



祈福生活服務
CLIFFORD MODERN LIVING

祈福生活服務控股有限公司
CLIFFORD MODERN LIVING HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 3686

GLOBAL OFFERING

Retail
零售

Property Management
物業管理

Catering
餐飲

Ancillary Living Services
配套生活服務

Sole Sponsor



Sole Global Coordinator and Sole Bookrunner



IMPORTANT

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



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GLOBAL OFFERING

Number of Offer Shares under The Global Offering	:	250,000,000 Shares (subject to the Over-allotment Option)
Number of Hong Kong Offer Shares	:	25,000,000 Shares (subject to adjustment)
Number of International Placing Shares	:	225,000,000 Shares (subject to adjustment and the Over-allotment Option)
Maximum Offer Price	:	HK\$0.46 per Offer Share plus brokerage fee of 1%, 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	:	3686

Sole Sponsor



Guotai Junan Capital Limited

Sole Global Coordinator and Sole Bookrunner



Guotai Junan Securities (Hong Kong) Limited

Joint Lead Managers



Guotai Junan Securities (Hong Kong) Limited



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

A copy of this prospectus, having attached thereto the documents specified in Appendix V "Documents Delivered to the Registrar of Companies and Available for Inspection" to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission, The Stock Exchange of Hong Kong Limited and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other document 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 us on the Price Determination Date. The Price Determination Date is expected to be on or about Tuesday, 1 November 2016 and, in any event, not later than Friday, 4 November 2016. The Offer Price will be not more than HK\$0.46 and is currently expected to be not less than HK\$0.38. Applicants for Hong Kong Offer Shares are required to pay, on application, the maximum offer price of HK\$0.46 for each Hong Kong Offer Share together with brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price should be lower than HK\$0.46.

The Sole Global Coordinator (for itself and on behalf of the Underwriters, and with our consent) may reduce the number of Offer Shares and/or the indicative offer price range below that stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Hong Kong Public 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 on Tuesday, 1 November 2016, cause to be published notices of the reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range on our Company's website at www.cliffordmodernliving.com and the website of the Stock Exchange at www.hkexnews.hk. Further details are set out in the sections headed "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this prospectus. 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 on or before Friday, 4 November 2016, the Global Offering will not become unconditional and will lapse immediately.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus and the related Application Forms, including the risk factors set out in the section headed "Risk Factors" in this prospectus.

Prospective investors of the Hong Kong Offer Shares should note that the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement to subscribe, and to procure subscribers for, the Hong Kong Offer Shares, are subject to termination by the Sole Global Coordinator (on behalf of the Hong Kong Underwriters) if certain events shall occur prior to 8:00 a.m. on the day on which trading in the Shares commences on the Stock Exchange. Such grounds are set out in the section headed "Underwriting" in this prospectus. It is important that you refer to that section for further details.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States or to, or for the account or benefit of U.S. persons, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act.

27 October 2016

EXPECTED TIMETABLE

We will issue an announcement in Hong Kong to be published on the Stock Exchange's website at www.hkexnews.hk and our website at www.cliffordmodernliving.com if there is any change in the following expected timetable of the Hong Kong Public Offering.

Latest time to complete electronic applications under the **HK eIPO White Form** service through the designated website at www.hkeipo.hk⁽³⁾ 11:30 a.m. on Tuesday, 1 November 2016

Application lists open⁽²⁾ 11:45 a.m. on Tuesday, 1 November 2016

Latest time for lodging **White** and **Yellow** Application Forms and giving **electronic application instructions** to HKSCC⁽⁴⁾ 12:00 noon on Tuesday, 1 November 2016

Latest time to complete payment of **HK eIPO White Form** Applications by effecting internet banking transfer(s) or PPS payment transfer(s) 12:00 noon on Tuesday, 1 November 2016

Application lists close⁽²⁾ 12:00 noon on Tuesday, 1 November 2016

Expected Price Determination Date⁽⁵⁾ Tuesday, 1 November 2016

Announcement of the Offer Price, the indication of the levels of interest in the International Placing, the results of applications in respect of the Hong Kong Public Offering and the results and basis of allotment under the Hong Kong Public Offering is expected to be published on the Stock Exchange's website at www.hkexnews.hk and our Company's website at www.cliffordmodernliving.com⁽⁸⁾ from Monday, 7 November 2016

Results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels as described in the section headed "How to Apply for Hong Kong Offer Shares — 11. Publication of results" in this prospectus, including the Stock Exchange's website at www.hkexnews.hk and our Company's website at www.cliffordmodernliving.com⁽⁸⁾ from Monday, 7 November 2016

EXPECTED TIMETABLE

Results of allocations in the Hong Kong Public Offering
will be available at the designated result of allocation website
at www.tricor.com.hk/ipo/result
with a “search by ID” function from Monday, 7 November 2016

Despatch of Share certificates in respect of wholly or partially
successful applications pursuant to the Hong Kong
Public Offering on or before⁽⁶⁾ Monday, 7 November 2016

Despatch of HK eIPO White Form e-Auto Refund payment instructions/refund
cheques in respect of wholly successful (if applicable) or
wholly or partially unsuccessful applications pursuant to the
Hong Kong Public Offering on or before⁽⁷⁾ Monday, 7 November 2016

Dealings in Shares on the Stock Exchange to
commence at 9:00 a.m. on Tuesday, 8 November 2016

Notes:

- (1) Unless otherwise stated, all times refer to Hong Kong local time. Details of the structure of the Global Offering, including its conditions, are set forth in the section headed “Structure of the Global Offering” in this prospectus. If there is any change in this expected timetable, an announcement will be published on the Stock Exchange website at www.hkexnews.hk and our website at www.cliffordmodernliving.com.
- (2) If there is a “black” rainstorm warning or a tropical cyclone warning signal number eight or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, 1 November 2016, the application lists will not open and close on that day. Please see the paragraph headed “How to Apply for Hong Kong Offer Shares — 10. Effect of bad weather on the opening of the application lists” in this prospectus for further details. If the application lists do not open and close on Tuesday, 1 November 2016, the dates mentioned in this section headed “Expected Timetable” in this prospectus may be affected.
- (3) You will not be permitted to submit your application through the designated website at www.hkeipo.hk, after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained a payment 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.
- (4) Applicants who apply by giving **electronic application instructions** to the HKSCC should refer to the paragraph headed “How to Apply for Hong Kong Offer Shares — 6. Applying by giving **electronic application instructions** to HKSCC via CCASS” in this prospectus.
- (5) The Price Determination Date, being the date on which the final Offer Price is to be determined, is expected to be on or about Tuesday, 1 November 2016 and, in any event, not later than Friday, 4 November 2016. If, for any reason, the final Offer Price is not agreed by us and the Sole Global Coordinator (for itself and on behalf of the Underwriters), the Global Offering (including the Hong Kong Public Offering) will not proceed and will lapse.
- (6) Applicants who have applied on **White** Application Forms or through **HK eIPO White Form** Service for 1,000,000 or more Hong Kong Offer Shares under the Hong Kong Public Offering and have provided all required information may collect refund cheques (where applicable) and/or Share certificates (where applicable) in person from our Hong Kong Share Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong between 9:00 a.m. to 1:00 p.m. on Monday, 7 November 2016.

EXPECTED TIMETABLE

Applicants being individuals who opt for personal collection may not authorise any other person to make collection on their behalf. Applicants being corporations who opt for personal collection must attend through their authorised representatives bearing letters of authorisation from their corporation stamped with the corporation's chop. Both individuals and authorised representatives of corporations must produce, at the time of collection, evidence of identity acceptable to the 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 may collect their refund cheques, 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 cheques for **Yellow** Application Form applicants are the same as those for **White** Application Form applicants.

- (7) e-Auto Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering and also in respect of wholly or partially successful applications in the event that the final Offer Price is less than the initial price per Hong Kong Offer Share payable on application. Part of your Hong Kong identity card number/passport number, or, if you are joint applicants, part of the Hong Kong identity card number/passport number of the first-named applicant, provided by you may be printed on your refund cheque, if any. Such data would also be transferred to a third party to facilitate your refund. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong identity card number/passport number may lead to delay in encashment of your refund cheque or may invalidate your refund cheque. Further information is set forth in the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus.
- (8) None of the website or any of the information contained on the website forms part of this prospectus.

Share certificates will only become valid certificates of title at 8:00 a.m. on Tuesday, 8 November 2016 provided that the Hong Kong Public Offering has become unconditional in all respects and neither of the Underwriting Agreements has been terminated in accordance with its terms. Investors who trade Shares on the basis of publicly available allocation details prior to the receipt of their Share certificates or prior to the Share certificates becoming valid certificates of title do so entirely at their own risk.

For further details in relation to the Hong Kong Public Offering, please see the sections headed "How to Apply for Hong Kong Offer Shares" and "Structure of the Global Offering" in this prospectus.

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IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by us solely in connection with the Hong Kong Public Offering and the Hong Kong Offer Shares, and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Offer Shares offered by this prospectus pursuant to the Hong Kong Public Offering. This prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering and sale of the Offer Shares in any other jurisdiction are subject to restrictions and may not be made except as permitted under the applicable securities laws of any such jurisdiction pursuant to registration with or authorisation 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. We have not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorised by us, the Sole Global Coordinator, the Sole Sponsor, the Joint Lead Managers, the Co-Managers, any of the Underwriters, any of their respective directors, officers or representatives, or any other person or party involved in the Global Offering.

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SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. As this 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 our Shares. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed “Risk Factors” in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares. Various expressions used in this section are defined or explained in the section headed “Definitions” in this prospectus.

OVERVIEW

We are a service provider with a diversified service portfolio comprising four main service segments: property management services, retail services, catering services and Ancillary Living Services. We first commenced operations in 1998 by providing property management services in one of the largest residential communities in Guangdong Province, Clifford Estates. We have been awarded Qualification Certificate for Property Service Enterprise (Class One) (物業管理企業資質證書(一級)) for property management by MOHURD since 2005. To provide more convenient services and to create a pleasant living environment to the residential communities we manage, we further expanded our retail services in 2008, catering services in 2011 and Ancillary Living Services in 2011 by leveraging our knowledge of residents’ demands for local products and services and our growing residents’ base. In doing so, we have also expanded our services beyond Clifford Estates and established a strong foothold in Guangdong Province. As of the Latest Practicable Date, our retail services were the largest service segment in terms of turnover among other service segments in the Group, while our catering services and property management services came the second and the third, respectively.

OUR BUSINESS

We have four main service segments which are:

1. *Property management services* which primarily include: (i) general property management services and (ii) resident support services. We provide property management services to 12 residential communities and two pure commercial properties, with an aggregate contracted GFA of approximately 5,813,000 sq.m. as of 31 May 2016. During the Track Record Period and up to the Latest Practicable Date, the residential communities we manage were all developed by the Private Group and we won most of our property management service contracts through tendering. We do not preclude any business opportunity for property management service contracts for residential communities developed by other property developers which were Independent Third Parties. In April 2013, the Group tendered bid to manage residential community developed by Independent Third Parties. Save as mentioned above, the Group has not tendered any bids to manage residential communities developed by Independent Third Parties during the Track Record Period. During the Track Record Period and up to the Latest Practicable Date, we have not won any management service contract for property that was developed by independent property developer. For the relevant risk, please see the paragraph headed “Risk Factors — Risks relating to our business — (ii) Risks relating to our property management services — Lack of proven track record in obtaining property management service contract for residential communities

SUMMARY

developed by other property developers” on page 47 in this prospectus. For further details on our bidding process, please see the paragraph headed “Business — Our property management services — Bidding of property management service contracts of residential communities” on page 154 in this prospectus. Most of our property management service contracts do not have a specified expiry date which will expire when the respective property owners’ association is formed and there is no assurance that the Group will be able to enter into property management service contract for these property communities. For the relevant risk on the termination or non-renewal of our property management service contracts, please see the paragraph headed “Risk Factors — Risks relating to our business - (ii) Risks relating to our property management services — Termination or non-renewal of our property management services contracts could have a material adverse effect on our business, financial position and results of operations” on page 46 in this prospectus;

2. *Retail services* which primarily include: operation of 17 retail outlets (one supermarket, one wet market, 14 convenience stores and one imported goods specialty store) of different scales mainly located in Clifford Estates and other areas in proximity, covering a total GFA of approximately 10,193 sq.m. as of the Latest Practicable Date;
3. *Catering services* which primarily include: operation of 18 catering outlets (six Chinese restaurants, six casual dining restaurants, four East Asian and Western restaurants and two cafés) serving different types of cuisines and in different dining styles mainly located in Clifford Estates and other areas in proximity, covering a total GFA of approximately 6,254 sq.m. as of the Latest Practicable Date; and
4. *Ancillary Living Services* which primarily include: off-campus training services, property agency services, employment placement services and laundry services.

OUR REVENUE MODELS

Property management services: during the Track Record Period, we charged (i) general property management service fees on a (a) commission basis; and (b) lump sum basis; and (ii) service fees from resident support services. During the Track Record Period, we charged our general property management service fees (i) on a commission basis for residential communities; and (ii) on a lump-sum basis for two commercial properties and for the preliminary property management services for two residential communities. In particular, there are certain differences in amongst others, the revenue we are entitled to, treatment of expenses associated with the general property management services and treatment of any shortfall or surplus between the general property management services fees and expenses associated with the general property management services between the general property management services fees we charged on a commission basis and on a lump sum basis.

For further details on how we receive general property management service fees on a (a) commission basis; and (b) lump sum basis; and (c) service fees from resident support services and the major differences between the general property management service fees we charged on a commission basis and on a lump sum basis, please see the paragraph headed “Business — Our property management services — Revenue model of property management services” on page 144 in this prospectus.

SUMMARY

For further detail on our general property management service fees, please see the paragraph headed “Business — Our property management services — General property management service fees” on page 144 in this prospectus.

Retail services: our revenue is mainly derived from direct sales of goods, concessionaire fees and rental income from stall tenants at our retail outlets.

Catering services: our revenue is mainly derived from direct sales of food & beverage to our customers.

Ancillary Living Services: (i) *Off-campus training services:* we charge our fees for regular courses typically by phases or on a monthly basis; (ii) *Property agency services:* we generate one-off revenue while our post-rental services generate recurring revenue on a monthly basis; (iii) *Employment placement services:* we charge a one-off agency fee. For labour dispatch services, we charge our client a fixed monthly management fee for each labour dispatched; and (iv) *Laundry services:* for corporate laundry services, we charge based on weight or per item basis for dry cleaning services for individual laundry services, we generally receive payments at the time the soiled linens or clothing are received by us.

Our revenue and gross profit analysis by residential communities, commercial properties, connected persons and Independent Third Parties

During the Track Record Period, except revenue generated from Clifford Owls Café (Yuexiu Branch) located in Yuexiu District and the management of two pure commercial properties, substantially all of our total revenue were derived from our property management services, retail services, catering services and Ancillary Living Services operated within or in the proximity of the 12 residential communities (including Clifford Estates) we manage. For details, please see the sections headed “Business — Overview of our businesses” starting from page 130 in this prospectus and “Financial Information — Key factors affecting our results of operations — Our revenue and gross profit by residential community” starting from page 306 in this prospectus.

For the breakdown of our revenue generated from connected persons and Independent Third Parties, please see the section headed “Business — Overview of our businesses” on page 130 in this prospectus.

SUMMARY

CUSTOMERS AND SUPPLIERS

The table below sets forth our major customers and suppliers (other than landlords) for each of our service segments:

Service segment	Major customers	Major suppliers
Property management services	Property owners or tenants or property developers (including the Private Group) and property owners' association	Sub-contractors for renovation and fitting-out services
Retail services	Individual customers	Grocery and daily goods suppliers
Catering services	Individual customers	Raw materials suppliers
Ancillary Living Services		
(i) Off-campus training services	Individual customers	N/A
(ii) Property agency services	Property vendors and purchasers; property landlords and tenants	N/A
(iii) Employment placement services	Clifford Hospital (a member of the Private Group) and local individual customers	N/A
(iv) Laundry services	Corporate customers (including Clifford Hospital) and local individual customers	Detergent suppliers

MARKET POSITION

According to the Euromonitor Report, our Group ranked the 10th and 8th in terms of GFA of residential communities managed amongst the residential property management companies in Guangdong Province and Guangzhou respectively in 2015. For the other service segments, we do not have a significant market share in the respective industries. Please also see the section headed "Industry Overview" starting from page 78 in this prospectus for further details.

COMPETITIVE STRENGTHS

We believe we have the following competitive strengths: (i) Ample growth opportunities by leveraging on our well-known brand name within the PRC to sell its skills as a full-suite property management companies to other existing and new property development; (ii) "One-stop-shop" provider that offers both property management and living services with a proven track record and strong brand recognition; (iii) Standardisation and centralisation enable us to provide comprehensive, consistent and cost-efficient living services; (iv) Wide spectrum of value-added services which is expected to create synergies for the Group; and (v) Experienced management team with strong execution capability and in-depth industries knowledge.

SUMMARY

BUSINESS STRATEGY

We plan to strengthen our position in the property management industry and further expand our service network. We intend to achieve our objectives by (i) further increasing the total GFA and the number of residential units we manage to enhance the reach of our service and increase our revenue; (ii) accelerating our business growth through acquisitions of property management companies; (iii) further expanding our retail network and catering network; and (iv) developing online marketing and building online distribution channels.

CUSTOMER RELATIONSHIP MANAGEMENT

Our residents' and customers' feedback and evaluations are crucial for us to improve the quality of our services. We implemented different customer relationship management policies and system for each of our service segments to better suit the needs of residents and customers. For further details, please see the paragraph headed "Business — Customer relationship management" starting from page 211 in this prospectus.

During the Track Record Period, there were claims seeking orders from the court to strike out the passed resolutions regarding the increase of the property management fee by the property owners' association of Clifford Estates in April 2011 (the "**2011 Fee Increment**") and April 2014 (the "**2014 Fee Increment**"), respectively. As of the Latest Practicable Date, the Company has been provided with two judgements of Guangzhou Panyu District People's Court dated 5 April 2016 (the "**Judgements**"). Two claims to strike out the increment in the property management fee were dismissed by Guangzhou Panyu District People's Court. As of the Latest Practicable Date, to the best knowledge of the Directors, the relevant plaintiffs have filed their appeals against the Judgements (the "**Appeals**") to Guangzhou Intermediate People's Court. Notification has not been given as to when the court will schedule a hearing, if any, and deliver a ruling in respect of the Appeals. As advised by the property owners' association of Clifford Estates, its lawyer advised that it is most likely that the Appeals and any other similar claims (collectively, the "**Claims**") will be dismissed based on, amongst others, the Judgements and the reasons as detailed in the paragraph headed "Risk Factors — Risks relating to our business — (ii) Risks relating to our property management services" starting from page 46 in the prospectus.

If the courts subsequently decide to strike out the resolution to increase property management fees, the relevant portion of our revenue that could be deemed invalid amounted to approximately RMB1.4 million, RMB2.8 million, RMB3.9 million and RMB1.6 million for the three years ended 31 December 2015 and the five months ended 31 May 2016 respectively, representing approximately 0.6%, 1.2%, 1.5% and 1.4% of our Group's total revenue of the respective period, in which case it would have an adverse effect on the financial position or results of operation of the Group. For further details on the Claims, please see the paragraph headed "Risk Factors — Risks relating to our business — (ii) Risks relating to our property management services" starting from page 46 in this prospectus.

SHAREHOLDER INFORMATION

Immediately following completion of the Global Offering and Capitalisation Issue (but taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or options which have been or may be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme), Elland Holdings will directly hold 75% of the issued share capital of our Company.

Elland Holdings is solely owned by Ms. Wendy Man. Elland Holdings and Ms. Wendy Man are our Controlling Shareholders. For details, please see the section headed "Relationship with Controlling Shareholders" in this prospectus.

Ms. Wendy Man is the chairman of the Board and is one of our executive Directors. For details of Ms. Wendy Man's background, please see the section headed "Directors and Senior Management" in this prospectus.

SUMMARY

Apart from our Group, the Controlling Shareholders and their respective close associates currently have interests in other businesses including but not limited to property development, property investment, hotel investment and management, education and catering. For details about the interests of the Controlling Shareholders and their respective close associates in businesses that compete or are likely to compete, whether directly or indirectly, with the business of our Group, please see the section headed “Relationship with Controlling Shareholders” in this prospectus. To ensure that competition will be properly regulated in the future, the Controlling Shareholders have entered into the Deed of Undertakings with us to the effect that generally each of the Controlling Shareholders shall, and shall procure their respective close associates and/or companies controlled by them (other than our Group or those existing interests as disclosed in the section headed “Relationship with Controlling Shareholders” in this prospectus) not to, directly and indirectly participate in, or hold any right or interest or otherwise involved in, any business which may be in competition with our businesses. For further details, please see the section headed “Relationship with Controlling Shareholders” starting from page 247 in this prospectus.

RELATIONSHIP WITH THE PRIVATE GROUP

Ms. Wendy Man’s Spouse has been actively engaged in the business of property development and property investment in the PRC since the 1990s. He contributed to and helped shape the initial development of some of our Group members. Ms. Wendy Man’s Spouse was a director of certain members of our Group when they were established, and he has been one of the directors of PM Panyu PRC Co since the date of its incorporation and assumed a non-executive role since July 2011. As at the Latest Practicable Date, save for PM Panyu PRC Co, Ms. Wendy Man’s Spouse did not hold directorship in our Company or any of its subsidiaries nor was he involved in the daily management or operation of any of our Group members. Save for the transactions entered or to be entered into between our Group and the Private Group as disclosed in the section headed “Continuing Connected Transactions” in this prospectus and other than his capacity of being the spouse of Ms. Wendy Man, as at the Latest Practicable Date, Ms. Wendy Man’s Spouse did not hold any interest in our Group except for the deemed interest arising as a spouse of Ms. Wendy Man. For more details, please see the section headed “Relationship with Controlling Shareholders — Our Controlling Shareholders — Information on other companies owned by our Controlling Shareholders and their close associates” starting from page 247 in this prospectus.

Our PRC Subsidiaries were initially set up mainly for the purpose of serving the needs of the residents of Clifford Estates, one of the estates developed by the Private Group and the communities in the neighbourhood. In such connection, certain properties occupied by us are leased from certain members of the Private Group. For the years ended 31 December 2013, 2014 and 2015 and the five months ended 31 May 2016, rental expenses paid by our Group to the Private Group accounted for 73.2%, 71.1%, 85.3% and 92.1%, respectively of the operating lease payment for the same periods. We have also identified certain properties for expansion of retail and catering businesses and such properties are owned by certain members of the Private Group. Over years of operation, our Group has built up a diversified customer base consisting of individuals and corporates. No single customer was a major contributor to the total revenue of our Group. Although two, four, five and four of our Group’s five largest customers were members of the Private Group for the years ended 31 December 2013, 2014 and 2015 and the five months ended 31 May 2016, respectively, revenue attributable to our connected persons only accounted for 5.2%, 9.5%, 8.3% and 10.5%, respectively of our total revenue for each of the said years or period. During the Track Record Period, the property management services provided by us were carried out in residential communities or properties developed by the Private Group. The source of income of our Group’s property management service is however mainly from the residents of the communities or the tenants of the commercial buildings who are independent of our Group. For the Track Record Period, approximately 83.5% of our Group’s revenue from property management services in aggregate were generated from independent residents or tenants, while only 16.5% of our Group’s revenue from property management services were generated from our connected persons.

SUMMARY

SUMMARY OF FINANCIAL AND OPERATING INFORMATION

The following tables present our summary of financial information as of and for the years ended 31 December 2013, 2014 and 2015 and the five months ended 31 May 2015 and 2016 as extracted from the Accountant's Report in Appendix I to this prospectus. You should read this summary in conjunction with our consolidated financial information included in the Accountant's Report in Appendix I to this prospectus, including the accompanying notes.

Summary of consolidated income statements

	Year ended 31 December			Five months ended 31 May	
	2013 <i>RMB'000</i>	2014 <i>RMB'000</i>	2015 <i>RMB'000</i>	2015 <i>RMB'000</i> (Unaudited)	2016 <i>RMB'000</i>
Revenue	227,130	236,844	261,112	104,499	115,072
Gross profit	75,521	85,810	100,458	39,760	45,583
Operating profit	42,070	46,424	56,344	21,770	17,205
Profit before income tax	46,413	49,682	56,786	22,084	17,298
Profit for the year/period	32,742	34,257	40,094	15,879	10,126
Profit attributable to:					
– Owners of the Company	27,885	29,588	34,847	13,711	8,983
– Non-controlling interests	4,857	4,669	5,247	2,168	1,143
	32,742	34,257	40,094	15,879	10,126
Earnings per share from continuing operations attributable to the owners of the Company during the year/period⁽¹⁾ (expressed in RMB per Share)					
– Basic and diluted earnings per Share	27.89	29.59	34.85	13.71	8.98

Note:

- (1) The earnings per share presented has not been taken into account the Capitalisation Issue because the Capitalisation Issue has not become effective as of the date of this prospectus.

Summary of consolidated balance sheets

	As at 31 December			As at 31 May
	2013 <i>RMB'000</i>	2014 <i>RMB'000</i>	2015 <i>RMB'000</i>	2016 <i>RMB'000</i>
Non-current assets	10,993	9,566	10,695	21,759
Current assets	168,254	184,616	157,237	162,565
Non-current liabilities	3,891	5,546	857	400
Current liabilities	117,435	108,562	68,099	74,822
Net current assets	50,819	76,054	89,138	87,743
Total assets less current liabilities	61,812	85,620	99,833	109,502

SUMMARY

Summary of consolidated statements of cash flow

	Year ended 31 December			Five months ended 31 May	Five months ended 31 May
	2013	2014	2015	2015	2016
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Net cash generated from operating activities	19,277	31,201	45,535	16,746	27,904
Net cash (used in)/generated from investing activities	(2,977)	195	33,794	38,459	(19,338)
Net cash generated from/ (used in) financing activities	283	(3,023)	(63,665)	(20,355)	(21,715)
Net increase/(decrease) in cash and cash equivalents	16,583	28,373	15,664	34,850	(13,149)
Cash and cash equivalents at beginning of year/period	32,714	49,297	77,670	77,670	93,334
Cash and cash equivalents at end of year/period	<u>49,297</u>	<u>77,670</u>	<u>93,334</u>	<u>112,520</u>	<u>80,185</u>

Selected operating and financial data

The following table sets forth the breakdown of our revenue generated from the main business segments during the Track Record Period:

	Year ended 31 December						Five months ended 31 May			
	2013		2014		2015		2015		2016	
	<i>RMB'000</i>	<i>% of revenue</i>	<i>RMB'000</i>	<i>% of revenue</i>	<i>RMB'000</i>	<i>% of revenue</i>	(Unaudited)			
	<i>RMB'000</i>	<i>% of revenue</i>	<i>RMB'000</i>	<i>% of revenue</i>	<i>RMB'000</i>	<i>% of revenue</i>	<i>RMB'000</i>	<i>% of revenue</i>	<i>RMB'000</i>	<i>% of revenue</i>
Property management services	35,247	16	43,386	18	50,672	19	22,344	21	21,637	19
Retail services	97,826	43	98,308	42	98,668	38	39,635	38	40,259	35
Catering services	69,190	30	68,549	29	76,275	29	28,968	28	34,993	30
Ancillary Living Services	24,867	11	26,601	11	35,497	14	13,552	13	18,183	16
Total revenue	<u>227,130</u>	<u>100</u>	<u>236,844</u>	<u>100</u>	<u>261,112</u>	<u>100</u>	<u>104,499</u>	<u>100</u>	<u>115,072</u>	<u>100</u>

For details of the discussion and analysis of our revenue during the Track Record Period, please see the section headed “Financial Information — Description of selected components of statement of comprehensive income — Revenue” starting on page 315 in this prospectus.

SUMMARY

The following table sets forth the breakdown of our gross profit and gross profit margin from the main service segments of our business during the Track Record Period:

	Year ended 31 December						Five months ended 31 May			
	2013		2014		2015		2015 (Unaudited)		2016	
	Gross profit margin RMB'000	Gross profit margin %	Gross profit margin RMB'000	Gross profit margin %	Gross profit margin RMB'000	Gross profit margin %	Gross profit margin RMB'000	Gross profit margin %	Gross profit margin RMB'000	Gross profit margin %
Property management services	19,788	56	23,342	54	27,950	55	11,401	51	12,723	59
Retail services	34,095	35	35,850	36	38,189	39	14,963	38	16,577	41
Catering services	9,288	13	13,337	19	16,173	21	5,831	20	6,366	18
Ancillary Living Services	<u>12,350</u>	50	<u>13,281</u>	50	<u>18,146</u>	51	<u>7,565</u>	56	<u>9,917</u>	55
Overall	<u>75,521</u>	33	<u>85,810</u>	36	<u>100,458</u>	38	<u>39,760</u>	38	<u>45,583</u>	40

During the Track Record Period, our overall gross profit margin increased mainly attributable to (i) increase in gross profit margin in our retail services as a result of enhancement of locations of our new convenience stores and diversification of product mix; (ii) increase in gross profit margin in our catering segment as a result of closure of an underperforming Chinese restaurant and increase in revenue from casual dining restaurants and Western restaurant (being Beehive Bar & Kitchen) which are of a higher gross profit margin; and (iii) increase in gross profit margin in our Ancillary Living Services as a result of increase in number of enrolment to our classes as provided in our off-campus training services.

KEY FINANCIAL RATIOS

The table below sets out our key financial ratios as of the dates or for the years indicated:

Financial metric ⁽¹⁾	For the year ended 31 December			For the five months ended 31 May
	2013	2014	2015	2016
Return on equity (%)	57	43	41	9
Return on total assets (%)	18	18	24	5
Interest coverage ratio	–	449x	–	–
	As at 31 December			As at 31 May
	2013	2014	2015	2016
Gearing ratio (%)	36.7	26.6	13.5	–
Current ratio	1.43x	1.70x	2.31x	2.17x
Quick ratio	1.36x	1.63x	2.19x	2.03x

Note:

- (1) For the formula of the financial metrics, please see the section headed “Financial Information — Key financial ratios” on page 353 in this prospectus.

SUMMARY

KEY OPERATIONAL INFORMATION FOR OUR CATERING OUTLETS

Set forth below are certain key operating data of our catering outlet operations during the Track Record Period:

	Year ended 31 December			Five months ended 31 May	
	2013	2014	2015	2015	2016
Average number of customer per day per catering outlet⁽¹⁾⁽⁷⁾					
Chinese restaurants ⁽⁵⁾	716	633	599	624	418
Casual dining restaurants	824	558	631	604	430
East Asian and Western restaurants ⁽⁶⁾	221	315	369	311	267
Cafés	140	174	91	104	153
Average spending per customer per meal (RMB)⁽²⁾⁽⁷⁾					
Chinese restaurants	43	44	49	43	40
Casual dining restaurants	31	31	34	33	24
East Asian and Western restaurants ⁽⁶⁾	66	65	65	66	49
Cafés	35	35	37	29	24
Average seat turnover rate (X)⁽³⁾					
Chinese restaurants	2.6	2.3	2.1	2.1	2.2
Casual dining restaurants	4.8	3.2	3.7	3.7	4.1
East Asian and Western restaurants ⁽⁶⁾	1.3	1.8	2.1	1.8	2.1
Cafés	1.1	1.3	1.1	1.2	1.2
Average daily catering outlet sales by category (RMB)⁽⁴⁾					
Chinese restaurants	122,022	111,339	116,725	106,240	99,693
Casual dining restaurants	50,736	52,433	64,279	60,387	73,460
East Asian and Western restaurants ⁽⁶⁾	14,497	20,536	24,114	20,387	52,680
Cafés	4,939	6,106	6,757	6,107	7,453

Notes:

- (1) Calculated by dividing total customer traffic (assuming 360 days in the year and 150 days in the five-month period) by number of restaurants during the year/period. For outlets newly opened in 2016, the number of days since commencement of business is taken into account for the calculation.
- (2) Calculated by dividing average daily revenue (assuming 360 days in the year and 150 days in the five-month period) by the average number of customer per day per catering outlet for the year/period. For outlets newly opened in 2016, the number of days since commencement of business is taken into account for the calculation.
- (3) Calculated by dividing the average number of customer per day per catering outlet for the year/period by the total number of seats at the catering outlet.
- (4) Calculated by dividing total revenue by the total number of days during the year/period (assuming 360 days in the year and 150 days in the five-month period).
- (5) Herbal Cuisine (Huadu Branch) was not included for the reason that it was closed down in October 2013; while Herbal Cuisine Soup Shop was not included until 2016 as it only offered take-away services with no seating area inside the catering outlet.
- (6) From May 2013 to January 2016, we only operated one East Asian and Western restaurant, being Beehive Bar & Kitchen. In February 2016, we have opened three new East Asian and Western restaurants, being La TaveRona, Yamabuki and Best Thai. For further details, please see the section headed "Business — Our catering services" in this prospectus.
- (7) For casual dining restaurants and cafés, catering outlets closed due to relocation and the relocated ones are counted as one outlet in calculation.

SUMMARY

Same store comparable sales

Our profitability in our catering business segment is affected in part by our ability to successfully grow revenue from our existing restaurants. Same-store sales growth rate provides a period-to-period comparison of restaurant performance because it excludes the increase due to the opening of new restaurants by comparing the operational and financial performance of those restaurants that have been in operation. We define our same-store base to be those restaurants that were in operation throughout the years or periods under comparison.

Same-store comparable sales are primarily affected by the average customer per day and the average spending per customer. The table below sets forth our same-store sales during the Track Record Period.

	Year ended 31 December		Year ended 31 December		Five months ended 31 May	
	2013	2014	2014	2015	2015	2016
Number of same-store						
Chinese restaurants	5		5		4	
Casual dining restaurants	1		2		2	
East Asian and Western restaurants ⁽¹⁾	N/A		1		1	
Cafés	N/A		1		N/A	
Same-store sales (in RMB'000)						
Chinese restaurants	41,022	39,942	39,942	42,021	15,934	13,362
Casual dining restaurants	11,600	9,683	17,359	18,919	5,248	5,150
East Asian and Western restaurants	N/A	N/A	7,393	8,681	3,058	3,136
Cafés	N/A	N/A	2,198	2,135	N/A	N/A

Note:

- (1) From May 2013 to January 2016, we only operated one East Asian and Western restaurant, being Beehive Bar & Kitchen. In February 2016, we have opened three new East Asian and Western restaurants, being La TaveRona, Yamabuki and Best Thai. For further details, please see the section headed "Business — Our catering services" in this prospectus.

Our same-store comparable sales remained relatively stable throughout the Track Record Period.

WORKING CAPITAL SUFFICIENCY

As of 30 September 2016, we had cash and cash equivalents of approximately RMB98.9 million. Taking into account (i) the estimated net proceeds from the Global Offering; (ii) the internal resources available to our Group, including cash and cash equivalents on hand and cash generated from our operations; and (iii) the banking facility available to our Group, 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.

DIVIDEND

During the Track Record Period, our Group declared dividend of approximately RMB9.4 million in 2014. Dividend distribution in prior years shall not be indicative of future dividend payment. The payment and amount of our future dividends will depend on the availability of dividends received from our subsidiaries. The amount of dividends actually distributed to our Shareholders will depend on our earnings and financial condition, operating requirements, capital requirements and any other conditions that our Directors may deem relevant and will be subject to approval of our Shareholders. Our Board has absolute discretion to recommend any dividends. Our dividend distribution record in the past may not be useful as a reference or basis to determine the level of dividends that may be declared or paid by us in the future. We currently do not have a fixed dividend payout ratio.

SUMMARY

USE OF PROCEEDS

We intend to apply the net proceeds from the Global Offering for the following purposes:

Purpose	Amount of net proceeds (HK\$ million)	Approximate percentage of the total net proceeds (%)
Merger and acquisition activities to acquire other property management companies in various locations in Guangdong Province ⁽¹⁾	16.1	30.0
Expanding our retail and catering network by opening new outlets in different residential communities in various locations in Guangdong Province	13.4	25.0
Expanding our Ancillary Living Services by opening new outlets for our off-campus training services and laundry services in various locations in Guangdong Province	10.7	20.0
Online marketing and developing online distribution channels of our various services by utilising various online sales platforms or websites	8.1	15.0
Working capital and other general corporate purpose	5.4	10.0
Total net proceeds ⁽²⁾	<u>53.7</u>	<u>100</u>

Notes:

- (1) We have been seeking for potential property companies principally with a focus of business operations in Guangdong Province, covering contracted GFA of over 50,000 sq.m., price of properties being in the mid-to-high-range at its location and that the residential communities or pure commercial properties under their management would be able to implement our business model in achieving our business strategy of standardisation and centralisation as further discussed in the section headed “Business — Our property management services — Standardisation and centralisation” on page 143 in this prospectus. As of the Latest Practicable Date, we have not yet identified any specific acquisition target. For details on our acquisition strategy, please see the section headed “Business — Our business strategies” starting from page 136 in this prospectus.
- (2) After deductions of underwriting fees and estimated expenses payable by us in relation to the Global Offering and assuming an Offer Price of HK\$0.42 per Offer Share, being the mid-point of the indicative Offer Price range of HK\$0.38 to HK\$0.46 and the Over-allotment Option is not exercised.

For further details, please see the section headed “Future Plans and Use of Proceeds” on pages 360 to 361 in this prospectus.

REASONS FOR THE LISTING

The Listing will (i) further enhance our Group’s capital base and provide us with additional capital to implement the future plans set out in the paragraph headed “— Use of proceeds” in this section on page 12 in this prospectus; (ii) further enhance our corporate profile and credibility with the public and potential business partners; and (iii) enable our Group to have access to capital market for raising funds both at the time of Listing and at later stages if deem necessary and beneficial to the Company and in the interest of the Shareholders as a whole, which in turn assist us in future business development.

During the Track Record Period, we had not obtained any banking facilities as our daily operations could be mainly supported by our operating cash flow and we had been generating positive cash flow from providing our different services during the Track Record Period. Our cash and cash equivalents was accumulated mainly through providing our various services and amounted to approximately RMB80.2 million as at 31 May 2016, while we had been retaining most of our resources in the Group with prudent dividend declared in the past (2013: nil; 2014: RMB9.4 million; 2015: nil; 2016 (up to the Latest Practicable Date): nil). Not until September 2016, we obtained a banking facility of HK\$10 million for the use of financing part of the listing expenses and working capital. Another reason for not obtaining banking facilities during the Track Record Period was because our business growth had been relatively mild and has only become more rigorous since 2016. In light of (a) our capital expenditures were

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approximately RMB3.0 million, RMB2.0 million, RMB3.3 million for each of the three years ended 31 December 2013, 2014 and 2015 respectively and increased to approximately RMB12.6 million for the five months ended 31 May 2016; (b) for our catering service segment, two, one, one and 11 catering outlet(s) were opened for the years ended 31 December 2013, 2014, 2015 and the five months ended 31 May 2016, respectively; and (c) for our retail service segment, one convenient store in 2013, two convenient stores in 2014, nil retail outlets in 2015 and one supermarket and one wet market in the five months ended 31 May 2016 were opened or relocated.

