properties of our Group. Mr. Pang has more than 25 years of experience in the commercial operational service industry. Prior to joining our Group, from September 2006 to February 2010, Mr. Pang served as the vice president of Shanghai Jiaheng Haofa Real Estate Development Management Co., Ltd. (上海嘉恒浩發房地產開發管理有限公司), a real estate development, commercial operation and fund management company, where he was primarily responsible for the overall management of commercial operational service business of the group. From February 2010 to February 2012, he worked as the regional general manager of the Shanxi branch company of Wanda Commercial Management Group Co., Ltd. (萬達商業管理集團有限公司陝西分公司), a commercial operational service company, where he was primarily responsible for the management of the commercial operational service business in Xi'an region. From February 2012 to April 2013, Mr. Pang served as the vice president of Chengdu Shihao Xinrui Group Co., Ltd. (成都世豪新瑞集團有限公司), a real estate development and operation company, where he was primarily responsible for the management of commercial operational service business of the group. From April 2013 to November 2014, Mr. Pang served as the vice president of Guangdong Chuanghong Group Co., Ltd. (廣東創鴻集團有限公司), a real estate development and operation company, where he was primarily responsible for the management of commercial operational and residential property management service business, as well as hotel operation.

Mr. Pang obtained a bachelor's degree in business administration from Shanghai Polytechnic University (上海第二工業大學) in the PRC in July 2002. He also attended the Wharton and E-House (China) Real Estate Executive program at the University of Pennsylvania in the United States in April 2014.

Mr. Zhang Jimin (張繼民), aged 45, joined our Group in March 2006 as the assistant to our president and subsequently held various positions including the general manager of our operational management center in the south China region and the regional general manager of the Fujian region. He was appointed as the deputy general manager of our Group and the general manager of our administrative human resource center and internal control center in April 2019 and is responsible for the management of human resources, administrative systems and legal affairs of our Group, as well as monitoring and evaluating the effectiveness of the internal control system of our Group.

From December 1998 to June 2004, he worked as the human resources manager of Sinobioway Biomedicine Co., Ltd. (未名生物醫藥公司) (formerly known as Xiamen Beidazhilu Biology Co., Ltd. (廈門北大之路生物公司)), a biopharmaceutical company, where he was primarily responsible for human resources management. From July 2004 to February 2006, Mr. Zhang served as a consultant at Xiamen Boge Consulting Co., Ltd. (廈門市博格管理諮詢有限公司), a business management consulting company, where he was primarily responsible for providing consultation services.

Mr. Zhang obtained a bachelor's degree in management and law from Nankai University (南開大學) in the PRC in June 1996.

Mr. Pan Xiaotao (潘嘯濤), aged 49, joined our Group in June 2018 as the general manager of our central China operational management center and was appointed as the deputy general manager of our Group in charge of our central China operational management center in December 2018. He is responsible for the formulation of business objectives and management plan of our Group in the central China region, as well as overseeing the operation of our Group in the central China region.

Prior to joining our Group, from December 2011 to October 2013, Mr. Pan served as the regional general manager in Ningbo region of the Ningbo branch company of Wanda Group Commercial Management Co., Ltd. (萬達商業管理集團有限公司寧波分公司), a commercial operational service company, where he was primarily responsible for the management of commercial operational service business. From December 2013 to November 2014, he worked as the commercial vice president of Shanghai Yuyuan Business Travel Industry Investment Management Co., Ltd. (上海豫園商旅文產業投資管理有限公司), a business travel development and operation company, where he was primarily responsible for the pre-opening preparation and management of commercial operational services of commercial projects. From November 2014 to May 2016, Mr. Pan served as the general manager of the commercial operational management department of Shanghai AUX Commercial Property Co., Ltd. (上海奧克斯商業地產有限公司), a commercial real estate development and operation company, where he was primarily responsible for the pre-opening preparation and management of commercial operational services of commercial projects. From June 2016 to June 2018, Mr. Pan served as the deputy general manager of Chongqing Xiexin Shopping Center Development Management Co., Ltd. (重慶協信購物中心發展管理有限公司), a commercial real estate development and operation company, where he was primarily responsible for the management of the commercial operation department and projects in Shanghai.

Mr. Pan obtained a bachelor's degree in packaging engineering from the engineering college of Shanghai University (上海大學工學院) in the PRC in July 1992.

Ms. Wen Haixia (溫海霞), aged 42, joined the Group as the general manager of our financial management center in August 2018 and is responsible for the financial management, cost control and investment management of our Group.

Prior to joining our Group, from March 2006 to February 2009, Ms. Wen served in various subsidiaries of Parkson Retail Group Limited (百盛商業集團), a department store company whose shares are listed on the Main Board of the Stock Exchange (stock code: 3368), the Malaysia Stock Exchange (stock code: 5657) and the Singapore Stock Exchange (stock code: O9E), with her last position as the deputy financial manager of Shanghai Hongqiao Parkson Commercial Co., Ltd. (上海虹橋百盛商貿有限公司), where she was primarily responsible for financial analysis and management. From January 2010 to April 2013, she was the assistant financial director of Shanghai Shimao Co., Ltd. (上海世茂股份有限公司), a commercial property development and management company whose shares are listed on the Shanghai Stock Exchange (stock code: 600823.SH), where she was primarily responsible for the financial management of the commercial operation department. From April 2013 to April 2018, Ms. Wen served as the chief financial officer at Shanghai Aegean Commercial Group Co., Ltd. (上海愛琴海商業集團), a commercial operational service company focusing on shopping malls, where she was primarily responsible for the financial management center.

Ms. Wen obtained a diploma's degree in investment economics from Zhejiang University of Finance & Economics (浙江財經大學) in the PRC in July 1999. She obtained the qualification of intermediate accountant granted by the MOF in September 2003 and Certified Public Accountant (non-practicing member) granted by the Shanghai Institute of Certified Public Accountants (上海市註冊會計師協會) in December 2009. Ms. Wen also obtained the board secretary certificate granted by the Shanghai Stock Exchange in January 2018 and the fund qualification certificate granted by the Asset Management Association of China (中國證券投資基金業協會) in January 2019.

JOINT COMPANY SECRETARIES

Ms. Jin Hong (金紅), aged 38, joined our Group as the general manager of our investor relations department in July 2019 and was appointed as our joint company secretary on August 8, 2019. She is primarily responsible for the investor relations management, investment management and company secretarial matters of our Group.

From December 2012 to May 2015, Ms. Jin worked as the manager of the investor relations department of Shanghai Fosun High Technology (Group) Co., Ltd. (上海復星高科技(集團)有限公司), an investment company and a subsidiary of Fosun International Limited (復星國際有限公司) (stock code: 00656), a diversified investment company whose shares are listed on the Main Board of the Stock Exchange, where she was primarily responsible for investor relations management. From May 2015 to June 2017, she served as the senior supervisor in the board office of Orient International Company Limited*(東方證券股份有限公司), an integrated securities company whose shares are listed on both the Shanghai Stock Exchange (stock code: 600958.SH) and the Main Board of the Stock Exchange (stock code: 03958), where she was primarily responsible for investor relations management. From June 2017 to July 2019, Ms. Jin worked as the director of the capital department of Powerlong Holdings, where she was primarily responsible for investor relations management and investment and financing related matters.

Ms. Jin obtained a bachelor's degree in management from Wuhan University (武漢大學) in the PRC in June 2004 and a master of business administration degree from Fudan University (復旦大學) in the PRC in June 2012. Ms. Jin also obtained the certificate of qualification for secretary of the board granted by the Shanghai Stock Exchange in August 2015.

Ms. Chan Pung Fei (陳芃霏), aged 29, was appointed as our joint company secretary on August 8, 2019. Ms. Chan is a manager of corporate services of Vistra Corporate Services (HK) Limited, a corporate services provider. She has over six years of experience in providing full range of company secretarial and compliance services.

Ms. Chan has been an associate member of the Hong Kong Institute of Chartered Secretaries since December 2016 and an associate member of the Institute of Chartered Secretaries and Administrators in the United Kingdom since December 2016. She has also been a full member of The Society of Trust and Estate Practitioners since May 2018 and a professional member of International Compliance Association since November 2018.

Ms. Chan obtained her bachelor's degree in business administration in accountancy from the Hong Kong Polytechnic University in 2012.

BOARD COMMITTEES

Our Board has established the Audit Committee, the Remuneration Committee and the Nomination Committee and delegated various responsibilities to these committees, which assist our Board in discharging its duties and overseeing particular aspects of our Group's activities.

Audit Committee

Our Group has established the Audit Committee on July 18, 2019 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C.3 of the Corporate Governance Code ("**CG Code**") as set out in Appendix 14 to the Listing Rules. The Audit Committee consists of three members, namely, Ms. Ng Yi Kum, Estella, Dr. Lu Xiongwen and Mr. Chan Wai Yan, Ronald, all of whom are our independent non-executive Directors. Ms. Ng Yi Kum, Estella is the chairman of the Audit Committee and is our independent non-executive Director with the appropriate professional qualifications.

The primary duties of the Audit Committee include, but not limited to (i) review and supervise our financial reporting process and internal control system of our Group, risk management and internal audit; (ii) provide advice and comments to our Board; and (iii) perform other duties and responsibilities as may be assigned by the Board.

Remuneration Committee

Our Group has established the Remuneration Committee on July 18, 2019 with written terms of reference in compliance with Rule 3.25 of the Listing Rules and paragraph B.1 of the CG Code as set out in Appendix 14 to the Listing Rules. The Remuneration Committee consists of three members, namely, Dr. Lu Xiongwen, Mr. Hoi Wa Fong and Mr. Chan Wai Yan, Ronald. Dr. Lu Xiongwen is the chairman of the Remuneration Committee.

The primary duties of the Remuneration Committee include, but not limited to (i) establishing, reviewing and providing advices to our Board on our policy and structure concerning remuneration of our Directors and senior management and on the establishment of a formal and transparent procedure for developing policies concerning such remuneration; (ii) determining the terms of the specific remuneration package of each Director and senior management; and (iii) reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by our Directors from time to time.

Nomination Committee

Our Group has also established the Nomination Committee on July 18, 2019 with written terms of reference in compliance with paragraph A.5 of the CG Code as set out in Appendix 14 to the Listing Rules. The Nomination Committee consists of three members, namely Mr. Hoi Wa Fong, Dr. Lu Xiongwen and Mr. Chan Wai Yan, Ronald. Mr. Hoi Wa Fong is the chairman of the Nomination Committee.

The primary duties of the Nomination Committee include, but not limited to (i) review the structure, size and composition of our Board on a regular basis and make recommendations to the Board regarding any proposed changes to the composition of our Board; (ii) identify, select or make recommendations to our Board on the selection of individuals nominated for directorship, and ensure the diversity of our Board members; (iii) assess the independence of our independent non-executive Directors; and (iv) make recommendations to our Board on relevant matters relating to the appointment, re-appointment and removal of our Directors and succession planning for our Directors.

CORPORATE GOVERNANCE

Our Company recognizes the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of our Group so as to achieve effective accountability.

Our Company has adopted the code provisions stated in the CG Code. Our Company is committed to the view that the Board should include a balanced composition of executive Directors and independent non-executive Directors so that there is a strong independent element on the Board, which can effectively exercise independent judgment.

BOARD DIVERSITY

Our Company recognizes the benefits of having a diversified Board. Our Company has adopted a board diversity policy with the aim of achieving an appropriate level of diversity among Board members according to the circumstances of our Group from time to time. In summary, our board diversity policy sets out that when considering the nomination and appointment of a Director, with the assistance of our Nomination Committee, our Board would consider a range of diversity of perspectives, including but not limited to the skills, knowledge, professional experience and qualifications, cultural and educational background, age, gender and the potential contributions that the candidate is expected to bring to our Board, in order to better serve the needs and development of our Company. All Board appointments will be based on merits and candidates will be considered against objective criteria, having due regard to the benefits of diversity to our Board.

After Listing, our Nomination Committee will review the board diversity policy from time to time to ensure its continued effectiveness and we will disclose the policy or a summary thereof in our corporate governance report on an annual basis.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

Our Directors and members of our senior management receive compensation from our Group in the form of fees, salaries, housing allowance and contributions to a retirement benefit scheme. The aggregate remuneration (including fees, salaries, housing allowance and contributions to a retirement benefit scheme) paid to one of our Directors (in his role as senior management and employee before his appointment as director) for each of the three years ended December 31, 2018 and the six months ended June 30, 2019 was approximately RMB598,000 RMB694,000, RMB772,000 and RMB429,000 respectively. Save as disclosed above, no other amounts have been paid or are payable by any member of our Group to our Directors for each of the three years ended December 31, 2018.

The aggregate amount of wages, salaries and bonuses, pension costs, housing funds, medical insurance and other social insurances paid to our five highest paid individuals in respect of each of the three years ended December 31, 2018 and the six months ended June 30, 2019 was approximately RMB3,025,000, RMB3,324,000, RMB3,715,000 and RMB2,143,000, respectively.

No remuneration was paid by us to our Directors or the five highest paid individuals as an inducement to join or upon joining us or as a compensation for loss of office in respect of each of the three years ended December 31, 2018. Further, none of our Directors had waived or agreed to waive any remuneration during the same periods.

Under the arrangement currently in force, the aggregate remuneration (including fees, salaries, contributions to pension schemes, bonus, share-based payments, retirement benefits scheme, allowances and other benefits in kind) of our Directors for the year ending December 31, 2019 is estimated to be around RMB1,010,000.

Our Board will review and determine the remuneration and compensation packages of our Directors and senior management and will, following the Listing, receive recommendation from the Remuneration Committee which will take into account salaries paid by comparable companies, time commitment and responsibilities of our Directors and performance of our Group.

COMPLIANCE ADVISOR

In compliance with Rule 3A.19 of the Listing Rules, we have appointed Giraffe Capital Limited as our compliance advisor to provide advisory services to our Company. It is expected that the compliance advisor will, amongst other things, advise our Company with due care and skill in the following circumstances:

- before the publication of any regulatory announcement, circular or financial report;
- where a transaction, which might be a notifiable or connected transaction, is contemplated, including shares issues and share repurchases;
- where we propose to use the proceeds from the Global Offering in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecast, estimate, or other information in this prospectus; and
- where the Stock Exchange makes an inquiry of us regarding unusual movements in the price or trading volume of our Shares.

The term of the appointment shall commence on the Listing Date and end on the date on which we distribute our annual report in respect of our financial results for the first full financial year commencing after the Listing Date and such appointment may be subject to extension by mutual agreement.

So far as our Directors are aware, the following persons will, immediately prior to and following the completion of the Capitalization Issue and the Global Offering (without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option), have interests or short positions in our Shares or underlying Shares which would be required to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10% or more of the issued voting shares of any other member of our Group:

Name of Shareholder	Nature of Interest	Shares held immediately prior to the completion of the Capitalization Issue and the Global Offering (1)		Shares held immediately following the completion of the Capitalization Issue and the Global Offering (1)	
		Number	Approximate Percentage	Number	Approximate Percentage
Powerlong BVI Holding	Beneficial owner	79,000 Shares (L)	90.0%	405,000,000 Shares (L)	67.5%
Powerlong Holdings(2)	Interest in controlled corporation	79,000 Shares (L)	90.0%	405,000,000 Shares (L)	67.5%
Skylong Holdings(2)	Interest in controlled corporation	79,000 Shares (L)	90.0%	405,000,000 Shares (L)	67.5%
Mr. Hoi Kin Hong(2)	Interest in controlled corporation	79,000 Shares (L)	90.0%	405,000,000 Shares (L)	67.5%
Ms. Wong Lai Chan(3)	Interest of spouse	79,000 Shares (L)	90.0%	405,000,000 Shares (L)	67.5%
Huihong Management	Beneficial owner	8,778 Shares (L)	10.0%	45,000,000 Shares (L)	7.5%
Mr. Hoi Wa Fong(4)	Interest in controlled corporation	8,778 Shares (L)	10.0%	45,000,000 Shares (L)	7.5%
Ms. Shih Sze Ni Cecilia(5)	Interest of spouse	8,778 Shares (L)	10.0%	45,000,000 Shares (L)	7.5%

Notes:

(1) The letter “L” denotes the person’s long position in our Shares.

(2) Powerlong BVI Holding is wholly-owned by Powerlong Holdings, which is in turn owned as to approximately 43.57% by Skylong Holdings, a company wholly-owned by Mr. Hoi Kin Hong. By virtue of the SFO, each of Powerlong Holdings, Skylong Holdings and Mr. Hoi Kin Hong is deemed to be interested in the same number of Shares in which Powerlong BVI Holding is interested in.

(3) Ms. Wong Lai Chan is the spouse of Mr. Hoi Kin Hong. By virtue of the SFO, Ms. Wong Lai Chan is deemed to be interested in the Shares held by Mr. Hoi Kin Hong.

(4) Huihong Management, the trustee of the Huihong Trust, is wholly-owned by Mr. Hoi Wa Fong and is set up for the purpose of a share incentive scheme to be adopted at least six months after Listing. As of the Latest Practicable Date, the detailed terms of the share incentive scheme and the relevant grantees have not yet been confirmed. By virtue of the SFO, Mr. Hoi Wa Fong is deemed to be interested in the Shares held by Huihong Management.

(5) Ms. Shih Sze Ni Cecilia is the spouse of Mr. Hoi Wa Fong. By virtue of the SFO, Ms. Shih Sze Ni Cecilia is deemed to be interested in the Shares held by Mr. Hoi Wa Fong.

(6) If the Over-allotment Option is fully exercised, the beneficial interest of each of Powerlong BVI Holdings, Powerlong Holdings, Skylong Holdings, Mr. Hoi Kin Hong, Ms. Wong Lai Chan, Huihong Management, Mr. Hoi Wa Fong and Ms. Shih Sze Ni Cecilia will be approximately 65.06%, 65.06%, 65.06%, 65.06%, 65.06%, 7.23%, 7.23% and 7.23%, respectively.

Except as disclosed in this prospectus, our Directors are not aware of any person who will, immediately following the completion of the Capitalization Issue and the Global Offering (without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option), have beneficial interests or short positions in any Shares or underlying Shares, which would be required to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly interested in 10% or more of the issued voting shares of any member of our Group. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

The following is a description of the authorized and issued share capital of our Company in issue and to be issued as fully paid or credited as fully paid immediately before and following the completion of the Capitalization Issue and the Global Offering (without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option):

		Nominal value
		(HK$)
Authorized share capital:		
2,000,000,000	Shares of HK$0.01 each	20,000,000.00
Issued and to be issued, fully paid or credited as fully paid:		
87,778	Shares in issue as of the date of this prospectus	877.78
449,912,222	Shares to be issued pursuant to the Capitalization Issue	4,499,122.22
150,000,000	Shares to be issued under the Global Offering	1,500,000.00
600,000,000	Total	6,000,000.00

ASSUMPTIONS

The above table assumes that the Global Offering becomes unconditional and the issue of Shares pursuant to the Capitalization Issue and the Global Offering are made. It takes no account of any Shares which may be issued and allotted pursuant to the exercise of the Over-allotment Option or any Shares which may be issued or bought back by us pursuant to the general mandates granted to our Directors to issue or buyback Shares as described below.

RANKINGS

The Offer Shares will be ordinary shares in the share capital of our Company and will carry the same rights in all respects with all Shares in issue or to be issued as mentioned in this prospectus and, in particular, will rank in full for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of this prospectus save for the entitlement under the Capitalization Issue.

GENERAL MANDATE TO ISSUE AND ALLOT NEW SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general mandate to issue, allot and deal with Shares in the share capital of our Company with a total number of issued shares of not more than the sum of:

(1) 20% of the total number of Shares in issue immediately following the completion of the Capitalization Issue and the Global Offering (excluding Shares which may be issued and allotted pursuant to the exercise of the Over-allotment Option); and

(2) the total number of Shares bought back by our Company (if any) pursuant to the general mandate to buyback Shares granted to our Directors referred to below.

Our Directors may, in addition to the Shares which they are authorized to issue under this general mandate, issue, allot or deal with Shares under a rights issue, scrip dividend scheme or similar arrangement.

This general mandate will remain in effect until the earliest of:

(i) the conclusion of the next annual general meeting of our Company; or

(ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws to be held; or

(iii) the date on which such general mandate is varied or revoked by an ordinary resolution of our Shareholders in general meeting.

Further information on this general mandate is set out in the section headed "Statutory and General Information — A. Further Information about Our Company — 4. Written resolutions of our Shareholders passed on December 10, 2019" in Appendix IV to this prospectus.

GENERAL MANDATE TO BUYBACK SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general mandate to exercise all the powers of our Company to buyback Shares with a total number of Shares of not more than 10% of the total number of Shares in issue immediately following the completion of the Capitalization Issue and the Global Offering (excluding Shares which may be issued and allotted pursuant to the exercise of the Over-allotment Option).

This mandate only relates to buybacks made on the Stock Exchange or any other stock exchange on which the Shares are listed (and which is recognized by the SFC and the Stock Exchange for this purpose), and which are in accordance with the Listing Rules. A summary of the relevant Listing Rules is set out in the section headed "Statutory and General Information — A. Further Information about Our Company — 6. Buyback by our Company of its own securities" in Appendix IV to this prospectus.

This general mandate will remain in effect until the earliest of:

(i) the conclusion of the next annual general meeting of our Company; or

(ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws to be held; or

(iii) the date on which such general mandate is varied or revoked by an ordinary resolution of our Shareholders in general meeting.

Further information on this general mandate is set out in the section headed "Statutory and General Information — A. Further Information about Our Company — 4. Written resolutions of our Shareholders passed on December 10, 2019" in Appendix IV to this prospectus.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

Our Company has only one class of shares, namely ordinary shares, each of which carries the same rights as the other shares.

As a matter of the Cayman Islands Companies Law, an exempted company is not required by law to hold any general meeting or class meeting. The holding of general meeting or class meeting is prescribed under the articles of association of a company. Accordingly, our Company will hold general meetings as prescribed under the Articles, a summary of which is set out in "Summary of the Constitution of our Company and Cayman Islands Companies Law" in Appendix III to this prospectus.

You should read the following discussion and analysis in conjunction with our audited combined financial information set forth in our Accountant's Report in Appendix I to this prospectus. Our audited combined financial information was prepared in accordance with the HKFRS, which may differ in material aspects from generally accepted accounting principles in other jurisdictions.

The following discussion and analysis contain certain forward-looking statements which involve risks and uncertainties. These forward-looking statements are based on assumptions and analysis we made in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under "Risk Factors" and elsewhere in this prospectus.

OVERVIEW

We are a leading commercial operational service provider in China, as measured by GFA under management as of December 31, 2018, according to Frost & Sullivan. As of December 31, 2018, we had 45 retail commercial properties under management, with an aggregate GFA under management of approximately 4.5 million sq.m, excluding car parks. We were ranked fourth among all commercial operational service providers in China in terms of GFA under management, excluding car parks, as of December 31, 2018, representing a market share of 0.8%. We have grown to be a leader in managing and operating retail commercial properties since our establishment in 1993. We are one of the few commercial operational service providers in China possessing the expertise and capability of managing a diversified portfolio of retail commercial properties in terms of target consumer, property location and size and property type. We provide commercial operational services under four brands, namely "Powerlong One Mall" (寶龍一城), "Powerlong City" (寶龍城), "Powerlong Plaza" (寶龍廣場) and "Powerlong Land" (寶龍天地). We believe we enjoy considerable brand recognition in the markets where we operate. We were recognized as "China's Real Estate Market Leader for Digitalization" (中國地產數字化領軍企業獎) in 2019 by China Smart Real Estate Influence Ranking (中國智慧房產影響力排行榜), and were granted the "Best Brand Value Award" (最佳品牌價值獎) in 2019 by China Financial Market (中國融資) and the "Commercial Real Estate Golden Awards" (商業地產金坐標獎) in 2019 by Winshang.com (贏商網). As of June 30, 2019, we had 45 retail commercial properties under management with an aggregate GFA under management of approximately 6.4 million sq.m., and were contracted to provide commercial operational services for a total of 59 retail commercial properties with an aggregate contracted GFA of approximately 7.5 million sq.m. We also provide residential property management services for residential properties, office buildings and serviced apartments. As of June 30, 2019, we had 44 properties under management under our residential property management service segment with an aggregate GFA under management of approximately 10.6 million sq.m., and were contracted to manage 69 properties with an aggregate contracted GFA of approximately 17.1 million sq.m.

We experienced rapid growth in our revenue, net profit, aggregate GFA under management and aggregate contracted GFA over the Track Record Period. Our revenue increased from RMB752.7 million in 2016 to RMB973.0 million in 2017, and further to RMB1,200.4 million in 2018, representing a CAGR of 26.3%. Our net profit increased from RMB62.9 million in 2016 to RMB78.6 million in 2017, and further to RMB133.3 million in 2018, representing a CAGR of 45.6%. Our revenue increased by 29.8% from RMB577.0 million for the six months ended June 30, 2018 to RMB749.1 million for the six months ended June 30, 2019 while our net profit increased by 45.9% from RMB59.7 million for the six months ended June 30, 2018 to RMB87.1 million for the six months ended June 30, 2019. Our aggregate GFA under management increased from approximately 14.4 million sq.m. as of December 31, 2016 to approximately 15.7 million sq.m. as of December 31, 2017, and further to approximately 16.6 million sq.m. as of December 31, 2018 and approximately 16.9 million sq.m. as of June 30, 2019. Our aggregate contracted GFA increased from approximately 16.1 million sq.m. as of December 31, 2016 to approximately 18.4 million sq.m. as of December 31, 2017, and further to approximately 21.7 million sq.m. as of December 31, 2018 and approximately 24.6 million sq.m. as of June 30, 2019.

BASIS OF PRESENTATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on March 25, 2019. Our Group provides commercial operational services and residential property management services, or the Listing Business, through the subsidiaries located in the PRC. In preparation for the Global Offering, we underwent the Reorganization, pursuant to which, we transferred the Listing Business to the Company with no change in the management and ultimate owner of the Listing Business. See "History, Reorganization and Corporate Structure" in this prospectus for details. Following the Reorganization, our Company became the holding company of all the subsidiaries comprising our Group and was regarded as a continuance of the Listing Business.

Our combined financial information was prepared and presented using the carrying amounts of assets and liabilities in the combined financial information of the Company for all periods presented, and in accordance with the HKFRS issued by the HKICPA. In addition, our combined financial information has included the applicable disclosure required under the Listing Rules and the Companies Ordinance. For more information on the basis of presentation of the financial information included in this section, see Note 1 to the Accountant's Report in Appendix I to this prospectus.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations have been and will continue to be affected by a number of factors, some of which are beyond our control, including those factors set out in "Risk Factors" in this prospectus and those set out below. Accordingly, our historical financial results may not be indicative of our future performance and our management's assessment of the prospects of our Group. The key factors affecting our results of operations include, among other factors, the following:

Contracted GFA and GFA under Management

During the Track Record Period, we generated a majority of our revenue from commercial operational service segment, which amounted to RMB628.3 million, RMB792.4 million, RMB979.6 million, RMB464.0 million and RMB621.2 million, respectively, and accounted for approximately 83.4%, 81.5%, 81.6%, 80.4% and 82.9% of our total revenue in 2016, 2017 and 2018 and the six months ended June 30, 2018 and 2019, respectively. The number of retail commercial properties for which we had been contracted to provide commercial operational services increased from 42 as of December 31, 2016 to 46 as of December 31, 2017, and further to 50 as of December 31, 2018 and 59 as of June 30, 2019. Our aggregate contracted GFA under commercial operational service segment amounted to approximately 6.2 million sq.m., 6.4 million sq.m., 6.9 million sq.m. and 7.5 million sq.m. as of December 31, 2016, 2017 and 2018 and June 30, 2019, respectively, and our aggregate GFA under management under commercial operational service segment amounted to approximately 5.4 million sq.m., 5.9 million sq.m., 6.4 million sq.m. and 6.4 million sq.m. as of the same dates, respectively. Since June 30, 2019 and up to the Latest Practicable Date, we had been contracted to provide market research and positioning services with respect to three retail commercial properties developed and owned by Independent Third Parties. In addition, during the same period, we had been contracted to provide comprehensive integrated commercial operational services with respect to another three retail commercial properties developed or owned by Independent Third Parties with an aggregate contracted GFA of approximately 183,000 sq.m. On June 11, 2019, we entered into a memorandum of understanding with an Independent Third Party with respect to a retail commercial property with an estimated contracted GFA of approximately 84,000 sq.m. Since June 30, 2019 and up to the Latest Practicable Date, we had also entered into memoranda of understanding with Independent Third Parties with respect to seven retail commercial properties with an estimated aggregate contracted GFA of approximately 599,000 sq.m. Since June 30, 2019 and up to the Latest Practicable Date, we had been contracted to provide comprehensive integrated commercial operational services with respect to six retail commercial properties developed by the Remaining Powerlong Group and the joint ventures of the Remaining Powerlong Group with an estimated aggregate GFA of approximately 635,300 sq.m. For residential property management services, we had entered into preliminary management contracts with Independent Third Parties to provide residential property management services with respect to five residential property projects with an aggregate contracted GFA of approximately 705,100 sq.m. During the same period, we had entered into preliminary management contracts with the Remaining Powerlong Group to provide residential property management services with respect to eight residential property projects with an aggregate contracted GFA of approximately 1,365,600 sq.m.

Revenue from our residential property management service segment amounted to RMB124.5 million, RMB180.6 million, RMB220.8 million and RMB127.9 million, respectively, accounting for approximately 16.6%, 18.5%, 18.4% and 17.1% of our total revenue in 2016, 2017 and 2018 and the six months ended June 30, 2019, respectively. Our aggregate contracted GFA under residential property management service segment amounted to approximately 9.9 million sq.m., 12.0 million sq.m., 14.8 million sq.m. and 17.1 million sq.m. as of December 31, 2016, 2017 and 2018 and June 30, 2019, respectively, and our GFA under management under residential property management service segment amounted to approximately 9.1 million sq.m., 9.7 million sq.m., 10.2 million sq.m. and 10.6 million sq.m. as of the same dates, respectively. Since June 30, 2019 and up to the Latest Practicable Date, we had entered into contracts to manage 13 properties under our residential property management service segment for an aggregate contracted GFA of approximately 2.1 million sq.m.

Our revenue growth primarily depends on our ability to grow property portfolio under our management under both business segments. We seek to expand our portfolio through multiple channels. For example, we plan to continue to leverage our existing business relationship with the Remaining Powerlong Group for organic growth. Moreover, we plan to pursue new projects from Independent Third Parties by capitalizing on our brand and diversified service offerings and high quality services. In addition, we intend to explore selective strategic investment and acquisition opportunities. See “Business — Our Business Strategies — Further expand our commercial operational service segment through strategic acquisitions and investments” for details.

Our Business Mix

Our results of operations are affected by our business mix. During the Track Record Period, we operated two business segments, namely commercial operational services and residential property management services, which were of different profit margins. Our profit margins of different business segments depend on types of services provided, fees received and costs borne by us under different contractual arrangements. Any change in the structure of revenue contribution from our business segments or change in profit margin of any of such business segments may have a corresponding impact on our overall profit margin.

The table below sets forth the revenue contribution by each business segment and the respective gross profit margins for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2016		2017		2018		2018		2019	
	Revenue	Gross profit margin	Revenue	Gross profit margin	Revenue	Gross profit margin	Revenue	Gross profit margin	Revenue	Gross profit margin
	RMB	*%*	*RMB*	*%*	*RMB*	*%*	*RMB* (unaudited)	*%*	*RMB*	*%*
	(in thousands, except for percentages)									
Commercial operational services	628,250	23.4	792,363	28.9	979,631	30.1	463,989	28.9	621,162	29.3
Residential property management services	124,467	14.1	180,619	13.4	220,767	14.3	113,016	14.7	127,897	12.4
Total	752,717	21.8	972,982	26.0	1,200,398	27.1	577,005	26.1	749,059	26.4

In general, the gross profit margins of our commercial operational services are higher than that of our residential property management services. For further details regarding the change in our gross profit margin during the Track Record Period, see "— Results of Operations — Gross Profit and Gross Profit Margin" in this section.

Our Brand Positioning and Pricing of Our Services

Our results of operations are affected by our ability to maintain and enhance our brand recognition and industry position. The "Powerlong" brand is a reputable brand in China's commercial operational service market. We intend to further enhance our brand recognition by providing quality commercial operational services and residential property management services, and strengthen our brand image to expand our commercial operational service engagements and to continue charging premium service fee rates.

For our commercial operational services charged on a fixed fee basis, we generally price our market research and positioning, tenant sourcing and opening preparation services, as well as retail commercial property management services with reference to, among others, (i) brand, size and location of a retail commercial property; (ii) availability of utilities; (iii) the complication in tenant sourcing; and (iv) the service period. For our commercial operational services charged on a commission basis, we price (i) tenant management and rent collection services mainly with reference to the rate charged by competitors and positioning of a retail commercial property; and (ii) other value-added services mainly with reference to market standard and the rate charged by our competitors within the same area.

For our residential property management services, we generally price our services by taking into account factors including (i) the relevant price guide under local pricing regulations; (ii) management fees charged in nearby and comparable communities; (iii) our estimated costs and target profit margins; and (iv) the scope and quality of our services. During the Track Record Period, our average property management fee rates are above the industry average since a majority of our managed properties are located in the Yangtze River Delta.

In determining our pricing, we aim to achieve a balance between pricing our projects sufficiently competitive while ensuring an attractive profit margin. Failure to balance various factors in determining our pricing could materially and adversely affect our financial condition and results of operations.

Our Ability to Mitigate the Impact of Rising Staff Costs

Staff costs constitute a substantial portion of our cost of services and administrative expenses. Staff costs in our cost of services amounted to RMB329.2 million, RMB389.0 million, RMB475.1 million and RMB283.5 million in 2016, 2017 and 2018 and the six months ended June 30, 2019, respectively, representing approximately 56.0%, 54.1%, 54.3% and 51.4%, respectively, of our total cost of services for the same periods. Staff costs in our administrative expenses amounted to RMB14.7 million, RMB30.4 million, RMB28.2 million and RMB13.6 million in 2016, 2017 and 2018 and the six months ended June 30, 2019, respectively, representing approximately 27.5%, 32.4%, 35.1% and 29.1%, respectively, of our total administrative expenses for the same periods.

Our business is labor-intensive and the supply of experienced personnel in the market is limited. Competition in the labor market for personnel with related expertise and experience may increase the salary level and correspondingly, our costs associated with hiring and retaining such personnel, and in turn adversely affect our results of operations.

To cope with rising staff costs, we have implemented a number of cost-saving measures, including implementing technology initiatives and automation efforts to reduce our reliance on manual labor. We have also outsourced certain services, such as cleaning, greening, security, gardening, and repair and maintenance services to independent service providers while maintaining close supervision of their services to ensure service quality. In 2016, 2017 and 2018 and the six months ended June 30, 2019, we incurred subcontracting costs of RMB112.3 million, RMB147.6 million, RMB174.1 million and RMB103.4 million, respectively, representing 19.1%, 20.5%, 19.9% and 18.8%, respectively, of our cost of services for the same periods. However, our subcontracting costs may increase as a result of the rising staff costs.

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

	Year ended December 31,			Six months ended June 30,	
	2016	**2017**	**2018**	**2018**	**2019**
	RMB	*RMB*	*RMB*	*RMB* (unaudited)	*RMB*
			(in thousands)		
Profit for the year/period	62,937	78,592	133,343	59,719	87,136
Assuming 5% increase in our staff costs and subcontracting costs					
Impact on our profit before tax	(22,814)	(28,351)	(33,868)	(16,315)	(20,029)
Impact on profit for the year/period	(17,111)	(21,263)	(25,401)	(12,236)	(15,022)
Assuming 10% increase in our staff costs and subcontracting costs					
Impact on our profit before tax	(45,628)	(56,702)	(67,736)	(32,630)	(40,058)
Impact on profit for the year/period	(34,221)	(42,527)	(50,802)	(24,473)	(30,044)

Competition

The commercial operational service market is relatively fragmented in the PRC. For example, the top five companies accounted for approximately 10.9% of aggregate GFA under management of retail commercial properties as of December 31, 2018, according to Frost & Sullivan. The property management service market in the PRC is also fragmented with a large number of competitors providing comparable services. According to Frost & Sullivan, there were over 100,000 property management service companies providing property management services to residential and non-residential properties in the PRC as of December 31, 2018. We primarily compete against large national, regional and local commercial operational and property management service companies based on a number of factors, including scale, branding, profitability and service quality. Our ability to effectively compete with these competitors and maintain or improve our market position depends on our ability to differentiate ourselves from our competitors through ensuring our service quality and consistency. In addition, our ability to maintain our reputation as a leading commercial operational service provider for retail commercial properties will affect our ability to source new and renew existing commercial operational and property management service contracts and expand our GFA under management. If we fail to source new and renew existing commercial operational and property management service contracts and expand our GFA under management, our business, financial condition and results of operations may be adversely affected.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

We have identified certain accounting policies that are significant to the preparation of our combined financial statements. Some of our accounting policies involve subjective assumptions and estimates, as well as complex judgments relating to accounting items. We set out below some of the accounting policies and estimates that we believe are of critical importance to us or involve the most significant estimates and judgments used in the preparation of our financial statements. Our significant accounting policies, judgments and estimates, which are important for understanding our financial condition and results of operations, are set out in further details in Notes 2 and 4 to the Accountant's Report in Appendix I to this prospectus.

Revenue Recognition

We provide commercial operational services and residential property management services.

Commercial Operational Services

Under our commercial operational service segment, we provide (i) market research and positioning, tenant sourcing and opening preparation services to property developers or property owners during the preparation stage before the opening of a retail commercial property; (ii) commercial operation and management services during the operation stage of a retail commercial property; and (iii) property leasing services with respect to units located within the shopping streets and shopping malls.

For market research and positioning, we recognize revenue when relevant market research and positioning reports are delivered and accepted by property developers or owners.

For tenant sourcing and opening preparation services, we recognize revenue over time by referring to the progress towards the achievement of certain occupancy rate requested for the opening of a retail commercial property.

For commercial operation and management services, we recognize revenue over the period during which the services are rendered and a customer simultaneously receives and consumes the benefits provided.

For property leasing services, we recognize revenue on a straight-line basis over the terms of the relevant leases.

Residential Property Management Services

Under our residential property management service segment, we provide (i) pre-sale management services; (ii) property management services; and (iii) other value-added services, to property developers, property owners, owners' associations. We recognize revenue from these services over the period during which the services are rendered.

For pre-sale management services, we agree the price for such services with the customers upfront and issue monthly bills to customers based on the actual level of service completed in that month, and recognize as revenue the amount to which we have billed.

For property management services charged on a lump sum basis, we recognize the fee received or receivable from property owners or owners' associations as revenue and all related property management costs as cost of services.

For other value-added services, we recognize revenue over the period during which the related value-added services are rendered. Payment of the transaction is due immediately when the value-added services are rendered to the customers.

Operating Lease and Trade and Other Receivables

Operating lease receivables are amounts due from tenants pursuant to lease arrangements with respect to properties, including units located within shopping streets and shopping malls, we provide property leasing services. Trade receivables are amounts due from customers for other services performed in the ordinary course of our business.

We recognize operating lease receivables and trade receivables initially at the amount of consideration. We recognize operating lease receivables and trade receivables at fair value when they contain significant financing components.

Trade and Other Payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

We recognize trade and other payables initially at fair value and subsequently at amortized cost using the effective interest method.

Leases

As Leasee

We lease various properties, mainly including shopping malls, units within shopping streets from property owners. We recognize such leases as a right-of-use asset and corresponding liability from the date when the lease assets are available for our use. Each lease payment is allocated between the liability and finance cost. We charge finance cost to profit or loss over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability of each period. We depreciate the right-of-use asset over the lease term on a straight-line basis. Assets and liabilities arising from a lease are initially measured on a present value basis. We discount the lease payments using the interest rate implicit in the lease, if that rate can be determined, or our incremental borrowing rate. We recognize payments associated with leases with lease term of 12 months or less and leases of low-value assets on a straight-line basis over the lease term as an expense in profit or loss.

- Variable lease payments: Variable lease payments based on an index or a rate are initially measured using the index or the rate at the commencement date. We do not forecast future changes of the index/rate and only take into account these changes when the lease payments change. Variable lease payments that are not based on an index or a rate are not part of the lease liability. We recognize them in the combined statements of comprehensive income when the event or conditions that triggers those payments occurs; and

- Extension and termination options: A number of our leases include extension and termination options. We include these terms to maximize operational flexibility. A majority of extension and termination options are exercisable upon fulfillment of certain notice period. In determining the term of a lease, we consider all facts and circumstances that may create an economic incentive to exercise such options. We estimate the future cash flows arising from leases based on our incentive to exercise such extension or termination options. We revisit such assessment if a significant event or a significant change occurs which affects such assessment. If the actual lease period or the cash flow from residual guarantee is significantly different from our management's estimate, the right-of-use asset and lease liability will both be affected.

As Lessor

We classify each of our leases as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset, or as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset.

We recognize rental income from operating leases in profit or loss on a straight-line basis over the terms of the relevant lease. We capitalize initial direct costs with more than a significant amount when incurred, and recognize in profit or loss on the same basis as rental income over the lease term. We charge other initial direct costs with an insignificant amount to profit or loss over the period in which they are incurred.

We recognize the lease receivable under lease arrangements as operating lease receivable in the combined balance sheets.

Allowance on Doubtful Receivables

We make allowances on receivables based on assumptions about risk of default and expected loss rates. We exercise judgment in making these assumptions and selecting the inputs to the impairment calculation, based on our past collection history, existing market conditions as well as forward-looking estimates at the end of each reporting period.

Current and Deferred Income Tax

We are subject to corporate income taxes in the PRC. We exercise judgment 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.

ADOPTION OF HKFRS 9, HKFRS 15 AND HKFRS 16

To make our combined financial statements comparable on a period-to-period basis and allow the investors to better understand our financial performance and position, HKFRS 9 "Financial instruments," or HKFRS 9, HKFRS 15 "Revenue from Contracts with Customers," or HKFRS 15, and HKFRS 16 "Leases," or HKFRS 16, have been adopted and applied consistently in our combined financial statements since the beginning of, and throughout, the Track Record Period, in lieu of HKAS 39 "Financial instruments: Recognition and measurement," or HKAS 39, HKAS 18 "Revenue," or HKAS 18, and HKAS 17 "Leases," or HKAS 17, respectively. Accordingly, we have prepared and maintained only one set of combined financial statements adopting HKFRS 9, HKFRS 15 and HKFRS 16 for the Track Record Period. Neither had we prepared, nor the reporting accountant had audited or reviewed, our combined financial statements for the Track Record Period based on HKAS 39, HKAS 18 and HKAS 17.

In order to provide additional information to the investors, we have used our best efforts to assess the respective impact on our financial results of the application of the principles set out in HKAS 39, HKAS 18 and HKAS 17, compared to our adoption of HKFRS 9, HKFRS 15 and HKFRS 16, respectively.

Adoption of HKFRS 9 and HKFRS 15

Based on our internal assessments, the adoption of HKFRS 9 and HKFRS 15, as compared to the requirements of HKAS 39 and HKAS 18, has no significant impact on our financial position and performance, except that contract liabilities amounting to approximately RMB95.8 million, RMB121.1 million, RMB133.8 million and RMB174.0 million as of December 31, 2016, 2017 and 2018 and June 30, 2019, respectively, would have been reclassified as advance from customers if HKAS 18 had been applied throughout the Track Record Period.

Adoption of HKFRS 16

Under HKAS 17, operating lease payments are charged to the combined income statements on a straight-line basis over the period of the lease, and operating lease commitments are disclosed separately in a note to the combined financial statements and are recognized outside of the combined statements of financial position. Under HKFRS 16, all leases (except for those with lease term of less than 12 months or of low value) must be recognized in the form of assets (being the right-of-use assets classified under property and equipment and investment properties in our financial statements) and financial liabilities (being the lease liabilities in our financial statements) on our combined statements of financial position at the commencement of respective leases.

Based on our internal assessments, the impact on profit after tax and total net assets would not have been significant if HKAS 17 had been adopted. The table below summarizes the impacts of the adoption of HKFRS 16 on certain key items of our combined financial statements and key ratios:

	Currently reported under HKFRS 16	**As if reported under HKAS 17**	**Difference**
	(a)	**(b)**	**(a) – (b)**
Profit after tax ***(in RMB'000)***			
– 2016	62,937	65,086	(2,149)
– 2017	78,592	81,780	(3,188)
– 2018	133,343	133,945	(602)
– For the six months ended 30 June 2019	87,136	87,507	(371)
Total assets ***(in RMB'000)***			
– As of December 31, 2016	1,963,739	1,737,223	226,516
– As of December 31, 2017	1,747,991	1,484,440	263,551
– As of December 31, 2018	2,177,612	1,977,821	199,791
– As of June 30, 2019	2,118,200	1,989,833	128,367
Total liabilities ***(in RMB'000)***			
– As of December 31, 2016	1,945,960	1,717,295	228,665
– As of December 31, 2017	1,651,620	1,382,732	268,888
– As of December 31, 2018	1,947,689	1,741,959	205,730
– As of June 30, 2019	1,821,102	1,686,425	134,677
Total net assets ***(in RMB'000)***			
– As of December 31, 2016	17,779	19,928	(2,149)
– As of December 31, 2017	96,371	101,708	(5,337)
– As of December 31, 2018	229,923	235,862	(5,939)
– As of June 30, 2019	297,098	303,408	(6,310)
Current ratio(1)			
– As of December 31, 2016	0.80	0.77	0.03
– As of December 31, 2017	0.78	0.76	0.02
– As of December 31, 2018	0.91	0.90	0.01
– As of June 30, 2019	1.24	1.22	0.02
Liabilities to assets ratio(2)			
– As of December 31, 2016	0.99	0.99	0.00
– As of December 31, 2017	0.94	0.93	0.01
– As of December 31, 2018	0.89	0.88	0.01
– As of June 30, 2019	0.86	0.85	0.01

Notes:

(1) Current ratio is calculated by dividing current assets by current liabilities.

(2) Liabilities to assets ratio is calculated by dividing total liabilities by total assets.

RESULTS OF OPERATIONS

The table below sets forth a summary of our combined statements of profit or loss and other comprehensive income for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2016	2017	2018	2018	2019
	RMB	*RMB*	*RMB*	*RMB* (unaudited)	*RMB*
			(in thousands)		
Revenue	752,717	972,982	1,200,398	577,005	749,059
Cost of services	(588,303)	(719,579)	(874,524)	(426,361)	(551,172)
Gross profit	164,414	253,403	325,874	150,644	197,887
Selling and marketing expenses	(10,655)	(19,034)	(31,366)	(14,527)	(17,033)
Administrative expenses	(53,626)	(93,816)	(80,349)	(33,718)	(46,883)
Other income and gains	8,891	10,659	14,096	5,305	8,533
Net impairment losses on financial assets	(2,876)	(2,813)	(2,788)	(1,904)	(3,627)
Operating profit	106,148	148,399	225,467	105,800	138,877
Finance (costs) — net	(18,412)	(34,038)	(42,608)	(20,531)	(19,196)
Profit before income tax	87,736	114,361	182,859	85,269	119,681
Income tax expenses	(24,799)	(35,769)	(49,516)	(25,550)	(32,545)
Profit for the year/period	62,937	78,592	133,343	59,719	87,136
Total comprehensive income for the year/period	74,375	78,592	133,552	59,719	87,136

Revenue

During the Track Record Period, we generated revenue mainly from the following two business segments:

- Commercial operational services, which primarily include (i) market research and positioning, tenant sourcing and opening preparation services to property developers or property owners during the preparation stage before the opening of a retail commercial property; (ii) commercial operation and management services to property owners or tenants during the operation stage of a retail commercial property; and (iii) property leasing services with respect to units located within the shopping streets and shopping malls. Our revenue generated from commercial operational services contributed approximately 83.4%, 81.5%, 81.6%, 80.4% and 82.9% of our total revenue in 2016, 2017 and 2018 and the six months ended June 30, 2018 and 2019, respectively; and

- Residential property management services, which primarily include (i) pre-sale management services to property developers during their pre-sale activities; (ii) property management services to property owners or property owners' associations at the post-delivery stages; and (iii) other value-added services to property owners, tenants or residents of our managed properties, such as pre-delivery preparation and trash handling services, common area, advertising space and car park management services. Our revenue generated from residential property management services contributed approximately 16.6%, 18.5%, 18.4%, 19.6% and 17.1% of our total revenue in 2016, 2017 and 2018 and the six months ended June 30, 2018 and 2019, respectively.

The table below sets forth a breakdown of our revenue by business segment and type of customer for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2016		2017		2018		2018		2019	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*	*RMB* (unaudited)	*%*	*RMB*	*%*
	(in thousands, except for percentages)									
Commercial operational services	**628,250**	**83.4**	**792,363**	**81.5**	**979,631**	**81.6**	**463,989**	**80.4**	**621,162**	**82.9**
Fellow subsidiaries [1]	213,175	28.3	159,427	16.4	173,628	14.4	89,685	15.5	76,440	10.2
Other related parties [2]	14,403	1.9	15,162	1.6	11,709	1.0	3,596	0.7	10,736	1.4
External customers [3][4]	400,672	53.2	617,774	63.5	794,294	66.2	370,708	64.2	533,986	71.3
Residential property management services	**124,467**	**16.6**	**180,619**	**18.5**	**220,767**	**18.4**	**113,016**	**19.6**	**127,897**	**17.1**
Fellow subsidiaries [1]	32,892	4.4	32,325	3.3	32,515	2.7	16,215	2.8	16,834	2.2
Other related parties [2]	–	–	–	–	–	–	–	–	1,146	0.2
External customers [3]	91,575	12.2	148,294	15.2	188,252	15.7	96,801	16.8	109,917	14.7
Total	752,717	100.0	972,982	100.0	1,200,398	100.0	577,005	100.0	749,059	100.0

Notes:

(1) Refer to the Remaining Powerlong Group and other entities controlled by Mr. Hoi Kin Hong.

(2) Refer to joint ventures or associates of the Remaining Powerlong Group.

(3) Refer to Independent Third Parties.

(4) Include rental income derived from property leasing services provided to external customers under our commercial operational service segment.

Commercial Operational Service Segment

The table below sets forth a further breakdown of our revenue from commercial operational services by type of service for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2016		2017		2018		2018		2019	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*	*RMB* (unaudited)	*%*	*RMB*	*%*
	(in thousands, except for percentages)									
Market research and positioning, tenant sourcing and opening preparation services	71,511	11.4	70,436	8.9	52,214	5.3	29,185	6.3	48,605	7.8
Commercial operation and management services	481,802	76.7	563,994	71.2	719,301	73.5	336,234	72.5	458,725	73.9
– Retail commercial property management services	335,364	53.4	431,921	54.5	559,737	57.1	255,320	55.0	310,994	50.1
– Tenant management and rent collection services	25,212	4.0	31,274	4.0	58,757	6.1	29,919	6.5	35,587	5.7
– Other value-added services	121,226	19.3	100,799	12.7	100,807	10.3	50,995	11.0	112,144	18.1
Property leasing services [(1)]	74,937	11.9	157,933	19.9	208,116	21.2	98,570	21.2	113,832	18.3
Total	628,250	100.0	792,363	100.0	979,631	100.0	463,989	100.0	621,162	100.0

Note:

(1) Represent rental income arising from property leasing services.

Market research and positioning, tenant sourcing and opening preparation services

Our market research and positioning, tenant sourcing and opening preparation services primarily include (i) market research and positioning services; and (ii) tenants sourcing and opening preparation services, provided to property developers or property owners before the opening of a retail commercial property. In 2016, 2017 and 2018 and the six months ended June 30, 2018 and 2019, revenue derived from market research and positioning, tenant sourcing and opening preparation services accounted for approximately 11.4%, 8.9%, 5.3%, 6.3% and 7.8%, respectively, of our revenue from commercial operational service segment for the same periods. The decreases in our revenue from market research and positioning, tenant sourcing and opening preparation services from 2016 to 2018 were primarily due to decreases in the number of retail commercial properties opened during the respective years. In 2016, 2017 and 2018, the number of retail commercial properties held their openings was seven, seven and three, respectively. The increase in our revenue from market research and positioning, tenant sourcing and opening preparation services from the six months ended June 30, 2018 to the six months ended June 30, 2019 was primarily due to (i) an increase in our fee rates since November 2018; and (ii) an increase in the number of retail commercial properties to which we have been contracted to provide these services. We provided market research and positioning, tenant sourcing and opening preparation services with respect to nine retail commercial properties for the six months ended June 30, 2019, compared to five for the six months ended June 30, 2018.

Commercial operation and management services

Our commercial operation and management services primarily include (i) retail commercial property management services; (ii) tenant management and rent collection services; and (iii) other value-added services, provided to property owners or tenants. In 2016, 2017 and 2018 and the six months ended June 30, 2018 and 2019, revenue derived from commercial operation and management services accounted for approximately 76.7%, 71.2%, 73.5%, 72.5% and 73.9%, respectively, of our revenue from commercial operational service segment for the same periods. The increases in our revenue from commercial operation and management services during the Track Record Period were primarily driven by the increases in our aggregate GFA under management during the respective periods and our existing retail commercial properties entered into maturity stage of operation. Our aggregate GFA under management under commercial operational service segment increased from approximately 5.4 million sq.m. as of December 31, 2016 to approximately 5.9 million sq.m. as of December 31, 2017, and further to approximately 6.4 million sq.m. as of December 31, 2018, respectively.

Property leasing services

We also provide property leasing services with respect to units located within the shopping streets and shopping malls. In 2016, 2017 and 2018 and the six months ended June 30, 2018 and 2019, revenue derived from property leasing services accounted for approximately 11.9%, 19.9%, 21.2%, 21.2% and 18.3%, respectively, of our revenue from commercial operational service segment for the same periods. The increases in our revenue from property leasing services during the Track Record Period were primarily attributable to the increases in the number of lease contracts entered into with tenants.

The table below sets forth a breakdown of retail commercial properties for which we had been contracted to provide commercial operational services and our aggregate contracted GFA as of the dates, and revenue generated from providing commercial operational services with respect to such properties for the periods indicated by type of developer:

	As of/for the year ended December 31,											
	2016				2017				2018			
	Number	Contracted GFA	Revenue		Number	Contracted GFA	Revenue		Number	Contracted GFA	Revenue	
		sq.m.	RMB	%		sq.m.	RMB	%		sq.m.	RMB	%
	(in thousands, except for percentages and numbers)											
Properties developed by:												
Remaining Powerlong Group[(1)]	36	5,546	594,425	94.6	39	5,705	722,980	91.2	42	5,999	881,336	90.0
Joint ventures[(2)]	3	395	29,769	4.8	3	395	36,753	4.7	4	585	44,962	4.6
Independent Third Parties[(3)]	3	244	4,056	0.6	4	335	32,630	4.1	4	335	53,333	5.4
Total	42	6,185	628,250	100.0	46	6,435	792,363	100.0	50	6,919	979,631	100.0

	As of/ for the six months ended June 30,							
	2018				2019			
	Number	Contracted GFA	Revenue		Number	Contracted GFA	Revenue	
		sq.m.	RMB (unaudited)	%		sq.m.	RMB	%
Properties developed by:								
Remaining Powerlong Group[(1)]	39	5,705	417,538	90.0	51[(4)]	6,602	563,409	90.7
Joint ventures[(2)]	3	395	20,469	4.4	4	585	29,940	4.8
Independent Third Parties[(3)]	4	335	25,982	5.6	4	335	27,813	4.5
Total	46	6,435	463,989	100.0	59	7,522	621,162	100.0

Notes:

(1) Refer to properties developed by the Remaining Powerlong Group, as well as properties jointly developed by the Remaining Powerlong Group and Independent Third Parties in which the Remaining Powerlong Group held a controlling interest.

(2) Refer to properties developed by the joint ventures formed between the Remaining Powerlong Group and Independent Third Parties but neither party had control of such joint ventures. These properties comprise Tianjin Powerlong Plaza, Xiaoshan Powerlong Plaza, Yangzhou Powerlong Plaza and Lin'an Qingshan Lake Powerlong Plaza.

(3) Refer to properties developed and owned by Independent Third Parties or properties in which neither the Remaining Powerlong Group nor our Group held any ownership interest. These properties comprise Xiasha Guozi Powerlong Land, Yiwu Powerlong Plaza, Fuling Powerlong Plaza and Jiangyou Powerlong Plaza. Xiasha project consists of two separate retail commercial properties, namely, the Xiasha Powerlong Plaza which is owned by the Remaining Powerlong Group and the Xiasha Guozi Powerlong Land which is owned by an Independent Third Party. The revenue derived from the provision of commercial operation and management services to the Xiasha project could not be further broken down between the Xiasha Powerlong Plaza and the Xiasha Guozi Powerlong Land primarily because these two separate properties are managed by the same team due to the proximity of their locations and we do not keep separate records for fees received or costs incurred by each property. As a result, the portion of revenue derived from Xiasha Guozi Powerlong Land has been included in Xiasha Project and in the revenue derived from properties developed by the Remaining Powerlong Group.

(4) Among the 51 retail commercial properties developed by the Remaining Powerlong Group as of June 30, 2019, four retail commercial properties for which we were contracted to provide commercial operational services during the six months ended June 30, 2019 had yet to contribute to our revenue. See "Business — Portfolio of Retail Commercial Properties — Not Yet In Operation and Have Not Contributed to Our Revenue" for details.

Revenue from commercial operational services generally increased during the Track Record Period, primarily driven by the increase in aggregate contracted GFA as a result of our business expansion. Our aggregate contracted GFA under commercial operational service segment increased from approximately 6.2 million sq.m. as of December 31, 2016 to approximately 6.4 million sq.m. as of December 31, 2017, and further to approximately 6.9 million sq.m. as of December 31, 2018 and approximately 7.5 million sq.m. as of June 30, 2019.

During the Track Record Period, a majority of our revenue from commercial operational service segment was derived from services provided with respect to retail commercial properties developed by the Remaining Powerlong Group, which accounted for approximately 94.6%, 91.2%, 90.0%, 90.0% and 90.7% of our revenue from commercial operational service segment in 2016, 2017 and 2018 and the six months ended June 30, 2018 and 2019, respectively. The overall decrease in revenue derived from properties developed by the Remaining Powerlong Group as a percentage of our revenue from commercial operational service was primarily due to our continuous effort in seeking more service contracts related to retail commercial property developed or owned by Independent Third Parties. Even though the number and aggregate contracted GFA of the retail commercial properties developed or owned by Independent Third Parties remained unchanged from 2017 to 2018 and from the six months ended June 30, 2018 to the six months ended June 30, 2019, revenue generated from these retail commercial properties during such period continued to increase mainly because we provided different types of services or recognized the service fee generated from market research and positioning, tenant sourcing and preparation services over different stages of a retail commercial property pursuant to the contractual arrangements. For example, though we had been contracted to provide commercial operational services to Jiangyou Powerlong Plaza in the second half of 2017, we recognized a majority of our revenue for market research and positioning, tenant sourcing and preparation services in 2018.

Residential Property Management Service Segment

The table below sets forth a breakdown of our revenue from the residential property management service segment by type of service for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2016		2017		2018		2018		2019	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*	*RMB* (unaudited)	*%*	*RMB*	*%*
	(in thousands, except for percentages)									
Pre-sale management services	2,188	1.8	2,110	1.2	3,021	1.4	1,642	1.5	6,867	5.4
Property management services	92,523	74.3	146,452	81.1	178,788	81.0	95,970	84.9	101,265	79.1
Other value-added services	29,756	23.9	32,057	17.7	38,958	17.6	15,404	13.6	19,765	15.5
Total	124,467	100.0	180,619	100.0	220,767	100.0	113,016	100.0	127,897	100.0

Pre-sale management services

Our pre-sale management services primarily include cleaning, security and maintenance of pre-sale display units and sales offices provided to property developers during the pre-sale stage. In 2016, 2017 and 2018 and the six months ended June 30, 2018 and 2019, revenue derived from pre-sale management services accounted for approximately 1.8%, 1.2%, 1.4%, 1.5% and 5.4%, respectively, of our revenue from residential property management service segment for the same periods. Our revenue from pre-sale management services fluctuated during the Track Record Period primarily due to the fluctuation in the number and GFA of properties for which we provided pre-sale management services.

Property management services

Our property management services mainly include security, cleaning and gardening, and repair and maintenance services provided to property developers, property owners or owners' associations at the post-delivery stages. In 2016, 2017 and 2018 and the six months ended June 30, 2018 and 2019, revenue derived from property management services accounted for approximately 74.3%, 81.1%, 81.0%, 84.9% and 79.1%, respectively, of our revenue from residential property management service segment for the same periods. The increases in our revenue from property management services during the Track Record Period were primarily attributable to the increases in our aggregate GFA under management over the same periods.

Other value-added services

Our other value-added services mainly include pre-delivery preparation and trash handling services, common area, advertising space and car park management services provided to property owners and residents of the properties managed by us. In 2016, 2017 and 2018 and the six months ended June 30, 2018 and 2019, revenue derived from other value-added services accounted for approximately 23.9%, 17.7%, 17.6%, 13.6% and 15.5%, respectively, of our revenue from residential property management service segment for the same periods. The increases in our revenue from other value-added services during the Track Record Period were primarily attributable to the increases in GFA of such common areas and advertising spaces and the number of car parks under our management as a result of the increase in the number of properties we managed.

The table below sets forth our contracted GFA and GFA under management as of the dates and revenue from our residential property management services for the periods indicated by type of developer:

	As of/for the year ended December 31,									As of/ for the six months ended June 30,					
	2016			2017			2018			2018			2019		
	Contracted GFA	GFA under management	Revenue	Contracted GFA	GFA under management	Revenue	Contracted GFA	GFA under management	Revenue	Contracted GFA	GFA under management	Revenue	Contracted GFA	GFA under management	Revenue
	sq.m.	*sq.m.*	*RMB*	*sq.m.*	*sq.m.*	*RMB*	*sq.m.*	*sq.m.*	*RMB*	*sq.m.*	*sq.m.*	*RMB* (unaudited)	*sq.m.*	*sq.m.*	*RMB*
								(in thousands)							
Properties developed by:															
Remaining Powerlong Group[(1)]	9,610	8,732	121,695	11,524	9,387	174,293	14,016	9,883	213,955	12,389	9,610	109,439	16,082	10,248	123,897
Joint ventures [(2)]	324	324	2,772	467	324	6,326	776	324	6,812	467	324	3,577	988	324	4,000
Total	9,934	9,056	124,467	11,991	9,711	180,619	14,792	10,207	220,767	12,856	9,934	113,016	17,070	10,572	127,897

Notes:

(1) Refer to properties developed by the Remaining Powerlong Group, as well as properties jointly developed by the Remaining Powerlong Group and Independent Third Parties in which the Remaining Powerlong Group held a controlling interest.

(2) Refer to properties developed by joint ventures formed between the Remaining Powerlong Group and Independent Third Parties but neither party had control of such joint ventures.

During the Track Record Period, a majority of our revenue from residential property management service segment was derived from services provided with respect to properties developed by the Remaining Powerlong Group, which accounted for approximately 97.8%, 96.5%, 96.9%, 96.8% and 96.9% of our revenue from residential property management service segment in 2016, 2017 and 2018 and the six months ended June 30, 2018 and 2019, respectively.

Revenue by Geographic Region

We divide our geographic coverage into four major regions in the PRC, namely, the Yangtze River Delta, Southeast China, Midwest China and the Bohai Economic Rim. The table below sets forth a breakdown of our revenue by geographic region for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2016		2017		2018		2018		2019	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*	*RMB* (unaudited)	*%*	*RMB*	*%*
	(in thousands, except for percentages)									
Yangtze River Delta	366,384	48.7	577,058	59.3	723,271	60.3	343,014	59.5	468,211	62.5
Southeast China(1)	120,370	16.0	122,921	12.6	144,055	12.0	69,810	12.1	83,898	11.2
Midwest China(2)	142,046	18.9	158,203	16.3	190,326	15.9	95,379	16.5	110,176	14.7
Bohai Economic Rim(3)	123,917	16.4	114,800	11.8	142,746	11.8	68,802	11.9	86,774	11.6
Total	752,717	100.0	972,982	100.0	1,200,398	100.0	577,005	100.0	749,059	100.0

Notes:

(1) Comprises Fujian and Hainan Provinces.

(2) Comprises Anhui, Sichuan, Henan Provinces and Chongqing Municipality.

(3) Comprises Tianjin Municipality and Shandong Province.

During the Track Record Period, property projects managed by us were primarily located in the Yangtze River Delta and revenue generated from this area continued to increase. We also expanded our operations into other areas in China, including Southeast China, Midwest China and the Bohai Economic Rim. We expect that properties in the Yangtze River Delta will continue to account for a significant portion of properties under our management in the near future.

Cost of Services

Our cost of services primarily consists of (i) staff costs; (ii) subcontracting costs for security, greening and cleaning services; (iii) depreciation expenses related to car parks, common areas and advertising spaces with respect to which we provide other value-added services and shopping street units with respect to which we provide property leasing services; (iv) utility expenses; (v) variable lease payments related to a shopping mall with respect to which we provide property leasing services; (vi) short-term lease expenditure related to car parks, common areas and advertising spaces with respect to which we provide other value-added services; (vii) taxes and other levies; and (viii) others. The table below sets forth a breakdown of our cost of services by expense nature for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2016		2017		2018		2018		2019	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*	*RMB* (unaudited)	*%*	*RMB*	*%*
	(in thousands, except for percentages)									
Staff costs	329,216	56.0	388,998	54.1	475,125	54.3	226,236	53.1	283,496	51.4
Subcontracting costs	112,319	19.1	147,640	20.5	174,051	19.9	88,021	20.6	103,445	18.8
Depreciation	60,390	10.3	90,373	12.6	105,627	12.1	53,695	12.6	38,385	7.0
Utilities	55,173	9.4	72,413	10.1	88,176	10.1	43,559	10.2	47,696	8.7
Variable lease payments	–	–	2,252	0.3	9,264	1.1	4,963	1.2	5,508	1.0
Short-term lease expenditure	–	–	–	–	–	–	–	–	57,827	10.4
Taxes and other levies	15,832	2.7	4,750	0.7	6,218	0.7	2,469	0.6	3,699	0.7
Others[1]	15,373	2.5	13,153	1.7	16,063	1.8	7,418	1.7	11,116	2.0
Total	588,303	100.0	719,579	100.0	874,524	100.0	426,361	100.0	551,172	100.0

Note:

(1) Others mainly consist of costs for purchasing office supplies and employee uniforms.

During the Track Record Period, key factors affecting our cost of services were staff costs and subcontracting costs. The increases in staff costs during the Track Record Period were mainly due to the increases in the number of our personnel in line with our business expansion and the increases in the average salary level. Subcontracting costs mainly include fees paid for the services outsourced to subcontractors, such as security, greening and cleaning. The increases in subcontracting costs during the Track Record Period were mainly due to the increases in our aggregate GFA under management.

The table below sets forth a breakdown of our cost of services by business segment for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2016		2017		2018		2018		2019	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*	*RMB* (unaudited)	*%*	*RMB*	*%*
	(in thousands, except for percentages)									
Commercial operational services	481,342	81.8	563,234	78.3	685,239	78.4	329,958	77.4	439,161	79.7
Residential property management services	106,961	18.2	156,345	21.7	189,285	21.6	96,403	22.6	112,011	20.3
Total	588,303	100.0	719,579	100.0	874,524	100.0	426,361	100.0	551,172	100.0

Gross Profit and Gross Profit Margin

Our gross profit in 2016, 2017 and 2018 and the six months ended June 30, 2018 and 2019 amounted to RMB164.4 million, RMB253.4 million, RMB325.9 million, RMB150.6 million and RMB197.9 million, respectively. During the same periods, we recorded gross profit margin of 21.8%, 26.0%, 27.1%, 26.1% and 26.4%, respectively. The table below sets forth a breakdown of our gross profit and gross profit margin by business segment for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2016		2017		2018		2018		2019	
	Gross profit	**Gross profit margin**	**Gross profit**	**Gross profit margin**	**Gross profit**	**Gross profit margin**	**Gross profit**	**Gross profit margin**	**Gross profit**	**Gross profit margin**
	RMB	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*
							(unaudited)			
	(in thousands, except for percentages)									
Commercial operational services	146,908	23.4	229,129	28.9	294,392	30.1	134,031	28.9	182,001	29.3
Residential property management services	17,506	14.1	24,274	13.4	31,482	14.3	16,613	14.7	15,886	12.4
Total	164,414	21.8	253,403	26.0	325,874	27.1	150,644	26.1	197,887	26.4

Our gross profit margin increased from 21.8% in 2016 to 26.0% in 2017 and further to 27.1% in 2018, primarily reflecting the increases in gross profit margin of our commercial operational services. Our gross profit margin increased from 26.1% for the six months ended June 30, 2018 to 26.4% for the six months ended June 30, 2019, primarily reflecting the increase in gross profit margin of our commercial operational services.

Selling and Marketing Expenses

Our selling and marketing expenses primarily consist of promotion and advertising expenses and others. The table below sets forth the components of our selling and marketing expenses for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2016		2017		2018		2018		2019	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*	*RMB* (unaudited)	*%*	*RMB*	*%*
	(in thousands, except for percentages)									
Promotion and advertising expenses	9,802	92.0	18,539	97.4	31,106	99.2	14,396	99.1	16,899	99.2
Others[(1)]	853	8.0	495	2.6	260	0.8	131	0.9	134	0.8
Total	10,655	100.0	19,034	100.0	31,366	100.0	14,527	100.0	17,033	100.0

Note:

(1) Others primarily consist of traveling and entertainment expenses.

Administrative Expenses

Our administrative expenses primarily consist of staff costs for our administrative personnel, traveling and entertainment expenses, office expenses, depreciation, tax and other levies, listing expenses and others. The table below sets forth the components of our administrative expenses for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2016		2017		2018		2018		2019	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*	*RMB* (unaudited)	*%*	*RMB*	*%*
	(in thousands, except for percentages)									
Staff costs	14,739	27.5	30,384	32.4	28,181	35.1	12,050	35.7	13,637	29.1
Depreciation	2,971	5.5	4,048	4.3	3,492	4.3	1,727	5.1	1,880	4.0
Professional fees	4,755	8.9	1,631	1.7	2,079	2.6	665	2.0	2,482	5.3
Traveling and entertainment expenses	12,816	23.9	17,863	19.0	20,336	25.3	8,240	24.4	8,301	17.7
Office expenses	12,434	23.2	13,140	14.0	12,868	16.0	7,228	21.4	7,676	16.4
Taxes and other levies	1,652	3.1	2,158	2.3	1,828	2.3	662	2.1	626	1.3
Listing expenses	–	–	–	–	–	–	–	–	9,649	20.6
Loss on misappropriation of assets[(1)]	–	–	13,434	14.3	–	–	–	–	–	–
Others[(2)]	4,259	7.9	11,158	12.0	11,565	14.4	3,146	9.3	2,632	5.6
Total	53,626	100.0	93,816	100.0	80,349	100.0	33,718	100.0	46,883	100.0

Notes:

(1) We recorded loss on misappropriation of assets of RMB13.4 million in 2017 because a former employee of one of our subsidiaries located in Changzhou embezzled RMB13.4 million funds in 2017. See "Business — Our Cash Management Policy" for details.

(2) Others primarily consist of fees used to purchase insurance policies, liquidated damages paid to tenants where we proactively adjusted tenant mix by terminating the leases, accrued provision made with respect to litigation and other miscellaneous expenses.

Other Income and Gains

Our other income and gains primarily consist of government grants in the form of tax refunds received from local governments to encourage our efforts towards local economy development and employment, and deposits forfeited by us where a lease contract was early terminated by the relevant tenant.

Net Impairment Losses on Financial Assets

Net impairment losses on financial assets mainly consist of impairment made for operating lease and trade receivables and other receivables. Our net impairment losses on financial assets were RMB2.9 million, RMB2.8 million, RMB2.8 million, RMB1.9 million and RMB3.6 million, respectively, in 2016, 2017 and 2018 and the six months ended June 30, 2018 and 2019.

Finance Costs — Net

Our net finance costs mainly consist of interest expenses for bank borrowings and interest expenses on lease liabilities. Our operating leases were amortized over a period pursuant to the term of a lease contract. The differences between the minimum lease payments and the present value of such minimum lease payments are deemed to be finance costs for the operating leases. Our interest consists of interest earned on interest-bearing loans advanced to related parties and interest earned on bank deposits. The table below sets forth the components of our finance expenses and finance income for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2016	**2017**	**2018**	**2018**	**2019**
	RMB	*RMB*	*RMB*	*RMB* (unaudited)	*RMB*
			(in thousands)		
Interest expense					
Bank borrowings	67,976	64,044	30,426	14,479	19,161
Lease liabilities	16,205	24,464	24,536	12,237	8,107
	84,181	88,508	54,962	26,716	27,268
Interest income					
Loans due from related parties	(64,654)	(51,572)	(1,919)	(1,919)	–
Bank deposits	(408)	(621)	(11,503)	(4,594)	(7,606)
	(65,062)	(52,193)	(13,422)	(6,513)	(7,606)
Foreign exchange (gains)/losses on financing activities - net	(707)	(2,277)	1,068	328	(466)
Total	18,412	34,038	42,608	20,531	19,196

Income Tax Expenses

Our income tax expenses mainly comprise PRC corporate income tax.

	Year ended December 31,			Six months ended June 30,	
	2016	**2017**	**2018**	**2018**	**2019**
	RMB	*RMB*	*RMB*	*RMB* (unaudited)	*RMB*
			(in thousands)		
Current income tax					
– PRC corporate income tax	35,980	50,387	48,241	38,852	35,100
Deferred income tax					
– PRC corporate income tax	(11,181)	(14,618)	1,275	(13,302)	(2,555)
Total	24,799	35,769	49,516	25,550	32,545

In 2016, 2017 and 2018 and the six months ended June 30, 2018 and 2019, our effective tax rates were approximately 28.3%, 31.3%, 27.1%, 30.0% and 27.2%, respectively. Our effective income tax rates during the Track Record Period were slightly higher than the EIT rate of 25.0%, primarily because (i) losses incurred for certain of our subsidiaries were not recognized, and as a result, have not been utilized for tax purposes; and (ii) certain expenses were not deductible for tax purposes.

Profit for the Year/Period

In 2016, 2017 and 2018 and the six months ended June 30, 2018 and 2019, our profit was RMB62.9 million, RMB78.6 million, RMB133.3 million, RMB59.7 million and RMB87.1 million, respectively.

PERIOD TO PERIOD COMPARISONS OF OUR RESULTS OF OPERATIONS

Six Months Ended June 30, 2019 Compared to Six Months Ended June 30, 2018

Revenue

Our revenue increased by approximately 29.8% from RMB577.0 million for the six months ended June 30, 2018 to RMB749.1 million for the six months ended June 30, 2019. This increase was primarily attributable to an increase in revenue from our commercial operational service segment, and to a lesser extent, an increase in revenue from our residential property management service segment.

Revenue from commercial operational services

Revenue from commercial operational services increased by 33.9% from RMB464.0 million for the six months ended June 30, 2018 to RMB621.2 million for the six months ended June 30, 2019, which was primarily attributable to:

- an increase in revenue from market research and positioning, tenant sourcing and opening preparation services from RMB29.2 million for the six months ended June 30, 2018 to RMB48.6 million for the six months ended June 30, 2019, which was primarily attributable to (i) an increase in our fee rates; and (ii) an increase in the number of retail commercial property with respect to which we have been contracted to provide these services. We provided market research and positioning, tenant sourcing and opening preparation services with respect to nine retail commercial properties for the six months ended June 30, 2019, compared to five for the six months ended June 30, 2018;

- an increase in revenue from commercial operation and management services from RMB336.2 million for the six months ended June 30, 2018 to RMB458.7 million for the six months ended June 30, 2019, which was primarily attributable to (i) the increases in the aggregate number of retail commercial properties under our management and our aggregate GFA under management. The number of retail commercial properties under our management increased from 42 as of June 30, 2018 to 45 as of June 30, 2019, while our aggregate GFA under management increased from approximately 5.9 million sq.m. as of June 30, 2018 to approximately 6.4 million sq.m. as of June 30, 2019; and (ii) an increase in revenue derived from retail commercial properties located in the Yangtze River Delta as more projects in this region entered into their respective maturity stage in 2019 and began to generate high revenue. For example, Shanghai Fengxian Powerlong Plaza which was opened in 2015 entered into its maturity stage and began to generate relatively high revenue in 2019; and

- an increase in revenue from property leasing services from RMB98.6 million for the six months ended June 30, 2018 to RMB113.8 million for the six months ended June 30, 2019, which was primarily attributable to (i) an increase in the aggregate GFA of shopping street units we were commissioned to rent out under our property leasing services; and (ii) an increase in the occupancy rate of shopping street units and a shopping mall with respect to which we provided property leasing services we rented out to tenants.

Revenue from residential property management services

Revenue from residential property management services increased by 13.2% from RMB113.0 million for the six months ended June 30, 2018 to RMB127.9 million for the six months ended June 30, 2019, primarily attributable to:

- an increase in revenue from pre-sale management services from RMB1.6 million for the six months ended June 30, 2018 to RMB6.9 million for the six months ended June 30, 2019, which was mainly attributable to an increase in the number of properties to which we provided pre-sale management services from four for the six months ended June 30, 2018 to seven for the six months ended June 30, 2019 and an increase in GFA of pre-sale display units and sales offices;

- an increase in revenue from property management services from RMB96.0 million for the six months ended June 30, 2018 to RMB101.3 million for the six months ended June 30, 2019, which was primarily attributable to increases in the number of properties under our management and our aggregate GFA under management. The aggregate number of properties under our management increased from 40 as of June 30, 2018 to 44 as of June 30, 2019, while our aggregate GFA under management increased from approximately 9.9 million sq.m. as of June 30, 2018 to approximately 10.6 million sq.m. as of June 30, 2019; and

- an increase in revenue from other value-added services from RMB15.4 million for the six months ended June 30, 2018 to RMB19.8 million for the six months ended June 30, 2019, which was mainly attributable to an increase in the number of car parks and an expansion of the common areas and advertising spaces under our management as a result of the increase in the aggregate number of properties under our management from 40 as of June 30, 2018 to 44 as of June 30, 2019.

Cost of Services

Our cost of services increased by approximately 29.3% from RMB426.4 million for the six months ended June 30, 2018 to RMB551.2 million for the six months ended June 30, 2019. This increase was primarily due to (i) an increase in staff costs as a result of an increase in the number of personnel in line with our business expansion and an increase in the average salary level; (ii) an increase in subcontracting costs incurred for security, greening and cleaning services in line with our business expansion; (iii) an increase in utility expenses in line with our business expansion; and (iv) the recognition of RMB57.8 million operating lease payments as a result of short-term lease expenditure for car parks and common areas. Starting from January 1, 2019, we adopted the same model for managing all car parks, common areas and advertising spaces, where we pay an agreed rent to property owners and are entitled to the income generated. See "Business — Our Business Model — Commercial Operational Services" for details. Rents paid pursuant to such arrangement were recognized as short-term lease expenditure.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased by approximately 31.4% from RMB150.6 million for the six months ended June 30, 2018 to RMB197.9 million for the six months ended June 30, 2019.

Our gross profit margin was relatively stable for the six months ended June 30, 2019, compared to the six months ended June 30, 2018.

Gross profit margin of commercial operational services

The gross profit margin of our commercial operational service segment increased from 28.9% for the six months ended June 30, 2018 to 29.3% for the six months ended June 30, 2019 primarily because our retail commercial properties located in the Yangtze River Delta, including Shanghai Fengxian Powerlong Plaza which was opened in 2015 entered into its maturity stage and began to generate relatively high revenue in 2019, and our Shanghai Qingpu Powerlong Plaza which was opened in 2018, began to generate stable revenue in 2019. Retail commercial properties located in the Yangtze River Delta tend to be more profitable compared to retail commercial properties located in other areas in China which are under our management. When a retail commercial property enters into its maturity stage, revenue generated from providing commercial operation and management services and other value-added services increases as the occupancy rate of such retail commercial property continues to improve.

Gross profit margin of residential property management services

The gross profit margin of our residential property management service segment decreased from 14.7% for the six months ended June 30, 2018 to 12.4% for the six months ended June 30, 2019 mainly because we hired more personnel to improve the quality of our residential property management services.

Selling and Marketing Expenses

Our selling and marketing expenses increased by approximately 17.3% from approximately RMB14.5 million for the six months ended June 30, 2018 to approximately RMB17.0 million for the six months ended June 30, 2019. This increase was primarily due to an increase in promotion and advertising expenses as we conducted more sales, marketing and advertising activities in the six months ended June 30, 2019.

Administrative Expenses

Our administrative expenses increased by approximately 39.0% from RMB33.7 million for the six months ended June 30, 2018 to RMB46.9 million for the six months ended June 30, 2019. This increase was primarily due to (i) the establishment of ten regional management offices in the six months ended June 30, 2019 to oversee our residential property management business within the designated area; (ii) an increase in consulting service fees due to our business expansion; and (iii) the recognition of RMB9.6 million listing expenses incurred in connection with our proposed Listing.

Other Income and Gains

Our other income and gains increased by approximately 60.8% from RMB5.3 million for the six months ended June 30, 2018 to RMB8.5 million for the six months ended June 30, 2019. This increase was primarily due to (i) an increase in deposits forfeited by us where a lease contract was terminated by the relevant tenant; and (ii) RMB2.1 million gain recognized as a result of termination of car park lease arrangements.

Net Impairment Losses on Financial Assets

We recorded net impairment losses on financial assets of RMB1.9 million and RMB3.6 million, respectively, for the six months ended June 30, 2018 and 2019.

Finance Costs — Net

Our net finance costs was RMB20.5 million and RMB19.2 million, respectively, for the six months ended June 30, 2018 and 2019.

Profit before Tax

As a result of the foregoing, we recognized a profit before tax of RMB119.7 million for the six months ended June 30, 2019, compared to RMB85.3 million for the six months ended June 30, 2018. Our profit before tax as a percentage of revenue was 16.0% for the six months ended June 30, 2019, compared to 14.8% for the six months ended June 30, 2018.

Income Tax Expenses

Our income tax expenses increased by approximately 27.4% from RMB25.6 million for the six months ended June 30, 2018 to RMB32.5 million for the six months ended June 30, 2019. This increase was primarily attributable to an increase in our profit before tax.

Our effective tax rate decreased from 30.0% for the six months ended June 30, 2018 to 27.2% for the six months ended June 30, 2019 primarily because we changed our organization structure to replace certain subsidiaries with branch companies to be more tax-efficient. Pursuant to the relevant PRC tax laws and regulations, only tax losses incurred by branch companies can be recognized and subsequently utilized by the parent company for tax purposes. As a result of the replacement of subsidiaries with branch companies, tax losses incurred by our branch companies have been recognized and utilized by us, resulting in a decrease in our taxable income as well as our effective tax rate.

Profit for the Period

As a result of the foregoing, our profit for the period increased by approximately 45.9% from RMB59.7 million for the six months ended June 30, 2018 to RMB87.1 million for the six months ended June 30, 2019.

2018 Compared to 2017

Revenue

Our revenue increased by approximately 23.4% from RMB973.0 million in 2017 to RMB1,200.4 million in 2018. This increase was primarily attributable to an increase in revenue from our commercial operational service segment, and to a lesser extent, an increase in revenue from our residential property management segment.

Revenue from commercial operational services

Revenue from commercial operational services increased by 23.6% from RMB792.4 million in 2017 to RMB979.6 million in 2018, which was primarily attributable to:

- an increase in revenue from commercial operation and management services from RMB564.0 million in 2017 to RMB719.3 million in 2018, which was primarily attributable to (i) an increase in the aggregate number of retail commercial properties under our management and our aggregate GFA under management. The aggregate number of retail commercial properties under our management increased from 42 as of December 31, 2017 to 45 as of December 31, 2018, while our aggregate GFA under management increased from approximately 5.9 million sq.m. as of December 31, 2017 to approximately 6.4 million sq.m. as of December 31, 2018; and (ii) an increase in revenue generated from retail commercial properties in the Yangtze River Delta as more projects in this region began to generate stable revenue. For example, Shanghai Jiading Powerlong Plaza which was opened in 2016 began to generate stable revenue in 2018; and

- an increase in revenue from property leasing services from RMB157.9 million in 2017 to RMB208.1 million in 2018, which was primarily attributable to (i) an increase in the aggregate GFA of shopping street units for which we were commissioned to rent out under our property leasing services; and (ii) an increase in the rent level for properties located in the Yangtze River Delta.

These increases were partially offset by a decrease in revenue from market research and positioning, tenant sourcing and opening preparation services, which was primarily due to a decrease in the number of retail commercial properties opened from seven in 2017 to three in 2018.

Revenue from residential property management services

Revenue from residential property management services increased by 22.2% from RMB180.6 million in 2017 to RMB220.8 million in 2018, which was primarily attributable to:

- an increase in revenue from pre-sale management services from RMB2.1 million in 2017 to RMB3.0 million in 2018, mainly because our service term for certain pre-sale properties was longer in 2018, compared to 2017. The length of service term typically correlates to the amount of service fee we may receive;

- an increase in revenue from property management services from RMB146.5 million in 2017 to RMB178.8 million in 2018, mainly as a result of an increase in the number of properties under our management and our aggregate GFA under management. The aggregate number of properties under our management increased from 38 as of December 31, 2017 to 42 as of December 31, 2018, while our aggregate GFA under management increased from approximately 9.7 million sq.m. as of December 31, 2017 to approximately 10.2 million sq.m. as of December 31, 2018; and

- an increase in revenue from other value-added services from RMB32.1 million in 2017 to RMB39.0 million in 2018, mainly due to an increase in the number of car parks and an expansion of the common areas and advertising spaces under our management as a result of the increase in the aggregate number of properties under our management from 38 as of December 31, 2017 to 42 as of December 31, 2018.

Cost of Services

Our cost of services increased by approximately 21.5% from RMB719.6 million in 2017 to RMB874.5 million in 2018. This increase was primarily due to (i) an increase in staff costs due to an increase in the number of personnel in line with our business expansion and an increase in the average salary level; (ii) an increase in subcontracting costs incurred for security, greening and cleaning services in line with our business expansion; and (iii) an increase in utility expenses in line with our business expansion.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased by approximately 28.6% from RMB253.4 million in 2017 to RMB325.9 million in 2018.

Our gross profit margin increased from 26.0% in 2017 to 27.1% in 2018. This increase was primarily attributable to the increase in the gross profit margin of our commercial operational services.

Gross profit margin of commercial operational services

The gross profit margin of our commercial operational service segment increased from 28.9% in 2017 to 30.1% in 2018 primarily because our three retail commercial properties located in the Yangtze River Delta, including Shanghai Jiading Powerlong Plaza which was opened in 2016, Shanghai Wujing Powerlong Plaza which was opened in 2017 and our Shanghai Qingpu Powerlong Plaza which was opened in 2018 began to generate stable revenue in 2018. Retail commercial properties located in the Yangtze River Delta tend to be more profitable compared to retail commercial properties located in other areas in China which are under our management.

Gross profit margin of residential property management services

The gross profit margin of our residential property management service segment remained relatively stable at 14.3% in 2018 compared to 13.4% in 2017.

Selling and Marketing Expenses

Our selling and marketing expenses increased by 64.8% from RMB19.0 million in 2017 to RMB31.4 million in 2018, which was primarily due to an increase in advertising expenses as we started to bear advertising expenses incurred for promotional activities to promote retail commercial properties under our management pursuant to our arrangements with property developers. Pursuant to such arrangements, the property developers are typically responsible for such expenses for the first three years after the opening of a retail commercial property. We started to bear advertising expenses for another four retail commercial properties which entered their respective fourth year of operation in 2018.

Administrative Expenses

Our administrative expenses decreased by approximately 14.4% from RMB93.8 million in 2017 to RMB80.3 million in 2018 primarily because we recognized loss on misappropriation of assets of RMB13.4 million in 2017. This decrease was partially offset by an increase in traveling and entertainment expenses, which was primarily due to business expansion.

Other Income and Gains

We recorded other income and gains of RMB10.7 million in 2017 and RMB14.1 million in 2018 primarily as a result of an increase in deposits forfeited by us where a lease contract was terminated by the relevant tenant.

Net Impairment Losses on Financial Assets

Our net impairment losses on financial assets remained stable at RMB2.8 million in 2018 and 2017.

Finance Costs — Net

Our net finance costs increased from RMB34.0 million in 2017 to RMB42.6 million in 2018, primarily reflecting a decrease in interest income earned on loans advanced to the related parties as a result of repayment of all interest-bearing loans by the related parties in February 2018, as partially offset by a decrease in interest expense on bank borrowings as a result of the decrease in our borrowings.

Profit before Tax

As a result of the foregoing, we recognized a profit before tax of RMB114.4 million in 2017, compared to a profit before tax of RMB182.9 million in 2018. Our profit before tax as a percentage of revenue was 11.8% for 2017, while our profit before tax as a percentage of revenue was 15.2% for 2018.

Income Tax Expenses

Our income tax expenses increased by approximately 38.4% from RMB35.8 million in 2017 to RMB49.5 million in 2018. This increase was primarily attributable to an increase in our profit before tax.

Our effective tax rate decreased from 31.3% in 2017 to 27.1% in 2018 primarily because we changed our organization structure to replace certain subsidiaries with branch companies to be more tax-efficient. Pursuant to the relevant PRC tax laws and regulations, only tax losses incurred by branch companies can be recognized and subsequently utilized by the parent company for tax purposes.

Profit for the Year

As a result of the foregoing, we recorded a profit of RMB78.6 million in 2017, as compared to RMB133.3 million in 2018.

2017 Compared to 2016

Revenue

Our revenue increased by approximately 29.3% from RMB752.7 million in 2016 to RMB973.0 million in 2017. This increase was primarily attributable to an increase in revenue from our commercial operational service segment, and to a lesser extent, an increase in revenue from our residential property management segment.

Revenue from commercial operational services

Revenue from commercial operational services increased by 26.1% from RMB628.3 million in 2016 to RMB792.4 million in 2017, which was primarily attributable to:

- an increase in revenue from commercial operation and management services from RMB481.8 million in 2016 to RMB564.0 million in 2017, which was primarily attributable to (i) the increases in the number of retail commercial properties under our management and our aggregate GFA under management. The number of retail commercial properties under our management increased from 35 as of December 31, 2016 to 42 as of December 31, 2017, while our aggregate GFA under management increased from approximately 5.4 million sq.m. as of December 31, 2016 to approximately 5.9 million sq.m. as of December 31, 2017; and (ii) an increase in revenue generated from retail commercial properties in the Yangtze River Delta as more projects in this region began to generate stable revenue. For example, Shanghai Fengxian Powerlong Plaza which was opened in 2015, began to generate stable revenue in 2017; and

- an increase in revenue from property leasing services from RMB74.9 million in 2016 to RMB157.9 million in 2017, which was primarily attributable to an increase in aggregate GFA of units of shopping street units for which we were commissioned to rent out.

Revenue from residential property management services

Revenue from residential property management services increased by 45.1% from RMB124.5 million in 2016 to RMB180.6 million in 2017, which was primarily attributable to:

- an increase in revenue from property management services from RMB92.5 million in 2016 to RMB146.5 million in 2017, which was primarily attributable to the increases in the aggregate number of properties under our management and our aggregate GFA under management. The aggregate number of properties under our management increased from 36 as of December 31, 2016 to 38 as of December 31, 2017, while our aggregate GFA under management increased from approximately 9.1 million sq.m. as of December 31, 2016 to approximately 9.7 million sq.m. as of December 31, 2017; and

- an increase in revenue from other value-added services from RMB29.8 million in 2016 to RMB32.1 million in 2017, which was primarily attributable to an increase in the number of car parks and an expansion of the common areas and advertising spaces under our management as a result of the increase in the number of properties under our management from 36 as of December 31, 2016 to 38 as of December 31, 2017.

Cost of Services

Our cost of services increased by approximately 22.3% from RMB588.3 million in 2016 to RMB719.6 million in 2017. This increase was primarily due to (i) an increase in staff costs due to an increase in the number of personnel in line with our business expansion and an increase in the average salary level; (ii) an increase in subcontracting costs incurred for security, greening and cleaning in line with our business expansion; (iii) an increase in depreciation expenses as a result of an increase in the number of car parks for which we are commissioned to rent out; and (iv) and increase in utility expenses in line with our business expansion. These increases were partially offset by a decrease in taxes and other levies because our applicable tax regime switched from business tax to VAT in April 2016. Prior to April 2016, we recorded business tax as part of our cost of services. After we changed to VAT in April 2016, VAT was no longer recognized as part of our cost of services.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased by approximately 54.1% from RMB164.4 million in 2016 to RMB253.4 million in 2017.

Our gross profit margin increased from 21.8% in 2016 to 26.0% in 2017. This increase was primarily attributable to the increase in the gross profit margin of our commercial operational services.

Gross profit margin commercial operational services

The gross profit margin of our commercial operational service segment increased from 23.4% in 2016 to 28.9% in 2017 primarily because our four retail commercial properties located in the Yangtze River Delta, including Hangzhou Binjiang Powerlong City which was opened in 2016, Shanghai Fengxian Powerlong Plaza which was opened in 2015, Shanghai Jiading Powerlong Plaza and Shanghai Qibao Powerlong City which were opened in 2016, began to generate stable revenue in 2017. Retail commercial properties located in the Yangtze River Delta tend to be more profitable compared to retail commercial properties located in other areas in China which are under our management.

Gross profit margin residential property management services

The gross profit margin of our residential property management service segment remained relatively stable at 13.4% in 2017 compared to 14.1% in 2016.

Selling and Marketing Expenses

Our selling and marketing expenses increased by 78.6% from RMB10.7 million in 2016 to RMB19.0 million in 2017, which was primarily due to an increase in promotion and advertising expenses as we started to bear these expenses incurred for promotional activities to promote retail commercial properties under our management pursuant to our arrangements with property developers. Pursuant to such arrangements, the property developers are typically responsible for such expenses for the first three years after the opening of the retail commercial properties. We started to bear advertising expenses for another two retail commercial properties which entered into their respective fourth year of operation.

Administrative Expenses

Our administrative expenses increased by approximately 74.9% from RMB53.6 million in 2016 to RMB93.8 million in 2017, which was primarily attributable to (i) an increase in staff costs as a result of an increase in the number of administrative personnel in line with our business expansion; (ii) an increase in traveling and entertainment expenses in line with our business expansion; and (iii) the recognition of loss on misappropriation of assets of RMB13.4 million because a former employee of one of our subsidiaries located in Changzhou embezzled RMB13.4 million funds in 2017. In 2017, a former employee of one of our subsidiaries located in Changzhou was caught embezzling funds for an aggregate amount of approximately RMB13.4 million. He was charged with crime of embezzlement of funds and was subsequently convicted and imprisoned. To prevent the recurrence of similar incident, we have enhanced our policies and procedures concerning fund security, mainly including (i) using online payment authorization and approval system and designating project finance officers to oversee payment transfers; (ii) strengthening protection of the access keys and passwords for wire transfer authorization; and (iii) establishing internal policies in relation to our financial management including but not limited to registering and tracking the issuance of checks.

Other Income and Gains

We recorded other income and gains of RMB8.9 million in 2016 and RMB10.7 million in 2017.

Net Impairment Losses on Financial Assets

Our net impairment losses on financial assets decreased slightly from RMB2.9 million in 2016 to RMB2.8 million in 2017 as we increased our efforts in collecting overdue trade receivables.

Finance Costs — Net

Our net finance costs increased from RMB18.4 million in 2016 to RMB34.0 million in 2017 primarily reflecting an increase in our lease liabilities, which was in line with the growth of our property leasing business under commercial operational service segment, as partially offset by a decrease in interest expenses on bank borrowings as a result of the decrease in our bank borrowings from RMB897.0 million in 2016 to RMB388.3

million in 2017 and a decrease in interest income earned on interest-bearing loans advanced to related parties from RMB694.0 million as of December 31, 2016 to RMB232.3 million as of December 31, 2017.

Profit before Tax

As a result of the foregoing, we recognized a profit before tax of RMB87.7 million in 2016, compared to a profit before tax of RMB114.4 million in 2017. Our profit before tax as a percentage of revenue was 11.7% for 2016, while our profit before tax as a percentage of revenue was 11.8% for 2017.

Our effective tax rate increased from 28.3% in 2016 to 31.3% in 2017 mainly due to the incurrence of loss on misappropriation of assets of RMB13.4 million in 2017, which was not deductible for tax purposes.

Income Tax Expenses

Our income tax expenses increased by approximately 44.2% from RMB24.8 million in 2016 to RMB35.8 million in 2017. This increase was primarily attributable to the increase in our profit before income tax due to business expansion. The increase in tax expense outweighed the increase in our profit before tax because we incurred losses with respect to the management of one retail commercial property in Tianjian and one retail commercial property in Qingdao in 2017, which have not been utilized for tax purposes.

Profit for the Year

As a result of the foregoing, we recorded a profit of RMB62.9 million in 2016, as compared to RMB78.6 million in 2017.

DESCRIPTION OF CERTAIN COMBINED BALANCE SHEET ITEMS

The table below sets forth a summary of our combined balance sheets as of the dates indicated:

	As of December 31,			As of June 30,
	2016	**2017**	**2018**	**2019**
	RMB	*RMB*	*RMB*	*RMB*
		(in thousands)		
Non-current assets				
Property and equipment	164,817	183,210	173,493	5,248
Restricted cash	–	–	–	100,000
Investment properties	226,516	232,750	155,632	128,367
Deferred income tax assets	43,151	57,769	56,494	55,802
Financial assets at fair value through other comprehensive income	333,250	333,250	333,528	–
Total non-current assets	767,734	806,979	719,147	289,417

	As of December 31,			As of June 30,
	2016	2017	2018	2019
	RMB	*RMB*	*RMB*	*RMB*
		(in thousands)		
Current assets				
Operating lease and trade receivables	61,697	92,245	82,475	117,446
Prepayments and other receivables	919,825	732,617	333,543	960,949
Current income tax recoverables	676	1,707	2,529	6,165
Restricted cash	62,203	1,567	486,540	747
Cash and cash equivalents	151,604	112,876	553,378	134,277
	1,196,005	941,012	1,458,465	1,219,584
Assets associated with disposal group	–	–	–	609,199
Total current assets	1,196,005	941,012	1,458,465	1,828,783
Total assets	1,963,739	1,747,991	2,177,612	2,118,200
Current liabilities				
Trade and other payables	549,300	596,259	648,052	724,139
Advances from leasees	17,523	17,017	29,505	40,267
Current income tax liabilities	28,370	40,324	54,003	53,142
Borrowings	741,000	256,314	526,000	24,100
Lease liabilities	70,239	170,596	205,671	160,183
Contract liabilities	95,816	121,068	133,779	173,996
	1,502,248	1,201,578	1,597,010	1,175,827
Liabilities associated with disposal group	–	–	–	294,022
Total current liabilities	1,502,248	1,201,578	1,597,010	1,469,849
Net current (liabilities)/assets	(306,243)	(260,566)	(138,545)	358,934
Total assets less current liabilities	461,491	546,413	580,602	648,351
Non-current liability				
Borrowings	156,000	132,000	108,000	190,850
Deferred income tax liabilities	6,513	6,513	6,582	–
Lease liabilities	281,199	311,529	236,097	160,403
Total non-current liabilities	443,712	450,042	350,679	351,253
Net assets	17,779	96,371	229,923	297,098

	As of December 31,			As of June 30,
	2016	2017	2018	2019
	RMB	*RMB*	*RMB*	*RMB*
		(in thousands)		
Equity capital and reserves				
Combined capital	–	–	–	–
Other reserves	32,981	40,780	46,431	23,870
(Accumulated losses)/retained earnings	(15,202)	55,591	183,492	273,228
Total equity	17,779	96,371	229,923	297,098

Assets and Liabilities Associated with Disposal Group

In preparation for the Listing, we have taken various steps to establish our Group, including the disposal of certain subsidiaries or, the disposal group. See "History, Reorganization and Corporate Structure — Reorganization" for details. Accordingly, those subsidiaries' assets and liabilities were classified as assets and liabilities associated with the disposal group as of June 30, 2019. As of June 30, 2019, the carrying amount of assets and liabilities associated with the disposal group was RMB609.2 million and RMB294.0 million, respectively. Assets associated with disposal group of RMB609.2 million as of June 30, 2019 mainly reflected (i) RMB285.0 million receivables from related parties; and (ii) RMB300.4 million cash deposited as guarantee for our bank loans. Liabilities associated with disposal group of RMB294.0 million as of June 30, 2019 mainly reflected bank loans of RMB284.9 million. The disposal had been completed as of the Latest Practicable Date. The differences by which the aggregate carrying amounts of the disposal group's net asset as of the respective date of disposals exceeding the aforesaid consideration were regarded as a distribution in specie amount to RMB38.3 million.

Property and Equipment

Our property and equipment primarily consist of furniture, fitting and equipment, car parks and motor vehicles. Our property and equipment increased from RMB164.8 million as of December 31, 2016 to RMB183.2 million as of December 31, 2017, primarily due to an increase in number of our car parks, which were recognized as right-of-use assets. Our property and equipment decreased to RMB173.5 million as of December 31, 2018, primarily due to the disposal of some car parks. Our property and equipment further decreased to RMB5.2 million as of June 30, 2019, primarily due to termination of the car park lease arrangements with the Remaining Powerlong Group.

Investment Properties

Our investment properties represent shopping malls and units within the shopping streets for which we entered into lease contracts with the properties owners. Our investment properties increased from RMB226.5 million as of December 31, 2016 to RMB232.8 million as of December 31, 2017 primarily due to the increase in shopping street units for which we entered into lease contracts outweighed the increase in depreciation expenses. Our investment properties decreased to RMB155.6 million as of December 31, 2018 and further to RMB128.4 million as of June 30, 2019, primarily because the increase in depreciation expenses outweighed the increase in shopping street units for which we entered into lease contracts.

Restricted Cash

Restricted cash represents cash deposited as guarantees for loans and other financings. As of December 31, 2016, 2017 and 2018 and June 30, 2019, our restricted cash amounted to RMB62.2 million, RMB1.6 million, RMB486.5 million and RMB100.7 million, respectively. As of December 31, 2016, cash of RMB17.0 million was deposited as guarantee for the issuance of bank acceptance notes, and cash of RMB45.1 million was deposited as guarantee for bank borrowings of related parties. As of December 31, 2018 and June 30, 2019, we had cash of RMB486.5 million and RMB100.0 million, respectively, deposited as guarantees for our bank loans. As of June 30, 2019, we had RMB300.0 million cash which were deposited as guarantee for our bank loans. This RMB300.0 million was recorded under assets associated with disposal group. See "— Description of Certain Combined Balance Sheet Items — Assets and Liabilities Associated with Disposal Group" for details.

Financial Assets at Fair Value through Other Comprehensive Income

Our financial assets at fair value through other comprehensive income, or FVOCI, represents 5.0% equity interest in Shanghai Life Insurance Co., Ltd., (上海人壽保險股份有限公司). As of December 31, 2016, 2017 and 2018, we recognized FVOCI of RMB333.3 million, RMB333.3 million and RMB333.5 million, respectively. As of June 30, 2019, we did not recognize FVOCI under assets associated with disposal group and as of the Latest Practicable Date, Fuzhou Powerlong Commercial, the subsidiary holding such equity interest had been disposed of to Powerlong Holdings for a consideration of RMB10.1 million. See "History, Reorganization and Corporate Structure — Reorganization" for details.

Operating Lease and Trade Receivables

The table below sets forth a breakdown of our operating lease and trade receivables as of the dates indicated:

	As of December 31,			As of June 30,
	2016	2017	2018	2019
	RMB	*RMB*	*RMB*	*RMB*
		(in thousands)		
Operating lease receivables				
– Third parties	6,509	11,113	4,076	5,106
Trade receivables				
– Related parties	36,798	39,104	17,703	35,481
– Third parties	29,085	54,601	74,117	93,687
	65,883	93,705	91,820	129,168
Less: allowance for impairment	(10,695)	(12,573)	(13,421)	(16,828)
	61,697	92,245	82,475	117,446

Operating Lease Receivables

Our operating lease receivables primarily arise from property leasing services with respect to units located within the shopping streets and shopping malls. Before allowance for impairment, our operating lease receivables increased from RMB6.5 million as of December 31, 2016 to RMB11.1 million as of December 31, 2017 primarily due to (i) an increase in the number of lease contracts entered into with tenants; and (ii) an increase in the occupancy rate of such shopping street units and shopping malls. Our operating lease receivables before allowance for impairment decreased from RMB11.1 million as of December 31, 2017 to RMB4.1 million as of December 31, 2018 primarily due to the improved collection rate as result of our continuous efforts in collecting rents from tenants. Our operating lease receivables before allowance for impairment increased to RMB5.1 million as of June 30, 2019 primarily due to an increase in rental income as a result of increases in the rent level as well as occupancy rate of such shopping street units and shopping malls.

The table below sets forth our operating lease receivable turnover days for the periods indicated:

	Year ended December 31,			Six months ended June 30,
	2016	**2017**	**2018**	**2019**
Average operating lease receivables *(RMB'000)*[(1)]	6,751	8,811	7,595	4,591
Operating lease receivable turnover days *(Days)*[(2)]	33	20	13	7

Notes:

(1) Average operating lease receivables are the sum of the beginning and ending operating lease receivables for the relevant period divided by two.

(2) The operating lease receivable turnover days for a period is the average operating lease receivables divided by our rental income derived from property leasing services for that period and multiplied by (i) 365 days for the years ended December 31, 2016, 2017 and 2018; or (ii) 180 days for the six months ended June 30, 2019.

Our operating lease receivable turnover days decreased from 33 days in 2016 to 20 days in 2017, further to 13 days in 2018 and seven days for the six months ended June 30, 2019 primarily attributable to the improved collection rate as a result of our continuous efforts in collecting rents from tenants.

Trade Receivables

Our trade receivables primarily arise from the provision of various services under our commercial operational service segment and residential property management service segment.

Before allowance for impairment, our trade receivables increased from RMB65.9 million as of December 31, 2016 to RMB93.7 million as of December 31, 2017, primarily due to the increase in our service fee receivable under our residential property management service segment in line with the growth of our residential property management service segment, and then decreased to RMB91.8 million as of December 31, 2018 primarily as a result of our increased efforts in collecting trade receivables. Our trade receivables before allowance for impairment increased to RMB129.2 million as of June 30, 2019, primarily due to (i) an increase in our service fee receivable under our residential property management service segment as in line with the growth of our residential property management service segment; and (ii) some property owners tend to pay their property management fees late at year-end without following the terms of the property management contracts.

The table below sets forth our trade receivable turnover days for the periods indicated:

	Year ended December 31,			Six months ended June 30,
	2016	2017	2018	2019
Trade receivables from related parties				
– Average trade receivables *(RMB'000)*[1]	34,002	37,951	28,404	26,592
– Trade receivable turnover days *(Days)*[2]	48	67	48	46
Trade receivables from third parties				
– Average trade receivables *(RMB'000)*[1]	29,943	41,843	64,359	83,902
– Trade receivable turnover days *(Days)*[2]	26	25	30	28
Overall trade receivable turnover days *(Days)*[2]	34	36	34	31

Notes:

(1) Average trade receivables are the sum of the beginning and ending trade receivables for the relevant period divided by two.

(2) The trade receivable turnover days for a period is the average trade receivables divided by revenue (excluding rental income derived from property leasing services) for that period and multiplied by (i) 365 days for the years ended December 31, 2016, 2017 and 2018; or (ii) 180 days for the six months ended June 30, 2019.

During the Track Record Period, the turnover period of trade receivables from related parties was generally longer than the turnovers period of trade receivables from third parties. This was mainly because before the Spin-Off, the Powerlong Group conducted centralized fund management and allocation. After the Spin-Off, we plan to align the effort in collecting trade receivables from related parties and third parties.

Our overall trade receivable turnover days remained relatively stable from 2016 to 2018. Our overall trade receivable turnover days decreased to 31 days for the six months ended June 30, 2019, primarily due to our increased effort in collecting trade receivables.

Allowance for Impairment

We recognized allowance for impairment of operating lease and trade receivables of RMB10.7 million, RMB12.6 million, RMB13.4 million and RMB16.8 million as of December 31, 2016, 2017 and 2018 and June 30, 2019, respectively. In determining the recoverability of operating lease and trade receivables, we apply the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the assets. We consider a number of factors, including among others, credit history of our customers, such as financial difficulties or default in payments, current market condition and forward-looking estimates at the end of each reporting period. To facilitate the recovery of our operating lease and trade receivables, we have formulated and implemented various measures, including:

- setting up various online payment channels allowing tenants or property owners to pay various fees online;

- issuing payment notice letters and follow-up letters to notify the tenants or property owners of the overdue payments; and

- evaluating the fee collection status and commencing legal proceedings in extreme cases.

We recorded allowance for impairment based on expected credit loss rates over the expected life of operating lease and trade receivables with similar credit risk characteristics under HKFRS 9. We update the expected credit loss rates and analyze the changes in the forward-looking estimates at the beginning of each period. In determining the expected credit loss rates, we consider historical observed default rates for each category of receivable and make adjustments based on forward looking macroeconomic factors. We have implemented various measures to improve our service quality and increase our collection rate. See "Business — Residential Property Management Services — Residential Property Management Service Fees — Service Fees Charged for Property Management Services" for details.

Aging Analysis on Operating Lease and Trade Receivables

The table below sets forth an aging analysis of our operating lease and trade receivables based on the demand note date and as of the dates indicated:

	As of December 31,			As of June 30,	Amounts settled as of October 31,
	2016	**2017**	**2018**	**2019**	**2019**
	RMB	*RMB*	*RMB*	*RMB*	*RMB*
			(in thousands)		
Operating lease and trade receivables					
0 to 30 days	11,661	14,059	12,864	19,466	13,212
31 to 180 days	23,069	31,258	27,915	42,939	21,585
181 to 365 days	14,031	22,386	22,808	33,758	11,394
One to two years	10,877	17,978	19,634	23,560	2,615
Two to three years	4,655	10,587	6,393	10,917	848
Over three years	8,099	8,550	6,282	3,634	521
Total	72,392	104,818	95,896	134,274	50,175

The table below sets forth an aging analysis of our operating lease and trade receivables based on the demand note date and as of the dates indicated:

	As of December 31,			As of June 30,	Amounts settled as of October 31,
	2016	2017	2018	2019	2019
	RMB	*RMB*	*RMB*	*RMB*	*RMB*
			(in thousands)		
Operating lease and trade receivables from related parties					
0 to 30 days	7,995	5,678	3,257	9,549	6,862
31 to 180 days	14,214	11,023	5,791	19,388	13,933
181 to 365 days	5,685	3,322	1,660	2,400	2,400
One to two years	5,213	10,650	4,363	–	–
Two to three years	1,246	5,213	–	4,144	–
Over three years	2,445	3,218	2,632	–	–
	36,798	39,104	17,703	35,481	23,195
Operating lease and trade receivables from third parties					
0 to 30 days	3,666	8,381	9,607	9,917	6,350
31 to 180 days	8,855	20,235	22,124	23,551	7,652
181 to 365 days	8,346	19,064	21,148	31,358	8,994
One to two years	5,664	7,328	15,271	23,560	2,615
Two to three years	3,409	5,374	6,393	6,773	848
Over three years	5,654	5,332	3,650	3,634	521
	35,594	65,714	78,193	98,793	26,980
Total	72,392	104,818	95,896	134,274	50,175

Under our commercial operational service segment, depending on the terms of the relevant service contracts, we typically require (i) our customers to prepay our service fees for retail commercial property management services, car park, common area and advertising space management services, and tenants to prepay rents for property leasing services; (ii) our customers to prepay our service fees for market research and positioning, tenant sourcing and opening preparation upon signing the relevant contracts and then make installment payments pursuant to our service progress; and (iii) our customers to pay our service fees for tenant management and rent collection services within 30 days after the issuance of the demand note.

Under our residential property management service segment, we normally receive payment for our residential property management services within 30 days after the issuance of the demand note to property owners and residents.

As of June 30, 2019, a majority of our operating lease and trade receivables was over 180 days, among which a large portion was aged between 181 to 365 days because certain property owners tend to pay the property management service fees in one or more installments during or towards the end of a year. In addition, the rest was aged above one year because certain property owners did not pay property management service fees on the ground of fee disputes. We endeavor to improve the quality of our residential property management services by allocating more resources and enhance our property management fee collection rate by implementing various measures. See "Business — Residential Property Management Services — Residential Property Management Service Fees — Service Fees Charged for Property Management Services" for details.

As of October 31, 2019, RMB50.2 million, representing approximately 37.4%, of our operating lease and trade receivables as of June 30, 2019 had been settled. As of October 31, 2019, RMB23.2 million, representing approximately 65.4%, of our operating lease and trade receivables from related parties as of June 30, 2019 had been settled. As of October 31, 2019, RMB27.0 million, representing approximately 27.3%, of our operating lease and trade receivables from third parties as of June 30, 2019 had been settled.

Prepayments and Other Receivables

The table below sets forth our prepayments and other receivables as of the dates indicated:

	As of December 31,			As of June 30,
	2016	**2017**	**2018**	**2019**
	RMB	*RMB*	*RMB*	*RMB*
		(in thousands)		
Prepayments	30,595	23,339	28,599	31,254
Other receivables	889,230	709,278	304,944	929,695
Total	919,825	732,617	333,543	960,949

Prepayments

Our prepayments primarily represent utility fees prepaid to the power supply bureaus. The table below sets forth a breakdown of our prepayments as of the dates indicated:

	As of December 31,			As of June 30,
	2016	**2017**	**2018**	**2019**
	RMB	*RMB*	*RMB*	*RMB*
		(in thousands)		
Prepayments				
– Third parties	30,595	23,339	28,570	27,472
– Related parties	–	–	29	1,106
– Listing expenses	–	–	–	2,676
Total	30,595	23,339	28,599	31,254

Our prepayments decreased from RMB30.6 million as of December 31, 2016 to RMB23.3 million as of December 31, 2017, primarily due to prepayment made for Fuzhou Powerlong Plaza's exterior renovation in 2016. Our prepayments increased from RMB23.3 million as of December 31, 2017 to RMB28.6 million as of December 31, 2018, primarily due to an increase in prepaid utility fees as a result of an increase in the number of opened retail commercial properties under our management. Our prepayments increased to RMB31.3 million as of June 30, 2019, primarily attributable to the prepayment of listing expenses of RMB2.7 million.

Other Receivables

Our other receivables primarily represent receivables from related parties, payments on behalf of tenants and residents and advances we made to our staff from time to time for business purposes. Payments made on behalf of tenants and residents mainly comprise utility fees including water and electricity charges. The table below sets forth a breakdown of our other receivables as of the dates indicated:

	As of December 31,			As of June 30,
	2016	**2017**	**2018**	**2019**
	RMB	*RMB*	*RMB*	*RMB*
		(in thousands)		
Other receivables				
– Receivables from related parties	877,671	683,007	259,206	893,940
– Payments on behalf of tenants or residents	11,845	24,387	37,088	37,181
– Interest receivables from bank deposits	–	–	11,315	1,347
– Others[1]	1,043	4,148	1,539	1,558
	890,559	711,542	309,148	934,026
Less: allowance for impairment of other receivables	(1,329)	(2,264)	(4,204)	(4,331)
Total	889,230	709,278	304,944	929,695

Note:

(1) Others primarily consist of receivables from staffs.

Our other receivables before allowance for impairment decreased from RMB890.6 million as of December 31, 2016 to RMB711.5 million as of December 31, 2017, primarily reflecting a decrease in receivables from related parties as a result of better collection efforts, partially offset by an increase in payments on behalf of tenants or residents, including increased utilities payments on their behalf.

Our other receivables before allowance for impairment decreased from RMB711.5 million as of December 31, 2017 to RMB309.1 million as of December 31, 2018, primarily reflecting a decrease in receivables from related parties as a result of better collection efforts, partially offset by an increase in payments on behalf of tenants or residents, including increased utilities payments on their behalf and an increase in interest receivables from increased bank deposits.

Our other receivables before allowance for impairment increased from RMB309.1 million as of December 31, 2018 to RMB934.0 million as of June 30, 2019, primarily reflecting an increase in receivables from related parties from RMB259.2 million to RMB893.9 million.

During the Track Record Period, we made advances to certain related parties mainly because the Powerlong Group conducted centralized fund management and allocation. Among non-trade receivables from or payables to related parties, RMB694.0 million and RMB232.3 million of non-trade receivables from related parties as of December 31, 2016 and 2017, respectively, were interest-bearing loans advanced by us to related party. All other non-trade receivables from or payables to related parties as of the relevant dates were interest-free advances. The amount of such advances was RMB893.9 million as of June 30, 2019, which will be fully settled prior to the Listing. Our business is not capital intensive and as a result, we enjoy a relatively less restrictive cash flow compared to property developers in general. We procured debt financing during the Track Record Period to meet the funding needs of the Powerlong Group as it conducted centralized fund management and allocation. After taking into consideration the financial resources available to our Group, including our bank balances and cash on hand, operating cash flows and the estimated net proceeds from the Global Offering, and in the absence of unforeseeable circumstances, we expect we have sufficient working capital for our present requirements. In case we need to procure debt financing to meet our capital needs, we believe we will be able to independently procure such financing at similar terms.

Our PRC Legal Advisor has advised us that Article 61 of the General Lending Provisions (《貸款通則》) issued by the PBOC prohibits any financing arrangements or lending transactions between non-financial institutions. Further, pursuant to Article 73 of the General Lending Provisions, the PBOC may impose on the non-compliant lender a fine of one to five times the income received by the lender from such loans. Our PRC Legal Advisor has further advised that, notwithstanding the General Lending Provisions, the Supreme People's Court has made new interpretations concerning financing arrangements and lending transactions between non-financial institutions in the Provisions of the Supreme People's Court on Several Issues concerning the Application of Law in the Trial of Private Lending Cases (《最高人民法院關於審理民間借貸案件適用法律若干問題的規定》) (the "**Judicial Interpretations on Private Lending Cases**") which came into effect on September 1, 2015. According to Article 11 of the Judicial Interpretations on Private Lending Cases, the Supreme People's Court recognizes the validity and legality of financing arrangements and lending transactions between non-financial institutions so long as certain requirements, such as the interest rates charged, are satisfied and there is no violation of mandatory provisions of laws and regulations. All interest-bearing borrowings between related parties had been fully settled as of December 31, 2018. Up to the Latest Practicable Date, we did not receive any penalties, investigation or notice from relevant competent authorities in relation to such borrowings between related parties. Our PRC Legal Advisor is of the view that (i) we have already settled all interest-bearing loans to related parties; (ii) all advances made to related parties arose from specific commercial reasons and we have no intention to engage in any private lending activity to derive interest income; (iii) the interest rate we charged for the loans did not exceed maximum interest rate permitted under the relevant laws and regulations; (iv) as of the Latest Practicable Date, we had not received any notice or been penalized because of the interest-bearing loans; and (v) there are rare cases that companies have been penalized for extending interest-bearing loans to their related parties by the PBOC, the risk of us being penalized is low in respect of the intra-group financing arrangement pursuant to the General Lending Provisions.