Along with the economic and social development, people in Guangdong Province are having stronger spending power and they have a strong demand for higher standard of living and higher quality of services (including stronger demand for high quality of catering services, retail service, property management service, and Ancillary Living Services). In this light, we consider it is the opportune time to pursue our expansion plan as stated in the section headed “Future Plans and Use of Proceeds” starting from page 360 in this prospectus. In particular, the usage of the listing proceeds relating to merger and acquisition of other property management companies, opening new retail and catering outlets and new outlets for our off-campus training services and laundry services would involve considerable amount of capital expenditure and pre-operating expenditure. As of the Latest Practicable Date, we require approximately RMB20 million each month for payment of our operating expenses. To ensure smooth running of our businesses, we aim to retain approximately RMB60 million of cash or cash equivalent in our Group from time to time. As at 31 May 2016, our cash balance was approximately RMB80.2 million, leaving limited rooms for paying capital expenditure and pre-operating expenditure for business expansion. With the listing proceeds, we are able to carry out our expansion plan without putting pressure on our cash flow and working capital reserve.

As disclosed in the sections headed “Business — Our property management services” starting from page 138 and “Relationship with Controlling Shareholders — Our Controlling Shareholders” starting from page 247 in this prospectus, it is expected that three residential property projects, namely Clifford Bayview, Dynamic Garden II and Clifford Wonderview are expected to be completed by the Private Group from June 2017 to first quarter of 2018. In particular, Clifford Wonderview, being a residential community developed by the Private Group in Panyu district with a GFA of approximately 610,000 sq.m. is expected to be completed by phases from the fourth quarter in 2017 to the first quarter in 2018. To the best knowledge of the Directors, Clifford Wonderview would be a large-scale residential community accompanied with commercial complex where we will consider to open new outlets for our services with an aim to become our additional source of revenue. Meanwhile, we are also looking for business opportunities in properties developed by Independent Third Parties in Guangdong Province. In view of the expansion potential, the listing proceeds will provide us with the essential and solid capital base to pursue our expansion plan and we consider that it is the opportune time to seek for Listing.

In respect of our plan of acquiring other property management companies, during the five months ended 31 May 2016 and up to the Latest Practicable Date, we have looked into five property management companies but for four of them, we found that they did not satisfy our acquisition criteria as mentioned in the section headed “Business — Our business strategies” starting from page 136 in this prospectus; and for one of them, we are still in the course of researching and analysing the background information. We will continue to research on potential targets of property management companies for acquisition opportunities.

LISTING EXPENSES

All incremental costs that are directly attributable to the issue of new Shares are directly deducted from equity, while any expenses attributable to listing of existing Shares are charged to the profit and loss accounts in the period in which the expenses are incurred. The total expenses for the Listing are estimated to be approximately RMB44.1 million (assuming an Offer Price of HK\$0.42 per Offer Share, being the mid-point of the indicative Offer Price range of HK\$0.38 to HK\$0.46), of which approximately RMB12.1 million is directly attributable to the issue of new Shares in the Global Offering and to be accounted for as a deduction from equity and approximately RMB32.0 million is to be charged as administrative expenses to our profit and loss accounts in the period in which the expenses are incurred. The listing expenses of approximately RMB17.7 million were charged to our profit and loss

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account for the years ended 31 December 2014 and 2015 and the five months ended 31 May 2016, and approximately RMB14.3 million are expected to be charged to our profit and loss account after 31 May 2016, which will be reflected in our administrative expenses for the year ending 31 December 2016.

GLOBAL OFFERING STATISTICS

The statistics in the following table are based on the assumptions that (i) the Global Offering is completed and 250,000,000 Shares are issued in the Global Offering, (ii) the Over-allotment Option is not exercised, and (iii) 1,000,000,000 Shares are issued and outstanding immediately following the completion of the Global Offering:

	Based on an indicative Offer Price of HK\$0.38 per Share	Based on an indicative Offer Price of HK\$0.46 per Share
Market capitalisation of the Shares Unaudited pro forma adjusted consolidated net tangible assets per Share (note)	HK\$380 million HK\$0.19	HK\$460 million HK\$0.20

Note: For the purpose of preparing this unaudited pro forma statement of adjusted net tangible assets, the amount denominated in Hong Kong Dollars has been converted to Renminbi at the rate of HK\$1 to RMB0.86, as set out in “Information About This Prospectus and The Global Offering — Exchange rate conversion” in this prospectus. No representation is made that the HK\$ amounts have been, could have been or may be converted to RMB, or vice versa, at that rate or at all.

RECENT DEVELOPMENT

PM Foshan PRC Co has signed two property management service contracts with the Private Group to manage two respective residential communities located in Panyu district. As of the Latest Practicable Date, the two said residential communities were still in their development stage and the Group expects to commence the general property management services to such residential communities and charge property management service fees on a commission basis in the first quarter of 2017 and by phases from the fourth quarter of 2017 to the first quarter of 2018, respectively. In addition, the Group expects the total general property management service fee income to be RMB2.3 million and RMB0.2 million per year respectively after delivery of all the properties to property owners and the average property management service fee income to be RMB3.98 and RMB2.92 per sq.m. per month respectively, for these two said residential communities. By then, the number of residential communities under our management will be expected to increase from 12 communities to 14 communities and with an approximate 669,000 sq.m. increase in the total contracted GFA of our property management services. We expect that this would bring positive effect to the revenue and gross profit of our general property management services starting from the year of 2017.

After reviewing the operating data for the first nine months of 2016, particularly the operational performance of two retail outlets and three catering outlets after their relocation in the first quarter of 2016, our Directors have confirmed that there has been no material adverse change in the operation and financial results of the operation of the Group since 31 May 2016. For further details on relocation, please see the sections headed “Business — Our retail services” and “Business — Our catering services” in this prospectus. It is estimated that listing expenses of approximately RMB14.3 million are expected to be charged to our consolidated income statement after 31 May 2016. We expect that the listing expenses would adversely affect our profit for the year ending 31 December 2016. For the relevant risk, please see the paragraph headed “Risk Factors — Risks relating to our business — (i) Risks relating to our general operations — The estimated listing expenses may adversely affect our financial results for the year ending 31 December 2016” in this prospectus.

No audited financial statements of our Group, our Company or our subsidiary have been prepared in respect of any period subsequent to 31 May 2016. Our Directors have confirmed that, save for the listing expenses as disclosed in the section headed “Financial Information —

SUMMARY

Listing expenses” on page 357 in this prospectus, since 31 May 2016 and up to the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects of our Group and there is no event which would materially affect the information shown in our consolidated financial statements included in the Accountant’s Report in Appendix I to this prospectus.

RISK FACTORS

We believe that our major risks are:

- (a) Risks relating to our general operations, including: (i) Rely substantially on key residential communities and all of them are located in Guangdong Province for a significant portion of our revenue; (ii) inability to control operating cost; and (iii) failure or perceived failure to deal with customer complaints or adverse publicity involving our services.
- (b) Risks relating to our property management services, including: (i) Termination or non-renewal of our property management services contracts; and (ii) unable to successfully collect or increase the property management fees.
- (c) Risks relating to our retail services, including unable to maintain the balance between the levels of products supplied in satisfying customers without storing too much inventory.
- (d) Risks relating to our catering services, including: (i) Significant liability claims, food contamination complaints from our customers or reports of incidents of food tampering; and (ii) unable to receive compensation from suppliers for contaminated ingredients.
- (e) Risks relating to our Ancillary Living Services, including: (i) Unable to continue to attract learners to enrol in our classes at commercially viable fee levels; and (ii) reliance on the PRC residential property market, in particular Guangdong Province.

You should read carefully the entire section headed “Risk Factors” starting from page 37 in this prospectus together with all the information set out in this prospectus prior to making an investment decision.

LEGAL PROCEEDINGS AND COMPLIANCE

We are from time to time involved in legal proceedings arising from the ordinary course of our businesses during the Track Record Period, but none of them are material to us. During the Track Record Period, our Group has failed to comply with certain applicable laws and regulations in the PRC which includes, but not limited to: (i) failure to obtain the pollutants emission permit before commencement of discharge of pollutants; (ii) failure to make full social insurance contribution payments and full housing provident fund in accordance with relevant PRC laws and regulations; and (iii) money lending among enterprises which may have violated the relevant PRC lending regulations implemented by People’s Bank of China. A summary of these major non-compliances is set out in the section headed “Business — Legal proceedings and compliance — Non-compliance record” on pages 236 to 243 in this prospectus.

PROPERTIES

As of the Latest Practicable Date, for an area with an aggregate GFA of approximately 1,196 sq.m., representing approximately 4.1% of the total GFA of the properties leased by our Group, we have not been provided by the lessors the relevant building ownership certificates, the planning approvals or other documents providing the relevant title of the properties. As a result, we may not be able to continue occupying the relevant properties if any of these leased area is challenged by the relevant authorities. For further details, please see the section headed “Business — Properties — Defective leased area” on page 235 in this prospectus. For details in relation to the risks associated with the leased properties, please see the paragraph headed “Risk Factors — Risks relating to our business — (i) Risks relating to our general operations — Title to certain leased area may be challenged which could prevent us from continuing to operate the affected facilities” on page 41 in this prospectus.

DEFINITIONS

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

“AIC”	Administration for Industry and Commerce (工商行政管理機關) in China or, where the context so requires, State Administration for Industry and Commerce of China (中華人民共和國工商行政管理總局) or its delegated authority at provincial, municipal or other local level
“AM Capital”	AM Capital Limited, a licenced corporation to engage in type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO
“Ample Orient”	Ample Orient Capital Limited (豐盛東方資本有限公司), a licenced corporation to engage in type 1 (dealing in securities) regulated activity under the SFO
“Ancillary Living Services”	our off-campus training services, property agency services, employment placement services and laundry services
“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 that is used in connection with the Hong Kong Public Offering
“Articles of Association” or “Articles”	the articles of association of our Company, as amended from time to time adopted on 21 October 2016, a summary of which is set out in Appendix III to this prospectus
“Associate”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Bregman”	Bregman Investments Limited, a company incorporated in BVI on 21 June 2011 with limited liability and whose ultimate beneficial owner is Ms. Wendy Man, and it is not a member of our Group
“business day”	any day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for business

DEFINITIONS

“BVI”	British Virgin Islands
“BVI Intermediate Holdco”	Wide Leisure Limited (廣逸有限公司), a company incorporated in BVI on 8 July 2015 with limited liability and a direct wholly-owned subsidiary of our Company
“BVI Subsidiaries”	collectively, PM BVI Co, Retail BVI Co, Catering BVI Co, Education BVI Co, Household BVI Co, Estate Agency BVI Co, Placement BVI Co, Laundry BVI Co and Daytide (and, at any time after 10 August 2015, New PM BVI Co)
“CAGR”	compound annual growth rate
“Capitalisation Issue”	the issue of Shares to be made upon capitalisation of the share premium account of our Company as referred to in the paragraph headed “1.3 Resolutions in writing of our sole Shareholder passed on 21 October 2016” in Appendix IV “Statutory and General Information” to this prospectus
“Catering BVI Co” or “All Mighty Dev”	All Mighty Developments Limited (全能發展有限公司), a company incorporated in BVI on 13 March 2012 with limited liability and an indirect wholly-owned subsidiary of our Company
“Catering Congee PRC Co” or “Guangzhou Clifford Big Brother”	Guangzhou Clifford Big Brother Congee & Noodles Limited* (廣州市祈福一哥雲吞麵有限公司), a company established in the PRC on 19 October 2011 and an indirect wholly-owned subsidiary of our Company
“Catering Farm PRC Co” or “Guangzhou Clifford Farm Restaurant”	Guangzhou Clifford Farm Restaurant Catering Limited* (廣州市祈福農家菜館餐飲有限公司), a company established in the PRC on 27 September 2012 and an indirect wholly-owned subsidiary of our Company
“Catering Herbal PRC Co” or “Guangzhou Clifford Herbal Cuisine Catering”	Guangzhou Clifford Herbal Cuisine Catering Limited* (廣州市祈福葯膳坊餐飲有限公司), a company established in the PRC on 29 September 2011 and an indirect wholly-owned subsidiary of our Company
“Catering HK Co” or “Easy Dollar Inv”	Easy Dollar Investments Limited (駿鑫投資有限公司), a company incorporated in Hong Kong on 16 June 2011 with limited liability and an indirect wholly-owned subsidiary of our Company

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“Catering Mascot PRC Co” or “Guangzhou Mascot Catering”	Guangzhou Mascot Catering Limited* (廣州市福品餐飲有限公司), a company established in the PRC on 31 October 2011 and an indirect wholly-owned subsidiary of our Company
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or a general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant or a CCASS Custodian Participant or a CCASS Investor Participant
“CFDA”	China Food and Drug Administration (中國國家食品藥品監督管理總局)
“China” or “PRC”	the People’s Republic of China and, except where the context otherwise requires and only for the purpose of this prospectus, references in this prospectus to China or the PRC exclude Hong Kong, Macau Special Administrative Region and Taiwan
“China Venture”	China Venture Limited (中國創業有限公司), a company incorporated in BVI on 28 March 1991 with limited liability and an indirect wholly-owned subsidiary of Clifford Development Company Limited, whose ultimate controlling shareholder is Ms. Wendy Man’s Spouse
“Chinese Government” or “PRC Government”	the central government of the PRC, including all governmental subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities thereof or, where the context requires, any of them
“close associate(s)”	has the meaning ascribed to it under the Listing Rules

DEFINITIONS

“Clifford TM”	Clifford Trade Mark Limited (祈福商標有限公司), a company incorporated in BVI on 3 June 2003 with limited liability and a member of the Private Group, whose ultimate controlling shareholder is Ms. Wendy Man’s Spouse
“Co-Managers”	means Koala Securities, Gransing Securities, Ample Orient, Ever-Long Securities and AM Capital
“Commerce Authority” or “MOFCOM”	Ministry of Commerce of the PRC (中華人民共和國商務部) or, where the context so requires, its delegated authority at local levels
“Companies Law”	Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“Companies Ordinance”	Companies Ordinance of Hong Kong (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company” or “our Company”	Clifford Modern Living Holdings Limited (祈福生活服務控股有限公司), incorporated as an exempted company with limited liability in the Cayman Islands on 6 January 2016
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consumption Card(s)”	card(s) issued by our Group in Renminbi which can be used in our outlets to pay for our retail, catering and laundry services
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules and unless the context otherwise requires, refers to Ms. Wendy Man and Elland Holdings
“core connected person(s)”	has the meaning ascribed to it under the Listing Rules
“COWUMPO”	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
“Daytide”	Daytide Limited (日泰有限公司), a company incorporated in BVI on 23 May 2013 with limited liability and an indirect wholly-owned subsidiary of our Company

DEFINITIONS

“Deed of Indemnity”	a deed of indemnity dated 21 October 2016 entered into between the Controlling Shareholders and our Company as referred to in the paragraph headed “5. Estate duty, tax and other indemnities” in Appendix IV to this prospectus
“Deed of Undertakings”	a deed of non-compete and other undertakings dated 21 October 2016 and entered into by Ms. Wendy Man and Elland Holdings in favour of our Company
“Director(s)”	the director(s) of our Company as of the date of this prospectus
“Education BVI Co” or “Hero Link”	Hero Link International Limited (豪領國際有限公司), a company incorporated in BVI on 30 May 2011 with limited liability and an indirect wholly-owned subsidiary of our Company
“Education Elite PRC Co” or “Guangzhou Clifford Elite”	Guangzhou Clifford Elite Education Information Consulting Limited* (廣州市番禺祈福精英教育信息諮詢有限公司), a company established in the PRC on 23 January 2014 and an indirect wholly-owned subsidiary of our Company
“Education HK Co” or “Favour Market”	Favour Market Investments Limited (銘樂投資有限公司), a company incorporated in Hong Kong on 9 May 2011 with limited liability and an indirect wholly-owned subsidiary of our Company
“Education Info PRC Co” or “Guangzhou Clifford Education”	Guangzhou Clifford Education Information Consulting Limited* (廣州市祈福教育信息諮詢有限公司), a company established in the PRC on 16 November 2011 and an indirect wholly-owned subsidiary of our Company
“Education Tech PRC Co” or “Guangzhou Clifford Educational Tech”	Guangzhou Clifford Educational Technology Services Limited* (廣州市祈福教育科技服務有限公司), a company established in the PRC on 16 September 2011 and an indirect wholly-owned subsidiary of our Company
“Education Training Panyu Centre” or “Guangzhou Panyu Clifford Education”	Guangzhou Panyu Clifford Education Training Centre* (廣州市番禺區祈福教育培訓中心), a private non-enterprise unit (legal person) (民辦非企業單位(法人)) established in the PRC on 20 March 2012 and an indirect wholly-owned subsidiary of our Company

DEFINITIONS

“Elland Holdings”	Elland Holdings Limited, a company incorporated in BVI on 16 June 2011 with limited liability and a Controlling Shareholder which was solely owned by Ms. Wendy Man as at the Latest Practicable Date
“Estate Agency BVI Co” or “Century Stand”	Century Stand Limited (立世有限公司), a company incorporated in BVI on 5 July 2011 with limited liability and an indirect wholly-owned subsidiary of our Company
“Estate Agency HK Co” or “Alpha Year Investments”	Alpha Year Investments Limited (贊益投資有限公司), a company incorporated in Hong Kong on 6 July 2011 with limited liability and an indirect wholly-owned subsidiary of our Company
“Estate Agency PRC Co” or “Guangzhou Smart Real Estate Agency”	Guangzhou Smart Real Estate Agency Limited* (廣州市睿明房地產中介有限公司), a company established in the PRC on 12 November 2010 and an indirect wholly-owned subsidiary of our Company
“Euromonitor Report”	the report prepared by Euromonitor International Limited in relation to the market research on industry of the Company’s businesses
“Ever-Long Securities”	Ever-Long Securities Company Limited (長雄證券有限公司), a licenced corporation to engage in type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO
“GDP”	gross domestic product (all references to GDP growth rates are real as opposed to nominal rates of GDP growth)
“Global Offering”	the Hong Kong Public Offering and the International Placing
“Gransing Securities”	Gransing Securities Co., Limited (鼎成證券有限公司), a licenced corporation to engage in type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO
“Great Polly”	Great Polly Investments Limited (鉅保投資有限公司), a company incorporated in Hong Kong on 1 June 2015 with limited liability and a direct wholly-owned subsidiary of Bregman, which is not a member of our Group

DEFINITIONS

“Green application form(s)”	the application form(s) to be completed by the HK eIPO White Form Service Provider
“Group”, “our Group”, “we”, “us” and “our”	our Company and, unless the context otherwise requires, all of its subsidiaries, or where the context refers to any time prior to its incorporation, the business in which the predecessors of its present subsidiaries were engaged and which were subsequently assumed by such subsidiaries pursuant to the Reorganisation
“Head & Shoulders Securities”	Head & Shoulders Securities Limited (聯合證券有限公司), a licenced corporation to engage in type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO
“HK\$” or “Hong Kong dollars” or “HK dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“HKFRSs”	Hong Kong Financial Reporting Standards
“HKICPA”	Hong Kong Institute of Certified Public Accountants (formerly known as the Hong Kong Society of Accountants)
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“ HK eIPO White Form ”	the application process for Hong Kong Offer Shares with applications issued in the applicant’s own name and submitted online through the designated website of <u>www.hkeipo.hk</u>
“ HK eIPO White Form Service Provider ”	the HK eIPO White Form service provider designated by our Company, as specified on the designated website at <u>www.hkeipo.hk</u>
“HK Intermediate Holdco”	Green Charm Enterprises Limited (青美企業有限公司), a company incorporated in Hong Kong on 13 November 2015 with limited liability and an indirect wholly-owned subsidiary of our Company
“HK Subsidiaries”	collectively, PM HK Co, Retail HK Co, Catering HK Co, Education HK Co, Household HK Co, Estate Agency HK Co, Placement HK Co, Laundry HK Co and Pretty Angel (and, at any time after 10 August 2015, New PM HK Co)

DEFINITIONS

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Offer Shares”	25,000,000 Offer Shares being initially offered by our Company 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 for subscription or for sale of Offer Shares to the public in Hong Kong (subject to adjustment as described in the section headed “Structure of the Global Offering” in this prospectus) at the Offer Price (plus brokerage fee of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) and on and subject to the terms and conditions described in this prospectus and the Application Forms, as further described in the section headed “Structure of the Global Offering” in this prospectus
“Hong Kong Share Registrar”	Tricor Investor Services Limited
“Hong Kong Underwriters”	the underwriters of the Hong Kong Public Offering whose names are set out in the section headed “Underwriting — Hong Kong Underwriters” in this prospectus
“Hong Kong Underwriting Agreement”	the conditional underwriting agreement dated 26 October 2016 relating to the Hong Kong Public Offering entered into between, amongst others, our Company, our executive Directors, the Controlling Shareholders, the Sole Global Coordinator, the Sole Sponsor and the Hong Kong Underwriters
“Household BVI Co” or “Pinechina”	Pinechina Limited (栢華有限公司), a company incorporated in BVI on 23 April 2008 with limited liability and an indirect wholly-owned subsidiary of our Company
“Household Foshan PRC Co” or “Foshan Household Services”	Foshan Clifford Household Services Limited* (佛山市祈福家居服務有限公司), a company established in the PRC on 26 October 2012 and an indirect wholly-owned subsidiary of our Company
“Household GZ PRC Co” or “Guangzhou Household Services”	Guangzhou Clifford Household Services Limited* (廣州市祈福家居服務有限公司), a company established in the PRC on 6 September 2012 and an indirect wholly-owned subsidiary of our Company

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“Household HK Co” or “Best Able”	Best Able Investments Limited (溢年投資有限公司), a company incorporated in Hong Kong on 18 June 2013 with limited liability and an indirect wholly-owned subsidiary of our Company
“Independent Third Party(ies)”	a person or persons or a company or companies which, to the best of our Directors’ knowledge, information and belief, having made all reasonable enquires, is not or are not a connected person(s) (within the meaning ascribed to it under the Listing Rules) of our Company
“INED(s)”	independent non-executive director(s) or, in the context of our Company, our independent non-executive Director(s)
“International Placing”	the offer of International Placing Shares to as further described in the section headed “Structure of the Global Offering” in this prospectus
“International Placing Shares”	225,000,000 Offer Shares being initially offered by our Company pursuant to the International Placing, together with any additional Shares offered pursuant to any exercise of the Over-allotment Option, subject to reallocation as described in the section headed “Structure of the Global Offering” in this prospectus
“International Underwriters”	the underwriters of the International Placing and parties to the International Underwriting Agreement as described in the section headed “Underwriting — Underwriting arrangements and expenses — The International Placing” in the prospectus
“International Underwriting Agreement”	the conditional underwriting agreement relating to the International Placing, which is expected to be entered into between, amongst others, our Company, our executive Directors, the Controlling Shareholders, the Sole Global Coordinator and the International Underwriters on or around 1 November 2016
“Issuing Mandate”	a general and unconditional mandate granted to our Directors by the passing by our sole Shareholder of resolutions referred to in paragraph 1.3 of “Appendix IV — Statutory and General Information” in this prospectus, pursuant to which our Directors may exercise the power of the Company to allot, issue or otherwise deal in new Shares up to a maximum of 20% of the total number of Shares in issue as at the Listing Date

DEFINITIONS

“Joint Lead Managers”	Guotai Junan Securities (Hong Kong) Limited and Head & Shoulders Securities
“Koala Securities”	Koala Securities Limited (樹熊證券有限公司), a licenced corporation to engage in type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO
“Latest Practicable Date”	21 October 2016, being the latest practicable date prior to the printing of this prospectus for ascertaining certain information in this prospectus
“Laundry BVI Co” or “High United”	High United Limited (高聯有限公司), a company incorporated in BVI on 13 March 2009 with limited liability and an indirect wholly-owned subsidiary of our Company
“Laundry HK Co” or “Ace Wisdom”	Ace Wisdom Limited (佳廷有限公司), a company incorporated in Hong Kong on 18 April 2011 with limited liability and an indirect wholly-owned subsidiary of our Company
“Laundry PRC Co” or “Guangzhou Goodwash Laundry”	Guangzhou Goodwash Laundry Limited* (廣州市雪白洗衣有限公司), a company established in the PRC on 27 September 2011 and an indirect wholly-owned subsidiary of our Company
“Listing”	the listing of the Shares on the Main Board
“Listing Date”	the date expected to be on or about Tuesday, 8 November 2016, on which the Shares are first listed and from which dealings therein are permitted to take place on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“Main Board”	the main board of the Stock Exchange
“MCA”	Ministry of Civil Affairs of the PRC (中華人民共和國民政部)

DEFINITIONS

“Memorandum of Association”	the memorandum of association of our Company (as amended from time to time), a summary of which is set out in Appendix III to this prospectus
“MOC”	Ministry of Construction of the PRC (中華人民共和國建設部), the predecessor of MOHURD
“MOF”	Ministry of Finance of the PRC (中華人民共和國財政部)
“MOFCOM”	Ministry of Commerce of the PRC (中華人民共和國商務部)
“MOHRSS”	Ministry of Human Resources and Social Security of the PRC (中華人民共和國人力資源和社會保障部)
“MOHURD”	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)
“Ms. Wendy Man”	Ms. MAN Lai Hung (孟麗紅女士), one of our Controlling Shareholders, an executive Director and the chairman of the Board
“Ms. Wendy Man’s Group”	such companies which are under the control of (or 30% or more of the issued share capital of which are owned by) Ms. Wendy Man, other than our Group
“Ms. Wendy Man’s Spouse”	Mr. PANG Lun Kee Clifford (彭磷基先生), the spouse of Ms. Wendy Man
“NDRC”	National Development and Reform Commission (中華人民共和國國家發展和改革委員會)
“New PM BVI Co” or “Star Elite”	Star Elite Developments Limited (星傑發展有限公司), a company incorporated in BVI on 15 April 2015 with limited liability and an indirect wholly-owned subsidiary of our Company
“New PM HK Co” or “Treasure Forever”	Treasure Forever Limited (寶都花華有限公司), a company incorporated in Hong Kong on 17 April 2014 with limited liability and an indirect wholly-owned subsidiary of our Company
“NPC”	the National People’s Congress of the PRC (全國人民代表大會)

DEFINITIONS

“Offer Price”	the final price per Share in Hong Kong dollars (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and the Stock Exchange trading fee of 0.005%) of no more than HK\$0.46 at which the Offer Shares are to be subscribed for and issued pursuant to the Global Offering, to be determined as further described in the section headed “Structure of the Global Offering — Price payable on application” in this prospectus
“Offer Shares”	the Hong Kong Offer Shares and the International Placing Shares, together, where relevant, with any additional Shares which may be issued pursuant to the exercise of the Over-allotment Option
“Old Holdco”	Clifford Modern Living Company Limited (祈福生活服務有限公司), incorporated as an exempted company with limited liability in the Cayman Islands on 4 January 2011, which is a direct wholly-owned subsidiary of Elland Holdings and which is not a member of our Group
“Over-allotment Option”	the option to be granted by us to the International Underwriters pursuant to the International Underwriting Agreement, to be exercisable by the Sole Global Coordinator on behalf of the International Underwriters at any time from the date of the International Underwriting Agreement until 30 days after the last day for the lodging of applications under the Hong Kong Public Offering, to require our Company to allot and issue up to an aggregate of 37,500,000 additional Offer Shares representing approximately 15% of the total number of Offer Shares initially, at the same price per Share, under the International Placing to cover, among other things, over-allocation in the International Placing, if any
“PBOC”	the People’s Bank of China (中國人民銀行)
“Placement BVI Co” or “Metro Elite”	Metro Elite Limited (傑都有限公司), a company incorporated in BVI on 23 October 2013 with limited liability and an indirect wholly-owned subsidiary of our Company
“Placement Champion PRC Co” or “Guangzhou Champion Management”	Guangzhou Champion Management Limited* (廣州市冠勤企業管理諮詢有限公司), a company established in the PRC on 11 November 2011 and an indirect wholly-owned subsidiary of our Company

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“Placement HK Co” or “Vigour Trade”	Vigour Trade Limited (業湛有限公司), a company incorporated in Hong Kong on 22 October 2013 with limited liability and an indirect wholly-owned subsidiary of our Company
“Placement Welcome PRC Co” or “Guangzhou Welcome Employment”	Guangzhou Welcome Employment Limited* (廣州市惠爾家職業介紹有限公司), a company established in the PRC on 13 May 2011 and an indirect wholly-owned subsidiary of our Company
“PM BVI Co” or “Sincere Wealth”	Sincere Wealth Investments Limited (誠富投資有限公司), a company incorporated in BVI on 5 July 2011 with limited liability and an indirect wholly-owned subsidiary of our Company
“PM Foshan PRC Co” or “Foshan Clifford Property Management”	Foshan Clifford Property Management Limited* (佛山市祈福物業管理有限公司), a company established in the PRC on 20 April 2004 and an indirect wholly-owned subsidiary of our Company
“PM HK Co” or “Clifford Property Management”	Clifford Property Management (Hong Kong) Limited (祈福物業管理(香港)有限公司), a company incorporated in Hong Kong on 16 March 2004 with limited liability and an indirect wholly-owned subsidiary of our Company
“PM Panyu PRC Co” or “GZ Panyu Clifford Property Management”	Guangzhou Panyu Clifford Property Management Limited* (廣州市番禺祈福物業管理有限公司), a company established in the PRC on 30 October 1998 and an indirect wholly-owned subsidiary of our Company
“PRC Company Law”	the Company Law of the PRC (中華人民共和國公司法), as enacted by the Standing Committee of the Eighth National People’s Congress on 29 December 1993 and effective on 1 July 1994, as amended, supplemented or otherwise modified from time to time
“PRC JV Partner No.1”	Guangzhou Panyu Property Co-development Company* (廣州市番禺區房地產聯合開發總公司), a company established in the PRC on 20 May 1984 and a state-owned enterprise, which is an Independent Third Party (save for being a holder of 24.5% equity interest in PM Panyu PRC Co and a joint venture equity-holder of three members of the Private Group)

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“PRC JV Partner No.2”	Guangzhou Panyu Property Operating Company Limited* (廣州市番禺物業經營有限公司), a company established in the PRC on 28 October 2004 and a state-owned enterprise, which is an Independent Third Party (save for being a former holder of 24.5% equity interest in PM Panyu PRC Co before 29 December 2015 and a joint venture equity-holder of a member of the Private Group)
“PRC JV Partners”	collectively, PRC JV Partner No.1 and PRC JV Partner No.2
“PRC Legal Advisers”	GFE Law Office, the legal advisers to our Company as to the laws of the PRC
“PRC Subsidiaries”	collectively, PM Panyu PRC Co, PM Foshan PRC Co, Retail PRC Co, Catering Mascot PRC Co, Catering Herbal PRC Co, Catering Farm PRC Co, Catering Congee PRC Co, Education Tech PRC Co, Education Elite PRC Co, Education Info PRC Co, Education Training Panyu Centre, Household Foshan PRC Co, Household GZ PRC Co, Estate Agency PRC Co, Placement Champion PRC Co, Placement Welcome PRC Co and Laundry PRC Co
“Pre-IPO Share Option Scheme”	the pre-initial public offering share option scheme formally adopted by the Company on 21 October 2016, the principal terms of which are summarised in paragraph 4.1 of “Appendix IV — Statutory and General Information” in this prospectus
“Pre-IPO Share Option(s)”	option(s) granted under the Pre-IPO Share Option Scheme
“Pretty Angel”	Pretty Angel Limited (彩琪有限公司), a company incorporated in Hong Kong on 29 March 2012 with limited liability and an indirect wholly-owned subsidiary of our Company
“Price Determination Date”	the date, expected to be on or around Tuesday, 1 November 2016 but no later than Friday, 4 November 2016, on which the Offer Price is to be fixed by agreement between our Company and the Sole Global Coordinator (on behalf of the Underwriters) for the purposes of the Global Offering
“Private Group”	such companies which are under the control of (or 30% of more of the issued share capital of which are owned by) Ms. Wendy Man’s Spouse

DEFINITIONS

“Regulation S”	Regulation S under the U.S. Securities Act
“Reorganisation”	the reorganisation arrangements we have undergone in preparation for the Listing which are more particularly described in the section headed “History, Development and Reorganisation” in this prospectus
“Repurchase Mandate”	a general and unconditional mandate granted to our Directors by the passing by our sole Shareholder of resolutions referred to in paragraph 1.3 of “Appendix IV — Statutory and General Information” in this prospectus, pursuant to which our Directors may exercise the power of the Company to repurchase Shares the aggregate number of which shall not exceed 10% of the total number of Shares in issue as at the Listing Date
“Retail BVI Co” or “Sunrise Faith”	Sunrise Faith Limited (旭信有限公司), a company incorporated in BVI on 4 July 2011 with limited liability and an indirect wholly-owned subsidiary of our Company
“Retail HK Co” or “Mighty Choice”	Mighty Choice Limited (威麒有限公司), a company incorporated in Hong Kong on 24 June 2011 with limited liability and an indirect wholly-owned subsidiary of our Company
“Retail PRC Co” or “Guangzhou Clifford Trading”	Guangzhou Clifford Trading Limited* (廣州市祈福貿易有限公司), a company established in the PRC on 7 April 2005 and an indirect wholly-owned subsidiary of our Company
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“SAFE”	State Administration of Foreign Exchange of the PRC (國家外匯管理局)
“SAIC”	State Administration for Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局)
“SAT”	State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

DEFINITIONS

“Share(s)”	ordinary share(s) having a par value of HK\$0.01 each in the share capital of our Company
“Share Option Scheme”	the share option scheme our Company conditionally adopted on 21 October 2016, the principal terms of which are summarised in paragraph 4.2 of “Appendix IV — Statutory and General Information” in this prospectus
“Shareholder(s)”	holder(s) of Share(s)
“Sole Global Coordinator”, “Sole Bookrunner” or “Stabilising Manager”	Guotai Junan Securities (Hong Kong) Limited, a licenced corporation under the SFO to carry out Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities as defined in the SFO
“Sole Sponsor”	Guotai Junan Capital Limited, a licenced corporation under the SFO to carry out type 6 (advising on corporate finance) regulated activity as defined in the SFO
“sq.m.”	square metre(s)
“Standing Committee”	Standing Committee of the National People’s Congress (全國人民代表大會常務委員會)
“State Council”	the State Council of the PRC (中華人民共和國國務院)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Companies Ordinance
“Substantial Shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers issued by SFC (as amended, supplemented or otherwise modified from time to time)
“Track Record Period”	the period comprising the three financial years ended 31 December 2015 and the five months ended 31 May 2016
“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

DEFINITIONS

“U.S. dollars” or “US\$” or “USD”	United States dollars, the lawful currency for the time being of the United States
“U.S. Securities Act”	United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
“ White Application Form(s)”	the application form(s) for the Hong Kong Offer Shares for use by the public who require such Hong Kong Offer Shares to be issued in the applicant’s own name
“ Yellow Application Form(s)”	the application form(s) for the Hong Kong Offer Shares for use by the public who require such Hong Kong Offer Shares to be deposited directly into CCASS
“%”	per cent

Unless expressly stated or the context otherwise requires, all data in this prospectus is as of the date of this prospectus.

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

Unless otherwise specified, all references to any shareholdings in our Company assume no exercise of the Over-allotment Option.

In this prospectus, unless otherwise stated and save for historical figures, certain amounts denominated in Hong Kong dollars have been translated into Renminbi at an exchange rate of HK\$1.00 = RMB0.86 for illustration purpose only. Such conversions shall not be construed as representations that amounts in Hong Kong dollars were or could have been or could be converted into Renminbi at such rates or any other exchange rates on such date or any other date.

If there is any inconsistency between the official Chinese name of the PRC laws or regulations or the PRC Government authorities or the PRC entities mentioned in this prospectus and their English translation, the Chinese version shall prevail. English translations of official Chinese names are for identification purposes only and are marked with “* ”.

GLOSSARY

This glossary contains an explanation of certain technical terms used in this prospectus in connection with our Group and its business. These terms and meanings may not always correspond to standard industry meaning or usage of these terms.

“commission basis”	a revenue generating model for our property management services whereby our property management fee income from property management consists only of a specified percentage of the total management fees payable by the property owners while the remainder of such management fees would be used for the expenditure agreed in the property management service contract
“contracted GFA”	GFA managed or to be managed by us under property management service contracts in effect as of the relevant date
“GFA”	gross floor area
“living service”	services related to the daily living of individuals, including property management services, retail services, catering services, off-campus training services, property agency services, employment placement services and laundry services as provided by our Group in the normal course of our operation
“lump sum basis”	a revenue generating model for our property management services whereby we charge a pre-determined property management price per GFA for all units (whether sold or unsold) on a monthly basis which represents the “all-inclusive” fees for all of the property management services provided by us. Under a lump sum basis, the property owners and property developers will be responsible for paying our management fees for the sold and unsold units respectively on a monthly basis
“POS”	point of sale
“pure commercial properties”	properties which are zoned or planned to be used purely for commercial purposes
“Residents’ Accounts”	the bank accounts that we open and manage on behalf of the residential communities that we manage on a commission basis, designate and manage on behalf of the residents

GLOSSARY

“residential communities”

properties which are zoned or planned to be purely residential or mixed-use properties containing residential units and ancillary facilities that are non-residential in nature (such as commercial or office units) but excluding pure commercial properties

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements, including, without limitation, words and expressions such as “expect”, “believe”, “plan”, “intend”, “project”, “anticipate”, “seek”, “may”, “will”, “would” and “could” or similar words or statements, in particular, in the sections headed “Business” and “Financial Information” in this prospectus in relation to future events, our future financial, business or other performance and development, the future development of our industry and the future development of the general economy of our key markets.

These statements are based on numerous assumptions regarding our present and future business strategy and the environment in which we will operate in the future. These forward-looking statements reflecting our current views with respect to future events are not a guarantee of future performance and are subject to certain risks, uncertainties and assumptions, including the risk factors described in this prospectus, and the following:

- our operations and business prospects;
- future developments, trends and conditions in the industry and markets in which we operate;
- our ability to implement our business strategies, plans, objectives and goals;
- general economic conditions;
- changes to regulatory and operating conditions in the industry and markets in which we operate;
- our ability to control or 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;
- certain statements in the sections headed “Business” and “Financial Information” in this prospectus with respect to trend in prices, volumes, operations, margins, overall market trends, risk management and exchange rates; and
- other statements in this prospectus that are not historical facts.

We caution you that, subject to the requirements of applicable laws, rules and regulations, we do not have any obligation to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set out in this section.

FORWARD-LOOKING STATEMENTS

In this prospectus, statements of or references to the intentions of our Company or any of our directors are made as at the date of this prospectus. Any such intentions may potentially change in light of future developments.

RISK FACTORS

You should carefully consider all of the information in this prospectus, including the risks and uncertainties described below, before making any investment decisions in relation to our Company. You should pay particular attention to the fact that we conduct our operations in the PRC, the legal and regulatory environment of which differ in certain respects from that which prevails in other countries. Our business, financial position and results of operations or prospects may be materially and adversely affected by any of these risks and uncertainties. The trading price of our Shares may significantly decline due to any of these risks and uncertainties, and you may lose all or part of your investment. In addition, we are also subject to other risks and uncertainties that are not currently known to us or which currently deem to be immaterial. Such risks and uncertainties may also have a material adverse effect on our business, financial position, results of operations, profitability and future prospects.

We believe that there are certain risks and uncertainties involved in our operations, some of which are beyond our control. We have categorised these risks and uncertainties into: (i) risks relating to our business; (ii) risks relating to our industries; (iii) risks relating to conducting business in the PRC; and (iv) risks relating to the Global Offering.

RISKS RELATING TO OUR BUSINESS

(i) Risks relating to our general operations

We rely substantially on key residential communities for a significant portion of our revenue

Most of our business are conducted within or around Clifford Estates and the other 11 key residential communities we manage. Our property management services, retail services, catering services and Ancillary Living Services are mostly operated within or in the proximity of Clifford Estates and other key residential communities we manage. We believe that residents in these key residential communities represent the largest group of customers by estate of the Company. As of 31 May 2016, these 12 residential communities cover approximately more than 50,000 residential units and approximately 5,647,000 sq.m. in GFA.

Our service outlets are located in or around Clifford Estates and other 11 key residential communities. Except revenue generated from Clifford Owls Café (Yuexiu Branch) located in Yuexiu district and the management of two pure commercial properties, substantially all of our total revenue were derived from such services provided in or around these residential communities. As such, our operations and profitability are heavily dependent on the economic and social conditions of these residential communities which are all located in Guangdong Province. If there were any material adverse changes in the social and economic conditions within these locations of Guangdong Province including:

- natural disasters, epidemics, other acts of god or breakdown in the transportation system, which may disrupt our inventory supplies;
- change in local government policies, rules or regulations, which may lead to an increase in our operating costs; or

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- a sudden downturn in the economy or consumer demands which may lead to a decrease in our profits and materially affect our business and expansion strategy, business and profitability of our Group may be adversely affected.

Any failure or perceived failure to deal with customer complaints or adverse publicity involving our services or the Private Group could materially and adversely impact our reputation, business and/or results of operations

Companies with multiple service segments can be adversely affected by negative publicity or news reports or allegations in printed and online media, whether accurate or not, particularly issues regarding our property management service quality and pricing, our retail product quality and our food quality and safety issues. Reports on public health concerns, negative media attention concerning us across the food or retail industry supply chain, if any, may potentially affect customer perception of our business. Any such negative publicity could materially harm our business, brands and results of operations.

Furthermore, as all trademarks used by members of our Group (and not assigned to our Group as part of the Reorganisation) and/or those of the Private Group were registered under the name of a member of the Private Group for administrative reasons, the public may relate our Group to the Private Group and the reputation of our Group can be affected by the public image of the Private Group.

We received customer or resident suggestions and complaints from time to time in our operation. The suggestions and complaints generally related to the service quality of our property management services and the waiting time of food orders at our catering outlets. We are not aware of any complaint from our property owners or customers seeking material compensation that could have material adverse effect on our business and results of operations during the Track Record Period and up to the Latest Practicable Date. We cannot assure that we can successfully prevent all complaints from our property owners or customers and satisfy all request according to the expectation of our property owners or customers in the future. Significant numbers of complaints or claims against us or any adverse publicity resulting from such complaints or claims, even if meritless or unsuccessful, could force us to divert management and other resources from other business concerns and cause property owners or customers to lose confidence in us and our brands, which may adversely affect our business and operations. As a result, we may experience significant declines in our revenues and customer traffic from which we may not be able to recover.

Information technology system failures or breaches of our network security could interrupt our operations and adversely affect our business

We rely on our information and technology system across our different service segments in managing our daily operations, and to collect real-time financial or operating data. For example, we have on-site server to record financial and operational data in each of our retail outlets, and we have advanced POS system and handheld ordering terminals in each catering outlet recording every transaction or order. Any damage or failure of our computer systems or network infrastructure that causes an interruption or inaccuracies in our operations could have a material adverse effect on our

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business and results of operations. We also receive certain personal information about our customers when accepting credit cards for payment. If our network security is compromised and such information is stolen or obtained by unauthorised persons or used inappropriately, we may become subject to litigation or other proceedings brought by cardholders and financial institutions that issue cards. Any such proceedings could distract our management from running our business and cause us to incur significant unplanned losses and expenses. Consumer perception of our brands could also be negatively affected by these events, which could further adversely affect our business and results of operations.

Our success and business operations are largely dependent on our Directors and senior management team and our ability to attract and retain talented personnel

Our continued success depends upon, among other factors, the experience, expertise and continuous service of our executive Directors and our senior management team. Mr. Deng Zhengchuan, the general manager of our retail service segment and Mr. Cen Jiayin, the general manager of our catering service segment, have on average more than 12 years of experience in the respective retail and catering industries and served in senior management positions at various relevant retail and catering companies. Mr. Chen Yuxiong, the chief operation officer of our property management service segment, has been with us since founding of PM Panyu PRC Co and has over 17 years of extensive experience in multiple aspects of the property management business. Further information on the qualifications and experiences of our executive Directors and senior management team members, please see the section headed “Directors and Senior Management” in this prospectus. The expertise, industry experience and contributions of our Directors and other members of our senior management team are crucial to our current achievement. We will need an increasing number of experienced and competent executives and other members of our senior management team in the future to implement our business strategies and growth plans. If we lose any of our key management members, including any of our Directors or senior management, and are unable to recruit and retain replacement personnel with equivalent qualifications or talents in a timely manner, our business and growth could be adversely affected.

Our success also relies largely on our ability to attract, hire and retain qualified and skilled managerial, sales and marketing and other personnel for our different business segments. We cannot assure that we will be able to attract, hire and retain sufficient numbers of qualified and skilled personnel to continue in developing and growing our business. The inability to attract and retain a sufficient number of such skilled employees could limit our ability to maintain our existing business scale. In addition, competition for these individuals could cause us to offer higher compensation and other benefits in retaining and attracting them and consequently affecting our financial condition and results of operations.

Our business, financial position and results of operations may be harmfully impacted if we are unable to control operating costs

Historically, the average labour cost is continuously increasing in the PRC including Guangdong Province. For the years ended 31 December 2013, 2014 and 2015 and the five months ended 31 May 2016, staff costs represented approximately 31%,

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30%, 32% and 32%, respectively, of our cost of sales, selling and marketing expenses and administrative expenses in aggregate. Our profitability is basically dependent largely upon our ability to control and reduce our labour and other operating costs effectively.

In recent years, we face continuing pressure from the surge in our labour cost, which was mainly contributed by the increase in minimum wage enacted by the PRC government. Minimum wages across China are fixed at the regional or district level based fundamentally on standards set by relevant provincial, municipal and autonomous region authorities. The minimum wage in the regions and districts where we operate has increased over the years, adversely affect our direct labour costs. For further information on minimum wage, please see the paragraphs headed “Industry Overview — The property management industry in Guangdong province — Competition analysis — Threats and challenges — Rising operational costs set up constraints for the property management industry” and “Industry Overview — The catering services industry in Guangdong province — Competition analysis — Threats and challenges — Increase in operational cost places pressure on consumer food service chains” in this prospectus. Therefore, to maintain and improve our current profitability level, it is important for us to control and reduce our operating costs as our business continue to grow. We cannot assure that we will be able to continue to improve our cost efficiency in cost control, any failure of doing so, our business, financial position and results of operations may be adversely affected.

Similarly, any rise in the cost of raw materials (such as the food ingredients we use in our catering outlets) may lead to declines in our margins and operating results. Cost of ingredients in our catering services depends on a variety of factors, many of which are not within our control. Raw materials and consumables used represented approximately 12%, 11%, 11% and 12% of our total revenue for the years ended 31 December 2013, 2014 and 2015 and the five months ended 31 May 2016, respectively. For further information on food ingredients, please see the paragraph headed “Business — Our catering services — Procurement management — Suppliers and sources” in this prospectus. Fluctuations in weather, supply and demand and economic conditions could adversely affect the cost, availability and quality of our critical food ingredients. If we are not able to obtain requisite quantities of quality ingredients at commercially reasonable prices, our ability to provide the menu items that are vital to our business would be adversely affected. If the cost of ingredients that we use in our restaurants increases in the future and we cannot pass these cost increases onto our customers, our operating margins may decrease.

Our corporate structure, which consists of multiple service segments, exposes us to challenges not found in companies with a single service segment

The Group consists of multiple service segments, namely property management services, retail services, catering services and the Ancillary Living Services. Due to the diverse characteristics of our Company, we face challenges not found in companies with a single business line. In particular:

- We are exposed to business, market and regulatory risks relating to different industries. We need to devote substantial resources to monitor changes in different operating environments so that we can react with appropriate strategies that fit the needs of our Company affected.

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- Due to various types of services involved, successful operation of the Group requires an effective management system that emphasises accountability, imposes financial discipline on our Company with such a diversified business scope, and creates value-focused incentives for management. As we continue to grow, our operations may become more complex, which increase the difficulty of implementing our management system.

Title to certain leased area may be challenged which could prevent us from continuing to operate the affected facilities

As of the Latest Practicable Date, for our leased area with an aggregate GFA of approximately 1,196 sq.m., representing approximately 4.1% of the total GFA of the properties leased by our Group, we have not been provided by the lessors the relevant building ownership certificate, the planning approvals or other documents proving the relevant title of the properties. As a result, we may not be able to continue occupying the relevant properties if any of the leased area is challenged by a third party or relevant authorities. As such, our Company has made several contingency plans in the event that any of these leases is challenged by the relevant authorities and require that the property to be vacated. If we need to relocate a large number of our service outlets within a short period of time, we have to bear a huge amount of relocation costs and our financial conditions and operations may be materially disrupted and adversely affected. For more details on the leased properties, please see the section headed “Business — Properties” in this prospectus.

Any failure to maintain effective quality control systems for our services could have a material adverse effect on our reputation, financial condition and results of operation

The quality and safety of the food we serve in our catering outlets, the goods we sell in our retail outlets or the property management services and Ancillary Living Services provide to our customers is critical to our success. Maintaining consistent quality of our food, product and service depend significantly on the effectiveness of our quality control systems, which in turn relied on a number of factors. For instance, the design of our quality control systems and our ability to ensure that our employees follow and implement those quality control policies and guidelines. For more details on our quality control systems, please see the section headed “Business — Quality control” in this prospectus. We cannot assure that our quality control systems will be effective as planned. Any failure or deterioration of our quality control systems could have a material adverse effect on our reputation, financial condition and results of operations.

We may be exposed to claims by third parties which, if successful, could cause us to pay significant damage awards and incur other costs

We are exposed to product liability, consumer, commercial, environment and tax litigation, government investigations and other legal proceedings that may arise from time to time in the ordinary courses of our business. Any of these proceedings is inherently unpredictable, and excessive verdicts do occur. Although we plan to vigorously defend our interests in any legal proceedings that arise in the ordinary courses

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of our business, we could in future incur judgements or enter into settlements of claims that could have a material adverse effect on our results of operations in any particular period.

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

We consider our intellectual properties are crucial business assets, key to customer loyalty and essential to our future growth. The success of our business depends substantially upon our continued ability to use our brand, trade names and trademarks to increase brand recognition and to further develop our brand. All trademarks we use currently in PRC are transferred or licenced from Clifford TM and most of such trademark assignment or licence have not yet been filed with Trademark Office of SAIC of the PRC for record, so the trademark assignment or licence may (unless after being so registered) be challenged by any bona fide third party. The unauthorised reproduction of our trade names or trademarks could diminish the value of our brand and our market reputation and competitive advantages. For further details of our intellectual property rights, please see the sections headed “Business — Intellectual property rights” and “Appendix IV — Statutory and General Information — 2. Further information about our business — 2.2 Intellectual property rights of our Group” in this prospectus. We rely on a combination of trademarks, trade secrets, confidentiality procedures and contractual provisions to protect our intellectual property rights. Nevertheless, these afford limited protection and policing unauthorised use of proprietary information can be difficult and expensive.

It is also possible that we may inadvertently infringe the intellectual property rights of others and face liabilities for such infringements in the course of carrying our business. For instance, in the course of our retail services, we sell products supplied by various suppliers and it is possible that some of such suppliers’ products may themselves infringe the intellectual property rights of third parties. We, in the capacity as a retailer, may attract liability for such infringement, and it is common for the intellectual property owner to first take action against retailers, instead of the manufacturers, to cease further sale of the infringing products by the retailers.

The failure to obtain or renew any or all the required governmental approvals, licences and permits on a timely basis could materially and adversely affect our existing business operations or expansion plans

We have a diversified business scope across our various service segments where we operate retail outlets and catering outlets, or as a property management, off-campus training, property agency and employment placement services provider. We are required to hold relevant licences, approvals and permits such as Qualification Certificate for Property Service Enterprise (物業服務企業資質證書), Food Operation Licence (食品經營許可證) and Private School Operating License (民辦學校辦學許可證), etc. For more details on the required licences, approvals and permits, please see the sections headed “Summary of Principal Legal and Regulatory Provisions — A. Property management services — a. Qualification of property service enterprise”, “Summary of Principal Legal and Regulatory Provisions — B. Catering services and retail services — d. Food operation licencing” and “Summary of Principal Legal and Regulatory Provisions — C. Ancillary living services — b. Non-state education” in this prospectus.

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It is also possible that the relevant authorities may impose new conditions or require additional licences or approval to operate our business.

We may not successfully obtain or renew such approvals, licences or permits relating to our business operations now or in the future and even if obtained or reviewed, it may not be on a timely manner. In addition, we may not be able to satisfy the requirements for such approvals, licences or permits in the future. Failure to obtain and renew such licences may result in fines, sanctions and being ordered to cease our operations in such service outlets. Any unexpected delays in our obtaining or renewing the aforesaid would also materially and adversely affect our existing business operations or expansion plans.

We do not carry product liability insurance and may be exposed to liabilities from disputes involving products and services sold or provided under our operations

Under the existing PRC laws and regulations, vendors who sell defective goods in the PRC may incur liability for loss or injury caused by such goods. For more information, please see the section headed “Summary of Principal Legal and Regulatory Provisions — D. General operation — b. Product quality” in this prospectus. Given the fact that scandals revolving around harmful ingredients, additives and preservatives are well-known in the PRC, local consumers nowadays are becoming more conscious of the quality of the goods, in particular, food products. We may therefore be involved, as defendant or joint defendant, in litigations or administrative proceedings regarding defective goods sold at our retail stores or foods offered in our restaurants brought by our customers, government authorities or other potential third parties. As there is no law in the PRC requiring or any such general market practise in carrying product liability insurance, we do not have such type of insurance. Any product liability claim or governmental regulatory action could be costly and time-consuming. We could be required to pay significant amount of compensation as a result of such claim or action. Any material design, manufacturing or quality failure in the products that were sold by us or at our retail outlets, safety issues or intensified regulatory inspection could each result in a product recall by us and increased product liability assertions. Any such events could materially harm our reputation, divert our management’s attention and have a huge impact on our business, financial position and results of operations.

Current and future locations of our service outlets may become unattractive, which may have a material adverse effect on our results of operation

The success of our retail outlets, catering outlets and our other service outlets depend considerably on their locations. Given the rate of urban construction in the PRC, we cannot assure that our current locations will continue to be attractive as economic or demographic conditions change. Economics and demographic conditions where our service outlets are and to be located could become unfavourable to us in the future, therefore resulting in potentially reduced sales in these locations. As most of our lease agreements have fixed lease terms, these lease agreements expose us to the risk of having to make rental payments for fixed periods of time in spite of unprofitable business operations or other unforeseen events that may occur before each lease term expires. We may not therefore be able to terminate these leases early without incurring excessive expenses.

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We may be unable to detect, deter or prevent all instances of fraud or other misconduct committed by our employees, customers or other third parties

As we operate in industries that may receive and handle large amounts of cash in our daily operations and therefore we are exposed to a risk of cash misappropriation or other related misconduct by employees. For further details on our cash management, please see the section headed “Business — Our catering services — Management and operations — Settlement and cash management” in this prospectus. We are so far not aware of any instances of fraud, theft and other misconduct involving employees, customers or other third parties that had any material adverse impact on our business and results of operations during the Track Record Period and up to the Latest Practicable Date. We however cannot assure that there will be no any of such instances in the future. Any misconduct or future acts, could subject us to financial losses, harm our reputation and may have a material adverse effect on our business, results of operations and financial condition.

We may not be able to implement our business strategies and our future plans

Our strategies are based on our existing plans in light of the prevailing market conditions and possible industry developments, and are subject to inherent risks and uncertainties at different development and expansion stage. We have identified several growth plans as set out in the sections headed “Business — Our business strategies” and “Future Plans and Use of Proceeds” in this prospectus. In recent years, we have been expanding our business through organic growth. For more information, please see the section headed “Business — Our business strategies” in this prospectus. However, the formulation of our strategies is based on assumptions of future events which include, but not limited to, no material change in existing political, legal, fiscal or economic conditions in major markets where we operate or provide service to and no material change in our existing business relationships. These assumptions may not be correct, which could affect the commercial viability of our strategies. In such event, we may need to adjust our strategies in response to the changing market conditions.

Any labour shortages, increase in labour costs, strikes or labour unrest affecting our labour force may have a material adverse effect on our reputation, business, results of operation and financial conditions

To support the growth of our business, we may need to increase and maintain our workforce of experienced management, skilled labour and other employees to implement our expansion plans. In the event of labour shortages, we may face difficulties in recruiting or retaining employees or may face increasing labour costs. Apart from inflation, the implementation of the Labour Contract Law of the PRC (中華人民共和國勞動合同法), which became effective on 1 January 2008 and as amended on 28 December 2012, has increased our labour cost. For the relevant risk in controlling our operation costs, please also see the paragraph headed “— Risks relating to our business — (i) Risks relating to our general operations — Our business, financial position and results of operations may be harmfully impacted if we are unable to control operating costs” in this section of this prospectus. We cannot assure you that we can retain and attract sufficient competent employees and any failure to attract competent personnel at reasonable cost and in a timely manner could reduce our competitive advantages. For

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further details, please also see the paragraph headed “— Risks relating to our business — (i) Risks relating to our general operations — Our success and business operations are largely dependent on our Directors and senior management team and our ability to attract and retain talented personnel” in this section of this prospectus.

In addition, we may be subject to the risk of labour disputes and labour strikes. Whilst our employees did not go on a strike during the Track Record Period, some bus drivers employed by the Private Group for the out-bound route of Clifford Estates arranged by the Private Group went on a strike seeking for better employment terms and reached relevant settlement in respect of the wage increase with the Private Group. We cannot guarantee that our employees will not request for wage increase at a level higher than our expectation and go on strikes. These potential disputes and labour strike could result in work stoppage or other events that could disrupt our operations, which could have a material adverse effect on our reputation, business, results of operation and financial conditions.

The expansion of our business may expose us to increased risks of non-compliance with PRC laws and regulations issued by a number of governmental departments at provincial and local levels

As we expand our business operations into new geographic regions and broaden the range of services we offer, we are subject to an increasing number of provincial and local rules and regulations. In addition, because the size and scope of our operations had increased significantly during the Track Record Period, the difficulty of ensuring compliance with the various local regulations and the potential for loss resulting from non-compliance have increased. If we fail to comply with the related local laws and regulations, we may be subject to penalties by the competent authorities. The PRC laws and regulations applicable to our business, whether national, provincial or local, may also change in ways that materially increase the costs of compliance, and any failure to comply to which could result in significant financial penalties which could have a material adverse effect on our business, financial position and results of operations.

Our insurance coverage may not completely cover the risks related to our business and operations

We carry various insurance policies covering our various business segments as set forth in the section headed “Business — Insurance” in this prospectus. If any claims for injury or damages are brought against us, or if we experience any business interruption or litigation, we might incur substantial costs and diversion of recourses, which may not be fully covered by insurance. In addition, there are certain types of losses, such as losses from war, acts of terrorism, earthquakes, typhoons, flooding and other natural disaster, which we cannot obtain insurance at a reasonable cost or at all in the PRC. Should an uninsured loss or a loss in excess of insured limits occur, we could suffer damage to our reputation and financial losses to our future operating income derived from the retail and catering activities conducted at these residential communities. Any material uninsured loss could have a material adverse effect on our business, financial position and results of operations.

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The estimated listing expenses may adversely affect our financial results for the year ending 31 December 2016

The total expenses for the Listing are estimated to be approximately RMB44.1 million (assuming an Offer Price of HK\$0.42 per Offer Share, being the mid-point of the indicative Offer Price range of HK\$0.38 to HK\$0.46), of which approximately RMB12.1 million is directly attributable to the issue of new Shares in the Global Offering and to be accounted for as a deduction from equity and approximately RMB32.0 million is to be charged as administrative expenses to our profit and loss accounts in the period in which the expenses are incurred. The listing expenses of approximately RMB17.7 million were charged to our profit and loss account for the years ended 31 December 2014 and 2015 and the five months ended 31 May 2016. It is estimated that listing expenses of approximately RMB14.3 million are expected to be charged to our profit and loss account after 31 May 2016, which will be reflected in our administrative expenses for the year ending 31 December 2016. We expect that the listing expenses would adversely affect our profit for the year ending 31 December 2016.

For further details, please see the section headed “Financial Information — Listing expenses” in this prospectus.

(ii) Risks relating to our property management services

Termination or non-renewal of our property management services contracts could have a material adverse effect on our business, financial position and results of operations

For the years ended 31 December 2013, 2014 and 2015 and the five months ended 31 May 2015 and 2016, we generate a significant amount of revenue from our property management services segment, which accounted for approximately 16%, 18%, 19%, 21% and 19% of our total revenue, respectively. As of the Latest Practicable Date, our property management service contract with the property owners’ association of Clifford Estates which contributes the highest property management income of our Group in terms of residential community have a duration of five years. The existing management service contract with Clifford Estates will expire in September 2020. For further details, please see the section headed “Business — Our property management services — Expiration schedule for property management service contracts” in this prospectus. As of the Latest Practicable Date, there are in total 12 residential communities and two pure commercial properties that we are contracted to manage. Save for the property management service contract in respect of Clifford Estates which will expire on 14 September 2020, the property management service contracts of the other 11 residential communities does not have a specified expiry date and will expire when the respective property owners’ association is formed. There is no assurance that the Group will be able to enter into property management service contract for these residential communities or that any of these property management service contracts will not be terminated prior to expiration nor will be renewed when their terms expire or whether the property owners’ association of these residential communities will engage us once it is established. Cessation or non-renewal of any of management contracts could have a material and negative impact on our revenue from property management services and ultimately on our business, financial position and results of operations as a whole. In addition, our

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property management fees on the two pure commercial properties would also be decreased as a result of decrease in occupancy rate of such pure commercial properties which is out of our control.

Lack of proven track record in obtaining property management service contract for residential communities developed by other property developers

The Group has been successful in obtaining most of property management service contracts through tenders for residential communities developed by the Private Group. The Group does not preclude any business opportunity through tendering for property management service contracts for residential communities that were developed by other property developers which were Independent Third Parties. As of the Latest Practicable Date, the Group has yet obtained any property management service contracts that were developed by other property developers. Contribution to the Group's turnover from managing residential communities developed by other property developers and its related revenue and income potential of our business are unproven. If our Group chooses to bid for the property management service contracts for other residential communities, we cannot assure that the Group will be successful in obtaining property management service contract developed by other property developers, or that the contribution to the Group's turnover in terms of revenue or income would be positive and significant if the Group is able to secure contracts for management services with other property developers in the future.

We may not be able to successfully collect the property management fees

We may encounter difficulties in collection of property management fees. The management contracts of the 12 residential communities and two pure commercial properties that we manage typically do not specify through what means we can seek to collect overdue fees. Although we persistently contact residents or property owners with outstanding property management fees via various collection measures such as text messages, mails or phone calls, we cannot assure you that such measures will be effective.

We may be subject to losses or our margins may be reduced if we fail to increase the property management fees to cover our shortfalls

To increase the property management fees in residential communities with property owners' association, the property management companies shall firstly obtain approval from property owners with their aggregate exclusive area of more than half of the total GFA, and these property owners shall also represent more than 50% of the total number of property owners. Unavoidably, it is sometimes difficult to earn the support of all property owners on such issue, especially for communities or properties of a relatively large scale.

During the Track Record Period, there were claims seeking orders from the court to strike out the passed resolutions regarding the increase of the property management fee by the property owners' association of Clifford Estates in April 2011 and April 2014, respectively. As of the Latest Practicable Date, the Company has been provided with two judgements of Guangzhou Panyu District People's Court dated 5 April 2016 (the

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“**Judgements**”). Two claims to strike out the increment in the property management fee were dismissed by Guangzhou Panyu District People’s Court. As of the Latest Practicable Date, to the best knowledge of the Directors, the relevant plaintiffs have filed their appeals against the Judgements (the “**Appeals**”) to Guangzhou Intermediate People’s Court. Notification has not been given as to when the court will schedule a hearing, if any, and deliver a ruling in respect of the Appeals. As advised by the property owners’ association of Clifford Estates, its lawyer advised that it is most likely that the Appeals and any other similar claims (collectively, the “**Claims**”) will be dismissed based on, amongst others, the Judgements and the following reasons, (a) in respect of the 2011 Fee Increment, the Claims were initiated outside the limitation period as prescribed under the relevant PRC laws and regulations; (b) in respect of the 2014 Fee Increment, the decision of the property owners’ association of Clifford Estates to increase the property management fees has complied with the relevant PRC laws and regulations and the rules of procedures of Clifford Estates, and was approved by property owners with their aggregate exclusive area of more than half of the total GFA and the approving property owners representing more than 50% of the total number of property owners; and (c) there was a precedent case with similar facts, in which the court dismissed the claim by a resident opposing the increase in property management fees where majority of the residents paid the increased property management fees and thereby implying their consent about the increase.

If the courts subsequently decide to strike out the resolution to increase property management fees, the relevant portion of our revenue that could be deemed invalid amounted to approximately RMB1.4 million, RMB2.8 million, RMB3.9 million and RMB1.6 million for the three years ended 31 December 2015 and the five months ended 31 May 2016 respectively, representing approximately 0.6%, 1.2%, 1.5% and 1.4% of our Group’s total revenue of the respective period, in which case it would have an adverse effect on the financial position or results of operation of the Group.

There is no assurance that similar legal proceedings, disputes or opposition from the property owners will not take place in the future. If we fail to negotiate with the property owners’ association or the property owners’ association fails to obtain consents from the property owners for an increase in property management fees to cover the relevant costs, we may experience material adverse effect on our profitability, financial position and results of operations or even suffer losses.

Accidents when we perform our services may expose us to litigation and reputational risk

As part of our property management service scope, we provide security, gardening, shuttle bus and repair and maintenance services to the residential communities we managed through our own employees. Security, gardening or repair and maintenance services may also subject to a certain level of possibilities of accidents. In any of these events, it could lead to damage to, or demolition of, properties of the residential communities, personal injury or death and legal liability. Working at dangerous environment presents risks to our employees. Furthermore, we are exposed to claims that may arise from employees’ negligence or recklessness to residents when performing their services. We may be held liable for the employees’ or residents’ injuries or deaths. Interruptions to our business may also be encountered due to investigations conducted by

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the government authorities or implementation of safety measures upon occurrence of accidents. Any of the abovementioned incidents could adversely affect our reputation, business, financial position and results of operations.

Interruption to operations, which relies on surveillance through remote security camera, may adversely affect our business, financial position and results of operations

With the aid of automation devices, we have centralised certain standardised services by commanding and supervising on-site services teams through remote security cameras. Many factors such as power outage and damage to our equipment may cause interruptions to our centralised remote system. If we experience any power outage, our computer system which is a key equipment of our remote surveillance system may not function properly. Our equipment may also be subject to damages caused by unforeseeable events and unexpected natural disasters, such as earthquake, fire or flood, or other similar events. If there is any interruption to our centralised business operation, our business, financial position and results of operation may be materially and adversely affected.

(iii) Risks relating to our retail services

We may not be able to maintain the balance between the levels of products supplied in satisfying customers without storing too much inventory

The profitability of our retail service segment depends on having sufficient supplies of products in satisfying customer demands while maintaining the lowest optimum level of inventory for lesser storage costs. For the years ended 31 December 2013, 2014 and 2015 and the five months ended 31 May 2016, our inventory balances of merchandise goods were approximately RMB7.5 million, RMB6.8 million, RMB6.6 million and RMB8.4 million, respectively, representing 4.2%, 3.5%, 3.9% and 4.5% of our total assets, respectively. In addition, our inventory turnover days for our retail service segment were approximately 48 days, 41 days, 40 days and 47 days respectively for each of the years ended 31 December 2013, 2014 and 2015 and the five months ended 31 May 2016. We may not achieve optimal level of inventory such that there may be either a shortage of goods or overstocking of merchandise with the resulting costs of warehousing and storage, hence our operations and profitability may be adversely affected.

Dependence on our stall tenants' and concessionaires' cooperation in upholding the reputation of our brand image

As of 31 May 2016, there were approximately 139 stall tenants and 18 concessionaires in our retail service segment. Our shop tenants and concessionaires all operate and sell their products to our customers under their own logos and/or brand names inside our retail outlets. As such, they are independent legal entities with the capacity to bear civil responsibilities independently. In the PRC, pursuant to the relevant standard form of agreements with our stall tenants and concessionaires, the stall tenants or the concessionaires are solely liable for their wrongdoings conducted inside our retail outlets and/or misuse of the logos of our supermarket or convenience store in our retail

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service segment, we are entitled to claim compensation for any loss we suffer from such wrongdoings and/or misuse by the shop tenants or the concessionaires, on the basis of the default clauses under the respective tenancy agreement or the concessionaires agreement. We may also be able to claim compensation for losses suffered on the basis of the principles of tort.

The brand names of our retail outlets operating in the name of “Clifford Supermarket” may be misused by certain concessionaires, there may be an adverse impact on our reputation and group image. Given that most stall tenants or concessionaires are generally small to mid-size companies, such defaulting stall tenants or concessionaires may not be able to compensate us direct and indirect losses which we may suffer as a result of the wrongdoings. In addition, there is a risk of third party lawsuits against us for such wrongdoings of the stall tenants or concessionaires, and we may incur additional litigation costs and expenses to defend such litigation. The additional costs and expenses may have an adverse impact on our business and financial results.

We may be involved in litigation in relation to defective goods sold at our stores

Under the existing PRC laws and regulations, vendors who sell defective goods in the PRC may incur liability for loss or injury caused by such goods. For more details on product liabilities, please see the paragraph headed “— Risks relating to our business — (i) Risks relating to our general operations — We do not carry product liability insurance and may be exposed to liabilities from disputes involving products and services sold or provided under our operations” in this section of this prospectus. In the event a claim is brought against us in regards to defective products, our business, financial position and reputation may be adversely affected.

We may fail to maintain beneficial arrangements with our current and prospective direct suppliers, concessionaires and stall tenants

We maintain our relationships with our direct suppliers so as to ensure a stable supply of products for sale at our retail outlets. We also try to attract more brand names as concessionaires or stall tenants in our supermarket and/or wet market. Our retail services and its future prospect therefore depend on whether we are able to maintain such beneficial arrangements with our direct suppliers, concessionaires and stall tenants. We cannot assure that such arrangements could be continued and if we are unable to do so, our supply of products and concessionaires may be affected and thereby, our profitability will be adversely affected.

If we open new retail outlets that are outside Guangdong Province, our existing direct suppliers and concessionaires may be unwilling or unable to supply their products or establish their presences at these new retail outlets due to various reasons, including additional costs may be incurred, nature of their products not suitable for long distance transportation or restriction on their territorial distributorship. If we are unable to maintain our arrangements with our direct suppliers and concessionaires or find replacement for our direct suppliers and concessionaires with acceptable terms and condition, our revenue and profitability may be adversely affected.

In general, we have agreements with a term of one year with our direct suppliers, concessionaires and stall tenants. Competition is intense among the retail industry in the

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PRC. We cannot assure that such direct suppliers, concessionaires and stall tenants will not terminate the agreement or choose to renegotiate the current terms of the agreement. In the event that such agreements are terminated and we are unable to find suitable replacements, our reputation, profitability and financial conditions may suffer.

(iv) Risks relating to our catering services

Any significant liability claims, food contamination complaints from our customers or reports of incidents of food tampering could adversely affect our reputation, business and operations

Being in the catering service industry, we face an inherent risk of food contamination and liability claims. Our food quality depends largely on the quality of the food ingredients and raw materials provided by our suppliers and we may not be able to identify all defects in our supplies. Any food contamination happening at our catering outlets or during the transportation from our suppliers to our catering outlets that we fail to notice or prevent could adversely affect the quality of the food served in our catering outlets. With our current scale of operations, there is a risk that certain of our employees may not follow our internal guidance on food handling and its quality control procedures and requirements. Any failure in detecting defective food supplies, or observing proper sanitation, cleanliness and other quality control requirements or standards in our operations could adversely affect the quality of the food we serve at our catering outlets, which could lead to liability claims, complaints and related negative publicity, reduced customer traffic at our catering outlets, the imposition of penalties against us by relevant authorities and compensation awards by courts in the PRC. During the Track Record Period and up to the Latest Practicable Date, we have not experienced any material incidents of non-compliance relating to food and health related matters. We cannot assure, however, that we will not receive any food contamination claims or defective products from our suppliers in the future. Also, if such incidents occur, we may be unable to receive compensation from suppliers for contaminated ingredients used in our dishes and indemnity provisions in our supply contracts may not be sufficient. Any such incidents could materially harm our reputation, financial condition and results of operations.

Our future growth depends on our ability to open and profitably operate new catering outlets. We may not be able to successfully enter into new markets

Our continued growth in relation to our catering depends on our ability to open and profitably operate new catering outlets. As of the Latest Practicable Date, we have 18 catering outlets in Guangdong Province and we currently plan to open five new catering outlets by the end of 2017. We may not be able to open new restaurants as quickly as planned. Delays or failures in opening new catering outlets could materially and adversely affect our growth strategy and our expected financial and operational results. In obtaining new properties for catering outlet sites, we may be faced with intense competition from our competitors in the catering industry as well as other catering operators. We may also encounter delay due to the application process of relevant material licences and approvals from the government authorities, the timing of which is beyond our control. Even if we are able to open additional catering outlets as planned, these new catering outlets may neither be profitable nor have results comparable to our

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existing catering outlets for a period of time. The substantial efforts and expenditure associated with the development of each additional catering outlet may cause our operating results to fluctuate.

We may also open new catering outlets in markets where we have little or no operating experience. Those markets may have different competitive conditions, consumer tastes and discretionary spending patterns from our existing markets. As a result, we may not be able to open new catering outlets in these markets on a timely manner, and if opened, may be less successful than catering outlets in our existing markets. Consumers in a new market may not be familiar with our brand and we may need to build brand awareness in that market through greater investments in advertising and promotional activities than we originally planned. We may find it more difficult in new markets to hire, motivate and keep qualified employees who share our business philosophy and culture. Catering outlets opened in new markets may also have lower average sales or higher construction, operating costs than catering outlets in existing markets. In addition, we may have difficulty in finding reliable suppliers or distributors with adequate supplies of ingredients meeting our quality standards in the new markets and we may take longer to set up similar logistics chain with suitable quality control in such new markets. Sales at catering outlets opened in new markets may take longer than expected to ramp up and reach, or may never reach, expected sales and profit levels, thereby affecting our overall profitability. We cannot assure that we will be able to maintain our profitability as we continue to expand into new markets.

Our business may be affected by changes in consumer taste and discretionary spending, and we may not be able to develop new products in a timely manner that are responsive to such changes

The catering service industry may be affected by consumer taste and preference. We would develop new products to adapt changes in dining trends and shifts in consumer taste in Guangdong Province and constantly updates our menu. We cannot assure that we could continue to develop new products and maintain an attractive menu to suit changing customer taste and general customer demands in the region. In addition, if prevailing health or dietary preferences and perceptions cause consumers to avoid our products in favour of alternative foods, our business could severely suffer.

We also depend on discretionary customer spending to a certain extent which is influenced by general economic conditions. Accordingly, we may experience declines in sales during economic downturns or prolonged periods of high unemployment rates. Any material decline in the amount of discretionary spending in the PRC may have a material adverse effect on our business, results of operations and financial conditions.

We are exposed to environmental liabilities and may have to incur significant capital expenditure if additional or stricter PRC laws and regulations are passed in relation to environmental protection

We are required to obtain and comply with environmental approvals and other relevant PRC government environmental permits for our catering services. Under applicable PRC laws and regulations, any restaurant construction or renovation must be subject to an environmental impact appraisal procedures (環境影響評價手續) and

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approved by the relevant environmental protection authorities before the commencement of the construction work. Following the completion of the construction or renovation project, normally, we should complete the check and acceptance procedures for the environmental protection facilities (建設項目竣工環境保護驗收手續) by the relevant environmental protection authorities before we commence use of the relevant site. The relevant environmental protection authorities will also ensure continuing compliance with applicable laws and regulations through random visits after the relevant site is put into use. If any incidents of non-compliance are found during such visits, the authorities may order rectification within a designated period of time. If we fail to rectify the area of non-compliance as ordered, the environmental protection authorities may order us to suspend our operations or to pay a fine.

During the Track Record Period, save as disclosed in the section headed “Business — Legal proceedings and compliance — Non-compliance record” in this prospectus, there has been no material non-compliance in respect of the applicable PRC environmental protection laws and regulations, there is no assurance however that we will at all times be in complete compliance with such laws, regulations and permits. Additional environmental matters may also arise in the future at sites where no problem is currently known or at sites that we may acquire in the future.