Trade and Other Payables

The table below sets forth a breakdown of our trade and other payables as of the dates indicated:

	As of December 31,			As of June 30,
	2016	2017	2018	2019
	RMB	*RMB*	*RMB*	*RMB*
		(in thousands)		
Notes payable	17,000	–	–	–
Trade payables	42,641	61,149	72,764	90,460
Other payables	433,061	456,603	484,845	553,870
Accrued payroll	41,166	68,422	82,838	73,977
Other taxes payables	15,432	10,085	7,605	5,832
Total	549,300	596,259	648,052	724,139

Trade Payables

Our trade payables primarily represent our obligation to pay for the goods or services we acquired, including materials, utilities, cleaning services, in the ordinary course of business from our suppliers/subcontractors. Our suppliers/subcontractors generally offer us a credit period of up to 30 days. The table below sets forth our trade payables as of the dates indicated:

	As of December 31,			As of June 30,
	2016	2017	2018	2019
	RMB	*RMB*	*RMB*	*RMB*
		(in thousands)		
Trade payables	42,641	61,149	72,764	90,460

Our trade payables increased from RMB42.6 million as of December 31, 2016 to RMB61.1 million as of December 31, 2017 and further increased to RMB72.8 million as of December 31, 2018 and RMB90.5 million as of June 30, 2019, which was in line with our business expansion.

The table below sets forth our trade payable turnover days for the periods indicated:

	Year ended December 31,			Six months ended June 30,
	2016	2017	2018	2019
Average trade payables *(RMB'000)*[(1)]	34,323	51,895	66,957	81,612
Trade payable turnover days *(Days)*[(2)]	21	26	28	27

Notes:

(1) Average trade payables are the sum of the beginning and ending trade payables for the relevant period divided by two.

(2) The trade payable turnover days for a period is the average trade payables divided by cost of services for that period and multiplied by (i) 365 days for the years ended December 31, 2016, 2017 and 2018; or (ii) 180 days for the six months ended June 30, 2019.

Our trade payable turnover days increased from 21 days in 2016 to 26 days in 2017 and further to 28 days in 2018 were primarily because we implemented stricter measures to assess suppliers' work before making payment. Our trade payable turnover days remained stable in the six months ended June 30, 2019 compared to 2018.

The table below sets forth an aging analysis of our trade payables and notes payable based on the invoice date as of the dates indicated:

	As of December 31,			As of June 30,
	2016	**2017**	**2018**	**2019**
	RMB	*RMB*	*RMB*	*RMB*
		(in thousands)		
Up to one year	58,102	59,084	68,200	88,449
One to two years	1,067	1,487	3,475	1,547
Two to three years	472	578	1,089	464
Total	59,641	61,149	72,764	90,460

Our suppliers generally grant us a credit period of up to 30 days. Substantial portion of our trade payables as of June 30, 2019 were within the range of credit period our suppliers offered to us.

As of October 31, 2019, approximately 75.1% of our trade payables as of June 30, 2019 had been settled.

Other Payables

Our other payables consist of amounts due to related parties, cash collected on behalf of tenants or residents for settling the utility bills from utility suppliers, deposits from tenants or residents, accrued listing expenses and others, which primarily consist of miscellaneous fees received in the ordinary course of business. The table below sets forth a breakdown of our other payables as of the dates indicated:

	As of December 31,			As of June 30,
	2016	**2017**	**2018**	**2019**
	RMB	*RMB*	*RMB*	*RMB*
		(in thousands)		
Other payables				
– Related parties	138,801	69,214	88,318	126,697
– Receipt on behalf of tenants and residents	73,023	127,338	115,971	142,447
– Deposits received	211,989	253,654	261,429	267,240
– Accrued listing expenses	–	–	–	8,778
– Others	9,248	6,397	19,127	8,708
Total	433,061	456,603	484,845	553,870

Our other payables increased from RMB433.1 million as of December 31, 2016 to RMB456.6 million as of December 31, 2017, primarily due to (i) an increase in cash collected on behalf of tenants or residents for settling utility bills which was in line with our business expansion; and (ii) an increase in deposits received from tenants or residents in line with our business expansion. These increases were partially offset by a RMB69.6 million decrease in amounts due to related parties.

Our other payables increased from RMB456.6 million as of December 31, 2017 to RMB484.8 million as of December 31, 2018, primarily due to (i) an increase in amounts due to related parties of RMB19.1 million; (ii) an increase in deposits received from tenants or residents in line with our business expansion; and (iii) an increase in miscellaneous fees received in the ordinary course of our business. These increases were partially offset by a RMB11.4 million decrease in cash collected on behalf of tenants or residents for settling utility bills as a result of a decrease in utility rate.

Our other payables increased from RMB484.8 million as of December 31, 2018 to RMB553.9 million as of June 30, 2019, primarily due to (i) an increase in amounts due to related parties of RMB38.4 million; (ii) an increase in cash collected on behalf of tenants or residents in line with our business expansion; and (iii) accrued listing expense of RMB8.8 million. These increases were partially offset by a RMB10.4 million decrease in others, primarily representing event planning fees payable to suppliers.

Advances from Leasees

Advances from leasees primarily represent prepayments paid by tenants of shopping street units with respect to which we provide property leasing services. Advances from leasees remained relatively stable at RMB17.0 million as of December 31, 2017, compared to RMB17.5 million as of December 31, 2016. Advances from leasees increased from RMB17.0 million as of December 31, 2017 to RMB29.5 million as of December 31, 2018 and further to RMB40.3 million as of June 30, 2019, which were in line with the increases in the occupancy rate of such shopping street units during such periods.

Lease Liabilities

Our lease liabilities primarily arise from our commercial arrangements with the owners of units located within the shopping streets and owners of shopping malls and car parks, pursuant to which, we agree to pay rents for such shopping street units, shopping malls and car parks during the agreed period. The table below sets forth a breakdown of our lease liabilities as of the dates indicated:

	As of December 31,			**As of June 30,**
	2016	**2017**	**2018**	**2019**
	RMB	*RMB*	*RMB*	*RMB*
		(in thousands)		
Current	70,239	170,596	205,671	160,183
Non-current	281,199	311,529	236,097	160,403
Total	351,438	482,125	441,768	320,586

Our lease liabilities increased from RMB351.4 million as of December 31, 2016 to RMB482.1 million as of December 31, 2017, mainly reflecting an increase in the number of shopping street units with respect to which we provide property leasing services and car parks with respect to which we provide other value-added services in line with our business expansion. Our lease liabilities decreased from RMB482.1 million as of December 31, 2017 to RMB441.8 million as of December 31, 2018, mainly reflecting our payment of rents for such shopping street units, a shopping mall and car parks, as partially offset by (i) an increase in the number of such shopping street units and car parks; and (ii) the recognition of interest expenses on such lease liabilities in 2018. Our lease liabilities further decreased to RMB320.6 million as of June 30, 2019, mainly reflecting our payment of rents for such shopping street units, a shopping mall and car parks and termination of certain car parks lease arrangements, as partially offset by an increase in the number of shopping street units and car parks.

Contract Liabilities

Our contract liabilities mainly represent advance payments made by the customers of our commercial operational services and residential property management services. Our contract liabilities increased from RMB95.8 million as of December 31, 2016 to RMB121.1 million as of December 31, 2017, and further to RMB133.8 million as of December 31, 2018 and RMB174.0 million as of June 30, 2019, which were in line with the growth of our business.

CURRENT ASSETS AND CURRENT LIABILITIES

The tables below sets out current assets and current liabilities as of the dates indicated:

	As of December 31,			As of June	As of October
	2016	2017	2018	30, 2019	31, 2019
	RMB	*RMB*	*RMB*	*RMB*	*RMB* (unaudited)
			(in thousands)		
Current assets					
Operating lease and trade receivables	61,697	92,245	82,475	117,446	73,423
Prepayments and other receivables	919,825	732,617	333,543	960,949	1,255,679
Current income tax recoverables	676	1,707	2,529	6,165	4,952
Restricted cash	62,203	1,567	486,540	747	739
Cash and cash equivalents	151,604	112,876	553,378	134,277	108,938
	1,196,005	941,012	1,458,465	1,219,584	1,443,731
Asset associated with disposal group	–	–	–	609,199	–
	1,196,005	941,012	1,458,465	1,828,783	1,443,731

	As of December 31,			As of June 30, 2019	As of October 31, 2019
	2016	2017	2018		
	RMB	*RMB*	*RMB*	*RMB*	*RMB* (unaudited)
			(in thousands)		
Current liabilities					
Trade and other payables	549,300	596,259	648,052	724,139	757,710
Advances from leasees	17,523	17,017	29,505	40,267	52,897
Current income tax liabilities	28,370	40,324	54,003	53,142	54,925
Borrowings	741,000	256,314	526,000	24,100	–
Lease liabilities	70,239	170,596	205,671	160,183	143,929
Contract liabilities	95,816	121,068	133,779	173,996	194,652
	1,502,248	1,201,578	1,597,010	1,175,827	1,204,113
Liabilities associated with disposal group	–	–	–	294,022	–
	1,502,248	1,201,578	1,597,010	1,469,849	1,204,113
Net current (liabilities)/assets	(306,243)	(260,566)	(138,545)	358,934	239,618

As of December 31, 2016, 2017 and 2018, we had net current liabilities of RMB306.2 million, RMB260.6 million and RMB138.5 million, respectively. We had net current liabilities as of each of these dates primarily because (i) we require tenants or residents of properties under our management to provide deposits as performance securities under the relevant lease agreement or property management service agreements, and we record such deposits as trade and other payables under current liabilities; (ii) we made an investment of approximately RMB330.5 million in Shanghai Life Insurance Co., Ltd. in 2015, which was classified as FVOCI and recognized as non-current assets while the funds we used to finance such investment were primarily advances from related parties, which were recognized as trade and other payables under current assets; and (iii) the incurrence of large amount of short-term borrowings. As of June 30, 2019, we improved our current liability position and recorded net current assets of RMB359.0 million, primarily because (i) we disposed of certain subsidiaries as part of our Reorganization, including Fuzhou Powerlong Commercial which holds equity investment in Shanghai Life Insurance Co., Ltd. As a result, we realized RMB295.2 million as other receivables; and (ii) we disposed of certain car parks and as a result recorded RMB66.3 million as other receivables.

Our net current assets decreased from RMB359.0 million as of June 30, 2019 to RMB239.6 million as of October 31, 2019, primarily due to a decrease in prepayments and other receivables under current assets as a result of advance received from related parties to repay our long-term bank borrowings.

We expect to continue to improve our net current liabilities position with (i) the net proceeds from the Global Offering. See “Future Plans and Use of Proceeds — Use of Proceeds” for details; (ii) funds generated from our business operations; and (iii) reduce our other payables by settling advances from related parties. For details on the risk involved, see “Risk Factors — We recorded net current liabilities during the Track Record Period. We cannot assure you that we will not continue to experience net current liabilities in the future, which could expose us to liquidity risks.”

INDEBTEDNESS

Bank Borrowings

As of December 31, 2016, 2017 and 2018 and June 30, 2019, our total borrowings amounted to RMB897.0 million, RMB388.3 million, RMB634.0 million and RMB215.0 million, respectively.

As of October 31, 2019, we had repaid all bank borrowings and as a result did not have any bank borrowings.

The table below sets forth a breakdown of our borrowings as of the dates indicated:

	As of December 31,			As of June 30,	As of October 31,
	2016	2017	2018	2019	2019
	RMB	*RMB*	*RMB*	*RMB*	*RMB*
			(in thousands)		
Non-current:					
Bank borrowings-secured	780,000	156,000	132,000	214,950	–
Less: current portion of non-current borrowings	(624,000)	(24,000)	(24,000)	(24,100)	–
	156,000	132,000	108,000	190,850	–
Current:					
Bank borrowings					
– Secured	92,000	232,314	502,000	–	–
– Unsecured but guaranteed	25,000	–	–	–	–
Current portion of non-current borrowings	624,000	24,000	24,000	24,100	–
	741,000	256,314	526,000	24,100	–
Total borrowings	897,000	388,314	634,000	214,950	–

Our borrowings were repayable as of the dates indicated:

	As of December 31,			As of June 30,	As of October 31,
	2016	2017	2018	2019	2019
	RMB	*RMB*	*RMB*	*RMB*	*RMB*
			(in thousands)		
Within one year	741,000	256,314	526,000	24,100	–
Between one and two years	24,000	24,000	24,000	24,100	–
Between two and five years	72,000	72,000	36,000	166,750	–
Over five years	60,000	36,000	48,000	–	–
Total	897,000	388,314	634,000	214,950	–

We procured debt financing during the Track Record Period to meet the funding needs of the Powerlong Group as it conducted centralized fund management and allocation. As a result, the fluctuations in our bank borrowings during the Track Record Period were mainly caused by the capital needs and the associated financing activities of the Powerlong Group.

As of December 31, 2016, 2017 and 2018 and June 30, 2019, the range of interest rate of our borrowings was 5.22%~7.50%, 5.22%~7.50%, 4.80%~6.53% and 5.20%~5.64% per annum, respectively. All of our outstanding bank borrowings are denominated in RMB.

Our bank borrowings of RMB442.0 million and RMB95.0 million as of December 31, 2018 and June 30, 2019, respectively, were secured by our cash deposits with total carrying amount of RMB486.5 million and RMB100.0 million, respectively. Our bank borrowings of RMB872.0 million, RMB388.3 million, RMB192.0 million and RMB120.0 million as of December 31, 2016, 2017 and 2018 and June 30, 2019, respectively, were secured by the properties owned by related parties. As of December 31, 2016, our bank borrowings of RMB25.0 million were guaranteed by related parties.

During the Track Record Period, we made advances to related parties using our bank borrowings, and we also received advances from related parties from time to time. The commercial rationale for such arrangement was because, at the time of obtaining bank borrowings, we were part of the Powerlong Group and no spin-off plan was formulated yet. Based on the then overall capital management within the Powerlong Group, it would be more suitable for us to obtain such bank borrowings considering the financial resources available to us. We partially repaid the bank borrowings according to the repayment schedule during the Track Record Period, resulting in an overall decrease in our bank borrowings from RMB897.0 million as of December 31, 2016 to RMB634.0 million as of December 31, 2018. Our bank borrowings further decreased to RMB215.0 million as of June 30, 2019 primarily because (i) we reclassified certain bank borrowings under liabilities associated with disposal group as a result of our Reorganization; and (ii) disposal of subsidiaries which carried certain bank borrowings. We plan to settle all non-trade receivables from or payables to related parties prior to the Listing. See "— Related Party Transaction" in this section.

As of October 31, 2019, we did not have any unutilized banking facilities.

Our Directors have confirmed that there was no material adverse change in our indebtedness since June 30, 2019 and up to October 31, 2019, being the latest practicable date for determining our indebtedness.

Lease Liabilities

As of December 31, 2016, 2017 and 2018, June 30 and October 31, 2019, we had lease liabilities of RMB351.4 million, RMB482.1 million, RMB441.8 million, RMB320.6 million and RMB276.8 million, respectively.

Amounts Due to Related Parties

As of December 31, 2016, 2017 and 2018, June 30 and October 31, 2019, we had amounts due to related parties which was non-trade in nature amounting RMB138.8 million, RMB69.2 million, RMB88.3 million, RMB126.7 million and RMB106.0 million, respectively. These amounts were unsecured and unguaranteed.

CONTINGENT LIABILITIES

As of December 31, 2016, 2017 and 2018, June 30 and October 31, 2019, we had provided guarantees to related parties for borrowings of RMB1,761.2 million, RMB1,678.5 million, RMB2,369.0 million, RMB1,457.6 million and RMB273.5 million, respectively. As of October 31, 2019, save as disclosed above, we did not have any material contingent liabilities, guarantees or any litigations or claims of material importance, pending or threatened against any member of our Group. Our Directors have confirmed that there was no material adverse change in our Group's contingent liabilities since October 31, 2019 and up to the date of this prospectus.

LIQUIDITY AND CAPITAL RESOURCES

Our primary uses of cash are to fund our working capital requirements, our purchases of property and equipment and to repay loans and advances to related parties. We have historically funded our operations through cash generated from our operations, bank borrowings and advances from related parties. As of December 31, 2016, 2017 and 2018 and June 30, 2019, we had cash and cash equivalents of RMB151.6 million, RMB112.9 million, RMB553.4 million and RMB134.3 million, respectively.

Following the completion of the Global Offering, we expect to fund our future working capital, capital expenditure and other cash requirements through cash generated from our operations, bank borrowings, and the net proceeds from the Global Offering. Our ability to fund our working capital needs, repay our indebtedness and finance other obligations depends on our future operating performance and cash flow, which are in turn subject to the prevailing economic conditions, the level of spending by our customers and other factors, many of which are beyond our control. In addition, any future significant acquisition or expansion may require additional capital, and we cannot assure you that such capital will be available to us on acceptable terms, or at all. We did not experience any liquidity shortage during the Track Record Period.

Working Capital Sufficiency

After taking into consideration the financial resources available to our Group, including our bank balances and cash on hand, operating cash flows and the estimated net proceeds from the Global Offering, and in the absence of unforeseeable circumstances, our Directors confirm that we have sufficient working capital for our present requirements, that is for at least the next 12 months from the date of this prospectus.

The table below sets forth a summary of our combined statements of cash flows for the periods indicated:

	Year ended December 31,			**Six months ended June 30,**	
	2016	**2017**	**2018**	**2018**	**2019**
	RMB	*RMB*	*RMB*	*RMB* (unaudited)	*RMB*
			(in thousands)		
Net cash generated from operating activities	281,350	323,744	356,195	117,757	199,961
Net cash generated from/(used in) investing activities	478,472	289,774	(31,199)	(275,122)	(494,096)
Net cash (used in)/generated from financing activities	(742,698)	(652,250)	115,509	142,561	(124,544)
Net increase/(decrease) in cash and cash equivalents	17,124	(38,732)	440,505	(14,804)	(418,679)
Cash and cash equivalents at the beginning of the year/period	134,484	151,604	112,876	112,876	553,378
Cash and cash equivalents at the end of the year/period, represented by bank balances and cash	151,604	112,876	553,378	98,071	134,277

Cash Flows from Operating Activities

We generate cash from our operating activities primarily from fees received for providing our commercial operational services and residential property management services, while cash used in our operating activities were primarily attributable to the payment of staff costs and payments for other working capital needs. Cash flows from operating activities can be significantly affected by factors such as the timing of collection of trade receivables from customers and the timing of payment of trade payables to suppliers during the ordinary course of our business, which also primarily accounted for the difference in the net cash generated from operating activities among the years during the Track Record Period. Cash flows from operating activities reflects (i) profit before tax adjusted for non-cash and non-operating items, such as finance costs, depreciation of items of property, plant and equipment and effect of foreign exchange rate changes; (ii) movements in working capital, such as increase or decrease in restricted cash, operating lease and trade receivables, prepayments and other receivables, increase or decrease in trade and other payables, increase or decrease in contract liabilities, and increase in right-of-use assets; and (iii) other cash items consisting of income tax paid and interest paid.

Net cash from operating activities amounted to RMB200.0 million for the six months ended June 30, 2019, primarily reflecting (i) profit before income tax of RMB119.7 million; (ii) positive total adjustments before movements in working capital of RMB61.0 million, which primarily reflected RMB40.3 million positive adjustment for depreciation of items of property and equipment and investment properties and RMB19.2 million positive adjustment for finance costs; and (iii) positive movements in working capital of RMB53.0 million, which primarily reflected RMB51.0 million increase in contract liabilities and advances from leasees in line with our business growth and RMB46.7 million increase in trade and other payables due to increases in cash collected on behalf of tenants or residents for settling the utilities bills and deposits from tenants or residents, as partially offset by RMB38.6 million increase in operating lease and trade receivables in line with the growth of our residential property management service segment and RMB4.9 million increase in prepayment and other receivables due to an increase in utility fees we paid on behalf of tenants and residents.

Net cash from operating activities amounted to RMB356.2 million in 2018, primarily reflecting (i) profit before income tax of RMB182.9 million; (ii) positive total adjustments before movements in working capital of RMB154.5 million, which in turn primarily reflected RMB109.1 million positive adjustment for depreciation of items of property and equipment and investment properties and RMB42.6 million positive adjustment for finance costs; and (iii) positive movements in working capital of RMB54.2 million, which primarily reflected RMB32.7 million increase in trade and other payables due to increases in cash collected on behalf of tenants or residents for settling the utilities bills and deposits from tenants or residents and RMB25.2 million increase in contract liabilities and advances from leasees in line with our business growth, as partially offset by RMB12.6 million increase in prepayments and other receivables due to an increase in utility fees we paid on behalf of tenants and residents.

Net cash from operating activities amounted to RMB323.7 million in 2017, primarily reflecting (i) profit before income tax of RMB114.4 million; (ii) positive total adjustments before movements in working capital of RMB131.3 million, which in turn primarily reflected RMB94.4 million positive adjustment for depreciation of items of property and equipment and investment properties and RMB34.0 million positive adjustment for finance costs; and (iii) positive movements in working capital of RMB117.6 million, which primarily reflected RMB116.5 million increase in trade and other payables due to increases in cash collected on behalf of tenants or residents for settling the utilities bills and deposits from tenants or residents and RMB24.7 million increase in contract liabilities and advances from leasees in line with our business growth, as partially offset by RMB32.4 million increase in operating lease and trade receivables in line with the growth of our residential property management service segment and RMB8.3 million increase in prepayment and other receivables due to an increase in utility fees we paid on behalf of tenants and residents.

Net cash from operating activities amounted to RMB281.4 million in 2016, primarily reflecting (i) profit before income tax of RMB87.7 million; (ii) positive total adjustments before movements in working capital of RMB84.6 million, which in turn primarily reflected RMB63.4 million positive adjustment for depreciation of items of property and equipment and investment properties and RMB18.4 million positive adjustment for finance costs; and (iii) positive movements in working capital of RMB119.7 million, which primarily reflecting RMB53.2 million increase in contract liabilities and advances from leasees in line with our business growth, RMB45.6 million decrease in prepayment and other receivables due to the receipt of utility fees we paid on behalf of tenants and residents and RMB41.2 million increase in trade and other payables due to increases in cash collected on behalf of tenants or residents for settling the utilities bills and deposits from tenants or residents, as partially offset by RMB17.0 million increase in restricted cash as guarantee for notes payables.

Cash Flows from/used in Investing Activities

Our investing activities consist primarily of granting of cash advances to and collection of cash advances and receipt of interest payment from related parties, purchases of items of property and equipment, and restricted cash pledged for bank borrowings.

Net cash used in investing activities amounted to RMB494.1 million for the six months ended June 30, 2019, primarily reflecting cash advances made to related parties of RMB730.2 million, which were partially offset by (i) repayment from related parties of RMB141.5 million; and (ii) net proceeds of RMB70.3 million from disposals of property and equipment.

Net cash used in investing activities amounted to RMB31.2 million in 2018, primarily reflecting (i) cash advances made to related parties of RMB1,480.8 million; and (ii) an increase of restricted cash pledged for bank borrowings of RMB485.0 million, which were partially offset by repayment from related parties of RMB1,935.1 million.

Net cash from investing activities amounted to RMB289.7 million in 2017, primarily reflecting (i) repayment from related parties of RMB1,066.1 million; (ii) interest received of RMB52.2 million; and (iii) decrease of restricted cash pledged for bank borrowings of RMB43.6 million, which were partially offset by cash advances made to related parties of RMB871.5 million.

Net cash from investing activities amounted to RMB478.5 million in 2016, primarily reflecting (i) repayment from related parties of RMB1,247.4 million; and (ii) interest received of RMB65.1 million, which were partially offset by cash advances made to related parties of RMB812.7 million.

Cash Flows from/used in Financing Activities

Financing activities primarily include borrowing and repaying bank loans, borrowing and repaying cash advances from related parties and settlement of lease liabilities.

Net cash used in financing activities amounted to RMB124.5 million for the six months ended June 30, 2019, primarily reflecting (i) repayments of borrowings of RMB432.2 million; (ii) principal elements of lease payments of RMB84.1 million; and (iii) repayment of cash advances to related parties of RMB33.8 million, which were partially offset by (i) proceeds from borrowings of RMB380.0 million; and (ii) cash advances from related parties of RMB72.8 million.

Net cash from financing activities amounted to RMB115.5 million in 2018, primarily reflecting (i) proceeds from borrowings of RMB517.0 million; and (ii) cash advances from related parties of RMB378.8 million, which were partially offset by (i) repayments of borrowings of RMB271.3 million; (ii) principal elements of lease payments of RMB93.3 million; (iii) repayment of cash advances to related parties of RMB360.8 million; and (iv) interest paid of RMB55.0 million.

Net cash used in financing activities amounted to RMB652.3 million in 2017, primarily reflecting (i) repayments of borrowings of RMB788.7 million; (ii) repayment of cash advances to related parties of RMB152.2 million; and (iii) interest paid of RMB76.3 million, partially offset by (i) proceeds from borrowings of RMB280.0 million; and (ii) cash advances from related parties of RMB84.9 million.

Net cash used in financing activities amounted to RMB742.7 million in 2016, primarily reflecting (i) repayment of cash advances to related parties of RMB735.7 million; (ii) repayments of borrowings of RMB252.0 million; and (iii) interest paid of RMB80.7 million, which were partially offset by (i) proceeds from borrowings of RMB165.0 million; and (ii) cash advances from related parties of RMB160.7 million.

CAPITAL EXPENDITURE AND COMMITMENTS

Capital Expenditure

Our capital expenditure in 2016, 2017 and 2018 and the six months ended June 30, 2019 was RMB113.8 million, RMB121.2 million, RMB55.5 million and RMB10.1 million, respectively. Our capital expenditure was used primarily for purchases of equipment and vehicles for office use and additions of car parks included in the right-of-use assets under property and equipment and investment properties. We financed our capital expenditure primarily through our cash flow generated from operating activities. We expect to incur capital expenditures of RMB12.4 million for 2019 and RMB70.4 million for 2020. We expect to finance these capital expenditures with cash generated from our operations and net proceeds from the Global Offering.

Short-term Lease Commitments

As of December 31, 2016, 2017 and 2018, we did not have any material short-term lease commitments. As of June 30, 2019, we had commitments for an aggregate future minimum lease payments in respect of our certain retail commercial properties and car parks rented under non-cancellable short-term lease arrangement of RMB61.9 million. As of December 31, 2016, 2017 and 2018, we did not have any material capital commitment. As of June 30, 2019, we had capital commitment of approximately RMB4.7 million.

RELATED PARTY TRANSACTIONS

We entered into transactions with certain related party transactions from time to time.

Significant Related Party Transactions

During the Track Record Period, we had the following significant transactions with related parties.

Provision of Services

In 2016, 2017 and 2018 and the six months ended June 30, 2018 and 2019, revenue recorded for providing services to related parties amounted to RMB260.5 million, RMB206.9 million, RMB217.9 million, RMB109.5 million and RMB105.2 million, respectively. We mainly provide (i) (a) market research and positioning, tenant sourcing and opening preparation services; (b) tenant management and rent collection services; and (c) other value-added services, mainly including car park, common area and advertising space management services, to related parties under our commercial operational service segment; and (ii) pre-sale management services to related parties under our residential property management service segment.

Interest Income Received/Receivable on Loans due from Related Parties

In 2016, 2017 and 2018, interest income received/receivable on interest-bearing loans due from related parties amounted to RMB64.7 million, RMB51.6 million and RMB1.9 million, respectively. We did not receive any interest income for the six months ended June 30, 2019 as all interest-bearing loans made to the related parties had been fully repaid as of December 31, 2018.

Guarantees with Related Parties

The table below sets forth the financial guarantees provided for or received from related parties with respect to the bank borrowings:

	As of December 31,			As of June 30,
	2016	**2017**	**2018**	**2019**
	RMB	*RMB*	*RMB*	*RMB*
		(in thousands)		
Provisions of securities or guarantees for borrowings of related parties	1,761,249	1,678,487	2,368,951	1,457,587
Received securities or guarantees from related parties	897,000	388,314	192,000	120,000

During the Track Record Period, we provided securities or guarantees for bank borrowings of related parties. The securities represent pledged trade receivables. As of December 31, 2016, 2017, 2018 and June 30, 2019, RMB772.0 million, RMB751.3 million, RMB1,415.3 million and RMB648.8 million bank borrowings of related parties, respectively, were secured by our pledged trade receivables, among which, RMB430.0 million, RMB751.3 million, RMB1,415.3 million and RMB648.8 million, respectively, were also guaranteed by our project companies. The guarantees represent corporate guarantees provided by our project companies. During the same period, related parties also provided securities or guarantees for our bank borrowings. Such securities represent properties of related parties. As of December 31, 2016, 2017 and 2018 and June 30, 2019, RMB872.0 million, RMB388.3 million, RMB192.0 million and RMB120.0 million of our bank borrowings, respectively, were secured by the properties of related parties. Such guarantees mainly represent corporate guarantees provided by related parties. As of June 30, 2019, we provided securities and/or guarantees for RMB1,457.6 million bank borrowings of related parties. As of October 31, 2019, securities and/or guarantees for RMB1,184.1 million bank borrowings of related parties had been released.

Balances with Related Parties

	As of December 31,			As of June 30,
	2016	**2017**	**2018**	**2019**
	RMB	*RMB*	*RMB*	*RMB*
		(in thousands)		
Receivables from related parties				
Trade receivables	36,798	39,104	17,703	35,481
Other receivables (non-trade)	877,671	683,007	228,720	827,662
Other receivables (trade)	–	–	30,486	66,278
Prepayments	–	–	29	1,106
Total	914,469	722,111	276,938	930,527

	As of December 31,			As of June 30,
	2016	2017	2018	2019
	RMB	*RMB*	*RMB*	*RMB*
		(in thousands)		
Payable to related parties				
Other payables (non-trade)	138,801	69,214	88,318	126,697
Contract liabilities	1,313	4,065	5,475	39,234
Lease liabilities	–	36,422	54,131	8,805
Total	140,114	109,701	147,924	174,736

The non-trade receivables from or payables to related parties represent funds we advance to or receive from related parties because the Remaining Powerlong Group conducts centralized fund management and allocation. Among non-trade receivables from or payables to related parties, RMB694.0 million and RMB232.3 million of non-trade receivables from related parties as of December 31, 2016 and 2017, respectively, were interest-bearing loans advanced by us to related party. All other non-trade receivables from or payables to related parties as of the relevant dates were interest-free advances.

As of October 31, 2019, RMB273.5 million bank borrowing of related parties was secured by our pledged trade receivables and corporate guarantees. As of the Latest Practicable Date, all securities and guarantees provided for the bank borrowings of related parties ceased to exist.

Our Directors have confirmed that all business transactions with related parties were conducted on normal commercial terms and on arm's length basis and did not have a material impact on our results of operations during the Track Record Period. The advances due from related parties as of June 30, 2019 will be fully settled prior to the Listing. Further, our Directors have confirmed that all other related party balances which are non-trade in nature will be fully settled prior to the Listing. For further details, see Note 29 to the Accountant's Report in Appendix I to this prospectus.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

Save as disclosed in "— Capital Expenditure and Commitments — Short-term Lease Commitments," as of the date of this prospectus, we did not have any off-balance sheet commitments and transactions.

KEY FINANCIAL RATIOS

The table below sets forth the key financial ratios as of the dates or for the periods indicated:

	As of/for the year ended December 31,			As of/for the six months ended June 30,
Financial metrics	2016	2017	2018	2019
Return on assets[(1)]	2.9%	4.2%	6.8%	8.1%
Return on equity[(2)]	N/A	137.7%	81.7%	66.1%
Current ratio[(3)]	0.80	0.78	0.91	1.24
Liabilities to assets ratio[(4)]	0.99	0.94	0.89	0.86

Notes:

(1) Return on assets is calculated based on our (i) profit for the years ended December 31, 2016, 2017 and 2018; or (ii) annualized profit for the six months ended June 30, 2019, divided by our average total assets as of the beginning and the end of the corresponding periods and multiplied by 100%.
(2) Return on equity is calculated based on our (i) profit for the years ended December 31, 2016, 2017 and 2018; or (ii) annualized profit for the six months ended June 30, 2019, divided by our average total equity as of the beginning and the end of the corresponding periods and multiplied by 100%.
(3) Current ratio is calculated based on our total current assets as of the end of the relevant periods divided by our total current liabilities as of the end of the corresponding periods.
(4) Liabilities to assets ratio is calculated based on our total liabilities as of the end of the relevant periods divided by our total assets as of the end of the corresponding periods.

Return on Assets

Our return on assets increased from approximately 2.9% in 2016 to approximately 4.2% in 2017, which was primarily attributable to an increase in our net profit and a decrease in our total assets. Our return on assets increased further to approximately 6.8% in 2018 and further approximately 8.1% for the six months ended June 30, 2019. These increases were primarily attributable to increases in our net profit as we continued to improve our profitability during the Track Record Period.

Return on Equity

Our negative return on equity in 2016 was primarily due to the negative total equity amount at the beginning of 2016 as a result of previously accumulated losses. Our return on equity decreased from approximately 137.7% in 2017 to approximately 81.7% in 2018 and further to approximately 66.1% for the six months ended June 30, 2019. These decreases were primarily due to (i) our relatively low equity base in 2017; and (ii) the increase in our equity base resulting from accumulation of retained earnings from 2016 to the six months ended June 30, 2019.

Current Ratio

Our current ratio remained relatively stable at 0.78 as of December 31, 2017, compared to 0.80 as of December 31, 2016. Our current ratio increased from 0.78 as of December 31, 2017 to 0.91 as of December 31, 2018. This increase was primarily attributable to an increase in our cash and cash equivalents. Our current ratio increased from 0.91 as of December 31, 2018 to 1.24 as of June 30, 2019. This increase was primarily attributable to an increase in our current assets as a result of the disposal of seven subsidiaries as part of our Reorganization to establish our Group, including Fuzhou Powerlong Commercial, which holds equity interest in Shanghai Life Insurance Co., Ltd., which was recognized as non-current assets historically.

Liabilities to Assets Ratio

Our liabilities to assets ratio decreased from 0.99 as of December 31, 2016 to 0.94 as of December 31, 2017, and further to 0.89 as of December 31, 2018 and 0.86 as of June 30, 2019, primarily due to the continuous increases in our asset base.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT FINANCIAL RISKS

The main risks associated with our financial instruments are (i) market risks (including foreign exchange risk, cash flow and fair value interest risk, and price risk); (ii) credit risk; and (iii) liquidity risk. Our management regularly reviews and monitors our exposures to these risks in order to ensure appropriate measures are implemented in a timely and effective manner. Details of the relevant risks and our policies for managing these risks are set out below.

Market Risks

Foreign Exchange Risk

Our businesses are principally conducted in RMB. As of December 31, 2016, 2017 and 2018 and June 30, 2019, major non-RMB assets and liabilities are cash and cash equivalents, amounts due to related parties which are dominated in HK$ or US$. Fluctuation of the exchange rate of RMB against HK$ or US$ could affect our results of operations. We have not entered into any forward exchange contract to hedge the exposure to foreign exchange risk.

Cash Flow and Fair Value Interest Rate Risk

Our interest rate risks arise from long-term borrowings. Borrowings obtained at fixed rates expose us to fair value interest rate risk. Borrowings obtained at variable rates expose us to cash flow interest rate risk which is partially offset by cash held at variable rates.

Price Risk

We are exposed to equity securities price risk in connection with the FVOCI held by us. We closely monitor the fluctuation of the price and assesses the impact on our financial statements.

Credit Risk

Our credit risk is primarily attributable to operating lease and trade receivables, other receivables and cash deposits at banks. During the Track Record Period, our maximum exposure to credit risk is arising from the carrying amount of the respective recognized financial assets as stated in the combined statements of financial position at the end of each reporting period.

With respect to our credit risk associated with cash deposits at banks, since a substantial amount of these deposits were deposited at state-owned and other medium or large-sized banks, we consider that there will not be any significant loss from non-performance by these counterparties.

With respect to our credit risk associated with operating lease and trade receivables, we applied the simplified approach to providing for expected credit losses ("**ECL**") prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all operating lease and trade receivables. In order to measure the ECL, we grouped the operating lease and trade receivables based on shared credit risk characteristics and the days past due. The ECL also incorporates forward-looking information. We consider that the credit risk associated with the balances of neither past due nor impaired is low.

With respect to our credit risk associated with deposits and other receivables due from related parties (including related companies, fellow subsidiaries, and joint ventures of fellow subsidiaries), we consider the credit risk is low. Reasons being that the majority of the deposits is due from government authorities as pledge for the ordinary business and our related parties have a strong capacity to meet their contractual cash flow obligations in the near term. We have assessed that the ECL rate for the amounts due from related parties is immaterial under 12-months ECL method and therefore consider them to have low credit risk, and thus the loss allowance is immaterial.

With respect to our credit risk associated with other receivables other than those from related parties, we made periodic collective assessments as well as individual assessments on the recoverability of other receivables based on historical settlement records and past experience. Our Directors believe that there is no material credit risk inherent in our outstanding balance of other receivables.

We took into account (i) the probability of default upon initial recognition of asset; and (ii) whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, we compared the risk of a default of the asset as of the reporting date with the risk of default as of the date of initial recognition. Reasonable and supportive forwarding-looking information are also taken in to account when we do the assessment. More specifically, the following indicators are incorporated:

- internal credit rating
- external credit rating
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations
- actual or expected significant changes in the operating results of individual property owner or the borrower
- significant changes in the expected performance and behavior of the borrower, including changes in the payment status of borrowers in the Group and changes in the operating results of the borrower.

We managed our credit risk by appropriately providing for ECL on a timely basis. In calculating the ECL rates, we considered historical loss rates for each category of receivables and adjusts for forward looking macroeconomic data.

Liquidity Risk

We aim to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of available financing, including advances from property management fees and advances from our fellow subsidiaries, a non-controlling shareholder of a subsidiary and related parties to meet our commitments. We are satisfied that our Group will be able to meet in full its financial obligations as and when they fall due in the foreseeable future in the normal course of our business.

DIVIDEND POLICY AND DISTRIBUTABLE RESERVE

As we are a holding company, our ability to declare and pay dividends will depend on receipt of sufficient funds from our subsidiaries. We did not declare any dividends during the Track Record Period. The payment and the amount of any future dividends, if any, will be at the sole discretion of our Board of Directors and will also depend on various factors that our Board of Directors deem relevant. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the relevant laws. Our Board of Directors intends to recommend at the relevant shareholder meetings an annual dividend of no less than 30% of our profits available for distribution generated in each financial year beginning from the year ending December 31, 2019. The recommendation of the payment of dividend is subject to the absolute discretion of our Board of Directors, and, after the Listing, any declaration of final dividend for the year will be subject to the approval of our Shareholders.

We recorded accumulated losses of approximately RMB68.2 million and RMB15.2 million as of January 1, 2016 and 2017, respectively, which was primarily due to (i) relatively high administrative expenses incurred at our headquarters comparing to our business scale prior to 2016. Our headquarters, Shanghai Shangsheng, recorded an accumulated loss of approximately RMB31.0 million as of January 1, 2016. This was mainly because we only had 28 retail commercial properties under our management as of January 1, 2016, many of which had not entered into maturity stage, and we were in the process of expanding our business to seek a revenue breakthrough in order to achieve economies of scale; and (ii) significant losses recognized for certain retail commercial properties. Our project companies managing the Tianjin Powerlong Plaza, Caolu Powerlong Plaza, Bengbu Powerlong Plaza and

Wuxi Powerlong Plaza recorded an aggregate accumulated loss of approximately RMB67.9 million as of January 1, 2016 primarily due to (i) ineffective positioning in terms of property size and location; and (ii) fragmented ownership, which caused difficulties for us to provide unified quality services and enhance the consumers' shopping experience. These were mainly because we were still in the process of accumulating experience and enhancing the expertise required for managing retail commercial properties. See "Business — Commercial Operational Services — Commercial Operational Service Fees — Loss-making Retail Commercial Properties" for details. We have taken various measures to enhance our profitability, including (i) dedicating more resources to the Yangtze River Delta, where we believe has great growth potential due to the significant demand for quality commercial operational services. Since January 1, 2016 and up to June 30, 2019, we had nine retail commercial properties in the Yangtze River Delta commencing their operations and beginning to generate stable revenue. Retail commercial properties located in the Yangtze River Delta tend to be more profitable compared to retail commercial properties located in other areas in China which are under our management; (ii) expanding our business scale to achieve economies of scale; (iii) adjusting our pricing standards upward as we have accumulated more experience and delivered better service quality; and (iv) promoting management digitalization to lower administrative expenses and staff costs. As a result of the implementation of those measures, we made up for the accumulated losses and started to generate retained earnings in 2017.

As of June 30, 2019, we had no distributable reserves available for distribution to our Shareholders.

NO ADDITIONAL DISCLOSURE REQUIRED UNDER LISTING RULES

Our Directors have confirmed that, as of the Latest Practicable Date, they were not aware of any circumstances which would have given rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

LISTING EXPENSES

The total amount of listing expenses that will be borne by us in connection with the Global Offering, including underwriting commissions, is estimated to be RMB80.0 million (based on the mid-point of the indicative Offer Price range) of which (i) approximately RMB9.6 million was charged to our combined statement of comprehensive income for the six months ended June 30, 2019; (ii) approximately RMB22.4 million is expected to be charged to our combined statement of profit or loss and other comprehensive income for the remaining period of the year ending December 31, 2019; and (iii) approximately RMB48.0 million is expected to be accounted for as a deduction from equity upon Listing.

Our Directors consider that our financial results will be affected by the estimated listing expenses in relation to the Global Offering as we expect to recognize approximately RMB22.4 million in the combined statement of profit or loss and other comprehensive income for the year ending December 31, 2019. Accordingly, the financial performance for the year ending December 31, 2019 is expected to be adversely affected by such listing expenses.

Our Directors would like to emphasize that the estimated amount of listing expenses disclosed above is for reference only. The final amount of listing expenses in relation to the Listing to be recognized in our combined statements of profit or loss and other comprehensive income for the year ending December 31, 2019 will be subject to adjustment based on audit and the then changes in variables and assumptions. Prospective investors should note that our financial performance for the year ending December 31, 2019 is expected to be adversely affected by non-recurring listing expenses, and may or may not be comparable to our financial performance in the past.

UNAUDITED PRO FORMA ADJUSTED COMBINED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets of the Group prepared in accordance with Rule 4.29 of the Listing Rules are set out below to illustrate the effect of the Global Offering and the Capitalization Issue on the combined net tangible assets of the Group attributable to the owners of the Company as of June 30, 2019 as if the Global Offering and the Capitalization Issue had taken place on June 30, 2019.

The unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the combined net tangible assets attributable to the owners of the Company as of June 30, 2019 or any future dates.

	Audited combined net tangible assets of the Group attributable to owners of the Company as of June 30, 2019(1)	Estimated net proceeds from the Global Offering(2)	Effect of the Reorganization(3)	Unaudited pro forma adjusted net tangible assets of the Group attributable to owners of the Company as of June 30, 2019	Unaudited pro forma adjusted net tangible assets per Share	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB(4)*	*HK\$(5)*
Based on an Offer Price of HK\$7.50 per Offer Share	297,098	946,900	(38,311)	1,205,687	2.17	2.41
Based on an Offer Price of HK\$10.00 per Offer Share	297,098	1,272,194	(38,311)	1,530,981	2.76	3.07

Notes:

(1) The audited combined net tangible assets attributable to the owners of the Company as of June 30, 2019 is extracted from the Accountant's Report in Appendix I to this prospectus.

(2) The estimated net proceeds from the Global Offering are based on the minimum and maximum Offer Price of HK\$7.50 and HK\$10.00 per Share, respectively, and 150,000,000 shares to be issued after deducting underwriting fees and other related expenses (excluding listing expenses of approximately RMB9.6 million which have been accounted for in the combined statements of comprehensive income for the six months ended June 30, 2019) payable by the Company.

(3) As part of the Reorganization, we disposed of certain subsidiaries as set out in "History, Reorganization and Corporate Structure" in this prospectus. Some of these subsidiaries were disposed of after June 30, 2019. For the purpose of this unaudited pro forma financial information, an adjustment of approximately RMB38.3 million is made to reflect the financial impact on the disposal of these subsidiaries.

(4) The unaudited pro forma net tangible assets per Share is arrived at after the adjustments referred to in Notes 2 and 3 above and on the basis that 550,000,000 Shares were in issue assuming that the Global Offering and the Capitalization Issue had been completed on June 30, 2019 but takes no account into 45,000,000 Shares issued to Huihong Management (PTC) Limited that have not yet been granted to employees, or any Shares which may be granted and issued or repurchased by the Company pursuant to the general mandate and the repurchase mandate.

(5) For the purpose of this unaudited pro forma statement of adjusted net tangible assets, the amounts stated in Hong Kong dollars are converted into Renminbi at a rate of HK\$1.0 to RMB0.8990.

(6) Except for the effect of the Reorganization as detailed in Note 3, no adjustment has been made to reflect any trading result or other transactions of the Group entered into subsequent to June 30, 2019.

RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGE

Save for the estimated non-recurring listing expenses as disclosed in "— Listing Expenses" in this section and the disposal of subsidiaries as part of our Reorganization to establish our Group as disclosed in "History, Reorganization and Corporate Structure — Reorganization" and "— Description of Certain Combined Balance Sheet Items — Assets and Liabilities Associated with Disposal Group" in this section, our Directors, after due and careful consideration, confirm that since June 30, 2019 and up to the date of this prospectus, (i) there was no material adverse change in the market conditions and the industry and the regulatory environment in which our Group operates that affect our financial or operating position materially and adversely; (ii) there was no material adverse change in the business, revenue structure, trading, profitability, cost structure, financial position and prospects of our Group; and (iii) no event had occurred that would affect the information shown in our Accountant's Report in Appendix I to this prospectus materially and adversely.

THE CORNERSTONE PLACING

We have entered into cornerstone investment agreements with four cornerstone investors (the "**Cornerstone Investors**" and each a "**Cornerstone Investor**") who have agreed to subscribe for such number of Offer Shares (rounded down to the nearest whole board lot of 500 Shares) which may be purchased for an aggregate amount of US$36 million (equivalent to approximately HK$281.85 million at the Offer Price (exclusive of the brokerage, the SFC transaction levy and the Stock Exchange trading fee) (the "**Cornerstone Placing**").

Cornerstone investor	Investment amount	Indicative Offer Price[(1)]	Number of Shares to be subscribed for[(2)]	Approximate percentage of the International Offer Shares (assuming Over-allotment Option is not exercised)	Approximate percentage of the International Offer Shares (assuming Over-allotment Option is exercised in full)	Approximate percentage of the Offer Shares (assuming Over-allotment Option is not exercised)	Approximate percentage of the Offer Shares (assuming Over-allotment Option is exercised in full)	Approximate percentage of the total issued share capital of our Company immediately after Global Offering (assuming Over-allotment Option is not exercised)	Approximate percentage of the total issued share capital of our Company immediately after Global Offering (assuming Over-allotment Option is exercised in full)
He Sheng Overseas Holdings Limited (和盛海外控股有限公司)	US$10 million (equivalent to approximately HK$78.29 million)	Low-end: HK$7.50	10,439,000 Shares	7.73%	6.63%	6.96%	6.05%	1.74%	1.68%
		Mid-point: HK$8.75	8,947,500 Shares	6.63%	5.68%	5.97%	5.19%	1.49%	1.44%
		High-end: HK$10.00	7,829,000 Shares	5.80%	4.97%	5.22%	4.54%	1.30%	1.26%
Liaoning Yonghui Supermarket Co. Ltd.* (遼寧永輝超市有限公司)	US$10 million (equivalent to approximately HK$78.29 million)	Low-end: HK$7.50	10,439,000 Shares	7.73%	6.63%	6.96%	6.05%	1.74%	1.68%
		Mid-point: HK$8.75	8,947,500 Shares	6.63%	5.68%	5.97%	5.19%	1.49%	1.44%
		High-end: HK$10.00	7,829,000 Shares	5.80%	4.97%	5.22%	4.54%	1.30%	1.26%
Mr. Hui Lin Chit (許連捷)	US$10 million (equivalent to approximately HK$78.29 million)	Low-end: HK$7.50	10,439,000 Shares	7.73%	6.63%	6.96%	6.05%	1.74%	1.68%
		Mid-point: HK$8.75	8,947,500 Shares	6.63%	5.68%	5.97%	5.19%	1.49%	1.44%
		High-end: HK$10.00	7,829,000 Shares	5.80%	4.97%	5.22%	4.54%	1.30%	1.26%
Orchid China Master Fund Limited	US$6 million (equivalent to approximately HK$46.98 million)	Low-end: HK$7.50	6,263,000 Shares	4.64%	3.98%	4.18%	3.63%	1.04%	1.01%
		Mid-point: HK$8.75	5,368,500 Shares	3.98%	3.41%	3.58%	3.11%	0.89%	0.86%
		High-end: HK$10.00	4,697,500 Shares	3.48%	2.98%	3.13%	2.72%	0.78%	0.75%
Total	US$36 million (equivalent to approximately HK$281.85 million)	Low-end: HK$7.50	37,580,000 Shares	27.83%	23.87%	25.06%	21.78%	6.26%	6.05%
		Mid-point: HK$8.75	32,211,000 Shares	23.86%	20.45%	21.49%	18.68%	5.36%	5.18%
		High-end: HK$10.00	28,184,500 Shares	20.88%	17.89%	18.79%	16.34%	4.68%	4.53%

Notes:

(1) Being the low end, mid-point and high end of the indicative Offer Price range stated in this prospectus respectively.

(2) Calculated based on an exchange rate of US$1.00 to HK$7.8293 as described in "Information about this Prospectus and the Global Offering — Currency Translations" in this prospectus. The exact number of Shares to be subscribed by the Cornerstone Investors will be subject to the exchange rate as prescribed in the relevant cornerstone investment agreement.

The Cornerstone Investors conduct their investments in the Company as they are confident with our Company's business and prospect.

The Cornerstone Placing will form part of the International Offering. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, each of the Cornerstone Investors is an independent third party, is not our connected person, is independent of each other, our Group, its connected person(s) and respective associate(s) and is not an existing shareholder or close associate of our Group. For the cornerstone investor who subscribes for our Shares through an asset manager that is a qualified domestic institutional investor as approved by the relevant PRC authority ("**QDII**"), such asset manager is an independent third party of our Company, our connected persons and their respective associates and is not a connected client of the lead broker or of any distributors (as defined in paragraph 5 of the Placing Guidelines). The Shares to be subscribed for by the Cornerstone Investors will be counted towards the public float of our Company and will rank *pari passu* with the Shares then in issue and to be listed on the Stock Exchange. Immediately following the completion of the Global Offering, the Cornerstone Investors will not have any Board representation in our Company, nor will any of them become a substantial shareholder or connected person of our Company, and will not further subscribe any Offer Shares in the Global Offering. None of the Cornerstone Investors has any preferential rights compared with other public shareholders pursuant to the cornerstone investment agreements. The Offer Shares to be subscribed for by the Cornerstone Investors will not be affected by any reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering described in the section headed "Structure of the Global Offering" in this Prospectus.

To the best knowledge of our Company, (i) there is no deferred settlement in payment and/or deferred delivery of the Shares to be subscribed by the Cornerstone Investors; (ii) there are no side agreements or arrangements between our Group and each of the Cornerstone Investors for the purpose of the Cornerstone Placing; (iii) we became acquainted with each of the Cornerstone Investors either through business operation, at social gathering or through introduction by the Underwriter(s); (iv) each of the Cornerstone Investors expects to fund the respective cornerstone investment with his/its internal resources; (v) none of the Cornerstone Investors are accustomed to take instructions from our Company, the Directors, chief executive of our Company, Controlling Shareholders, substantial Shareholders or existing Shareholders or any of our subsidiaries or their respective close associates; and (vi) none of the subscription of the Offer Shares by the Cornerstone Investors are financed by our Company, the Directors, chief executive, Controlling Shareholders, substantial Shareholders, or existing Shareholders or any of our subsidiaries or their respective close associates.

Details of allocation to the Cornerstone Investors will be disclosed in the announcement of allotment results of our Company to be published on or about Friday, December 27, 2019.

THE CORNERSTONE INVESTORS

We set out below a brief description of each of the Cornerstone Investors:

He Sheng Overseas Holdings Limited (和盛海外控股有限公司)

Our Company and ABCI Capital Limited have entered into a cornerstone investment agreement on December 11, 2019 with He Sheng Overseas Holdings Limited (和盛海外控股有限公司) ("**He Sheng**"), pursuant to which He Sheng conditionally agreed to subscribe for, and our Company conditionally agreed to issue and allot to He Sheng such number of Shares (rounded down to the nearest whole board lot of 500 Shares) which may be purchased with an aggregate amount of US$10 million (equivalent to approximately HK$78.29 million) (exclusive of brokerage, SFC transaction levy and the Stock Exchange trading fee) at the Offer Price.

The number of Shares to be subscribed by He Sheng should not exceed 10% of the total shares in issue immediately following the completion of the Global Offering.

He Sheng is a limited liability company incorporated in the BVI on December 20, 2016 and is an investment holding company which is used to hold financial assets such as stocks and bonds for a family trust established by Mr. Ding Shijia (丁世家) ("**Mr. Ding**") as the settlor for the benefit of Mr. Ding and his family members. Mr. Ding is the deputy chairman and executive director of ANTA Sports Products Limited, a company listed on the Main Board (stock code: 2020), which is principally engaged in the manufacturing and trading of branded sporting goods including footwear, apparel and accessories in the PRC. Each of He Sheng and its shareholders including Mr. Ding is an Independent Third Party.

Liaoning Yonghui Supermarket Co. Ltd.* (遼寧永輝超市有限公司)

Our Company and ABCI Capital Limited have entered into a cornerstone investment agreement on December 11, 2019 with Liaoning Yonghui Supermarket Co., Ltd.* (遼寧永輝超市有限公司) ("**Liaoning Yonghui**"), pursuant to which Liaoning Yonghui conditionally agreed to subscribe for, and our Company conditionally agreed to issue and allot to Liaoning Yonghui such number of Shares (rounded down to the nearest whole board lot of 500 Shares) which may be purchased with an aggregate amount of US$10 million (equivalent to approximately HK$78.29 million) (exclusive of brokerage, SFC transaction levy and the Stock Exchange trading fee) at the Offer Price.

The number of Shares to be subscribed by Liaoning Yonghui should not exceed 10% of the total shares in issue immediately following the completion of the Global Offering.

Liaoning Yonghui is a limited liability company established in the PRC on July 28, 2011 and is a direct wholly-owned subsidiary of Yonghui Superstores Co. Ltd. (永輝超市股份有限公司), a company established in the PRC whose shares are listed on the Shanghai Stock Exchange (stock code: 601933). Yonghui Superstores Co., Ltd., together with its subsidiaries (the "**Yonghui Group**") is principally engaged in the operation of a supermarket chain based in the PRC with over 750 stores as at June 30, 2019. According to the annual report of Yonghui Superstores Co., Ltd. dated April 24, 2019, the consolidated revenue and total assets of the Yonghui Group amounted to approximately RMB70.5 billion and RMB39.6 billion for the year ended/as at December 31, 2018, respectively.

As confirmed by Liaoning Yonghui, its shareholder is not required to obtain shareholders' approval or regulatory approval under the relevant listing rules as stipulated by the Shanghai Stock Exchange in relation to the subscription for the Offer Shares by Liaoning Yonghui.

For the purpose of this cornerstone investment, Liaoning Yonghui has engaged an asset manager, which is a QDII, to subscribe for and hold such Offer Shares on behalf of Liaoning Yonghui.

Mr. Hui Lin Chit (許連捷)

Our Company and ABCI Capital Limited have entered into a cornerstone investment agreement on December 11, 2019 with Mr. Hui Lin Chit (許連捷) ("**Mr. Hui**"), pursuant to which Mr. Hui conditionally agreed to subscribe for, and our Company conditionally agreed to issue and allot to Mr. Hui such number of Shares (rounded down to the nearest whole board lot of 500 Shares) which may be purchased with an aggregate amount of US$10 million (equivalent to approximately HK$78.29 million) (exclusive of brokerage, SFC transaction levy and the Stock Exchange trading fee) at the Offer Price.

The number of Shares to be subscribed by Mr. Hui should not exceed 10% of the total shares in issue immediately following the completion of the Global Offering.

Mr. Hui is an individual cornerstone investor. He is the deputy chairman and chief executive officer of Hengan International Group Company Limited (恒安國際集團有限公司), a company listed on the Main Board (stock code: 1044), which is principally engaged in the manufacturing, distribution and sale of personal hygiene products in the PRC and certain overseas markets. Mr. Hui is an Independent Third Party.

Orchid China Master Fund Limited

Our Company and ABCI Capital Limited have entered into a cornerstone investment agreement on December 11, 2019 with Orchid China Master Fund Limited ("**Orchid China Master Fund**"), pursuant to which the Orchid China Master Fund conditionally agreed to subscribe for, and our Company conditionally agreed to issue and allot to the Orchid China Master Fund such number of Shares (rounded down to the nearest whole board lot of 500 Shares) which may be purchased with an aggregate amount of US$6 million (equivalent to approximately HK$46.98 million) (exclusive of brokerage, SFC transaction levy and the Stock Exchange trading fee) at the Offer Price.

The number of Shares to be subscribed by the Orchid China Master Fund should not exceed 10% of the total shares in issue immediately following the completion of the Global Offering.

The Orchid China Master Fund is incorporated in the Cayman Islands, which is managed by Orchid China Management (Cayman) Limited ("**Orchid China**"). Orchid China Master Fund was established in 2008 and it mainly invests in securities of companies listed on the Stock Exchange and other major stock exchanges, in particular, in the consumer products and services, technology and internet sectors. Orchid China is an exempted company incorporated under the laws of the Cayman Islands. Orchid China manages assets on behalf of clients such as fund of funds, family offices and high net worth individuals.

CONDITIONS PRECEDENT

The subscription obligation of each of the Cornerstone Investors is subject to, among other things, the following conditions precedent:

(i) the Hong Kong Underwriting Agreement and the International Underwriting Agreement having been entered into and having become unconditional (in accordance with their respective original terms or as subsequently waived or varied by agreement of the parties thereto) and neither of the Hong Kong Underwriting Agreement and the International Underwriting Agreement having been terminated;

(ii) the Offer Price having been fixed between our Company and the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters);

(iii) the Listing Committee having granted the approval for the Listing of, and permission to deal in, the Shares and that such approval or permission not having been revoked;

(iv) no laws shall have been enacted or promulgated by any governmental authority which prohibit the consummation of the closing of the Cornerstone Placing and there shall be no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of the closing of the Cornerstone Placing;

(v) the respective representations, warranties and confirmations of the Cornerstone Investor in the cornerstone investment agreement are accurate and true and not misleading and that there is no material breach of the cornerstone investment agreement on the part of the Cornerstone Investor; and

(vi) the respective representations, warranties and confirmations of our Company in the cornerstone investment agreement are accurate and true and not misleading and that there is no material breach of the cornerstone investment agreement on the part of our Company.

RESTRICTIONS ON THE INVESTMENTS BY THE CORNERSTONE INVESTORS

Each of the Cornerstone Investors has agreed that, without the prior written consent of our Company and ABCI Capital Limited, it/he will not at any time during the period of six months following the Listing Date (a) dispose of (as defined in the cornerstone investment agreement), either directly or indirectly, conditionally or unconditionally, any legal or beneficial interests in the Shares to be subscribed pursuant to the cornerstone investment agreement (the "**Relevant Shares**") or any securities convertible into or exercisable or exchangeable for, or that represent any rights to receive, the Relevant Shares; (b) allow itself to undergo a change of control (as defined in The Codes on Takeovers and Mergers and Share Buy-backs promulgated by the SFC) at the level of its ultimate beneficial owner (if applicable); (c) enter into any transactions directly or indirectly with the same economic effect as any transactions described in sub-paragraphs (a) and (b) above; and (d) agree or contract to, or publicly announce any intention to enter into, any transactions described in sub-paragraphs (a) to (c) above (whether such transactions are settled in cash or otherwise).

FUTURE PLANS

See "Business — Our Business Strategies" for a detailed description of our future plans.

USE OF PROCEEDS

We estimate the net proceeds of the Global Offering which we will receive, assuming an Offer Price of HK$8.75 per Offer Share (being the mid-point of the Offer Price range stated in this prospectus), will be approximately HK$1,223.5 million, after deduction of underwriting fees and commissions and estimated expenses payable by us in connection with the Global Offering and assuming the Over-allotment Option is not exercised.

We intend to use the net proceeds of the Global Offering for the following purposes assuming the Offer Price is fixed at HK$8.75 per Offer Share (being the mid-point of the indicative Offer Price Range).

- Approximately 50% or HK$611.8 million, will be used to pursue strategic acquisition of and investment in other small to mid-sized commercial operational service providers in order to scale up our commercial operational service business and expand our commercial operational service portfolio. We will prioritize in assessing potential acquisition or investment targets located within economically developed regions where we believe there exist significant growth potential, such as the Yangtze River Delta. We believe our acquisition or investment targets are readily available because (i) according to Frost & Sullivan, as of December 31, 2018, there are approximately 1,900 and 350 small to mid-sized commercial operational service providers managing retail commercial properties in the PRC and the Yangtze River Delta, respectively; and (ii) small to mid-sized commercial operational service providers typically do not hold any well-recognized brand names, maintain large brand banks and integrated information technology platforms. We intend to leverage our brand recognition, strong tenant sourcing and information technology capabilities to replicate our success to the retail commercial properties managed by such commercial operational service providers. We plan to acquire or invest in commercial operational service providers that meet our internal criteria in terms of (i) management team; (ii) business profile; (iii) operating performance; and (iv) growth potential. We expect the management team of a target company to possess appropriate execution capabilities and experience in managing retail commercial properties. We initially plan to target companies managing five or more retail commercial properties. Moreover, we will consider a target company's operating performance, including profitability and compliance record. We intend to target companies managing retail commercial properties that we believe can provide significant growth opportunities to us. We plan to establish an internal approval system and strict procedures with respect to preliminary due diligence, target selection and investment approval. As of the Latest Practicable Date, we had not identified any acquisition or investment targets for our use of net proceeds from the Global Offering;

- Approximately 25% or HK$305.9 million, will be used to upgrade our information technology systems for digitization and smart operation and management, aiming to enhance consumer experience, improve the quality of services provided to tenants and improve our operational efficiency, among which:

  (i) approximately 5% or HK$61.2 million, will be used to upgrade our "Powerlong Yoyo" (寶龍悠悠) WeChat mini app to provide more convenient shopping experience to consumers. The upgraded "Powerlong Yoyo" (寶龍悠悠) WeChat mini app is expected to integrate codeless payment, automatic loyalty point accumulation, precision marketing and promotion functionalities, aiming to increase the use of this WeChat mini app by consumers. We plan to use (a) approximately HK$25.0 million to optimize the user interface of this mini app; (b) approximately HK$12.5 million to add more payment methods to this mini app, allowing the users to use Alipay and WeChat Pay; (c) approximately HK$6.2 million to enhance payment functionality, enabling the users to make payments through face recognition; (d) approximately HK$6.2 million to analyze consumers' information collected through our online ecosystem to enhance our precision marketing capability; and (e) approximately HK$11.2 million to add automatic loyalty point accumulation functionality;

(ii) approximately 5% or HK$61.2 million, will be used to upgrade our "Mall Plus @ Powerlong" (寶龍商+) WeChat mini app to provide comprehensive services to tenants. The upgraded "Mall Plus @ Powerlong" (寶龍商+) WeChat mini app is expected to integrate automatic settlement, complaint and repair request submission, electronic invoicing and loyalty point sharing functionalities, aiming to help us build a closer cooperative relationship with tenants. We plan to use (a) approximately HK$25.0 million to optimize the user interface of this mini app; (b) approximately HK$6.2 million to add more payment methods to this mini app, allowing tenants to use Alipay and WeChat Pay; (c) HK$6.2 million to enable the electronic invoicing functionality; (d) HK$11.2 million to enhance our data analysis capability; and (e) HK$12.5 million to build a system monitoring the sales and operation data of tenants;

(iii) approximately 5% or HK$61.2 million, will be used to invest in our integrated online ecosystem to enhance our capabilities in analyzing consumer data and other operational data collected through our online ecosystem, and utilize such analysis to assist our senior management in making business decisions with respect to retail commercial property planning and positioning, tenant mix determination and precision marketing. We plan to use (a) approximately HK$31.2 million to invest in location-based system, allowing us to form a diagram of consumer traffic to have a better understanding of consumers' shopping pattern. We analyze such shopping pattern to conduct precision marketing; (b) approximately HK$25.0 million to invest in cloud technology to enhance our data management capability; and (c) HK$5.0 million to add the WeChat payment functionality to our online ecosystem; and

(iv) approximately 10% or HK$122.4 million, will be used to deploy technology and smart devices, including artificial intelligence and Internet of Things to promote consumer interaction and improve consumers' shopping experience. We plan to use (a) approximately HK$49.9 million to roll out smart parking using automatic plate recognition technology in all retail commercial properties under our management. This automatic plate recognition technology enables us to auto-detect and record the plate number of a consumer's car when it enters into our retail commercial properties. A consumer may pay his or her parking fees on the mobile device upon leaving by entering the plate number and our system will then calculate the total parking fees. We aim to save labor costs with the implementation of such technology; (b) approximately HK$66.2 million to deploy face recognition technology and devices which serve as a back-end support for our precision marketing strategy; and (c) approximately HK$6.2 million to implement a bonus point program, allowing consumers to automatically accumulate points for any of their purchases in retail commercial properties under our management.

- Approximately 10% or HK$122.4 million, will be used to make equity investment in certain tenants with an aim of establishing close strategic cooperation with them. Our potential investment targets for tenants are reputable chain stores which may help generate consumer traffic, attract other potential tenants and instill confidence in retail commercial properties under our management. By investing in these tenants, we not only aim to realize return from such investment but also to enhance our capability in introducing quality tenants to the retail commercial properties under our management. We consider various factors when selecting and assessing target tenants and suppliers, including (a) their brand recognition and growth potential; (b) whether they can create synergies with our business; and (c) their profitability.

- Approximately 5% or HK$61.2 million, will be used for the renovation of retail commercial properties developed or owned by Independent Third Parties under the asset-light business model. We plan to lease shopping malls that show significant renovation potential from property owners for repositioning and refurbishment and subsequent sublease. We aim to increase rental income by making such investment. See "Business — Our Business Strategies — Continue to replicate our success to selected properties through asset-light business model" for details. We will carefully estimate the cost and expected return to ensure profitability. The renovation work mainly includes facade renovation, pipeline renovation and decorations. Our key criteria for assessing retail commercial properties under asset-light business model include: (a) geographic location; (b) total GFA; (c) architectural design standards; and (d) expected returns.

- Approximately 10% or HK$122.4 million, will be used for general business purpose and working capital. We expect the demand for working capital to increase as a result of our endogenous growth as well as plans for strategic acquisitions and investments.

The above allocation of the proceeds will be adjusted on a pro rata basis in the event that the Offer Price is fixed at a higher or lower level compared to the mid-point of the estimated offer price range or the Over-allotment Option is exercised.

If the Offer Price is fixed at HK$10.00 per Offer Share (being the high end of the Offer Price range stated in this prospectus) and assuming the Over-allotment Option is not exercised, we will receive net proceeds of approximately HK$1,404.4 million, after deduction of underwriting fees and commissions and estimated expenses payable by us in connection with the Global Offering.

If the Offer Price is fixed at HK$7.50 per Offer Share (being the low end of the Offer Price range stated in this prospectus) and assuming the Over-allotment Option is not exercised, the net proceeds we receive will be approximately HK$1,042.6 million, after deduction of underwriting fees and commissions and estimated expenses payable by us in connection with the Global Offering.

In the event that the Over-allotment Option is exercised in full, we will receive additional net proceeds ranging from approximately HK$162.8 million (assuming an Offer Price of HK$7.50 per Share, being the low end of the proposed Offer Price range) to HK$217.1 million (assuming an Offer Price of HK$10.00 per Share, being the high end of the proposed Offer Price range), after deduction of underwriting fees and commissions and estimated expenses payable by us in connection with the Global Offering.

To the extent that the net proceeds are not immediately applied to the above purposes and to the extent permitted by applicable law and regulations, we intend to deposit the net proceeds into short-term demand deposits and/or money market instruments. We will make an appropriate announcement if there is any change to the above proposed use of proceeds or if any amount of the proceeds will be used for general corporate purpose.

Bases and Assumptions

Our future plans and business strategies are based on the following general assumptions:

- we will have sufficient financial resources to meet the planned capital expenditure and business development requirements during the period to which our future plans relate;

- there will be no material change in the funding requirement for each of our future plans described in this prospectus from the amount as estimated by our Directors;
- the Global Offering will be completed in accordance with and as described in the section headed "Structure of the Global Offering" in this prospectus;
- there will be no material changes in existing accounting policies from those stated in the audited combined financial statements of our Group as of and for the three years ended December 31, 2018 and as of and for the six months ended June 30, 2019;
- there will be no material changes in the bases or rates of taxation applicable to our activities;
- we will continue our operation including but not limited to retaining our key staff and maintaining our customers, suppliers and subcontractors in the same manner as we had operated during the Track Record Period;
- there will be no material change in existing laws and regulations, or other governmental policies relating to our Group, or in the political or market conditions in which we operate;
- our operations including our future plans will not be interrupted by any force majeure, unforeseeable factors, extraordinary items or economic changes in respect of inflation, interest rate and tax rate in the PRC;
- there will be no disasters, natural, political or otherwise, which would materially disrupt our businesses or operations; and
- we will not be materially affected by the risk factors as set out in "Risk Factors" in this prospectus.

IMPLEMENTATION PLANS

Based on our business strategies and future plans, we intend to carry out the following implementation plans as set forth below for the period from the January 1, 2020 to December 31, 2023. The implementation plans are drawn up based on the current economic status and the assumptions as set out in "— Use of Proceeds — Bases and Assumptions." These bases and assumptions are inherently subject to many uncertainties and unpredictable factors, in particular the risk factors as set out in "Risk Factors" in this prospectus. We cannot assure you that our business strategies will be achieved and our implementation plans will materialize in accordance with the estimated time frame or at all.

From January 1, 2020 to June 30, 2020

Future plan	Implementation plan	Amount of proceeds received from the Global Offering
Pursue strategic acquisition of and investment in other commercial operational service providers	Complete the acquisition or investment in over 51% of the shares of one commercial operational service provider	Approximately HK$50.0 million
Upgrade our information technology systems (i) Upgrade our Powerlong Yoyo (ii) Upgrade our Mall Plus @ Powerlong (iii) Invest in our integrated online ecosystem (iv) Deploy technology and smart devices	• Complete the development and launch of Powerlong Yoyo • Complete the development and launch of Mall Plus @ Powerlong • Complete the development of automatic loyalty point accumulation functionality • Complete the development of automatic plate recognition devices • Complete the development and upgrade of electronic invoicing functionality	Approximately HK$30.0 million
Make equity investment in certain tenants and suppliers	• Sign and complete one to two investment agreements in connection with the investment in tenants or suppliers	Approximately HK$10.0 million
Renovation of retail commercial properties developed or owned by Independent Third Parties	–	–
Total:		**Approximately HK$90.0 million**

From July 1, 2020 to December 31, 2020

Future plan	Implementation plan	Amount of proceeds received from the Global Offering
Pursue strategic acquisition of and investment in other commercial operational service providers	• Sign and complete the sale and purchase agreement or investment agreement in connection with the acquisition or investment in over 51% of the shares of one commercial operational service provider	Approximately HK$50.0 million
Upgrade our information technology systems (i) Upgrade our Powerlong Yoyo (ii) Upgrade our Mall Plus @ Powerlong (iii) Invest in our integrated online ecosystem (iv) Deploy technology and smart devices	• Upgrade functions of Powerlong Yoyo • Upgrade functions of Mall Plus @ Powerlong • Install automatic plate recognition devices in car parks of retail commercial properties under our management • Complete the installation of automatic loyalty point accumulation devices in all retail commercial properties under our management • Complete the development of location-based service	Approximately HK$30.0 million
Make equity investment in certain tenants and suppliers	• Sign and complete two to three investment agreements in connection with the investment in tenants or suppliers	Approximately HK$20.0 million
Renovation of retail commercial properties developed or owned by Independent Third Parties	• Complete the renovation of one to two retail commercial properties	Approximately HK$15.0 million
Total:		**Approximately HK$115.0 million**

From January 1, 2021 to June 30, 2021

Future plan	**Implementation plan**	**Amount of proceeds received from the Global Offering**
Pursue strategic acquisition of and investment in other commercial operational service providers	• Sign and complete the sale and purchase agreement or investment agreement in connection with the acquisition or investment in over 51% of the shares of one commercial operational service provider	Approximately HK$80.0 million
Upgrade our information technology systems (i) Upgrade our Powerlong Yoyo (ii) Upgrade our Mall Plus @ Powerlong (iii) Invest in our integrated online ecosystem (iv) Deploy technology and smart devices	• Develop the precision consumer traffic monitoring program • Upgrade the smart parking systems of new retail commercial properties under our management • Upgrade loyalty point accumulation devices in new retail commercial properties under our management • Develop a big data platform	Approximately HK$40.0 million
Make equity investment in certain tenants and suppliers	• Sign and complete three to five investment agreements in connection with the investment in tenants or suppliers	Approximately HK$20.0 million
Renovation of retail commercial properties developed or owned by Independent Third Parties	• Complete the renovation of one to two retail commercial properties	Approximately HK$15.0 million
Total:		**Approximately HK$155.0 million**

From July 1, 2021 to December 31, 2021

Future plan	**Implementation plan**	**Amount of proceeds received from the Global Offering**
Pursue strategic acquisition of and investment in other commercial operational service providers	• Sign and complete the sale and purchase agreement or investment agreement in connection with the acquisition or investment in over 51% of the shares of one commercial operational service provider	Approximately HK$80.0 million
Upgrade our information technology systems (i) Upgrade our Powerlong Yoyo (ii) Upgrade our Mall Plus @ Powerlong (iii) Invest in our integrated online ecosystem (iv) Deploy technology and smart devices	• Upgrade the smart parking systems of new retail commercial properties under our management • Upgrade loyalty point accumulation devices in new retail commercial properties under our management • Continue to develop the big data platform • Deploy face recognition technology and devices	Approximately HK$40.0 million
Make equity investment in certain tenants and suppliers	• Sign and complete two to three investment agreements in connection with the investment in tenants or suppliers	Approximately HK$20.0 million
Renovation of retail commercial properties developed or owned by Independent Third Parties	• Complete the renovation of one to two retail commercial properties	Approximately HK$15.0 million
Total:		**Approximately HK$155.0 million**

From January 1, 2022 to June 30, 2022

Future plan	Implementation plan	Amount of proceeds received from the Global Offering
Pursue strategic acquisition of and investment in other commercial operational service providers	• Sign and complete the sale and purchase agreement or investment agreement in connection with the acquisition or investment in over 51% of the shares of one commercial operational service provider	Approximately HK$80.0 million
Upgrade our information technology systems (i) Upgrade our Powerlong Yoyo (ii) Upgrade our Mall Plus @ Powerlong (iii) Invest in our integrated online ecosystem (iv) Deploy technology and smart devices	• Upgrade automatic payment devices in car parks of new retail commercial properties under our management • Upgrade loyalty point accumulation devices in new retail commercial properties under our management • Continue to develop the big data platform • Enhance location-based service capability to reach and engage with consumers • Launch and add navigation function to our smart parking system	Approximately HK$40.0 million
Make equity investment in certain tenants and suppliers	• Sign and complete two to three investment agreements in connection with the investment in tenants or suppliers	Approximately HK$20.0 million
Renovation of retail commercial properties developed or owned by Independent Third Parties	• Complete the renovation of one to two retail commercial properties	Approximately HK$16.2 million
Total:		**Approximately HK$156.2 million**

From July 1, 2022 to December 31, 2022

Future plan	Implementation plan	Amount of proceeds received from the Global Offering
Pursue strategic acquisition of and investment in other commercial operational service providers	• Sign and complete the sale and purchase agreement or investment agreement in connection with the acquisition or investment in over 51% of the shares of one commercial operational service provider	Approximately HK$85.5 million
Upgrade our information technology systems (i) Upgrade our Powerlong Yoyo (ii) Upgrade our Mall Plus @ Powerlong (iii) Invest in our integrated online ecosystem (iv) Deploy technology and smart devices	• Upgrade loyalty point accumulation devices in new retail commercial properties under our management • Launch the precision marketing program • Deploy smart robots • Launch the artificial intelligence customer service program	Approximately HK$40.0 million
Make equity investment in certain tenants and suppliers	• Sign and complete two to three investment agreements in connection with the investment in tenants or suppliers	Approximately HK$32.4 million
Renovation of retail commercial properties developed or owned by Independent Third Parties	–	–
Total:		**Approximately HK$157.9 million**

From January 1, 2023 to June 30, 2023

Future plan	**Implementation plan**	**Amount of proceeds received from the Global Offering**
Pursue strategic acquisition of and investment in other commercial operational service providers	• Sign and complete the sale and purchase agreement or investment agreement in connection with the acquisition or investment in over 51% of the shares of two commercial operational service providers	Approximately HK$95.0 million
Upgrade our information technology systems (i) Upgrade our Powerlong Yoyo (ii) Upgrade our Mall Plus @ Powerlong (iii) Invest in our integrated online ecosystem (iv) Deploy technology and smart devices	• Upgrade loyalty point accumulation devices in new retail commercial properties under our management • Launch the precision marketing program • Deploy intelligence-enabled security robots • Optimize the big data platform • Integrate all smart technologies in the shopping mall	Approximately HK$40.0 million
Make equity investment in certain tenants and suppliers	–	–
Renovation of retail commercial properties developed or owned by Independent Third Parties	–	–
Total:		**Approximately HK$135.0 million**

From July 1, 2023 to December 31, 2023

Future plan	Implementation plan	Amount of proceeds received from the Global Offering
Pursue strategic acquisition of and investment in other commercial operational service providers	• Sign and complete the sale and purchase agreement or investment agreement in connection with the acquisition or investment in over 51% of the shares of two commercial operational service providers	Approximately HK$91.3 million
Upgrade our information technology systems (i) Upgrade our Powerlong Yoyo (ii) Upgrade our Mall Plus @ Powerlong (iii) Invest in our integrated online ecosystem (iv) Deploy technology and smart devices	• Upgrade loyalty point accumulation devices in new retail commercial properties under our management • Roll out application of intelligence-enabled security robots • Optimize the big data platform • Integrate all smart technologies in the shopping mall	Approximately HK$45.9 million
Make equity investment in certain tenants and suppliers	–	–
Renovation of retail commercial properties developed or owned by Independent Third Parties	–	–
Total:		**Approximately HK$137.2 million**

HONG KONG UNDERWRITERS

ABCI Securities Company Limited
China Industrial Securities International Capital Limited
Guotai Junan Securities (Hong Kong) Limited
CRIC Securities Company Limited
Zhongtai International Securities Limited
CMB International Capital Limited
Lead Securities (HK) Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

The Hong Kong Underwriting Agreement was entered into on December 13, 2019. Pursuant to the Hong Kong Underwriting Agreement, our Company is offering initially 15,000,000 Hong Kong Offer Shares (subject to reallocation) for subscription by way of Hong Kong Public Offering at the Offer Price on and subject to the terms and conditions of this prospectus and the Application Forms.

Subject to the Listing Committee granting approval for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus (including the additional Shares which may be issued pursuant to the exercise of the Over-allotment Option), and to certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have severally, but not jointly, agreed to subscribe or procure subscriptions for, their respective applicable proportions of the Hong Kong Offer Shares now being offered and which are not taken up under the Hong Kong Public Offering on the terms and conditions of this prospectus, the Application Forms and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional on and subject to, among other things, the International Underwriting Agreement having been signed and becoming unconditional in accordance with its terms and not having been terminated in accordance with its terms or otherwise, prior to 8:00 a.m. (Hong Kong time) on the Listing Date.

Grounds for termination

The obligations of the Hong Kong Underwriters to subscribe or procure subscriptions for the Hong Kong Offer Shares under the Hong Kong Underwriting Agreement are subject to termination. The Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) shall have the absolute right by notice in writing to our Company to terminate the Hong Kong Underwriting Agreement with immediate effect at any time prior to 8:00 a.m. on the Listing Date (the "**Termination Time**") if any of the following events shall occur prior to the Termination Time:

(a) there develops, occurs, exists or comes into force:

(i) any new law or regulation or any change or development involving a prospective change in existing law or regulation, or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in or affecting Hong Kong, the PRC, the Cayman Islands, the BVI, the United States, the United Kingdom, the European Union or any other jurisdiction relevant to any member of our Group (each a "**Relevant Jurisdiction**"); or

(ii) any change or development involving a prospective change, or any event or series of events likely to result in or representing a change or development, or prospective change, in local, national, regional or international financial, political, military, industrial, economic, currency market, fiscal or regulatory or market conditions or any monetary or trading settlement system (including, without limitation, conditions in stock and bond markets, money and foreign exchange markets and inter-bank markets, a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States or a change of the Hong Kong dollars or of the Renminbi against any foreign currencies) in or affecting any Relevant Jurisdiction; or

(iii) any event or series of events in the nature of force majeure (including, without limitation, acts of government, labour disputes, strikes, lock-outs, fire, explosion, earthquake, flooding, tsunami, civil commotion, riots, public disorder, acts of war, acts of terrorism (whether or not responsibility has been claimed), acts of God, accident or interruption in transportation, destruction of power plant, outbreak of diseases or epidemics, economic sanction, any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or calamity or crisis in whatever form) in or directly or indirectly affecting any Relevant Jurisdiction; or

(iv) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities of generally on the Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Shanghai Stock Exchange or the Shenzhen Stock Exchange; or

(v) any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or other competent governmental authority), New York (imposed at Federal or New York State level or other competent governmental authority), London, the PRC, the European Union (or any member thereof) or any other Relevant Jurisdiction or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in any Relevant Jurisdiction; or

(vi) any change or prospective change in taxation or exchange controls, currency exchange rates or foreign investment regulations (including, without limitation, a change of the Hong Kong dollars or RMB against any foreign currencies, a change in the system under which the value of the Hong Kong dollars is linked to that of the United States dollars or RMB is linked to any foreign currency or currencies) in any Relevant Jurisdiction adversely affecting an investment in our Shares; or

(vii) the issue or requirement to issue by our Company of a supplemental or amendment to this prospectus, Application Forms, preliminary offering circular or offering circular or other documents in connection with the offer and sale of our Shares pursuant to the Companies Ordinance or the Listing Rules or upon any requirement or request of the Stock Exchange or the SFC; or

(viii) any change or development involving a prospective change which has the effect of materialization of any of the risks set out in the section headed "Risk Factors" in this prospectus; or

(ix) any material litigation or claim being threatened or instigated against any member of our Group or any executive Director; or

(x) any contravention by any member in our Group or any Director on the Companies Ordinance, the Company Law of the PRC or the Listing Rules in any material respect; or

(xi) any of the chairman or the chief executive officer of our Company vacating his or her office; or

(xii) a governmental authority or a regulatory body or organization in any Relevant Jurisdiction commencing any investigation or other action or proceedings, or announcing an intention to investigate or take other action or proceedings, against any member of our Group or any Director; or

(xiii) any of our executive Directors being charged with an indictable offence or prohibited by operation of laws or otherwise disqualified from taking part in the management of a company; or

(xiv) any material adverse change or prospective material adverse change in the earnings, results of operations, business, business prospects, financial or trading position, conditions (financial or otherwise) or prospects of any member of our Group; or

(xv) any valid demand by creditors for repayment of indebtedness of any member of our Group prior to its stated maturity; or

(xvi) any order or petition for the winding up of or liquidation of any member of our Group or any composition or arrangement made by any member of our Group with its creditors or a scheme of arrangement entered into by any member of our Group or any resolution for the winding-up of any member of our Group or the appointment of a provisional liquidator, receiver or manager over all or part of the material assets or undertaking of any member of our Group or anything analogous thereto occurring in respect of any member of our Group; or

(xvii) a prohibition by a government authority on our Company for whatever reason from allotting, issuing or selling the Shares (including the Over-allotment Option Shares) pursuant to the terms of the Global Offering; or

(xviii) non-compliance of this prospectus (or any other documents used in connection with the contemplated subscription and sale of the Offer Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable law; or

(xix) the imposition of economic sanctions, in whatever form, directly or indirectly, by, or for, any Relevant Jurisdiction on any member of our Group,

which, in any such case individually or in the aggregate, in the sole and absolute opinion of the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters):

(A) has or will have or may have a material adverse effect on the assets, liabilities, business, general affairs, management, shareholder's equity, profit, losses, results of operations, position or condition (financial or otherwise), or prospects of our Group as a whole; or

(B) has or will have or may have a material adverse effect on the success of the Global Offering or the level of Offer Shares being applied for or accepted or subscribed for or purchased; or

(C) makes or will make it or may make it impracticable or inadvisable or incapable to proceed with the Global Offering or the delivery of the Offer Shares on the terms and in the manner contemplated by this prospectus, the Application Forms, the Formal Notice, the preliminary offering circular or the offering circular; or

(D) would have or may have the effect of making a part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or which prevents the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof.

(b) the Sole Global Coordinator may, for itself and on behalf of the Hong Kong Underwriters, in its sole and absolute discretion and upon giving notice orally or in writing to our Company, terminate the Hong Kong Underwriting Agreement with immediate effect if there has come to the notice of the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters):

(i) that any statement contained in the Offering Documents (as defined in the Hong Kong Underwriting Agreement) and/or any notices, announcements, advertisements, communications issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) was or has become untrue, incomplete, incorrect or misleading in any material respect or any forecasts, estimate, expressions of opinion, intention or expectation expressed in the Hong Kong Public Offering Documents (as defined in the Hong Kong Underwriting Agreement) and/or any notices, announcements, advertisements, communications so issued or used are not fair and honest and made on reasonable grounds or, where appropriate, based on reasonable assumptions, when taken as a whole; or

(ii) any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, not having been disclosed in the Offering Documents, constitutes a material omission therefrom; or

(iii) either (a) there has been a material breach of any of the representations, warranties, undertakings or provisions of either the Hong Kong Underwriting Agreement or the International Underwriting Agreement by our Company or our Controlling Shareholders (other than any breach thereof by the Sole Sponsor, the Sole Global Coordinator, the Joint Lead Managers, the Joint Bookrunners, the Hong Kong Underwriters or the International Underwriters) or (b) any of the representations, warranties and undertakings given by our Company and our Controlling Shareholders in the Hong Kong Underwriting Agreement or the International Underwriting Agreement, as applicable, is (or would when repeated be) untrue, incorrect, incomplete or misleading in any material respect; or

(iv) any event, act or omission which gives or is likely to give rise to any material liability of our Company and our Controlling Shareholders pursuant to the indemnities given by our Company under the Hong Kong Underwriting Agreement; or

(v) a material portion of the orders placed or confirmed in the book-building process, or the investment commitments by any cornerstone investors, have been withdrawn, terminated or cancelled or if any cornerstone investors is unlikely to fulfill its obligation under the respective agreement; or

(vi) any expert described under "Statutory and General Information — D. Other Information — 8. Consents of experts" in Appendix IV to this prospectus has withdrawn its respective consent (other than the Sole Sponsor) prior to the issue of this prospectus; or

(vii) any material adverse change or prospective adverse change or development involving a prospective material adverse change in the assets, business, general affairs, management, shareholder's equity, profits, losses, properties, results of operations, in the position or condition (financial or otherwise) or prospects of our Company and our subsidiaries, as a whole; or

(viii) the grant or agreement to grant the approval by the Listing Committee of the listing of, and permission to deal in, our Shares on the Main Board (the "**Admission**") is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the Admission is subsequently withdrawn, cancelled, qualified (other than by customary conditions), revoked or withheld; or

(ix) our Company has withdrawn the Offering Documents (and/or any other documents issued or used in connection with the Global Offering) or the Global Offering.

Undertakings to the Stock Exchange pursuant to the Listing Rules

Undertakings by our Company

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that no further Shares or securities convertible into our equity securities (whether or not a class already listed) may be issued by us, or form the subject of any agreement to such an issue by us, within six months from the Listing Date (whether or not such issue of Shares or our securities will be completed within six months from the Listing Date) and except pursuant to the Capitalisation Issue, the Global Offering, the exercise of the Over-allotment Option and/or under the circumstances prescribed by Rule 10.08 of the Listing Rules.

Undertakings by our Controlling Shareholders

Pursuant to Rule 10.07(1) of the Listing Rules, each of our Controlling Shareholders has undertaken to the Stock Exchange and our Company that, except pursuant to the Capitalization Issue, the Global Offering, the Stock Borrowing Agreement and the exercise of the Over-allotment Option, it/he/she shall not and shall procure that the relevant registered holder(s) of the Shares shall not:

(i) in the period commencing on the date of this prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of our Shares or securities of our Company in respect of which it/he/she is shown by this prospectus to be the beneficial owners; or

(ii) in the period of six months commencing on the date on which the period referred to (i) above expires, dispose of, nor enter into any agreement to dispose of, or otherwise create any options, rights, interests or encumbrances in respect of, any of our Shares or securities of our Company referred to in paragraph (i) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it/he/she would then cease to be a group of Controlling Shareholders.

Note (2) to Rule 10.07(2) of the Listing Rules provides that the rule does not prevent our Controlling Shareholders from using the Shares owned by it/he/she as security (including a charge or a pledge) in favor of an authorized institution (as defined in the Banking Ordinance, Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan.

In addition, pursuant to Note 3 to Rule 10.07(2) of the Listing Rules, each of our Controlling Shareholders has further undertaken to us and the Stock Exchange that it/he/she shall, within the period commencing on the date of this prospectus and ending on the date which is 12 months from the Listing Date, it/he/she will:

(a) when it/he/she pledges or charges any of our Shares or securities of our Company beneficially owned by it/him/her in favor of any authorized institution (as defined in the Banking Ordinance, Chapter 155 of the Laws of Hong Kong) pursuant to Note 2 to Rule 10.07(2) of the Listing Rules, immediately inform our Company of such pledge/charge together with the number of such Shares or securities of our Company so pledged or charged; and

(b) when it/he/she receives indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged Shares or other securities of our Company will be disposed of, immediately inform our Company in writing of such indications.

We will also inform the Stock Exchange as soon as we have been informed of the matters referred to in paragraphs (a) and (b) above by any of our Controlling Shareholders and make a public disclosure by way of an announcement in accordance with the Listing Rules as soon as possible.

Undertakings pursuant to the Hong Kong Underwriting Agreement

Undertakings by our Company

Our Company has undertaken to each of the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters that, among others, pursuant to the Hong Kong Underwriting Agreement, that, except pursuant to the Capitalization Issue, the Global Offering, the Stock Borrowing Agreement and the exercise of the Over-allotment Option and the issue of Shares thereof as otherwise permitted under the Listing Rules (including but not limited to Rule 10.08 of the Listing Rules) and provided that the below restrictions shall not apply to any pledge or charge of Shares of any of our Controlling Shareholders in favour of any authorized institution as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan, at any time after the date of the Hong Kong Underwriting Agreement up to and including the date falling six months after the Listing Date (the "**First Six- Month Period**"), we will not, (and each of our Controlling Shareholders shall procure that our Company will not ourselves) without the prior written consent of the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

(i) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, assign, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an Encumbrance (as defined in the Hong Kong Underwriting Agreement) over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, or repurchase, any legal or beneficial interest in the share capital or any other equity securities of our Company, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represents the right to receive, or any warrants or other rights to purchase any share capital or other equity securities of our Company), or deposit any share capital or other equity securities of our Company with a depositary in connection with the issue of depositary receipts; or

(ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership (legal or beneficial) of our Shares or any other equity securities of our Company, or any interest in any of the foregoing (including, without limitation, any equity securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any other equity securities of our Company); or

(iii) enter into any transaction with the same economic effect as any transaction described in (i) or (ii) above; or

(iv) offer to or agree to do any of the foregoing or announce any intention to do so,

in each case, whether any of the foregoing transactions is to be settled by delivery of share capital or such other equity securities, in cash or otherwise (whether or not the issue of such share capital or other equity securities will be completed within the First Six-Month Period). Our Company has further agreed that, in the event our Company is allowed to enter into any of the transactions described in (i), (ii) or (iii) above or offers to or agrees to or announces any intention to effect any such transaction during the period of six months commencing on the date on which the First Six-Month Period expires (the "**Second Six- Month Period**"), we will take all reasonable steps to ensure that such an issue or disposal will not, and no other act of our Company will, create a disorderly or false market for any Shares or other securities of our Company.

Undertakings by our Controlling Shareholders

Each of the Controlling Shareholders has undertaken to each of the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters that, pursuant to the Hong Kong Underwriting Agreement, except pursuant to the Global Offering, the Stock Borrowing Agreement and the exercise of the Over-allotment Option and the issue of the Shares thereof, without the prior written consent of the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters), he/she/it will not,

(i) at any time during the First Six-Month Period, (a) offer, accept subscription for, pledge, charge (other than any pledge or charge of the issued share capital of our Company after consummation of the Global Offering (assuming the Over-allotment Option is not exercised) in favour of an authorized institution as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan in compliance with Note 2 to Rule 10.07 of the Listing Rules), allot, issue, sell, lend, mortgage, assign, contract to allot, issue or sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, or repurchase any of his/her/its share capital or other securities of our Company or any interest therein (including but not limited to any securities convertible into or exercisable or exchangeable for or that represent the right to receive any such share capital or securities or any interest therein); or (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership (legal or beneficial) of our Shares or any other equity securities of our Company or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any other equity securities of our Company); or (c) enter into any transaction with the same economic effect as any transaction specified in (i) or (ii) above; or (d) offer to or agree to do any of the foregoing or announce any intention to do so, in each case, whether any of the foregoing transactions is to be settled by delivery of share capital or such other securities, in cash or otherwise; and

(ii) at any time during the Second Six-Month Period, enter into any of the transactions specified in (i)(a), (b) or (c) above or offer to or agree to or announce any intention to effect any such transaction if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or encumbrance pursuant to such transaction, he/she/it will cease to be a "controlling shareholder" (as defined in the Listing Rules) of our Company; or until the expiry of the Second Six-Month Period, in the event that it enters into any of the transactions specified in (i)(a), (b) or (c) above or offers to or agrees to or announce any intention to effect any such transaction, he/she/it will take all reasonable steps to ensure that he/she/it will not create a disorderly or false market in the securities of our Company, provided that, subject to strict compliance with any requirements of applicable laws (including, without limitation and for the avoidance of doubt, the requirements of the Stock Exchange or of the SFC or of any other relevant governmental authority), nothing shall prevent any of our Controlling Shareholders from using equity securities of our Company beneficially owned by he/she/it as security in favour of an authorized institution (as defined in the Banking Ordinance (Chapter 155) of the laws of Hong Kong).

Indemnity

Our Company and each of our Controlling Shareholders has agreed to indemnify, among others, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters against certain losses which they may suffer, including losses arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by our Company, or our Controlling Shareholders of the Hong Kong Underwriting Agreement.

International Offering

International Underwriting Agreement

In connection with the International Offering, our Company expects to enter into the International Underwriting Agreement with, among others, our executive Directors, our Controlling Shareholders, the Sole Global Coordinator and the International Underwriters. Under the International Underwriting Agreement, the International Underwriters would, subject to certain conditions set out therein, severally, but not jointly, agree to purchase the International Offering Shares or procure purchasers for the International Offer Shares. The International Underwriting Agreement is expected to provide that it may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors shall be reminded that in the event that the International Underwriting Agreement is not entered into, the Global Offering will not proceed. It is expected that pursuant to the International Underwriting Agreement, our Company will give undertakings similar to as those given pursuant to the Hong Kong Underwriting Agreement as described in "— Underwriting Arrangements and Expenses — Hong Kong Public Offering — Undertakings by our Company" in this section.

Under the International Underwriting Agreement, our Company expects to grant to the International Underwriters the Over-allotment Option, exercisable by the Sole Global Coordinator (for itself and on behalf of the International Underwriters) at any time from the Listing Date up to (and including) the date which is the 30th day after the last date for the lodging of Application Forms under the Hong Kong Public Offering, to require our Company to issue and allot up to an aggregate of 225,000,000 additional Shares, representing in aggregate not more than 15% of the number of Offer Shares initially available under the Global Offering. These additional Shares will be issued or sold at the Offer Price and used to cover over-allocation, if any, in the International Offering.

It is expected that each of our Controlling Shareholders will undertake to the International Underwriters not to dispose of, or enter into any agreement to dispose of, or otherwise create any options, rights, interest or encumbrances in respect of any of the Shares held by them in our Company for a period similar to such undertakings given by it pursuant to the Hong Kong Underwriting Agreement, which is described in "— Underwriting Arrangements and Expenses — Hong Kong Public Offering — Undertakings pursuant to the Hong Kong Underwriting Agreement — Undertakings by our Controlling Shareholders" in this section.

Underwriting commission and expenses

The Hong Kong Underwriters will receive a commission of 2.5% of the aggregate Offer Price of all the Hong Kong Offer Shares, out of which they will pay any sub-underwriting commission. In addition, we agree, at our sole discretion, to pay to the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) a discretionary incentive fee of up to 1.0% of the aggregate Offer Price of all the Hong Kong Offer Shares. Assuming the Over-allotment Option is not exercised at all, the aggregate commission and discretionary incentive fee payable to the International Underwriters and the Hong Kong Underwriters, the Stock Exchange listing fees, the Stock Exchange trading fee, the SFC transaction levy, legal and other professional fees, printing and other expenses relating to the Global Offering are currently estimated to be about HK$89.0 million in aggregate (based on an Offer Price of HK$8.75 per Share, being the mid-point of the stated range of the Offer Price between HK$7.50 and HK$10.00 per Share, and on the assumption that the Over-allotment Option is not exercised) is to be borne by our Company. For unsubscribed Hong Kong Offer Shares reallocated to the International Offering, we will pay an underwriting commission and discretionary incentive fee at the rate applicable to the International Offering and such commission will be paid to the Sole Global Coordinator and the relevant International Underwriters (but not the Hong Kong Underwriters).

SOLE SPONSOR'S INDEPENDENCE

The Sole Sponsor satisfies the independence criteria applicable set out in Rule 3A.07 of the Listing Rules. For further details, see "Statutory and General Information — D. Other Information — 3. Sole Sponsor" in Appendix IV to this prospectus.

UNDERWRITERS' INTERESTS IN OUR COMPANY

The Sole Global Coordinator and the other Underwriters will receive an underwriting commission. Particulars of these under underwriting commission and expenses are set out in "— Underwriting commission and expenses" for details.

Other than pursuant to the Hong Kong Underwriting Agreement, none of the Hong Kong Underwriters has any shareholding in any member of our Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

Following the completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the Hong Kong Underwriting Agreement.

MINIMUM PUBLIC FLOAT

Our Directors will ensure that there will be a minimum 25% of the total issued Shares held in public hands in accordance with Rule 8.08 of the Listing Rules after completion of the Global Offering.

ACTIVITIES BY SYNDICATE MEMBERS

The underwriters of the Hong Kong Public Offering and the International Offering (together, the "**Syndicate Members**") and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting or stabilizing process.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In relation to our Shares, those activities could include acting as agent for buyers and sellers of our Shares, entering into transactions with those buyers and sellers in a principal capacity, proprietary trading in our Shares, and entering into over the counter or listed derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying assets, assets including our Shares. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of our Shares. All such activity could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in our Shares, in baskets of securities or indices including our Shares, in units of funds that may purchase our Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having our Shares as their underlying securities, whether on the Stock Exchange or on any other stock exchange, the rules of the exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in our Shares in most cases.

All such activities may occur both during and after the end of the stabilizing period described in "Structure of the Global Offering" in this prospectus. Such activities may affect the market price or value of our Shares, the liquidity or trading volume in our Shares and the volatility of the price of our Shares, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

(a) the Syndicate Members (other than the Stabilizing Manager or any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilizing or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and

(b) the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. ABCI Capital Limited is the Sole Sponsor and the Sole Global Coordinator. ABCI Capital Limited, China Industrial Securities International Capital Limited, Guotai Junan Securities (Hong Kong) Limited, CRIC Securities Company Limited, Zhongtai International Securities Limited and CMB International Capital Limited are the Joint Bookrunners. ABCI Securities Company Limited, China Industrial Securities International Capital Limited, Guotai Junan Securities (Hong Kong) Limited, CRIC Securities Company Limited, Zhongtai International Securities Limited, CMB International Capital Limited and Lead Securities (HK) Limited are the Joint Lead Managers.

150,000,000 Offer Shares will be made available under the Global Offering comprising:

(a) the Hong Kong Public Offering of 15,000,000 Shares (subject to reallocation) in Hong Kong as described in "— The Hong Kong Public Offering" below; and

(b) the International Offering of 135,000,000 Shares (subject to reallocation and the Over-allotment Option) outside the United States in reliance on Regulation S of the U.S. Securities Act as described in "— The International Offering" below.

Of the 135,000,000 Offer Shares initially being offered under the International Offering, 14,369,156 Offer Shares will be made available for subscription by Qualifying Powerlong Shareholders under the Preferential Offering as Assured Entitlement as described in the paragraph headed "The Preferential Offering" in this section below.

Investors may either:

(a) apply for the Offer Shares under the Hong Kong Public Offering; or

(b) indicate an interest, if qualified to do so, for the Offer Shares under the International Offering,

but may not do both (except that Qualifying Powerlong Shareholders who are eligible to apply for Reserved Shares in the Preferential Offering may either (i) apply for Hong Kong Offer Shares under the Hong Kong Public Offering, if eligible, or (ii) indicate an interest for International Offer Shares under the International Offering, if qualified to do so).

Qualifying Powerlong Shareholders may make an application for Reserved Shares on a **BLUE** Application Form and, in addition, will be entitled to apply for Hong Kong Offer Shares under the Hong Kong Public Offering but may not indicate an interest for International Offer Shares under the International Offering (other than an application to subscribe for Reserved Shares under the Preferential Offering).

The Offer Shares will represent 25% of the total Shares in issue immediately following the completion of the Global Offering, assuming the Over-allotment Option is not exercised. If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 27.71% of the total Shares in issue immediately following the completion of the Global Offering and the exercise of the Over-allotment Option.

References in this prospectus to applications, Application Forms, application or subscription monies, or procedure for applications relate solely to the Hong Kong Public Offering and the Preferential Offering.

THE HONG KONG PUBLIC OFFERING

Number of Offer Shares initially offered

The Company is initially offering 15,000,000 Offer Shares for subscription by the public in Hong Kong at the Offer Price, representing 10% of the total number of Offer Shares initially available under the Global Offering. The number of Shares offered under the Hong Kong Public Offering, subject to any reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, will represent 2.5% of the total Shares in issue immediately following the completion of the Global Offering, assuming that the Over-allotment Option is not exercised.

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters on a several basis under the terms of the Hong Kong Underwriting Agreement and is subject to our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) agreeing on the Offer Price. Completion of the Hong Kong Public Offering is subject to the conditions as set out in "— Conditions of the Global Offering."

Allocation

Allocation of the Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

For allocation purposes only, the total number of the Offer Shares initially available under the Hong Kong Public Offering (after taking account of any reallocation in the number of Offer Shares allocated between the Hong Kong Public Offering and the International Offering referred to below) will be divided into two pools (subject to adjustment of odd lot size): pool A and pool B, with any odd board lot being allocated to Pool A.

Pool A will comprise 7,500,000 Hong Kong Offer Shares and pool B will comprise 7,500,000 Hong Kong Offer Shares, both of which are available on an equitable basis to successful applicants. All valid applications that have been received for Hong Kong Offer Shares with a total amount (excluding brokerage of 1.0%, the SFC transaction levy of 0.0027% and the Stock Exchange trading fee 0.005%) of HK$5 million or below will fall into pool A and all valid applications that have been received for Hong Kong Offer Shares with a total amount (excluding brokerage of 1.0%, the SFC transaction levy of 0.0027% and the Stock Exchange trading fee 0.005%) of over HK$5 million and up to the total value of pool B will fall into pool B.

For the purpose of this paragraph only, the "subscription price" for our Hong Kong Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined).

Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If the Hong Kong Offer Shares in one (but not both) of the pools are undersubscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. Applicants can only apply for Hong Kong Offer Shares from either pool A or pool B but not from both pools and can only receive Hong Kong Offer Shares from either pool A or pool B but not from both pools. Multiple or suspected multiple applications within either pool or between pools will be rejected.

No application will be accepted from applicants for more than 7,500,000 Hong Kong Offer Shares (being 50% of the initial number of Hong Kong Offer Shares).

Reallocation and clawback

The allocation of Offer Shares between the Hong Kong Public Offering and the International Offering is subject to reallocation on the following basis:

(a) if both the Hong Kong Offer Shares and the International Offer Shares are undersubscribed, the Global Offering shall not proceed unless the Underwriters would subscribe or procure subscribers for their respective applicable proportions of the Offer Shares being offered which are not taken up under the Global Offering on the terms and conditions of this prospectus, the Application Forms and the Underwriting Agreements;

(b) if the Hong Kong Offer Shares are undersubscribed and the International Offer Shares are oversubscribed, the Sole Global Coordinator (for itself and on behalf of the other Underwriters) has the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering, in such proportions as the Sole Global Coordinator deems appropriate;

(c) the International Offer Shares are fully subscribed or oversubscribed, and:

(i) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then 30,000,000 Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be increased to 45,000,000 Offer Shares, representing 30% of the number of the Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option);

(ii) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then 45,000,000 Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the number of the Offer Shares available under the Hong Kong Public Offering will be increased to 60,000,000 Offer Shares, representing 40% of the number of the Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option); and

(iii) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 100 times or more the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then 60,000,000 Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the number of the Offer Shares available under the Hong Kong Public Offering will be increased to 75,000,000 Offer Shares, representing 50% of the number of the Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option),

in each case the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between Pool A and Pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as the Sole Global Coordinator (for itself and on behalf of the Underwriters) deems appropriate.

(d) pursuant to the Stock Exchange's Guidance Letter HKEX-GL91-18:

(i) if the International Offer Shares are undersubscribed and if the Hong Kong Offer Shares are oversubscribed, irrespective of the number of times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering in such circumstances; or

(ii) if the International Offer Shares are fully subscribed or oversubscribed, and if the Hong Kong Offer Shares are fully subscribed or oversubscribed but the number of Shares validly applied for under the Hong Kong Public Offering represents less than 15 times of the initial number of the Hong Kong Offer Shares,

then, provided that the final Offer Price is fixed at the low-end of the indicative Offer Price range (i.e. HK$7.50 per Offer Share) stated in this prospectus, in accordance with Guidance Letter HKEX-GL91-18 issued by the Stock Exchange, up to 15,000,000 Offer Shares may be reallocated from the International Offering to satisfy valid applications in Pool A and Pool B under the Hong Kong Public Offering, so that the total number of Offer Shares available for subscription under the Hong Kong Public Offering will be increased up to 30,000,000 Shares, and such limit represents 20% of the number of the Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option).

References in this prospectus to applications, Application Forms, application monies or to the procedure for application relate solely to the Hong Kong Public Offering.

The Reserved Shares which are offered under the Preferential Offering to Qualifying Powerlong Shareholders out of the Offer Shares being offered under the International Offering will not be subject to reallocation between the Hong Kong Public Offering and the International Offering.

Applications

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the application submitted by him that he and any person(s) for whose benefit he is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares under the International Offering. Such applicant's application is liable to be rejected if such undertaking and/or confirmation is/are breached and/or untrue (as the case may be) or it has been or will be placed or allocated International Offer Shares under the International Offering.

The listing of the Shares on the Stock Exchange is sponsored by the Sole Sponsor. Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum Offer Price of HK$10.00 per Offer Share in addition to the brokerage, SFC transaction levy and Stock Exchange trading fee payable on each Offer Share. If the Offer Price, as finally determined in the manner described in "— Pricing and Allocation" below, is less than the maximum Offer Price of HK$10.00 per Offer Share, appropriate refund payments (including the brokerage, SFC transaction levy and Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out below in "How to Apply for the Hong Kong Offer Shares and Reserved Shares" in this prospectus.

THE PREFERENTIAL OFFERING

Basis of the Assured Entitlement

In order to enable Powerlong Shareholders to participate in the Global Offering on a preferential basis as to allocation only, subject to the Stock Exchange granting approval for the listing of, and permission to deal in, the Shares on the Main Board of the Stock Exchange and the Global Offering becoming unconditional, Qualifying Powerlong Shareholders are being invited to apply for an aggregate of 14,369,156 Reserved Shares in the Preferential Offering, representing approximately 9.58% of the Offer Shares available under the Global Offering (without taking into account of the Shares which may be issued and allotted pursuant to the exercise of the Over-allotment Option) as Assured Entitlement. The Reserved Shares are being offered out of the International

Offer Shares under the International Offering and are not subject to reallocation as described in "— The Hong Kong Public Offering — Reallocation" above. In the event that the Over-allotment Option is exercised, the number of Reserved Shares will not change.

The basis of the Assured Entitlement is one Reserved Share for every integral multiple of 100 Powerlong Shares held by Qualifying Powerlong Shareholders as at 4:30 p.m. on the Record Date.

Qualifying Powerlong Shareholders should note that Assured Entitlement to Reserved Shares may not represent a number of a full board lot of 500 Shares. Further, the Reserved Shares allocated to the Qualifying Powerlong Shareholders will be rounded down to the closest whole number if required, and dealings in odd lots of the Shares may be at a price below the prevailing market price for full board lots.

Assured Entitlement of Qualifying Powerlong Shareholders to Reserved Shares are not transferable and there will be no trading in nil-paid entitlements on the Stock Exchange.

Qualifying Powerlong Shareholders who hold less than 100 Powerlong Shares on the Record Date and therefore will not have an Assured Entitlement to the Reserved Shares will still be entitled to participate the Preferential Offering by applying only for excess Reserved Shares as further described below.

Basis of Allocation for Applications for Reserved Shares

Qualifying Powerlong Shareholders may apply for a number of Reserved Shares which is greater than, less than or equal to their Assured Entitlement under the Preferential Offering.

A valid application for a number of Reserved Shares which is less than or equal to a Qualifying Powerlong Shareholder's Assured Entitlement under the Preferential Offering will be accepted in full, subject to the terms and conditions set out in the **BLUE** Application Forms, and assuming the conditions of the Preferential Offering are satisfied.

Where a Qualifying Powerlong Shareholder applies for a number of Reserved Shares which is greater than the Qualifying Powerlong Shareholder's Assured Entitlement under the Preferential Offering, the relevant Assured Entitlement will be satisfied in full (subject to terms and conditions mentioned above) but the excess portion of such application will only be met to the extent that there are sufficient Available Reserved Shares as described below.

Where a Qualifying Powerlong Shareholder applies for excess Reserved Shares only under the Preferential Offering, such application will only be satisfied to the extent that there are sufficient Available Reserved Shares as described below.

Qualifying Powerlong Shareholders (other than HKSCC Nominees) who intend to apply for less than their Assured Entitlement using the **BLUE** Application Forms for Assured Entitlement or who intend to apply for excess Reserved Shares using the **BLUE** Application Forms for excess Reserved Shares, should apply for a number which is one of the numbers set out in the table of numbers and payments in the **BLUE** Application Form and make a payment of the corresponding amount. If you are a Qualifying Powerlong Shareholder and wish to apply for excess Reserved Shares in addition to your Assured Entitlement, you should complete and sign the **BLUE** Application Form for excess Reserved Shares and lodge it, together with a separate remittance for the full amount payable on application in respect of the excess Reserved Shares applied for.

To the extent that the excess applications for the Reserved Shares are:

(a) less than the Reserved Shares not taken up by the Qualifying Powerlong Shareholders' Assured Entitlement (the "**Available Reserved Shares**"), the Available Reserved Shares will first be allocated to satisfy such excess applications for the Reserved Shares in full and thereafter will be allocated, at the discretion of the Sole Global Coordinator, to the International Offering;

(b) equal to the Available Reserved Shares, the Available Reserved Shares will be allocated to satisfy such excess applications for the Reserved Shares in full; or

(c) more than the Available Reserved Shares, the Available Reserved Shares will be allocated on a fair and reasonable basis, which is consistent with the allocation basis commonly used in the case of over-subscriptions in public offerings in Hong Kong, where a higher allocation percentage will be applied in respect of smaller applications of excess Reserved Shares. If there is an odd lot number of Shares left after satisfying the excess applications, such number of odd lot Shares will be re-allocated, at the discretion of the Sole Global Coordinator, to the International Offering.

Save for the above, the Preferential Offering will not be subject to the clawback arrangement between the International Offering and the Hong Kong Public Offering.

Beneficial Powerlong Shareholders whose Powerlong Shares are held by a nominee company should note that the Company will regard the nominee company as a single Powerlong Shareholder according to the register of members of Powerlong Holdings. Accordingly, such Beneficial Powerlong Shareholders whose Powerlong Shares are held by a nominee company should note that the arrangement under paragraph (c) above will not apply to them individually. Any Beneficial Powerlong Shareholders whose Powerlong Shares are registered in the name of a nominee, trustee or registered holder in any other capacity should make arrangements with such nominee, trustee or registered holder in relation to applications for Reserved Shares under the Preferential Offering. Any such person is advised to consider whether it wishes to arrange for the registration of the relevant Powerlong Shares in the name of the beneficial owner prior to the Record Date.

Applications by Qualifying Powerlong Shareholders for Hong Kong Offer Shares

In addition to any application for Reserved Shares made on a **BLUE** Application Form, Qualifying Powerlong Shareholders will be entitled to make one application for Hong Kong Offer Shares on **WHITE** or **YELLOW** Application Forms or by giving **electronic application instructions** to HKSCC via CCASS or through the **White Form eIPO** service. Qualifying Powerlong Shareholders will receive no preference as to entitlement or allocation in respect of applications for Hong Kong Offer Shares made on **WHITE** or **YELLOW** Application Forms or by giving electronic application instructions to HKSCC or through the **White Form eIPO** service under the Hong Kong Public Offering.

Beneficial Powerlong Shareholders who hold Powerlong Shares through Shenzhen-Hong Kong Stock Connect

As of the Latest Practicable Date, Powerlong Shares are eligible stock for southboard trading under the Shenzhen-Hong Kong Stock Connect but are not eligible stock under Shanghai-Hong Kong Stock Connect. Beneficial Powerlong Shareholders who hold Powerlong Shares through Shenzhen-Hong Kong Stock Connect should note that pursuant to Article 23 of the Implementation Rules for Registration, Depository and Clearing Services under the Mainland China-Hong Kong Stock Markets Connect Program (《內地與香港股票市場交易互聯互通機制登記、存管、結算業務實施細則》), CSDCC does not provide services relating to the subscription of newly issued shares. Accordingly, Beneficial Powerlong Shareholders who hold Powerlong Shares through Shenzhen-Hong Kong Stock Connect cannot participate in the Preferential Offering and will not be able to take up their respective Assured Entitlement to the Reserved Shares under the Preferential Offering through the trading mechanism of Shenzhen-Hong Kong Stock Connect.

Qualifying Powerlong Shareholders

Only Powerlong Shareholders whose names appeared on the register of members of Powerlong Holdings on the Record Date are entitled to subscribe for the Reserved Shares under the Preferential Offering.

Distribution of this Prospectus and the BLUE Application Forms

A **BLUE** Application Form has been despatched to each Qualifying Powerlong Shareholder.

Qualifying Powerlong Shareholders may also obtain a printed copy of this prospectus during normal business hours from any of the designated branches of the receiving bank and the designated offices of each of those Hong Kong Underwriters as set out in "How to Apply for the Hong Kong Offer Shares and Reserved Shares."

Distribution of this prospectus and/or the **BLUE** Application Form(s) into any jurisdiction other than Hong Kong may be restricted by law. Persons into whose possession this prospectus and/or the **BLUE** Application Form(s) come (including, without limitation, agents, custodians, nominees and trustees) should inform themselves of, and observe, any such restriction. Any failure to comply with such restriction may constitute a violation of the securities laws of any such jurisdiction.

Receipt of this prospectus and/or the **BLUE** Application Form(s) does not and will not constitute an offer in those jurisdictions in which it would be illegal to make an offer and, in those circumstances, this prospectus and/or the **BLUE** Application Form(s) must be treated as sent for information only and should not be copied or redistributed.

Application Procedures

The procedures for application under and the terms and conditions of the Preferential Offering are set out in "How to Apply for the Hong Kong Offer Shares and Reserved Shares — B. Applications for Reserved Shares" and on the **BLUE** Application Forms.

The documents to be issued in connection with the Hong Kong Public Offering and the Preferential Offering will not be registered or filed under applicable securities or equivalent legislation of any jurisdiction other than Hong Kong. No action has been taken to permit an offering of the Hong Kong Offer Shares and the Reserved Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation.

THE INTERNATIONAL OFFERING

Number of Offer Shares offered

Subject to reallocation as described above, the International Offering will consist of an offering of initially 135,000,000 Offer Shares, representing 90% of the total number of Offer Shares initially available under the Global Offering. The International Offering is subject to the Hong Kong Public Offering becoming unconditional. The Reserved Shares being offered pursuant to the Preferential Offering are being offered out of the International Offer Shares.

Allocation

The International Offering will include selective marketing of Offer Shares to institutional and professional investors and other investors anticipated to have a sizeable demand for such Offer Shares. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Allocation of Offer Shares pursuant to the International Offering will be effected in accordance with the "bookbuilding" process described in "— Pricing and Allocation" below and based on a number of factors, including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Offer Shares, and/or hold or sell its Offer Shares, after the Listing. Such allocation is intended to result in a distribution of the Offer Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of the Company and the Shareholders as a whole.

The Sole Global Coordinator (for itself and on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Offering, and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Sole Global Coordinator so as to allow it to identify the relevant application under the Hong Kong Public Offering and to ensure that it is excluded from any application of Offer Shares under the Hong Kong Public Offering.

Reallocation

The total number of Offer Shares to be issued or sold pursuant to the International Offering may change as a result of the reallocation arrangement described in "— The Hong Kong Public Offering" above, the exercise of the Over-allotment Option in whole or in part and/or any reallocation of unsubscribed Offer Shares originally included in the Hong Kong Public Offering.

Over-allotment Option

In connection with the Global Offering, the Company is expected to grant an Over-allotment Option to the International Underwriters exercisable by the Sole Global Coordinator on behalf of the International Underwriters.