(v) *Risks relating to our Ancillary Living Services*

If we are not able to continue to attract learners to enrol in our classes at commercially viable fee levels, our revenue may decline and we may not be able to maintain our profitability

The success of our off-campus training services depends principally on the number of students or learners enrolled to our classes and the amount of class fees that our learners are willing to pay. For the years ended 31 December 2013, 2014 and 2015 and five months ended 31 May 2015 and 2016, we had approximately 9,000, 12,000, 19,000, 8,800 and 11,000 students or learners enrolments, and the revenue generated by off-campus training services was approximately RMB9.1 million, RMB13.9 million, RMB20.7 million, RMB7.6 million and RMB10.2 million, respectively. Therefore, our ability to continue to maintain and attract learners to enrol in our classes at commercially viable fee levels is critical to the continual success and growth of our off-campus training services. This, in turn, will depend on several factors, including, amongst others, our ability to develop new programmes and enhance existing programmes to respond to changes in market trends, education system and curriculum and learner demands, expand our geographic coverage, manage our growth while maintaining the consistency of our teaching quality, effectively market our programmes to a broader base of prospective students, develop additional high-quality class content and respond to market competition. Any inability to maintain or achieve the aforesaid could materially and adversely affect our revenue and profitability.

Claims could be brought against us in connection with injuries suffered by learners or other people at our premises which could adversely affect our reputation and our financial results

We could be held liable for accidents and injuries of learners and other people that occur at premises occupied by us which are caused by our negligence, for example,

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failure to provide adequate supervision or failure to maintain a safe environment. A successful liability claim against us could adversely affect our reputation and our financial results. Even if the claim did not materialise eventually, such a claim could cause unfavourable publicity, require substantial cost to defend and divert the time and attention of our management.

RISKS RELATING TO OUR INDUSTRIES

(i) *Risks relating to our general operations*

Macro-economic factors have had and may continue to have a material adverse effect upon our business, financial condition and results of operations

The industries that we operate in are affected by macro-economic factors, including changes in international, national, regional and local economic conditions, employment levels and consumer spending patterns. In particular, all of our operations are conducted in the PRC and accordingly, our results of operations are closely affected by the macro-economic conditions in the PRC. Any deterioration of the Chinese economy, decrease in disposable consumer income, fear of a recession and decreases in consumer confidence may lead to a reduction of customer traffic and average spending per customer at our retail outlets and catering outlets, which could materially and adversely affect our financial condition and results of operations.

Moreover, the occurrence of a sovereign debt crisis, banking crisis or other disruptions in the global financial markets that could impact the availability of credit generally may have a material and adverse impact on financing available to us. Renewed turmoil affecting the financial markets, banking systems or currency exchange rates may significantly restrict our ability to obtain financing from the capital markets or from financial institutions on commercially reasonable terms, or at all, which could materially and adversely affect our business, financial condition and results of operations.

(ii) *Risks relating to our property management services*

We operate in a highly competitive industry with numerous competitors and if we do not compete successfully against existing and potential competitors, our business, market share, profitability and results of operations may be materially and adversely affected

According to the Euromonitor Report, the property management industry in Guangdong Province is highly fragmented. We believe that our major competitors are those who possess the Qualification Certificate for Property Service Enterprise (Class One) (物業管理企業資質證書(一級)). Intense competition has been exerting downward pressure on the service fees of property management companies. Competition may further increase if our competitors expand their product or service offerings or if there is an influx of new players to our existing or new markets. We believe that we enjoy a number of advantages over our competitors, including (i) the nature of our parent company (being the Private Group) as a property developer which helps with our preliminary planning of our management policy; (ii) our extensive experience in property management for private residential communities; (iii) the primary scale, brand

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recognition, financial resources and service quality of our company; and (iv) holding of the Qualification Certificate for Property Service Enterprise (Class One) (物業管理企業資質證書(一級)) by our two subsidiaries in property management services. However, other market participants may have longer operating histories, more sufficient financial resources, greater brand name recognition, more extensive knowledge of our customer groups or larger customer bases. There can be no assurance that we will be able to continue to compete effectively or maintain or improve our market position against our current and potential competitors, failure of which could have a material adverse effect on our business, market share, profitability and results of operations.

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

For the years ended 31 December 2013, 2014 and 2015 and the five months ended 31 May 2015 and 2016, our revenue derived from providing property management services accounted for approximately 16%, 18%, 19%, 21% and 19% of our total revenue, respectively. Our operations are therefore substantively influenced by the PRC regulatory environment and measures in relation to the property management industry. Particularly, the property management fees that property management companies in the PRC may charge are stringently regulated and supervised by the relevant governmental authorities. In relation to fees charged for property management services, the relevant price administration department and construction administration department of the State Council are jointly responsible for its supervision and administration and such fees may be required to follow guidance prices imposed by the PRC government. For further details, please see the section headed “Summary of Principal Legal and Regulatory Provisions — A. Property management services — c. Property service fee” in this prospectus. Together with factors such as increasing labour and other operating costs, the limitation imposed on such service fees by the PRC government could adversely affect the earnings of property management companies. There is no assurance that the regulations imposed by the PRC authorities will not continue bringing an adverse effect on our business, financial position and results of operations.

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

From time to time, we have received complaints from property owners against the management services we provided in the respective housing estate. Legal actions may also arise if they are dissatisfied with our services and alleged that our services were inconsistent with the standards contained in our management contracts entered into with such group of property owners. For further details, please see the section headed “Business — Customer relationship management” in this prospectus.

Furthermore, we may be occasionally involved in disputes with and subject to claims by other parties involved in our business operations, including our third-party sub-contractors, suppliers, employees, or other third parties who suffer from injuries or damages within the area of the residential communities we manage. All of these disputes and claims may lead to legal or other actions which would cause negative influences against us in the aspects of our financial resources, our reputation and diversion of human resources and management’s attention from our core business activities. For more

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information, please see the section headed “Business — Legal proceedings and compliance” in this prospectus. Any such dispute, claim or proceeding may have a material adverse effect on our business, financial position and results of operations.

(iii) Risks relating to our retail services

We operate in a highly competitive industry and face increasing competition from online retailers

As the PRC retail industry is a highly competitive industry, we face constant pressures from small domestic retail operators to larger and international operators of department stores, supermarkets and convenience stores. These competitors may be able to provide lower prices, higher quality goods, additional services, coupled with better locations, greater experience in retailing, stronger relationships with direct suppliers and concessionaires, more extensive capital resources, a more advance customer database and logistics systems as well as stronger brand recognition.

Furthermore, e-commerce has developed rapidly in the PRC along with the significant increase in the number of Internet users. There are currently a large number of online sales platforms and online retailers in a wide range of product categories catering to consumers across the PRC. Online retailers may sell the same products at discounted prices as they generally have lower fixed costs compared with physical stores. We face increasing competition from online retailers and there is no guarantee that our customers would not choose online retailers due to their pricing advantage. Our attempts to remain competitive in the market by our promotional events and loyalty programmes may not succeed and may increase our costs. Additionally, if our attempts to remain competitive fail and our market share shrinks, our business and financial condition may be adversely affected.

Our customer’s demands are affected by seasonality

During the year, consumer spending patterns in the PRC tend to fluctuate depending on the season. In our experience, we generally record higher sales during major holidays and festivals such as New Year holiday, Chinese New Year holiday, the Labour Day holiday, Mid-Autumn Festival and the National Day holiday. Therefore, unexpected events such as adverse weather conditions during such periods may greatly affect our financial results.

(iv) Risks relating to our catering services

We face risks related to instances of food-borne illnesses, health epidemics and other outbreaks

Our business are susceptible to food-borne illnesses, health epidemics and other outbreaks. We cannot guarantee that our internal control and training will be fully effective in preventing all food-borne illnesses. In addition, our reliance on third-party food suppliers and distributors increases the risk that food-borne illness incidents could be caused by third-party food suppliers and distributors outside of our control and the risk of multiple locations instead of a single restaurant being affected. Reports in the

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media of instances of food-borne illnesses could negatively affect our industry overall and our business, regardless of whether we were responsible for the spread of the illness.

Other illnesses, such as hand, foot and mouth disease or avian influenza, could adversely affect the supply of some of our food ingredients and significantly increase our costs and thereby impacting our restaurant sales, to a more serious degree, forcing the closure of some of our restaurants and conceivably having significant adverse effect on our results of operations.

Also, we face risks related to health epidemics. Past occurrences of epidemics or pandemics, depending on their scale of occurrence, have caused different degrees of damage to the national and local economies in the PRC. In April 2013, there were outbreaks of highly pathogenic avian flu, caused by the H7N9 virus, in certain parts of the PRC. Since early 2013, there has been several reports of reoccurrences of H7N9 which caused several confirmed deaths. In June 2009, the World Health Organization declared the outbreak of H1N1 influenza to be a pandemic. An outbreak of any epidemics or pandemics in the PRC, especially in Guangdong Province, may result in quarantines, temporary closures of our restaurants, travel restrictions or the sickness or death of key personnel and our customers. Any of the above may cause material disruptions to our operations, which in turn may materially and adversely affect our financial condition and results of operations.

Intense competition in the catering service industry could prevent us from increasing or sustaining our revenue and profitability

The catering service industry is intensely competitive with respect to, among other things, food quality and consistency, taste, price-value relationships, ambiance, service, location, supply of quality food ingredients and employees. We face significant competition at each of our locations from a variety of restaurants, including locally-owned restaurants and regional and international chains. Our competitors also offer dine-in, take-away and delivery services. There are a number of well-established competitors with substantially greater financial, marketing, personnel and other resources than ours, and many of our competitors are well established in Guangdong Province, or in the regions which we intend to open new restaurants. Additionally, other companies may develop new restaurants that operate with similar concepts and target our customers resulting in increased competition.

Any inability to successfully compete with the other restaurants may prevent us from increasing or sustaining our revenues and profitability and lose market share, which could have a material adverse effect on our business, financial condition, results of operations or cash flows. We may also need to modify or refine elements of our restaurant network to evolve our concepts in order to compete with popular new restaurant styles or concepts that develop from time to time. We cannot ensure that we will be successful in implementing these modifications or that these modifications will not reduce our profitability.

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(v) *Risks relating to our Ancillary Living Services*

Competition in the Ancillary Living Services industry sectors that we serve could lead to pricing pressures, reduced operating margins, loss of market share, departure of key employees and increased capital expenditures

The industry sectors of our Ancillary Living Services (including the off-campus training services, property agency services, employment placement services and laundry services) in the PRC are highly fragmented and competitive, and we expect competition in these sectors to persist and intensify due to low barriers of entry amongst other factors, new competitors can easily enter and begin operating in the respective markets. We compete with our competitors across a range of factors, including fee level and quality of employees. Our competitors may adopt similar curriculum delivery, learning support and marketing approaches, with different pricing and service packages that may have greater appeal than our offerings. In addition, some of our competitors may have more resources than us and may be able to devote greater resources than we can to the development and promotion of their variety of programmes or classes and respond more quickly than we can to changes in learner demands, in-class materials, market needs or new technology.

As such, we may be required to reduce our fees or increase marketing expenses or staff salary spending in response to competition in order to retain or attract customers and quality employees or pursue new market opportunities. If we are unable to successfully compete for new customers, attract and retain competent and quality staff, enhance the quality of our services or control competition costs, our business and results of operations may be materially and adversely affected.

Dependence on the performance of the PRC property market

The performance of the property agency industry is affected by the cyclical patterns of the PRC property market. The PRC property market is volatile and may experience over-supply and property price fluctuations. It is possible that the PRC central and local governments from time to time may adjust monetary and other economic policies to curtail the PRC and local economies if they are perceived as overheated in the future, and regulatory measures may be further implemented to contain the development of the PRC property market.

Pre-requisites of provisions of property agency services in the PRC

According to the relevant PRC laws and regulations at national level, a property agency enterprise should have an independent PRC legal person status and make appropriate filings with the competent real estates administrative authorities above county level where such enterprise is registered. In addition to the State requirements, the relevant local administrative authorities in some provinces, municipalities or cities require to obtain the relevant property agency qualification certificates issued by such authorities prior to their engagement in the relevant property agency business in such provinces, municipalities or cities. Save as disclosed in the section headed “Business — Legal proceedings and compliance — Non-compliance record” in this prospectus, we have obtained the relevant certificate and completed the filings in relation to the operation of our headquarters and branches. The qualification certificates are subject to

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renewal and there is no assurance that we will be able to renew such qualification certificates upon their expiration. In addition, eligibility criteria for these certificates and the renewal thereof may change from time to time and additional licences, certificates, permits and other pre-requisites may be required, and more stringent compliance requirements may have to be observed. In the event that we fail to renew any of these qualification certificates in time or fail to obtain any of such additional licences, certificates or permits, or fail to comply with any of such additional pre-requisites or other compliance requirements, our operations may be adversely affected. In the event of the introduction of any new laws and regulations or changes in the existing laws and regulations which prohibit or make it more onerous for us to continue with the operation of any part of our business, our operations may have to be restricted and our profitability could be adversely affected.

Our Ancillary Living Services have substantial reliance on our employees, and if we are not able to attract and retain qualified employees in delivering our services, we may not be able to maintain consistent service quality and our business, results of operations could be materially and adversely affected

We substantially rely on our employees for the provision of our Ancillary Living Services to our customers. Our staff are therefore critical in maintaining the quality of our services and upholding our brand and reputation. As of 31 May 2016, we had approximately 192 employees serving our Ancillary Living Services. We must continue to attract and retain our personnel as competition for experienced and skillful staff is intense where only a limited pool of qualified personnel in the industries of our Ancillary Living Services. We cannot assure that we will be able to retain the services of our personnel and other capable employees in the future, and shortages of which could adversely and materially affect our business and results of operations.

RISKS RELATING TO CONDUCTING BUSINESS IN THE PRC

Changes in PRC economic, political and social conditions as well as government policies, could have a material adverse effect on our results of operations and prospects

Substantially all of our business operations, the residential communities we manage, our restaurants, retail stores, customers, and suppliers are located in the PRC. Accordingly, our business, financial condition, results of operations and prospects are, to a significant degree, subject to economic, political and social conditions in the PRC. Although the PRC economy has been transitioning from a planned economy to a more market-oriented economy for more than three decades, a substantial portion of productive assets in the PRC is still owned or controlled by its government. In addition, the PRC government continues to play a significant role in regulating industry development by imposing industrial policies. The PRC government also exercises significant control over the national economic development through the allocation of resources, controlling payments of foreign currency-denominated obligations, setting monetary policies and providing preferential treatment to particular industries or companies.

Although the overall growth of the PRC economy is significant over the past decade, growth has been uneven, both geographically and among various sectors of the economy. The PRC government has implemented various measures to encourage economic growth and guide

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the allocation of resources. Some of these measures or reforms may have a positive effect on the overall and long-term market development, but we cannot predict if there will be any negative effect on us. For instance, our results of operations may be adversely affected by changes in tax regulations that are applicable to us. In addition, the PRC government has expressed in recent years its concerns relating to the rapid growth in industrial production, bank credit, fixed investments, money supply and price of real estate. Accordingly, the PRC government has taken certain measures to control economic growth at a more sustained and healthy pace, such as applying restrictions on bank loans to certain sectors and increasing lending and deposit interest rates.

We may be considered a “resident enterprise” under the EIT Law and income tax on the dividends that we receive from our PRC subsidiaries may increase, our financial condition and results of operations may be materially and adversely affected

Our Company was incorporated in the Cayman Islands. We conduct our business through our subsidiaries in the PRC. Under the EIT Law, enterprises established under the laws of foreign countries or regions and whose “de facto management bodies” are located within the PRC territory are considered “resident enterprises” and will generally be subject to enterprise income tax at the rate of 25% on their global income. On 6 December 2007, the State Council adopted the Regulation on the Implementation of EIT Law, effective as of 1 January 2008, which defines the term “de facto management bodies” as “bodies that substantially carry out comprehensive management and control on the business operation, employees, accounts and assets of enterprises”. Currently, our management is based in the PRC, and may continue to be based in the PRC in the future. On 22 April 2009, SAT issued the SAT Circular No. 82, which provides for certain specific criteria for determination of what constitutes “de facto management bodies” for foreign enterprises which are controlled by PRC enterprises. The criteria set forth in the SAT Circular No. 82 do not apply directly to us because we are currently beneficially owned by non-PRC individuals and thus we are not a PRC company-controlled offshore enterprise. It remains unclear how the tax authorities will treat an overseas company like us invested or controlled ultimately by an individual non-PRC citizen, and we cannot assure you that we will not be deemed a PRC resident enterprise under the EIT Law.

Moreover, if, in accordance with SAT Circular No. 82, we were considered a PRC resident enterprise, we would be subject to the corporate income tax at a rate of 25% on our global income, and any dividend received by our non-resident enterprise shareholder may be subject to a withholding tax at a rate of up to 10%, unless such non-resident shareholder’s jurisdiction of incorporation has a tax treaty with the PRC that provides for a different withholding tax agreement. In addition, although the EIT Law provides that dividend payments between qualified PRC resident enterprises are exempted from enterprise income tax, due to the short history of the EIT Law, it remains unclear as to the detailed qualification requirements for this exemption and whether dividend payments by our PRC subsidiaries to us would meet such qualification requirements if we were considered a PRC resident enterprise for this purpose. In such case, our profitability and cash flow would be materially and adversely affected as a result of our global income being taxed under the EIT Law.

Governmental control of currency conversion and future fluctuation of Renminbi exchange rates may affect our business operations and reduce the value of, and dividend payable on, our Shares in foreign currency terms

The value of the Renminbi fluctuates. It is subject to changes in the PRC government’s policies and depends to a large extent on domestic and international economic and political

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developments as well as supply and demand in the local market. Since 1994, the conversion of Renminbi into foreign currencies, including Hong Kong and U.S. Dollars, has been based on rates set by PBOC, which are determined daily based on the previous day's interbank foreign exchange market rates and current exchange rates on the world financial markets. On 21 July 2005, the PRC government changes its decade-old policy of pegging in the value of the Renminbi to that of the U.S. Dollar. Under the current policy, the Renminbi is permitted to fluctuate within a narrow and managed band against a basket of certain foreign currency determined by the PBOC. On 18 May 2007, the PBOC announced that the floating band of Renminbi trading prices against the U.S. Dollar in the inter-bank spot foreign currency exchange market would increase from 0.3% to 0.5% and this number has further increased to 1% in April 2012.

We receive all our revenue in Renminbi. Under our current structure, our income is primarily derived from dividend payments from our subsidiaries, which are all located in the PRC. Shortages in the availability of foreign currency may restrict the ability of our subsidiaries to remit sufficient foreign currency to pay dividends or other payments to us, or otherwise satisfy their foreign currency denominated obligations. The PRC government imposes controls on the convertibility of Renminbi into foreign currencies and, in certain cases, the remittance of foreign currency out of China. Under the existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and expenditures from trade related transactions, can be made in foreign currencies without prior approval from the SAFE by complying with certain procedural requirements. However, approval from the SAFE or its local branch is required where Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies. The PRC government may also at its discretion impose other measures in the future regarding control over foreign currencies for current account transactions. With exports threatened by the recent global economic downturn, the PRC government may be more reluctant to exiting currency controls at rapid pace in the near term of governmental control over currency conversion prevents us from obtaining sufficient foreign currency, we may not be able to pay dividends in foreign currencies to Shareholders. In addition, such control may limit our ability to purchase raw materials outside China or otherwise fund our business activities that are conducted in foreign currencies by means of overseas investment and international loans, and could also affect our subsidiaries' abilities to obtain foreign exchange through debt or equity financing, including by means of loans or capital contribution from us.

SAFE regulations may limit our ability to finance our PRC subsidiaries effectively with the net proceeds from the Global Offering, which may affect the value of your investment and may make it more difficult for us to pursue growth through acquisitions

We plan to finance our PRC subsidiaries with the net proceeds from the Global Offering through overseas shareholder loans or additional capital contributions, which require registration with or approvals from PRC government authorities. Any overseas shareholder loans to our PRC subsidiaries must be registered with the local branch of SAFE as a procedural matter, and such loans cannot exceed the difference between the total amount of investment our PRC subsidiaries are approved to make under the relevant PRC laws and their respective registered capital. In addition, the amounts of the capital contributions are subject to the approval of or filing with MOFCOM or its local counterpart. We may not obtain these government approvals or complete such registrations on a timely basis, if at all, with respect to

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future capital contributions or foreign loans by us to our PRC subsidiaries. If we fail to receive such approvals or complete such registration, our ability to use the proceeds of the Global Offering to capitalise our PRC operations may be negatively affected, which could adversely affect our PRC subsidiaries' liquidity and our ability to fund and expand our business.

On 9 June 2016, the SAFE promulgated the Circular on Reforming and Regulating Policies on the Management of the Settlement of Foreign Exchange of Capital Accounts (國家外匯管理局關於改革和規範資本項目結匯管理政策的通知) (“SAFE Circular No. 16”), which stipulates that the use of foreign exchange incomes of capital accounts by foreign-invested enterprises shall follow the principles of authenticity and self-use within the business scope of enterprises and the foreign exchange incomes of capital accounts and the capital in Renminbi obtained by the foreign-invested enterprise from foreign exchange settlement shall not be used for certain purposes stipulated in SAFE Circular No. 16. Violations of SAFE Circular No. 16 could result in administrative penalties. For further details of SAFE Circular No. 16, please see the section headed “ Summary of Principal Legal and Regulatory Provisions — D. General operation — e. Foreign exchange” in this prospectus. As a result, we are required to apply Renminbi funds converted from the net proceeds we expect to receive from the Global Offering within the business scope of our PRC subsidiaries. SAFE Circular No. 16 may significantly limit our ability to transfer the net proceeds from the Global Offering or any other offering of additional equity securities to our PRC subsidiaries or invest in or acquire any other companies in the PRC.

The PRC legal system has inherent uncertainties that could have material adverse effect on us and may limit the legal protection available to our investors

Our businesses are conducted principally in the PRC and are subject to the PRC laws, regulations and rules. The PRC legal system is a civil law system based on written statutes. Unlike common law jurisdictions, prior court decisions in China can be cited as reference but with limited precedential value. Since the late 1970s, with a view of developing a comprehensive system of commercial law, the PRC government has promulgated laws and regulations in relation to economic matters such as foreign investment, corporate organisation and governance, commerce, taxation, finance, foreign exchange and trade. However, as many of these laws, rules and regulations are relatively new, and because of the limited volume of published court decisions and their non-binding nature, the PRC legal system, including the interpretation and enforcement of these laws, rules and regulations, has inherent uncertainties and may not be as consistent or predictable as in other more developed jurisdictions. Failing to interpret these laws, rules and regulations correctly could have a material adverse effect on our business.

In addition, the PRC legal system is based in part upon government policies and internal rules that may have a retroactive effect. As a result, some of our currently lawful activities may in the future be deemed to violate certain new policies and rules which have a retrospective effect. Finally, PRC laws, rules and regulations applicable to companies listed overseas do not distinguish among minority and controlling shareholders in terms of their rights and protections, and our minority shareholders may not have the same protections afforded to them by companies incorporated under the laws of the United States and certain other jurisdictions. The materialisation of all or any of these uncertainties could have a material adverse effect on our financial position and results of operations.

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

A majority of our subsidiaries are established in the PRC, of our senior management members reside in the PRC, and substantially all of our stores and restaurants are located in the PRC. Therefore, it may not be possible for investors to effect service of process upon those persons inside the PRC or to enforce against us or them in the PRC any judgements obtained from non-PRC courts or with respect of other matters arising under applicable laws.

The PRC does not have treaties providing for the reciprocal recognition and enforcement of judgements of courts with many other countries, such as the Cayman Islands, the United States, the United Kingdom and Japan. On 14 July 2006, the PRC and Hong Kong signed the “Arrangement on Reciprocal Recognition and Enforcement of Judgements 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” (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). However, only if such final judgement granted by Hong Kong courts and which fulfills certain criteria are recognised by certain PRC courts.

RISKS RELATING TO THE GLOBAL OFFERING

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

The Offer Price of our Shares is higher than the unaudited net tangible assets per Share as at 31 May 2016 (assuming the Capitalisation Issue had been completed). Therefore, purchasers of our Shares in the Global Offering will experience an immediate dilution to the value of the unaudited pro forma adjusted net tangible assets of HK\$0.20 per Share, based on the maximum Offer Price of HK\$0.46 per Share.

In order to expand our capacity and business, we may consider offering and issuing additional Shares or may need to raise additional funds in the future. There is a possibility that investors may experience further dilution in the net tangible asset book value per Share of their Shares if we issue additional Shares in the future at a price which is lower than the net tangible asset book value per Share. Alternatively, if additional funds are raised through the issuance of our new equity or equity-linked securities other than a pro rate basis to existing Shareholders, the percentage ownership of such Shareholders in us may be reduced.

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

Prior to the Global Offering, there was no public market for our Shares. Following the completion of the Global Offering, the Stock Exchange will be the only market on which our Shares are listed. We cannot assure that an active, liquid public trading market for our Shares will develop upon the present listing on the Stock Exchange. If an active trading market for our Shares does not develop or is not sustained after the Global Offering, we cannot assure that the market price and liquidity of our Shares could not be materially and adversely affected.

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The trading price of our Shares may be volatile, which could result in substantial losses for our investors

The trading price of our Shares may be volatile and could fluctuate widely in response to factors beyond our control, including general market conditions of the securities markets in Hong Kong, China and elsewhere in the world. In particular, performance and fluctuation of the market prices of other companies with business operation located mainly in the PRC that have listed their securities in Hong Kong may affect the volatility in the price of and trading volumes for our Shares. These broad market and industry factors may significantly affect the market price and volatility of our Shares, regardless of our actual operating performance.

Further to market and industry factors, the share price and trading volume for our Shares may be highly volatile for specific business reasons. For instance, factors such as variations in our turnover, earnings and cash flow, or occurrence of any of the risks described in this section, could cause the market price of our Shares to fluctuate substantially. Any of these factors may result in large and sudden changes in the price and trading volume of our Shares.

Future sales, or perceived sales, of substantial amounts of our Shares in the public market could have a material adverse impact on the prevailing market price of our Shares

Any issuance of new Shares, any future sales of significant number of our Shares, by our existing Shareholders, in the public market, or any possibility that such issuances or sale may occur, could also contribute to declines of the market price of our Shares and significantly impair our ability to raise equity capital through offerings of our Shares in the future.

In addition, the Shares held by our Controlling Shareholder are subject to a lock-up period after completion of the Global Offering. For further details, please see the section headed “Underwriting — Underwriting arrangements and expenses — Hong Kong Public Offering — Hong Kong Underwriting Agreement” in this prospectus. While we are not aware of any intentions of our Controlling Shareholder to dispose of significant number of our Shares after the completion of the lock-up periods, we are not in a position to give any assurances that they will not dispose of their Shares they may own. Future sale of substantial number of our Shares by our Controlling Shareholder following the completion of the relevant lock-up period could materially and adversely affect the prevailing market price of our Shares.

The market price of our Shares when trading begins could be lower than the Offer Price

Following the Global Offering, our Shares may trade in the public market below the Offer Price. The initial price to the public of our Shares will be determined on the Price Determination Date. However, our Shares will not commence trading on the Stock Exchange until they are delivered. Therefore, investors may not be able to sell or otherwise deal in the Offer Shares during that period. Holders of our Shares are subject to the risk that the price of our Shares when trading begins could be lower than the Offer Price as a result of adverse market conditions or other adverse developments that may occur between the time of sale and the time trading begins.

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

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

Prospective investors should rely on this prospectus, and not place any reliance on any information contained in press articles or other media, in making their investment decision

Prospective investors should rely only on the information contained in this prospectus and the Application Forms to make their investment decision. We have not authorised anyone to provide them with information that is different from what is contained 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 published by us in compliance with the Listing Rules. We have not authorised any such press and media reports, and any financial information, financial projections, forecast, valuations and other information about us contained in such unauthorised press and media coverage may not truly reflect what is disclosed in this prospectus. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication, and accordingly do not accept any responsibility for any such press or media coverage or the inaccuracy or incompleteness of any such information. To the extent that any such information appearing in the press and media is inconsistent or conflicts with the information contained in this prospectus, we disclaim it, and accordingly prospective investors should not rely on any such information. In making their decision as to whether to purchase our Shares, investors should rely only on the information included in this prospectus and the Application Forms.

Forward-looking information may prove inaccurate

This prospectus contains forward-looking statements and information relating to us and our operations and prospects that are based on our current beliefs and assumptions as well as information currently available to us. When used in this prospectus, the words “anticipate,” “believe,” “estimate,” “expect,” “plans,” “prospects,” “going forward,” “intend” and similar expressions, as they relate to us or our business, are intended to identify forward-looking statements. Such statements reflect our current views with respect to future events and are subject to risks, uncertainties and various assumptions, including the risk factors described in this prospectus. Should one or more of these risks or uncertainties materialise, or if any of the underlying assumptions prove incorrect, actual results may diverge significantly from the

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forward-looking statements in this prospectus. Whether actual results will conform with our expectations and predictions is subject to a number of risks and uncertainties, many of which are beyond our control, and reflect future business decisions that are subject to change. In light of these and other uncertainties, the inclusion of forward-looking statements in this prospectus should not be regarded as representations that our plans or objectives will be achieved, and investors should not place undue reliance on such forward-looking statements. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set out in this section. We do not intend to update these forward-looking statements in addition to our on-going disclosure obligations pursuant to the Listing Rules or other requirements of the Stock Exchange.

Our Shareholders may not have the same protection of their shareholder rights under Cayman Islands law comparing to what they would have under Hong Kong law

Our corporate affairs are governed by our Memorandum of Association and Articles of Association, the Companies Law, and the common law of the Cayman Islands. The rights of Shareholders to take action against the Directors, the rights of minority Shareholders to institute 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 common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from English common law, which has persuasive, but not binding, authority on a court in the Cayman Islands. The rights of our Shareholders and the fiduciary responsibilities of our Directors under Cayman Islands law may not be the same as they would be under statutes or judicial precedent of other jurisdictions.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

WAIVER FROM STRICT COMPLIANCE WITH CHAPTER 14A OF THE LISTING RULES

Our Group has entered into certain transaction(s), which would constitute non-exempt continuing connected transactions under Chapter 14A of the Listing Rules after the Listing. Some of them have a term of more than three years. Details about such transactions together with the application for a waiver from strict compliance with the relevant reporting, announcement and independent shareholders' approval requirements (or, as the case may be, the requirement to have a fixed term of not more than three years) under Chapter 14A of the Listing Rules are set out in the section headed "Continuing Connected Transactions" in this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus contains particulars given in compliance with the COWUMPO, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) (as amended) and the Listing Rules for the purpose of giving information to the public with regard to our Company. Our Directors collectively and individually accept full responsibility for the accuracy of the information contained in this prospectus. Our Directors confirm that, having made all reasonable enquiries and to the best of their knowledge and belief, the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive and there are no other facts the omission of which would make any statement in this prospectus materially misleading.

INFORMATION ON THE GLOBAL OFFERING

The Hong Kong Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorised to give any information in connection with the Global Offering or to 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 authorised by our Company, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Underwriters, any of their respective directors, agents, employees or advisers 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.

Details of the structure of the Global Offering, including its conditions, are set out in the section headed "Structure of the Global Offering" in this prospectus, and the procedures for applying for Hong Kong Offer Shares are set out in the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus and in the relevant Application Forms.

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offering which forms part of the Global Offering. The listing of the Shares on the Stock Exchange is sponsored by the Sole Sponsor. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement on a conditional basis. One of the conditions is that we and the Sole Global Coordinator (for itself and on behalf of the Underwriters) have agreed on the Offer Price. For applicants under the Hong Kong Public Offering, this prospectus and the Application Forms set out the terms and conditions of the Hong Kong Public Offering. The International Placing will be fully underwritten by the International Underwriters under the terms of the International Underwriting Agreement. The Global Offering is managed by the Sole Global Coordinator.

The Offer Price is expected to be fixed by agreement among the Sole Global Coordinator (for itself and on behalf of the Underwriters) and us on the Price Determination Date. The

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

Price Determination Date is expected to be on or around Tuesday, 1 November 2016 and, in any event, not later than Friday, 4 November 2016. If, for any reason, the Offer Price is not agreed among us and the Sole Global Coordinator (on behalf of the Underwriters) the Global Offering will not proceed. For full information about the Underwriters and the underwriting arrangements, please see the section headed “Underwriting” in this prospectus.

RESTRICTIONS ON SALE OF OFFER SHARES

We offer the Hong Kong Offer Shares solely on the basis of the information contained and representations made in this prospectus and the related Application Forms and on the terms and subject to the conditions contained in this prospectus and the Application Forms.

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

No action has been taken to permit an offering of the Hong Kong Offer Shares or the distribution of this prospectus and/or the related Application Forms in any jurisdiction other than Hong Kong. Accordingly, this prospectus and/or the related 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 authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and/or the related Application Forms and the offering and sales 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 authorisation by the relevant securities regulatory authorities or an exemption therefrom.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Listing Committee of the Stock Exchange for the approval for the listing of, and permission to deal in, our Shares in issue and to be issued pursuant to the Capitalisation Issue and the Global Offering (including the additional Shares which may be issued pursuant to the exercise of the Over-allotment Option) and any Shares which may be issued upon the exercise of the Pre-IPO Share Options or any options that may be granted under the Share Option Scheme. None of our Shares or loan capital of our Company is listed on or dealt in on any other stock exchange. At present, our Company is not seeking or proposing to seek such listing or permission to deal in our Shares on any other stock exchange.

OUR SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, our Shares on the Stock Exchange 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 Listing Date or any other date as determined by HKSCC.

Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second trading day after a trading transaction. You should seek advice from your stockbroker or other professional advisers for details of such settlement arrangements as such arrangements will affect your rights and interests.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

We have made all necessary arrangements for our Shares to be admitted into CCASS. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

PROFESSIONAL TAX ADVICE RECOMMENDED

You should consult your professional advisers if you are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of, and dealing in, our Shares (or exercising rights attaching to them) under the laws of Hong Kong and the place of your operations, domicile, residence, citizenship or incorporation. We emphasise that none of the Sole Global Coordinator, the Sole Sponsor, the Underwriters, us and any of our or their respective directors or any other person or party involved in the Global Offering accepts responsibility for your tax effects or liabilities resulting from your subscription for, purchasing, holding or disposing of, or dealing in, our Shares or your exercise of any rights attaching to our Shares.

HONG KONG REGISTER OF MEMBERS AND STAMP DUTY

All Shares issued by us pursuant to applications made in the Hong Kong Public Offering will be registered on our register of members to be maintained in Hong Kong. Our Company's principal register of members will be maintained by our Company's principal share registrar in the Cayman Islands, Codan Trust Company (Cayman) Limited. Our register of members will be maintained by our Hong Kong share registrar, Tricor Investor Services Limited.

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

Dealings in the Shares registered in our Company's register of members of our Company maintained in Hong Kong will be subject to Hong Kong stamp duty. Only Shares registered on our Hong Kong register of members may be traded on the Stock Exchange.

PROCEDURE FOR APPLICATION FOR HONG KONG OFFER SHARES

The procedure for applying for Hong Kong Offer Shares is set out in the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus and on the relevant Application Forms.

EXCHANGE RATE CONVERSION

For the purpose of illustration only, save for historical figures and unless otherwise specified in this prospectus, the translations of Renminbi into U.S. dollars and of Hong Kong dollars into U.S. dollars have been made at the rates of RMB6.36 to US\$1.00 and HK\$7.75 to US\$1.00, and the translation of Renminbi into Hong Kong dollars has been made at the rate of HK\$1.00 to RMB0.86. No representation is made that (i) Renminbi amounts could have been, or could be, converted into U.S. dollars; (ii) that Hong Kong dollars could have been, or could be, converted into U.S. dollars; or (iii) the RMB amounts could have been, or could be, converted into Hong Kong dollars at such rates or at any other rate on such date or on any other date.

ROUNDING

Any discrepancies in any table between totals and sums of amounts listed therein are due to rounding.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on the Stock Exchange are expected to commence on Tuesday, 8 November 2016. The Shares will be traded in board lots of 10,000 Shares each. The stock code of the Shares will be 3686.

WEBSITE

The contents of any website mentioned in this prospectus do not form a part of this prospectus.

STOCK BORROWING ARRANGEMENT

In order to facilitate the settlement of over-allocations in connection with the Global Offering, the Stabilising Manager may choose to borrow up to 37.5 million Shares from Elland Holdings. Such stock borrowing arrangements will comply with the requirements set out in Rule 10.07(3) of the Listing Rules.

OVER-ALLOTMENT AND STABILISATION

Details of the arrangement relating to the Over-allotment Option and stabilisation are set out under the section headed “Underwriting” in this prospectus.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

DIRECTORS

Name	Address	Nationality
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Chairman and executive Director

Ms. MAN Lai Hung (孟麗紅)	House C Stanley Crest 5 Stanley Beach Road Stanley Hong Kong	Chinese
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Executive Directors

Mr. SUN Derek Wei Kong (孫偉剛)	Flat A, 8/F, Block 3 Villa Carlton 369 Tai Po Road Sham Shui Po Kowloon Hong Kong	U.S.
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Mr. LEONG Chew Kuan (梁昭坤)	Flat D, 20/F, Block 1, Roca Centre 18 Shu Kuk Street North Point Hong Kong	Malaysian
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Ms. LIANG Yuhua (梁玉華)	3A28 Clifford Estates Panyu Guangzhou PRC	Chinese
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Non-executive Director

Mr. LIU Xing (劉興)	Room 1807, Block 11 Lakeside Tower Clifford Estates Panyu Guangzhou PRC	Chinese
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INEDs

Ms. LAW Elizabeth (羅君美)	Flat D1, 4th Floor, Block D Wisdom Court No. 5 Hatton Road Hong Kong	Chinese
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DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Name	Address	Nationality
Mr. HO Cham (何湛)	Flat 1, 10th Floor, Block A, Wisdom Court No. 5 Hatton Road Hong Kong	Chinese
Mr. MAK Ping Leung (alias Mr. MAK Wah Cheung) (麥炳良, 又 名麥華章)	Flat B, 10/F Arts Mansion 43 Wong Nai Chung Road Happy Valley Hong Kong	British

For more information on our Directors and members of senior management, please see the section headed “Directors and Senior Management” in this prospectus.