Pursuant to the Over-allotment Option, the International Underwriters have the right, exercisable by the Sole Global Coordinator (on behalf of the International Underwriters) at any time from the Listing Date until 30 days after the last date for the lodging of applications under the Hong Kong Public Offering, to require the Company to issue and allot up to 22,500,000 additional Offer Shares, representing 15% of the initial Offer Shares, at the same price per Offer Share under the International Offering to cover over-allocation in the International Offering, if any. If the Over-allotment Option is exercised in full, the additional Offer Shares will represent approximately 3.61% of the total Shares in issue immediately following the completion of the Global Offering and the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised, an announcement will be made.

STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the securities in the secondary market, during a specified period of time inter alia, to retard and, if possible, prevent, a decline in the market price of the securities below the offer price. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements, including those of Hong Kong. In Hong Kong, the price at which stabilization is effected is not permitted to exceed the offer price.

In connection with the Global Offering, the Stabilizing Manager or any person acting for it, on behalf of the Underwriters, may over-allocate or effect short sales or any other stabilizing transactions with a view to stabilizing or maintaining the market price of the Shares for a limited period after the Listing Date at a level higher than that which might otherwise prevail in the open market. Short sales involve the sale by the Stabilizing Manager of a greater number of Shares than the Underwriters are required to purchase in the Global Offering. "Covered" short sales are sales made in an amount not greater than the Over-allotment Option. The Stabilizing Manager may close out the covered short position by either exercising the Over-allotment Option to purchase additional Shares or purchasing Shares in the open market. In determining the source of the Shares to close out the covered short position, the Stabilizing Manager will consider, among others, the price of Shares in the open market as compared to the price at which they may purchase additional Shares pursuant to the Over-allotment Option. Stabilizing transactions consist of certain bids or purchases made for the purpose of preventing or retarding a decline in the market price of the Shares while the Global Offering is in progress. Any market purchases of the Shares may be effected on any stock exchange, including the Stock Exchange, any over-the-counter market or otherwise, provided that they are made in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilizing Manager or any person acting for it to conduct any such stabilizing action, which if taken, (a) will be conducted at the absolute discretion of the Stabilizing Manager or any person acting for it, (b) may be discontinued at any time, and (c) is required to be brought to an end within 30 days after the last day for the lodging of applications under the Hong Kong Public Offering. The number of the Shares that may be over-allocated will not exceed the number of the Shares that may be issued under the Over-allotment Option, namely, 22,500,000 Offer Shares, which is 15% of the number of Offer Shares initially available under the Global Offering, in the event that the whole or part of the Over-allotment Option is exercised.

In Hong Kong, stabilizing activities must be carried out in accordance with the Securities and Futures (Price Stabilizing) Rules. Stabilizing actions permitted pursuant to the Securities and Futures (Price Stabilizing) Rules include:

(a) over-allocating for the purpose of preventing or minimizing any reduction in the market price of the Shares;

(b) selling or agreeing to sell the Shares so as to establish a short position in them for the purpose of preventing or minimizing any deduction in the market price of the Shares;

(c) subscribing, or agreeing to subscribe, for the Shares pursuant to the Over-allotment Option in order to close out any position established under (a) or (b) above;

(d) purchasing, or agreeing to purchase, any of the Shares for the sole purpose of preventing or minimizing any reduction in the market price of the Shares;

(e) selling or agreeing to sell any Shares to liquidate any position established as a result of those purchases; and

(f) offering or attempting to do anything described in (b), (c), (d) and (e) above.

Stabilizing actions by the Stabilizing Manager, or any person acting for it, will be entered into in accordance with the laws, rules and regulations in place in Hong Kong on stabilization.

Prospective applications for investors in the Offer Shares should note that:

(a) as a result of effecting transactions to stabilize or maintain the market price of the Shares, the Stabilizing Manager, or any person acting for it, may maintain a long position in the Shares;

(b) the size of the long position, and the period for which the Stabilizing Manager, or any person acting for it, will maintain the long position is at the discretion of the Stabilizing Manager and is uncertain;

(c) liquidation of any such long position by the Stabilizing Manager and selling in the open market may lead to a decline in the market price of the Shares;

(d) no stabilizing action can be taken to support the price of the Shares for longer than the stabilizing period, which begins on the Listing Date, and is expected to expire on Saturday, January 18, 2020, being the 30th day after the last day for the lodging of applications under the Hong Kong Public Offering. After this date, when no further stabilizing action may be taken, demand for the Shares, and their market price, could fall after the end of the stabilizing period. These activities by the Stabilizing Manager may stabilize, maintain or otherwise affect the market price of the Shares. As a result, the price of the Shares may be higher than the price that otherwise may exist in the open market;

(e) any stabilizing action taken by the Stabilizing Manager, or any person acting for it, may not necessarily result in the market price of the Shares staying at or above the Offer Price either during or after the stabilizing period; and

(f) stabilizing bids or transactions effected in the course of the stabilizing action may be made at a price at or below the Offer Price and therefore at or below the price paid by applicants for, or investors in, the Offer Shares.

An announcement in compliance with the Securities and Futures (Price Stabilizing) Rules will be made within seven days of the expiration of the stabilizing period.

Over-Allocation

Following any over-allocation of Shares in connection with the Global Offering, the Stabilizing Manager or any person acting for it may cover such over-allocations by exercising the Over-allotment Option in full or in part, by using Shares purchased by the Stabilizing Manager or any person acting for it in the secondary market at prices that do not exceed the Offer Price, or through the stock borrowing arrangement as detailed below or a combination of these means.

Stock Borrowing Arrangement

To facilitate the settlement of over-allocation in connection with the Global Offering, the Stabilizing Manager may choose to borrow, whether on its own or through its affiliates, up to 22,500,000 Shares, representing 15% of the Offer Shares (being the maximum number of Offer Shares which may be issued upon exercise of the Over-allotment Option), from Powerlong BVI Holding, a Controlling Shareholder, pursuant to the Stock Borrowing Agreement which is expected to be entered into between the Stabilizing Manager and Powerlong BVI Holding. Such stock borrowing arrangement under the Stock Borrowing Agreement, if entered into, will not be subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules provided that the requirements set out in Rule 10.07(3) of the Listing Rules are complied with.

Such stock borrowing arrangement is fully described in this prospectus and must be for the sole purpose of covering any short position prior to the exercise of the Over-allotment Option. The same number of Offer Shares so borrowed must be returned to Powerlong BVI Holding or its nominees on or before the third Business Day following the earlier of (a) the last day on which the Over-allotment Option may be exercised, (b) the day on which the Over-allotment Option is exercised in full and the relevant Offer Shares subject to the Over-allotment Option having been issued and allotted by the Company, or (c) such earlier time as the Stabilizing Manager and Powerlong BVI Holding may agree in writing. No payment will be made to Powerlong BVI Holding by the Stabilizing Manager or its agent in relation to such stock borrowing arrangement.

PRICING AND ALLOCATION

The Offer Price is expected to be fixed by agreement between us and the Sole Global Coordinator (on behalf of the Hong Kong Underwriters) on the Price Determination Date, when market demand for the Offer Shares will be determined. The Price Determination Date is expected to be on or around Thursday, December 19, 2019 (Hong Kong time), and in any event, no later than Sunday, December 22, 2019 (Hong Kong time). Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the Offer Price range stated in this prospectus.

The Offer Price will not be more than HK$10.00 and is expected to be not less than HK$7.50, unless otherwise announced by no later than the morning of the last day for lodging applications under the Hong Kong Public Offering and/or Preferential Offering as further explained below. If you apply for the Offer Shares under the

Hong Kong Public Offering and/or Preferential Offering, you must pay the maximum offer price of HK$10.00 per Offer Share, plus 1.0% brokerage fee, 0.0027% SFC transaction levy and 0.005% Stock Exchange trading fee.

If the Offer Price, as finally determined in the manner described below, is lower than HK$10.00, we will refund the respective difference, including the brokerage fee, the Stock Exchange trading fee and the SFC transaction levy attributable to the surplus application monies. We will not pay interest on any refunded amounts. For details, see "How to Apply for the Hong Kong Offer Shares and Reserved Shares."

The International Underwriters will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building," is expected to continue up to, and to cease on or around, the last day for lodging applications under the Hong Kong Public Offering.

The Sole Global Coordinator, on behalf of the Hong Kong Underwriters, may, where considered appropriate based on the level of interest expressed by prospective professional, institutional and other investors during the book-building process, and with the consent of our Company, reduce the number of Offer Shares and/or the indicative Offer Price range below that stated in this prospectus prior to the morning of the last day for lodging applications under the Hong Kong Public Offering and/or Preferential Offering. In such a case, we will as soon as practicable following the decision to make such reduction and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering publish a notice on the website of the Stock Exchange **www.hkexnews.hk** and on our website **www.powerlongcm.com** (the contents of the website do not form a part of this prospectus).

Upon issue of such a notice, the revised number of Offer Shares and/or Offer Price range will be final and conclusive and the Offer Price, if agreed upon by us, will be fixed within such revised Offer Price range. Before submitting applications for the Hong Kong Offer Shares and/or Reserved Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares and/or the Offer Price range may not be made until the last day for lodging applications under the Hong Kong Public Offering and/or Preferential Offering. Such notice will also confirm or revise, as appropriate, the working capital statement, the Global Offering statistics as currently set out in "Summary," and any other financial information which may change as a result of such reduction. In the absence of any such notice so published, the Offer Price, if agreed upon with our Company and the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) will under no circumstances be set outside the Offer Price range stated in this prospectus.

If you have already submitted an application for the Hong Kong Offer Shares and/or Reserved Shares before the last day for lodging applications under the Hong Kong Public Offering and/or Preferential Offering, you will not be allowed to subsequently withdraw your application. However, if the number of Offer Shares and/or the Offer Price range is reduced, applicants will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

The Offer Price, an indication of the level of interest in the International Offering, the basis of allotment of Offer Shares available under the Hong Kong Public Offering and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering are expected to be made available in a variety of channels in the manner described in "How to Apply for the Hong Kong Offer Shares and Reserved Shares — E. Publication of Results" in this prospectus.

UNDERWRITING AGREEMENTS

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is subject to our Company and the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) agreeing on the Offer Price.

We expect to enter into the International Underwriting Agreement relating to the International Offering on the Price Determination Date. The underwriting arrangements under the Hong Kong Underwriting Agreement and the International Underwriting Agreement are summarized in the section "Underwriting" in this prospectus.

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for Offer Shares will be conditional on:

(i) the Listing Committee granting approval for the listing of, and permission to deal in, the Shares in issued and to be offered pursuant to the Global Offering as mentioned in this prospectus (including any additional Shares which may be issued pursuant to the exercise of the Over-allotment Option) and such approval not having been withdrawn;

(ii) the Offer Price having been duly agreed between the Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) on the Price Determination Date;

(iii) the execution and delivery of the Underwriting Agreements on or before the dates as mentioned in this prospectus; and

(iv) the obligations of the Underwriters under each of the respective Underwriting Agreements becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements.

In each case on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and, in any event, not later than the date which is 30 days after the date of this prospectus.

If, for any reason, the Offer Price is not agreed between the Company and the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) on or before Sunday, December 22, 2019, the Global Offering will not proceed and will lapse.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering and the Preferential Offering will be published by the Company on the website of the Stock Exchange at **www.hkexnews.hk** and the website of the Company at **www.powerlongcm.com** on the next day following such lapse. In such event, all application monies will be returned, without interest, on the terms set out in "How to Apply for the Hong Kong Offer Shares and Reserved Shares" in this prospectus. In the meantime, all application monies will be held in (a) separate bank account(s) with the receiving banker or other licensed bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

Share certificates for the Offer Shares are expected to be issued on Friday, December 27, 2019 but will only become valid certificates of title at 8:00 a.m. on Monday, December 30, 2019 provided that (i) the Global Offering has become unconditional in all respects and (ii) the right of termination as described in "Underwriting — Grounds for Termination" in this prospectus has not been exercised at or before that time.

SHARES WILL BE ELIGIBLE FOR CCASS

All necessary arrangements have been made enabling our Shares to be admitted into CCASS. If the Stock Exchange grants the listing of, and permission to deal in, our Shares and our Company complies with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in our Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Monday, December 30, 2019, it is expected that dealings in our Shares on the Stock Exchange will commence at 9:00 a.m. on Monday, December 30, 2019. The Shares will be traded in board lots of 500 Shares. The stock code of the Shares will be 9909.

A. APPLICATIONS FOR HONG KONG OFFER SHARES

1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Offer Shares (except in respect of Reserved Shares applied for pursuant to the Preferential Offering).

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **White Form eIPO** service at **www.eipo.com.hk**; or
- If you are a Qualifying Shareholder, also make an application for the Reserved Shares pursuant to the Preferential Offering by using a **BLUE** Application Form;
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except (i) where you are a nominee and provide the required information in your application; and (ii) if you are a Qualifying Shareholder, you may also apply for Reserved Shares by using a **BLUE** Application Form.

Our Company, the Sole Global Coordinator, **White Form eIPO** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a U.S. person (as defined in Regulation S); and
- are not a legal or natural person of the PRC.

You can also or alternatively apply for Reserved Shares on a **BLUE** Application Form if you are also a Qualifying Shareholder.

If you apply online through the **White Form eIPO** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorized officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Sole Global Coordinator may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **White Form eIPO** service for the Hong Kong Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you are:

- an existing beneficial owner of Shares in our Company and/or any its subsidiaries;
- a director or chief executive of our Company and/or any of its subsidiaries;
- a close associate (as defined in the Listing Rules) of any of the above persons;
- a core connected person (as defined in the Listing Rules) of our Company or will become a core connected person of our Company immediately upon completion of the Global Offering; or
- have been allocated or have applied for or indicated an interest in any International Offer Shares or otherwise participate in the International Offering (other than pursuant to the Preferential Offering).

3. APPLYING FOR HONG KONG OFFER SHARES

Which application channel to use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through **www.eipo.com.hk**.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Monday, December 16, 2019 until 12:00 noon on Thursday, December 19, 2019 from:

(i) the following office of Hong Kong Underwriters:

ABCI Securities Company Limited	10/F, Agricultural Bank of China Tower, 50 Connaught Road Central, Hong Kong
China Industrial Securities International Capital Limited	7/F, Three Exchange Square, 8 Connaught Place, Central, Hong Kong
Guotai Junan Securities (Hong Kong) Limited	28/F, Low Block, Grand Millennium Plaza, 181 Queen's Road Central, Hong Kong
CRIC Securities Company Limited	Unit 2007 & 2403, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong
Zhongtai International Securities Limited	19th Floor, Li Po Chun Chambers, 189 Des Voeux Road Central, Central, Hong Kong
CMB International Capital Limited	45th Floor, Champion Tower, 3 Garden Road, Central, Hong Kong
Lead Securities (HK) Limited	Unit A, 23/F, The Wellington, 198 Wellington Street, Sheung Wan, Hong Kong

(ii) any of the designated branches of the following receiving bank:

Bank of China (Hong Kong) Limited

District	Branch Name	Address
Hong Kong Island	Des Voeux Road West Branch	111-119 Des Voeux Road West, Hong Kong
	409 Hennessy Road Branch	409-415 Hennessy Road, Wan Chai, Hong Kong
	King's Road Branch	131-133 King's Road, North Point, Hong Kong
Kowloon	Wong Tai Sin Branch	Shop G13 & G13A, G/F, Temple Mall South, Wong Tai Sin, Kowloon
	Mei Foo Mount Sterling Mall Branch	Shop N47-49, G/F, Mount Sterling Mall, Mei Foo Sun Chuen, Kowloon
	Olympian City Branch	Shop 133, 1/F, Olympian City 2, 18 Hoi Ting Road, Kowloon
New Territories	Tai Po Plaza Branch	Unit 4, Level 1 Tai Po Plaza, 1 On Tai Road, Tai Po, New Territories
	Kwai Cheong Road Branch	40 Kwai Cheong Road, Kwai Chung, New Territories
	Yuen Long (Hang Fat Mansion) Branch	8-18 Castle Peak Road, Yuen Long, New Territories

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Monday, December 16, 2019 until 12:00 noon on Thursday, December 19, 2019 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

Time for lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a check or a banker's cashier order attached and marked payable to "BANK OF CHINA (HONG KONG) NOMINEES LIMITED — POWERLONG COMMERCIAL MANAGEMENT PUBLIC OFFER" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving banks listed above, at the following times:

- Monday, December 16, 2019 9:00 a.m. to 5:00 p.m.
- Tuesday, December 17, 2019 9:00 a.m. to 5:00 p.m.
- Wednesday, December 18, 2019 9:00 a.m. to 5:00 p.m.
- Thursday, December 19, 2019 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Thursday, December 19, 2019, the last application day or such later time as described in "— D. Effect of Bad Weather on the Opening of the Application Lists."

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the **WHITE** or **YELLOW** Application Form carefully; otherwise, your application may be rejected.

By submitting an **WHITE** or **YELLOW** Application Form or applying through **White Form eIPO** service, among other things, you:

(i) undertake to execute all relevant documents and instruct and authorize our Company and/or the Sole Global Coordinator (or their agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;

(ii) agree to comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Companies Ordinance and the Articles of Association;

(iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;

(iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;

(v) confirm that you are aware of the restrictions on the Global Offering in this prospectus;

(vi) agree that none of our Company, the Sole Global Coordinator, the Underwriters, their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);

(vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering nor participated in the International Offering;

(viii) agree to disclose to our Company, our Hong Kong Share Registrar, receiving banks, the Sole Global Coordinator, the Underwriters and/or their respective advisors and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

(ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Sole Global Coordinator and the Underwriters nor any of their respective officers or advisors will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;

(x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

(xi) agree that your application will be governed by the laws of Hong Kong;

(xii) represent, warrant and undertake that (a) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (b) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

(xiii) warrant that the information you have provided is true and accurate;

(xiv) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;

(xv) authorize our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and our Company and/or its agents to send any share certificate(s) and/or any e-Refund payment instructions and/or any refund check(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have fulfilled the criteria mentioned in "Personal Collection" section in the prospectus to collect the share certificate(s) and/or refund check(s) in person;

(xvi) declare and represent that except for an application made by a Qualifying Powerlong Shareholder under the Preferential Offering, this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(xvii) understand that our Company and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

(xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **White Form eIPO** service by you or by any one as your agent or by any other person; and

(xix) (if you are making the application as an agent for the benefit of another person) warrant that (a) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (b) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional instructions for YELLOW Application Form

You may refer to the **YELLOW** Application Form for details.

5. APPLYING THROUGH WHITE FORM eIPO SERVICE

General

Individuals who meet the criteria in "— 2. Who Can Apply" may apply through the **White Form eIPO** service for the Offer Shares to be allotted and registered in their own names through the designated website at **www.eipo.com.hk**.

Detailed instructions for application through **White Form eIPO** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website, you authorize **White Form eIPO** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **White Form eIPO** service.

Time for submitting applications under the White Form eIPO

You may submit your application to **White Form eIPO** service at **www. eipo.com.hk** (24 hours daily, except on the last application day) from 9:00 a.m. on Monday, December 16, 2019 until 11:30 a.m. on Thursday, December 19, 2019 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Thursday, December 19, 2019 or such later time in "— D. Effect of Bad Weather on the Opening of the Application Lists."

No multiple applications

If you apply by means of **White Form eIPO** service, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **White Form eIPO** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **White Form eIPO** service more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through **White Form eIPO** service or by any other means (except where you applied as or for a Qualifying Powerlong Shareholder under the Preferential Offering), all of your applications are liable to be rejected.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Commitment to Sustainability

The obvious advantage of **White Form eIPO** is to save the use of paper via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated **White Form eIPO** Service Provider, will contribute HK$2 for each "Powerlong Commercial Management Holdings Limited" **White Form eIPO** application submitted via the website **www.eipo.com.hk** to support sustainability.

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange **payment** of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System (**https://ip.ccass.com**) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input electronic application instructions for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Centre
1/F, One & Two Exchange Square
8 Connaught Place
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Sole Global Coordinator and our Hong Kong Share Registrar.

Giving electronic application instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

(i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

(ii) HKSCC Nominees will do the following things on your behalf:

- agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;

- agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;

- undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering (except in respect of Reserved Shares applied for under the Preferential Offering);

- (if the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;
- (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorized to give those instructions as their agent;
- confirm that you understand that our Company, our Directors and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;
- authorize our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- agree that none of our Company, the Sole Global Coordinator, the Underwriters, their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose your personal data to our Company, our Hong Kong Share Registrar, receiving banks, the Sole Global Coordinator, the Underwriters and/or its respective advisors and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the Application Lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Hong Kong Public Offering results;

- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Hong Kong Offer Shares;

- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving electronic application instructions) to observe and comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Companies Ordinance and the Articles of Association; and

- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

Effect of giving electronic application instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;

- instructed and authorized HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and

- instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum purchase amount and permitted numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 500 Hong Kong Offer Shares. Instructions for more than 500 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

Time for inputting electronic application instructions[1]

CCASS Clearing/Custodian Participants can input electronic application instructions at the following times on the following dates:

- Monday, December 16, 2019 9:00 a.m. to 8:30 p.m.
- Tuesday, December 17, 2019 8:00 a.m. to 8:30 p.m.
- Wednesday, December 18, 2019 8:00 a.m. to 8:30 p.m.
- Thursday, December 19, 2019 8:00 a.m. to 12:00 noon

Note:

(1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants and/or CCASS Investor Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Monday, December 16, 2019 until 12:00 noon on Thursday, December 19, 2019 (24 hours daily, except on the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Thursday, December 19, 2019, the last application day or such later time as described in the paragraph headed "Effect of bad weather on the opening of the application lists" in this section.

No multiple applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal data

The section of the Application Form headed "Personal Data" applies to any personal data held by our Company, our Hong Kong Share Registrar, the receiving bank, the Sole Global Coordinator, the Underwriters and any of their respective advisors and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **White Form eIPO** service is also only a facility provided by the **White Form eIPO** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **White Form eIPO** service will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE**, **YELLOW** or **BLUE** Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Thursday, December 19, 2019.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

If you are a Qualifying Powerlong Shareholder applying for Reserved Shares under the Preferential Offering on the **BLUE** Application Form you may also make one application for the Hong Kong Offer Shares wither on a **WHITE** or **YELLOW** Application Form or electronically through CCASS (if you are a CCASS Investor Participant or act through a CCASS Clearing or Custodian Participant) or submit an application through the **White Form eIPO** service through the designated website at **www.eipo.com.hk**. However, in respect of any application for Hong Kong Offer Shares using the above methods, you will not enjoy the preferential treatment accorded to you under the Preferential Offering as described in "Structure of the Global Offering — The Preferential Offering" in this prospectus.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through **White Form eIPO** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company.

then the application will be treated as being for your benefit.

"Unlisted company" means a company with no equity securities listed on the Stock Exchange. "Statutory control" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

B. APPLICATIONS FOR RESERVED SHARES

1. WHO CAN APPLY

Only Powerlong Shareholders whose names appeared on the register of members of Powerlong Holdings on the Record Date are entitled to subscribe for the Reserved Shares under the Preferential Offering.

Qualifying Powerlong Shareholders are entitled to apply on the basis of an Assured Entitlement or one Reserved Share for every 100 Powerlong Shares held by them on the Record Date.

Qualifying Powerlong Shareholders who hold less than 100 Powerlong Shares on the Record Date will not have an Assured Entitlement to the Reserved Shares, but they will still be entitled to participate in the Preferential Offering by applying for excess Reserved Shares.

If the applicant is a firm, the application must be in an individual members' names, but not in the name of the firm. If the applicant is a body corporate, the **BLUE** Application Form must be signed by a duly authorized officer, who must state his representative capacity, and stamped with the corporation's chop.

If an application is made by a duly authorized person under a valid power of attorney, the Company and the Sole Global Coordinator, as the Company's agents, may accept it at their discretion, and on any conditions they think fit, including requiring evidence of the attorney's authority. The Company and the Sole Global Coordinator, as the Company's agents, will have full discretion to reject or accept any application, in full or in part, without giving any reason.

You cannot apply for any Reserved Shares if you are:

- an existing beneficial owner of Shares in our Company and/or any of its subsidiaries;
- a director or chief executive of our Company and/or any of its subsidiaries;
- a close associate (as defined in the Listing Rules) of any of the above persons; or
- a core connected person (as defined in the Listing Rules) of our Company or will become a core connected person of our Company immediately upon completion of the Global Offering.

2. HOW TO APPLY

An application for Reserved Shares under the Preferential Offering may only be made by Qualifying Powerlong Shareholders using **BLUE** Application Forms which have been despatched to Qualifying Powerlong Shareholders by the Company.

Qualifying Powerlong Shareholders may apply for a number of Reserved Shares which is greater than, less than or equal to their Assured Entitlement or may apply only for excess Reserved Shares under the Preferential Offering. Qualifying Powerlong Shareholders who hold less than 100 Powerlong Shares on the Record Date and therefore will not have an Assured Entitlement to the Reserved Shares but will still be entitled to participate in the Preferential Offering by applying only for excess Reserved Shares.

A valid application for a number of Reserved Shares which is less than or equal to a Qualifying Powerlong Shareholder's Assured Entitlement under the Preferential Offering will be accepted in full, subject to the terms and conditions set out in the **BLUE** Application Forms assuming the conditions of the Preferential Offering are satisfied.

Where a Qualifying Powerlong Shareholder applies for a number of Reserved Shares which is greater than the Qualifying Powerlong Shareholder's Assured Entitlement under the Preferential Offering, the relevant Assured Entitlement will be satisfied full, subject as mentioned above, but the excess portion of such application will only be satisfied to the extent that there are sufficient Available Reserved Shares as described below.

Where a Qualifying Powerlong Shareholder applies for excess Reserved Shares only under the Preferential Offering, such application will only be satisfied to the extent that there are sufficient Available Reserved Shares as described below.

Qualifying Powerlong Shareholders (other than HKSCC Nominees) who intend to apply for less than their Assured Entitlement using the **BLUE** Application Forms for Assured Entitlement or who intend to apply for excess Reserved Shares using the **BLUE** Application Forms for excess Reserved Shares, should apply for a number which is one of the numbers set out in the table of numbers and payments in the **BLUE** Application Form and make a payment of the corresponding amount. If you are a Qualifying Powerlong Shareholder and wish to apply for excess Reserved Shares in addition to your Assured Entitlement, you should complete and sign the **BLUE** Application Form for excess Reserved Shares and lodge it, together with a separate remittance for the full amount payable on application in respect of the excess Reserved Shares applied for .

To the extent that excess applications for the Reserved Shares are:

(a) less than the Available Reserved Shares, the Available Reserved Shares will first be allocated to satisfy such excess applications for the Reserved Shares in full and thereafter will be allocated, at the discretion of the Sole Global Coordinator, to the International Offering;

(b) equal to the Available Reserved Shares, the Available Reserved Shares will be allocated to satisfy such excess applications for the Reserved Shares in full; or

(c) more than the Available Reserved Shares, the Available Reserved Shares will be allocated on an allocation basis which will be consistent with the allocation basis commonly used in the case of over-subscription in public offerings in Hong Kong, where a higher allocation percentage will be applied in respect of smaller applications. If there are any Reserved Shares remaining after satisfying the excess applications, such Reserved Shares will be reallocated, at the discretion of the Sole Global Coordinator, to the International Offering. No preference will be given to any excess applications made to top up odd lot holdings to whole lot holdings of Shares.

Save for the above, the Preferential Offering will not be subject to the clawback arrangement between the International Offering and the Hong Kong Public Offering.

Qualifying Powerlong Shareholders who have applied for Reserved Shares under the Preferential Offering on the **BLUE** Application Form, may also make one application either on a **WHITE** or **YELLOW** Application Form, or by giving electronic application instructions to HKSCC via CCASS (if you are a CCASS Investor Participant or act through a CCASS Clearing or Custodian Participant) or through the **White Form eIPO** service for the Hong Kong Offer Shares in the Hong Kong Public Offering. However, Qualifying Powerlong Shareholders will receive no preference as to entitlement or allocation in respect of applications for Hong Kong Offer Shares made on **WHITE** or **YELLOW** Application Forms or by giving electronic application instructions to HKSCC or through the **White Form eIPO** service under the Hong Kong Public Offering.

Persons who held their Powerlong Shares on the Record Date in CCASS indirectly through a broker/custodian, and wish to participate in the Preferential Offering, should instruct their broker or custodian to apply for the Reserved Shares on their behalf by no later than the deadline set by HKSCC or HKSCC Nominees. In order to meet the deadline set by HKSCC, such persons should check with their broker/custodian for the timing on the processing of their instructions, and submit their instructions to their broker/custodian as required by them. Persons who held their Powerlong Shares on the Record Date in CCASS directly as a CCASS Investor Participant, and wish to participate in the Preferential Offering, should give their instruction to HKSCC via the CCASS Phone System or CCASS Internet System by no later than the deadline set by HKSCC or HKSCC Nominees.

3. DISTRIBUTION OF THIS PROSPECTUS AND THE BLUE APPLICATION FORMS

BLUE Application Forms have been despatched to all Qualifying Powerlong Shareholders, save for certain core connected persons of the Company who will not participate in the Preferential Offering, to their address recorded on the register of members of Powerlong Holdings on Monday, December 16, 2019.

Qualifying Powerlong Shareholders may also obtain a printed copy of this prospectus during normal business hours from any of the designated branches of the receiving bank and the designated offices of each of the Hong Kong Underwriters as set out in "— A. Applications for Hong Kong Offer Shares — 3. Applying for Hong Kong Offer Shares — Where to collect the Application Forms" in this section.

Qualifying Powerlong Shareholders who require a replacement **BLUE** Application Form should contact Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong or on its hotline 2862 8555.

Distribution of this prospectus and/or the **BLUE** Application Forms into any jurisdiction other than Hong Kong may be restricted by law. Persons who come into possession of this prospectus and/or the **BLUE** Application Forms (including, without limitation, agents, custodians, nominees and trustees) should inform themselves of, and observe, any such restrictions. Any failure to comply with such restrictions may constitute a violation of the securities laws of any such jurisdiction.

Receipt of this prospectus and/or the **BLUE** Application Forms does not and will not constitute an offer in those jurisdictions in which it would be illegal to make an offer and, in those circumstances, this prospectus and/or the **BLUE** Application Forms must be treated as sent for information only and should not be copied or redistributed.

4. APPLYING BY USING THE BLUE APPLICATION FORMS

(a) The **BLUE** Application Form will be rejected by the Company if:

- the **BLUE** Application Form is not completed in accordance with the instructions as stated in the **BLUE** Application Form;
- the **BLUE** Application Form has not been duly signed (only written signatures are acceptable) (or in the case of a joint application, not all applicants have signed);

- in respect of applicants who are corporate entities, the **BLUE** Application Form has not been duly signed (only written signature is acceptable) by an authorized officer or affixed with a company chop;
- the check/banker's cashier order/**BLUE** Application Form is defective;
- the **BLUE** Application Form for either Reserved Shares pursuant to the Assured Entitlement or excess Reserved Shares is not accompanied with a check/banker's cashier order or is accompanied by more than one check/banker's cashier order for each of the application for Assured Entitlement and excess application for Reserved Shares;
- the account name on the check/banker's cashier order is not pre-printed or certified by the issuing bank;
- the banker's cashier order was not issued by a licensed bank in Hong Kong, or did not have the applicant's name certified on the back by a person authorized by the bank;
- the check/banker's cashier order is not drawn on a Hong Kong dollar bank account in Hong Kong;
- the name of the payee indicated on the check/banker's cashier order is not "BANK OF CHINA (HONG KONG) NOMINEES LIMITED — POWERLONG COMMERCIAL MANAGEMENT PREFERENTIAL OFFER;"
- the check has not been crossed "Account Payee Only;"
- the check was post-dated;
- the applicant's payment is not made correctly or if the applicant pays by check or banker's cashier order and the check or banker's cashier order is dishonored on its first presentation;
- the applicant's name/the first applicant's name on the joint application is not the same as the name pre-printed or certified/endorsed by the drawee bank on the check/banker's cashier order;
- any alteration(s) to the application details on the **BLUE** Application Form has or have not been authorized by the signature(s) of the applicant(s);
- the application is completed by pencil;
- the applicant does not fill in all the boxes in the option he/she/it chooses;
- the applicant chooses more than one of the options on the **BLUE** Application Form;
- the Company believes that by accepting the application, the Company would violate the applicable securities or other laws, rules or regulations of the jurisdiction where the **BLUE** Application Form is received or where the applicant's address is located; or
- the Company and the Sole Global Coordinator, and their respective agents or nominees, exercise their discretion to reject or accept any application, or to accept only part of any application. No reasons have to be given for any rejection or acceptance.

(b) If you are applying by using the **BLUE** Application Form for Assured Entitlement, you may apply for a number of Reserved Shares pursuant to your Assured Entitlement that is equal to or less than the number stated in Box B. If you intend to apply for a number of Reserved Shares that is less than your Assured Entitlement, you MUST apply for a number which is one of the numbers set out in the table in the **BLUE** Application Form and make a payment of the corresponding amount (other than HKSCC Nominees). You need to complete and sign the **BLUE** Application Form for Assured Entitlement and submit one check (or banker's cashier order) for the exact amount of remittance printed in Box B or the corresponding amount payable as set out in the table in the **BLUE** Application Form.

(c) If you are applying by using the **BLUE** Application Form for excess Reserved Shares, you MUST apply for a number which is one of the numbers set out in the table in the **BLUE** Application Form and make a payment of the corresponding amount (other than HKSCC Nominees). You need to complete and sign the **BLUE** Application Form for excess Reserved Shares and submit one separate check (or banker's cashier order) for the exact amount of remittance.

(d) If you intend to apply for both Reserved Shares pursuant to your Assured Entitlement and excess Reserved Shares, you must submit both the **BLUE** Application Form for Assured Entitlement and the **BLUE** Application Form for excess Reserved Shares. Each **BLUE** Application Form must be accompanied by a separate check (or banker's cashier order) for the exact amount of remittance.

5. WHEN MAY APPLICATION BE MADE

(a) Applications on BLUE Application Form(s)

Your completed **BLUE** Application Form, together with a check or a banker's cashier order attached and marked payable to "BANK OF CHINA (HONG KONG) NOMINEES LIMITED — POWERLONG COMMERCIAL MANAGEMENT PREFERENTIAL OFFER" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving banks listed above, at the following times:

- Monday, December 16, 2019 9:00 a.m. to 5:00 p.m.
- Tuesday, December 17, 2019 9:00 a.m. to 5:00 p.m.
- Wednesday, December 18, 2019 9:00 a.m. to 5:00 p.m.
- Thursday, December 19, 2019 9:00 a.m. to 12:00 noon

Completed **BLUE** Application Forms, together with payment attached, must be lodged by 12:00 noon on Thursday, December 19, 2019, the last day for applications, or such later time as described in "— D. Effect of bad weather on the opening of the application lists" below.

(b) Application Lists

The application lists will be open from 11:45 a.m. to 12:00 noon on Thursday, December 19, 2019, the last day for applications, or such later time as described in "— D. Effect of bad weather on the opening of the application lists" below.

No proceedings will be taken on applications for Reserved Shares and no allotment of any such Reserved Shares will be made until after the closing of the application lists.

6. HOW MANY APPLICATIONS MAY BE MADE

See "— A. Applications for Hong Kong Offer Shares — 8. How many applications can you make" above for the situations where you may make an application for Hong Kong Offer Shares under the Hong Kong Public Offering in addition to application(s) for Reserved Shares under the Preferential Offering.

7. ADDITIONAL TERMS AND CONDITIONS AND INSTRUCTIONS

You should refer to the **BLUE** Application Form for details of the additional terms and conditions and instructions which apply to applications for Reserved Shares.

C. HOW MUCH ARE THE HONG KONG OFFER SHARES AND THE RESERVED SHARES

The Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through **White Form eIPO** service in respect of a minimum of 500 Hong Kong Offer Shares. Each application or **electronic application instruction** in respect of more than 500 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at **www.eipo.com.hk**.

If your application is successful, brokerage will be paid to the Exchange Participants (as defined in the Listing Rules), and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see "Structure of the Global Offering — Pricing and Allocation" in this prospectus.

D. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is/are:

- a tropical cyclone warning signal number 8 or above;
- a "black" rainstorm warning; and/or
- Extreme Conditions,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, December 19, 2019. Instead they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warnings or Extreme Conditions in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Thursday, December 19, 2019 or if there is/are a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal and/or Extreme Conditions in force in Hong Kong that may affect the dates mentioned in "Expected Timetable" in this prospectus, an announcement will be made in such event.

E. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the Preferential Offering and the basis of allocation of the Hong Kong Offer Shares and Reserved Shares on Friday, December 27, 2019 on our Company's website at **www.powerlongcm.com** and the website of the Stock Exchange at **www.hkexnews.hk**.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering and the Preferential Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Company's website at **www.powerlongcm.com** and the Stock Exchange's website at **www.hkexnews.hk** by no later than 8:00 a.m. on Friday, December 27, 2019;

- from the designated results of allocations website at **www.iporesults.com.hk** (alternatively: English **https://www.eipo.com.hk/en/Allotment**; Chinese **https://www.eipo.com.hk/zh-hk/Allotment**) with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Friday, December 27, 2019 to 12:00 mid-night on Thursday, January 2, 2020;

- by telephone enquiry line by calling 2862 8669 between 9:00 a.m. and 10:00 p.m. from Friday, December 27, 2019 to Monday, December 30, 2019; and

- in the special allocation results booklets which will be available for inspection during opening hours on Friday, December 27, 2019 to Monday, December 30, 2019 at all the receiving bank's designated branches.

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in "Structure of the Global Offering" in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

F. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED HONG KONG OFFER SHARES AND/OR RESERVED SHARES

You should note the following situations in which the Hong Kong Offer shares and/or Reserved Shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or to the **White Form eIPO** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is not a Business Day). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the announcement of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot, respectively.

(ii) If our Company or its agents exercise their discretion to reject your application:

Our Company, the Sole Global Coordinator, the **White Form eIPO** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Hong Kong Offer Shares and/or Reserved Shares is void:

The allotment of Hong Kong Offer Shares and/or Reserved Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list our Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications (other than an application (if any) made on the **BLUE** Application Form in your capacity as a Qualifying Powerlong Shareholder);
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Offer Shares (excepted in respect of Reserved Shares applied for pursuant to the Preferential Offering);
- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through **White Form eIPO** service are not completed in accordance with the instructions, terms and conditions on the designated website at **www.eipo.com.hk**;
- your payment is not made correctly or the check or banker's cashier order paid by you is dishonored upon its first presentation;

- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Sole Global Coordinator believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

G. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum offer price of HK$10.00 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with "Structure of the Global Offering — Conditions of the Global Offering" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the check or banker 's cashier order will not be cleared.

Any refund of your application monies will be made on or before Friday, December 27, 2019.

H. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by electronic application instructions to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of our Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE**, **YELLOW** or **BLUE** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Hong Kong Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and
- refund check(s) crossed "Account Payee Only" in favor of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares and/or Reserved Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund check, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund check(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund check(s).

Subject to arrangement on despatch/collection of share certificates and refund monies as mentioned below, any refund checks and share certificates are expected to be posted on or before Friday, December 27, 2019. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of check(s) or banker's cashier's order(s).

Share certificates will only become valid at 8:00 a.m. on Monday, December 30, 2019 provided that the Global Offering has become unconditional and the right of termination described in "Underwriting" in this prospectus has not been exercised. Investors who trade shares prior to the receipt of share certificates or the Share certificates becoming valid do so at their own risk.

Personal collection

(i) If you apply using a WHITE or BLUE Application Form

If you apply for (i) 1,000,000 or more Hong Kong Offer Shares on a **WHITE** Application Form or (ii) 1,000,000 or more Reserved Shares on a **BLUE** Application Form and have provided all information required by your Application Form, you may collect your refund check(s) and/or share certificate(s) from Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Friday, December 27, 2019 or such other date as notified by us.

If you are an individual who is eligible for personal collection, you must not authorize any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorized representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorized representatives must produce, at the time of collection, evidence of identity acceptable to our Hong Kong Share Registrar.

If you do not collect your refund check(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for (i) less than 1,000,000 Hong Kong Offer Shares on a **WHITE** Application Form or (ii) less than 1,000,000 Reserved Shares on a **BLUE** Application Form, your refund check(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on or before Friday, December 27, 2019, by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Hong Kong Offer Shares or more, please follow the same instructions as described above for collecting refund check. If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund check(s) will be sent to the address on the relevant Application Form on or before Friday, December 27, 2019, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Friday, December 27, 2019, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- If you apply through a designated CCASS Participant (other than a CCASS Investor Participant)

For Hong Kong Offer Shares credited to your designated CCASS Participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allotted to you with that CCASS Participant.

- If you apply as a CCASS Investor Participant

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in "Publication of Results" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Friday, December 27, 2019 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) If you apply through the White Form eIPO service

If you apply for (i) 1,000,000 Hong Kong Offer Shares or more through the **White Form eIPO** service, and your application is wholly or partially successful, you may collect your Share certificate(s) from Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Friday, December 27, 2019, or such other date as notified by the Company as the date of despatch/collection of Share certificates/ e-Refund payment instructions/refund checks.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares through the **White Form eIPO** service, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Friday, December 27, 2019 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund check(s) by ordinary post at your own risk.

(iv) If you apply via electronic application instructions to HKSCC

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of share certificates into CCASS and refund of application monies

- If your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Friday, December 27, 2019, or, on any other date determined by HKSCC or HKSCC Nominees.

- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in "— E. Publication of results" above on Friday, December 27, 2019. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Friday, December 27, 2019 or such other date as determined by HKSCC or HKSCC Nominees.

- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Friday, December 27, 2019. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Friday, December 27, 2019.

I. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, our Shares and we comply with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in our Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional advisor for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling our Shares to be admitted into CCASS.

The following is the text of a report set out on pages I-1 to I-3, received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. It is prepared and addressed to the directors of the Company and to the Sole Sponsor pursuant to the requirements of HKSIR 200 Accountants' Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.

pwc 羅兵咸永道

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF POWERLONG COMMERCIAL MANAGEMENT HOLDINGS LIMITED AND ABCI CAPITAL LIMITED

Introduction

We report on the historical financial information of Powerlong Commercial Management Holdings Limited (the "**Company**") and its subsidiaries (together, the "**Group**") set out on pages I-4 to I-92, which comprises the balance sheet of the Company as at June 30, 2019, the combined balance sheets of the Group as at December 31, 2016, 2017 and 2018 and June 30, 2019, and the combined statements of comprehensive income, the combined statements of changes in equity and the combined statements of cash flows of the Group for each of the periods then ended (the "**Track Record Period**") and a summary of significant accounting policies and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages I-4 to I-92 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated December 16, 2019 (the "**Prospectus**") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountant's responsibility

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

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
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Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant's judgment, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the financial position of the Company as at June 30, 2019, the combined financial position of the Group as at December 31, 2016, 2017 and 2018 and June 30, 2019 and of its combined financial performance and its combined cash flows for the Track Record Period in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Group which comprises the combined statements of comprehensive income, changes in equity and cash flows for the six months ended June 30, 2018 and other explanatory information (the "**Stub Period Comparative Financial Information**"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountant's report, is not prepared, in all material respects, in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

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

Dividends

We refer to Note 23 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Track Record Period.

No statutory financial statements for the Company

No statutory financial statements have been prepared for the Company since its date of incorporation.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong
December 16, 2019

I HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

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

The combined financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("**Underlying Financial Statements**").

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

Combined statements of comprehensive income

	Note	Year ended December 31, 2016	2017	2018	Six months ended June 30, 2018	2019
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Revenue	*6*	752,717	972,982	1,200,398	577,005	749,059
Cost of services	*7*	(588,303)	(719,579)	(874,524)	(426,361)	(551,172)
Gross profit		164,414	253,403	325,874	150,644	197,887
Selling and marketing expenses	*7*	(10,655)	(19,034)	(31,366)	(14,527)	(17,033)
Administrative expenses	*7*	(53,626)	(93,816)	(80,349)	(33,718)	(46,883)
Other income and gains	*9*	8,891	10,659	14,096	5,305	8,533
Net impairment losses on financial assets	*3.1.2*	(2,876)	(2,813)	(2,788)	(1,904)	(3,627)
Operating profit		106,148	148,399	225,467	105,800	138,877
Finance costs — net	*10*	(18,412)	(34,038)	(42,608)	(20,531)	(19,196)
Profit before income tax		87,736	114,361	182,859	85,269	119,681
Income tax expenses	*12*	(24,799)	(35,769)	(49,516)	(25,550)	(32,545)
Profit for the year/period		62,937	78,592	133,343	59,719	87,136
Other comprehensive income						
Items that will not be reclassified to profit or loss						
Changes in the fair value of financial assets at fair value through other comprehensive income — net of tax	*22*	11,438	–	209	–	–
Total other comprehensive income for the year/period, net of tax		11,438	–	209	–	–
Total comprehensive income for the year/period		74,375	78,592	133,552	59,719	87,136
Earnings per share for profit attributable to shareholders of the Company for the year/period (expressed in RMB per share) *(Note)*						
– Basic earnings per share		N/A	N/A	N/A	N/A	N/A
– Diluted earnings per share		N/A	N/A	N/A	N/A	N/A

Note: no earnings per share information is presented as its inclusion, for the purpose of this accountant's report, is not considered meaningful due to the Reorganization and the presentation of the results for the Track Record Period on a combined basis as disclosed in Notes 1.2 and 1.3.

Combined balance sheets

	Note	As at December 31, 2016	As at December 31, 2017	As at December 31, 2018	As at June 30, 2019
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Assets					
Non-current assets					
Property and equipment	*13*	164,817	183,210	173,493	5,248
Investment properties	*14*	226,516	232,750	155,632	128,367
Deferred income tax assets	*27*	43,151	57,769	56,494	55,802
Restricted cash	*19*	–	–	–	100,000
Financial assets at fair value through other comprehensive income	*15*	333,250	333,250	333,528	–
		767,734	806,979	719,147	289,417
Current assets					
Operating lease and trade receivables	*17*	61,697	92,245	82,475	117,446
Prepayments and other receivables	*18*	919,825	732,617	333,543	960,949
Current income tax recoverables		676	1,707	2,529	6,165
Restricted cash	*19*	62,203	1,567	486,540	747
Cash and cash equivalents	*19*	151,604	112,876	553,378	134,277
		1,196,005	941,012	1,458,465	1,219,584
Assets associated with disposal group	*20*	–	–	–	609,199
		1,196,005	941,012	1,458,465	1,828,783
Total assets		1,963,739	1,747,991	2,177,612	2,118,200
Equity					
Capital and reserves attributable to shareholders of the Company					
Combined capital	*21*	–	–	–	–
Other reserves	*22*	32,981	40,780	46,431	23,870
(Accumulated losses)/retained earnings		(15,202)	55,591	183,492	273,228
Total equity		17,779	96,371	229,923	297,098

	Note	As at December 31, 2016	As at December 31, 2017	As at December 31, 2018	As at June 30, 2019
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Liabilities					
Non-current liabilities					
Borrowings	*24*	156,000	132,000	108,000	190,850
Deferred income tax liabilities	*27*	6,513	6,513	6,582	–
Lease liabilities	*25*	281,199	311,529	236,097	160,403
		443,712	450,042	350,679	351,253
Current liabilities					
Trade and other payables	*26*	549,300	596,259	648,052	724,139
Advances from leasees		17,523	17,017	29,505	40,267
Current income tax liabilities		28,370	40,324	54,003	53,142
Borrowings	*24*	741,000	256,314	526,000	24,100
Lease liabilities	*25*	70,239	170,596	205,671	160,183
Contract liabilities	*6*	95,816	121,068	133,779	173,996
		1,502,248	1,201,578	1,597,010	1,175,827
Liabilities associated with disposal group	*20*	–	–	–	294,022
		1,502,248	1,201,578	1,597,010	1,469,849
Total liabilities		1,945,960	1,651,620	1,947,689	1,821,102
Total equity and liabilities		1,963,739	1,747,991	2,177,612	2,118,200

Balance sheet of the Company

	Note	As at June 30, 2019
		RMB'000
Assets		
Current assets		
Prepayments	*18*	2,676
Total assets		2,676
Equity		
Capital and reserves attributable to shareholders of the Company		
Share capital	*21*	–
Accumulated losses		(9,649)
Current liabilities		
Other payables	*26*	12,325
Total liabilities		12,325
Total equity and liabilities		2,676

Combined statements of changes in equity

		Attributable to owners of the Company			
	Note	**Combined capital**	**Other reserves**	**(Accumulated losses)/ retained earnings**	**Total equity**
		RMB'000 *(Note 21)*	*RMB'000* *(Note 22)*	*RMB'000*	*RMB'000*
Balance at January 1, 2016		–	11,652	(68,248)	(56,596)
Comprehensive income					
Profit for the year		–	–	62,937	62,937
Other comprehensive income					
Change in fair value of financial assets at fair value through other comprehensive income	*15, 22*	–	11,438	–	11,438
Total comprehensive income for the year		–	11,438	62,937	74,375
Transactions with owners					
Appropriation to statutory reserves	*22*	–	9,891	(9,891)	–
Balance as at 31 December 2016		–	32,981	(15,202)	17,779
Balance at January 1, 2017		–	32,981	(15,202)	17,779
Comprehensive income					
Profit for the year		–	–	78,592	78,592
Other comprehensive income		–	–	–	–
Total comprehensive income		–	–	78,592	78,592
Transactions with owners					
Appropriation to statutory reserves	*22*	–	7,799	(7,799)	–
Balance at December 31, 2017		–	40,780	55,591	96,371

	Note	Attributable to owners of the Company			
		Combined capital	Other reserves	(Accumulated losses)/ retained earnings	Total equity
		RMB'000 *(Note 21)*	*RMB'000* *(Note 22)*	*RMB'000*	*RMB'000*
Balance at January 1, 2018		–	40,780	55,591	96,371
Comprehensive income					
Profit for the year		–	–	133,343	133,343
Other comprehensive income					
Change in fair value of financial assets at fair value through other comprehensive income	*15, 22*	–	209	–	209
Total comprehensive income		–	209	133,343	133,552
Transactions with owners					
Appropriation to statutory reserves	*22*	–	5,442	(5,442)	–
Balance at December 31, 2018		–	46,431	183,492	229,923
Balance at January 1, 2019		–	46,431	183,492	229,923
Comprehensive income					
Profit for the period		–	–	87,136	87,136
Other comprehensive income		–	–	–	–
Total comprehensive income		–	–	87,136	87,136
Transactions with owners					
Reclassification relating to disposal of subsidiaries	*22*	–	(22,561)	22,561	–
Dividends distributed to Powerlong Holdings	*23*	–	–	(19,961)	(19,961)
Total transactions with owners		–	(22,561)	2,600	(19,961)
Balance at June 30, 2019		–	23,870	273,228	297,098

	Note	Attributable to owners of the Company			
		Combined capital	**Other reserves**	**(Accumulated losses)/ retained earnings**	**Total equity**
		RMB'000 *(Note 21)*	*RMB'000* *(Note 22)*	*RMB'000*	*RMB'000*
Unaudited:					
Balance at January 1, 2018		–	40,780	55,591	96,371
Comprehensive income					
Profit for the period		–	–	59,719	59,719
Other comprehensive income		–	–	–	–
Total comprehensive income		–	–	59,719	59,719
Balance at June 30, 2018		–	40,780	115,310	156,090

Combined statements of cash flows

	Note	Year ended December 31,			Six months ended June 30,	
		2016	2017	2018	2018	2019
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Cash flows of operating activities						
Cash generated from operations	28	292,044	363,208	391,579	141,010	233,713
PRC corporate income tax paid		(10,694)	(39,464)	(35,384)	(23,253)	(33,752)
Net cash generated from operating activities		281,350	323,744	356,195	117,757	199,961
Cash flows of investing activities						
Purchases of property and equipment		(2,877)	(2,769)	(2,591)	(1,202)	(1,853)
Net proceeds from disposals of property and equipment		950	2,050	–	–	70,263
Net proceeds from disposal of subsidiaries	30	–	–	–	–	10,964
Cash advances made to related parties		(812,686)	(871,487)	(1,480,821)	(866,534)	(730,193)
Repayments from related parties		1,247,377	1,066,151	1,935,079	991,759	141,455
Interest received		65,062	52,193	2,107	855	15,268
Restricted cash pledged for bank borrowings		(19,354)	43,636	(484,973)	(400,000)	–
Net cash generated from/(used in) investing activities		478,472	289,774	(31,199)	(275,122)	(494,096)
Cash flows of financing activities						
Proceeds from borrowings		165,000	280,000	517,000	435,000	380,000
Repayments of borrowings		(252,000)	(788,686)	(271,314)	(244,314)	(432,200)
Cash advances from related parties		160,679	84,873	378,806	159,082	72,778
Repayments of cash advances to related parties		(735,664)	(152,183)	(360,770)	(134,130)	(33,795)
Principal elements of lease payments		–	–	(93,251)	(46,361)	(84,059)
Interest paid		(80,713)	(76,254)	(54,962)	(26,716)	(27,268)
Net cash (used in)/generated from financing activities		(742,698)	(652,250)	115,509	142,561	(124,544)
Increase/(decrease) in cash and cash equivalents		17,124	(38,732)	440,505	(14,804)	(418,679)
Cash and cash equivalents at the beginning of the year/period		134,484	151,604	112,876	112,876	553,378
Exchange (losses)/gains on cash and cash equivalents		(4)	4	(3)	(1)	(3)
		151,604	112,876	553,378	98,071	134,696
Cash and cash equivalents of disposal group	20	–	–	–	–	(419)
Cash and cash equivalents at end of year/period		151,604	112,876	553,378	98,071	134,277

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 General information and reorganization

1.1 General information

Powerlong Commercial Management Holdings Limited (the "**Company**") was established in the Cayman Islands on March 25, 2019 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

The Company and its subsidiaries (the "**Group**") are primarily engaged in the provision of commercial operational services and residential property management services (the "**Spin-Off Business**") in the People's Republic of China (the "**PRC**").

The Company's parent company is Powerlong Real Estate (BVI) Holdings Limited ("**Powerlong BVI Holdings**"). The Company's intermediate holding company is Powerlong Real Estate Holdings Limited ("**Powerlong Holdings**") whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since October 14, 2009. Mr. Hoi Kin Hong ("**Mr. Hoi**") holds approximate 45.95% of interests in the issued share capital of Powerlong Holdings.

The initial listing of the Company's Shares on the Main Board of the Stock Exchange ("**Listing**") will constitute a spin-off from Powerlong Holdings ("**Spin-Off**"). After completion of the Spin-Off, Powerlong Holdings and its subsidiaries which excludes our Group are collectively referred to as Remaining Powerlong Group.

This Historical Financial Information is presented in Renminbi ("**RMB**"), unless otherwise stated.

1.2 Reorganization

Prior to the incorporation of the Company and the completion of the reorganization as described below (the "**Reorganization**"), the Spin-Off Business was operated through Powerlong (BVI) V Limited and its subsidiaries in the PRC (collectively the "**Operating Companies**") during the Track Record Period. Before the Reorganization, Powerlong (BVI) V Limited was held by Powerlong BVI Holdings. The Spin-Off Business is ultimately controlled by Powerlong Holdings throughout the Track Record Period.

In preparation for the initial listing of the Company's Shares on the Main Board of the Stock Exchange, the Reorganization was undertaken pursuant to which Powerlong (BVI) V Limited and its subsidiaries engaged in the Spin-Off Business were transferred to the Company. The Reorganization mainly involved the following:

(1) On March 25, 2019, the Company was incorporated in the Cayman Islands and held by Powerlong BVI Holdings, a wholly owned subsidiary of Powerlong Holdings.

(2) From May to July 2019, certain subsidiaries of the Group which have ceased to carry out the Spin-Off Business were disposed of to Powerlong Holdings (Notes 20 and 30).

(3) On July 19, 2019, the entire shares of Powerlong (BVI) V Limited were transferred to the Company from Powerlong BVI Holdings and the consideration was satisfied by allotment and issuance of 78,800 share of the Company to Powerlong BVI Holdings.

Upon completion of the above transfers, the Company became the holding company of Powerlong (BVI) V Limited.

The subsidiaries in which the Company held direct or indirect interest upon completion of the Reorganization and as at the date of this report are set out in Note 11.

1.3 Basis of presentation

Immediately prior to and after the Reorganization, the Spin-Off Business is indirectly controlled by Powerlong Holdings. The Spin-Off Business is conducted through the Powerlong (BVI) V Limited and its subsidiaries which are ultimately controlled by Powerlong Holdings. Pursuant to the Reorganization, the Spin-Off Business is transferred to and held by the Company. The Reorganization is merely a reorganization of the Spin-Off Business with no change in management of such business and the ultimate owner of the Spin-Off Business remains the same. Accordingly, the Group resulted from the Reorganization is regarded as a continuance of the Spin-Off Business under the Powerlong (BVI) V Limited. For the purpose of this report, the Historical Financial Information has been prepared and presented using the carrying amounts of assets and liabilities in the combined financial statements of the Powerlong (BVI) V Limited for all periods presented.

Inter-company transactions, balances and unrealized gains/losses on transactions between group companies are eliminated on consolidation.

2 Summary of significant accounting policies

The principal accounting policies applied in preparation of the Historical Financial Information are set out as below. These policies have been consistently applied to all the years/periods presented. HKFRS 9 "Financial Instruments" and HKFRS 15 "Revenue from contracts with customers" are effective for annual periods beginning on or after January 1, 2018 and HKFRS 16 "Leases" is effective for annual periods beginning on or after January 1, 2019, respectively, and earlier adoption is permitted. The Group has applied HKFRS 9, HKFRS 15 and HKFRS 16 consistently throughout the Track Record Period.

2.1 Basis of preparation

The Historical Financial Information has been prepared in accordance with the Hong Kong Financial Reporting Standards ("**HKFRS**") issued by the HKICPA. The Historical Financial Information has been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through other comprehensive income.

The preparation of Historical Financial Information in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 4.

2.1.1 New standards and interpretations not yet adopted

Up to the date of issuance of this report, the HKICPA has issued the following new standards and amendments to existing standards which are not yet effective and have not been early adopted by the Group during the Track Record Period:

		Effective for annual periods beginning on or after
HKAS 1 and HKAS 8 (Amendment)	Definition of material	January 1, 2020
HKFRS 3 (Amendment)	Definition of a business	January 1, 2020
HKFRS 17	Insurance contracts	January 1, 2021
HKFRS 10 and HKAS 28 (Amendment)	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

The Group has already commenced an assessment of the impact of these new or revised standards and amendments. According to the preliminary assessment made by the Group, no significant impact on the Group's financial statements is expected when they become effective.

2.2 *Subsidiaries*

2.2.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(a) Business combinations not under common control

The Group applies the acquisition method to account for business combinations not under common control. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognized amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognized in profit or loss.

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions — that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognized in the profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. It means the amounts previously recognized in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRS.

2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the combined financial statements of the investee's net assets including goodwill.

2.3 Segment reporting

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

2.4 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year/period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized within "other income" in the combined statements of comprehensive income.

2.5 Property and equipment

Property and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the statement of profit or loss during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost to their residual values over the shorter of their estimated useful lives or, in case of leasehold improvements and certain leased plants and equipment, the lease term, as follows:

– Right-of-use assets, including car parks	3-30 years
– Motor vehicles	5-8 years
– Furniture, fitting and equipment	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Construction in progress represents the direct costs of construction incurred of property and equipment less any impairment losses. No provision for depreciation is made on construction in progress until such time the relevant assets are completed and put into use. Construction in progress is reclassified to the appropriate category of property and equipment when completed and ready for use.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within "other income" in the combined statements of comprehensive income.