OTHER PARTIES INVOLVED IN THE GLOBAL OFFERING

Sole Sponsor	Guotai Junan Capital Limited 27/F, Low Block Grand Millennium Plaza 181 Queen’s Road Central Hong Kong
Sole Global Coordinator and Sole Bookrunner	Guotai Junan Securities (Hong Kong) Limited 27/F, Low Block Grand Millennium Plaza 181 Queen’s Road Central Hong Kong
Joint Lead Managers	Guotai Junan Securities (Hong Kong) Limited 27/F, Low Block Grand Millennium Plaza 181 Queen’s Road Central Hong Kong
	Head & Shoulders Securities Limited Room 2511, 25/F, Cosco Tower 183 Queen’s Road Central Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Co-Managers

Koala Securities Limited

Room 803, 8/F
Hong Kong Chinese Bank Building
61 Des Voeux Road Central
Hong Kong

Gransing Securities Co., Limited

Rm 805-806, 8/F
Far East Consortium Building
121 Des Voeux Road Central
Hong Kong

Ample Orient Capital Limited

Unit 902, 9/F
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Ever-Long Securities Company Limited

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Dah Sing Life Building
99-105 Des Voeux Road Central
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AM Capital Limited

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Shun Tak Center
168-200 Connaught Road
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Auditor and Reporting Accountant

PricewaterhouseCoopers

Certified Public Accountants
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Legal Advisers to our Company

as to Hong Kong law:

Chiu & Partners

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Property valuer

**Jones Lang LaSalle Corporate Appraisal
and Advisory Limited**

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Receiving Banker

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15/F, Standard Chartered Tower
388 Kwun Tong Road
Kwun Tong

CORPORATE INFORMATION

Registered office	Cricket Square Hutchins Drive P. O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Headquarters in the PRC	8 Shiguang Road Panyu Guangzhou Guangdong PRC
Place of business and headquarter in Hong Kong	7th Floor Chai Wan Industrial City, Phase II 70 Wing Tai Road Chai Wan Hong Kong
Company's website	<u>www.cliffordmodernliving.com</u> (information contained in this website does not form part of this prospectus)
Company secretary	Mr. YU Ding Him Anthony, CPA Flat A, 28/F Block 6 Park Central Tseung Kwan O Hong Kong
Authorised representatives	Mr. LEONG Chew Kuan Flat D, 20/F, Block 1, Roca Centre 18 Shu Kuk Street North Point Hong Kong Mr. YU Ding Him Anthony Flat A, 28/F Block 6 Park Central Tseung Kwan O Hong Kong
Audit committee	Ms. LAW Elizabeth (<i>Chairman</i>) Mr. LIU Xing Mr. HO Cham Mr. MAK Ping Leung (alias Mr. MAK Wah Cheung)

CORPORATE INFORMATION

Remuneration committee	Mr. MAK Ping Leung (alias Mr. MAK Wah Cheung) (<i>Chairman</i>) Ms. MAN Lai Hung Ms. LAW Elizabeth
Nomination committee	Ms. MAN Lai Hung (<i>Chairman</i>) Ms. LAW Elizabeth Mr. HO Cham
Principal share registrar	Codan Trust Company (Cayman) Limited Cricket Square, Hutchins Drive PO Box 2681 Grand Cayman KY1-1111 Cayman Islands
Hong Kong share registrar	Tricor Investor Services Limited Level 22, Hopewell Centre 183 Queen's Road East Hong Kong
Principal bankers	Standard Chartered Bank (Hong Kong) Limited 88 Des Voeux Road Central Central Hong Kong Bank of Communications Hong Kong Branch 16/F, Lee Garden Five 18 Hysan Avenue Causeway Bay Hong Kong

INDUSTRY OVERVIEW

The information that appears in this Industry Overview has been prepared by Euromonitor International Limited and reflects estimates of market conditions based on publicly available sources and trade opinion surveys, and is prepared primarily as a market research tool. References to Euromonitor International Limited should not be considered as the opinion of Euromonitor International Limited as to the value of any security or the advisability of investing in the Company. The Directors believe that the sources of information contained in this Industry Overview are appropriate sources for such information and have taken reasonable care in reproducing such information. The Directors have no reason to believe that such information is false or misleading or that any material fact has been omitted that would render such information false or misleading. The information prepared by Euromonitor International Limited and set out in this Industry Overview has not been independently verified by the Group, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Underwriters or any other party involved in the Global Offering and none of them gives any representations as to its accuracy and the information should not be relied upon in making, or refraining from making, any investment decision.

SOURCES AND RELIABILITY OF INFORMATION

In connection with the Global Offering, the Company has commissioned Euromonitor International Limited (“**Euromonitor**”), an independent market research and consulting company, to conduct analysis on the PRC property management, retail, catering and other ancillary living services industries in preparing the Euromonitor Report. The Company has agreed to pay a total of RMB1,201,672 in fees for the Euromonitor Report which we believe that it reflects market rates, and RMB1,201,672 has been paid as of the Latest Practicable Date. The payment of such fees was not contingent upon our Listing or on the results of the Euromonitor Report. Our Directors are of the view that the payment of the fees does not affect the fairness of conclusions drawn in the Euromonitor Report.

Euromonitor was established in 1972 and is the world leader in strategy research for both consumer and industrial markets. With its comprehensive international coverage and leading edge innovation, its products become an essential resource of national and global companies in different scales. Euromonitor is a private independent leading provider of global market intelligence with offices around the world and analysts in 80 countries.

Research Methodology, Parameters and Assumptions

The Euromonitor Report contains both historical and forecast information on the property management, retail, catering and other ancillary living services industries and relevant economic data in the PRC. In compiling and preparing the Euromonitor Report, Euromonitor conducted primary research and secondary research for collecting multiple sources and validating information and statistics collected. Primary research principally involved interviews with a sample of leading industry participants and industry experts for latest data and insights on future trends and to verify and cross-check the consistency of data and research estimates. Secondary research principally involved reviewing published statistics and official sources, specialist trade press, company reports, independent research reports and data based on the research database of Euromonitor.

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Euromonitor based the Euromonitor Report on the following assumptions:

- The Chinese economy is expected to maintain steady growth over the forecast period from 2016 to 2020;
- The Chinese social, economic and political environment is expected to remain stable in the forecast period from 2016 to 2020;
- There will be no external shocks, such as financial crisis or raw material shortage that affects the demand and supply of property management, retailing and food service markets in China during the forecast period from 2016 to 2020; and
- Key market drivers such as increasing disposable income, recovery of real estate market, products and services upgrade are expected to boost the development of property management, retailing and food service markets in China.

OVERVIEW OF THE ECONOMY IN GUANGDONG PROVINCE

As of the Latest Practicable Date, our businesses are mainly conducted in Guangdong Province, the PRC. According to the National Bureau of Statistics of the PRC and the Statistics Bureau of Guangdong Province, the total nominal GDP in Guangdong Province increased from approximately RMB4,601 billion in 2010 to approximately RMB7,281 billion in 2015. The real GDP in Guangdong Province experienced slow but healthy growth from approximately 12.4% in 2010 to approximately 8.0% in 2015. The nominal GDP in Guangdong Province accounted for approximately 10.8% of the national consolidated GDP in 2015. For Guangzhou, according to the National Bureau of Statistics of the PRC and the Statistics Bureau of Guangzhou City, the total nominal GDP increased from approximately RMB1,074.8 billion in 2010 to approximately RMB1,810 billion in 2015. The nominal GDP in Guangzhou accounted for approximately 25% of the consolidated GDP in Guangdong Province in 2015. Supported by the strong economic growth of the Pearl River Delta region, the growth in real GDP of Guangdong Province was slightly faster than the growth of national GDP by approximately 1.1% in 2015, while the real GDP of Guangzhou was slightly faster than that of Guangdong Province by approximately 0.4% in 2015.

Guangdong Province has been among one of the PRC's most developed areas with the largest provincial population in China, recognised as one of the most important markets in the PRC and has a large number of affluent consumers with growing spending power. According to the Euromonitor Report, the annual per capita disposable income in 2015 for urban residents in Guangdong Province reached approximately RMB34,757, increased from approximately RMB23,898 in 2010 at a CAGR of approximately 7.8%, while the annual net income per capita for rural residents in Guangdong Province reached approximately RMB13,360 in 2015, increased from approximately RMB7,890 in 2010 at a CAGR of approximately 11.1%. On the other hand, according to the Euromonitor Report, the per capital GDP in Guangzhou reached approximately RMB133,968 in 2015, increased from approximately RMB87,458 in 2010 at a CAGR of approximately 8.9%, while the annual net income per capita for rural residents in Guangzhou reached approximately RMB19,323 in 2015, increased from approximately RMB12,676 in 2010 at a CAGR of approximately 8.8%. The per capita net income of rural residents has been growing even faster than that of urban residents in the PRC over the past five years in the PRC, which indicates a potential market for

INDUSTRY OVERVIEW

middle-to-upper-end consumer goods in the retail and catering industries to the lower-tier cities and eventually to the huge rural market across the PRC.

According to the National Bureau of Statistics of the PRC, Guangdong Province was ranked at the top in terms of value contribution to the national nominal GDP recording a share of approximately 10.8%, while its population accounted for only approximately 7.9% for the national population as of the year end of 2015.

THE PROPERTY MANAGEMENT INDUSTRY IN GUANGDONG PROVINCE

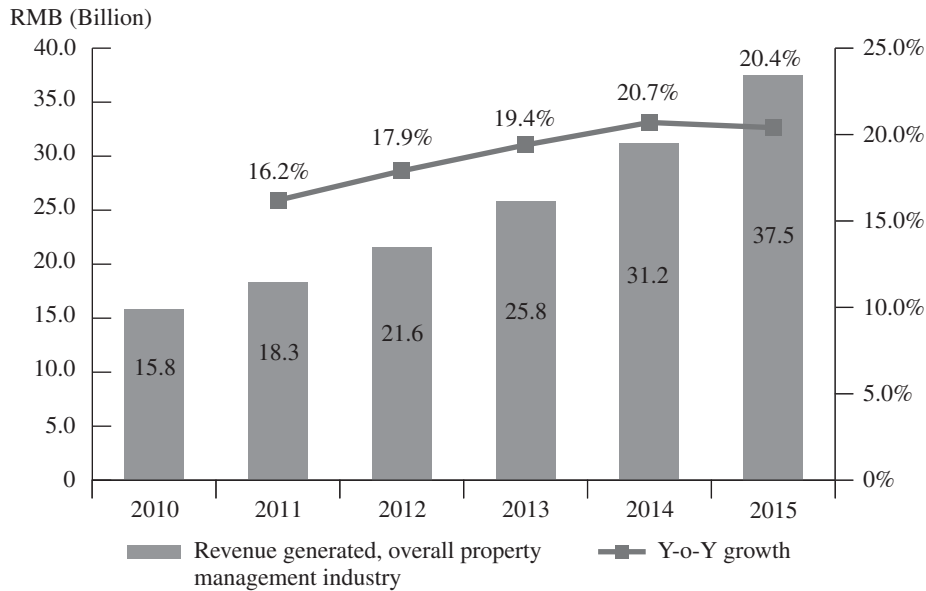
Guangdong Province, as the origin of China's property management business, has witnessed historic and ongoing development of the property management industry in China. According to the China Property Management Association, Guangdong Province had the most property management companies in China which amounted to 7,761 companies in 2014, 255 of which were holding Qualification Certificate for Property Service Enterprise (Class One) (物業管理企業資質證書(一級)). Meanwhile, based on the latest available public information, Guangzhou has the largest number of property management companies in Guangdong Province, there were total 2,024 property management companies in Guangzhou at the end of 2014. Among which, 61 were holding the Qualification Certificate for Property Service Enterprise (Class One) (物業管理企業資質證書(一級)), that is, 3% of the property management companies in Guangzhou.

Generally, according to the Euromonitor Report, the revenue generated by a property management company includes the property management fees, leasing fees for the use of public resources and other service charges. With the extended services and increasing penetration of property management services, the property management industry in Guangdong Province has stepped into a fast growing phase. According to the Euromonitor Report, the average range of monthly fees charged by property management companies for residential communities with the establishment of property owners' association is from RMB3 to RMB5 per sq.m. and the property management fees charged by them have been kept constant in recent years. Since each individual property management company has the flexibility to set property management fees, it varies a lot from company to company. For example, the average property management fees for properties developed by large scale property developers, including the Private Group is about RMB5 per sq.m. per month and the property management fees charged by them have been kept constant in recent years.

According to the Euromonitor Report, the total market size in terms of revenue generated for property management industry in Guangdong Province covering both residential and commercial properties reached approximately RMB37.5 billion in 2015 from approximately RMB15.8 billion in 2010 at a CAGR of approximately 18.9%. Among which, the share of the residential property management sector was approximately 68.5% in 2015, while the commercial property management sector was approximately 31.5% in 2015.

INDUSTRY OVERVIEW

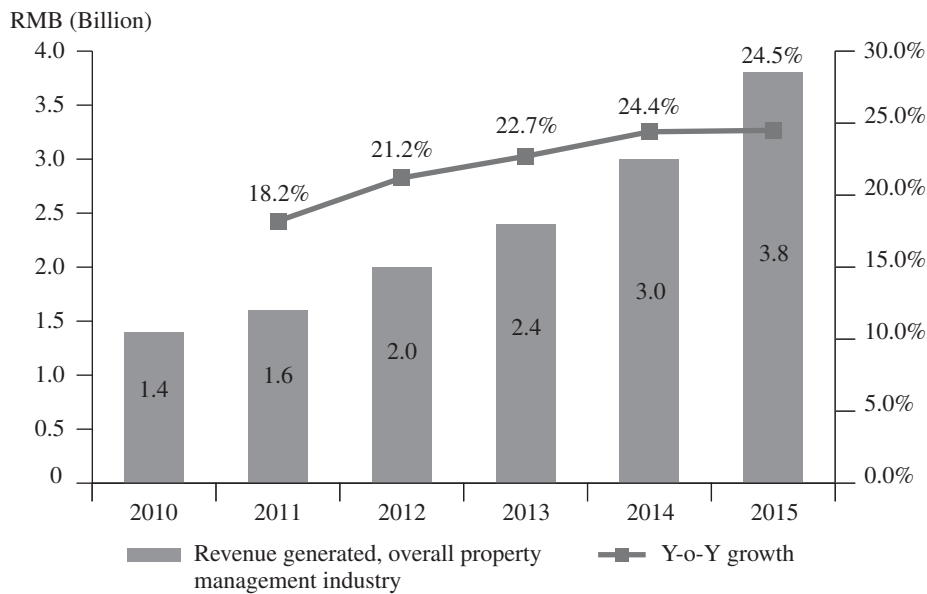
Historic market size for property management industry in Guangdong Province, by revenue generated (2010–2015)



Source: Euromonitor estimates from trade interviews and desk research

The total market size in terms of revenue generated for property management industry in Guangzhou has reached approximately RMB3.8 billion in 2015, increased from approximately RMB1.4 billion in 2010, at a CAGR of approximately 22.2%. Among which, the share of residential property management sector was approximately 63.8% in 2015 while the share of commercial property management sector was approximately 36.2% in 2015.

Historic market size for property management industry in Guangzhou, by revenue generated (2010–2015)



Source: Euromonitor estimates from trade interviews and desk research

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Key drivers of the property management industry

The increasing sales of residential housing units in Guangzhou ensures a growing demand for property management service

According to the Euromonitor Report, based on the latest available public information, the total area of residential housing units sold in Guangzhou achieved growth, from approximately 11.1 million sq.m. in 2010 to approximately 12.0 million sq.m. in 2014 at a CAGR of approximately 1.8%. According to the Regulations on Property Management (物業管理條例) of the PRC and the Property Management Interim Measures of Guangzhou City (廣州市物業管理暫行辦法), the property developers of the residential communities must have firstly appointed or engaged the corresponding preliminary property management service company before the relevant residential community can be put on sale in public. The growing area of residential units sold should facilitate an increasing demand for property management services in Guangzhou.

Rising consumer awareness towards property management services ensures a healthy environment for development

According to the Euromonitor Report, residents or property owners were beginning to realise the importance of property management services. With a good property management company, residents or property owners can expect a nice and safe living environment, as well as convenient and comprehensive services. The rising consumer awareness towards property management services helps to create a healthy environment for the industry development.

Extended property management services further accelerate the industry growth

Traditionally, the major responsibilities for property management companies are to provide security, gardening, cleaning and repair and maintenance services. However, with the increasing demand from local residents, some leading property management companies have started to offer wider and value-added services, such as elderly care and household services. The extended property management services provide more convenience for residents and further stimulate the development of the property management industry in Guangdong Province.

The renovation of old buildings drives the property management fee

The People's Government of Guangdong Province (廣東省人民政府) has issued the Opinion of the People's Government of Guangdong Province on Accelerating the Implementation of Old Neighbourhood Transformation (廣東省人民政府關於加快棚戶區改造工作的實施意見) in February 2014, which accelerated the progress of old neighbourhood renovations as the old neighbourhoods have serious safety problems. After the renovation and upgrade of the old neighbourhoods, the property management fee is expected to increase consequently, which drives the further increase in overall revenue generated from residential property.

Future trends of the property management industry in Guangdong Province

The NDRC has abandoned control over the maximum charge of property management fees nationwide. Property management fees can be adjusted to cope with the increasing

INDUSTRY OVERVIEW

operating cost pressure that services providers have been experiencing in recent years according to the PRC laws and regulations. Additionally, with extended service upgrade and increasing property management projects from both residential communities and commercial properties, the property management industry has been growing.

Competition Analysis

According to the Euromonitor Report, the property management industry in Guangdong Province is highly fragmented and there is a trend of consolidation in the industry. The leading ten residential property management companies in Guangdong Province only accounted for very small market share as to approximately 19.0% of the property management revenue in Guangdong Province in 2015. On the other hand, the property management industry in Guangzhou is comparatively concentrated. The leading ten residential property management companies in Guangzhou accounted for approximately 69.5% of the property management revenue in Guangzhou in 2015. All of these leading property management companies in Guangdong Province and Guangzhou possess the Qualification Certificate for Property Service Enterprise (Class One) (物業管理企業資質證書(一級)) and have provided their property services nation-wide. The market share of the Group in the property management industry in terms of revenue generated in Guangdong Province and Guangzhou was approximately 0.09% and 0.6% in 2015, respectively.

Our major competitors include large national, regional and local residential property management companies. We compete with our major competitors in relation to a number of factors, including primarily the scale, brand recognition, financial resources, ability to control the operational costs, service quality and management experience. As of 31 December 2015, we were contracted to manage 12 residential communities covering a total GFA of approximately 5.5 million sq.m. According to the trade interviews and desk researches conducted by Euromonitor, the top ten leading residential property management companies in Guangdong Province and in Guangzhou by floor area of residential communities managed in 2015 were set forth as below:

Ranking	Leading residential property management companies in Guangdong Province	Approximate GFA managed (sq.m.)
1	Company A	25–28 million
2	Company B	26.5 million
3	Company C	26 million
4	Company D	25 million
5	Company E	23.5 million
6	Company F	21 million
7	Company G	18 million
8	Company H	17 million
9	Company I	5.6 million
10	Clifford Modern Living Holdings Limited	5.5 million

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Ranking	Leading residential property management companies in Guangzhou	Approximate GFA managed (sq.m.)
1	Company C	9.0 million
2	Company B	8.9 million
3	Company F	7.0 million
4	Company D	6.0 million
5	Company G	5.5 million
6	Company E	5.2 million
7	Company A	5.0 million
	Company H	5.0 million
8	Clifford Modern Living Holdings Limited	4.4 million
9	Company J	4.0 million
	Company K	4.0 million
10	Company L	2.5 million

Source: Euromonitor estimates from trade interviews and desk research

Note: The market share data reported above has been determined via a fieldwork programme consisting of desk research and trade interviews by Euromonitor.

While audited data was available for some of the companies, they typically do not break the revenue numbers into the relevant categories which were covered in this study. For these companies as well as those companies that are included in the market shares but are not publicly listed, Euromonitor has estimated the markets shares based on estimates provided by various trade sources (i.e. not just the companies themselves) and seek a consensus on these estimates as much as possible.

These property management companies generally provide their management services to residential communities. Apart from their principal business in property management, some of them are also engaged in the provision of other expanded services such as elderly care and household services.

Entry barriers

Compared to the leading property management companies which are mostly long-established in the industry with experienced management personnel, new entrants generally face difficulties when bidding for property management service contracts in managing new residential communities or commercial properties with these leading players. Pursuant to the relevant PRC laws and regulations, unless approval is obtained from the relevant government authority, the property management companies need to go through a public bidding process in order to win the relevant preliminary property management service contract of residential communities. Due to their less renowned reputation, it is difficult for new entrants to be chosen over these main reputable players and be engaged to provide property management services. In addition, with the increasing demands of quality services, it takes time and effort for new entrants to accumulate experience in management skills and improve their services in order to fulfil the growing needs of local residents and property owners.

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Threats and challenges

Limitation on house purchasing in Guangzhou may restrict further development of real estate market

In order to control the over-heated real estate market in Guangzhou, housing purchase limits have been placed by the municipal government to restrict local residents to two homes since 2011. In Guangzhou, if the same family purchases a second house, they need to make a much higher down payment. Limitation on house purchasing in Guangzhou may impact its real estate market and may hinder its development.

The lack of price adjustment mechanism hinders the healthy development of the property management industry

According to the NDRC as stated in the Euromonitor Report, the maximum property management fees for most property management companies have not been adjusted in the past ten years. Generally, regional government authorities set up the maximum property management fees that property management companies can charge. Since December 2013, the maximum property management fees of residential properties (excluding villas) before the establishment of property owners' association in Guangzhou has been RMB2.8 per sq.m. For villas, residential properties with property owners' association and pure non-residential properties, the guided price of RMB2.8 per sq.m. is not applicable and they are allowed to adjust the property management fees according to the requirements and procedures of the relevant PRC laws and regulations.

If property management companies intend to increase their property management fees, the motion shall be approved by the property owners representing (i) more than 50% of total number of units; and (ii) more than 50% of the total proprietary GFA of that community. Traditionally, it is difficult to reach an agreement among the property owners' association, property owners and the property management company on such issue, especially for communities or properties of a relatively large scale. Therefore, property management companies are commonly not able to raise their management fees which hinders the healthy development of the property management industry.

Rising operational costs set up constraints for the property management industry

As one of the labour-intensive industries, property management companies require lots of workers, such as security guards, cleaners, and maintenance personnel. According to the Statistics Bureau of Guangdong Province, the minimum monthly wage has been continuously increased in recent years. The minimum monthly wage standard for Guangdong Province in 2015 grew on average by 19% more than 2014, increasing from RMB1,550 in 2014 to RMB1,895 in 2015. Additionally, utility fees such as water and electricity have also increased over the past years. The rising operational costs may reduce profit margin for property management companies and create great pressure for the industry as a whole.

Company's competitive strength

For details on the property management services of the Group, please see the sections headed "Business — Our competitive strengths" and "Business — Our property management services" in this prospectus.

INDUSTRY OVERVIEW

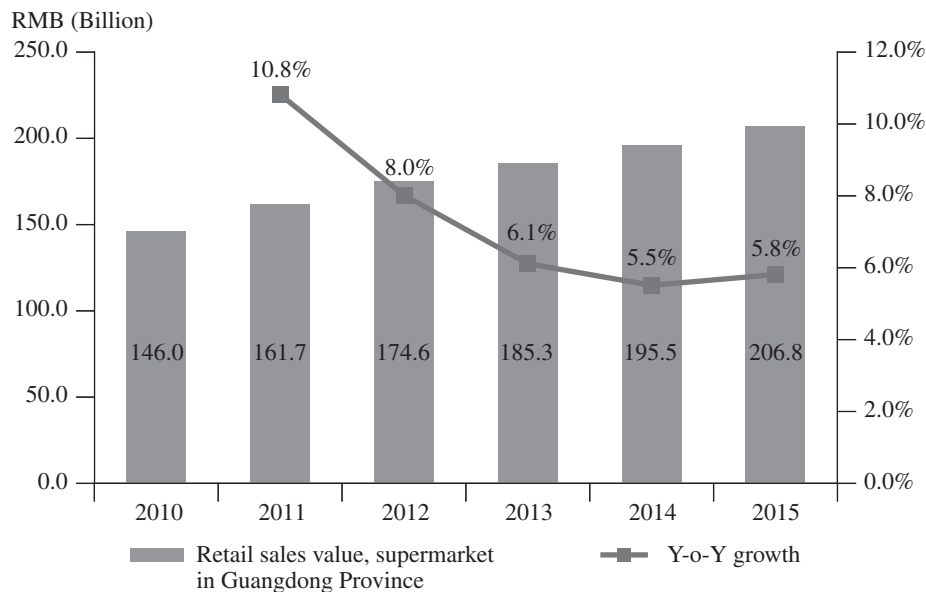
THE RETAIL SERVICES INDUSTRY IN GUANGDONG PROVINCE

Ever since the 1990s, fundamental changes have taken place in China's retail industry, with various types of businesses, for example, state-owned, foreign-invested and domestic private owned supermarkets. Additionally, after years of development, various types of supermarkets have been developed, such as imported supermarkets and fresh food supermarkets. Convenience stores in Guangdong Province have emerged at a comparatively later stage, which was around late 1990s. Guangzhou used to be regarded as a pioneer and benchmark city in China for retailing industry. In recent years, increasing number of imported supermarkets and fresh food supermarkets have also been established in Guangzhou.

Both supermarkets and convenience stores aim to provide a convenient lifestyle to consumers who are living at a fast pace. Compared to convenience stores, supermarkets usually have wider product varieties and lower retail prices. However, convenience stores usually have longer service hours and are closer to consumers as they are usually located in or near residential communities. With higher standard of living and increasing disposable income of consumers in Guangdong Province, consumers become less price-sensitive and pursue a more convenient shopping experience. Consequently, some leading retailers have started to open convenience stores to strengthen their competitiveness.

According to the Euromonitor Report, the total market size by retail sales value for supermarket retailing in Guangdong Province reached approximately RMB206.8 billion in 2015, increased from approximately RMB146.0 billion in 2010 at a CAGR of approximately 7.2%.

Historic market size for supermarket retailing in Guangdong Province, by retail sales value (2010–2015)

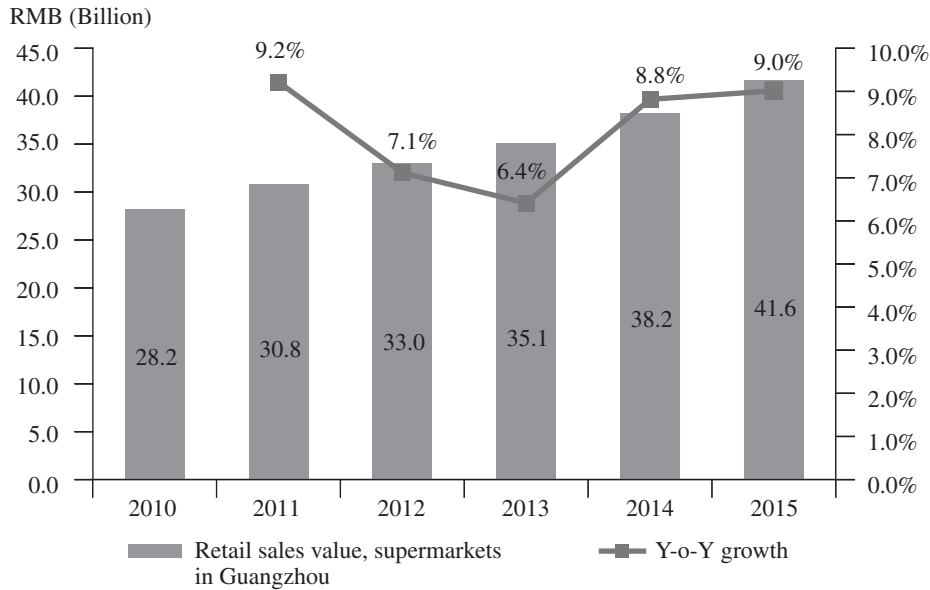


Source: Euromonitor estimates from trade interviews and desk research

INDUSTRY OVERVIEW

The total market size for supermarket retailing in Guangzhou has reached approximately RMB41.6 billion in 2015, increased from approximately RMB28.2 billion in 2010 at a CAGR of approximately 8.1%.

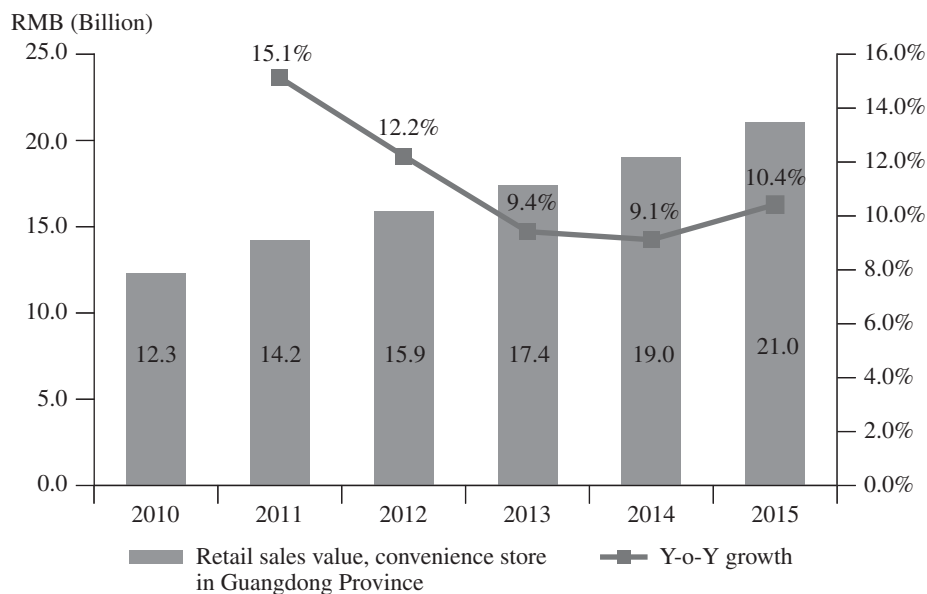
**Historic market size for supermarket retailing in Guangzhou,
by retail sales value (2010–2015)**



Source: Euromonitor estimates from trade interviews and desk research

On the other hand, the total market size by retail sales value for convenience store retailing in Guangdong Province increased from approximately RMB12.3 billion in 2010 to approximately RMB21.0 billion in 2015 at a CAGR of approximately 11.3%.

**Historic market size for convenience store retailing in Guangdong Province,
by retail sales value (2010–2015)**

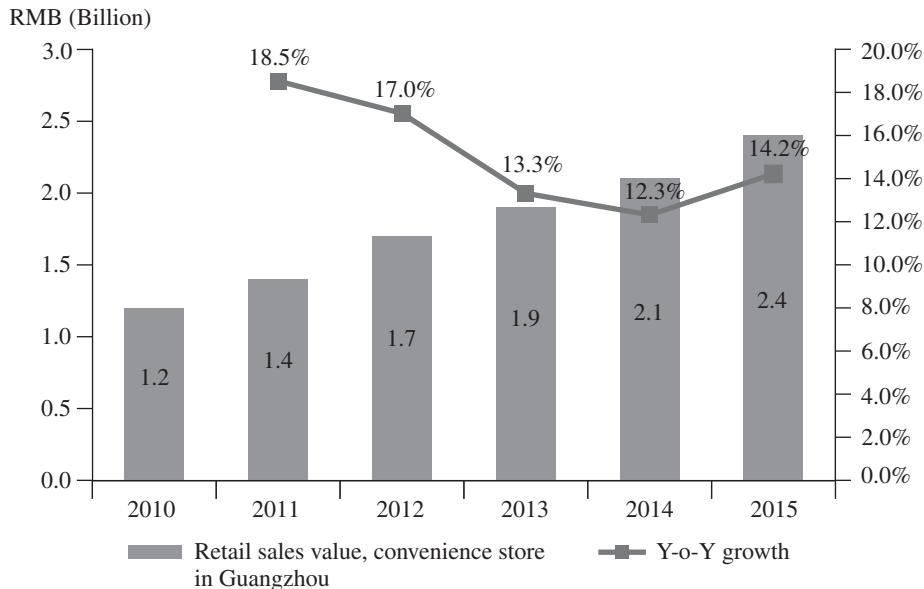


Source: Euromonitor estimates from trade interviews and desk research

INDUSTRY OVERVIEW

In Guangzhou, the total market size by retail sales value for convenience store retailing increased from approximately RMB1.2 billion in 2010 to approximately RMB2.4 billion in 2015 at a CAGR of approximately 14.9%.

Historic market size for convenience store retailing in Guangzhou, by retail sales value (2010–2015)



Source: Euromonitor estimates from trade interviews and desk research

Key drivers of the retail services industry

Consumers' rising consumption power pushes the development of supermarket and convenience store retailing

According to the Statistics Bureau of Guangzhou, the annual per capita disposable income in 2015 for urban residents reached approximately RMB46,735, increased from approximately RMB30,658 in 2010 at a CAGR of approximately 8.8%, while the annual disposable income for rural residents reached approximately RMB19,323 in 2015, increased from approximately RMB12,676 in 2010 at a CAGR of approximately 8.8%. The surge in income level for both urban and rural residents in Guangzhou indicated a strong purchasing power for local consumers, which push the development of supermarket and convenience store retailing.

Extended services in convenience stores provide growing business opportunities

Apart from offering daily necessities, convenience stores have extended their service scope to offering utility bills payment services, phone credits recharging services and money transfer services. According to the Euromonitor Report, the increasing customer flow for such kinds of extended services that convenience stores currently offer helps driving the overall sales of convenience stores.

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The emergence of imported supermarkets drives the retail sales of higher-end products

With the growing concern over domestic food safety issues, there is increasing demand from local customers in imported food products such as dairy products, packed snacks, fresh fruits and frozen seafood and therefore leading to the emergence of specialty supermarkets specialised in selling various imported foreign food products. According to the Euromonitor Report, such newly-emerged type of supermarkets have been gaining popularity among local consumers, in particular, among those with higher income.

Future trends of the retail services industry in Guangdong Province

According to the Euromonitor Report, it is expected that with the increasing income level and enhanced purchasing power of local consumers, the supermarket retailing will retain a comparatively stable growth in the near future.

With further extended products types and value-added services that convenience stores can offer, the sales of convenience store retailing is expected to grow in Guangdong Province (including Guangzhou) in the future.

Competition Analysis

The supermarket retailing in Guangdong Province (including Guangzhou) is fragmented. Most of chained supermarkets and convenience stores are specialised in retailing with long-established history. The leading five supermarket chains jointly accounted for approximately 5.8% and approximately 13.4% share of the total supermarket retail sales value in Guangdong Province and Guangzhou in 2015, respectively. The market share in supermarket chain of the Group by retail sales value of Guangdong Province and Guangzhou in 2015 was approximately 0.03% and 0.13% respectively.

On the other hand, the convenience store retailing in Guangdong Province (including Guangzhou) is comparatively concentrated, with leading five convenience store chains accounting for approximately 56.8% and 80.2% share of the total convenience store by retail sales value in Guangdong Province and Guangzhou in 2015, respectively, while the Group obtains a market share in Guangdong Province and Guangzhou by retail sales revenue of approximately 0.21% and 1.84% in 2015, respectively. According to the Euromonitor Report, there are more than 14,000 convenience store chains in Guangdong Province in 2015, approximately 85% of which are owned by the leading five convenience store chains.

We face constant pressure from small domestic stores and retailers to larger stores, possibly international operators of supermarkets, hypermarkets and department stores. Our key competitors are local and foreign operators in the vicinity of our stores which (i) sell similar merchandise at similar price level; and (ii) provide the same level of customer service.

Barriers to entry

New participants to the retail industry for supermarket and convenience stores generally face hurdles in terms of choices of store locations, supplier network and logistic issues. Suitable store location with high customer flow is vital for supermarkets and also convenience stores. However, new players may encounter huge difficulties in searching an ideal location of

INDUSTRY OVERVIEW

their stores as the current market penetration of existing leading chained retailers is extremely high in the PRC, in particular, in Guangdong Province. In addition, one of the key factors for retailing industry is the network of suppliers. It takes time and effort for new comers to build strong connections with their suppliers which in turn has a direct impact to the costs of sales and eventually their competitiveness comparing to other large chained retailers. Leading market participants generally enjoy greater economies of scale and possess greater bargaining power. Furthermore, supermarkets and convenience stores require an optimised logistic systems in meeting their needs to transport their fresh food products or goods in a timely manner.

Threats and challenges

The emergence of internet retailing sets obstacles for traditional supermarket and convenience store retailing

Internet retailing has experienced fast growth over the past five years. Well-known internet retailers compete intensely with traditional store-based supermarkets and convenience stores. Internet retailing provides a more convenient shopping process, frequent price discounts and the door-to-door delivery, which attract more consumers. The emergence of internet retailing sets certain obstacles to store-based supermarkets and convenience stores by taking away a group of consumers, who are usually the younger generation seeking convenience and lower prices. In January 2016, the State Council approved Guangzhou to be the experimental city for cross-border e-commerce in China, which will further impact the current retailing industry in Guangzhou.

Regulatory environment restrains the initiative of some market players

Setting up a supermarket and/or convenience store requires huge input into the application for various licenses. Apart from the standard business license approved by the local Administration for Industry & Commerce, every single outlet or supermarket and convenience store retailer shall apply for separate licenses, such as food distribution license (食品流通許可證) or food operation license (食品經營許可證) for engaging in food distribution, and publication operation permit (出版物經營許可證) for engaging in the retail business of publications. Additionally, foreign invested convenience stores are not allowed to sell tobacco, which reduces a large portion of income for convenience store in China. According to the Euromonitor Report, it is believed that the complicated and strict application procedures restrains the initiative of certain retailers.

Product homogeneity and fierce price competition do not help to create a sound market environment

Among numerous supermarkets and convenience stores in Guangdong Province, the products offered are often found to be similar across various retail stores. In order to attract greater customer flow, supermarkets and convenience stores usually offer discount to their products from time to time. The intense price competition, to some extent, cut down the profit margins of supermarket and convenience store retailers and further impair the ordinary market order in the long term.

Company's competitive strength

For details on the retail services of the Group, please see the section headed “Business — Our retail services” in this prospectus.