2.6 Investment properties

Investment properties, representing commercial properties held under leases, are held for rental yields and are not occupied by the Group. The Group measured its investment properties at cost, including related transaction costs and where applicable borrowing costs. Depreciation is calculated using the straight-line method to allocate their cost over their lease term typically varying from 3 to 5 years.

2.7 Impairment of non-financial assets

Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.8 *Financial assets*

2.8.1 Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and

- those to be measured at amortized cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

2.8.2 Recognition and measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. A gain or loss on a debt investment that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in the combined statement of comprehensive income when the asset is derecognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

- Fair value through other comprehensive income: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss and recognized in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of comprehensive income.

- Fair value through profit or loss: Assets that do not meet the criteria for amortized cost or financial assets at fair value through other comprehensive income are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognized in profit or loss and presented net in 'other gains — net' in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognized in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognized in other income/losses, net in the combined statement of comprehensive income as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at fair value through other comprehensive income are not reported separately from other changes in fair value.

2.8.3 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the combined balance sheets when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the assets and settle the liabilities simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2.9 Impairment of financial assets

The Group assesses on a forward looking basis the expected credit losses associated with its assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 3 details how the Group determines whether there has been a significant increase in credit risk.

Expected credit losses are a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial assets.

For operating lease and trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the assets. The provision matrix is determined based on historical observed default rates over the expected life of the operating lease and trade receivables with similar credit risk characteristics and is adjusted for forward-looking estimates. At every reporting date the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

Impairment on other receivables from third parties, related parties and non-controlling interests are measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

2.10 Operating lease and trade and other receivables

Operating lease receivables are amounts due from tenants in relation to the operating leases and trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection of operating lease and trade and other receivables is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Operating lease and trade receivables are recognized initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognized at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortized cost using the effective interest method. See Note 17 for further information about the Group's accounting for operating lease and trade receivables and Note 3.1.2 for a description of the Group's impairment policies.

2.11 Cash and cash equivalents, restricted cash

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions. Bank deposits which are restricted to use are included in "restricted cash" of the combined balance sheets.

2.12 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.13 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within 12 months or less. If not, they are presented as non-current liabilities.

Trade and other payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

2.14 Borrowings and borrowing costs

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a prepayment for liquidity services and amortized over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, canceled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss as other income or finance costs.

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognized in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Other borrowing costs are expensed in the period in which they are incurred.

The Group's borrowing costs are recognized in the combined statements of comprehensive income in the period in which they are incurred.

2.15 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the combined statements of comprehensive income, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the combined financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill. The deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognized on deductible temporary differences arising from investments in subsidiaries only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilized.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.16 Employee benefits

(a) Pension obligations

The Group only operate defined contribution pension plans. In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organized by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries. The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees' payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administrated funds managed by the governments.

The Group's contributions to the defined contribution retirement scheme are expensed as incurred.

(b) Housing funds, medical insurances and other social insurances

Employees of the Group in the PRC are entitled to participate in various government-supervised housing funds, medical insurances and other social insurance plan. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group's liability in respect of these funds is limited to the contributions payable in each year. Contributions to the housing funds, medical insurances and other social insurances are expensed as incurred.

(c) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognizes costs for a restructuring that is within the scope of HKAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

(d) Employee leave entitlements

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

Employee entitlements to sick leave and maternity leave are not recognized until the time of leave.

2.17 Share-based payments

Share-based compensation benefits are provided to employees via the employee share incentive scheme.

Share incentive scheme

Equity-settled share-based payment transactions are share-based payment arrangement in which the Group received goods or services as consideration for its own equity instrument. The Group might receive goods or services but have no obligation to settle the transaction with the supplier, as the settlement will be made by a shareholder or another group entity, this transaction are also equity-settled share-based payment transaction.

For an equity-settled share-based payment transaction, the fair value of equity instrument granted is recognized as an employee benefits expense with a corresponding increase in equity.

The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (e.g. the entity's share price)

- excluding the impact of any service and non-market performance vesting conditions (e.g. profitability, sales growth targets and remaining an employee of the entity over a specified time period), and

- including the impact of any non-vesting conditions (e.g. the requirement for employees to save or holdings shares for a specific period of time).

Non-marketing performance and services conditions are included in the calculation of the number of the equity instrument expected to vest. The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognizes the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

2.18 Provisions

Provisions for legal claims, service warranties and make good obligations are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognized as interest expense.

2.19 Revenue recognition

The Group is principally engaged in the provision of commercial operational services and residential property management services.

(a) Commercial operational services

(i) The Group enters into commercial operational service contracts with property developers or owners of shopping malls, pursuant to which the Group provides the following services:

- market research and positioning, tenant sourcing and opening preparation services during the preparation stage;
- commercial operational services during the operation stage, including tenant management and rent collection services, other value-added services, mainly including car parks, common areas and advertising space management services

Revenue from rendering of market research and positioning services is recognized when relevant market research and positioning reports were delivered and accepted by property developers or owners.

Revenue in respect of provision of tenant sourcing and opening preparation services was recognized over the period of the contract by reference to the progress towards complete satisfaction of the performance obligation.

For tenant management and rent collection services, and value-added services, the Group bills a fixed amount for services provided on a monthly basis and recognizes as revenue in the amount to which the Group has a right to invoice and that corresponds directly with the value of performance completed.

When the Group leases car parks, common areas and advertising space of the shopping malls from property owner by paying a yearly rent, and operate the leased car parks, common areas and advertising space as principal, revenue is recognized on a gross basis when the related service are rendered.

(ii) The Group enters into commercial property management service contracts with tenants, pursuant to which the Group provide commercial property management services including security, gardening, cleaning, repair and maintenance services.

The provision of commercial property management services to tenants at the operation stage of the shopping malls, the Group recognizes the fee received or receivable as its revenue over time in the period in which the customer simultaneously receives and consumes the benefits provided by the services performed by the Group and all the related management costs as its cost of services.

(b) Residential property management services

The Group provides residential property management services to residential properties, serviced apartments and office building, including pre-sale management services and other value-added services to property developers, property owners and residents.

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

For residential property management services income from properties managed under lump sum basis, where the Group acts as principal, the Group entitles to revenue at the value of residential property management services fee received or receivable. For residential property management service income from properties managed under commission basis, where the Group acts as an agent of the property owner, the Group entitles to revenue at a pre-determined percentage of amount of the property management fee received or receivable by the properties.

Pre-sale management services mainly includes cleaning, greening, repair and maintenance services to property developers at the pre-delivery stage. The Group agrees the price for each service with the customers upfront and issues the monthly bill to the customers which varies based on the actual level of service completed in that month.

For other value-added services includes resident services, community public areas management and operation and advertisement, revenue is recognized when the related other value-added services are rendered. Payment of the transaction is due immediately when the other value-added services are rendered to the customer.

If contracts involve the sale of multiple services, the transaction prices are 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.

(c) Presentation of assets and liabilities related to contracts with customers

When either party to a contract has performed, the Group presents the contract in the balance sheet as a contract asset or a contract liability, depending on the relationship between the Group's performance and the customer's payment.

A contract asset is the Group's right to consideration in exchange for services that the Group has transferred to a customer.

If a customer pays consideration or the Group has a right to an amount of consideration that is unconditional, before the Group transfers services to the customer, the Group presents the contract as a contract liability when the payment is received or a receivable is recorded (whichever is earlier). A contract liability is the Group's obligation to transfer services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A receivable is recorded when the Group has an unconditional right to consideration. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due.

Incremental costs incurred to obtain a contact, if recoverable, are capitalized and presented as assets and subsequently amortized when the related revenue is recognized. The Group applied the practical expedient to recognize the incremental costs of obtaining a contract as an expense immediately if the amortization period is less than 12 months.

2.20 Interest income

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

2.21 Leases

The Group as a lessee

The Group leases various properties, including commercial properties and car parks. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security of borrowing purpose.

Lease are recognized as a right-of-use asset (included in "Property and Equipment" (Note 13) and "Investment Properties" (Note 14)) and corresponding liability at the date of which the lease asset for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability of each period. The right-of-use asset is depreciated over the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include:

(a) the net present value of the fixed payments (including in-substance fixed payments);

(b) variable lease payments that are based on an index or a rate;

(c) amounts expected to be payable by the lessee under residual value guarantees;

(d) the exercise price of an extension option if the lessee is reasonably certain to exercise that option; and

(e) payment of penalties for terminating of the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the Group's incremental borrowing rate.

Right-of-use assets are measured at cost comprising the following:

(a) the amount of the initial measurement of the lease liability;

(b) any lease payments made at or before the commencement date less any lease incentives received;

(c) any initial direct cost, and;

(d) restoration costs.

Payments associated with short-term leases with lease term of 12 months or less and leases of low-value assets are recognized on a straight-line basis over the lease term as an expense in profit or loss.

Variable lease payments

Variable lease payments based on an index or a rate are initially measured using the index or the rate at the commencement date. The Group do not forecast future changes of the index/rate; these changes are taken into account when the lease payments change. Variable lease payments that are not based on an index or a rate are not part of the lease liability, but they are recognized in the combined statements of comprehensive income when the event or conditions that triggers those payments occurs.

Extension and termination options

Extension and termination options are included in a number of property leases across the Group. These terms are used to maximize operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable upon fulfillment of certain notice period. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise such options. The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment.

The Group as a lessor

A lessor shall classify each of its leases as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset.

Rental income from operating leases is recognized in profit or loss on a straight-line basis over the terms of the relevant lease. Initial direct costs with more than a significant amount are capitalized when incurred, and are recognized in profit or loss on the same basis as rental income over the lease term. Other initial direct costs with an insignificant amount are charged to profit or loss in the period in which they are incurred.

The lease receivable under lease arrangements are recognized as "operating lease receivable" in the combined balance sheets.

The Group as a sublease lessor

Sub-lease is a transaction for which an underlying asset is re-leased by a lessee ("**sublease lessor**") to a third party, and the lease ("**head lease**") between the head lessor and lessee remains in effect. In classifying a sublease, a sublease lessor shall classify the sublease as a finance lease or an operating lease as follows:

(a) If the head lease is a short-term lease that the entity, as a lessee, has accounted for the lease payments associated with those leases as an expense on either a straight-line basis over the lease term or another systematic basis, the sublease shall be classified as an operating lease.

(b) Otherwise, the sublease shall be classified by referenced to the right-of-use asset arising from the head lease as finance lease or operating lease.

2.22 Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

2.23 Government grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognized in the combined statement of comprehensive income over the period necessary to match them with the costs that they are intended to compensate.

2.24 Financial guarantee contracts

Financial guarantee contracts are recognized as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of

- the amount determined in accordance with the expected credit loss model under HKFRS 9 Financial Instruments and

- the amount initially recognized less, where appropriate, the cumulative amount of income recognized in accordance with the principles of HKFRS 15 Revenue from Contracts with Customers.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of associates are provided for no compensation, the fair values are accounted for as contributions and recognized as part of the cost of the investment.

2.25 Assets and liabilities associated with disposal group

Assets and liabilities are classified as assets and liabilities associated with disposal group and shown as current assets and liabilities in the statement of combined balance sheet if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred income tax assets, deferred income tax liabilities and financial assets at fair value through other comprehensive income that are carried at fair value.

3 Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

3.1.1 Market risk

(i) Foreign exchange risk

The Group's businesses are principally conducted in RMB. As at December 31, 2016, 2017 and 2018 and June 30, 2019, major non-RMB assets and liabilities were cash and cash equivalents, amounts due to related parties which were denominated in Hong Kong dollar ("**HK$**") or US dollar ("**US$**"). Fluctuation of the exchange rate of RMB against HK$ or US$ could affect the Group's results of operations. The Group has not entered into any forward exchange contract to hedge its exposure to foreign exchange risk.

The carrying amount of the Group's foreign currency denominated monetary assets and liabilities at the respective balance sheet dates are as follows:

	As at December 31,			As at June 30,
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
– HK$	–	–	7	6
– US$	70	72	69	69
	70	72	76	75
Financial liabilities				
– HK$	38	51	58	58
– US$	20,880	19,589	20,658	20,193
	20,918	19,640	20,716	20,251

As at December 31, 2016, 2017 and 2018 and June 30, 2019, if RMB had strengthened/weakened by 5%, against US$ with all other variable held constant, post-tax profit for the year/period would have been RMB869,000, RMB815,000, RMB859,000 and RMB840,000 higher/lower, respectively, mainly as a result of net foreign exchange gains/losses on translation of US$ denominated cash and other payables to related parties.

(ii) Cash flow and fair value interest rate risk

The Group's interest rate risks arise from long-term borrowings. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk. Borrowings obtained at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates. Borrowings at variable rates expose the Group to cash flows interest rate risk.

The Group's exposure to changes in interest rates is mainly attributable to its long-term borrowings. As at December 31, 2016, 2017 and 2018 and June 30, 2019, certain long-term borrowings of the Group bearing floating interest rates amounted to approximately RMB180,000,000, RMB156,000,000, RMB132,000,000 and RMB120,000,000, respectively. If interest rates on borrowings at floating rates as at December 31, 2016, 2017 and 2018 and June 30, 2019 had been 50 basis point higher/lower with all other variables held constant, post-tax profit for the relevant year/period would decrease/increase by RMB675,000, RMB585,000, RMB495,000 and RMB450,000, respectively.

(iii) Price risk

The Group is exposed to equity securities price risk in connection with the financial assets at fair value through other comprehensive income held by the Group. To manage its price risk arising from the investments, all investments must be assessed cautiously and approved by the Chairman of the Board before they may be entered into. As at December 31, 2016, 2017 and 2018, if the price of equity securities the Group invested in had been 5% higher/lower, other comprehensive income for the relevant year/period would increase/decrease by approximately RMB12,497,000, RMB12,497,000 and RMB12,507,000, respectively, as a result of the change of fair value on financial assets at fair value through other comprehensive income (Note 15). As at June 30, 2019, the company holding the investment had been disposed of to a subsidiary of Powerlong Holdings (Note 30). After this disposal, the Group did not expose to any material price risk.

3.1.2 Credit risk

The Group is exposed to credit risk in relation to its operating lease and trade receivables, other receivables and cash deposits at banks. The carrying amounts of operating lease and trade receivables, other receivables and cash and cash equivalents represent the Group's maximum exposure to credit risk in relation to financial assets.

(i) Cash deposits at banks

The Group expects that there is no significant credit risk associated with cash deposits at banks since they are substantially deposited at state-owned banks and other medium or large-sized listed banks. Management does not expect that there will be any significant losses from non-performance by these counterparties.

(ii) Operating lease and trade receivables

Apart from operating lease and trade receivables due from related parties, which the Group assessed the credit risk associated is low, the Group has large number of customers and there was no concentration of credit risk.

The Group applies the simplified approach to providing for expected credit losses ("**ECL**") prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for operating lease and trade receivables due from third parties. To measure the ECL, operating lease and trade receivables due from third parties have been grouped based on shared credit risk characteristics and the days past due. The ECL also incorporate forward-looking information.

(iii) Deposits and other receivables due from relate parties

The Group expects that the credit risk associated with deposits and other receivables due from related parties (including a related company, fellow subsidiaries and joint ventures of fellow subsidiaries) is considered to be low, since the majority of the deposits are placed in government authorities as pledge for the ordinary business and related parties have a strong capacity to meet its contractual cash flow obligations in the near term. The Group has assessed that the ECL rate for the amounts due from related companies are immaterial under 12 months ECL method and considered them to have low credit risk, and thus the loss allowance is immaterial.

(iv) Other receivables other than those from related parties

For other receivables other than those from related parties, management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience. The directors believe that there is no material credit risk inherent in the Group's outstanding balance of other receivables.

(v) Financial guarantees provided to related parties

The Group has provided guarantees to related parties for bank borrowings to secure their repayments obligations. Detailed disclosure of such guarantees is made in Note 29. If the relevant related party defaults on the payments of their bank borrowings during the guarantee period, the bank holding the guarantee may demand the Group to repay the outstanding principal of the loan and any interest accrued thereon. While, the Group considers that the Group's credit risk is low given all the bank borrowings have also been secured with pledge of properties owned by the related parties themselves.

The Group considers the probability of default on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- internal credit rating
- external credit rating
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations
- actual or expected significant changes in the operating results of the borrower
- significant changes in the expected performance and behavior of the borrowers, including changes in the payment status of borrowers and changes in the operating results of the borrowers.

The Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of receivables and adjusts for forward looking macroeconomic data. Since the actual loss rates for operating lease and trade receivables and other receivables and adjustments for forward looking macroeconomic data did not have significant change during the Track Record Period, the directors of the Company consider that the change in the expected loss rate for the provision matrix is insignificant throughout the Track Record Period.

As at December 31, 2016, 2017, 2018 and June 30, 2019, the loss allowance provision for operating lease and trade receivables and other receivables due from third parties was determined as follows. The expected credit losses below also incorporated forward looking information.

	Up to 1 year	1 to 2 years	2 to 3 years	Over 3 years	Total
Operating lease and trade receivables (excluding trade receivables from related parties)					
At December 31, 2016					
Expected loss rate	5%	25%	60%	100%	–
Gross carrying amount (RMB'000)	20,060	5,971	3,409	6,154	35,594
Loss allowance provision (RMB'000)	(1,003)	(1,493)	(2,045)	(6,154)	(10,695)
At December 31, 2017					
Expected loss rate	5%	25%	60%	100%	–
Gross carrying amount (RMB'000)	47,930	7,328	5,147	5,309	65,714
Loss allowance provision (RMB'000)	(2,367)	(1,809)	(3,088)	(5,309)	(12,573)
At December 31, 2018					
Expected loss rate	5%	25%	60%	100%	–
Gross carrying amount (RMB'000)	53,632	15,317	5,693	3,551	78,193
Loss allowance provision (RMB'000)	(2,652)	(3,802)	(3,416)	(3,551)	(13,421)
At June 30, 2019					
Expected loss rate	5%	25%	60%	100%	–
Gross carrying amount (RMB'000)	64,826	23,560	6,773	3,634	98,793
Loss allowance provision (RMB'000)	(3,240)	(5,890)	(4,064)	(3,634)	(16,828)

	Up to 1 year	1 to 2 years	2 to 3 years	Over 3 years	Total
Other receivables*					
At December 31, 2016					
Expected loss rate	5%	25%	60%	100%	–
Gross carrying amount (RMB'000)	11,331	483	1,017	57	12,888
Loss allowance provision (RMB'000)	(541)	(121)	(610)	(57)	(1,329)
At December 31, 2017					
Expected loss rate	5%	25%	60%	100%	–
Gross carrying amount (RMB'000)	27,080	144	962	349	28,535
Loss allowance provision (RMB'000)	(1,305)	(36)	(574)	(349)	(2,264)
At December 31, 2018					
Expected loss rate	5%	25%	60%	100%	–
Gross carrying amount (RMB'000)	31,078	5,860	1,207	482	38,627
Loss allowance provision (RMB'000)	(1,538)	(1,460)	(724)	(482)	(4,204)
At June 30, 2019					
Expected loss rate	5%	25%	60%	100%	–
Gross carrying amount (RMB'000)	32,306	3,965	1,728	740	38,739
Loss allowance provision (RMB'000)	(1,563)	(991)	(1,037)	(740)	(4,331)

* *Excluding other receivables from related parties and interest receivable from bank deposits.*

As at December 31, 2016, 2017 and 2018 and June 30, 2019, the loss allowance provision for operating lease and trade and other receivables (excluding other receivables from related parties and interest receivable from bank deposits) reconciles to the opening loss allowance for that provision as follows:

	Operating lease and trade receivables (excluding trade receivables from related parties)	**Other receivables***	**Total**
	RMB'000	*RMB'000*	*RMB'000*
At January 1, 2016	8,743	405	9,148
Provision for loss allowance recognized in profit or loss	1,952	924	2,876
At December 31, 2016	10,695	1,329	12,024
At January 1, 2017	10,695	1,329	12,024
Provision for loss allowance recognized in profit or loss	1,878	935	2,813
At December 31, 2017	12,573	2,264	14,837
At January 1, 2018	12,573	2,264	14,837
Provision for loss allowance recognized in profit or loss	848	1,940	2,788
At December 31, 2018	13,421	4,204	17,625
At January 1, 2019	13,421	4,204	17,625
Provision for loss allowance recognized in profit or loss	3,407	220	3,627
Loss allowance reclassified and net off within assets associated with disposal group *(Note 20)*	–	(93)	(93)
At June 30, 2019	16,828	4,331	21,159

* *Excluding other receivables from related parties and interest receivables from bank deposits.*

As at December 31, 2016, 2017 and 2018 and June 30, 2019, the gross carrying amount of operating lease and trade and other receivables (excluding amounts due from related parties and interest receivables from bank deposits) were RMB48,482,000, RMB94,249,000, RMB116,820,000 and RMB137,532,000 and thus the maximum exposure to losses were RMB36,458,000, RMB79,412,000, RMB99,195,000, and RMB116,373,000 respectively.

3.1.3 Liquidity risk

To manage the liquidity risk, the Group monitors and maintains the level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The table below analyzes the Group's financial liabilities into relevant maturity grouping based on the remaining period at the end of each reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At December 31, 2016					
Borrowings	789,269	32,114	88,229	67,974	977,586
Lease liabilities	74,696	101,652	206,815	22,619	405,782
Trade and other payables*	492,702	–	–	–	492,702
Guarantees for borrowings of related parties *(Note 29 (d))*	1,761,249	–	–	–	1,761,249
	3,117,916	133,766	295,044	90,593	3,637,319
At December 31, 2017					
Borrowings	266,795	30,762	84,172	38,727	420,456
Lease liabilities	178,148	112,233	231,538	14,809	536,728
Trade and other payables*	517,752	–	–	–	517,752
Guarantees for borrowings of related parties *(Note 29 (d))*	1,678,487	–	–	–	1,678,487
	2,641,182	142,995	315,710	53,536	3,153,423
At December 31, 2018					
Borrowings	541,633	29,410	47,157	48,894	667,094
Lease liabilities	211,069	162,878	95,562	7,000	476,509
Trade and other payables*	557,609	–	–	–	557,609
Guarantees for borrowings of related parties *(Note 29 (d))*	2,368,951	–	–	–	2,368,951
	3,679,262	192,288	142,719	55,894	4,070,163

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At June 30, 2019					
Borrowings	35,800	33,763	181,116	–	250,679
Lease liabilities	165,599	119,272	54,433	3,500	342,804
Trade and other payables*	644,330	–	–	–	644,330
Guarantees for borrowings of related parties *(Note 29 (d))*	1,457,587	–	–	–	1,457,587
	2,303,316	153,035	235,549	3,500	2,695,400

* *Excluding accrued payroll and other taxes payables.*

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the asset-liability ratio. This ratio is calculated as total liabilities divided by total assets.

As at December 31, 2016, 2017 and 2018 and June 30, 2019, asset-liability ratio of the Group is as follows:

	As at December 31,			As at June 30,
	2016	2017	2018	2019
Asset liability ratio	99.1%	94.5%	89.4%	86.0%

Attributable to the Group's growing business scale and enhancement in profitability, the asset-liability ratio was improved continuously during the Track Record Period.

3.3 Fair value estimation

(a) Financial assets and liabilities

The Group's financial instruments recognized in the combined balance sheets are mainly trade and other receivables, financial assets at fair value through other comprehensive income and financial liabilities carried at amortized cost. The carrying value less impairment provision of trade and other receivables and payables are a reasonable approximation of their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

The fair value of financial instruments that are not traded in an active market is assessed by the Group based on valuations using market comparable method determined by independent and professional qualified valuer.

The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

As at 31 December 2016, 2017, 2018 and June 30, 2019, the Group had no financial instrument in level 1 and level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. As at 31 December 2016, 2017 and 2018, the Group's financial asset at fair value through other comprehensive income was included in level 3. As at June 30, 2019, there was no financial asset at fair value through other comprehensive income as the Group had disposed of the subsidiary holding the investment to a subsidiary of Powerlong Holdings (Note 30). There were no transfers between levels during the years ended December 31, 2016, 2017, 2018 and the six months ended June 30, 2019. The fair value of financial instrument included in level 3 is disclosed in Note 15.

4 Critical accounting estimates and judgment

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

(a) Allowance for doubtful receivables

The Group makes allowances for receivables based on assumptions about risk of default and expected loss rates. The Group used judgment in making these assumptions and selecting the inputs for the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

Where the expectation is different from the original estimate, such difference will impact the carrying amount of trade and other receivables and doubtful debt expenses in the periods in which such estimate has been changed. For details of the key assumptions and inputs used, see Note 3.1.2 above.

(b) Leased assets and liabilities

The Group leases various commercial properties and car parks. Assets and liabilities arising from a lease are initially measured on a present value basis.

Some of the Group's leases contain extension and termination options. In determining the lease terms, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee. If the actual lease period or the cash flow from exercising extension and termination options is significantly different from management's estimate, the carrying amounts of the right-of-use asset, investment properties and lease liabilities will be affected.

(c) Current and deferred income tax

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

Deferred tax assets relating to certain temporary differences and tax losses are recognized when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilized. The outcome of their actual utilization may be different.

5 Segment information

Management has determined the operating segments based on the reports reviewed by CODM. The CODM, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the executive directors of the Company.

The Group has two business segments:

– Commercial operational services

  The Group is engaged in (a) the provision of market research and positioning, business tenant sourcing and opening preparation services; (b) commercial operational services during the operation stage, including business tenant management, rent collection services, other value-added services (mainly including car parks, common areas and advertising space management services); (c) commercial property management services including security, gardening, cleaning, repair and maintenance services.

  Besides, to maximize its commercial operational efficiency, the Group leased in certain commercial properties nearby the shopping malls under management by the Group, and sub-leased them for long-term rental yield.

– Residential property management services

The Group provides residential property management services of residential properties, serviced apartments and office building, including pre-sale management services and other value-added services to property developers, property owners and residents.

As the CODM considers most of the Group's combined revenue and results are attributable to the market in the PRC and the Group's combined assets are substantially located in the PRC, no geographical information is presented.

(a) Segment results represent the profit earned by each segment without other income and gains, unallocated operating costs, finance costs – net and income tax expenses. Revenue recognized at a point in time from contracts with customers represents revenue from market research and positioning services. Other revenue from contracts with customers is recognized over time. The following is the analysis of the Group's revenue and results by operating and reportable segments:

For the year ended December 31, 2016

	Commercial operational services	**Residential property management services**	**Group**
	RMB'000	*RMB'000*	*RMB'000*
Gross segment revenue	628,250	124,467	752,717
Revenue from contracts with customers	553,313	124,467	677,780
– at a point in time	5,992	–	5,992
– over time	547,321	124,467	671,788
Revenue from other sources			
- rental income	74,937	–	74,937
Segment results	99,460	16,073	115,533
Other income and gains			8,891
Unallocated operating costs			(18,276)
Interest costs			(84,181)
Interest income			65,062
Foreign exchange gains/(losses) on financing activities-net			707
Profit before income tax			87,736
Income tax expenses			(24,799)
Profit for the year			62,937
Depreciation	62,173	1,188	63,361

For the year ended December 31, 2017

	Commercial operational services	Residential property management services	Group
	RMB'000	*RMB'000*	*RMB'000*
Gross segment revenue	792,363	180,619	972,982
Revenue from contracts with customers	634,430	180,619	815,049
– at a point in time	13,608	–	13,608
– over time	620,822	180,619	801,441
Revenue from other sources			
– rental income	157,933	–	157,933
Segment results	167,609	14,763	182,372
Other income and gains			10,659
Unallocated operating costs			(44,632)
Interest costs			(88,508)
Interest income			52,193
Foreign exchange gains/(losses) on financing activities-net			2,277
Profit before income tax			114,361
Income tax expenses			(35,769)
Profit for the year			78,592
Depreciation	91,313	3,108	94,421

For the year ended December 31, 2018

	Commercial operational services	Residential property management services	Group
	RMB'000	*RMB'000*	*RMB'000*
Gross segment revenue	979,631	220,767	1,200,398
Revenue from contracts with customers	771,515	220,767	992,282
– at a point in time	6,692	–	6,692
– over time	764,823	220,767	985,590
Revenue from other sources			
– rental income	208,116	–	208,116
Segment results	221,094	25,192	246,286
Other income and gains			14,096
Unallocated operating costs			(34,915)
Interest costs			(54,962)
Interest income			13,422
Foreign exchange gains/(losses) on financing activities-net			(1,068)
Profit before income tax			182,859
Income tax expenses			(49,516)
Profit for the year			133,343
Depreciation	102,169	6,950	109,119

For the six months ended June 30, 2019

	Commercial operational services	Residential property management services	Group
	RMB'000	*RMB'000*	*RMB'000*
Gross segment revenue	621,162	127,897	749,059
Revenue from contracts with customers	507,330	127,897	635,227
– at a point in time	27,397	–	27,397
– over time	479,933	127,897	607,830
Revenue from other sources			
– rental income	113,832	-	113,832
Segment results	147,456	7,966	155,422
Other income and gains			8,533
Unallocated operating costs			(25,078)
Interest costs			(27,268)
Interest income			7,606
Foreign exchange gains/(losses) on financing activities — net			466
Profit before income tax			119,681
Income tax expenses			(32,545)
Profit for the period			87,136
Depreciation	36,436	3,829	40,265

For the six months ended June 30, 2018 (unaudited)

	Commercial operational services	Residential property management services	Group
	RMB'000	*RMB'000*	*RMB'000*
Gross segment revenue	463,989	113,016	577,005
Revenue from contracts with customers	365,419	113,016	478,435
– at a point in time	3,274	–	3,274
– over time	362,145	113,016	475,161
Revenue from other sources			
– rental income	98,570	–	98,570
Segment results	103,376	8,302	111,678
Other income and gains			5,305
Unallocated operating costs			(11,183)
Interest costs			(26,716)
Interest income			6,513
Foreign exchange gains/(losses) on financing activities — net			(328)
Profit before income tax			85,269
Income tax expenses			(25,550)
Profit for the period			59,719
Depreciation	52,073	3,349	55,422

(b) The following is the analysis of the Group's segment assets and liabilities and capital expenditure for the year/period then ended:

As at December 31, 2016

	Commercial operational services	Residential property management services	Elimination	Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Segment assets	643,543	54,659	(3,645)	694,557
Other assets				1,269,182
Total assets				1,963,739
Segment liabilities	772,138	93,357	(3,645)	861,850
Other liabilities				1,084,110
Total liabilities				1,945,960
Capital expenditure	112,503	1,295	–	113,798

As at December 31, 2017

	Commercial operational services	Residential property management services	Elimination	Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Segment assets	559,416	67,240	(500)	626,156
Other assets				1,121,835
Total assets				1,747,991
Segment liabilities	991,766	128,492	(500)	1,119,758
Other liabilities				531,862
Total liabilities				1,651,620
Capital expenditure	114,098	7,104	–	121,202

As at December 31, 2018

	Commercial operational services	Residential property management services	Elimination	Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Segment assets	937,053	89,046	(30,389)	995,710
Other assets				1,181,902
Total assets				2,177,612
Segment liabilities	1,003,441	171,555	(30,389)	1,144,607
Other liabilities				803,082
Total liabilities				1,947,689
Capital expenditure	48,643	6,843	–	55,486

As at June 30, 2019

	Commercial operational services	Residential property management services	Elimination	Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Segment assets	425,101	91,144	(6,873)	509,372
Assets associated with disposal group *(Note 20)*				609,199
Other assets				999,629
Total assets				2,118,200
Segment liabilities	924,761	187,178	(6,873)	1,105,066
Liabilities associated with disposal group *(Note 20)*				294,022
Other liabilities				422,014
Total liabilities				1,821,102
Capital expenditure	9,535	519	–	10,054

Segment assets are reconciled to total assets as follows:

	As at December 31,			As at June 30,
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Segment assets	694,557	626,156	995,710	509,372
Assets associated with disposal group *(Note 20)*	–	–	–	609,199
Other assets				
Current income tax recoverables	676	1,707	2,529	6,165
Deferred income tax assets	43,151	57,769	56,494	55,802
Unallocated cash and cash equivalents and restricted cash	6,880	34,279	559,388	100,866
Amounts due from related parties *(Note 29 (c))*	877,671	683,007	228,720	827,662
Unallocated property and equipment	141	62	36	47
Financial assets at fair value through other comprehensive income *(Note 15)*	333,250	333,250	333,528	–
Other corporate assets	7,413	11,761	1,207	9,087
Total assets	1,963,739	1,747,991	2,177,612	2,118,200

Segment liabilities are reconciled to total liabilities as follows:

Segment liabilities	861,850	1,119,758	1,144,607	1,105,066
Liabilities associated with disposal group *(Note 20)*	–	–	–	294,022
Other liabilities				
Current income tax liabilities	28,370	40,324	54,003	53,142
Deferred income tax liabilities	6,513	6,513	6,582	–
Current borrowings	741,000	256,314	526,000	24,100
Non-current borrowings	156,000	132,000	108,000	190,850
Amounts due to related parties *(Note 29 (c))*	138,801	69,214	88,318	126,697
Other corporate liabilities	13,426	27,497	20,179	27,225
Total liabilities	1,945,960	1,651,620	1,947,689	1,821,102

The amounts provided to the CODM with respect to total assets and liabilities are measured in a manner consistent with that of the combined financial statements. These assets and liabilities are allocated based on the operations of the segment.

Segment assets consist primarily of property and equipment, investment properties, receivables and cash and cash equivalents.

Segment liabilities consist of operating liabilities.

Capital expenditure comprises additions to property and equipment (Note 13) and investment properties (Note 14).

6 Revenue

(a) Revenue of the Group for the years ended December 31, 2016, 2017, 2018 and the six months ended June 30, 2018 and 2019 is as follows:

	Year ended December 31,			Six months ended June 30,	
	2016	2017	2018	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Type of services					
Rental income:					
– Commercial property lease income	74,937	157,933	208,116	98,570	113,832
Revenue from customer:					
– Commercial operational services	553,313	634,430	771,515	365,419	507,330
– Market research and positioning, business tenant sourcing, opening preparation services	71,511	70,436	52,214	29,185	48,605
– Commercial operation and management services	481,802	563,994	719,301	336,234	458,725
Commercial operation services during the operation stage	146,438	132,073	159,564	80,914	147,731
Commercial property management services	335,364	431,921	559,737	255,320	310,994
– Residential property management services	124,467	180,619	220,767	113,016	127,897
– Pre-sale management services	2,188	2,110	3,021	1,642	6,867
– Residential property management services	92,523	146,452	178,788	95,970	101,265
– Other value-added services	29,756	32,057	38,958	15,404	19,765
	752,717	972,982	1,200,398	577,005	749,059
Type of customers					
Rental income					
External customers (iii)	74,937	157,933	208,116	98,570	113,832
Commercial operational services	553,313	634,430	771,515	365,419	507,330
External customers (iii)	325,735	459,841	586,178	272,138	420,154
Fellow subsidiaries (i)	213,175	159,427	173,628	89,685	76,440
Other related parties (ii)	14,403	15,162	11,709	3,596	10,736
Residential property management services	124,467	180,619	220,767	113,016	127,897
External customers (iii)	91,575	148,294	188,252	96,801	109,917
Fellow subsidiaries (i)	32,892	32,325	32,515	16,215	16,834
Other related parties (ii)	–	–	–	–	1,146
	752,717	972,982	1,200,398	577,005	749,059

(i) For the years ended December 31, 2016, 2017 and 2018 and the six months ended June 30, 2018 and 2019, revenue arising from Remaining Powerlong Group and other entities controlled by Mr. Hoi (the "**Fellow Subsidiaries**") contributed 32.7%, 19.7%, 17.2%, 18.3% and 12.4% of the Group's revenue, respectively. Other than the Fellow Subsidiaries, the Group has a large number of customers, none of whom contributed 10% or more of the Group's revenue during the Track Record Period.

(ii) Other related parties represented entities jointly controlled by Mr. Hoi.

(iii) External customers represented independent third parties.

(b) Liabilities related to contracts with customers

	As at December 31,			As at June 30,
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contract liabilities	95,816	121,068	133,779	173,996

Contract liabilities of the Group mainly arose from the advance payments made by the customers while the underlying services are yet to be provided. Such liabilities increased as a result of the growth of the Group's business.

(i) Revenue recognized in relation to contract liabilities

The following table shows how much of the revenue recognized in the current reporting period relates to carried-forward contract liabilities.

	Year ended December 31,			Six months ended June 30,	
	2016	**2017**	**2018**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Revenue recognized that was included in the contract liability balance at the beginning of the year/period					
– Commercial operational services	49,246	72,560	94,730	94,330	105,761
– Residential property management services	10,848	23,256	26,338	22,636	19,677
	60,094	95,816	121,068	116,966	125,438

(ii) Unsatisfied performance obligations

For commercial operational services and residential property management services, the Group recognizes revenue in the amount that equals to the rights to invoices which corresponds directly with the value to the customers of the Group's performance to date, on a monthly or quarterly basis. The Group has elected the practical expedient for not to disclose the remaining performance obligations for those types of contracts. The majority of the property management services contracts and property developer-related services do not have a fixed term. The term of the contracts for other value-added services is generally set to expire when the counterparties notify several months in advance the Group that the services are no longer required.

7 Expenses by nature

	Year ended December 31,			Six months ended June 30,	
	2016	**2017**	**2018**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Staff costs *(Note 8)*	343,955	419,382	503,306	238,286	297,133
Subcontracting costs *(Note(b))*	112,319	147,640	174,051	88,021	103,445
Depreciation *(Notes 13 and 14)*	63,361	94,421	109,119	55,422	40,265
Variable lease payments *(Note 25(b))*	–	2,252	9,264	4,963	5,508
Utilities	55,173	72,413	88,176	43,559	47,696
Promotion and advertising expenses	9,802	18,539	31,106	14,396	16,899
Traveling and entertainment expenses	12,816	17,863	20,336	8,240	8,301
Professional fees	4,689	1,581	2,026	665	2,482
Office expenses	12,434	13,140	12,868	7,228	7,676
Taxes and other levies *(Note(a))*	17,484	6,908	8,046	3,131	4,325
Loss on misappropriation of assets *(Note(d))*	–	13,434	–	–	–
Listing expenses	–	–	–	–	9,649
Short-term lease expenditure *(Note(c))*	–	–	–	–	57,827
Auditors' remuneration					
– Audit services	66	50	53	–	–
Others	20,485	24,806	27,888	10,695	13,882
	652,584	832,429	986,239	474,606	615,088

(a) Pursuant to the 'Circular on the Overall Promotion of Pilot Program of Levying Value-Added-Tax in place of Business Tax' (Cai Shui [2016] 36) jointly issued by the Ministry of Finance and the State of Administration of Taxation, revenue of rental and management services of the Group's PRC subsidiaries previously subject to business tax is subject to Value-Added-Tax ("**VAT**") from 1 May 2016. For the year ended December 31, 2016, taxes and other levies included business tax of RMB10,912,000.

(b) Subcontracting costs comprised outsourced security, greening, cleaning and maintenance costs, etc.

(c) On January 1, 2019, the Group and the Remaining Powerlong Group entered into agreements to lease the car parks, common areas and advertising spaces with one year at a total annual rent payments of RMB121,500,000 (tax included). For the six months period ended June 30, 2019, short-term lease expenditures of RMB57,827,000 were charged into income statements.

(d) The amount represented loss in cash as a result of an employee's defalcation in late 2017.

8 Staff costs

	Year ended December 31,			Six months ended June 30,	
	2016	**2017**	**2018**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Wages, salaries and bonuses	282,084	341,199	407,500	194,278	243,919
Social insurance expenses *(Note (a))*	45,247	56,501	68,245	32,024	38,441
Housing benefits	8,250	11,830	16,003	7,124	9,523
Other employee benefits *(Note (b))*	8,374	9,852	11,558	4,860	5,250
	343,955	419,382	503,306	238,286	297,133

(a) Employees in the Group's PRC subsidiaries are required to participate in a defined contribution retirement scheme administrated and operated by the local municipal government. The Group's PRC subsidiaries contribute funds which are calculated on certain percentage of the average employee salary as agreed by local municipal government to the scheme to fund the retirement benefits of the employees.

(b) Other employee benefits mainly include meal, traveling and transportation allowances.

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the years ended December 31, 2016, 2017, 2018 and the six months ended June 30, 2019 included one director whose emoluments are shown in Note 31. The emoluments payable to the remaining 4 individuals during the Track Record Period are as follows:

	Year ended December 31,			Six months ended June 30,	
	2016	**2017**	**2018**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Wages, salaries and bonuses	2,400	2,700	3,100	1,500	1,800
Pension costs, housing funds, medical insurance and other social insurances	625	624	615	308	343
	3,025	3,324	3,715	1,808	2,143

The emoluments fell within the following bands:

	Number of individuals				
	Year ended December 31,			Six months ended June 30,	
	2016	**2017**	**2018**	**2018**	**2019**
				(unaudited)	
Emolument bands (in HK dollar)					
Nil — HK$1,000,000	4	4	4	4	4

9 Other income and gains

	Year ended December 31,			Six months ended June 30,	
	2016	**2017**	**2018**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Other income					
Government grants *(Note (a))*	5,535	5,283	6,215	952	667
Late fee income	1,622	2,919	5,848	2,992	3,604
Others	1,734	2,457	2,033	1,361	2,207
	8,891	10,659	14,096	5,305	6,478
Other gains					
Gain on lease termination *(Note (b))*	–	–	–	–	2,055
	8,891	10,659	14,096	5,305	8,533

(a) The government grants represented mainly rewards and tax refunds from local government without attached conditions.

(b) Amount represented gains from termination of certain car park lease arrangements with the Remaining Powerlong Group during the six months ended June 30, 2019.

10 Finance costs — net

	Year ended December 31,			Six months ended June 30,	
	2016	**2017**	**2018**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Interest expense in respect of:					
Bank borrowings	67,976	64,044	30,426	14,479	19,161
Lease liabilities	16,205	24,464	24,536	12,237	8,107
	84,181	88,508	54,962	26,716	27,268
Interest income in respect of:					
Loans due from related parties *(Note 29 (a))*	(64,654)	(51,572)	(1,919)	(1,919)	–
Bank deposits	(408)	(621)	(11,503)	(4,594)	(7,606)
	(65,062)	(52,193)	(13,422)	(6,513)	(7,606)
Foreign exchange (gains)/losses on financing activities — net	(707)	(2,277)	1,068	328	(466)
Finance costs — net	18,412	34,038	42,608	20,531	19,196

11 Subsidiaries

The subsidiaries of which the Company held direct or indirect interest upon completion of the Reorganization and as at the date of this report are as follows:

Company name	Place and date of incorporation/ establishment	Registered capital	Attributable equity interest of the Group as at December 31, 2016	Attributable equity interest of the Group as at December 31, 2017	Attributable equity interest of the Group as at December 31, 2018	Attributable equity interest of the Group as at June 30, 2019	Attributable equity interest of the Group as at the date of this report	Principal activities and place of operation	Name of statutory auditors and periods covered
Directly owned:									
Powerlong (BVI) V Limited	The BVI, August 11, 2008	USD50,000	100%	100%	100%	100%	100%	Investment holding, the British Virgin Island	N/A
Indirectly owned:									
Powerlong Real Estate (BVI) Holdings Limited	The BVI, August 11, 2008	USD50,000	100%	100%	100%	100%	100%	Investment holding, the British Virgin Island	N/A
Huihong Management (PTC) Limited ("**Huihong Management**") *(Note (a))*	The BVI, July 2, 2019	USD50,000	NA	NA	NA	NA	100%	Investment holding, the British Virgin Island	N/A
Powerlong Commercial Group Holdings Limited	Hong Kong, October 3, 2008	HKD50,000	100%	100%	100%	100%	100%	Investment holding, Hong Kong	PricewaterhouseCoopers for the years ended 31 December 2016, 2017 and 2018
Shanghai Shangsheng Investment Management Consulting Company Limited	The PRC, December 15, 2010	USD3,000,000	100%	100%	100%	100%	100%	Investment holding, management consulting, Shanghai, the PRC	N/A
Shanghai Yulong Property Management Company Limited	The PRC, March 5, 2012	RMB1,000,000	100%	100%	100%	100%	100%	Commercial operation, Shanghai, the PRC	N/A
Xiamen Hualong Property Management Company Limited	The PRC, April 14, 1993	RMB5,853,600	100%	100%	100%	100%	100%	Property management, Xiamen, the PRC	N/A
Shanghai Powerlong Property Management Company Limited	The PRC, April 5, 2007	RMB5,000,000	100%	100%	100%	100%	100%	Property management, Shanghai, the PRC	N/A
Qingdao Jimo Powerlong Commercial Property Management Company Limited	The PRC, November 26, 2010	RMB3,000,000	100%	100%	100%	100%	100%	Commercial operation, Qingdao, the PRC	N/A
Taicang Baohua Property Management Company Limited	The PRC, October 9, 2006	RMB3,000,000	100%	100%	100%	100%	100%	Property management, Taicang, the PRC	N/A
Xinxiang Powerlong Commercial Property Management Company Limited	The PRC, December 6, 2010	RMB3,000,000	100%	100%	100%	100%	100%	Commercial operation, Xinxiang, the PRC	Henan Zhengyuan Certified Public Accountants Co., LTD for the year ended December 31, 2016
Xinxiang Powerlong Property Management Company Limited	The PRC, January 14, 2011	RMB1,000,000	100%	100%	100%	100%	100%	Property management, Xinxiang, the PRC	N/A
Shanghai Powerlong Commercial Property Management Company Limited	The PRC, June 29, 2007	RMB5,000,000	100%	100%	100%	100%	100%	Commercial operation, Shanghai, the PRC	N/A

Company name	Place and date of incorporation/ establishment	Registered capital	Attributable equity interest of the Group as at December 31, 2016	Attributable equity interest of the Group as at December 31, 2017	Attributable equity interest of the Group as at December 31, 2018	Attributable equity interest of the Group as at June 30, 2019	Attributable equity interest of the Group as at the date of this report	Principal activities and place of operation	Name of statutory auditors and periods covered
Chongqing Powerlong Changrun Property Management Company Limited *(Note (d))*	The PRC, December 5, 2013	RMB1,000,000	100%	100%	100%	100%	N/A	Commercial operation, Chongqing, the PRC	N/A
Luoyang Powerlong Commercial Property Management Company Limited *(Note (c))*	The PRC, September 30, 2007	RMB10,000,000	100%	100%	100%	100%	N/A	Commercial operation, Luoyang, the PRC	Henan Kaiqiao Certified Public Accountants Co., LTD for the years ended December 31, 2016, 2017 and 2018
Anxi Powerlong Commercial Property Services Company Limited *(Note (d))*	The PRC, May 26, 2011	RMB3,000,000	100%	100%	100%	N/A	N/A	Commercial operation, Anxi, the PRC	N/A
Bengbu Powerlong Commercial Property Management Company Limited	The PRC, July 12, 2007	RMB10,000,000	100%	100%	100%	100%	100%	Commercial operation, Bengbu, the PRC	Anhui Xincheng Certified Public Accountants Co., LTD for the years ended December 31, 2016, 2017 and 2018
Yangzhou Powerlong Commercial Operational Management Company Limited	The PRC, October 15, 2014	RMB1,000,000	100%	100%	100%	100%	100%	Commercial operation, Yangzhou, the PRC	N/A
Zhengzhou Powerlong Commercial Property Management Company Limited	The PRC, October 16, 2007	RMB10,000,000	100%	100%	100%	100%	100%	Commercial operation, Zhengzhou, the PRC	Henan Putian Certified Public Accountants Co., LTD for the years ended December 31, 2016 and 2017
Qingdao Powerlong Commercial Property Management Company Limited	The PRC, February 25, 2008	RMB4,000,000	100%	100%	100%	100%	100%	Commercial operation, Chengyang, the PRC	N/A
Jinjiang Yulong Commercial Property Management Company Limited *(Note (c))*	The PRC, November 18, 2011	RMB1,000,000	100%	100%	100%	100%	N/A	Commercial operation, Jinjiang, the PRC	N/A
Suqian Powerlong Commercial Property Management Company Limited *(Note (d))*	The PRC, March 11, 2010	RMB10,000,000	100%	100%	100%	100%	N/A	Commercial operation, Suqian, the PRC	N/A
Wuxi Powerlong Commercial Property Management Company Limited	The PRC, April 8, 2008	RMB10,000,000	100%	100%	100%	100%	100%	Commercial operation, Wuxi, the PRC	Wuxi Fangsheng Certified Public Accountants Co., LTD for the years ended December 31, 2016, 2017 and 2018
Yancheng Powerlong Commercial Property Management Company Limited	The PRC, October 29, 2009	RMB15,000,000	100%	100%	100%	100%	100%	Commercial operation, Yancheng, the PRC	N/A
Qingdao Licang Powerlong Commercial Property Management Company Limited	The PRC, May 24, 2011	RMB11,000,000	100%	100%	100%	100%	100%	Commercial operation, Qingdao, the PRC	N/A
Yantai Powerlong Commercial Property Management Company Limited *(Note (d))*	The PRC, July 22, 2013	RMB1,000,000	100%	100%	100%	100%	N/A	Commercial operation, Penglai, the PRC	Yantai Huicheng Certified Public Accountants Co., LTD for the years ended December 31, 2016 and 2017

Company name	Place and date of incorporation/ establishment	Registered capital	Attributable equity interest of the Group as at December 31, 2016	Attributable equity interest of the Group as at December 31, 2017	Attributable equity interest of the Group as at December 31, 2018	Attributable equity interest of the Group as at June 30, 2019	Attributable equity interest of the Group as at the date of this report	Principal activities and place of operation	Name of statutory auditors and periods covered
Hangzhou Junlong Enterprise Management Company Limited	The PRC, July 23, 2014	RMB1,000,000	100%	100%	100%	100%	100%	Commercial operation, Hangzhou, the PRC	N/A
Hangzhou Haolong Enterprise Management Company Limited *(Note (c))*	The PRC, August 22, 2013	RMB5,000,000	100%	100%	100%	100%	N/A	Commercial operation, Hangzhou, the PRC	Zhejiang Tianping Certified Public Accountants Co., LTD for the years ended December 31, 2016, 2017 and Hangzhou Qianteng Certified Public Accountants Co., LTD for the years ended December 31, 2018
Changzhou Junlong Commercial Management Company Limited *(Note (b))*	The PRC, February 5, 2013	RMB1,000,000	100%	100%	100%	N/A	N/A	Commercial operation, Changzhou, the PRC	N/A
Hangzhou Xiaoshan Yulong Commercial Management Company Limited *(Note (c))*	The PRC, September 17, 2014	RMB1,000,000	100%	100%	100%	100%	N/A	Commercial operation, Hangzhou, the PRC	N/A
Zhenjiang Yulong Commercial Management Company Limited	The PRC, November 21, 2013	RMB1,000,000	100%	100%	100%	100%	100%	Commercial operation, Zhenjiang, the PRC	N/A
Hangzhou Fuyang Powerlong Commercial Investment Management Company Limited *(Note (c))*	The PRC, December 15, 2014	RMB1,000,000	100%	100%	100%	100%	N/A	Commercial operation, Hangzhou, the PRC	N/A
Qingdao Powerlong Yingju Commercial Property Management Company Limited *(Note (d))*	The PRC, November 21, 2013	RMB1,000,000	100%	100%	100%	100%	N/A	Commercial operation, Qingdao, the PRC	N/A
Fuzhou Powerlong Commercial Operational Management Company Limited *(Note (b))*	The PRC, April 28, 2005	RMB10,000,000	100%	100%	100%	N/A	N/A	Commercial operation, Fuzhou, the PRC	Xiamen Yimeng Associated Certified Public Accountants Co., LTD for the year ended December 31, 2016
Tianjin Junlong Commercial Management Company Limited	The PRC, October 21, 2011	RMB1,000,000	100%	100%	100%	100%	100%	Commercial operation, Tianjin, the PRC	N/A
Xiamen Baojuan Commercial Management Company Limited *(Note (d))*	The PRC, October 21, 2014	RMB1,000,000	100%	100%	100%	100%	N/A	Commercial operation, Xiamen, the PRC	N/A
Yantai Yulong Commercial Property Management Company Limited *(Note (d))*	The PRC, September 26, 2014	RMB1,000,000	100%	100%	100%	100%	N/A	Commercial operation, Yantai, the PRC	N/A
Dongying Powerlong Commercial Operational Management Company Limited	The PRC, November 20, 2014	RMB1,000,000	100%	100%	100%	100%	100%	Commercial operation, Dongying, the PRC	N/A
Shanghai Baoqian Commercial Operational Management Company Limited	The PRC, November 13, 2014	RMB1,000,000	100%	100%	100%	100%	100%	Commercial operation, Shanghai, the PRC	N/A
Shanghai Xuxin Enterprise Management Company Limited	The PRC, September 26, 2014	RMB1,000,000	100%	100%	100%	100%	100%	Property operation, Shanghai, the PRC	N/A

Company name	Place and date of incorporation/ establishment	Registered capital	Attributable equity interest of the Group as at December 31, 2016	Attributable equity interest of the Group as at December 31, 2017	Attributable equity interest of the Group as at December 31, 2018	Attributable equity interest of the Group as at June 30, 2019	Attributable equity interest of the Group as at the date of this report	Principal activities and place of operation	Name of statutory auditors and periods covered
Shanghai Huazhan Commercial Operational Management Company Limited	The PRC, September 22, 2014	RMB1,000,000	100%	100%	100%	100%	100%	Commercial operation, Shanghai, the PRC	Shanghai Humin Certified Public Accountants Co., LTD for the years ended December 31, 2016, 2017 and 2018
Shanghai Huaqian Commercial Operational Management Company Limited	The PRC, September 30, 2014	RMB1,000,000	100%	100%	100%	100%	100%	Commercial operation, Shanghai, the PRC	N/A
Shanghai Kangqian Commercial Operational Management Company Limited	The PRC, September 12, 2014	RMB1,000,000	100%	100%	100%	100%	100%	Commercial operation, Shanghai, the PRC	N/A
Shanghai Juanxin Enterprise Management Company Limited	The PRC, September 18, 2014	RMB1,000,000	100%	100%	100%	100%	100%	Property operation, Shanghai, the PRC	Shanghai Humin Certified Public Accountants Co., LTD for the years ended December 31, 2018
Shanghai Baozhan Commercial Operational Management Company Limited	The PRC, September 1, 2014	RMB1,000,000	100%	100%	100%	100%	100%	Commercial operation, Shanghai, the PRC	N/A
Shanghai Jinglong Enterprise Management Company Limited	The PRC, October 30, 2015	RMB1,000,000	100%	100%	100%	100%	100%	Property operation, Shanghai, the PRC	N/A
Bengbu Yulong Supplies Commercial Company Limited *(Note (d))*	The PRC, July 5, 2013	RMB1,000,000	100%	100%	100%	N/A	N/A	Property operation, Bengbu, the PRC	N/A
Fuyang Powerlong Commercial Operational Management Company Limited	The PRC, May 28, 2015	RMB1,000,000	100%	100%	100%	100%	100%	Commercial operation, Fuyang, the PRC	N/A
Jiangyou Powerlong Commercial Management Company Limited	The PRC, September 18, 2017	RMB1,000,000	N/A	100%	100%	100%	100%	Commercial operation, Jiangyou, the PRC	N/A
Shanghai Jiashang Digital Technology Company Limited	The PRC, April 17, 2019	RMB20,000,000	N/A	N/A	N/A	100%	100%	Technology development, Shanghai, the PRC	N/A
Qingdao Shaohai Yulong Commercial Management Company Limited *(Note (d))*	The PRC, January 13, 2015	RMB1,000,000	100%	N/A	N/A	N/A	N/A	Commercial operation, Jiaozhou, the PRC	N/A
Shanghai Baojuan Commercial Operational Management Company Limited	The PRC, October 9, 2019	RMB1,000,000	N/A	N/A	N/A	N/A	100%	Commercial operation, Shanghai, the PRC	N/A

* The English name of the subsidiaries represents the best effort by the management of the Group in translating their Chinese names as they do not have an official English name.

(a) On July 2, 2019, Huihong Management was incorporated in the BVI as a special purpose vehicle to hold shares to be granted eligible grantees under a share incentive scheme to be adopted at least six months after the Listing. As the Company has the power to govern the relevant activities of Huihong Management and can derive benefits from the contributions of the eligible management and employees, the directors of the Company consider that it is appropriate to consolidate Huihong Management.

(b) As disclosed in Note 30, during the six months ended June 30, 2019, two subsidiaries were disposed of to Powerlong Holdings.

(c) As disclosed in Note 20, those subsidiaries would be subsequently disposed of to Powerlong Holdings.

(d) Those subsidiaries already completed deregistration.

12 Income tax expenses

	Year ended December 31,			Six months ended June 30,	
	2016	2017	2018	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Current income tax					
– PRC corporate income tax	35,980	50,387	48,241	38,852	35,100
Deferred income tax *(Note 27)*					
– PRC corporate income tax	(11,181)	(14,618)	1,275	(13,302)	(2,555)
	24,799	35,769	49,516	25,550	32,545

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the group entities as follows:

	Year ended December 31,			Six months ended June 30,	
	2016	2017	2018	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Profit before income tax	87,736	114,361	182,859	85,269	119,681
Tax charge at effective rate applicable to profits in the respective group entities	21,934	28,590	45,715	21,317	29,920
Tax effects of:					
– Expenses not deductible for tax purposes	1,114	1,213	2,340	558	2,625
– Tax losses for which no deferred income tax asset was recognized	1,751	5,966	1,461	3,675	–
PRC corporate income tax	24,799	35,769	49,516	25,550	32,545

PRC corporate income tax

Income tax provision of the Group in respect of operations in the PRC has been calculated at the applicable tax rate on the estimated assessable profits for the year/period, based on the existing legislation, interpretations and practices in respect thereof.

The general corporate income tax rate in the PRC is 25%.

Overseas income tax

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap 22 of Cayman Islands and pursuant to the rules and regulations of Cayman Islands, the Company is not subject to any income tax. The Company's subsidiaries in the British Virgin Islands were incorporated under the BVI Business Companies Act (as amended) of the British Virgin Islands and, accordingly are exempted from British Virgin Islands income tax.

Hong Kong profits tax

No provision for Hong Kong profits tax has been made in these combined financial statements as the Company and the Group did not have assessable profit in Hong Kong during the Track Record Period. The profit of the group entities in Hong Kong is mainly derived from dividend income, which is not subject to Hong Kong profits tax.