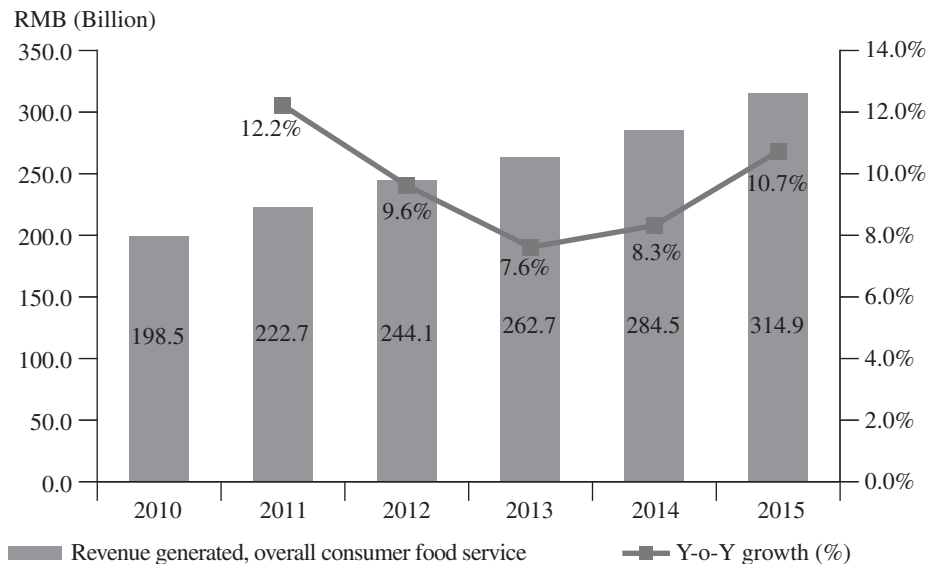
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THE CATERING SERVICES INDUSTRY IN GUANGDONG PROVINCE

Guangzhou is famous for its food culture. The city owns the reputation of “Eat in Guangzhou”. As one of the four series of cuisines in China, Cantonese cuisine (粵菜) in Guangzhou receives high reputation and consumer preference across the country. In the meantime, influenced by history and geography, Western style cuisines were introduced to Guangzhou through its neighbouring region, Hong Kong, in the early 1990s.

According to the Euromonitor Report, the total market size for consumer food service’s industry by sales value in Guangdong Province generated RMB314.9 billion in 2015, increased from RMB198.5 billion in 2010 at a CAGR of approximately 9.7%. For Guangzhou, the total market size by sales value for consumer food service generated RMB88.7 billion in 2015, increased from RMB62.0 billion in 2010 at a CAGR of approximately 7.4%. Among the overall consumer food service, Chinese style food service accounted for a greater share, which was approximately 84.6% in Guangdong Province in 2015 and approximately 79.4% in Guangzhou in 2015, compared to non-Chinese style food service. However, with the growing urbanisation and increasing popularity of Western culture in Guangdong Province and Guangzhou, non-Chinese style food service experienced a faster growth at a CAGR of approximately 12.9% in Guangdong Province and approximately 11.5% in Guangzhou for the period of 2010 to 2015.

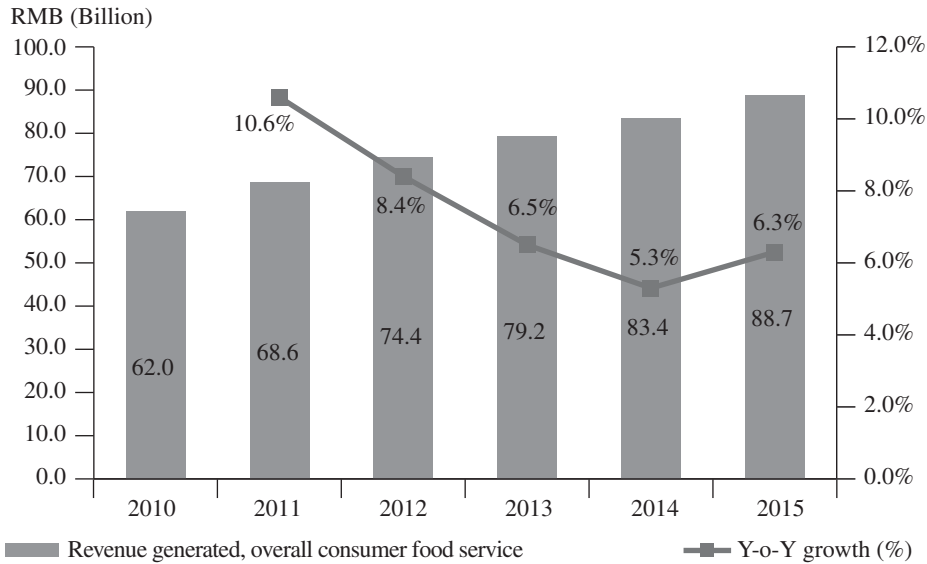
**Historic market size for consumer food service in Guangdong Province,
by sales value (2010–2015)**



Source: Euromonitor estimates from trade interviews and desk research

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Historic market size for consumer food service in Guangzhou, by sales value (2010–2015)

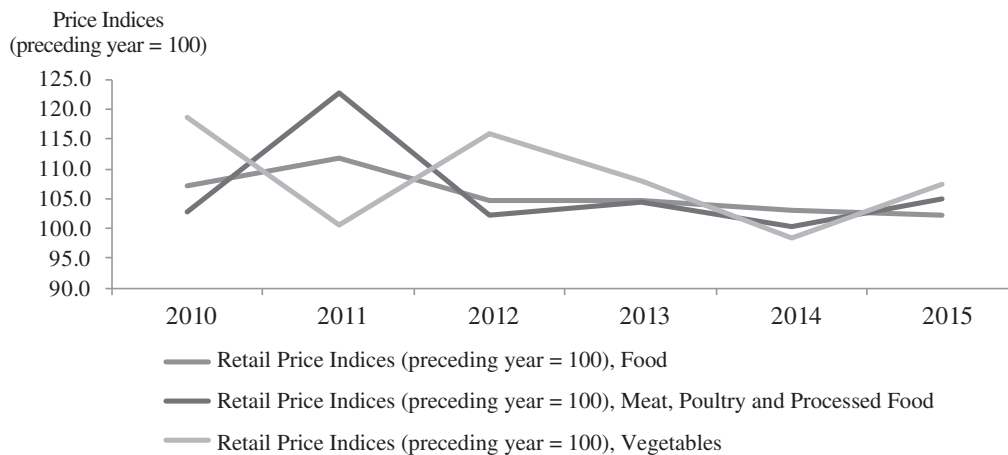


Source: Euromonitor estimates from trade interviews and desk research

Fluctuation of food prices

As advised by Euromonitor, no data regarding the raw material food price indices in the PRC are available and only data regarding the retail food price indices are found. According to the National Bureau of Statistic of the PRC, the retail price indices for meat, poultry as well as vegetables were comparatively stable from 2010 to 2015. The retail price indices for meat, poultry and processed food increased from 102.9 in 2010 to 105.0 in 2015. The price indices for vegetables, decreased from 118.7 in 2010 to 107.4 in 2015. The price of fresh vegetables is easily impacted by many factors, such as season, weather conditions, global trade, natural disasters, cost of fertilisers and domestic supply and demand.

Retail Food Price Indices in China from 2010 to 2015



Source: National Bureau of Statistic of the PRC

INDUSTRY OVERVIEW

Key drivers of the catering services industry

Various food service types provide more choices for consumers in Guangdong Province

Over the decades, Guangdong Province has been introducing a variety of food service types including Western cuisine. The evolving combination of various food service types provides more choices for consumers in Guangdong Province and in turn further drives the development of the consumer food service industry in Guangdong Province.

Rising consumer income and expenditure on food drive the development of consumer food service in Guangzhou

In line with the growing per capita disposable income of urban households and urbanisation in Guangzhou, the per capita expenditure on food for the urban population increased from approximately RMB2,922 in 2010 to approximately RMB4,224.2 in 2015 at a CAGR of approximately 7.6%. The rising consumer income and expenditure on food drives the development of food service industry in Guangzhou.

The fast development of the shopping malls provides a growing opportunity for consumer food service

With the fast development of urbanisation, many comprehensive shopping malls have been established in Guangdong Province in the past years. To increase customer flow, these shopping malls tend to fetch popular food service brands to attract customers. Many food service providers also gained popularity by opening outlets in popular shopping malls. This offers one-stop shopping experience to consumers by providing wide choices of restaurants.

Future trends of the catering services industry in Guangdong Province

It is expected that the total market size for consumer food service in Guangdong Province will grow from approximately RMB345.1 billion in 2016 to approximately RMB460.3 billion in 2020 at a CAGR of approximately 7.5%. For Guangzhou, it is expected that the total market size for consumer food service in Guangzhou will grow from approximately RMB93.8 billion in 2016 to approximately RMB114.8 billion in 2020 at a CAGR of approximately 5.2%. Although food safety issues and restrictions on public spending will further affect the development of the food service market in Guangdong Province, the continuous introduction of various food service types and further expansion of chained food service providers will help the consumer food service market realising stable growth in the near future.

Competition Analysis

The current consumer food service industry in Guangdong Province (including Guangzhou) is highly fragmented. The quality of food and services, pricing, location, dining environment and the restaurants reputation are all determining factors on whether a restaurant can survive in the keen competition in the catering industry. Relying on the large-scale of residential property coverage, our Group has also developed consumer food service chain to better serve local residents although it may not have wide influence in the local region. According to the Euromonitor Report, the leading five consumer food service chains jointly accounted for approximately 4.2% and 5.9% of the total food service value in Guangdong

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Province and Guangzhou in 2015 whilst the market share of the Group's food service business merely accounted for approximately 0.03% and 0.1% in 2015 in Guangdong Province and Guangzhou respectively.

Barriers to entry

New entrants need to obtain certain permits under the relevant PRC laws and regulations. For further details, please see the sections headed "Summary of Principal Legal and Regulatory Provisions — B. Catering services and retail services — b. Catering service licensing" and "Summary of Principal Legal and Regulatory Provisions — B. Catering services and retail services — d. Food operation licensing" in this prospectus. According to Euromonitor Report, we do not believe that there are high barriers to enter in this industry, which contribute to the intense competition.

Threats and challenges

Concern over food safety becomes a major constraint for the consumer food service market

In recent years, numerous food safety issues have been exposed to the general public, leaving a negative impact on consumer's confidence in catering services in China. The continuous exposure of food safety issues reduces consumers' confidence and will eventually hinder the growth of the consumer food service market in China.

Increase in operational cost places pressure on consumer food service chains

Consumer food service chains require massive labour forces. According to the provincial government, the minimum wage standard has been continuously increasing in recent years. The minimum monthly wage standard for Guangdong Province in 2015 grew on average by 19% more than 2014, increasing from RMB1,550 in 2014 to RMB1,895 in 2015. In addition to the rise in labour cost, the prices for major raw materials have also been climbing in recent years. The increasing operational cost places great pressure on consumer food service industry and may lead to financial difficulties to small-to-medium size food service providers.

Company's competitive strength

For details on the catering services of the Group, please see the section headed "Business — Our catering services" in this prospectus.

ANCILLARY SERVICES INDUSTRIES IN GUANGDONG PROVINCE

The off-campus training services industry

The off-campus training services industry in Guangdong Province is highly fragmented. Our off-campus training services compete with different operators and also private tutors.

According to the Statistics Bureau of Guangdong Province, the total number of registered primary school students reached approximately 8.68 million in 2015 and the total number of registered secondary and high school students jointly reached approximately 5.61 million in Guangdong Province in 2015. The continuous increase in number of students in Guangdong Province facilitates the growth of off-campus training or course training services in the region.

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Apart from the nationwide compulsory education, a variety of extracurricular classes, hobby-related classes and training classes have appeared in the market. Under the fierce social competition, most parents prefer their children to receive comprehensive education or training at very young ages. English language learning, certificates training, hobby-related classes and IT training are the most popular among various types of educational courses in Guangdong Province in 2015. By receiving such education or training, Chinese parents believe that it will enhance the competitiveness of their children in a fiercely competitive social environment.

The property agency services industry

The property agency services industry in Guangdong Province is fragmented. Our property agency services competitors include other chained property agency companies, individual property agents and online property agency website. The property agency market is tied with the fluctuation of the upstream real estate market. Based on the latest available public information, the total GFA of residential units sold in Guangdong Province reached approximately 86.5 million sq.m. in 2014, increasing from approximately 72.8 million sq.m. in 2010 at a CAGR of approximately 4.4%. The total investment in residential housing reached RMB590.7 billion in 2014 in Guangdong Province, increasing from approximately RMB316.2 billion in 2010 at a CAGR of approximately 16.9%. With the increasing area of residential units sold and the increasing trend in the total investment in residential housing in Guangdong Province, there was an increasing demand for property agency services in Guangdong Province as a whole. However, more stringent regulations of Guangzhou have been effective since 2011 which have the effect of imposing limitations on property purchase and reducing the amount of the property transaction in the market.

The emergence of the internet property agency brings about new growth opportunities for the property agency market

According to China Internet Network Information Centre (“CNNIC”), eCommerce has penetrated various types of businesses, including property agency services. According to the 35th Survey Report by CNNIC, being the latest available public information, approximately 15.9% of property agencies in China operated online sales services, whilst more than 23.2% of property agencies participated in or used online marketing tactics to promote their services in 2014. Some leading internet property agency services, have gained popularity among local residents by providing wider choices and more efficient ways of reviewing available houses or units.

The release of housing supply related government policy is able to drive the development of property agency industry in Guangdong Province

In February 2016, in order to fulfil the policy of reducing housing supply, a new two-year action plan, Guangdong Province’s Action Plan of Supply-side Structural Reform on Destocking (2016–2018) (廣東供給側結構性改革去庫存行動計劃(2016–2018)) (the “**Action Plan**”) has been released. In this Action Plan, cities are classified into four groups, namely huge volume of inventory with high demand (庫存規模大、需求旺盛), comparatively large volume of inventory with high demand (庫存規模較大、需求較旺盛), low volume of inventory with stable demand (庫存規模小、需求平穩) and low supply with high demand and house purchasing restriction (庫存規模小、需求旺盛和住房限購). Guangzhou is categorised as the fourth group where most cities enjoy more favourable policies for house purchasing,

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including lower down payment, pursuant to the Action Plan. As such, the real-estate market in Guangdong Province is expected to be blooming in the coming years and hence the demand for the property agency services is also expected to increase in Guangdong Province.

The laundry services industry

The laundry services industry in Guangdong Province is highly fragmented. We compete with franchise shops and other independent laundry shops located in the proximity.

The increasing expenditure on clothing and consumption upgrades create more opportunities for laundry services providers

According to the Statistics Bureau of Guangdong Province, being the latest available public information, the per capita expenditure on clothing for the urban population increased from approximately RMB1,230 in 2010 to approximately RMB1,345 in 2014 at a CAGR of approximately 2.2%. It is believed that the growing clothing consumption result in more people sending more clothes to laundry shops. Additionally, the upgrade on the type of clothing purchased also stimulates the development of laundry services in Guangdong Province, especially for people living in top-tier cities in China where they tend to purchase more sophisticated clothes which require professional dry cleaning.

The changes in people's living and consumption habits boost the development of laundry services in Guangdong Province

With the accelerating pace of life and growing work pressure, people have less time for home laundry, especially for white collar employees in the PRC. More and more people choose to get their clothes washed at laundry shops, which can largely save their time. In addition, consumers have higher requirements for laundry, not only the quality of cleaning but also the after-wash care service, such as leather care service. Some laundry service shops gain popularity by providing wide range of washing and care services over garment.

The employment placement industry

According to the Statistics Bureau of Guangdong Province, the total number of registered urban unemployment residents in Guangdong Province has reached approximately 0.36 million in 2015, decreased from approximately 0.39 million in 2010. The unemployment rate kept around 2.4% for the period of 2010 to 2015. With the growing urbanisation, increasing number of rural residents move to more developed cities to make a living. Also, Guangdong Province has seen increasing university graduates for the period of 2010 to 2015. According to the National Bureau of Statistics of Guangdong Province, the number of university graduates increased from approximately 0.37 million in 2010 to approximately 0.5 million in 2015 at a CAGR of approximately 6.2%. With the dual pressure from migrant workers and new university graduates in Guangdong Province, certain groups of people cannot find a proper job in today's competitive society. The placement service providers in Guangdong Province help to resource more job opportunities for potential job seekers and provide them with professional guidance. Also, it is more efficient and effective for the employers to find suitable personnel. On the other hand, some employees prefer engaging placement agencies because of the temporary employment opportunities created for them.

The employment placement agency service industry in Guangdong Province is fragmented. There are numerous employment placement service agencies with no absolute

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leading market players. For small and independent placement service providers, their value share is comparatively insignificant as a whole.

Huge labour influx from other provinces marks the need for employment placement services in Guangdong Province

Cities such as Beijing, Shanghai and Guangzhou, are always targeted as top destinations for workforce. Many people from other provinces in the PRC move to Guangdong Province to seek for jobs and make a living. In 2015, more than 9.67 million people from other provinces moved to Guangdong Province for employment within one month after the Chinese New Year holiday. It is believed that employment placement agency service industry plays an important role in helping local companies to find appropriate candidates while job seekers can settle down well by using placement services.

Developing towards professionalism become a trend for postnatal services

With the improved living standard and rising awareness of giving professional care to mothers and babies in the PRC (including Guangdong Province), there are growing needs for postnatal care service. The major responsibility for postnatal care personnel includes providing baby care, mother care, and professional guidance on household matters.

The PRC Government has officially relaxed one-child policy in late 2015 and Chinese families are generally allowed to have two babies. Since new-born babies and mothers need special care, it requires professionalism for postnatal personnel. After receiving professional training, postnatal personnel can teach mothers baby care skills and provide guidance on babies' diet. Additionally, experienced and skilful postnatal personnel can also provide both physical and psychological help to mothers to revive quickly and healthily.

CONFIRMATION FROM OUR DIRECTORS

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

SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

A. PROPERTY MANAGEMENT SERVICES

a. Qualification of property service enterprise

According to the Regulation on Property Management (物業管理條例) promulgated by the State Council on 8 June 2003 and taking effect on 1 September 2003, and as amended on 26 August 2007 and 6 February 2016, the government implements a qualification scheme system of enterprise engaging in property management activities.

According to the Measures for the Administration of Qualifications of Property Service Enterprises (物業服務企業資質管理辦法) (the “**Property Service Measures**”) promulgated by MOC on 17 March 2004, and amended on 26 November 2007 and 4 May 2015, a newly established property service enterprise shall, within 30 days from the date of the receipt of its business licence, apply for the qualification of property service enterprise to the relevant real estate authorities. The relevant construction or real estate authorities shall review the application and issue property service enterprise’s qualification certificates (物業服務企業資質證書) to the property service enterprises which meet the conditions for the corresponding qualification class. According to the Property Service Measures, the qualifications of a property service enterprise shall be classified into the first, the second and the third classes. For the different classes of the qualification, the Property Service Measures laid out specific criteria for each class. Applicants have to meet detailed requirements in relation to their (i) registered capital; (ii) number of professional employees; (iii) types of properties managed; and (iv) areas of different types of properties managed. Property service enterprises with the first class qualification are permitted to undertake any real estate management projects. The property service enterprises with the second class qualification are permitted to undertake the real estate management of residential projects under 300,000 sq.m. and non-residential projects under 80,000 sq.m. The property service enterprises with the third class qualification are permitted to undertake the real estate management of residential projects under 200,000 sq.m. and non-residential projects under 50,000 sq.m.

b. Appointment of property management enterprise

According to the Property Law of the PRC (中華人民共和國物權法) promulgated by NPC on 16 March 2007 and become effective on 1 October 2007, property owners can either manage the buildings and the ancillary facilities by themselves, or entrust the matter to a property service enterprise or other custodians. Property owners are entitled, according to the laws, to replace the property service enterprise or other custodians engaged by the developer. Property service enterprises or other custodians shall manage the buildings and the ancillary facilities within the district of the building as entrusted by the owners, and shall be subject to the supervision by the owners.

According to the Regulation on Property Management, a general meeting of the property owners in a property can reach a decision of the engagement or dismissal of a property service enterprise with affirmative votes of owners who exclusively own more than half of the total construction area of the building(s) and who account for more than half of the total number of the property owners.

SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

Before the engagement with a property service enterprise by the property owners or a general meeting of the property owners, if the developer engages a property service enterprise, a written initial property service contract shall be signed. The initial property service contract shall be terminated once a property service contract is entered into and become effective between the property owners' association and the property service enterprise. The property service contract shall stipulate matters such as property management, service quality, service charge, rights and obligations of both parties, management and use of special maintenance funds, property management housing, contract duration, and liability for breach of contract etc.

According to the Regulation on Property Management and the Property Management Regulations of Guangdong Province (2008 Amendment) (廣東省物業管理條例(2008修訂)) promulgated by the People's Congress of Guangdong Province (including the Standing Committee of Guangdong Province) (廣東省人大(含常委會)) on 28 November 2008, as effective on 1 March 2009, the construction entity of a residential property in the preliminary property management phase shall engage with property service enterprise with the relevant qualification by way of tendering and bidding for preliminary property management service, and execute written preliminary property service contract. Residential property with less than three bidders or with its total construction area no more than 50,000 sq.m. may engage with the property service enterprise with the relevant qualification by way of agreement upon approval from the real estate administrative department of the people's government at the county level where the property locates.

According to the Temporary Measures on the Tendering and Bidding for Preliminary Property Management Services (前期物業管理招標投標管理暫行辦法), promulgated by MOC on 26 June 2003 and came into effect on 1 September 2003, preliminary property management is the property management service provided by a property management enterprise appointed by the construction entity, prior to the appointment of a property management enterprise by the property owners or the general meeting of the property owners. The developer of residential buildings and non-residential buildings located in the same property management areas shall engage the property management enterprises of corresponding qualification through the process of tendering and bidding. In cases where there are less than three bidders or the property is of minor scale, upon the approval of the relevant real estate authorities in the locality of the property, the developer of the property may engage a property management enterprise directly through a contract.

According to the Regulations on Property Management and the Property Management Regulations of Guangdong Province, apart from deciding to (i) raise and use project maintenance capital; and (ii) restructure and redevelop buildings and its ancillary facilities, which should be approved by the property owners with specified parts representing over 2/3 of total GFA and the property owners with over 2/3 of the total number of people, other issues should be approved by the property owners with specified parts representing over 50% of total GFA and the property owners with over 50% of the number of units.

The Property Management Interim Measures of Guangzhou City (廣州市物業管理暫行辦法), which was promulgated by the people's government of Guangzhou on 13 March 2014 and implemented on 1 May 2014, specified the content of the aforesaid

SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

regulations and illustrated that the formulation of the property service content, standard, and fee proposal should be approved by the property owners with specified parts representing over 50% of total GFA and the property owners with over 50% of the total number of people to decide other issues.

c. Property service fee

According to the Measures on the Charges of Property Service (物業服務收費管理辦法), which was jointly promulgated by NDRC and MOC on 13 November 2003 and came into effect on 1 January 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 property management service contracts. The property service fee shall follow either government-guided pricing or market-regulated pricing based on the nature and features of properties of various kinds. The specific pricing principles shall be determined by the competent price administration departments and real estate departments of provincial level.

As agreed between the property owners and property management enterprise, the property service fee can be charged by methods such as a lump sum of all property service fee collected (包幹制), in which case the property owners pay fixed property service fee to the property management enterprise who shall enjoy or assume all the profits or losses at its own risk, or a fixed percentage or an agreed amount of the property service income (酬金制), in which case the property management enterprise may collect its service fees in the proportion or amount as agreed from the property management income in advance, the rest of which shall be exclusively used on the items as stipulated in the property management service contract, such as the salaries of management service staff, social insurance, and garden landscape for property management regions and cleaning fees, and property owners shall enjoy or assume the surplus or shortage.

Property management enterprises shall expressly price their services according to law, and display its service items and standards, charged items and standards and other related contents on the noticeable positions in the management areas publicly.

According to the Regulation on Property Service Fee with Clear Price Tag (物業服務收費明碼標價規定), which was promulgated by NDRC and MOC on 19 July 2004 and came into effect on 1 October 2004, property management enterprises, during their provision of services to the property owners (inclusive of the property service as stipulated in the property service contract as well as other services requested by property owners), shall charge service fees at expressly marked prices, and display their service items, standards and other related contents. In case there is any change to the pricing standard, the property management enterprise shall adjust the related contents displayed and indicate the execution date of new standards one month prior to the implementation of the new standards.

According to the Property Management Interim Measures of Guangzhou City, the preliminary property management service fee of newly-constructed residential property (excluding villas) shall follow the government-guided pricing. If the said property

SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

management fee indeed has to exceed the maximum fee standard of the government-guided pricing, an approval should be obtained from the price administrative department at the county level where the property locates.

On 11 November 2013, the Price Bureau of Guangzhou City (廣州市物價局) and the Land and Resources and Housing Administrative Bureau of Guangzhou City (廣州市國土資源和房屋管理局) issued the Notice on Further Strengthening the Residential Property Service Charge Administration of Guangzhou City (Sui Jia (2013) No.231) (關於進一步加強我市住宅物業服務收費管理的通知(穗價(2013)231號)) and the Notice on the Government-Guided Pricing for Residential Housing Preliminary Property Service Charge of Guangzhou City (Sui Jia (2013) No.231) (關於廣州市住宅前期物業服務收費政府指導價的通知(穗價(2013)232號)), according to which, the government-guided pricing for residential housing preliminary property management service fee is RMB2.8/sq.m. per month. The above notices are effective from 18 December 2013 onwards and are valid for three years. After the property owners' association of the residential property area is legally established, the property service management fee follows the market-adjusted pricing.

d. Operation of Parking Lots

On 15 December 2015, the NDRC, MOHURD, and Ministry of Transport of the PRC (交通運輸部) jointly issued the Guiding Opinions on Further Improving the Policies for Motor Vehicle Parking Service Charge (關於進一步完善機動車停放服務收費政策的指導意見), aiming to perfect a parking service charge mechanism with the price mainly determined by the market, promote a more systemized and scientific government pricing administrative system, regulate the parking service charge and perfect the supporting supervision measures.

According to the Measures on Motor Vehicle Parking and Keeping Services Charges (關於機動車停放保管服務收費管理辦法) promulgated on 27 October 2009 and implemented on 1 January 2010 by the Price Bureau of Guangdong Province (廣東省物價局), motor vehicle parking and keeping services charges of (i) supporting parking lots for malls, entertainment venues, hotels, office buildings, logistics parks and professional market, (ii) parking place in residential areas, and (iii) open parking lots in suburban area of the city, follows the government-guided pricing. For motor vehicle parking and keeping services charges that follows the government-guided pricing or the government pricing, operators must obtain a charge permit from the government pricing authorities prior to actually charging fees.

However, according to the Notice on Cancelling the Charge Permit System and Implementing the Supervision in the Act and Afterwards Supervision (Sui Fa Gai [2016] No. 25) (關於取消收費許可證制度實行事中事後監督的通知(穗發改[2016]25號)) issued on 12 January 2016 by Guangzhou Municipal Development Reform Commission (廣州市發展和改革委員會), the charge permit system in Guangzhou was cancelled from 1 January 2016 onwards and the charge permit will not longer be issued (except for education and road and bridge charges). Charge permit previously issued and still within its validation date shall be automatically expired.

According to the Notice on the Related Issues on Releasing the Parking and Keeping Service Charge in Residential Area, Commercial Ancillary and Open Parking Lot (Yue Fa

SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

Gai Jia Ge (2015) No.483) (關於放開住宅小區、商業配套、露天停車場停車保管服務收費等有關問題的通知 (粵發改價格(2015) 483號)) issued by the Development and Reform Commission of Guangdong Province (廣東省發展和改革委員會) and the Department of Housing and Urban-Rural Development of Guangdong Province (廣東省住房和城鄉建設廳) on 10 August 2015, from 15 August 2015 onwards, the parking and keeping service charge for supporting parking lots of residential areas, shopping malls, entertainment venues, hotels, office buildings, logistics parks and professional market, as well as open parking lots other than government regulated parking lots implements the market-adjusted pricing.

B. CATERING SERVICES AND RETAIL SERVICES

a. Food safety

In accordance with the Food Safety Law of the PRC (中華人民共和國食品安全法) as amended on 24 April 2015 and effective from 1 October 2015, as well as the Implementation Rules of the Food Safety Law of the PRC (中華人民共和國食品安全法實施條例), as promulgated and amended on 20 July 2009 and 6 February 2016 respectively, with the purpose of ensuring food safety and safeguarding the health and life safety of the public, the State sets up a system of supervising, monitoring and assessing food safety risk, compulsory adoption of food safety standards, operating standards for food production, food inspection, food export and import and food safety accident response. Food producers and operators shall be responsible for the safety of the food they produce and operate. The Food Safety Law sets out, as penalties for violation, various legal liabilities in the form of warnings, orders to rectify, confiscations of illegal gains, confiscations of utensils, equipment, raw materials and other articles applied to illegal production and operation, fines, recalls and destructions of food in violation of laws and regulations, orders to suspend production and/or operation, revocations of production and/or operation licences, and even criminal punishments. The Implementation Rules of the Food Safety Law further specify the detailed measures to be taken and conformed to by food producers and operators in order to ensure food safety as well as the penalties that shall be imposed should these required measures not be implemented.

b. Catering service licensing

On 4 March 2010, the Ministry of Health promulgated the Administrative Measures on Catering Service Licensing (餐飲服務許可管理辦法) and Administrative Measures on Food Safety Supervision in Catering Services (餐飲服務食品安全監督管理辦法) (collectively, the “**Catering Service Measures**”). Catering Service Measures came into force on 1 May 2010. Pursuant to the Catering Service Measures, the local food and drug administrations at various levels are responsible for the administration of catering service licensing. Providers of catering services are required to obtain a catering service licence (餐飲服務許可證) and are responsible for safety of the society and customers in catering services in accordance with the law. A catering service provider that provides catering services at different locations or venues must obtain separate catering service licences for each venue. In the event of any change in the operation locations, a new application for catering service licence is required. The catering service licence is valid for a period of three years. For those temporarily providing catering services, an interim

SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

catering service licence valid for a period not exceeding six months must be obtained. Where renewal is required, the catering services providers are required to submit a renewal application in writing to the original issuing department at least 30 days before the expiry date of the valid period of the catering service licence. Overdue renewal application may follow the same procedure as new application for catering service licence. The original issuing department, in reviewing the renewal application for the catering service licence, must focus on whether there has been any change to the former licenced operation venue, any change in the layout of flow processes, and any change to the hygiene facilities, as well as whether the applicant has satisfied the basic conditions required for the grant of a licence, and a new catering service licence will be issued upon approval of the renewal application. Any transfer, alteration, lending, sale or leasing of catering service licences by catering service providers is strictly prohibited. Catering services providers shall operate within the scope of their licences in accordance with the law and the scope specified in their catering service licences. The catering service licence must be hung or displayed at a conspicuous position in the venue for dining.

c. Food distribution licensing

Pursuant to the Measures for the Administration of Food Distribution License (食品流通許可證管理辦法) (the “**Food Distribution License Measures**”) promulgated and implemented on 30 July 2009 by SAIC, any organisation or individual shall obtain a food distribution license (食品流通許可證) from the industry and commence administrative authority at or above the county level according to law before engaging in food distribution. Food producers having a food production license are not required to obtain a food distribution license when selling food produced by themselves at their production premises. Catering service providers having a catering service license are not required to obtain a food distribution license when selling food produced by themselves at their service premises. The Food Distribution License Measures has been abolished since 10 November 2015. According to the Announcement on Launching the Use of Food Operation Licence (關於啟用《食品經營許可證》的公告) promulgated by the CFDA on 30 September 2015 and become effective on the same day (the “**Food Operation Licence Announcement**”), the food distribution license that was previously issued will continue to be valid within its validity period and until its replacement with a food operation license.

d. Food operation licensing

According to the Administrative Measures on Food Operation Licensing (食品經營許可管理辦法) promulgated by the CFDA on 31 August 2015 and came into effect on 1 October 2015, to engage in food sales and catering services activities in the PRC, a food operation licence (食品經營許可證) shall be legally obtained. The food and drug supervising and administrative department shall implement classification licensing on food operation in accordance with the type of food operation entity and the degree of risk of the operation. The food operation licence shall be applied in accordance with the type of the operation entity and the classification of the operation. The types of the food operation entities include food sale operator, catering services operator and unit cafeteria. The local food and drug supervising and administrative department at or above county level, depending on review of the application materials and the site inspection etc., shall approve the operation licensing application to the applicant that meets the criteria, and issue the food operation licence to the applicant within 10 days after its approval.

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According to the Food Operation Licence Announcement, any former food distribution licence or catering service licence that does not expire will continue to be valid; if, during the validity period thereof, the food sale operator applies for a replacement with food operation licence, the licensing authority shall make the replacement according to relevant provisions; and the previously issued food distribution or catering service licence will be deregistered by the authority that has issued the licence upon its expiration.

According to the Implementing Rules on the Food Operation Licensing (Trial) (關於食品經營許可的實施細則(試行)) promulgated by Guangdong Food and Drug Administration (廣東省食品藥品監督管理局) on 29 January 2016 and implemented on 20 February 2016, for headquarters of food operation chain in Guangdong Province to engage in food operation management, a food operation licence (食品經營許可證) which includes the scope of food operation management shall be obtained by such headquarters of food operation chain.

e. Liquor monopoly licensing

According to the Regulations on Liquor Monopoly of Guangdong Province (廣東省酒類專賣管理條例) promulgated by the Guangdong Provincial People's Congress (including its standing committee) on 13 October 2002 and taken into effect from 11 December 2002, to engage in liquor retail business, one must obtain a liquor retail permit (酒類零售專賣許可證) from the competent liquor monopoly administrative department at or above county level where the business locates. However, according to the Tips concerning the Liquor Market Entity Access during Circulation (關於流通環節酒類市場主體准入有關工作的溫馨提示) published on the official website of Guangzhou Food and Drug Administration (廣州市食品藥品監督管理局) on 29 July 2014, the Food Safety Law and the relevant laws and regulations apply to the safety administration on food containing liquor. Liquor administration will be included in food administration. Liquor operator that satisfies the relevant requirements shall be issued the food distribution licence (食品流通許可證). The old liquor wholesale or retail monopoly permit (批發、零售酒類專賣許可證) will no longer be issued.

f. Publication materials

Pursuant to the Regulation on the Administration of Publication (出版管理條例), which was promulgated on 25 December 2001 and amended on 18 July 2013, 29 July 2014 and 6 February 2016 by the State Council, the engagement in the retail of publication materials by entities shall be reviewed and approved by the relevant publication authorities.

According to the Provisions on the Administration of the Publications Market (出版物市場管理規定) promulgated on 31 May 2016 and implemented on 1 June 2016 by State Administration of Press, Publication, Radio, Film and Television of the PRC (國家新聞出版廣電總局), and the MOFCOM, the state implements the licensing system for publication distribution according to relevant laws. Without being licenced, no entity or individual is allowed to be engaged in the publication distribution activities. To be able to be engaged in the retail business of publications, enterprises or other organisations must comply with certain conditions such as completing the registration with the relevant AIC

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and having relevant business scope and a fixed operation venue. In order to apply to establish a publications retail enterprise or for other entities or individuals to apply to operate the publications retail business, application materials must be submitted to the relevant publication authorities; if approved after review, the enterprises or other entities will obtain the publication operation permit (出版物經營許可證) issued by the relevant publication authorities.

g. Commercial prepaid cards

The Administrative Measures for Single-Purpose Commercial Prepaid Cards (for Trial Implementation) (單用途商業預付卡管理辦法(試行)), the “**Prepaid Cards Measures**”), promulgated by the MOFCOM on 21 September 2012 and effective as of 1 November 2012, applies to enterprise legal persons engaging in the retail industry, accommodation and catering industry and resident services industry which carries out single-purpose commercial prepaid card business within the territory of the PRC. According to the Prepaid Cards Measures, a single-purpose commercial prepaid card is issued by the above mentioned type of enterprises, and limited to be honoured for goods or services within the enterprise or the group that the enterprise belongs to or the same brand’s franchise system. A single-purpose prepaid card could be either a physical card with magnetic stripe card, chip card, or paper coupon as its carrier or a virtual card with password, serial code, graphic, biometric information as its carrier. A group card-issuing enterprise is a group’s parent company which issues the single-purpose prepaid card for its use within the group. Group card-issuing enterprises shall file for recordation within 30 days after starting to carry out the single-purpose prepaid card business with the provincial commerce administration department where it is registered. If the group card-issuing enterprise fails to comply with the above requirement, the commerce administration department at or above county level where the non-compliance occurs shall order it to rectify within a time limit; if the group card-issuing enterprise fails to rectify within the time limit, a fine between RMB10,000 and RMB30,000 will be imposed.

C. ANCILLARY LIVING SERVICES

a. Real estate intermediary services

Pursuant to the Law on Administration of the Urban Real Estate of the PRC (中華人民共和國城市房地產管理法), promulgated by the Standing Committee on 5 July 1994, and as amended on 30 August 2007 and 27 August 2009, the real estate intermediary service agencies are categorised as real estate consultancy agencies, real estate appraisal agencies and real estate brokerage agencies. Accordingly, a real estate intermediary services agency must meet certain organisational, financial and operational criteria on an ongoing basis, such as possessing sufficient funding and employing qualified personnel, and obtain business licence before commencing delivering its services.

Pursuant to the Real Estate Agency Administration Measures (房地產經紀管理辦法) issued jointly by MOHRSS, MOHURD and NDRC on 20 January 2011 and amended on 1 March 2016, real estate agency institutions and their branches shall file for recording with the municipal government construction (real estate) authorities where they locate within 30 days after obtaining their business licences.

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b. Non-state education

The Non-state Education Promotion Law of the PRC (中華人民共和國民辦教育促進法) promulgated by the Standing Committee on 28 December 2002, came into effect on 1 September 2003 and was amended on 29 June 2013 and the Regulation on the Implementation of the Non-state Education Promotion Law of the PRC (中華人民共和國民辦教育促進法實施條例) issued by the State Council on 5 March 2004 and implemented on 1 April 2004 applies to social organisations or individuals other than state institutions, which, with non-state financial funds, operate schools or other education institutions facing the society. A duly established non-state school will have the same legal status as public schools, though it is prohibited from providing military, police, political and other kinds of education which are of a special nature. The establishment of a non-state school shall meet the local need for educational development and the requirements provided for by the relevant laws and regulations, and the standards for the establishment of non-state schools shall conform to those for the establishment of public schools of the same grade and category. A duly approved non-state school will be granted a permit for operating school (辦學許可證), and shall be registered with MCA or its local counterparts.

D. GENERAL OPERATION

a. Foreign investment

Investment in the PRC conducted by foreign investors and foreign-owned enterprises shall comply with the Guidance Catalogue of Industries for Foreign Investment (外商投資產業指導目錄) (the “**Catalogue**”), which was amended by MOFCOM and NDRC on 10 March 2015. The Catalogue, as amended, became effective on 10 April 2015 and contains specific provisions guiding market access of foreign capital, stipulating in detail the areas of entry pertaining to the categories of encouraged foreign-invested industries, restricted foreign-invested industries and prohibited foreign-invested industries. Any industry not listed in the Catalogue is a permitted industry, and are generally open to foreign investment unless specifically prohibited or restricted by the PRC laws and regulations.