13 Property and equipment

	Right-of-use assets — car parks	Motor vehicles	Furniture, fitting and equipment	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at January 1, 2016				
Cost	177,011	11,392	16,891	205,294
Accumulated depreciation	(10,746)	(8,953)	(10,275)	(29,974)
Net book amount	166,265	2,439	6,616	175,320
Year ended December 31, 2016				
Opening net book amount	166,265	2,439	6,616	175,320
Additions	–	72	2,805	2,877
Disposals	(950)	(40)	(230)	(1,220)
Depreciation charge	(9,189)	(556)	(2,415)	(12,160)
Closing net book amount	156,126	1,915	6,776	164,817
As at December 31, 2016				
Cost	176,061	11,424	18,479	205,964
Accumulated depreciation	(19,935)	(9,509)	(11,703)	(41,147)
Net book amount	156,126	1,915	6,776	164,817
Year ended December 31, 2017				
Opening net book amount	156,126	1,915	6,776	164,817
Additions	35,619	260	2,509	38,388
Disposals	(2,050)	(13)	(91)	(2,154)
Depreciation charge	(13,793)	(703)	(3,345)	(17,841)
Closing net book amount	175,902	1,459	5,849	183,210

	Right-of-use assets — car parks	Motor vehicles	Furniture, fitting and equipment	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at December 31, 2017				
Cost	209,630	9,210	21,531	240,371
Accumulated depreciation	(33,728)	(7,751)	(15,682)	(57,161)
Net book amount	175,902	1,459	5,849	183,210
Year ended December 31, 2018				
Opening net book amount	175,902	1,459	5,849	183,210
Additions	51,741	411	2,180	54,332
Disposals	(32,537)	(61)	(604)	(33,202)
Depreciation charge	(27,355)	(693)	(2,799)	(30,847)
Closing net book amount	167,751	1,116	4,626	173,493
As at December 31, 2018				
Cost	224,451	9,075	21,872	255,398
Accumulated depreciation	(56,700)	(7,959)	(17,246)	(81,905)
Net book amount	167,751	1,116	4,626	173,493
Six months ended June 30, 2019				
Opening net book amount	167,751	1,116	4,626	173,493
Additions	–	28	1,825	1,853
Disposals *(Note (b))*	(148,994)	(280)	(50)	(149,324)
Disposal of subsidiaries *(Note 30)*	–	(3)	(133)	(136)
Reclassified to assets associated with disposal group *(Note 20)*	(15,838)	–	(1)	(15,839)
Depreciation charge	(2,919)	(288)	(1,592)	(4,799)
Closing net book amount	–	573	4,675	5,248
As at June 30, 2019				
Cost	–	7,897	19,839	27,736
Accumulated depreciation	–	(7,324)	(15,164)	(22,488)
Net book amount	–	573	4,675	5,248

	Right-of-use assets — car parks	Motor vehicles	Furniture, fitting and equipment	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Six months ended June 30, 2018 (unaudited)				
Opening net book amount	175,902	1,459	5,849	183,210
Additions	29,302	228	974	30,504
Disposals	(30,486)	(57)	(304)	(30,847)
Depreciation charge	(14,700)	(345)	(1,382)	(16,427)
Closing net book amount	160,018	1,285	5,137	166,440
As at June 30, 2018				
Cost	202,012	6,288	25,150	233,450
Accumulated depreciation	(41,994)	(5,003)	(20,013)	(67,010)
Net book amount	160,018	1,285	5,137	166,440

Depreciation expenses were charged to the following categories in the combined statements of comprehensive income:

	Year ended December 31,			Six months ended June 30,	
	2016	**2017**	**2018**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Cost of services	9,189	13,793	27,355	14,700	2,919
Administrative expenses	2,971	4,048	3,492	1,727	1,880
	12,160	17,841	30,847	16,427	4,799

(a) No property and equipment was restricted or pledged for the Group's borrowings as at December 31, 2016, 2017, 2018 and June 30, 2019.

(b) During the years ended December 31, 2016, 2017 and 2018, the Group leased in certain car parks from the Remaining Powerlong Group by one-off prepayment or by installments with lease terms of 3 to 30 years for operation income. The leased in car parks were recorded as "right-of-use assets — car parks" under "Property and equipment" (Note 13). Apart from the aforesaid car park lease arrangements, the services rendering to other car parks under the management service arrangements between the Group and the Remaining Powerlong Group was charged on a commission basis. Since 2019, the Group terminated all the previous lease or management service agreements with the Remaining Powerlong Group and adopted a new car park lease agreement with a lease term of one year, pursuant to which the Group would pay an annual rent to the Remaining Powerlong Group and entitled to all the operation income of the car parks leased in.

14 Investment properties

	Leased commercial properties-right of use assets
	RMB'000
As at January 1, 2016	
Cost	223,096
Accumulated depreciation	(56,300)
Net book amount	166,796
Year ended December 31, 2016	
Opening net book amount	166,796
Additions	110,921
Depreciation charge	(51,201)
Closing net book amount	226,516
As at December 31, 2016	
Cost	334,017
Accumulated depreciation	(107,501)
Net book amount	226,516
Year ended December 31, 2017	
Opening net book amount	226,516
Additions	82,814
Depreciation charge	(76,580)
Closing net book amount	232,750
As at December 31, 2017	
Cost	416,831
Accumulated depreciation	(184,081)
Net book amount	232,750
Year ended December 31, 2018	
Opening net book amount	232,750
Additions	1,154
Depreciation charge	(78,272)
Closing net book amount	155,632

	Leased commercial properties-right of use assets
	RMB'000
As at December 31, 2018	
Cost	417,985
Accumulated depreciation	(262,353)
Net book amount	155,632
Period ended June 30, 2019	
Opening net book amount	155,632
Additions	8,201
Depreciation charge	(35,466)
Closing net book amount	128,367
As at June 30, 2019	
Cost	426,186
Accumulated depreciation	(297,819)
Net book amount	128,367
Period ended June 30, 2018 (unaudited)	
Opening net book amount	232,750
Additions	778
Depreciation charge	(38,995)
Closing net book amount	194,533
As at June 30, 2018	
Cost	417,609
Accumulated depreciation	(223,076)
Net book amount	194,533

(a) As at December 31, 2016, 2017, 2018 and June 30, 2019, the Group had no investment property pledged as security for the Group's borrowings.

(b) As at December 31, 2016, 2017 and 2018 and June 30, 2019, the fair values of the investment properties approximate to RMB363,341,000, RMB426,279,000, RMB347,070,000 and RMB282,130,000 respectively. The fair value of the investment properties are expected to be realized through rental income.

(i) Fair value hierarchy

An independent valuation of the Group's investment properties was performed by the independent and professionally qualified valuer, to determine the fair value of the investment properties as at December 31, 2016, 2017 and 2018 and June 30, 2019, respectively.

As at December 31, 2016, 2017 and 2018 and June 30, 2019 as certain of significant inputs used in the determination of fair value of investment properties are arrived at by reference to certain significant unobservable market data, the fair value of all investment properties of the Group is included in level 3 of the fair value measurement hierarchy.

(ii) Valuation processes of the Group

The Group's investment properties were valued at December 31, 2016, 2017 and 2018 and June 30, 2019, by independent professionally qualified valuer who holds a recognized relevant professional qualification and have recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates to the highest and best use.

The Group's finance department includes a team that review the valuations performed by the independent valuer for financial reporting purposes. This team reports to the senior management of the Group. Discussions of valuation processes and results are held between the management and valuer.

At each financial year end the finance department:

- Verifies all major inputs to the independent valuation report;
- Assesses property valuation movements when compared to the prior year valuation report;
- Holds discussions with the independent valuer.

(iii) Valuation techniques

Investment properties comprise of right-of-use assets of commercial properties held under leases. Fair values of the investment properties are generally derived using the term and reversionary method. This method is based on the tenancy agreements as at the respective valuation dates. The rental income derived within the tenancy agreements are discounted by adopting term yields and the potential reversionary income are discounted by adopting appropriate reversionary yields for the period beyond the rental period in the tenancy agreements. Potential reversionary income and the reversionary yields are derived from analysis of prevailing market rents and valuer's interpretation of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation have reference to recent lettings, within the subject properties and other comparable properties.

There were no changes to the valuation techniques during the Track Record Period.

Valuation techniques	Unobservable inputs	Range of unobservable inputs				Relationship of unobservable inputs to fair value
		As of December 31, 2016	As of December 31, 2017	As of December 31, 2018	As of June 30, 2019	
Income approach	Term yields	7.50%-8.75%	7.50%-8.75%	7.50%-8.75%	7.50%-8.75%	The higher the term yields, the lower the fair value
	Reversionary yields	7.50%-8.75%	7.50%-8.75%	7.50%-8.75%	7.50%-8.75%	The higher the reversionary yields, the lower the fair value
	Market rents (RMB/square meter/month)	14-142	6-196	6-206	6-206	The higher the market rents, the higher the fair value

15 Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income comprise: equity securities which are not held for trading, and which the Group has irrevocably elected at initial recognition to recognize in this category.

	As at December 31,			As at June 30,	
	2016	2017	2018	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Opening amounts	317,999	333,250	333,250	333,250	333,528
Net gains recognized in other comprehensive income	15,251	–	278	–	–
Disposal of subsidiaries *(Note 30)*	–	–	–	–	(333,528)
Closing amounts	333,250	333,250	333,528	333,250	–

(a) Amount represented 5% equity interest in an unlisted insurance company in the PRC. In May 2019, the Group disposed of the subsidiary holding the investment to an entity controlled by Mr. Hoi (Note 30).

(b) Fair value and risk exposure

The fair value of this 5% equity interest was derived by using the market comparable method determined by independent qualified valuer. The fair value was referenced by the average price per book value ratio among certain comparable companies listed in domestic or Hong Kong capital markets.

Analysis of the sensitivity of the assets to price risk is set out in Note 3.1.1.

There are no commitment or contingent liabilities relating to the Group's interests in the unlisted company.

16 Financial instruments by category

	As at December 31,			As at June 30,
	2016	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets at amortized cost				
Operating lease and trade receivables	61,697	92,245	82,475	117,446
Other receivables (excluding prepayments)	889,230	709,278	304,944	929,695
Cash and cash equivalents	151,604	112,876	553,378	134,277
Restricted cash	62,203	1,567	486,540	100,747
	1,164,734	915,966	1,427,337	1,282,165
Financial assets at fair value through other comprehensive income	333,250	333,250	333,528	–
Financial liabilities at amortized costs				
Borrowings	897,000	388,314	634,000	214,950
Trade and other payables (excluding accrued payroll and other taxes payables)	492,702	517,752	557,609	644,330
Lease liabilities	351,438	482,125	441,768	320,586
	1,741,140	1,388,191	1,633,377	1,179,866

17 Operating lease and trade receivables

	As at December 31,			As at June 30,
	2016	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Operating lease receivables *(Note (a))*				
– Third parties	6,509	11,113	4,076	5,106
Trade receivables *(Note (a))*				
– Related parties *(Note 29(c))*	36,798	39,104	17,703	35,481
– Third parties	29,085	54,601	74,117	93,687
	65,883	93,705	91,820	129,168
Less: allowance for impairment	(10,695)	(12,573)	(13,421)	(16,828)
	61,697	92,245	82,475	117,446

(a) The Group's revenue are derived from provision of commercial operational services and residential property management services and lease of properties. Proceeds in respect of service rendering and rental income are to be received in accordance with the terms of relevant property service agreements and tenant contracts.

As at December 31, 2016, 2017, 2018 and June 30, 2019, the aging analysis of the operating lease and trade receivables due from related parties and third parties based on the demand note date were as follows:

	As at December 31,			**As at June 30,**
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0 to 30 days	11,661	14,059	12,864	19,466
31 to 180 days	23,069	31,258	27,915	42,939
181-365 days	14,031	22,386	22,808	33,758
1 to 2 years	10,877	17,978	19,634	23,560
2-3 years	4,655	10,587	6,393	10,917
Over 3 years	8,099	8,550	6,282	3,634
	72,392	104,818	95,896	134,274

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9. As at December 31, 2016, 2017, 2018 and June 30, 2019, a provision of RMB10,695,000, RMB12,573,000, RMB13,421,000 and RMB16,828,000 was made against the gross amounts of operating lease and trade receivables due from third parties (Note 3.1.2).

As at December 31, 2016, 2017, 2018 and June 30, 2019, the operating lease and trade receivables were denominated in RMB, and the fair values approximated their carrying amounts.

As at December 31, 2016, 2017, 2018 and June 30, 2019, the balances of operating lease and trade receivables were not pledged for the Group's borrowings.

18 Prepayments and other receivables

	As at December 31,			As at June 30,
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Other receivables				
– Receivables from related parties *(Note 29(c))*	877,671	683,007	259,206	893,940
– Payments on behalf of tenants or residents *(Note (a))*	11,845	24,387	37,088	37,181
– Interest receivables from bank deposits	–	–	11,315	1,347
– Others	1,043	4,148	1,539	1,558
	890,559	711,542	309,148	934,026
Less: allowance for impairment	(1,329)	(2,264)	(4,204)	(4,331)
	889,230	709,278	304,944	929,695
Prepayments				
– Third parties *(Note (b))*	30,595	23,339	28,570	27,472
– Related parties *(Note 29(c))*	–	–	29	1,106
– Listing expenses	–	–	–	2,676
	30,595	23,339	28,599	31,254
	919,825	732,617	333,543	960,949

(a) Amounts represented mainly the payments of utility fees on behalf of tenants or residential communities.

(b) Amounts represented mainly the prepaid utility expenses.

(c) The balances of prepayments and other receivables were all denominated in RMB.

The Company

	As at June 30, 2019
	RMB'000
Prepaid listing expenses	2,676

19 Cash and cash equivalents

	As at December 31,			As at June 30,
	2016	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash at bank and in hand *(Note (a))*:	213,807	114,443	1,039,918	235,024
Less: Guarantee deposits for bank acceptance notes *(Note (b))*	(17,000)	–	–	–
Guarantee deposits for bank borrowings of the Group *(Note (c))*	–	–	(486,500)	(100,000)
Guarantee deposits for bank borrowings of entities controlled by Mr. Hoi	(45,051)	–	–	–
Other bank deposits	(152)	(1,567)	(40)	(747)
Cash and cash equivalents	151,604	112,876	553,378	134,277

(a) Cash at banks and in hand were denominated in the following currencies:

	As at December 31,			As at June 30,
	2016	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
RMB	213,737	114,371	1,039,842	234,949
Other currencies	70	72	76	75
	213,807	114,443	1,039,918	235,024

(b) As at December 31, 2016, the Group placed cash deposits of approximately RMB17,000,000 with designated banks as guarantee for the issuance of bank acceptance notes.

(c) As at December 31, 2018 and June 30, 2019, the Group placed cash deposits of approximately RMB486,500,000 and RMB100,000,000 respectively with designated banks as security for bank borrowings of the Group.

20 Assets and liabilities associated with disposal group

As part of the Reorganization (Note 1.2), from May to July 2019, certain subsidiaries of the Group which have ceased to carry out the Spin-Off Business as at the dates of disposal were disposed of to Xiamen Lianshang Logistic Company Limited, a subsidiary of Powerlong Holdings. During the six months ended June 30, 2019, two of these subsidiaries were disposed of at cash considerations of RMB11,100,000 in aggregate (Note 30).

Subsequent to June 30, 2019, the remaining subsidiaries were disposed of at cash considerations of RMB18,055,000 in aggregate. The relevant assets and liabilities relating to the subsidiaries, excluding amounts due to other companies of the Group, to be disposed of subsequent to June 30, 2019 were classified as assets and liabilities associated with disposal group as at June 30, 2019 and their carrying amounts are shown as follows:

	As at June 30, 2019
	RMB'000
Assets associated with disposal group	
Property and equipment *(Note 13)*	15,839
Deferred income tax assets *(Note 27)*	204
Current income tax recoverables	494
Operating lease and trade receivables	226
Prepayments and other receivables *(Note (a))*	291,600
Restricted cash *(Note (b))*	300,417
Cash and cash equivalents	419
	609,199
Liabilities associated with disposal group	
Borrowings *(Note (b))*	(284,850)
Trade and other payables *(Note (c))*	(4,039)
Current income tax liabilities	(5,133)
Total carrying amounts of liabilities of disposal group	(294,022)

As at June 30, 2019, the subsidiaries to be disposed of had amounts due to other companies of the Group of RMB258,811,000, which were eliminated in the combined balance sheet of the Group as at June 30, 2019. Accordingly, the total net assets of disposal group, including amounts due to other companies of the Group, amounted to approximately RMB56,366,000. Subsequent to June 30, 2019, the subsidiaries to be disposed of declared dividends of RMB38,311,000 to their parent company before the disposal. Accordingly, the total net assets of disposal group, including amounts due to other companies of the Group, but after the dividend declaration, amounted to approximately RMB18,055,000 at the time of the disposal.

(a) Prepayments and other receivables

	As at June 30, 2019
	RMB'000
Other receivables	
– Receivables from related parties	285,026
– Payments on behalf of tenants or residents	1,861
– Interest receivables from bank deposits	2,306
	289,193
Less: allowance for impairment	(93)
	289,100
Prepayments	
– Third parties	2,500
	291,600

(b) The bank borrowings as at June 30, 2019 of RMB284,850,000, with interest rate 5.2% per annum, were secured by cash deposits of the subsidiaries to be disposed of with total carrying amount of RMB300,000,000.

(c) Trade and other payables

	As at June 30, 2019
	RMB'000
Trade payables – third parties	(2,830)
Other payables	
– Related parties	(138)
– Deposits received	(325)
– Receipts on behalf of tenants or residents	(555)
– Others	(114)
	(1,132)
Accrued payroll	(77)
	(4,039)

21 Combined capital

Combined capital represents the combined share capital of the companies now comprising the Group after elimination of inter-company investment costs. In these combined financial statements, the capital represents the paid-in capital of Powerlong (BVI) V Limited of USD100 and the Company of HKD2.

The Company

Authorized and issued share capital

	Number of ordinary shares	Share capital	
		HKD	*RMB*
Authorized			
As at March 25, 2019 and June 30, 2019	38,000,000	380,000	324,976
Issued and fully paid			
As at March 25, 2019 (the date of incorporation)	1	0.01	0.01
Additional issuance	199	1.99	1.70
As at June 30, 2019	**200**	**2**	**1.71**

On March 25, 2019, the Company was incorporated in the Cayman Islands as an exempted company with limited liability. As of the date of incorporation, the authorized share capital of the Company was HK$380,000 divided into 38,000,000 ordinary shares of HK$0.01 each, among which one fully-paid share was issued to the initial subscriber, an independent third party, at par value and such share was transferred to Powerlong BVI Holding at par value on the same day. On April 11, 2019, additional 199 fully paid shares were issued to Powerlong BVI Holdings at par value.

Pursuant to the Reorganization, on July 19, 2019, the Company acquired 100% of the issued shares in Powerlong (BVI) V Limited from Powerlong BVI Holdings and the consideration was satisfied by allotment and issuance of 78,800 share of the Company to Powerlong BVI Holdings.

On the same day, 8,778 shares were issued and allotted to Huihong Management at par value.

22 Other reserves

	Statutory reserves	Revaluation reserves	Total reserves
	RMB'000	*RMB'000*	*RMB'000*
Balance at January 1, 2016	3,552	8,100	11,652
Changes in fair value of financial assets at fair value through other comprehensive income	–	11,438	11,438
Appropriation of statutory reserves	9,891	–	9,891
Balance at December 31, 2016	13,443	19,538	32,981
Balance at January 1, 2017	13,443	19,538	32,981
Appropriation of statutory reserves	7,799	–	7,799
Balance at December 31, 2017	21,242	19,538	40,780
Balance at January 1, 2018 and June 30, 2018	21,242	19,538	40,780
Changes in fair value of financial assets at fair value through other comprehensive income	–	209	209
Appropriation of statutory reserves	5,442	–	5,442
Balance at December 31, 2018	26,684	19,747	46,431
Balance at January 1, 2019	26,684	19,747	46,431
Reclassification relating to subsidiaries disposed of *(Note (b))*	(2,814)	(19,747)	(22,561)
Balance at June 30, 2019	23,870	–	23,870

(a) Statutory reserves

Pursuant to the relevant laws and regulations in the PRC and the provision of the articles of association of the Group's subsidiaries, the Group's subsidiaries which are registered in the PRC shall appropriate certain percentage of profit after tax (after offsetting any accumulated losses brought forward from prior years) calculated under the accounting principles generally applicable to the PRC enterprises to reserve funds. Depending on the natures, the reserve funds can be used to set off accumulated losses of the subsidiaries or distribute to owners in form of bonus issue.

(b) The balances represented the reserves relating to two subsidiaries disposed of during the six months ended June 30, 2019, which were reclassified to retained earnings upon disposals accordingly.

23 Dividend

No dividend has been paid or declared by the Company or the companies now comprising the Group during each of the years ended December 31, 2016, 2017 and 2018.

As part of the Reorganization, certain subsidiaries of the Group were disposed of to the Remaining Powerlong Group during the six months ended June 30, 2019. Before the disposal, these subsidiaries have passed a resolution to distribute RMB19,961,000 in total to their parent company and such dividends were in turn declared to Powerlong Holdings (Note 30).

Subsequent to June 30, 2019, other subsidiaries disposed of to the Remaining Powerlong Group declared dividends of RMB38,311,000 before the disposal to their parent company and such dividends were in turn declared to Powerlong Holdings.

24 Borrowings

	As at December 31,			As at June 30,
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Borrowings included in non-current liabilities:				
Bank borrowings				
– Secured	780,000	156,000	132,000	214,950
Less: current portion of non-current borrowings	(624,000)	(24,000)	(24,000)	(24,100)
	156,000	132,000	108,000	190,850
Borrowings included in current liabilities:				
Bank borrowings *(Note (c))*				
– Secured	92,000	232,314	502,000	–
– Unsecured but guaranteed	25,000	–	–	–
Current portion of non-current borrowings	624,000	24,000	24,000	24,100
	741,000	256,314	526,000	24,100
Total borrowings	897,000	388,314	634,000	214,950

(a) As at December 31, 2016, 2017, 2018 and June 30, 2019, the Group's borrowings were repayable as follows:

	As at December 31,			As at June 30,
	2016	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	741,000	256,314	526,000	24,100
Between 1 and 2 years	24,000	24,000	24,000	24,100
Between 2 and 5 years	72,000	72,000	36,000	166,750
Over 5 years	60,000	36,000	48,000	–
Total	897,000	388,314	634,000	214,950

(b) As at December 31, 2016, 2017 and 2018 and June 30, 2019, the effective interest rate of the borrowings are 7.18%, 6.96%, 5.28% and 5.96% per annum, respectively.

(c) The Group's bank borrowings as at December 31, 2018 and June 30, 2019 of RMB442,000,000 and RMB94,950,000 were secured by cash deposits of the Group with total carrying amount of RMB486,500,000 and RMB100,000,000, respectively.

In addition, bank borrowings of RMB872,000,000, RMB388,314,000, RMB192,000,000 and RMB120,000,000 as at December 31, 2016, 2017, 2018 and June 30, 2019, respectively, were secured by the properties of related parties. As at December 31, 2016, the Group's bank borrowings of RMB25,000,000 were guaranteed by related parties (Note 29(d)).

(d) All the bank borrowings of RMB214,950,000 had been repaid prior to issuance of this report.

25 Leases

(a) Amounts recognized in the combined balance sheets

	As at December 31,			As at June 30,
	2016	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Leased in properties for sub-lease to tenants				
– Leased commercial properties *(Note 14)*	226,516	232,750	155,632	128,367
Leased in properties for operation				
– Car parks *(Note 13)*	156,126	175,902	167,751	–
	382,642	408,652	323,383	128,367
Lease liabilities				
Current	70,239	170,596	205,671	160,183
Non-current	281,199	311,529	236,097	160,403
	351,438	482,125	441,768	320,586

(b) Amounts recognized in the combined statements of comprehensive income

	Year ended December 31,			Six months ended June 30,	
	2016	2017	2018	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Depreciation charge					
Commercial properties *(Note 14)*	51,201	76,580	78,272	38,995	35,466
Car parks *(Note 13)*	9,189	13,793	27,355	14,700	2,919
	60,390	90,373	105,627	53,695	38,385
Interest expense (included in finance costs - net)	16,205	24,464	24,536	12,237	8,107
Variable lease payments (included in cost of services)	–	2,252	9,264	4,963	5,508
Short-term lease expenditures for car parks and common areas and advertising space *(Note 7 (c))*	–	–	–	–	57,827
Cash outflows for lease payments (including principal elements and relevant interest expenses)	12,737	12,210	117,787	58,598	92,166

(c) A maturity analysis of lease liabilities is shown in the table below during the Track Record Period:

	As at December 31,			As at June 30,
	2016	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Leases are payable:				
Within one year	74,696	178,148	211,069	165,599
Later than one year but not later than two years	101,652	112,233	162,878	119,272
Later than two years but not later than five years	206,815	231,538	95,562	54,433
Later than five years	22,619	14,809	7,000	3,500
Minimum lease payments	405,782	536,728	476,509	342,804
Future finance charge	(54,344)	(54,603)	(34,741)	(22,218)
Total lease liabilities	351,438	482,125	441,768	320,586

	As at December 31,			As at June 30,
	2016	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
The present value of lease liabilities is as follows:				
Within one year	70,239	170,596	205,671	160,183
Later than one year but not later than two years	91,085	102,901	148,162	111,255
Later than two years but not later than five years	174,449	197,848	82,685	46,476
Later than five years	15,665	10,780	5,250	2,672
	351,438	482,125	441,768	320,586

26 Trade and other payables

	As at December 31,			As at June 30,
	2016	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Notes payable	17,000	–	–	–
Trade payables				
– Related parties *(Note 29(c))*	190	4,539	1,189	1,481
– Third parties	42,451	56,610	71,575	88,979
	42,641	61,149	72,764	90,460
Other payables				
– Related parties *(Note 29(c))*	138,801	69,214	88,318	126,697
– Receipts on behalf of tenants or residents *(Note (a))*	73,023	127,338	115,971	142,447
– Deposits received *(Note (b))*	211,989	253,654	261,429	267,240
– Accrued listing expenses	–	–	–	8,778
– Others	9,248	6,397	19,127	8,708
	433,061	456,603	484,845	553,870
Accrued payroll	41,166	68,422	82,838	73,977
Other taxes payables	15,432	10,085	7,605	5,832
	549,300	596,259	648,052	724,139

(a) Amounts represented the receipts on behalf of tenants or residents to settle the bills of utility charges.

(b) Amounts represented mainly deposits received from tenants as performance securities in relation to tenant agreements or property management service agreements.

(c) As at December 31, 2016, 2017, 2018 and June 30, 2019, the carrying amounts of trade and other payables approximated their fair values.

(d) As at December 31, 2016, 2017, 2018 and June 30, 2019, the aging analysis of the trade payables and notes payable (including amounts due to related parties of trading in nature) based on invoice date are as follows:

	As at December 31,			As at June 30,
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Up to 1 year	58,102	59,084	68,200	88,449
1 to 2 years	1,067	1,487	3,475	1,547
2 to 3 years	472	578	1,089	464
	59,641	61,149	72,764	90,460

(e) Trade and other payables (excluding accrued payroll and other tax payables) were denominated in the following currencies:

	As at December 31,			As at June 30,
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
RMB	471,784	498,112	536,893	624,079
HKD	38	51	58	58
USD	20,880	19,589	20,658	20,193
	492,702	517,752	557,609	644,330

The Company

	As at June 30, 2019
	RMB'000
Accrued listing expenses	8,778
Amounts due to a subsidiary	3,547
	12,325

27 Deferred income tax

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	As at December 31,			As at June 30,
	2016	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deferred tax assets:				
– Deferred tax asset to be recovered after more than 12 months	34,414	45,007	38,048	24,977
– Deferred tax asset to be recovered within 12 months	8,737	12,762	18,446	30,825
	43,151	57,769	56,494	55,802
Deferred tax liabilities:				
– Deferred tax liability to be recovered after more than 12 months	(6,513)	(6,513)	–	–
– Deferred tax liability to be recovered within 12 months	–	–	(6,582)	–
	(6,513)	(6,513)	(6,582)	–
	36,638	51,256	49,912	55,802

The net movements on the deferred taxation are as follows:

	As at December 31,			As at June 30,
	2016	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Beginning of the year/period	29,270	36,638	51,256	49,912
Tax credited/(charged) in profit and loss	11,181	14,618	(1,275)	2,555
Tax charge relating to components of other comprehensive income	(3,813)	–	(69)	–
Disposal of subsidiaries *(Note 30)*	–	–	–	3,539
Reclassified to assets associated with disposal group *(Note 20)*	–	–	–	(204)
Ending of the year/period	36,638	51,256	49,912	55,802

The movement in deferred income tax assets and liabilities during the Track Record Period, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	Deferred tax assets — allowance on doubtful debts	Deferred tax assets –lease and accruals	Deferred tax assets — tax losses	Deferred tax liabilities — Financial assets at fair value through other comprehensive income	Deferred tax liabilities– Leased commercial properties and leased in properties for operation	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at January 1, 2016	2,300	59,262	12,107	(2,700)	(41,699)	29,270
Credited/(charged) to the income tax expenses	706	28,597	(3,192)	–	(14,930)	11,181
Charged to other comprehensive income	–	–	–	(3,813)	–	(3,813)
At December 31, 2016	3,006	87,859	8,915	(6,513)	(56,629)	36,638
As at January 1, 2017	3,006	87,859	8,915	(6,513)	(56,629)	36,638
Credited/(charged) to the income tax expenses	703	23,515	(341)	–	(9,259)	14,618
At December 31, 2017	3,709	111,374	8,574	(6,513)	(65,888)	51,256
As at January 1, 2018	3,709	111,374	8,574	(6,513)	(65,888)	51,256
Credited/(charged) to the income tax expenses	697	(16,209)	(1,703)	–	15,940	(1,275)
Charged to other comprehensive income	–	–	–	(69)	–	(69)
At December 31, 2018	4,406	95,165	6,871	(6,582)	(49,948)	49,912
As at January 1, 2019	4,406	95,165	6,871	(6,582)	(49,948)	49,912
Credited/(charged) to the income tax expenses	908	(13,336)	(2,873)	–	17,856	2,555
Disposals of subsidiaries *(Note 30)*	–	(2,305)	(738)	6,582	–	3,539
Reclassified to assets and liabilities associated with disposal group *(Note 20)*	(24)	–	(180)	–	–	(204)
At June 30, 2019	5,290	79,524	3,080	–	(32,092)	55,802
Unaudited						
As at January 1, 2018	3,709	111,374	8,574	(6,513)	(65,888)	51,256
Credited/(charged) to the income tax expenses	476	8,446	(538)	–	4,918	13,302
At June 30, 2018	4,185	119,820	8,036	(6,513)	(60,970)	64,558

As at December 31, 2016, 2017, 2018 and June 30, 2019, the Group did not recognize deferred tax assets in respect of cumulative tax losses of RMB24,096,000, RMB43,737,000, RMB44,616,000 and RMB44,616,000, as it is not probable that future taxable profits against which the losses can be utilized will be available in the relevant tax jurisdiction and entity. The tax losses shall expire in five years from year of occurrence under current tax legislation.

Unused tax losses for which no deferred tax asset was recognized as follows:

Expiry year

	As at December 31,			**As at June 30,**
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
2017	4,223	–	–	–
2018	4,965	4,965	–	–
2019	2,958	2,958	2,958	2,958
2020	4,946	4,946	4,946	4,946
2021	7,004	7,004	7,004	7,004
2022	–	23,864	23,864	23,864
2023	–	–	5,844	5,844
	24,096	43,737	44,616	44,616

Deferred income tax liabilities of RMB14,992,000, RMB26,346,000, RMB37,903,000 and RMB47,212,000 have not been recognized for the withholding tax and other taxes that would be payable on the unremitted earnings of certain subsidiaries incorporated in the PRC. Unremitted earnings totalled RMB149,920,000, RMB263,463,000, RMB379,030,000 and RMB472,120,000 as at December 31, 2016, 2017, 2018 and June 30, 2019, respectively, as the Group does not have a plan to distribute these earnings out of the PRC in the foreseeable future.

28 Cash generated from operations

	Year ended December 31,			Six months ended June 30,	
	2016	2017	2018	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Profit before income tax	87,736	114,361	182,859	85,269	119,681
Adjustments for:					
Depreciation *(Note 7)*	63,361	94,421	109,119	55,422	40,265
Net impairment losses on financial assets	2,876	2,813	2,788	1,904	3,627
Other income and gains	–	–	–	–	(2,055)
Finance costs — net	18,412	34,038	42,608	20,531	19,196
	172,385	245,633	337,374	163,126	180,714
Changes in working capital:					
Restricted cash as guarantee for notes payables and other operating activities	(17,000)	17,000	–	804	(1,164)
Operating lease and trade receivables	(3,394)	(32,426)	8,922	(41,136)	(38,604)
Prepayments and other receivables	45,615	(8,287)	(12,607)	(14,555)	(4,937)
Trade and other payables	41,193	116,542	32,691	21,977	46,725
Contract liabilities and advances from leasees	53,245	24,746	25,199	10,794	50,979
	292,044	363,208	391,579	141,010	233,713

(a) The reconciliation of liabilities arising from financing activities is as follows:

	Borrowings and interest payables	Lease liabilities	Other payables-related parties	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2016	984,000	237,049	714,493	1,935,542
Cash flows				
– Inflow from financing activities	165,000	–	160,679	325,679
– Outflow from financing activities	(319,976)	(12,737)	(735,664)	(1,068,377)
Non-cash changes				
– Currency exchange difference	–	–	(707)	(707)
– Additions – leases	–	110,921	–	110,921
– Finance expense recognized	67,976	16,205	–	84,181
As at December 31, 2016	897,000	351,438	138,801	1,387,239
As at 1 January 2017	897,000	351,438	138,801	1,387,239
Cash flows				
– Inflow from financing activities	280,000	–	84,873	364,873
– Outflow from financing activities	(852,730)	(12,210)	(152,183)	(1,017,123)
Non-cash changes				
– Currency exchange difference	–	–	(2,277)	(2,277)
– Additions – leases	–	118,433	–	118,433
– Finance expense recognized	64,044	24,464	–	88,508
As at December 31, 2017	388,314	482,125	69,214	939,653
As at 1 January 2018	388,314	482,125	69,214	939,653
Cash flows				
– Inflow from financing activities	517,000	–	378,806	895,806
– Outflow from financing activities	(301,740)	(117,787)	(360,770)	(780,297)
Non-cash changes				
– Currency exchange difference	–	–	1,068	1,068
– Additions – leases	–	52,894	–	52,894
– Finance expense recognized	30,426	24,536	–	54,962
As at December 31, 2018	634,000	441,768	88,318	1,164,086

	Borrowings and interest payables	Lease liabilities	Other payables-related parties	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2019	634,000	441,768	88,318	1,164,086
Cash flows				
– Inflow from financing activities	380,000	–	72,778	452,778
– Outflow from financing activities	(451,361)	(92,166)	(33,795)	(577,322)
Non-cash changes				
– Currency exchange difference	–	–	(466)	(466)
– Disposal – leases	–	(45,324)	–	(45,324)
– Additions – leases	–	8,201	–	8,201
– Finance expense recognized	19,161	8,107	–	27,268
– Reclassified to liabilities associated with disposal group *(Note 20)*	(284,850)	–	(138)	(284,988)
– Net changes associated with disposal of subsidiaries *(Note 30)*	(82,000)	–	–	(82,000)
As at June 30, 2019	214,950	320,586	126,697	662,233

	Borrowings and interest payables	Lease liabilities	Other payables-related parties	Total
Unaudited:				
As at 1 January 2018	388,314	482,125	69,214	939,653
Cash flows				
– Inflow from financing activities	435,000	–	159,082	594,082
– Outflow from financing activities	(258,793)	(58,598)	(134,130)	(451,521)
Non-cash changes				
– Currency exchange difference	–	–	328	328
– Additions — leases	–	30,080	–	30,080
– Finance expense recognized	14,479	12,237	–	26,716
As at June 30, 2018	579,000	465,844	94,494	1,139,338

29 Related party transactions

(a) Transactions with related parties

	Year ended December 31,			Six months ended June 30,	
	2016	2017	2018	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Continuing:					
Revenue arising from provision of services *(Note ii)*					
– Entities controlled by Mr. Hoi	130,572	96,680	119,486	59,647	93,274
– Entities jointly controlled by Mr. Hoi	14,403	15,162	11,709	3,596	11,882
	144,975	111,842	131,195	63,243	105,156
Office leasing expenditure paid/payable					
– Entities controlled by Mr. Hoi	960	1,104	1,106	396	931
Short-term lease expenditure for car parks, common areas and advertising space					
– Entities controlled by Mr. Hoi	–	–	–	–	57,827
Discontinuing:					
Revenue arising from provision of services *(Note iii)*					
– Entities controlled by Mr. Hoi	115,495	95,072	86,657	46,253	–
Lease of right-of-use assets (car parking lots)					
– Entities controlled by Mr. Hoi	–	35,619	51,741	29,302	–
Disposal of lease for right-of-use assets (car parking lots)					
– Entities controlled by Mr. Hoi	950	2,050	32,537	30,486	148,994
Interest expense paid/payable on lease liabilities due to related parties					
– Entities controlled by Mr. Hoi	–	802	3,831	1,196	–
Interest income received/receivable on amounts due from related parties					
– Entities controlled by Mr. Hoi	64,654	51,572	1,919	1,919	–
Purchase of low-value consuming goods and others					
– Entities controlled by the Mr. Hoi	–	4,268	1,189	540	1,619
IT services fee payables					
– Entities controlled by the Mr. Hoi	1,600	–	–	–	–

(i) All of the transactions above were carried out in the normal course of the Group's business and on terms as agreed between the transacting parties.

(ii) The provision of services mainly comprised revenue from commercial operational services excluding service income derived from car parks, common areas and advertising space management services.

(iii) The provision of services mainly comprised service income derived from car parks, common areas and advertising space management services.

(iv) The Group's discontinuing transactions regarding balances of other receivables and other payables with related parties are disclosed in the financing activities and investing activities in the combined statements of cash flow.

(b) Key management compensation

Compensations for key management other than those for directors as disclosed in Note 31 is set out below.

	Year ended December 31,			**Six months ended June 30,**	
	2016	**2017**	**2018**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Salaries and other short-term employee benefits	1,195	1,378	2,255	728	1,714

(c) Balances with related parties

	As at December 31,			**As at June 30,**
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables				
– Entities controlled by Mr. Hoi	30,298	31,891	15,585	30,746
– Entities jointly controlled by Mr. Hoi	6,500	7,213	2,118	4,735
	36,798	39,104	17,703	35,481
Other receivables (non-trade)				
– Entities controlled by Mr. Hoi	877,606	682,692	228,358	827,137
– Entities jointly controlled by Mr. Hoi	65	315	362	525
	877,671	683,007	228,720	827,662

	As at December 31,			As at June 30,
	2016	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Other receivables (trade) *(Note i)*				
– Entities controlled by Mr. Hoi	–	–	30,486	66,278
Prepayments				
– Entities controlled by Mr. Hoi	–	–	29	1,106
Trade payables				
– Entities controlled by Mr. Hoi	190	4,539	1,189	1,481
Other payables (non-trade)				
– Entities controlled by Mr. Hoi	90,828	68,494	85,046	117,608
– Entities jointly controlled by Mr. Hoi	47,973	720	3,272	9,089
	138,801	69,214	88,318	126,697
Contract liabilities				
–Entities controlled by Mr. Hoi	1,313	4,065	5,475	39,234
Lease liabilities				
– Entities controlled by Mr. Hoi	–	36,422	54,131	8,805

(i) The balance represented the receivables from disposing of right-of-use assets (car parks) to related parties.

Trade receivables, trade payables, other payables and contract liabilities due from/to related parties were unsecured and interest-free.

As at December 31, 2016 and 2017, the carrying amounts of the Group's other receivables due from related parties amounted to RMB694,000,000 and RMB232,314,000 were interest bearing with annual interest rate from 5.22% to 7.50%, and 6.09% to 7.5% respectively. As at December 31, 2016, 2017 and 2018 and June 30, 2019, other receivables due from related parties of RMB183,671,000, RMB450,693,000, RMB259,206,000 and RMB893,940,000 respectively were unsecured and interest-free.

(d) Securities and guarantees with related parties

	As at December 31,			As at June 30,
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Provisions of securities or guarantees for borrowings of entities controlled by Mr. Hoi *(i)*	1,761,249	1,678,487	2,368,951	1,457,587
Received securities or guarantees from				
– Entities controlled by Mr. Hoi	897,000	156,000	132,000	120,000
– Entities jointly controlled by Mr. Hoi *(Note 24(c))*	–	232,314	60,000	–
	897,000	388,314	192,000	120,000

(i) The Group will release all the financial securities or guarantees provided for bank borrowings of its related parties prior to the listing.

30 Disposal of subsidiaries

The Group disposed two subsidiaries with consideration of RMB11,100,000.

	As at the respective dates of the disposals
	RMB'000
Assets disposed of	
Property and equipment	136
Deferred income tax assets	3,043
Prepayment and other receivables	485
Cash and cash equivalents	136
Restricted cash	86,540
Financial assets at fair value through other comprehensive income	333,528
	423,868
Liabilities disposed of	
Borrowings	(82,000)
Deferred income tax liabilities	(6,582)
Trade and other payables	(7,789)
Current income tax liabilities	(1,206)
	(97,577)
Net assets disposed of	**326,291**
Less: cash consideration	(11,100)
Less: amounts due by the disposed subsidiaries to the Group	(295,230)
Less: dividends payable by the disposed subsidiaries to the Group *(Note 23)*	(19,961)
Net gain or loss from the disposal	**–**
Net cash outflow arising from disposal of subsidiaries	
Cash consideration received	11,100
Less: cash and cash equivalents disposed	(136)
	10,964

31 Directors' and supervisors' benefits and interests

The following directors were appointed:

Executive director
Mr. Hoi Wa Fong (joined the Group on February 1, 2013 and appointed on March 25, 2019)
Mr. Zhang Yunfeng (joined the Group on March 9, 2015 and appointed on August 8, 2019)

Non-executive directors
Ms. Hoi Wa Fan (appointed on August 8, 2019)
Ms. Hoi Wa Lam (appointed on August 8, 2019)

Independent non-executive directors
Ms. Ng Yi Kum, Estella (appointed on December 10, 2019)
Mr. Chan Wai Yan, Ronald (appointed on December 10, 2019)
Dr. Lu Xiongwen (appointed on December 10, 2019)

(a) Directors' emoluments

The emolument of Mr. Hoi Wa Fong, executive director in relation to his services rendered for the Group for the Track Record Period were borne by related party of the Group. The emolument was not allocated to the Group as the management of the Company considers that there is no reasonable basis of allocation. Non-executive directors, Ms. Hoi Wa Fan and Ms. Hoi Wa Lam did not receive any emoluments in respect of their services rendered for the Group for the Track Record Period.

The directors received emoluments from the Group (in their role as senior management and employee before their appointment as directors respectively) for the year ended December 31, 2016 as follows:

Name	Fees	Salaries	Housing allowance and contributions to a retirement benefit scheme	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors				
Mr. Zhang Yunfeng	–	480	118	598

The directors received emoluments from the Group (in their role as senior management and employee before their appointment as directors respectively) for the year ended December 31, 2017 as follows:

Name	Fees	Salaries	Housing allowance and contributions to a retirement benefit scheme	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors				
Mr. Zhang Yunfeng	–	570	124	694

The directors received emoluments from the Group (in their role as senior management and employee before their appointment as directors respectively) for the year ended December 31, 2018 as follows:

Name	Fees	Salaries	Housing allowance and contributions to a retirement benefit scheme	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors				
Mr. Zhang Yunfeng	–	640	132	772

The director received emoluments from the Group (in their role as senior management and employee before their appointment as directors respectively) for the six months ended June 30, 2019 as follows:

Name	Fees	Salaries	Housing allowance and contributions to a retirement benefit scheme	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors				
Mr. Zhang Yunfeng	–	360	69	429

The directors received emoluments from the Group (in their role as senior management and employee before their appointment as directors respectively) for the six months ended June 30, 2018 as follows:

Name	Fees	Salaries	Housing allowance and contributions to a retirement benefit scheme	Total
	RMB'000 (unaudited)	*RMB'000* (unaudited)	*RMB'000* (unaudited)	*RMB'000* (unaudited)
Executive directors				
Mr. Zhang Yunfeng	–	300	66	366

(b) Directors' retirement benefits and termination benefits

During the Track Record Period, there were no termination benefits or additional retirement benefit received by the directors except for the attributions to a retirement benefit scheme in accordance with the rules and regulations in the PRC.

(c) Consideration provided to third parties for making available directors' services

During the Track Record Period, the Group did not pay consideration to any third parties for making available directors' services.

(d) Information about loans, quasi-loans and other dealings in favor of directors, controlled bodies corporate by and connected entities with such directors

During the Track Record Period, there were no loans, quasi-loans and other dealings entered into by the Company or subsidiaries undertaking of the Company, where applicable, in favor of directors.

(e) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted as at December 31, 2016, 2017 and 2018 and June 30, 2019 or at any time during the Track Record Period.

32 Contingencies

Save as disclosed in Note 29(d), at December 31, 2016, 2017 and 2018 and June 30, 2019, the Group did not have any significant contingent liabilities.

33 Commitments

(a) As at December 31, 2016, 2017 and 2018, the Group did not have any material leases commitments. As at June 30, 2019, the Group's future aggregate minimum lease payments under non-cancellable short-term leases arrangements were total of RMB61,892,000 and due within one year.

(b) As at December 31, 2016, 2017 and 2018, the Group did not have any material capital commitment. As at June 30, 2019, the Group had capital commitment of approximately RMB4,700,000.

34 Events after the balance sheet date

Subsequent to June 30, 2019, certain subsidiaries of the Group which have ceased to carry out the Spin-Off Business as of the dates of disposal were disposed of to Powerlong Holdings (Note 20).

On December 10, 2019, the Company increased its authorized share capital to HK$20,000,000 by the creation of 1,962,000,000 additional shares of nominal value of HK$0.01 each. Pursuant to the written resolutions passed by the shareholders on December 10, 2019, conditional on the share premium account of the Company being credited as a result of the Listing, the Directors were authorized to capitalize HK$4,499,122.22 standing to the credit of the share premium account of the Company by applying such sum in paying up in full at par 449,912,222 shares for issue and allotment to holders of shares whose names appear on the register of members of the Company on the date of passing this resolution in proportion (as near as possible without involving fractions so that no fraction of a share shall be allotted and issued) to their then existing respective shareholdings in the Company.

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to June 30, 2019 and up to the date of this report. Save as disclosed in this report, no dividend or distribution has been declared or made by the Company or any of the companies now comprising the Group in respect of any period subsequent to June 30, 2019.

The information set out in this Appendix does not form part of the Accountant's Report from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, the reporting accountant of the Company, as set out in Appendix I in this prospectus, and is included herein for illustrative purposes only.

The unaudited pro forma financial information should be read in conjunction with section headed "Financial Information" in this prospectus and the Accountant's Report set out in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets of the Group prepared in accordance with Rule 4.29 of the Listing Rules are set out below to illustrate the effect of the Global Offering and the Capitalization Issue on the combined net tangible assets of the Group attributable to the owners of the Company as at June 30, 2019 as if the Global Offering and the Capitalization Issue had taken place on June 30, 2019.

The unaudited pro forma statement of adjusted net tangible assets have been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the combined net tangible assets attributable to the owners of the Company as at June 30, 2019 or at any future dates following the Global Offering and the Capitalization Issue. The unaudited pro forma statement of adjusted net tangible assets of the Group is based on the audited combined net tangible assets of the Group as at June 30, 2019 as set out in the Accountant's Report of the Company in Appendix I to this prospectus, and adjusted as described below.

	Audited combined net tangible assets of the Group attributable to owners of the Company as at June 30, 2019	Estimated net proceeds from the Global Offering	Effect of the Reorganization	Unaudited pro forma adjusted net tangible assets of the Group attributable to owners of the Company as at June 30, 2019	Unaudited pro forma adjusted net tangible assets per Share	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB*	*HK$*
	(Note 1)	*(Note 2)*	*(Note 3)*		*(Note 4)*	*(Note 5)*
Based on an Offer Price of HK$7.50 per Offer Share	297,098	946,900	(38,311)	1,205,687	2.17	2.41
Based on an Offer Price of HK$10.00 per Offer Share	297,098	1,272,194	(38,311)	1,530,981	2.76	3.07

Notes:

1. The audited combined net tangible assets attributable to the owners of the Company as at June 30, 2019 is extracted from the Accountant's Report set out in Appendix I to this prospectus, which is based on the audited combined net assets of the Group attributable to owners of the Company as at June 30, 2019 of RMB297,098,000.

2. The estimated net proceeds from the Global Offering are based on the minimum and maximum Offer Price of HK$7.50 and HK$10.00 per Share, respectively and 150,000,000 shares to be issued after deduction of the underwriting fees and other related expenses (excluding listing expenses of approximately RMB9,649,000 which have been accounted for in the combined statements of comprehensive income during the Track Record Period) payable by the Company and takes no account of any Shares which may be allotted and issued or repurchased by the Company pursuant to the General Mandate to issue Shares or General Mandate to repurchase Shares as described in the section headed "Share capital" in this prospectus.

3. As part of the Reorganization, the Group disposed of certain subsidiaries as set out under the heading of "History, Reorganization and Corporate Structure" of the Prospectus. Some of these subsidiaries were only disposed after June 30, 2019. For the purpose of this unaudited pro forma financial information, an adjustment of approximately RMB38,311,000 is made to reflect the financial impact on the disposal of these subsidiaries.

4. The unaudited pro forma net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basic that 555,000,000 Shares were in issue assuming that the Global Offering and the Capitalization Issue have been completed on June 30, 2019 but takes no account into 45,000,000 Shares issued to Huihong Management (PTC) Limited that have not yet been granted to employees, or any Shares which may be granted and issued or repurchased by the Company pursuant to the general mandate and the repurchase mandate.

5. For the purpose of this unaudited pro forma statement of adjusted net tangible assets, the amounts stated in Hong Kong dollars are converted into Renminbi at a rate of HK$1 to RMB0.8990. No representation is made that Renminbi amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.

6. Except for the effect of the Reorganization as detailed in Note 3, no adjustment has been made to reflect any trading result or other transactions of the Group entered into subsequent to June 30, 2019.

B. ACCOUNTANT'S REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.

pwc 羅兵咸永道

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of Powerlong Commercial Management Holdings Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Powerlong Commercial Management Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets of the Group as at June 30, 2019, and related notes (the "Unaudited Pro Forma Financial Information") as set out on pages II-1 to II-2 of the Company's prospectus dated December 16, 2019, in connection with the proposed initial public offering of the shares of the Company. The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described on pages II-1 to II-2.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the proposed initial public offering on the Group's financial position as at June 30, 2019 as if the proposed initial public offering had taken place at June 30, 2019. As part of this process, information about the Group's financial position has been extracted by the directors from the Group's financial information for the six months ended June 30, 2019, on which an accountant's report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

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

Our Independence and Quality Control

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

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

Reporting Accountant's Responsibilities

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

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

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

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

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

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

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

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

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

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;

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

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

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong
December 16, 2019

SUMMARY OF THE CONSTITUTION OF THE COMPANY

1 Memorandum of Association

The Memorandum of Association of the Company was conditionally adopted on December 10, 2019 and states, *inter alia*, that the liability of the members of the Company is limited, that the objects for which the Company is established are unrestricted and the Company shall have full power and authority to carry out any object not prohibited by the Companies Law or any other law of the Cayman Islands.

The Memorandum of Association is available for inspection at the address specified in "Documents Available for Inspection" in Appendix V to this prospectus.

2 Articles of Association

The Articles of Association of the Company were conditionally adopted on December 10, 2019 and include provisions to the following effect:

2.1 Classes of Shares

The share capital of the Company consists of ordinary shares. The capital of the Company at the date of adoption of the Articles is HK$20,000,000 divided into 2,000,000,000 shares of HK$0.01 each.

2.2 Directors

(a) Power to allot and issue Shares

Subject to the provisions of the Companies Law and the Memorandum and Articles of Association, the unissued shares in the Company (whether forming part of its original or any increased capital) shall be at the disposal of the Directors, who may offer, allot, grant options over or otherwise dispose of them to such persons, at such times and for such consideration, and upon such terms, as the Directors shall determine.

Subject to the provisions of the Articles of Association and to any direction that may be given by the Company in general meeting and without prejudice to any special rights conferred on the holders of any existing shares or attaching to any class of shares, any share may be issued with or have attached thereto such preferred, deferred, qualified or other special rights or restrictions, whether in regard to dividend, voting, return of capital or otherwise, and to such persons at such times and for such consideration as the Directors may determine. Subject to the Companies Law and to any special rights conferred on any shareholders or attaching to any class of shares, any share may, with the sanction of a special resolution, be issued on terms that it is, or at the option of the Company or the holder thereof, liable to be redeemed.

(b) Power to dispose of the assets of the Company or any subsidiary

The management of the business of the Company shall be vested in the Directors who, in addition to the powers and authorities by the Articles of Association expressly conferred upon them, may exercise all such powers and do all such acts and things as may be exercised or done or approved by the Company and are not by the Articles of Association or the Companies Law expressly directed or required to be exercised or done by the Company in general meeting, but subject nevertheless to the provisions of the Companies Law and of the Articles of Association and to any regulation from time to time made by the Company in general meeting not being inconsistent with such provisions or the Articles of Association, provided that no regulation so made shall invalidate any prior act of the Directors which would have been valid if such regulation had not been made.

(c) Compensation or payment for loss of office

Payment to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must first be approved by the Company in general meeting.

(d) Loans to Directors

There are provisions in the Articles of Association prohibiting the making of loans to Directors or their respective close associates which are equivalent to the restrictions imposed by the Companies Ordinance.

(e) Financial assistance to purchase Shares

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries or any holding company or any subsidiary of such holding company in order that they may buy shares in the Company or any such subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

(f) Disclosure of interest in contracts with the Company or any of its subsidiaries

No Director or proposed Director shall be disqualified by his office from contracting with the Company either as vendor, purchaser or otherwise nor shall any such contract or any contract or arrangement entered into by or on behalf of the Company with any person, company or partnership of or in which any Director shall be a member or otherwise interested be capable on that account of being avoided, nor shall any Director so contracting or being any member or so interested be liable to account to the Company for any profit so realized by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship thereby established, provided that such Director shall, if his interest in such contract or arrangement is material, declare the nature of his interest at the earliest meeting of the board of Directors at which it is practicable for him to do so, either specifically or by way of a general notice stating that, by reason of the facts specified in the notice, he is to be regarded as interested in any contracts of a specified description which may be made by the Company.

A Director shall not be entitled to vote on (nor shall be counted in the quorum in relation to) any resolution of the Directors in respect of any contract or arrangement or any other proposal in which the Director or any of his close associates (or, if required by the Listing Rules, his other associates) has any material interest, and if he shall do so his vote shall not be counted (nor is he to be counted in the quorum for the resolution), but this prohibition shall not apply to any of the following matters, namely:

(i) the giving to such Director or any of his close associates of any security or indemnity in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;

(ii) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or any of his close associates has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;

(iii) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or any of his close associates is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(iv) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries including:

(A) the adoption, modification or operation of any employees' share scheme or any share incentive scheme or share option scheme under which the Director or any of his close associates may benefit; or

(B) the adoption, modification or operation of a pension or provident fund or retirement, death or disability benefits scheme which relates both to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or any of his close associates, as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

(v) any contract or arrangement in which the Director or any of his close associates is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company.

(g) Remuneration

The Directors shall be entitled to receive by way of remuneration for their services such sum as shall from time to time be determined by the Directors, or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided amongst the Directors in such proportions and in such manner as they may agree, or failing agreement, equally, except that in such event any Director holding office for less than the whole of the relevant period in respect of which the remuneration is paid shall only rank in such division in proportion to the time during such period for which he has held office. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

The Directors shall also be entitled to be paid all expenses, including travel expenses, reasonably incurred by them in or in connection with the performance of their duties as Directors including their expenses of traveling to and from board meetings, committee meetings or general meetings or otherwise incurred whilst engaged on the business of the Company or in the discharge of their duties as Directors.

The Directors may grant special remuneration to any Director who shall perform any special or extra services at the request of the Company. Such special remuneration may be made payable to such Director in addition to or in substitution for his ordinary remuneration as a Director, and may be made payable by way of salary, commission or participation in profits or otherwise as may be agreed.

The remuneration of an executive Director or a Director appointed to any other office in the management of the Company shall from time to time be fixed by the Directors and may be by way of salary, commission or participation in profits or otherwise or by all or any of those modes and with such other benefits (including share option and/or pension and/or gratuity and/or other benefits on retirement) and allowances as the Directors may from time to time decide. Such remuneration shall be in addition to such remuneration as the recipient may be entitled to receive as a Director.

(h) Retirement, appointment and removal

The Directors shall have power at any time and from time to time to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next general meeting of the Company and shall then be eligible for re-election at that meeting, but shall not be taken into account in determining the number of Directors and which Directors are to retire by rotation at such meeting.

The Company may by ordinary resolution remove any Director (including a Managing Director or other executive Director) before the expiration of his period of office notwithstanding anything in the Articles of Association or in any agreement between the Company and such Director (but without prejudice to any claim for compensation or damages payable to him in respect of the termination of his appointment as Director or of any other appointment of office as a result of the termination of this appointment as Director). The Company may by ordinary resolution appoint another person in his place. Any Director so appointed shall hold office during such time only as the Director in whose place he is appointed would have held the same if he had not been removed.

The Company may also by ordinary resolution elect any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. No person shall, unless recommended by the Directors, be eligible for election to the office of Director at any general meeting unless, during the period, which shall be at least seven days, commencing no earlier than the day after the despatch of the notice of the meeting appointed for such election and ending no later than seven days prior to the date of such meeting, there has been given to the Secretary of the Company notice in writing by a member of the Company (not being the person to be proposed) entitled to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also notice in writing signed by the person to be proposed of his willingness to be elected.

There is no shareholding qualification for Directors nor is there any specified age limit for Directors.

The office of a Director shall be vacated:

(i) if he resigns his office by notice in writing to the Company at its registered office or its principal office in Hong Kong;

(ii) if an order is made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and the Directors resolve that his office be vacated;

(iii) if, without leave, he is absent from meetings of the Directors (unless an alternate Director appointed by him attends) for 12 consecutive months, and the Directors resolve that his office be vacated;

(iv) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;

(v) if he ceases to be or is prohibited from being a Director by law or by virtue of any provision in the Articles of Association;

(vi) if he is removed from office by notice in writing served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors (including himself) for the time being then in office; or

(vii) if he shall be removed from office by an ordinary resolution of the members of the Company under the Articles of Association.

At every annual general meeting of the Company one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third, shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat. The Company at any annual general meeting at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors.

(i) Borrowing powers

The Directors may from time to time at their discretion exercise all the powers of the Company to raise or borrow or to secure the payment of any sum or sums of money for the purposes of the Company and to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital or any part thereof.

(j) Proceedings of the Board

The Directors may meet together for the despatch of business, adjourn and otherwise regulate their meetings and proceedings as they think fit in any part of the world. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

2.3 Alteration to constitutional documents

No alteration or amendment to the Memorandum or Articles of Association may be made except by special resolution.

2.4 Variation of rights of existing shares or classes of shares

If at any time the share capital of the Company is divided into different classes of shares, all or any of the rights attached to any class of shares for the time being issued (unless otherwise provided for in the terms of issue of the shares of that class) may, subject to the provisions of the Companies Law, be varied or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class. To every such separate meeting all the provisions of the Articles of Association relating to general meetings shall *mutatis mutandis* apply, but so that the quorum for the purposes of any such separate meeting and of any adjournment thereof shall be a person or persons together holding (or representing by proxy or duly authorized representative) at the date of the relevant meeting not less than one-third in nominal value of the issued shares of that class.

The special rights conferred upon the holders of shares of any class shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

2.5 Alteration of capital

The Company may, from time to time, whether or not all the shares for the time being authorized shall have been issued and whether or not all the shares for the time being issued shall have been fully paid up, by ordinary resolution, increase its share capital by the creation of new shares, such new capital to be of such amount and to be divided into shares of such respective amounts as the resolution shall prescribe.