The establishment procedures, approval procedures, registered capital requirements, foreign exchange matters, accounting practises, taxation and labour matters of a wholly foreign-owned enterprise are regulated by the Wholly Foreign-owned Enterprise Law of the PRC (中華人民共和國外資企業法) (hereinafter the “**WFOE Law**”) promulgated on 12 April 1986 and amended on 31 October 2000, and the Rules for the Implementation of the WFOE Law (中華人民共和國外資企業法實施細則) promulgated on 12 December 1990 and amended on 12 April 2001 and 19 February 2014.

The WFOE Law has been revised by the Standing Committee on 3 September 2016 and has become effective from 1 October 2016. According to the amendments, for wholly foreign-owned enterprise which the special entry management system does not apply to, its establishment, operation duration and extension, separation, merger or other major changes shall be reported for recordal. The special entry management system shall be promulgated or approved to be promulgated by the State Council.

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Pursuant to Announcement No. 22, 2016 issued by NDRC and MOFCOM on 8 October 2016, the special entry management measures shall be implemented with reference to the relevant regulations as stipulated in the Catalogue in relation to the restricted foreign-invested industries, prohibited foreign-invested industries and encouraged foreign-invested industries which have requirements as to shareholding and qualifications of senior management.

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) (“**Provisional Measures**”) promulgated by MOFCOM on 8 October 2016, establishment and modifications of foreign invested enterprises not subject to the approval under the special entry management measures shall be filed with the delegated commercial authorities. Within the record-filing scope stipulated in Provisional Measures, foreign-invested enterprises shall fill in online and submit an application for record-filing of the change of foreign-invested enterprises and the relevant documents, and handle the record-filing procedures since 8 October 2016.

b. Product quality

Pursuant to the Product Quality Law of the PRC (中華人民共和國產品質量法) (the “**Product Quality Law**”) promulgated by the Standing Committee on 22 February 1993, came into effect on 1 September 1993 and as amended on 8 July 2000 and 27 August 2009, both the manufacturer and the seller shall be responsible for the quality of products. Quality of products that reaches and exceeds the industrial standards, national standards and international standards is encouraged. Industrial products that may endanger the human health and the safety of human body and property must comply with the national standards and the industrial standards for ensuring the human health and the safety of human body and property. The Product Quality Law stipulates that a supervision and inspection system with spot-check as the main way of checking shall be implemented. If the quality of the products are found to be below standard during the monitoring and inspection spot-check, the manufacturer and the seller will be ordered to rectify within the time limit as specified by the product quality inspection administrative authority which conducted the supervision and inspection. The seller shall be responsible for product repair, replacement or refund in any of the following circumstances, and if the product has caused any damage to the consumer who purchased the product, the seller shall compensate for the relevant loss: (i) the product fails to play its function and the seller has not explained this in advance; (ii) the product does not meet the quality standard of the product itself or as indicated by its packaging label; (iii) the quality of the product does not match with that of the product description or its sample and so on. After repair, replacement, refund or compensation by the seller according to the Product Quality Law, if the liability is on the part of the manufacturer or other seller supplying such products, the seller is entitled to claim from such manufacturer or supplier for its loss.

Pursuant to the Tort Liability Law of the PRC (中華人民共和國侵權責任法) (the “**PRC Tort Law**”) promulgated by the Standing Committee on 26 December 2009 and became effective on 1 July 2010, manufacturers are liable for damages caused by defects in their products and sellers are liable for damages attributable to their fault. If the defects are caused by the fault of third parties such as the transporter or storekeeper,

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manufacturers and sellers are entitled to claim for compensation from these third parties after paying the compensation amount. Manufacturers and sellers are obligated to take remedial measures such as issuing warnings or recalling the products in a timely manner if defects are found in products that are in circulation. If the products are manufactured and sold with known defect which causes death or severe personal injury to others, the infringed person has the right to claim punitive compensation.

c. Pricing

According to the Pricing Law of the PRC (中華人民共和國價格法) promulgated by the Standing Committee on 29 December 1997 and taken into effect on 1 May 1998, a mechanism with the prices mainly determined by the market under the adjustment of the macro-economics is implemented and will be gradually perfected by the state. The determination of prices must conform to the price laws. The prices of the majority of products and services are market adjusted while the prices of the minority of products and services shall be government guided or government determined. Market adjusted prices refer to the prices determined by the business runners themselves and formed by market competition.

d. Public venue sanitary administration

According to the Regulation on the Administration of Public Venue Sanitation (公共場所衛生管理條例) promulgated by the State Council on 1 April 1987 and amended on 6 February 2016, the Implementation Rules of the Regulation on the Administration of Public Venue Sanitation (公共場所衛生管理條例實施細則) promulgated by the NHFPC on 10 March 2011 and came into effect on 1 May 2011 and amended on 19 January 2016, and the Administration Measures on Issuing the Public Venue Sanitary Permit (關於公共場所衛生許可證發放的管理辦法) promulgated by the Health Department of Guangdong Province (廣東省衛生廳) on 29 December 2011, came into effect on 30 January 2012, and as amended on 25 February 2013, the local health administrative departments of the people's governments at or above county level shall, depending on the needs of public venue health supervision and administration, establish and improve the public health supervision team and the public health surveillance system, and set up and implement the public venue health supervision plan. The operator of public venue, except for parks, stadium and public transport, shall apply for the health sanitary permit to the health administrative department of the local people's government at or above county level. In the absence of a sanitary permit, they shall not operate. Operating a sports venue such as a fitness centre or a shopping venue such as a shopping mall or supermarket with an operating area of more than 10 thousand square meters or by using central air conditioning requires a public venue sanitary permit. For any operation without a public venue sanitary permit against the law, the health administrative department of the local people's government at or above county level may order the operator to rectify within a specific time frame, give warning and impose a fine ranging from RMB500 to RMB30,000 depending on the circumstances.

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e. Foreign exchange

The principal regulations governing foreign currency exchange in China are the Foreign Exchange Administration Regulations of the PRC (中華人民共和國外匯管理條例) which was promulgated by the State Council on 29 January 1996, became effective on 1 April 1996 and was subsequently amended on 14 January 1997 and 5 August 2008 and the Regulations on the Administration of Foreign Exchange Settlement, Sale and Payment (結匯、售匯及付匯管理規定) which was promulgated by PBOC on 20 June 1996 and became effective on 1 July 1996.

Pursuant to these regulations and other PRC rules and regulations on currency conversion, RMB is freely convertible for payments of current account items, such as trade and service-related foreign exchange transactions and dividend payments, but not freely convertible for capital account items, such as direct investment, loan or investment in securities outside China unless prior approval of SAFE or its local counterpart is obtained.

Foreign invested enterprises are permitted to convert their after tax dividends into foreign exchange and to remit such foreign exchange out of their foreign exchange bank accounts in the PRC. However, foreign exchange transactions involving overseas direct investment or investment and exchange in securities, derivative products abroad are subject to registration with SAFE and approval from or filing with the relevant PRC government authorities (if necessary). However, according to Notice regarding further simplifying and improving direct investment foreign exchange management policy promulgated by SAFE on 13 February 2015 (關於進一步簡化和改進直接投資外匯管理政策的通知), from 1 June 2015 on, overseas direct investment or domestic direct investment will no longer be subject to approval by SAFE; instead, certain qualified local banks will take charge of relevant registration procedures, and SAFE and its local branches will execute indirect supervision on the procedures aforesaid.

On 9 June 2016, the SAFE promulgated the Circular on Reforming and Regulating Policies on the Management of the Settlement of Foreign Exchange of Capital Accounts (國家外匯管理局關於改革和規範資本項目結匯管理政策的通知) (“**SAFE Circular No. 16**”). The SAFE Circular No. 16 unifies the Discretionary Foreign Exchange Settlement for all the domestic institutions. The Discretionary Foreign Exchange Settlement refers to the foreign exchange capital in the capital account which has been confirmed by the relevant polices subject to the Discretionary Foreign Exchange Settlement (including foreign exchange capital, foreign loans and funds remitted from the proceeds from the overseas listing) can be settled at the banks based on the actual operational needs of the domestic institutions. The proportion of Discretionary Foreign Exchange Settlement of the foreign exchange capital is temporarily determined as 100%.

Furthermore, SAFE Circular No. 16 stipulates that the use of foreign exchange incomes of capital accounts by foreign-invested enterprises shall follow the principles of authenticity and self-use within the business scope of enterprises. The foreign exchange incomes of capital accounts and capital in Renminbi obtained by the FIE from foreign exchange settlement shall not be used for the following purposes:

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- (1) directly or indirectly used for the payment beyond the business scope of the enterprises or the payment prohibited by relevant laws and regulations;
- (2) directly or indirectly used for investment in securities or financial schemes other than bank guaranteed products unless otherwise provided by relevant laws and regulations;
- (3) used for granting loans to non-connected enterprises, unless otherwise permitted by its business scope; and
- (4) used for the construction or purchase of real estate that is not for self-use (except for the real estate enterprises).

f. Environmental protection

The main PRC environmental protection laws and regulations applicable to us include the Environmental Protection Law of the PRC (中華人民共和國環境保護法) (the “**Environmental Protection Law**”), the Appraising of Environmental Impacts Law of the PRC (中華人民共和國環境影響評價法) (the “**Appraising of Environmental Impacts Law**”), the Regulations on Administration of Construction Project Environmental Protection (建設項目環境保護管理條例), the Prevention and Control of the Atmospheric Pollution Law of the PRC (中華人民共和國大氣污染防治法) (the “**Atmospheric Pollution and Prevention Law**”), the Prevention and Control of the Water Pollution Law of the PRC (中華人民共和國水污染防治法) (the “**Water Pollution and Prevention Law**”), the Prevention and Control of the Noise Pollution Law of the PRC (中華人民共和國環境噪聲污染防治法) (the “**Noise Pollution and Prevention Law**”), the Prevention and Control of the Solid Waste Pollution Law of the PRC (中華人民共和國固體廢物污染環境防治法) (the “**Solid Pollution and Prevention Law**”) and other relevant laws and regulations.

In accordance with the Environmental Protection Law as promulgated by the Standing Committee on 24 April 2014 and implemented on 1 January 2015, the environmental protection administrative department under the State Council shall formulate national environmental quality standards. The people’s governments of provinces, autonomous regions and municipalities may formulate local environmental quality standards for matters not specified in national environmental quality standards; they may formulate local environmental quality standards which are stricter than the national environmental quality standards for matters already specified in national environmental quality standards.

Enterprises and other operators that discharge pollutants shall take measures to prevent and control the pollution and harms to the environment of waste gas, waste water, waste, dust etc. generated in production, construction or other activities. Enterprises that discharge pollutants shall establish the environment protection responsibility regime and clarify the responsibilities of the persons-in-charge and the relevant personnel. Pollution prevention and control facilities in construction projects shall be simultaneously designed, simultaneously constructed and simultaneously put into use with the main project. Pollution prevention and control facilities shall fulfil the requirements in the approved environment impact assessment documents, and shall not be demolished

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without authorization or idled. The nation implements the pollutant discharge permit administration system. Enterprises and other operators implementing the pollutant discharge permit administration shall discharge pollutants according to the requirements of the pollutant discharge permits; no pollutant may be discharged without obtaining the pollutant discharge permit. Where enterprises and other operators discharge pollutants exceeding the pollutant discharge standards, the environmental protection authority may order them to take measures including limiting production and cease production to rectify etc.; if the circumstances are serious, after approved by the people's governments with approval powers, they may be ordered to cease production or shut down. If harms are caused by the environment pollution and ecology damage, the PRC Tort Law shall apply to determine tort liabilities.

In accordance with the Appraising of Environmental Impacts Law promulgated by the Standing Committee on 28 October 2002 and amended on 2 July 2016 by the Standing Committee with effect from 1 September 2016 on amended parts and the Regulations on Administration of Construction Project Environmental Protection promulgated by the State Council and effective as of 29 November 1998, the development of each construction project is subject to the environmental impact assessment, and the construction entity should submit to the relevant environmental protection authorities the environmental impact statement which assess the pollution the construction project is likely to produce and its impact on the environment and stipulate the preventive and curative measures. Only after the assessment has been completed and approval from the relevant environmental protection authorities has been obtained, the construction can commence. After completion of the project, the construction entity shall also apply to the relevant environmental protection authorities for checks and acceptance of the corresponding environmental protection facilities. The said construction project may be put into operation or use only after the completion of the said checks and acceptance procedures. If the construction units commence construction work without obtaining approval of the environmental impact reports or environmental impact statements for construction projects in accordance with law, the relevant environmental protection authorities can issue an order to suspend the construction, impose a fine of 1% to 5% of the total investment amount, and also issue an order to restore the environment. Where the main body of the project formally goes into production or use without completing the said checks and acceptance procedures, the relevant environmental protection authorities shall order the construction entity to stop the production and use and may impose a fine of less than RMB100,000 on the construction entity.

The PRC Government has promulgated a series of laws on discharge of atmospheric pollutants, waste water, solid wastes and noise to the environment, including the Atmospheric Pollution and Prevention Law (promulgated by the Standing Committee on 5 September 1987, amended on 29 August 1995 and 29 April 2000 and 29 August 2015 and effective from 1 January 2016, the Water Pollution and Prevention Law (promulgated by the Standing Committee on 11 May 1984, amended on 15 May 1996 and 28 February 2008, and effective as from 1 June 2008), the Noise Pollution and Prevention Law (promulgated by the Standing Committee on 29 October 1996 and effective as from 1 March 1997) and the Solid Pollution and Prevention Law (promulgated by the Standing Committee on 30 October 1995 and amended on 29 June 2013 and 24 April 2015), which have respectively specified the prevention and control and supervision and administration of atmospheric pollution, water pollution and pollution from noise and

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solid wastes. Pursuant to the aforesaid laws, in case of new construction, expansion and reconstruction of projects that discharge pollutants to the atmosphere or water body, and/or produce noise or solid wastes, the relevant enterprise shall observe the state regulations concerning administration of construction project environmental protection and make pollutant discharge declaration according to law and discharge pollutants in accordance with regulations.

With regard to enterprises violating the aforesaid laws, the relevant environmental protection authorities may impose administrative penalties on them in accordance with the PRC laws and regulations. Any enterprise that has caused an environmental pollution hazard shall be responsible for eliminating it and compensating the entities or individuals directly damaged.

g. Fire prevention

The Fire Prevention Law of the PRC (中華人民共和國消防法) (the “**Fire Prevention Law**”) was promulgated on 28 October 2008 and taken into effect on 1 May 2009. According to the Fire Prevention Law and other relevant laws and regulations of the PRC, the construction entity of the large-scale crowded venue and other special construction project shall submit the fire prevention documents to the fire prevention department for its review and approval, and complete the fire prevention inspection and acceptance procedure after the construction project is completed. The construction entity of other construction project shall complete the filing for the fire prevention design and the fire prevention completion inspection and acceptance procedure within 7 business days after obtaining the construction work permit and passing the construction completion inspection and acceptance. Otherwise it will be ordered to rectify within a specific time frame and imposed a fine of no more than RMB5,000. For each public assembly venue, such as karaoke club, dancing hall, cinema, hotel, restaurant, shopping mall, trade market and etc., the construction entity or entity using such venue shall, prior to the use and operation of any business thereof, apply for a safety inspection on fire prevention with the relevant fire prevention department under the public security authority at or above the county level where the venue is located, and such place cannot be put into use and operation if it fails to pass the safety inspection on fire prevention or fails to conform to the safety requirements for fire prevention after such inspection, otherwise the competent fire prevention department shall order it to stop using, producing or doing business and impose a fine ranging from RMB30,000 to RMB300,000.

h. Labour

(i) Labour protection

According to the Labour Law of the PRC (中華人民共和國勞動法) promulgated by the Standing Committee on 5 July 1994, became effective as at 1 January 1995 and as amended on 27 August 2009, enterprises and institutions shall establish and improve their system of work place safety and sanitation, strictly abide by State rules and standards on work place safety, educate employee in labour safety and sanitation in the PRC. Labour safety and sanitation facilities shall comply with national standards. The enterprises and institutions shall provide

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employees with work place safety and sanitation conditions which are in compliance with State stipulations and relevant articles of labour protection.

According to the Labour Contract Law of the PRC (中華人民共和國勞動合同法) promulgated by the Standing Committee on 29 June 2007, became effective on 1 January 2008 and as amended on 28 December 2012 and became effective on 1 July 2013, employment contracts shall be concluded in writing if employment relationships are to be or have been established between enterprises or institutions and the employees. Enterprises and institutions are forbidden to force the employees to work beyond the statutory time limit and employers shall pay employees for overtime work in accordance with national regulations. In addition, the wages shall not be lower than local standards on minimum wages and shall be paid to the employees timely.

Under the applicable PRC laws and regulations, including the Social Insurance Law of The PRC (中華人民共和國社會保險法), which was promulgated by the Standing Committee on 28 October 2010 and became effective on 1 July 2011, and the Regulations on the Administration of Housing Accumulation Fund (住房公積金管理條例), which was amended by the State Council and became effective on 24 March 2002, employers and/or employees (as the case may be) are required to contribute a number of social security funds, including funds for basic pension insurance, unemployment insurance, basic medical insurance, occupational injury insurance, maternity leave insurance, and to housing provident funds. These payments are made to local administrative authorities and employers who fail to contribute may be fined and ordered to rectify within a stipulated time limit.

(ii) Labour dispatch operation licensing

According to the Measures for the Implementation of Administrative Licence for Labour Dispatch (勞務派遣行政許可實施辦法) promulgated by the MOHRSS on 20 June 2013 and taken into effect on 1 July 2013, to engage in labour dispatch business, one must apply for the administrative licensing from the competent local counter part of the MOHRSS. The competent licensing department shall issue written decision on approving the administrative licensing to any applicant that satisfies the relevant legal requirements, and notify the applicant to fetch the labour dispatch operation licence (勞務派遣經營許可證) within 5 business days after the date of the decision. The validity period of the labour dispatch operation licence is 3 years. No entity or person may, in violation of the Labour Contract Law of the PRC, engage in the labour dispatch business without licensing, otherwise the competent local counter part of the MOHRSS will order such entity or person to stop the illegal behaviour, confiscate the illegal earning, and impose a fine ranging from 1 to 5 times of the illegal earning. For those who have no illegal earning, a fine of no more than RMB50,000 may be imposed.

(iii) Human resource service licensing

According to the Regulations on Employment Services and Employment (就業服務與就業管理規定) promulgated by the MOHRSS on 5 November 2007, taken into effect on 1 January 2008, and as amended on 23 December 2014 and 30 April

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2015, respectively, and latest effective on 30 April 2015, and the Employment Promotion Law of the PRC (中華人民共和國就業促進法) promulgated by the Standing Committee on 30 August 2007, taken into effect on 1 January 2008 and as amended and came into effect on 24 April 2015, the administrative licensing system is applicable to the employment agency business. The establishment of an employment agency institution or any other institution engaging in the activities of employment agency must be approved by the labour and social security administrative department and an employment agency licence (職業中介許可證) must be obtained. Institutions without being legally approved and registered may not engage in any employment agency activities, otherwise the labour administrative department or other competent department shall shut it down, confiscate the illegal earning (if any) and impose a fine ranging from RMB10,000 to RMB50,000. Furthermore, according to the Notice on Further Improving the Supervision and Administration of the Human Resource Market (關於進一步加強人力資源市場監管有關工作的通知) issued by the MOHRSS and taken into effect on 29 January 2010, the old employment agency licence (職業中介許可證) was to be replaced by the human resource service licence (人力資源服務許可證), which was uniformly printed and distributed by the MOHRSS free of charge.

i. Tax

(i) Income tax

According to the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法) (the “**EIT Law**”), which was promulgated on 16 March 2007 and became effective as of 1 January 2008, the enterprise income tax for both domestic and foreign-invested enterprises is at the same rate of 25%.

(ii) Withholding tax on dividend distribution

The EIT Law prescribes a standard withholding tax rate of 20% on dividends and other China-sourced income of non-PRC resident enterprises which have no establishment or place of business in the PRC, or if established, the relevant dividends or other China-sourced income are in fact not associated with such establishment or place of business in the PRC. However, the implementation rules of the EIT Law reduced the rate from 20% to 10%.

According to the Arrangement between the Mainland and Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排) effective on 1 January 2007, the withholding tax rate for dividends paid by a PRC resident enterprise to a Hong Kong resident enterprise is no more than 5%, if the Hong Kong enterprise directly owns at least 25% of the capital of the PRC resident enterprise. If the beneficiary is a Hong Kong resident enterprise which directly holds less than 25% equity interests of the PRC enterprise, the tax levied shall be no more than 10% of the distributed dividends. According to the Notice of the State Administration of Taxation on the Issues relating to the Administration of the Dividend Provision in Tax Treaties (國家稅務總局關於執行稅收協定股息條款有關問題的通知) promulgated on 20

SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

February 2009, the fiscal residents of the other party as corporate recipients of dividends distributed by the PRC resident enterprises must satisfy the direct ownership thresholds at all times during the 12 consecutive months preceding the receipt of the dividends.

(iii) Business tax

Pursuant to the Provisional Regulations on Business Tax of the PRC (中華人民共和國營業稅暫行條例) promulgated by the State Council on 13 December 1993 and amended on 10 November 2008 with effect from 1 January 2009 and its Implementation Rules on the Provisional Regulations on Business Tax of the PRC (中華人民共和國營業稅暫行條例實施細則) issued by MOF on 25 December 1993 and amended on 28 October 2011 with effect from 1 November 2011, the tax rate for the construction industry, culture and sports industry is 3% and the tax rate for the recreation industry is 5%-20%; the tax rate for the service industry and the transfer of immovable properties, their superstructures and attachments is 5%.

(iv) Value-added tax

Pursuant to the Provisional Regulations on Value-added Tax of the PRC (中華人民共和國增值稅暫行條例) last amended on 10 November 2008 and with effect from 1 January 2009 and its implementation rules, all entities or individuals in the PRC engaging in the sale of goods, the provision of processing services, repairs and replacement services, and the importation of goods are required to pay value-added tax (“VAT”). The amount of VAT payable is calculated as “output VAT” minus “input VAT”. The rate of VAT is 17% for those engaging in the sale or importation of goods except as otherwise provided by paragraph (2) and paragraph (3) of Article 2 in the Provisional Regulations on Value-added Tax of the PRC and is also 17% for those providing processing services, repairs and replacement services.

Pursuant to the Notice in Relation to Fully Expand the Trials of the Replacement of the Business Tax with a Value-added Tax (關於全面推開營業稅改徵增值稅試點的通知) jointly issued by MOF and SAT on 23 March 2016, the pilot trials of replacing the business tax (“BT”) with VAT will be launched around the country since 1 May 2016, under which the industry of construction, real estate, financial services and living services, etc. will be included in the scope of the replacement of the BT with a VAT and be subject to VAT instead of BT. Pursuant to the Implementing Measures for the Pilot Trials of Replacing the BT with a VAT (營業稅改徵增值稅試點實施辦法) (the “Implementing Measures”), individuals and units selling service, intangible assets or real estate in PRC shall be regarded as VAT taxpayers and pay VAT, not BT.

Under the Implementing Measures, the provision of property management service, agency service, human resource service, educational and medical service, tourism and entertainment service, catering and accommodation service, as well as leasing service will be included in the replacement of the BT with a VAT and be subject to VAT.

SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

Furthermore, pursuant to the Implementing Measures, the tax rate of VAT is:

- (i) 11% for the provision of the service of transportation, posting, basic telecommunications and leasing real estate, the sale of real estate and the transfer of land use right;
- (ii) 17% for the provision of the service of leasing tangible movables;
- (iii) nil for cross-border taxable activities provided by units and individual within the PRC; and
- (iv) 6% for industry other than disclosed above.

j. Intellectual property

China has adopted legislations related to intellectual property rights, including application, obtaining or licensing of rights on trademarks, patents, copyrights and domain names.

(i) Trademarks Licensing

The Trademark Law of the PRC (中華人民共和國商標法), or the Trademark Law, was promulgated on 23 August 1982, subsequently amended on 22 February 1993, 27 October 2001, and 30 August 2013, with the latest amendment effective on 1 May 2014 and Implementation Regulations on the Trademark Law of the PRC (中華人民共和國商標法實施條例) was amended by the State Council on 29 April 2014, and became effective on 1 May 2014. The trademark registrant may, by concluding a trademark licensing contract, authorise other persons to use the registered trademark. The licensor shall supervise the quality of the goods on which the licensee uses the licensor's registered trademark, and the licensee shall guarantee the quality of the goods on which the registered trademark is used. Without putting the licensing of the trademark on records, the trademark shall not be used to defend the bona fide third party.

(ii) Domain Names

The Measures for the Administration of Domain Names for the Chinese Internet (中國互聯網絡域名管理辦法) were promulgated by the Ministry of Information Industry on 5 November 2004 and became effective on 20 December 2004. These measures regulate the registration of domain names in Chinese with the Internet country code of ".cn." The Measures on Domain Names Dispute Resolution (中國互聯網絡信息中心域名爭議解決辦法) were amended by the Chinese Internet Network Infrastructure Centre on 28 May 2012 and became effective on 28 June 2012. These measures require domain name disputes to be submitted to institutions authorised by the Chinese Internet Network Information Centre for resolution.

HISTORY, DEVELOPMENT AND REORGANISATION

GENERAL

We are principally engaged in the provision of various services with a focus to the residents living in the Clifford Estates and other residential communities (all located in Guangdong Province, the PRC) managed by our Group and also to the residents/community in their neighbourhood. The services rendered by us may be broadly categorised into property management, retail, catering and other Ancillary Living Services.

Almost all the above services are rendered by our subsidiaries established in the PRC. As different licences are required for operating different businesses, different PRC Subsidiaries have been established for providing specific types of services. As of the Latest Practicable Date, we had 17 PRC Subsidiaries, of which 12 were our principal operating subsidiaries (the “**Principal Operating Subsidiaries**”). Among them, PM Panyu PRC Co was established in 1998. As at the date of its establishment, it was a sino-foreign equity joint venture company, the registered capital of which was owned as to 51% by China Venture (a member of the Private Group), 24.5% by PRC JV Partner No. 1 and 24.5% by a state-owned enterprise (but which was not PRC JV Partner No. 2). Immediately before the implementation of the Reorganisation, the registered capital in PM Panyu PRC Co was registered as to 51% under the name of China Venture and the remaining 49% equally under the name of the PRC JV Partners. The PRC JV Partners are also joint venture partners of some other members of the Private Group. By a trust arrangement between Ms. Wendy Man and China Venture, Ms. Wendy Man became a beneficial owner of the 51% equity interest in PM Panyu PRC Co from July 2011 and up to August 2015 (when the relevant Reorganisation step mentioned below was implemented). When PM Panyu PRC Co was first established in 1998, China Venture was the beneficial owner of 51% equity interest in PM Panyu PRC Co. Up to July 2011 before the relevant trust arrangement becoming in force, China Venture injected a total sum of RMB2.8 million into PM Panyu PRC Co as the portion of registered capital attributable to China Venture. As the trust arrangement involved a change in the beneficial owner (i.e. from China Venture to Ms. Wendy Man) while the registered holder remained unchanged, it was then agreed between China Venture and Ms. Wendy Man that a purchase price shall be paid by or on behalf of Ms. Wendy Man to China Venture with reference to the then registered share capital of PM Panyu Co (or where any valuation was required in connection with such transfer, by reference to the value so stated in such report at the relevant time). By two equity transfer agreements dated 4 August 2015 and 22 December 2015, New PM HK Co acquired 51% and 24.5% equity interest in PM Panyu PRC Co from China Venture (on behalf of Ms. Wendy Man) and PRC JV Partner No. 2, respectively. The consideration for the acquisition of the 51% equity interest amounted to about RMB7.67 million, and was determined with reference to the fair value stated in a valuation report prepared by an Independent Third Party valuer of the entire equity interests in PM Paynu PRC Co. The consideration for the acquisition of the 24.5% equity interest amounted to about RMB13.52 million, which represented the final price determined after completion of the relevant tender, auction and/or quotation (招拍掛) procedure. Following completion of the acquisitions, PM Panyu PRC Co has been a 75.5% equity-owned subsidiary of our Company. From the commencement date of the Track Record Period (or the date of establishment, if later, of the relevant PRC Subsidiaries) and up to the Latest Practicable Date, the entire equity interest in each of the PRC Subsidiaries was attributable to Ms. Wendy Man, except for PM Panyu PRC Co.

The founder of our Company is Ms. Wendy Man who used her own financial resources to establish or acquire the subsidiaries of our Group. Prior to the establishment of the PRC

HISTORY, DEVELOPMENT AND REORGANISATION

Subsidiaries, Ms. Wendy Man gained management experience and understanding of the living services through assuming various roles at the Private Group. For instance, Ms. Wendy Man has assumed the office of director of each of Clifford Estates (Panyu) Limited* (廣州市番禺祈福新邨房地產有限公司) and Guangzhou Panyu Zhongcun Clifford Hotels Company Limited* (廣州市番禺鐘村祈福酒店有限公司), both being members of the Private Group, since their respective establishment in 1991 and 2000. Ms. Wendy Man's Spouse is the controlling shareholder of the Private Group. In January 2016, as part of the Reorganisation, our Company was incorporated.

Our Group also comprises companies incorporated in BVI or in Hong Kong, most of which act as investment holding companies. Please refer to Chart 1 below which depicts the shareholding structure of our Group as of the Latest Practicable Date.

MAJOR BUSINESS MILESTONES

The following sets out our major business milestones of the development of our Group:

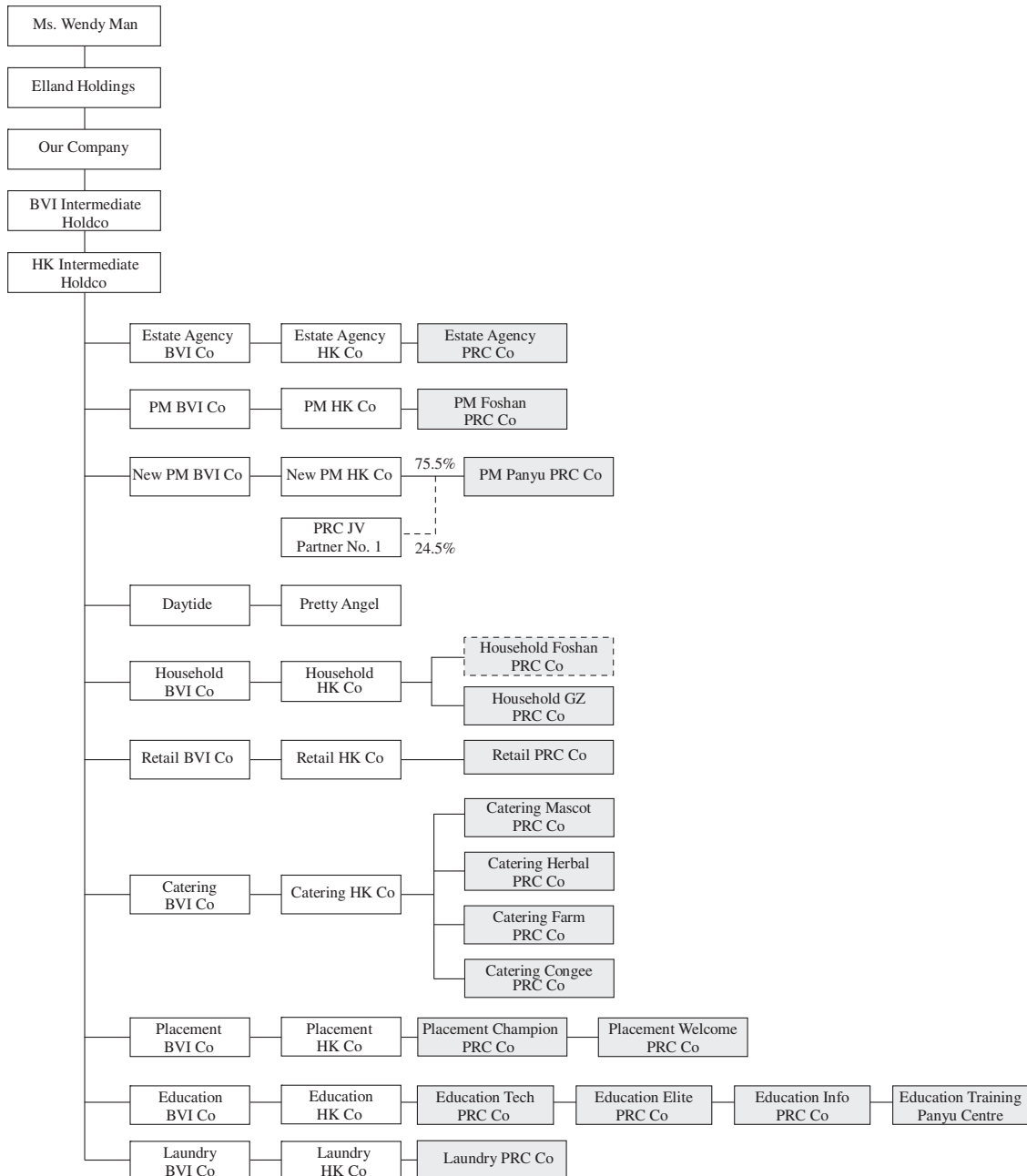
Year	Milestone
1998	PM Panyu PRC Co was established in October 1998 and entered into a property management service contract with the property owners' association of Clifford Estates
2004	PM Foshan PRC Co was established in April 2004
2005	The Qualification Certificate for Property Service Enterprise (Class One) (物業管理企業資質證書(一級)) for property management of PM Panyu PRC Co was awarded by MOHURD; Retail PRC Co was established in April 2005
2008	The first convenience store was opened in Panyu, Guangzhou
2010	Estate Agency PRC Co was established in November 2010
2011	Some of the PRC Subsidiaries (such as Catering Herbal PRC Co) which have been engaged in the catering services were established, and the first catering outlet (namely, Herbal Cuisine (藥膳坊)) was opened in September 2011; and our property agency services commenced business in 2011
2012	PM Foshan PRC Co was awarded the Qualification Certificate for Property Service Enterprise (Class One) (物業管理企業資質證書(一級)) for property management by MOHURD
2015	The property management service contract made by our Group with the property owners' association of Clifford Estates (one of the largest residential communities using our property management services) was renewed for a term until September 2020

HISTORY, DEVELOPMENT AND REORGANISATION

BRIEF DETAILS OF MEMBERS OF OUR GROUP

Chart 1

The following chart depicts the shareholding structure of our Group as of the Latest Practicable Date:



Enterprises established in the PRC

Dormant

Unless stated otherwise, all companies are solely owned by its immediate holding company/shareholder

HISTORY, DEVELOPMENT AND REORGANISATION

Save for some PRC Subsidiaries which are wholly-owned by other PRC Subsidiaries, most of our PRC Subsidiaries are direct wholly-owned subsidiaries of the relevant HK Subsidiaries which in turn are the direct wholly-owned subsidiaries of the BVI Subsidiaries. As regards PM Panyu PRC Co, it is a non-wholly owned subsidiary of New PM HK Co which in turn is a direct wholly-owned subsidiary of New PM BVI Co. Each of the BVI Subsidiaries is solely owned by HK Intermediate Holdco which in turn is a wholly-owned subsidiary of BVI Intermediate Holdco. For brief details of BVI Intermediate Holdco, the BVI Subsidiaries, HK Intermediate Holdco, the HK Subsidiaries (including New PM HK Co), please see paragraph 1.5 of “Appendix IV — Statutory and General Information” in this prospectus.

The following table sets out brief details about our Principal Operating Subsidiaries. For further details of these Principal Operating Subsidiaries, please see paragraph 1.4 of “Appendix IV — Statutory and General Information” in this prospectus.

S/N	Name of Principal Operating Subsidiary	Date of incorporation	Registered capital	Principal business activities/Remarks
1.	PM Panyu PRC Co	30 October 1998	RMB5.5 million	Property management services (<i>See note 1</i>)
2.	PM Foshan PRC Co	20 April 2004	HK\$8.77 million	Property management services (<i>See note 2</i>)
3.	Household GZ PRC Co	6 September 2012	RMB500,000	Household services
4.	Retail PRC Co	7 April 2005	RMB1 million	Retail
5.	Catering Mascot PRC Co	31 October 2011	RMB1 million	Catering services (<i>See note 3</i>)
6.	Catering Herbal PRC Co	29 September 2011	RMB1 million	Catering services (<i>See note 4</i>)
7.	Catering Farm PRC Co	27 September 2012	RMB1 million	Catering services, operating a catering outlet under the name of Farm Restaurant (農家菜館)
8.	Catering Congee PRC Co	19 October 2011	RMB1 million	Catering services, operating a catering outlet under the name of Big Brother (老大哥)
9.	Education Training Panyu Centre	20 March 2012	RMB50,000	Off-campus training services (under the Ancillary Living Services)
10.	Estate Agency PRC Co	12 November 2010	RMB300,000	Property agency services (under the Ancillary Living Services)

HISTORY, DEVELOPMENT AND REORGANISATION

S/N	Name of Principal Operating Subsidiary	Date of incorporation	Registered capital	Principal business activities/Remarks
11.	Placement Welcome PRC Co	13 May 2011	RMB2 million	Employment placement services (under the Ancillary Living Services)
12.	Laundry PRC Co	27 September 2011	RMB5 million	Laundry services (under the Ancillary Living Services)

Notes:

1. Property management services in respect of Clifford Estates (祈福新邨), Clifford Brilliant Terrace (祈福輝煌台) and Clifford Waterfront (番禺祈福水城).
2. Property management services in respect of Clifford Landmark (祈福名都花園), Clifford Bayview (祈福南灣半島), Clifford Infinity (祈福生活無限花園), Clifford Scenic Height (祈福萬景峰花園), Clifford Dragon Tower (祈福天龍苑), Clifford Metropolis (祈福都會花園), Clifford Logistics Centre (祈福物流園), Clifford (Huashan) Industrial Park (祈福(花山)工業園), Clifford Fortress (祈福聚龍堡), Clifford Gold Coast (祈福黃金海岸) and Clifford Coast (肇慶祈福海岸花園).
3. Operation of catering outlets under the names of The Owls (貓頭鷹餐廳), Clifford Owls Café (貓咖啡), Clifford Café (老朋茶餐廳), Beehive Bar & Kitchen (相見好餐廳), La TaveRona (達維納意大利餐廳), Yamabuki (山吹日本料理), Best Thai (泰出色), Bababibi Dessert (巴巴閉閉甜品屋) and Cha Cha Drinks Shop (Cha Cha 奶茶店).
4. Operation of catering outlets under the names of Herbal Cuisine (藥膳坊), Herbal Cuisine & Tea Restaurant (藥膳茶坊), Herbal Cuisine Soup Shop (藥膳湯館), Hunan's Favour (天下毛湘) and Crazy Fire (老點).