The Company may from time to time by ordinary resolution:

(a) consolidate and divide all or any of its share capital into shares of a larger amount than its existing shares. On any consolidation of fully paid shares and division into shares of larger amount, the Directors may settle any difficulty which may arise as they think expedient and in particular (but without prejudice to the generality of the foregoing) may as between the holders of shares to be consolidated determine which particular shares are to be consolidated into each consolidated share, and if it shall happen that any person shall become entitled to fractions of a consolidated share or shares, such fractions may be sold by some person appointed by the Directors for that purpose and the person so appointed may transfer the shares so sold to the purchaser thereof and the validity of such transfer shall not be questioned, and so that the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated share or shares rateably in accordance with their rights and interests or may be paid to the Company for the Company's benefit;

(b) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so canceled subject to the provisions of the Companies Law; and

(c) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum of Association, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares.

The Company may by special resolution reduce its share capital or any capital redemption reserve in any manner authorized and subject to any conditions prescribed by the Companies Law.

2.6 Special resolution — majority required

A "special resolution" is defined in the Articles of Association to have the meaning ascribed thereto in the Companies Law, for which purpose, the requisite majority shall be not less than three-fourths of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorized representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given and includes a special resolution approved in writing by all of the members of the Company entitled to vote at a general meeting of the Company in one or more instruments each signed by one or more of such members, and the effective date of the special resolution so adopted shall be the date on which the instrument or the last of such instruments (if more than one) is executed.

In contrast, an "ordinary resolution" is defined in the Articles of Association to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorized representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles of Association and includes an ordinary resolution approved in writing by all the members of the Company aforesaid.

2.7 Voting rights

Subject to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares, at any general meeting on a poll every member present in person (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy shall have one vote for each share registered in his name in the register of members of the Company.

Where any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

In the case of joint registered holders of any share, any one of such persons may vote at any meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said persons so present being the most or, as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding and, for this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand on the register in respect of the relevant joint holding.

A member of the Company in respect of whom an order has been made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs may vote by any person authorized in such circumstances to do so and such person may vote by proxy.

Save as expressly provided in the Articles of Association or as otherwise determined by the Directors, no person other than a member of the Company duly registered and who shall have paid all sums for the time being due from him payable to the Company in respect of his shares shall be entitled to be present or to vote (save as proxy for another member of the Company), or to be reckoned in a quorum, either personally or by proxy at any general meeting.

At any general meeting a resolution put to the vote of the meeting shall be decided by way of a poll save that the chairman of the meeting may allow a resolution which relates purely to a procedural or administrative matter as prescribed under the Listing Rules to be voted on by a show of hands.

If a recognized clearing house (or its nominee(s)) is a member of the Company it may authorize such person or persons as it thinks fit to act as its proxy(ies) or representative(s) at any general meeting of the Company or at any general meeting of any class of members of the Company provided that, if more than one person is so authorized, the authorisation shall specify the number and class of shares in respect of which each such person is so authorized. A person authorized pursuant to this provision shall be entitled to exercise the same rights and powers on behalf of the recognized clearing house (or its nominee(s)) which he represents as that recognized clearing house (or its nominee(s)) could exercise as if it were an individual member of the Company holding the number and class of shares specified in such authorisation, including, where a show of hands is allowed, the right to vote individually on a show of hands.

2.8 Annual general meetings and extraordinary general meetings

The Company shall hold a general meeting as its annual general meeting each year, within a period of not more than 15 months after the holding of the last preceding annual general meeting (or such longer period as the Stock Exchange may authorize). The annual general meeting shall be specified as such in the notices calling it.

The Board of Directors may, whenever it thinks fit, convene an extraordinary general meeting. General meetings shall also be convened on the written requisition of any one or more members holding together, as at the date of deposit of the requisition, shares representing not less than one-tenth of the paid up capital of the Company which carry the right of voting at general meetings of the Company. The written requisition shall be deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office of the Company, specifying the objects of the meeting and signed by the requisitionist(s). If the Directors do not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further 21 days, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Directors provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Directors shall be reimbursed to them by the Company.

2.9 Accounts and audit

The Directors shall cause to be kept such books of account as are necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions and otherwise in accordance with the Companies Law.

The Directors shall from time to time determine whether, and to what extent, and at what times and places and under what conditions or regulations, the accounts and books of the Company, or any of them, shall be open to the inspection by members of the Company (other than officers of the Company) and no such member shall have any right of inspecting any accounts or books or documents of the Company except as conferred by the Companies Law or any other relevant law or regulation or as authorized by the Directors or by the Company in general meeting.

The Directors shall, commencing with the first annual general meeting, cause to be prepared and to be laid before the members of the Company at every annual general meeting a profit and loss account for the period, in the case of the first account, since the incorporation of the Company and, in any other case, since the preceding account, together with a balance sheet as at the date to which the profit and loss account is made up and a Director's report with respect to the profit or loss of the Company for the period covered by the profit and loss account and the state of the Company's affairs as at the end of such period, an auditor's report on such accounts and such other reports and accounts as may be required by law. Copies of those documents to be laid before the members of the Company at an annual general meeting shall not less than 21 days before the date of the meeting, be sent in the manner in which notices may be served by the Company as provided in the Articles of Association to every member of the Company and every holder of debentures of the Company provided that the Company shall not be required to send copies of those documents to any person of whose address the Company is not aware or to more than one of the joint holders of any shares or debentures.

2.10 Auditors

The Company shall at every annual general meeting appoint an auditor or auditors of the Company who shall hold office until the next annual general meeting. The removal of an auditor before the expiration of his period of office shall require the approval of an ordinary resolution of the members in general meeting. The remuneration of the auditors shall be fixed by the Company at the annual general meeting at which they are appointed provided that in respect of any particular year the Company in general meeting may delegate the fixing of such remuneration to the Directors.

2.11 Notice of meetings and business to be conducted thereat

An annual general meeting shall be called by not less than 21 days' notice in writing and any extraordinary general meeting shall be called by not less than 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and shall specify the time, place and agenda of the meeting, particulars of the resolutions and the general nature of the business to be considered at the meeting. The notice convening an annual general meeting shall specify the meeting as such, and the notice convening a meeting to pass a special resolution shall specify the intention to propose the resolution as a special resolution. Notice of every general meeting shall be given to the auditors and all members of the Company (other than those who, under the provisions of the Articles of Association or the terms of issue of the shares they hold, are not entitled to receive such notice from the Company).

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above, it shall be deemed to have been duly called if it is so agreed:

(a) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat or their proxies; and

(b) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95% in nominal value of the shares giving that right.

If, after the notice of a general meeting has been sent but before the meeting is held, or after the adjournment of a general meeting but before the adjourned meeting is held (whether or not notice of the adjourned meeting is required), the Directors, in their absolute discretion, consider that it is impractical or unreasonable for any reason to hold a general meeting on the date or at the time and place specified in the notice calling such meeting, it may change or postpone the meeting to another date, time and place.

The Directors also have the power to provide in every notice calling a general meeting that in the event of a gale warning or a black rainstorm warning is in force at any time on the day of the general meeting (unless such warning is canceled at least a minimum period of time prior to the general meeting as the Directors may specify in the relevant notice), the meeting shall be postponed without further notice to be reconvened on a later date. Where a general meeting is so postponed, the Company shall endeavor to cause a notice of such postponement to be placed on the Company's website and published on the Stock Exchange's website as soon as practicable, but failure to place or publish such notice shall not affect the automatic postponement of such meeting.

Where a general meeting is postponed:

(a) the Directors shall fix the date, time and place for the reconvened meeting and at least seven clear days' notice shall be given for the reconvened meeting; and such notice shall specify the date, time and place at which the postponed meeting will be reconvened and the date and time by which proxies shall be submitted in order to be valid at such reconvened meeting (provided that any proxy submitted for the original meeting shall continue to be valid for the reconvened meeting unless revoked or replaced by a new proxy); and

(b) notice of the business to be transacted at the reconvened meeting shall not be required, nor shall any accompanying documents be required to be recirculated, provided that the business to be transacted at the reconvened meeting is the same as that set out in the notice of the original meeting circulated to the members of the Company.

2.12 Transfer of shares

Transfers of shares may be effected by an instrument of transfer in the usual common form or in such other form as the Directors may approve which is consistent with the standard form of transfer as prescribed by the Stock Exchange.

The instrument of transfer shall be executed by or on behalf of the transferor and, unless the Directors otherwise determine, the transferee, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members of the Company in respect thereof. All instruments of transfer shall be retained by the Company.

The Directors may refuse to register any transfer of any share which is not fully paid up or on which the Company has a lien. The Directors may also decline to register any transfer of any shares unless:

(a) the instrument of transfer is lodged with the Company accompanied by the certificate for the shares to which it relates (which shall upon the registration of the transfer be canceled) and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer;

(b) the instrument of transfer is in respect of only one class of shares;

(c) the instrument of transfer is properly stamped (in circumstances where stamping is required);

(d) in the case of a transfer to joint holders, the number of joint holders to whom the share is to be transferred does not exceed four;

(e) the shares concerned are free of any lien in favor of the Company; and

(f) a fee of such amount not exceeding the maximum amount as the Stock Exchange may from time to time determine to be payable (or such lesser sum as the Directors may from time to time require) is paid to the Company in respect thereof.

If the Directors refuse to register a transfer of any share they shall, within two months after the date on which the transfer was lodged with the Company, send to each of the transferor and the transferee notice of such refusal.

The registration of transfers may, on 10 Business Days' notice (or on 6 Business Days' notice in the case of a rights issue) being given by advertisement published on the Stock Exchange's website, or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, be suspended and the register of members of the Company closed at such times for such periods as the Directors may from time to time determine, provided that the registration of transfers shall not be suspended or the register closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

2.13 Power of the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles of Association to purchase its own shares subject to certain restrictions and the Directors may only exercise this power on behalf of the Company subject to the authority of its members in general meeting as to the manner in which they do so and to any applicable requirements imposed from time to time by the Stock Exchange and the Securities and Futures Commission of Hong Kong. Shares which have been repurchased will be treated as canceled upon the repurchase.

2.14 Power of any subsidiary of the Company to own shares

There are no provisions in the Articles of Association relating to the ownership of shares by a subsidiary.

2.15 Dividends and other methods of distribution

Subject to the Companies Law and the Articles of Association, the Company in general meeting may declare dividends in any currency but no dividends shall exceed the amount recommended by the Directors. No dividend may be declared or paid other than out of profits and reserves of the Company lawfully available for distribution, including share premium.

Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends shall (as regards any shares not fully paid throughout the period in respect of which the dividend is paid) be apportioned and paid pro rata according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. For these purposes no amount paid up on a share in advance of calls shall be treated as paid up on the share.

The Directors may from time to time pay to the members of the Company such interim dividends as appear to the Directors to be justified by the profits of the Company. The Directors may also pay half-yearly or at other intervals to be selected by them any dividend which may be payable at a fixed rate if they are of the opinion that the profits available for distribution justify the payment.

The Directors may retain any dividends or other monies payable on or in respect of a share upon which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists. The Directors may also deduct from any dividend or other monies payable to any member of the Company all sums of money (if any) presently payable by him to the Company on account of calls, installments or otherwise.

No dividend shall carry interest against the Company.

Whenever the Directors or the Company in general meeting have resolved that a dividend be paid or declared on the share capital of the Company, the Directors may further resolve: (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up on the basis that the shares so allotted are to be of the same class as the class already held by the allottee, provided that the members of the Company entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or (b) that the members of the Company entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Directors may think fit on the basis that the shares so allotted are to be of the same class as the class already held by the allottee. The Company may upon the recommendation of the Directors by ordinary resolution resolve in respect of any one particular dividend of the Company that notwithstanding the foregoing a dividend may be satisfied wholly in the form of an allotment of shares credited as fully paid without offering any right to members of the Company to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to a holder of shares may be paid by check or warrant sent through the post addressed to the registered address of the member of the Company entitled, or in the case of joint holders, to the registered address of the person whose name stands first in the register of members of the Company in respect of the joint holding or to such person and to such address as the holder or joint holders may in writing direct. Every check or warrant so sent shall be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register of members of the Company in respect of such shares, and shall be sent at his or their risk and the payment of any such check or warrant by the bank on which it is drawn shall operate as a good discharge to the Company in respect of the dividend and/or bonus represented thereby, notwithstanding that it may subsequently appear that the same has been stolen or that any endorsement thereon has been forged. The Company may cease sending such checks for dividend entitlements or dividend warrants by post if such checks or warrants have been left uncashed on two consecutive occasions. However, the Company may exercise its power to cease sending checks for dividend entitlements or dividend warrants after the first occasion on which such a check or warrant is returned undelivered. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Any dividend unclaimed for six years from the date of declaration of such dividend may be forfeited by the Directors and shall revert to the Company.

The Directors may, with the sanction of the members of the Company in general meeting, direct that any dividend be satisfied wholly or in part by the distribution of specific assets of any kind, and in particular of paid up shares, debentures or warrants to subscribe securities of any other company, and where any difficulty arises in regard to such distribution the Directors may settle it as they think expedient, and in particular may disregard fractional entitlements, round the same up or down or provide that the same shall accrue to the benefit of the Company, and may fix the value for distribution of such specific assets and may determine that cash payments shall be made to any members of the Company upon the footing of the value so fixed in order to adjust the rights of all parties, and may vest any such specific assets in trustees as may seem expedient to the Directors.

2.16 Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person who must be an individual as his proxy to attend and vote instead of him and a proxy so appointed shall have the same right as the member to speak at the meeting. A proxy need not be a member of the Company.

Instruments of proxy shall be in common form or in such other form as the Directors may from time to time approve provided that it shall enable a member to instruct his proxy to vote in favor of or against (or in default of instructions or in the event of conflicting instructions, to exercise his discretion in respect of) each resolution to be proposed at the meeting to which the form of proxy relates. The instrument of proxy shall be deemed to confer authority to vote on any amendment of a resolution put to the meeting for which it is given as the proxy thinks fit. The instrument of proxy shall, unless the contrary is stated therein, be valid as well for any adjournment of the meeting as for the meeting to which it relates provided that the meeting was originally held within 12 months from such date.

The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney authorized in writing or if the appointor is a corporation either under its seal or under the hand of an officer, attorney or other person authorized to sign the same.

The instrument appointing a proxy and (if required by the Directors) the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, shall be delivered at the registered office of the Company (or at such other place as may be specified in the notice convening the meeting or in any notice of any adjournment or, in either case, in any document sent therewith) not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote or, in the case of a poll taken subsequently to the date of a meeting or adjourned meeting, not less than 48 hours before the time appointed for the taking of the poll and in default the instrument of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiration of 12 months from the date named in it as the date of its execution. Delivery of any instrument appointing a proxy shall not preclude a member of the Company from attending and voting in person at the meeting or poll concerned and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

2.17 Calls on shares and forfeiture of shares

The Directors may from time to time make calls upon the members of the Company in respect of any monies unpaid on their shares (whether on account of the nominal amount of the shares or by way of premium or otherwise) and not by the conditions of allotment thereof made payable at fixed times and each member of the Company shall (subject to the Company serving upon him at least 14 days' notice specifying the time and place of payment and to whom such payment shall be made) pay to the person at the time and place so specified the amount called on his shares. A call may be revoked or postponed as the Directors may determine. A person upon whom a call is made shall remain liable on such call notwithstanding the subsequent transfer of the shares in respect of which the call was made.

A call may be made payable either in one sum or by installments and shall be deemed to have been made at the time when the resolution of the Directors authorizing the call was passed. The joint holders of a share shall be jointly and severally liable to pay all calls and installments due in respect of such share or other monies due in respect thereof.

If a sum called in respect of a share shall not be paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest on the sum from the day appointed for payment thereof to the time of actual payment at such rate, not exceeding 15% per annum, as the Directors may determine, but the Directors shall be at liberty to waive payment of such interest wholly or in part.

If any call or installment of a call remains unpaid on any share after the day appointed for payment thereof, the Directors may at any time during such time as any part thereof remains unpaid serve a notice on the holder of such shares requiring payment of so much of the call or installment as is unpaid together with any interest which may be accrued and which may still accrue up to the date of actual payment.

The notice shall name a further day (not being less than 14 days from the date of service of the notice) on or before which, and the place where, the payment required by the notice is to be made, and shall state that in the event of non-payment at or before the time and at the place appointed, the shares in respect of which such call was made or installment is unpaid will be liable to be forfeited.

If the requirements of such notice are not complied with, any share in respect of which such notice has been given may at any time thereafter, before payment of all calls or installments and interest due in respect thereof has been made, be forfeited by a resolution of the Directors to that effect. Such forfeiture shall include all dividends and bonuses declared in respect of the forfeited shares and not actually paid before the forfeiture. A forfeited share shall be deemed to be the property of the Company and may be re-allotted, sold or otherwise disposed of.

A person whose shares have been forfeited shall cease to be a member of the Company in respect of the forfeited shares but shall, notwithstanding the forfeiture, remain liable to pay to the Company all monies which at the date of forfeiture were payable by him to the Company in respect of the shares, together with (if the Directors shall in their discretion so require) interest thereon at such rate not exceeding 15% per annum as the Directors may prescribe from the date of forfeiture until payment, and the Directors may enforce payment thereof without being under any obligation to make any allowance for the value of the shares forfeited, at the date of forfeiture.

2.18 Inspection of register of members

The register of members of the Company shall be kept in such manner as to show at all times the members of the Company for the time being and the shares respectively held by them. The register may, on 10 Business Days' notice (or on 6 Business Days' notice in the case of a rights issue) being given by advertisement published on the Stock Exchange's website, or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, be closed at such times and for such periods as the Directors may from time to time determine either generally or in respect of any class of shares, provided that the register shall not be closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

Any register of members kept in Hong Kong shall during normal business hours (subject to such reasonable restrictions as the Directors may impose) be open to inspection by any member of the Company without charge and by any other person on payment of a fee of such amount not exceeding the maximum amount as may from time to time be permitted under the Listing Rules as the Directors may determine for each inspection.

2.19 Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment, choice or election of a chairman which shall not be treated as part of the business of the meeting.

Two members of the Company present in person or by proxy shall be a quorum provided always that if the Company has only one member of record the quorum shall be that one member present in person or by proxy.

A corporation being a member of the Company shall be deemed for the purpose of the Articles of Association to be present in person if represented by its duly authorized representative being the person appointed by resolution of the directors or other governing body of such corporation or by power of attorney to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

The quorum for a separate general meeting of the holders of a separate class of shares of the Company is described in paragraph 2.4 above.

2.20 Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles of Association concerning the rights of minority shareholders in relation to fraud or oppression.

2.21 Procedure on liquidation

If the Company shall be wound up, and the assets available for distribution amongst the members of the Company as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members of the Company in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively. If in a winding up the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed amongst the members of the Company in proportion to the capital paid up at the commencement of the winding up on the shares held by them respectively. The foregoing is without prejudice to the rights of the holders of shares issued upon special terms and conditions.

If the Company shall be wound up, the liquidator may with the sanction of a special resolution of the Company and any other sanction required by the Companies Law, divide amongst the members of the Company in specie or kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may, for such purpose, set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members of the Company. The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the members of the Company as the liquidator, with the like sanction and subject to the Companies Law, shall think fit, but so that no member of the Company shall be compelled to accept any assets, shares or other securities in respect of which there is a liability.

2.22 Untraceable members

The Company shall be entitled to sell any shares of a member of the Company or the shares to which a person is entitled by virtue of transmission on death or bankruptcy or operation of law if: (a) all checks or warrants, not being less than three in number, for any sums payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (b) the Company has not during that time or before the expiry of the three month period referred to in (d) below received any indication of the whereabouts or existence of the member; (c) during the 12 year period, at least three dividends in respect of the shares in question have become payable and no dividend during that period has been claimed by the member; and (d) upon expiry of the 12 year period, the Company has caused an advertisement to be published in the newspapers or subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association, giving notice of its intention to sell such shares and a period of three months has elapsed since such advertisement and the Stock Exchange has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds it shall become indebted to the former member for an amount equal to such net proceeds.

SUMMARY OF CAYMAN ISLANDS COMPANY LAW AND TAXATION

1 Introduction

The Companies Law is derived, to a large extent, from the older Companies Acts of England, although there are significant differences between the Companies Law and the current Companies Act of England. Set out below is a summary of certain provisions of the Companies Law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of corporate law and taxation which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

2 Incorporation

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 25 March 2019 under the Companies Law. As such, its operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the size of its authorized share capital.

3 Share Capital

The Companies Law permits a company to issue ordinary shares, preference shares, redeemable shares or any combination thereof.

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premia on those shares shall be transferred to an account called the "share premium account." At the option of a company, these provisions may not apply to premia on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancelation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by a company, subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation:

(a) paying distributions or dividends to members;

(b) paying up unissued shares of the company to be issued to members as fully paid bonus shares;

(c) in the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law);

(d) writing-off the preliminary expenses of the company;

(e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and

(f) providing for the premium payable on redemption or purchase of any shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, by special resolution reduce its share capital in any way.

Subject to the detailed provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder. In addition, such a company may, if authorized to do so by its articles of association, purchase its own shares, including any redeemable shares. The manner of such a purchase must be authorized either by the articles of association or by an ordinary resolution of the company. The articles of association may provide that the manner of purchase may be determined by the directors of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any member of the company holding shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and to act in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

4 Dividends and Distributions

With the exception of section 34 of the Companies Law, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands in this area, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 3 above for details).

5 Shareholders' Suits

The Cayman Islands courts can be expected to follow English case law precedents. The rule in *Foss v. Harbottle* (and the exceptions thereto which permit a minority shareholder to commence a class action against or derivative actions in the name of the company to challenge (a) an act which is *ultra vires* the company or illegal, (b) an act which constitutes a fraud against the minority where the wrongdoers are themselves in control of the company, and (c) an action which requires a resolution with a qualified (or special) majority which has not been obtained) has been applied and followed by the courts in the Cayman Islands.

6 Protection of Minorities

In the case of a company (not being a bank) having a share capital divided into shares, the Grand Court of the Cayman Islands may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Grand Court shall direct.

Any shareholder of a company may petition the Grand Court of the Cayman Islands which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

Claims against a company by its shareholders must, as a general rule, be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

The English common law rule that the majority will not be permitted to commit a fraud on the minority has been applied and followed by the courts of the Cayman Islands.

7 Disposal of Assets

The Companies Law contains no specific restrictions on the powers of directors to dispose of assets of a company. As a matter of general law, in the exercise of those powers, the directors must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the company.

8 Accounting and Auditing Requirements

The Companies Law requires that a company shall cause to be kept proper books of account with respect to:

(a) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place;

(b) all sales and purchases of goods by the company; and

(c) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

9 Register of Members

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as its directors may from time to time think fit. There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

10 Inspection of Books and Records

Members of a company will have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

11 Special Resolutions

The Companies Law provides that a resolution is a special resolution when it has been passed by a majority of at least two-thirds of such members as, being entitled to do so, vote in person or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given, except that a company may in its articles of association specify that the required majority shall be a number greater than two-thirds, and may additionally so provide that such majority (being not less than two-thirds) may differ as between matters required to be approved by a special resolution. Written resolutions signed by all the members entitled to vote for the time being of the company may take effect as special resolutions if this is authorized by the articles of association of the company.

12 Subsidiary Owning Shares in Parent

The Companies Law does not prohibit a Cayman Islands company acquiring and holding shares in its parent company provided its objects so permit. The directors of any subsidiary making such acquisition must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the subsidiary.

13 Mergers and Consolidations

The Companies Law permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (a) "merger" means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company, and (b) "consolidation" means the combination of two or more constituent companies into a consolidated company and the vesting of the undertaking, property and liabilities of such companies to the consolidated company. In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorized by (a) a special resolution of each constituent company and (b) such other authorisation, if any, as may be specified in such constituent company's articles of association. The written plan of merger or consolidation must be filed with the Registrar of Companies of the Cayman Islands together with a declaration as to the solvency of the consolidated or surviving company, a list of the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent company and that notification of the merger or consolidation will be published in the Cayman Islands Gazette. Dissenting shareholders have the right to be paid the fair value of their shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) if they follow the required procedures, subject to certain exceptions. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

14 Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing 75% in value of shareholders or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the Grand Court of the Cayman Islands. Whilst a dissenting shareholder would have the right to express to the Grand Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Grand Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management and if the transaction were approved and consummated the dissenting shareholder would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of his shares) ordinarily available, for example, to dissenting shareholders of United States corporations.

15 Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Grand Court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Grand Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

16 Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

17 Liquidation

A company may be placed in liquidation compulsorily by an order of the court, or voluntarily (a) by a special resolution of its members if the company is solvent, or (b) by an ordinary resolution of its members if the company is insolvent. The liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories (shareholders)), settle the list of creditors and discharge the company's liability to them, rateably if insufficient assets exist to discharge the liabilities in full, and to settle the list of contributories and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

18 Stamp Duty on Transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

19 Taxation

Pursuant to section 6 of the Tax Concessions Law (2018 Revision) of the Cayman Islands, the Company may obtain an undertaking from the Financial Secretary of the Cayman Islands:

(a) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Company or its operations; and

(b) in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable:

   (i) on or in respect of the shares, debentures or other obligations of the Company; or

   (ii) by way of the withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2018 Revision).

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties that are applicable to any payments made by or to the Company.

20 Exchange Control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

21 General

Maples and Calder (Hong Kong) LLP, the Company's legal advisor on Cayman Islands law, have sent to the Company a letter of advice summarizing aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in "Documents Available for Inspection" in Appendix V to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he/she is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR COMPANY

1. Incorporation of our Company

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on March 25, 2019. Our Company has established its principal place of business in Hong Kong at 19/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong and was registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on September 20, 2019. Ms. Chan Pung Fei has been appointed as the authorized representative of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong.

As our Company was incorporated in the Cayman Islands, its operations are subject to the Cayman Islands Companies Law, the Memorandum and the Articles, and the applicable laws of the Cayman Islands. A summary of certain provisions of the Memorandum and the Articles, and relevant aspects of the Cayman Islands Companies Law is set out in "Summary of the Constitution of our Company and Cayman Islands Companies Law" in Appendix III to this prospectus.

2. Changes in the share capital of our Company

As of the date of incorporation of our Company, the authorized share capital of our Company was HK$380,000 divided into 38,000,000 Shares. Upon its incorporation, one Share was issued and allotted to an initial subscriber who is an Independent Third Party on March 25, 2019, which was then transferred to Powerlong BVI Holding on the same date. On April 11, 2019, an additional 199 Shares were issued and allotted to Powerlong BVI Holding.

Pursuant to Reorganization, on July 19, 2019, our Company acquired 100% of the issued shares in Powerlong BVI, an indirect wholly-owned subsidiary of Powerlong Holdings, from Powerlong BVI Holding. In consideration of such acquisition, our Company issued and allotted 78,800 Shares to Powerlong BVI Holding on the same day. A further 8,778 Shares were issued and allotted to Huihong Management on the same day.

Pursuant to the written resolutions of our Shareholders passed on December 10, 2019, the authorized share capital of our company was increased from HK$380,000 to HK$20,000,000 by the creation of additional 1,962,000,000 Shares.

Immediately following completion of the Capitalization Issue and the Global Offering and without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option, the issued share capital of our Company will be HK$6,000,000 divided into 600,000,000 Shares, all fully paid or credited as fully paid, and 1,400,000,000 Shares will remain unissued.

Save as disclosed above and as mentioned in "— 4. Written resolutions of our Shareholders passed on December 10, 2019" below in this section, there has been no alteration in the share capital of our Company since its incorporation.

3. Changes in the share capital of our subsidiaries

Our principal operating subsidiaries are set out in the section headed "History, Reorganization and Corporate Structure" in this prospectus and all of our subsidiaries are set out in the Accountant's Report, the text of which is set out in Appendix I to this prospectus.

On July 19, 2019, our Company acquired 100% of the issued shares of Powerlong BVI, an indirect wholly-owned subsidiary of Powerlong Holdings, from Powerlong BVI Holding. In consideration of such acquisition, our Company issued and allotted 78,800 Shares to Powerlong BVI Holding on the same day.

Save as disclosed above, there has been no alteration in the share capital or registered capital of our subsidiaries within the two years immediately preceding the date of this prospectus.

4. Written resolutions of our Shareholders passed on December 10, 2019

Pursuant to the written resolutions passed by our Shareholders on December 10, 2019, among other matters:

(a) we approved and conditionally adopted the amended and restated Memorandum and Articles with effect upon Listing;

(b) the authorized share capital of our Company was increased from HK$380,000 divided into 38,000,000 Shares to HK$20,000,000 divided into 2,000,000,000 Shares by the creation of an additional 1,962,000,000 Shares ranking *pari passu* in all respects with the existing Shares of the Company with immediate effect;

(c) conditional on (aa) the Listing Committee granting the approval for the listing of, and permission to deal in, the Shares in issue and Shares to be issued and allotted pursuant to the Capitalization Issue, the Global Offering and as mentioned in this prospectus including the Shares which may be issued and allotted pursuant to the exercise of the Over-allotment Option; (bb) the Offer Price having been duly determined; and (cc) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms of such agreement (or any conditions as specified in this prospectus), in each case on or before the dates and times specified in the Underwriting Agreements:

  (i) the Global Offering was approved and our Directors were authorized to issue and allot the Offer Shares pursuant to the Global Offering;

  (ii) the Over-allotment Option was approved;

  (iii) conditional on the share premium account of our Company being credited as a result of the Global Offering, our Directors were authorized to capitalize HK$4,499,122.22 standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par 449,912,222 Shares for issue and allotment to holders of Shares whose names appear on the register of members of our Company on the date of passing this resolution in proportion (as near as possible without involving fractions so that no fraction of a share shall be issued and allotted) to the then existing respective shareholdings in our Company;

  (iv) a general unconditional mandate was given to our Directors to issue, allot and deal with (including the power to make an offer or agreement, or grant securities which would or might require Shares to be issued and allotted), otherwise than pursuant to a rights issue or pursuant to any scrip dividend schemes or similar arrangements providing for the issue and allotment of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles or pursuant to a specific authority granted by the Shareholders in general meeting, unissued Shares not exceeding the aggregate of 20% of the number of issued Shares immediately following the completion of the Capitalization Issue and the Global Offering (but taking no account of any Shares which may be issued and allotted pursuant to the exercise of the Over-allotment Option), such mandate to remain in effect until the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws to be held, or until revoked or varied by an ordinary resolution of our Shareholders in general meeting, whichever occurs first;

(v) a general unconditional mandate was given to our Directors authorizing them to exercise all powers of our Company to buy back on the Stock Exchange or any other approved stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, such number of Shares as may represent up to 10% of the number of issued Shares immediately following the completion of the Capitalization Issue and the Global Offering (but taking no account of any Shares which may be issued and allotted pursuant to the exercise of the Over-allotment Option), such mandate to remain in effect until the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws to be held, or until revoked or varied by an ordinary resolution of the Shareholders in general meeting, whichever occurs first; and

(vi) the general unconditional mandate mentioned in paragraph (iv) above was extended by the addition to the number of issued Shares which may be issued and allotted or agreed conditionally or unconditionally to be issued and allotted by our Directors pursuant to such general mandate of such number of Shares representing the total number of issued Shares bought back by our Company pursuant to the mandate to buy back Shares referred to in paragraph (v) above.

5. Reorganization

In preparation for the Listing, the companies comprising our Group underwent the Reorganization and our Company became the holding company of our Group. For further details with regard to the Reorganization, please see "History, Reorganization and Corporate Structure" in this prospectus.

6. Repurchase our Company of its own securities

This section includes information required by the Stock Exchange to be included in this prospectus concerning the repurchase by our Company of its own securities.

(a) Provisions of the Listing Rules

The Listing Rules permit companies with a primary listing on the Stock Exchange to purchase their shares on the Stock Exchange subject to certain restrictions.

(i) Shareholders' approval

The Listing Rules provide that all proposed buybacks of shares (which must be fully paid in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of its shareholders in general meeting, either by way of general mandate or by specific approval of a particular transaction.

Note: Pursuant to the written resolutions passed by our Shareholders on December 10, 2019, a general unconditional mandate (the "**Buyback Mandate**") was granted to our Directors authorizing the buyback of shares by our Company on the Stock Exchange, or any other stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, with the total number of Shares not exceeding 10% of the total number of Shares in issue and to be issued as mentioned herein, at any time until the conclusion of the next annual general meeting of our Company, the expiration of the period within which the next annual general meeting of our Company is required by an applicable law or the Articles to be held or when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting, whichever is the earliest.

(ii) Source of funds

Repurchases must be funded out of funds legally available for the purpose in accordance with the Articles and the Cayman Islands Companies Law. A listed company may not buyback its own shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

(iii) Core connected persons

The Listing Rules prohibit our Company from knowingly repurchasing the Shares on the Stock Exchange from a "core connected person," which includes, a Director, chief executive or substantial Shareholder of our Company or any of the subsidiaries or a close associate of any of them and a core connected person shall not knowingly sell Shares to our Company.

(b) Reasons for buybacks

Our Directors believe that it is in the best interests of our Company and our Shareholders as a whole for our Directors to have a general authority from our Shareholders to enable our Company to buyback Shares in the market. Such buybacks may, depending on the market conditions and funding arrangements at the time, lead to an enhancement of our Company's net asset value per Share and/or earnings per Share and will only be made when our Directors believe that such buybacks will benefit our Company and our Shareholders.

(c) Funding of buy-backs

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with our Articles, the Listing Rules and the applicable laws of the Cayman Islands.

It is presently proposed that any repurchase of Shares will be made out of the profits of our Company, the share premium amount of our Company or the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, subject to the Cayman Islands Companies Law, out of capital and, in the case of any premium payable on the purchase over the par value of the Shares to be repurchased must be provided for, out of either or both of the profits of our Company or from sums standing to the credit of the share premium account of our Company or, subject to the Cayman Islands Companies Law, out of capital.

On the basis of the current financial position of our Group as disclosed in this prospectus and taking into account the current working capital position of our Company, our Directors consider that, if the Buyback Mandate were to be exercised in full, it might not have a material adverse effect on the working capital and/or the gearing position of our Group as compared to the position disclosed in this prospectus. However, our Directors do not propose to exercise the buyback Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements or the gearing levels of our Group which, in the opinion of our Directors are from time to time appropriate for our Group.

(d) Share capital

The exercise in full of the Buyback Mandate, on the basis of 600,000,000 Shares in issue immediately after the Listing (but not taking into account of our Shares which may be issued pursuant to the exercise of the Over-allotment Option), would result in up to 60,000,000 Shares being repurchased by our Company during the period until:

(i) the conclusion of the next annual general meeting of our Company;

(ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws to be held; or

(iii) the date on which the Repurchase Mandate is varied or revoked by an ordinary resolution of our Shareholders in general meeting, whichever occurs first.

(e) General

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their close associates (as defined in the Listing Rules), has any present intention if the Repurchase Mandate is exercised to sell any Share(s) to our Company or our subsidiaries.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands.

If as a result of a repurchase of Shares pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert, depending on the level of increase of the Shareholders' interest, could obtain or consolidate control of our Company and may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of any such increase. Save as disclosed above, our Directors are not aware of any other consequences that would arise under the Takeovers Code if the Repurchase Mandate is exercised.

If the buy-back Mandate is fully exercised immediately following completion of the Capitalization Issue and the Global Offering (but not taking into account our Shares which may be issued pursuant to the exercise of the Over-allotment Option), the total number of Shares which will be repurchased pursuant to the Repurchase Mandate will be 60,000,000 Shares, being 10% of the total number of Shares based on the aforesaid assumptions. Any repurchase of Shares which results in the number of Shares held by the public being reduced to less than the prescribed minimum percentage of our Shares then in issue could only be implemented with the approval of the Stock Exchange to waive the Listing Rules requirements regarding the public float under Rule 8.08 of the Listing Rules. However, our Directors have no present intention to exercise the Buyback Mandate to such an extent as would result in an insufficient public float as prescribed under the Listing Rules.

No core connected person of our Company has notified our Group that he/she/it has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of material contracts

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of our Group within the two years preceding the date of this prospectus and are or may be material:

(a) an equity share transfer agreement dated April 20, 2019 entered into between Shanghai Powerlong Commercial and Xiamen Lianshang, pursuant to which Xiamen Lianshang acquired 100% of the equity interest in Fuzhou Powerlong Commercial from Shanghai Powerlong Commercial at a consideration of RMB10,100,000;

(b) an equity share transfer agreement dated June 13, 2019 entered into between Shanghai Powerlong Commercial and Xiamen Lianshang, pursuant to which Xiamen Lianshang acquired 100% equity interest in Changzhou Junlong Commercial Management Co., Ltd. (常州駿龍商業管理有限公司) from Shanghai Powerlong Commercial at a consideration of RMB1,000,123.89;

(c) an equity share transfer agreement dated July 1, 2019 entered into between Shanghai Powerlong Commercial and Xiamen Lianshang, pursuant to which Xiamen Lianshang acquired 100% of the equity interest in Hangzhou Fuyang Powerlong Commercial Investment Management Company Limited (杭州富陽寶龍商業投資管理有限公司) from Shanghai Powerlong Commercial at a consideration of RMB1,054,880.02;

(d) an equity share transfer agreement dated July 2, 2019 entered into between Shanghai Powerlong Commercial and Xiamen Lianshang, pursuant to which Xiamen Lianshang acquired 100% equity interest in Luoyang Powerlong Commercial Property Management Co., Ltd. (洛陽寶龍商業物業管理有限公司) from Shanghai Powerlong Commercial at a consideration of RMB10,000,000;

(e) an equity share transfer agreement dated July 4, 2019 entered into between Shanghai Powerlong Commercial and Xiamen Lianshang, pursuant to which Xiamen Lianshang acquired 100% equity interest in Hangzhou Haolong Enterprise Management Co., Ltd. (杭州皓龍企業管理有限公司) from Shanghai Powerlong Commercial at a consideration of RMB5,000,000;

(f) an equity share transfer agreement dated July 4, 2019 entered into between Shanghai Powerlong Commercial and Xiamen Lianshang, pursuant to which Xiamen Lianshang acquired 100% equity interest in Hangzhou Xiaoshan Yulong Commercial Management Co., Ltd. (杭州蕭山御龍商業管理有限公司) from Shanghai Powerlong Commercial at a consideration of RMB1,000,000;

(g) an equity share transfer agreement dated July 18, 2019 entered into between Shanghai Powerlong Commercial and Xiamen Lianshang, pursuant to which Xiamen Lianshang acquired 100% equity interest in Jinjiang Yulong Commercial Property Management Co., Ltd. (晉江御龍商業物業管理有限公司) from Shanghai Powerlong Commercial at a consideration of RMB1,000,000;

(h) the Deed of Non-Competition;

(i) the Deed of Indemnity;

(j) a cornerstone investment agreement dated December 11, 2019 entered into among our Company, ABCI Capital Limited and He Sheng Overseas Holdings Limited (和盛海外控股有限公司) ("**He Sheng**"), pursuant to which He Sheng conditionally agreed to subscribe for, and our Company conditionally agreed to issue and allot to He Sheng, such number of Shares (rounded down to the nearest whole board lot) which may be purchased with an aggregate amount of US$10 million (equivalent to approximately HK$78.29 million) (exclusive of brokerage, SFC transaction levy and the Stock Exchange trading fee) at the Offer Price;

(k) a cornerstone investment agreement dated December 11, 2019 entered into among our Company, ABCI Capital Limited and Liaoning Yonghui Supermarket Co., Ltd. (遼寧永輝超市有限公司) ("**Liaoning Yonghui**"), pursuant to which Liaoning Yonghui conditionally agreed to subscribe for, and our Company conditionally agreed to issue and allot to Liaoning Yonghui, such number of Shares (rounded down to the nearest whole board lot) which may be purchased with an aggregate amount of US$10 million (equivalent to approximately HK$78.29 million) (exclusive of brokerage, SFC transaction levy and the Stock Exchange trading fee) at the Offer Price;

(l) a cornerstone investment agreement dated December 11, 2019 entered into among our Company, ABCI Capital Limited and Mr. Hui Lin Chit (許連捷) ("**Mr. Hui**"), pursuant to which Mr. Hui conditionally agreed to subscribe for, and our Company conditionally agreed to issue and allot to Mr. Hui, such number of Shares (rounded down to the nearest whole board lot) which may be purchased with an aggregate amount of US$10 million (equivalent to approximately HK$78.29 million) (exclusive of brokerage, SFC transaction levy and the Stock Exchange trading fee) at the Offer Price;

(m) a cornerstone investment agreement dated December 11, 2019 entered into among our Company, ABCI Capital Limited and Orchid China Master Fund Limited, pursuant to which Orchid China Master Fund Limited conditionally agreed to subscribe for, and our Company conditionally agreed to issue and allot to the Orchid China Master Fund Limited such number of Shares (rounded down to the nearest whole board lot) which may be purchased with an aggregate amount of US$6 million (equivalent to approximately HK$46.98 million) (exclusive of brokerage, SFC transaction levy and the Stock Exchange trading fee) at the Offer Price; and

(n) the Hong Kong Underwriting Agreement.

2. Intellectual property rights of our Group

(a) Trademarks

As of the Latest Practicable Date, our Group has obtained license to use the following trademarks from Powerlong Group Development, the registered proprietor:

No.	Trademark	Registration Number	Class	Place of Registration	Date of Registration	Expiry Date
1.	POWERLONG	11096867	36	PRC	November 7, 2013	November 6, 2023
2.		14596334	36	PRC	April 7, 2016	April 6, 2026
3.	宝龙城 POWERLONG	18797710	37	PRC	February 7, 2017	February 6, 2027
4.	宝龙广场 POWERLONG	18798240	37	PRC	February 7, 2017	February 6, 2027
5.		18795662	35	PRC	February 14, 2017	February 13, 2027
6.	宝龙广场 POWERLONG	18798253	36	PRC	May 21, 2017	May 20, 2027
7.	One 宝龙一城	18798361	37	PRC	December 7, 2017	December 6, 2027
8.	宝 龙	14596333	36	PRC	December 14, 2017	December 13, 2027
9.	宝龙城 POWERLONG	18797536	35	PRC	October 14, 2018	October 13, 2028
10.	宝龙广场 POWERLONG	18798176	35	PRC	October 14, 2018	October 13, 2028
11.		30155923	35	PRC	April 21, 2019	April 20, 2029
12.		18795756	37	PRC	February 7, 2017	February 6, 2027
13.	POWERLONG	11096879	37	PRC	November 7, 2013	November 6, 2023

As of the Latest Practicable Date, our Group has obtained license to use the following trademarks which are under application for registration from Powerlong Group Development, the applicant:

No.	Trademark	Class	Name of Applicant	Place of Application	Application Number	Application Date
1.	POWERLONG 宝龙天地	45	Powerlong Group Development	PRC	40398124	August 16, 2019
2.	POWERLONG 宝龙天地	41	Powerlong Group Development	PRC	40421853	August 16, 2019
3.	POWERLONG 宝龙天地	37	Powerlong Group Development	PRC	40421838	August 16, 2019
4.	POWERLONG 宝龙天地	36	Powerlong Group Development	PRC	40418652	August 16, 2019
5.	POWERLONG 宝龙天地	35	Powerlong Group Development	PRC	40407421	August 16, 2019
6.	POWERLONG 宝龙天地	35	Powerlong Group Development	PRC	40449763	August 19, 2019
7.	POWERLONG 宝龙天地	36	Powerlong Group Development	PRC	40449780	August 19, 2019
8.	POWERLONG 宝龙天地	37	Powerlong Group Development	PRC	40452140	August 19, 2019
9.	POWERLONG 宝龙天地	41	Powerlong Group Development	PRC	40456713	August 19, 2019
10.	POWERLONG 宝龙天地	45	Powerlong Group Development	PRC	40444796	August 19, 2019

No.	Trademark	Class	Name of Applicant	Place of Application	Application Number	Application Date
11.	POWERLONG 宝龙天地	35	Powerlong Group Development	PRC	40435174	August 19, 2019
12.	POWERLONG 宝龙天地	36	Powerlong Group Development	PRC	40435193	August 19, 2019
13.	POWERLONG 宝龙天地	37	Powerlong Group Development	PRC	40440790	August 19, 2019
14.	POWERLONG 宝龙天地	41	Powerlong Group Development	PRC	40452162	August 19, 2019
15.	POWERLONG 宝龙天地	45	Powerlong Group Development	PRC	40446407	August 19, 2019

As of the Latest Practicable Date, our Company is the registered proprietor of the following trademarks which are material to our business:

No.	Trademark	Registration Number	Class	Place of Registration	Date of Registration	Expiry Date
1.	POWERLONG 宝龙	300791019	35, 36, 37, 42 and 43	Hong Kong	4 January 2017	3 January 2027
2.	POWERLONG 宝龙地产	304137499	35, 36, 37, 42 and 43	Hong Kong	12 May 2017	11 May 2027

As of the Latest Practicable Date, our Company has applied for the registration of the following trademarks which are material to our business:

No.	Trademark	Application Number	Class	Place of Application	Date of Application
1.	POWERLONG 宝龙商管	305069368	35, 36, 37, 42 and 43	Hong Kong	27 September 2019
2.	POWERLONG 宝龙商管	305069340	41 and 45	Hong Kong	27 September 2019
3.	POWERLONG 宝龙	305069359	35, 36, 37, 42 and 43	Hong Kong	27 September 2019
4.	POWERLONG 宝龙	305069331	41 and 45	Hong Kong	27 September 2019
5.	POWERLONG 宝龙商业	305135841	35,36,37,42 and 43	Hong Kong	6 December 2019
6.	POWERLONG 宝龙商业	305135832	35,36,37,42 and 43	Hong Kong	6 December 2019
7.	POWERLONG 宝龙商业	305135823	35,36,37,42 and 43	Hong Kong	6 December 2019

(b) Domain name

As of the Latest Practicable Date, our Group had registered the following domain names which are material to our business:

No.	Domain name	Name of Registered Proprietor	Date of Registration	Expiry Date
1	powerlongcm.com	Shanghai Powerlong Commercial	August 9, 2019	August 9, 2024
2	jd-powerlong88.com	Shanghai Powerlong Commercial	November 6, 2018	November 6, 2023
3	powerlong.wang	Shanghai Powerlong Property Management	April 24, 2019	April 24, 2020
4	powerlong.pub	Shanghai Powerlong Property Management	May 27, 2019	May 27, 2020
5	powerlongcm.cn	Shanghai Powerlong Commercial	August 9, 2019	August 9, 2024
6	powerlongcm.com.cn	Shanghai Powerlong Commercial	August 9, 2019	August 9, 2024
7	powerlongcm.net	Shanghai Powerlong Commercial	August 9, 2019	August 9, 2024
8	powerlongcm.net.cn	Shanghai Powerlong Commercial	August 9, 2019	August 9, 2024

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Directors

(a) Disclosure of Interests — Interests and short positions of the Directors and the chief executive of our Company in the Shares, underlying Shares and debentures of our Company and its associated corporations

Immediately following completion of the Capitalization Issue and the Global Offering and assuming that the Over-allotment Option is not exercised, the interests or short positions of our Directors or chief executives of our Company in the shares, underlying shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to our Company and the Stock Exchange, once our Shares are listed will be as follows:

(i) Interest in our Company

Name of Director	Nature of Interest	Number of Shares interested(1)	Approximate percentage of interest
Mr. Hoi Wa Fong	Interest in a controlled corporation(2)	45,000,000 Shares (L)	7.5%

Notes:

(1) The letter "L" denotes the person's long position in our Shares.

(2) Huihong Management, the trustee of the Huihong Trust, is wholly-owned by Mr. Hoi Wa Fong for the purpose of a share incentive scheme to be adopted at least six months after Listing. As of the Latest Practicable Date, the detailed terms of the share incentive scheme and the relevant grantees had not been confirmed. By virtue of the SFO, Mr. Hoi Wa Fong is deemed to be interested in the Shares held by Huihong Management.

(ii) Interest in associated corporations of our Company

Name of Director	Name of associated corporation	Nature of interest	Number of shares interested	Approximate percentage of interest
Mr. Hoi Wa Fong	Powerlong Holdings	Beneficial owner, founder of a discretionary trust and interest of spouse (1)	605,509,400	14.61%
Ms. Hoi Wa Fan	Powerlong Holdings	Beneficial owner and interest of a controlled corporation(2)	264,576,000	6.38%

Notes:

(1) Of the 605,509,400 shares in Powerlong Holdings which Mr. Hoi Wa Fong is interested in, (i) 596,018,000 shares are held by Sky Infinity Holdings, which is owned by Seletar Limited and Serangoon Limited as nominee in trust for Credit Suisse Trust Limited, the trustee of the Sky Infinity Trust. Mr. Hoi Wa Fong is the settlor of the Sky Infinity Trust; (ii) 8,988,000 shares are held by Mr. Hoi Wa Fong in his personal capacity; and (iii) 503,400 shares are held by Ms. Shih Sze Ni Cecilia, the spouse of Mr. Hoi Wa Fong.

(2) Of the 264,576,000 shares in Powerlong Holdings which Ms. Hoi Wa Fan is interested in, (i) 203,106,000 shares are held by Walong Holdings and Mantong Trading, which are wholly and beneficially owned by Ms. Hoi Wa Fan; and (ii) 61,470,000 shares are held by Ms. Hoi Wa Fan in her personal capacity.

(b) Particulars of service agreements and letters of appointment

Each of our executive Directors has entered into a service agreement with our Company for a term of three years commencing from the Listing Date, which may be terminated by not less than three months' notice in writing served by either party on the other.

Each of our non-executive Directors and independent non-executive Directors has entered into a letter of appointment with our Company for a term of three years commencing from the Listing Date, which may be terminated by not less than three months' notice in writing served by either party on the other.

(c) Directors' remuneration

Each of our executive Directors and non-executive Directors is entitled to a remuneration and shall be paid on the basis of a twelve-month year. The aggregate remuneration (including fees, salaries, housing allowance, contributions to a retirement benefit scheme, other allowance and benefits in kind) paid by our Group to our Directors in respect of the three years ended December 31, 2016, 2017 and 2018 and the six months ended June 30, 2019 were approximately RMB598,000, RMB694,000, RMB772,000 and RMB429,000, respectively. For details, please refer to note 31 of the accountant's report set out in Appendix I to this prospectus.

Each of our independent non-executive Directors has been appointed for a term of three years. We intend to pay a director's fee of HK$300,000 per annum to each of Ms. Ng Yi Kum, Estella, Mr. Chan Wai Yan, Ronald and Dr. Lu Xiongwen. Save for directors' fees, none of our independent non-executive Directors is expected to receive any other remuneration for holding their office as an independent non-executive Director.

Under the arrangement currently in force, the aggregate remuneration (including fees, salaries, housing allowance, contributions to a retirement benefit scheme, other allowance and benefits in kind) of our Directors for the year ending December 31, 2019 is estimated to be around RMB1,010,000.

2. Substantial shareholders

Saved as disclosed in "Substantial Shareholders" in this prospectus, so far as our Directors are aware, immediately following the completion of the Capitalization Issue and the Global Offering assuming that the Over-allotment Option is not exercised, no person (other than our Directors and chief executives of our Company) will have an interest and/or short position in our Shares or the underlying Shares which would fall to be disclosed under the provisions of Division 2 and 3 of Part XV of the SFO, or are directly or indirectly, interested in 10% or more of the issued voting shares of any other member of our Group.

3. Agency fees or commissions received

Save as disclosed in this prospectus, no commissions, discounts, brokerages or other special terms were granted in connection with the issue or sale of any capital of any member of our Group within the two years immediately preceding the date of this prospectus.

4. Disclaimers

Save as disclosed in this prospectus:

(a) none of our Directors or chief executives of our Company has any interest or short position in our shares, underlying shares or debentures of our Company or any of its associated corporation (within the meaning of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers once our Shares are listed;

(b) none of our Directors or experts referred to "— D. Other Information — 7. Qualifications of experts" in this Appendix has any direct or indirect interest in the promotion of our Company, or in any assets which have within the two years immediately preceding the date of this prospectus been acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;

(c) none of our Directors is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole;

(d) none of our Directors has any existing or proposed service contracts with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation));

(e) taking no account of Shares which may be taken up under the Global Offering, none of our Directors knows of any person (not being a Director or chief executive of our Company) who will, immediately following completion of the Global Offering, have an interest or short position in our Shares or underlying Shares of our Company which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of SFO or be interested, directly or indirectly, in 10% or more of the issued voting shares of any member of our Group; and

(f) so far as is known to our Directors as of the Latest Practicable Date, none of our Directors, their respective close associates (as defined under the Listing Rules) or Shareholders of our Company who are interested in more than 5% of the issued share capital of our Company has any interests in the five largest customers or the five largest suppliers of our Group.

D. OTHER INFORMATION

1. Tax and other indemnities

Our Controlling Shareholders have entered into a Deed of Indemnity with and in favor of our Company (for itself and as trustee for its subsidiaries) (being the contract referred to in the paragraph headed "— B. Further Information about Our Business — 1. Summary of material contracts" above) to provide indemnities on a joint and several basis in respect of, among other matters, (i) taxation or taxation claims resulting from income, profits or gains earned, accrued or received as well as any property claim or estate duty to which any member of our Group may be subject and payable on or before the date on which the Global Offering becomes unconditional; (ii) any claims, penalties or other indebtedness resulting from any non-compliance by any member of our Group on or before the date when the Global Offering becomes unconditional including any insufficient contribution to social insurance and housing provident funds; and (iii) any costs, expenses and damages payable resulting from any litigation, arbitration or disputes, including full indemnity at all times for any losses, decrease in assets, loss of business or increase in indebtedness due directly or indirectly to any disputes to which any member of our Group may be subject and payable, on or before the date when the Global Offering becomes unconditional.

2. Litigation

Save as disclosed in the section headed "Business — Legal proceedings and compliance — Legal Proceedings" in this prospectus, as of the Latest Practicable Date, no member of our Group was engaged in any litigation or arbitration of material importance and, so far as our Directors are aware, no litigation or claim of material importance is pending or threatened against any member of our Group.

3. Sole Sponsor

The Sole Sponsor satisfies the independence criteria applicable to sponsor set out in Rule 3A.07 of the Listing Rules. The Sole Sponsor's fee is approximately RMB$4.5 million and are payable by our Company.

The Sole Sponsor has made an application on our Company's behalf to the Listing Committee for the listing of, and permission to deal in, all the Shares in issue and to be issued as mentioned in this prospectus. All necessary arrangements have been made for the Shares to be admitted into CCASS.

4. Preliminary expenses

The preliminary expenses relating to the incorporation of our Company were approximately US$3,900 and are payable by our Company.

5. Promoter

Our Company has no promoter. Within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the Global Offering and the related transactions described in this prospectus.

6. Taxation of holders of Shares

(a) Hong Kong

The sale, purchase and transfer of Shares registered with our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty, the current rate charged on each of the purchaser and seller is 0.1% of the consideration or, if higher, the fair value of the Shares being sold or transferred. Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

(b) Cayman Islands

Under the present Cayman Islands law, there is no stamp duty payable in the Cayman Islands on transfer of Shares.

(c) Consultation with professional advisors

Intending holders of the Shares are recommended to consult their professional advisors if they are in doubt as to the taxation implications of holding or disposing of or dealing in the Shares. It is emphasized that none of our Company, our Directors or the other parties involved in the Global Offering can accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their holding or disposal of or dealing in Shares or exercise of any rights attaching to them.

7. Qualifications of experts

The qualifications of the experts who have given opinions or advice and/or whose names are included in this prospectus are as follows:

Name	Qualification
ABCI Capital Limited	A licensed corporation under the SFO to conduct Type 1 (Dealing in securities) and Type 6 (Advising on corporate finance) regulated activities (as defined under the SFO)
PricewaterhouseCoopers	Certified Public Accountants
Maples and Calder (Hong Kong) LLP	Legal advisor to our Company as to Cayman Islands laws
Grandall Law Firm (Shanghai)	Legal advisor to our Company as to the PRC laws
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Industry consultant

8. Consents of experts

Each of the experts above has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its report and/or letter and/or legal opinion (as the case may be) and references to its name included in the form and context in which it respectively appears. Each of the experts' statements has been made on the date of this prospectus and was made by such expert for incorporation in this prospectus.

As of the Latest Practicable Date, none of the persons named above has any shareholding interests in any member of our Group or has the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

9. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of Sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance insofar applicable.

10. Miscellaneous

(a) Within the two years immediately preceding the date of this prospectus:

(i) save as disclosed in this prospectus, no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued fully or partly paid up either for cash or for a consideration other than cash;

(ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(iii) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share capital of our Company or any of our subsidiaries; and

(iv) no commission has been paid or payable for subscribing or agreeing to subscribe or procuring subscription or agreeing to procure subscriptions, for any shares in our Company or any of our subsidiaries;

(b) no founder, management or deferred shares of our Company or any of our subsidiaries have been issued or agreed to be issued;

(c) there has not been any interruption in our business which may have or have had a significant effect on our financial position in the 12 months immediately preceding the date of this prospectus;

(d) the principal register of members of our Company will be maintained in the Cayman Islands by the Principal Share Registrar and a branch register of members of our Company will be maintained in Hong Kong by the Hong Kong Share Registrar. Unless our Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by our Company's share register in Hong Kong and may not be lodged in the Cayman Islands;

(e) no company within our Group is presently listed on any stock exchange or traded on any trading system;

(f) our Directors have been advised that under Cayman Islands Companies Law the use of a Chinese name by our Company does not contravene the Cayman Islands Companies Law;

(g) our Company has no outstanding convertible debt securities or debentures; and

(h) there is no arrangement under which future dividend are waived or agreed to be waived.

11. Bilingual prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided by Section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

A. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were (a) a copy of each of the **WHITE**, **YELLOW**, **GREEN** and **BLUE** Application Forms; (b) the written consents referred to in "Statutory and General Information — D. Other Information — 8. Consents of experts" in Appendix IV to this prospectus; and (c) a copy of each of the material contracts referred to in "Statutory and General Information — B. Further Information about Our Business — 1. Summary of material contracts" in Appendix IV to this prospectus.

B. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Sidley Austin at Level 39, Two International Finance Centre, 8 Finance Street, Central, Hong Kong during normal business hours from 9:30 a.m. to 5:30 p.m. up to and including the date which is 14 days from the date of this prospectus:

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

(b) the Accountant's Report from PricewaterhouseCoopers, the text of which is set out in Appendix I to this prospectus;

(c) the report from PricewaterhouseCoopers in respect of the unaudited pro forma financial information, the text of which is set out in Appendix II to this prospectus;

(d) the audited combined financial statements of our Group for the three years ended December 31, 2016, 2017 and 2018 and the six months ended June 30, 2019;

(e) the legal opinions dated the prospectus date issued by Grandall Law Firm (Shanghai), our legal advisor as to PRC law, in respect of certain aspects and property interests of our Group;

(f) the letter of advice issued by Maples and Calder (Hong Kong) LLP, our legal advisor as to Cayman Islands law, summarizing the constitution of our Company and certain aspects of Cayman Islands Companies Law referred to in Appendix III to this prospectus;

(g) the industry report issued by Frost & Sullivan;

(h) the Cayman Islands Companies Law;

(i) copies of the material contracts referred to in "Statutory and General Information — B. Further Information about Our Business — 1. Summary of material contracts" in Appendix IV to this prospectus;

(j) service agreements and letters of appointment entered into between our Company and each of the Directors (as applicable); and

(k) the written consents referred to in "Statutory and General Information — D. Other Information — 8. Consents of experts" in Appendix IV to this prospectus.

POWERLONG
宝龙商业
寶龍商業管理控股有限公司
POWERLONG COMMERCIAL MANAGEMENT HOLDINGS LIMITED