OUR COMPANY AND OUR DIRECT SUBSIDIARY

Our Company was incorporated on 6 January 2016 in the Cayman Islands as an exempted company with limited liability. On the date of incorporation of the Company, one Share (issued nil-paid) was transferred from an officer of Codan Trust Company (Cayman) Limited (a corporate-secretarial company affiliated with our Company's legal advisers as to Cayman Islands law) to Elland Holdings. On the same date, our Company further allotted and issued 9,999 Shares, nil-paid, to Elland Holdings.

BVI Intermediate Holdco was incorporated in BVI on 8 July 2015, and has become a direct wholly-owned subsidiary of our Company after the implementation of the Reorganisation. BVI Intermediate Holdco has become an intermediate holding company to hold through HK Intermediate Holdco all equity interests in each of the BVI Subsidiaries.

OUR SHAREHOLDER

As at the Latest Practicable Date, Elland Holdings was our sole shareholder. It in turn is solely owned by Ms. Wendy Man.

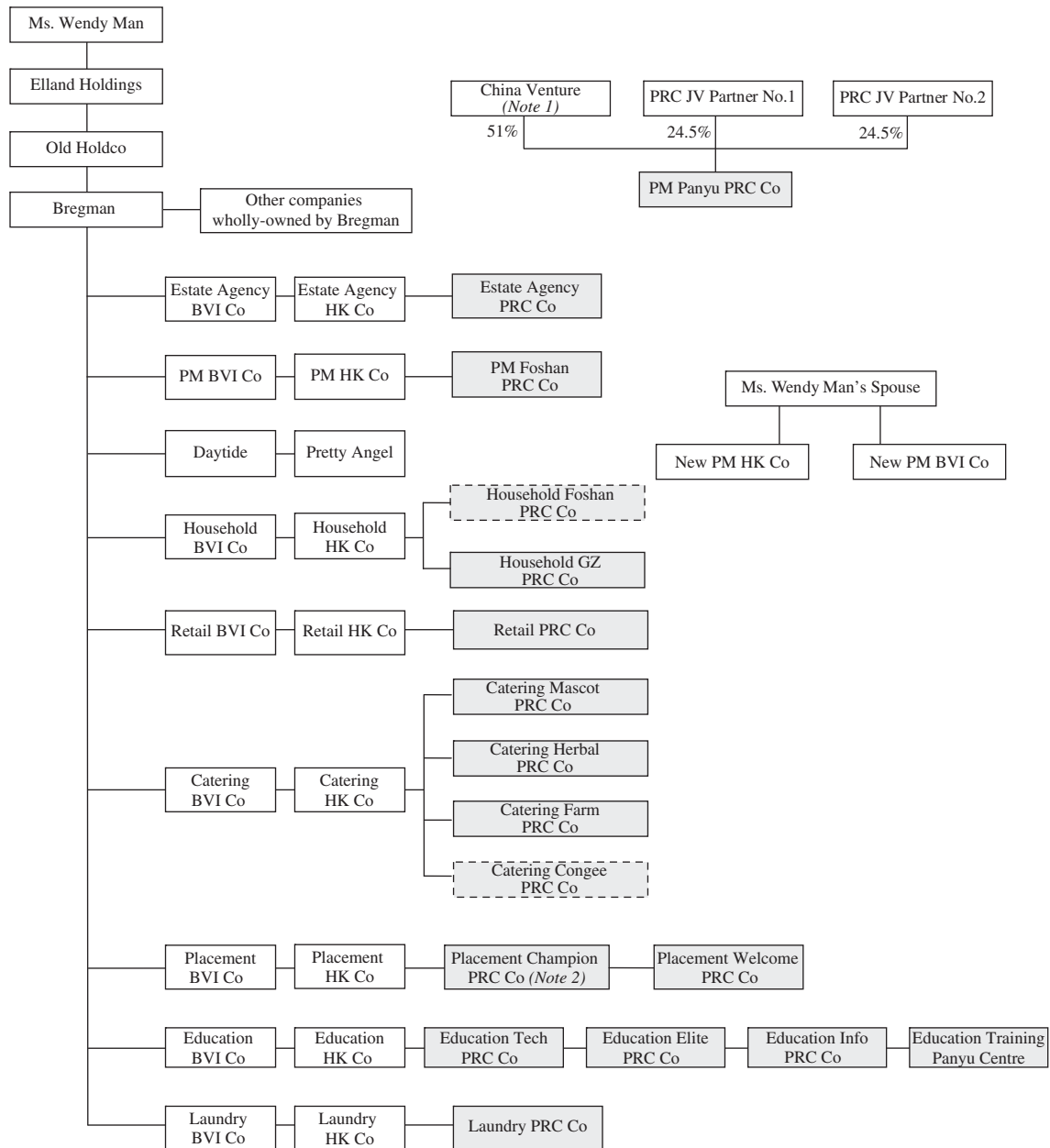
Elland Holdings was incorporated on 16 June 2011 in the BVI as a limited liability company and was authorised to issue a maximum of 50,000 shares of US\$1 each. From 5 July 2011 until the Latest Practicable Date, Elland Holdings was solely owned by Ms. Wendy Man.

HISTORY, DEVELOPMENT AND REORGANISATION

REORGANISATION

Chart 2

Prior to the implementation of the Reorganisation which started in August 2015, the corporate structure of our Group is as follows:



Enterprises established in the PRC

Dormant

Unless stated otherwise, all companies are solely owned by its immediate holding company/shareholder

HISTORY, DEVELOPMENT AND REORGANISATION

Notes:

1. The 51% equity interest in PM Panyu PRC Co was held by China Venture on trust for Ms. Wendy Man during the period between July 2011 and August 2015.
2. By an equity transfer agreement dated 18 January 2014 and made between Fortune Lead Investments Limited (as transferor, indirectly owned by Ms. Wendy Man) and Placement HK Co (as transferee), the entire issued share capital in Placement Champion PRC Co was transferred by Fortune Lead Investments Limited to Placement HK Co for a consideration of RMB101,000 which was determined with reference to the net asset value of Placement Champion PRC Co as at 30 November 2013. Such transfer was approved by the relevant Commerce Authority on 12 February 2014 and was registered with the relevant AIC on 26 February 2014.

Brief overview of the Reorganisation steps

In preparation for the Listing and the Global Offering, our Group implemented the Reorganisation to rationalise the corporate structure of our Group. The Reorganisation involves the following principal steps:

- (i) New PM BVI Co acquired New PM HK Co to become its direct wholly-owned subsidiary;
- (ii) Bregman transferred the entire equity capital in each of the BVI Subsidiaries to Great Polly (a direct wholly-owned subsidiary of Bregman) and Great Polly acquired the entire issued share capital in New PM BVI Co;
- (iii) New PM HK Co (an indirect wholly-owned subsidiary of our Company) acquired 51% equity interest in PM Panyu PRC Co from China Venture (which then held such equity interest on trust for the benefit of Ms. Wendy Man);
- (iv) our Company was incorporated in January 2016;
- (v) BVI Intermediate Holdco acquired HK Intermediate Holdco to become its direct wholly-owned subsidiary; and our Company acquired the entire issued share capital in BVI Intermediate Holdco;
- (vi) HK Intermediate Holdco acquired the entire issued share capital in each of the BVI Subsidiaries from Great Polly; and
- (vii) certain trademarks were assigned or licenced (as the case may be) by a member of the Private Group to our Group.

Detailed steps of the Reorganisation

- (i) ***Acquisition by New PM BVI Co of New PM HK Co to become its direct wholly-owned subsidiary***

New PM HK Co was incorporated on 17 April 2014 in Hong Kong. Its total amount of share capital is HK\$1 represented by one issued share. At the time of its incorporation, the subscriber was Ms. Wendy Man's Spouse. By an instrument of transfer and the related bought and sold notes dated 5 August 2015 and entered into between Ms. Wendy Man's Spouse (as transferor) and New PM BVI Co (as transferee), such share in New PM HK Co (representing

HISTORY, DEVELOPMENT AND REORGANISATION

its entire issued share capital) was transferred from Ms. Wendy Man's Spouse to New PM BVI Co at a consideration of HK\$1 which was determined based on the issued share capital in New PM HK Co.

(ii) Transfer of the entire equity capital in each of the BVI Subsidiaries to Great Polly and acquisition of the entire issued share capital in New PM BVI Co by Great Polly

By nine instruments of transfer all dated 10 August 2015 and made between Bregman (as transferor) and Great Polly (as transferee, a direct wholly-owned subsidiary of Bregman), the entire issued share capital in each of the BVI Subsidiaries held by Bregman was transferred to Great Polly, at a total consideration of RMB135.9 million, which was determined based on the aggregate net asset value of the BVI Subsidiaries as at 30 June 2015. All such transfers were completed on 10 August 2015. Such consideration was settled by Great Polly allotting and issuing a total of 999 new shares to Bregman on 10 August 2015.

By an instrument of transfer dated 10 August 2015 and entered into between Ms. Wendy Man's Spouse (as transferor) and Great Polly (as transferee), one share in New PM BVI Co (representing its entire issued share capital) was acquired by Great Polly at a consideration of US\$1, which was determined based on the par value of New PM BVI Co.

Acquisition of Great Polly by Bregman was originally made to facilitate future enjoyment of the benefits (if any) under the Arrangement between the Mainland of China and the HKSAR for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income with Hong Kong (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).

Immediately after such transfers, Great Polly became the sole owner of each of the BVI Subsidiaries and the New PM BVI Co.

(iii) Transfer of 51% equity interest in PM Panyu PRC Co from China Venture to New PM HK Co

By an agreement dated 4 August 2015 and made (among other parties) between China Venture (as seller and in its capacity of registered holder of the 51% equity interest mentioned below) and New PM HK Co (as buyer), China Venture agreed to transfer the 51% equity interest registered under its name in PM Panyu PRC Co to New PM HK Co for a consideration of RMB7.67 million, which was determined with reference to the fair value stated in the valuation report prepared by an Independent Third Party valuer of the entire equity interests in PM Panyu PRC Co. The consideration was fully settled by cash payment by our Group to China Venture on 10 September 2015. Such transfer was approved by the relevant Commerce Authority on 13 August 2015 and was registered with the relevant AIC on 24 August 2015. As advised by our PRC Legal Advisers, the PRC legal procedures of such transfer was completed on 24 August 2015.

(iv) Incorporation of our Company

On 6 January 2016, our Company was incorporated in the Cayman Islands as an exempted company with limited liability. Its authorised share capital was HK\$100 million divided into 10,000 million Shares having a par value of HK\$0.01 each. On the same date, one

HISTORY, DEVELOPMENT AND REORGANISATION

Share was allotted and issued, nil-paid, to an officer of Codan Trust Company (Cayman) Limited (a corporate-secretarial company which is affiliated with the Company's legal adviser to Cayman Islands law), which was transferred to Elland Holdings. On the same date, our Company further allotted and issued 9,999 Shares, nil-paid, to Elland Holdings.

(v) Acquisition of HK Intermediate Holdco by BVI Intermediate Holdco; Acquisition of the entire issued share capital in BVI Intermediate Holdco by our Company

By an instrument of transfer and the related bought and sold notes both dated 21 January 2016 and entered into between Ms. Wendy Man (as transferor) and BVI Intermediate Holdco (as transferee), one share having no par value in HK Intermediate Holdco (representing its entire issued share capital) was transferred from Ms. Wendy Man to BVI Intermediate Holdco at a consideration of HK\$1, which was determined based on the issued share capital in HK Intermediate Holdco.

By an instrument of transfer dated 21 January 2016 and entered into between Ms. Wendy Man (as transferor) and our Company (as transferee), one share in BVI Intermediate Holdco (representing its entire issued share capital) was acquired by our Company at a consideration of US\$1, which was determined based on the par value of such share.

(vi) Acquisition of the BVI Subsidiaries (including New PM BVI Co) by the HK Intermediate Holdco

By a share purchase agreement and the related instruments of transfer all dated 22 January 2016 and entered into (among other parties) between Great Polly (as transferor) and HK Intermediate Holdco (as transferee), the entire issued share capital in each of the BVI Subsidiaries (including New PM BVI Co) held by Great Polly was transferred to HK Intermediate Holdco, at a total consideration of RMB191 million, which was determined based on the aggregate net asset value of the BVI Subsidiaries (including New PM BVI Co) as at 31 December 2015. All such transfers were completed on 22 January 2016. Such consideration was settled by:

- (i) our Company allotting and issuing a total of 990,000 Shares to Elland Holdings (as directed by Great Polly) credited as fully paid; and
- (ii) crediting as fully paid the 10,000 nil-paid Shares held by Elland Holdings which were issued upon the incorporation of our Company on 6 January 2016.

Immediately after such transfers, HK Intermediate Holdco became the sole owner of each of the BVI Subsidiaries (including New PM BVI Co).

(vii) Assignment and grant of licences regarding trademarks used by our Group

In the past, all trademarks used by members of our Group were registered under the name of Clifford TM or Old Holdco for administrative convenience reasons.

As part of the Reorganisation:

- (a) those trademarks currently used by our Group or relevant to our current businesses (but which are not used by the Private Group or Ms. Wendy Man's Group) were assigned by Clifford TM and Old Holdco to the Company at a nominal consideration of HK\$1; and

HISTORY, DEVELOPMENT AND REORGANISATION

- (b) certain trademarks (which are used by our Group and also by the Private Group or Ms. Wendy Man's Group) have been licenced by Clifford TM to our Group (on a non-exclusive basis) for a term of 20 years subject to renewal of the trademarks with effect from 21 October 2016 at an annual licence fee of HK\$1.

For further details, please see the section headed "Relationship with Controlling Shareholders — Assignment and licensing of certain trademarks owned by the Private Group" in this prospectus.

Group structure immediately after completion of the Reorganisation but before the Global Offering

Please see "Chart 1" of the section headed "History, Development and Reorganisation" in this prospectus for the corporate structure chart of our Group immediately after completion of the Reorganisation but prior to the Global Offering, which is the same as that as at the Latest Practicable Date.

ACQUISITION DURING THE TRACK RECORD PERIOD

Acquisition of 24.5% equity interest in PM Panyu PRC by New PM HK Co from PRC JV Partner No.2

By an agreement dated 22 December 2015 and made between PRC JV Partner No.2 (as seller) and New PM HK Co (as buyer), the PRC JV Partner No.2 agreed to transfer its 24.5% equity interest in PM Panyu PRC Co to New PM HK Co for a consideration of approximately RMB13.5 million, which represented the final price determined after completion of the relevant tender, auction and/or quotation (招拍掛) procedure. The consideration was fully settled by cash payment by our Group to the PRC JV Partner No. 2 on 29 December 2015. Such transfer was approved by the relevant Commerce Authority on 25 December 2015 and was registered with the relevant AIC on 29 December 2015. As advised by our PRC legal Advisers, the PRC Legal procedures of such transfer was completed on 29 December 2015.

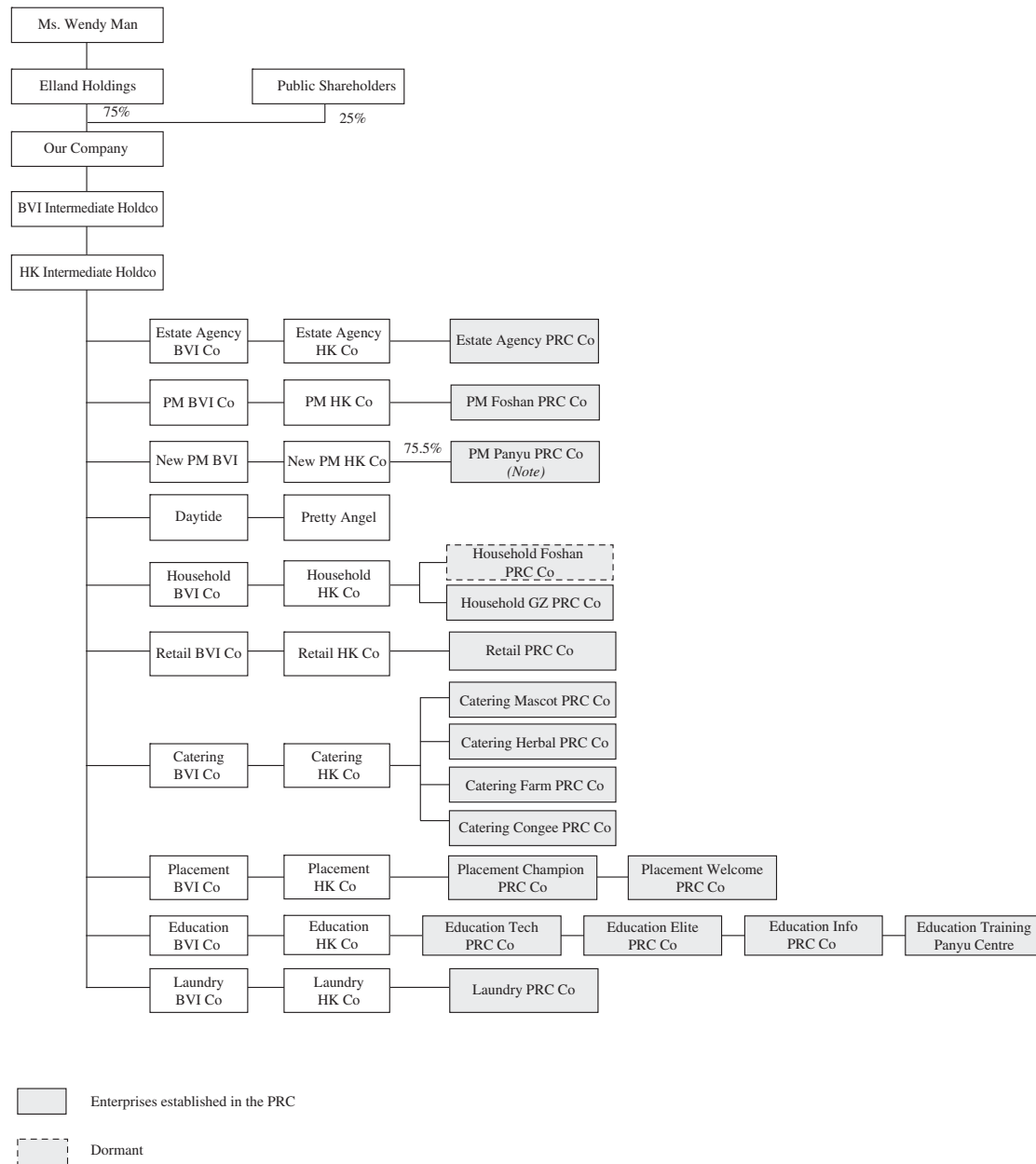
After completion of the above transfers, as at the Latest Practicable Date, PM Panyu PRC Co was owned as to 75.5% by New PM HK Co and 24.5% by PRC JV Partner No.1.

HISTORY, DEVELOPMENT AND REORGANISATION

GROUP STRUCTURE IMMEDIATELY AFTER COMPLETION OF THE GLOBAL OFFERING

Chart 3

The corporate structure of our Group immediately after completion of the Global Offering (assuming that the Over-allotment Option and the options which have been or may be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme are not exercised at all) upon Listing is set out below:



Unless stated otherwise, all companies are solely owned by its immediate holding company/shareholder

Note: The remaining 24.5% equity interest in PM Panyu PRC Co was held by PRC JV Partner No. 1, an Independent Third Party (other than being a joint venture equity-holder of three members of the Private Group).

HISTORY, DEVELOPMENT AND REORGANISATION

COMPLIANCE WITH PRC LAWS

Our PRC Legal Advisers have advised that in connection with (i) the Reorganisation and (ii) the establishment, transfer of equity interests and increase in registered capital in respect of the PRC companies in our Group, all requisite approvals, permits and licences required under the PRC laws and regulations have been obtained and all the necessary filings and registration have been effected. Our PRC Legal Advisers also advised that the Reorganisation was in compliance with all applicable PRC laws and regulations. For detailed changes in the registered capital in our PRC Subsidiaries during the two years before the date of this prospectus, please see paragraph 1.6 of “Appendix IV — Statutory and General Information” in this prospectus.

EQUITY INTERESTS IN SOME PRC SUBSIDIARIES HELD ON TRUST FOR THE BENEFIT OF MS. WENDY MAN

The equity interests in some of our PRC Subsidiaries were held by some individuals and companies on trust for the benefit of Ms. Wendy Man before the Reorganisation.

PM Panyu PRC Co

PM Panyu PRC Co was established on 30 October 1998. In July 2011, Ms. Wendy Man agreed to acquire, and China Venture agreed to sell the 51% equity interest in PM Panyu PRC Co at a consideration with reference to the then registered share capital of PM Panyu Co (or where any valuation was required in connection with such transfer, by reference to the value so stated in such report at the relevant time). As PM Panyu PRC Co is a sino-foreign equity joint venture, China Venture was required to obtain consent from PRC JV Partners before its disposal of the equity interest in PM Panyu PRC Co. As such, China Venture agreed to hold the 51% equity interest in PM Panyu PRC Co on trust for the benefit of Ms. Wendy Man during the period between 5 July 2011 and 24 August 2015. During the period between 5 July 2011 and 24 August 2015, the 51% equity interest in PM Panyu PRC Co was beneficially owned by Ms. Wendy Man.

Education Info PRC Co

Education Info PRC Co was established on 16 November 2011. The entire equity interest in Education Info PRC Co was registered in the name of Ms. He Haiyan, an employee of the Private Group, and was held by her on trust for the benefit of Ms. Wendy Man between 16 November 2011 and 24 February 2014. Ms. Wendy Man provided all the funding for such investment. The trust arrangement allowed administrative and operational efficiency for the setting up of the company, as Ms. He was familiar with the application procedures for company incorporation and various documents were required to be signed by the registered equity-holder at the stage of establishment and initial running of Education Info PRC Co. No benefits or advantages have been provided by Ms. Wendy Man to Ms. He for entering into such arrangement. Any profits or benefits derived from the equity interest in Education Info PRC Co belonged to Ms. Wendy Man and no dividends have been declared by Education Info PRC Co during the period between 16 November 2011 and 24 February 2014. By an agreement dated 20 February 2014 and entered into between Ms. He and Education Elite PRC Co, Education Elite PRC Co agreed to acquire the entire equity interest in Education Info PRC Co for a consideration of RMB2.61 million which was determined with reference to the net asset value

HISTORY, DEVELOPMENT AND REORGANISATION

of Education Info PRC Co. The transfer of the entire equity interest in Education Info PRC Co to Education Elite PRC Co was completed on 24 February 2014. During the period between 16 November 2011 and 24 February 2014, the entire equity interest of Education Info PRC Co was beneficially owned by Ms. Wendy Man.

Under the trust arrangements, Ms. Wendy Man enjoyed all rights and benefits derived from the equity interests mentioned above. As advised by our PRC Legal Advisers, all the above trust arrangements are legally effective and binding on the parties, and all such trust arrangements do not violate any applicable PRC laws and regulations.

OVERVIEW OF OUR BUSINESSES

We are a service provider with a diversified service portfolio comprising four main service segments: property management services, retail services, catering services and Ancillary Living Services. We first commenced operations in 1998 by providing property management services in one of the largest residential communities in Guangdong Province, Clifford Estates. According to the Euromonitor Report, we ranked 10th and 8th in terms of GFA of residential communities managed, amongst the residential property management companies in Guangdong Province and in Guangzhou respectively in 2015. As of 31 May 2016, we are currently a property management company for 12 residential communities and two pure commercial properties, with an aggregate contracted GFA of approximately 5,813,000 sq.m.

With our high quality of services, the residential communities that we managed have established a good reputation in the PRC. PM Panyu PRC Co, being our subsidiary engaged in the property management of Clifford Estates, was first awarded Qualification Certificate for Property Service Enterprise (Class One) (物業管理企業資質證書(一級)) for property management by MOHURD in 2005. PM Foshan PRC Co, being our subsidiary engaged in property management services, was also awarded Qualification Certificate for Property Service Enterprise (Class One) (物業管理企業資質證書(一級)) for property management by MOHURD in 2012. To provide more convenient services and to create a pleasant living environment to the residential communities we manage, we further expanded our retail services in 2008, catering services in 2011 and Ancillary Living Services in 2011 by leveraging our knowledge of residents' demands for local products and services and our growing residents' base. In doing so, we have also expanded our services beyond Clifford Estates and established a strong foothold in Guangdong Province. As of the Latest Practicable Date, our retail services were the largest service segment in terms of turnover among other service segments in the Group, while our catering services and property management services came the second and the third, respectively.

With our proven track record, substantial experience, good quality of service, good understanding and knowledge about the expectation and requirement of property developer and residents, our Directors believe that we are well positioned to have organic growth by means of winning more property management service contracts, further extending our other services (including retail, catering and Ancillary Living Services) not only in the communities developed or to be developed by the Private Group, but also in other locations outside the properties of the Private Group where we find suitable. Though we have not identified any specific targets, we also plan to pursue inorganic growth by means of merger and acquisition after Listing. We have four main service segments, which we provide our property

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management services, retail services, catering services and Ancillary Living Services. Our four main service segments are:

- *Property management services*, which primarily include: (i) general property management services and (ii) resident support services. As of 31 May 2016, our general property management services cover 12 residential communities of total contracted GFA of approximately 5,647,000 sq.m., all located in Guangdong Province with over 50,000 residential units and two pure commercial properties of a total GFA of approximately 166,000 sq.m.;
- *Retail services*, which primarily include: current operation of 17 retail outlets (one supermarket, one wet market, 14 convenience stores and one imported goods specialty store) of different scales mainly located in Clifford Estates and other areas in proximity, covering a total GFA of approximately 10,193 sq.m. as of the Latest Practicable Date;
- *Catering services*, which primarily include: current operation of 18 catering outlets (six Chinese restaurants, six casual dining restaurants, four East Asian and Western restaurants and two cafés) serving different cuisines and in different dining styles mainly located in Clifford Estates and other areas in proximity, covering a total GFA of approximately 6,254 sq.m. as of the Latest Practicable Date;
- *Ancillary Living Services*, including:
 - *Off-campus training services*, which primarily include: (i) off-campus training programmes; and (ii) interest classes.
 - *Property agency services*, which primarily include: (i) property sales agency services with a focus on the secondary residential property market; (ii) property rental agency services; and (iii) post-rental services.
 - *Employment placement services*, which primarily include: (i) placement services; and (ii) labour dispatch services.
 - *Laundry services*, which primarily include laundry services for: (i) individual; and (ii) corporate customers, in proximity.

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We experienced growth in terms of revenue during the Track Record Period. Our revenue increased from approximately RMB227.1 million in 2013 to RMB236.8 million in 2014 and to approximately RMB261.1 million in 2015. The revenue for the five months ended 31 May 2016 was approximately RMB115.1 million, increased from approximately RMB104.5 million for the corresponding period in 2015. In particular, Clifford Landmark (祈福名都花園) is a residential community located adjacent to Clifford Estates with a GFA of approximately 214,000 sq.m. as at 31 May 2016 which commenced its delivery of residential units to property owners in around late 2014. During the period from February 2016 to April 2016, we opened and/or relocated a total of 11 catering outlets in Clifford Landmark (祈福名都花園), and in March 2016, we relocated our Clifford Supermarket to Clifford Landmark (祈福名都花園) and opened a new wet market in Clifford Landmark (祈福名都花園). In view of the increased population in Clifford Landmark (祈福名都花園) and its location which is adjacent to Clifford Estates, we generated increased revenue from our property management services, catering services and Ancillary Living Services during the five months ended 31 May 2016.

The following table sets forth the breakdown of our revenue generated from the main business segments during the Track Record Period:

	Year ended 31 December						Five months ended 31 May			
	2013		2014		2015		2015 (Unaudited)		2016	
	RMB'000	% of revenue	RMB'000	% of revenue	RMB'000	% of revenue	RMB'000	% of revenue	RMB'000	% of revenue
Property management services	35,247	16	43,386	18	50,672	19	22,344	21	21,637	19
Retail services	97,826	43	98,308	42	98,668	38	39,635	38	40,259	35
Catering services	69,190	30	68,549	29	76,275	29	28,968	28	34,993	30
Ancillary Living Services	24,867	11	26,601	11	35,497	14	13,552	13	18,183	16
Total revenue	227,130	100	236,844	100	261,112	100	104,499	100	115,072	100

During the Track Record Period, except revenue generated from Clifford Owls Café (Yuexiu Branch) located in Yuexiu District and the management of two pure commercial properties, the rest of our total revenue were substantially derived from our various services operated within or in the proximity of the 12 residential communities including Clifford Estates we manage.

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The table below sets forth the revenue and gross profit breakdown by locations of our operations during the Track Record Period:

Name of residential communities	2013			Year ended 31 December 2014			2015			Five months ended 31 May 2016					
	Revenue RMB'000	Percentage of Revenue %	Gross profit RMB'000	Revenue RMB'000	Percentage of Revenue %	Gross profit RMB'000	Revenue RMB'000	Percentage of Revenue %	Gross profit RMB'000	Revenue RMB'000	Percentage of Revenue %	Gross profit RMB'000			
													(unaudited) Revenue RMB'000	(unaudited) Percentage of Revenue %	(unaudited) Gross profit RMB'000
Clifford Estates (祈福新邨)	202,696	89.2	70,130	212,098	89.6	77,879	235,438	90.2	90,430	94,480	90.4	36,150	80,408	69.9	33,711
Clifford Waterfront (番禺祈福水城)	10,846	4.8	1,718	10,113	4.3	1,807	8,529	3.3	1,227	3,478	3.3	214	2,348	2.1	301
Clifford Gold Coast (祈福黃金海岸)	788	0.3	221	3,133	1.3	853	3,332	1.3	827	1,389	1.3	355	1,703	1.5	673
Clifford Bayview (祈福南灣半島)	2,630	1.2	1,181	2,408	1.0	1,139	2,391	0.9	1,088	916	0.9	396	964	0.8	565
Clifford Fortress (祈福聚龍堡)	926	0.4	241	2,233	0.9	1,064	2,229	0.9	1,388	929	0.9	608	1,002	0.9	568
Clifford Coast (華慶祈福海岸花園)	259	0.1	245	895	0.4	728	1,189	0.5	928	479	0.5	411	469	0.4	401
Clifford Landmark (祈福名都花園)	-	-	-	34	0.1	13	1,076	0.4	770	270	0.3	86	25,047	21.8	7,542
Clifford Brilliant Terrace (祈福輝煌台)	446	0.2	316	1,243	0.5	678	1,064	0.4	607	453	0.4	279	562	0.5	434
Clifford Metropolis (祈福都會花園)	406	0.2	57	549	0.2	48	782	0.3	529	288	0.3	202	283	0.2	205
Clifford Scenic Height (祈福萬景峰花園)	-	-	-	188	0.1	146	453	0.1	431	161	0.2	151	147	0.1	141
Clifford Infinity (祈福生活無限花園)	3,370	1.5	(1,560)	538	0.2	(154)	341	0.1	323	154	0.1	147	132	0.1	127
Clifford Dragon Tower (祈福天龍苑)	-	-	-	-	-	-	237	0.1	227	16	0.0	15	115	0.1	111
Name of pure commercial properties															
Clifford Logistic Centre (祈福物流園)	4,417	1.9	2,765	2,905	1.2	1,290	3,167	1.2	1,394	1,243	1.2	584	1,382	1.2	660
Clifford (Huashan) Industrial Park (祈福(花山)工業園)	346	0.2	207	507	0.2	319	587	0.2	382	243	0.2	162	246	0.2	143
Yian Plaza (巨安廣場) ^(Note)	-	-	-	-	-	-	297	0.1	(93)	-	-	-	264	0.2	1
Total	227,130	100.0	75,521	236,844	100.0	85,810	261,112	100.0	100,458	104,499	100.0	39,760	115,072	100.0	45,583

Note: Yian Plaza is located in Yuexiu District outside Panyu District and is operated and managed by Independent Third Parties.

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The table below sets forth the breakdown of our revenue generated from connected persons and Independent Third Parties:

	Year ended 31 December			Five months ended	
	2013	2014	2015	31 May	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>2015</i>	<i>2016</i>
				<i>RMB'000</i>	<i>RMB'000</i>
				(Unaudited)	
Independent Third Parties	215,256	214,312	239,342	97,179	102,990
Connected persons	11,874	22,532	21,770	7,320	12,082
Total	227,130	236,844	261,112	104,499	115,072

OUR COMPETITIVE STRENGTHS

We believe that the following competitive strengths have enabled us to achieve a strong position in the living services industry in the PRC and differentiate us from our competitors:

We have ample growth opportunities by leveraging on our well-known brand name within the PRC to sell its skills as a full-suite property management companies to other existing and new property development

During the Track Record Period, we increased the total contracted GFA and the number of residential communities we managed through organic growth. We achieve organic growth by obtaining service engagements for new property developments and residential communities. As of 31 December 2013, 2014 and 2015 and 31 May 2016, we were contracted to manage nine, 11, 12 and 12 residential communities, respectively, and two pure commercial properties throughout the period. As of 31 December 2013, 2014 and 2015 and 31 May 2016, the properties we managed occupied an aggregate contracted GFA of approximately 5.22 million sq.m., 5.39 million sq.m., 5.71 million sq.m. and 5.81 million sq.m., respectively.

We have targeted to provide other living services in one of the largest residential communities in Guangdong Province, Clifford Estates. Clifford Estates was developed by the Private Group and has been under the management of PM Panyu PRC Co since 1998. We believe we can leverage our knowledge of residents' demands for local products and services and our growing residents' base to further expand our other services segments. Our Directors believe we have ample growth opportunities to expand the presence of other living services from Clifford Estates to the other 11 residential communities and two pure commercial properties we manage, the surrounding area and also other newly engaged residential communities in future. The Directors believe one major source of income in the future is to provide property management services as well as other services to other new residential communities.

We are a “one-stop-shop” provider that offers both property management and living services to enhance the life quality of the residential communities we manage and the surrounding area with a proven track record and strong brand recognition

PM Panyu PRC Co (as a member of our Group) commenced operations in 1998 by providing property management services in Clifford Estates in Panyu district, and have since

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then established a strong footprint in Guangdong Province. As of 31 May 2016, our property management services covered 12 residential communities of total contracted GFA of approximately 5,647,000 sq.m., all located in Guangdong Province with over 50,000 residential unites, and two pure commercial properties of a total contracted GFA of approximately 166,000 sq.m. As of 31 May 2016, we also operated 18 retail outlets of different scales, 19 catering outlets serving different cuisines and in different dining styles. We also provide Ancillary Living Services, namely off-campus training services, property agency services, employment placement services and laundry services, in Guangdong Province.

Leveraging on our understanding of the needs of residents and property owners living at the residential communities we manage, we have strategically expanded our scope of services to cover other supporting living services functions since 2008, including retail services, catering services and Ancillary Living Services. The ability to provide full range of residential living services under one roof allows us to capture value-added services which has an evidential positive impact on our revenue. By offering quality living support services to our residents in the residential communities we manage and those in proximity, it helps us in maintaining residents' satisfaction and loyalty, strengthen brand recognition and distinguishing ourselves from other competitors.

We have received various honours and awards. For details, please see the paragraph headed “— Honours and awards” in this section of this prospectus. We believe that we can leverage on our well-established market position and brand recognition to further increase our market share in the PRC property management industry.

By implementing standardisation and centralisation, we are able to provide comprehensive, consistent and cost-efficient living services

To strengthen our competitiveness and to provide consistent services, we have focused on implementing standardisation and centralisation. We have systematically standardised services to replicate efficient methods to perform such services for our retail and catering service operations and for all residential communities and pure commercial properties we manage. We have centralised certain standardised services at our headquarters where we plan, command, supervise and evaluate service process and quality.

We believe that the implementation of our standardisation and centralisation strategy helps mitigate the effects of rising costs in living services and improve our overall profit margins. Through these measures, we are able to respond to the needs of residents and property owners, which strengthen our brand recognition and give us an important competitive advantage over other industry participants when we seek new business opportunities.

We provide a wide spectrum of value-added services which is expected to create synergies for the Group not enjoyed by its competitors

We believe that the wide spectrum of living services enables us to cross-sell our services across its enlarged pool of prospective customers to meet their daily needs. As a property manager, our Group has a good understanding on the needs and shopping habits of the residents and the property owners and we are well-positioned to provide retail and catering services and Ancillary Living Services. This provides a convenient marketing platform for the

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Group's other living services including resident-targeted advertising and capability to distribute offering information to potential customers in a short period of time. Our Directors believe the cross-selling among different living services allows us to enhance our customer yield and provide shared benefit from brand awareness and customer loyalty.

We have an experienced management team with strong execution capability and in-depth knowledge of the industries we operate in

Our management team consists of knowledgeable and experienced professionals with a proven track record in the industries we operate in. Mr. Deng Zhengchuan, the general manager of our retail service segment and Mr. Cen Jiayin, the general manager of our catering service segment, have on average more than 12 years of experience in the respective retail and catering industries and served in senior management positions at various relevant retail and catering companies. In particular, Mr. Chen Yuxiong, the chief operation officer of our property management service segment, has been with us since founding of PM Panyu PRC Co and has over 17 years of extensive experience in multiple aspects of the property management business. For further information on our senior management team, please see the section headed "Directors and Senior Management — Senior management and company secretary" in this prospectus.

Our management team's dedication and execution capability drive our business operations and future growth plans. Moreover, their extensive experience and in-depth knowledge of the industries we operate in have played a crucial role in developing and enhancing our business model and culture, which we believe differentiate us from our competitors and contribute to our rapid growth. We believe our management team will continue to be a key factor to our future development of our business.

OUR BUSINESS STRATEGIES

We plan to strengthen our position in the property management industry and further expand our service network. We intend to achieve our objectives by implementing the following strategies:

Further increase the total GFA and the number of residential units we manage to enhance the reach of our service and increase our revenue

According to the Euromonitor Report, the property management industry in the PRC is highly fragmented. We plan to further expand our business and increase our market share in the industry by expanding the total GFA and the number of residential communities we manage. We plan to selectively evaluate opportunities in areas around the existing locations where we have a presence with a view to maximising our economies of scale.

During the Track Record Period, we expanded the contracted GFA and the number of residential communities we managed through organic growth by obtaining new service engagements. For more details, please see the paragraph headed "— Our property management services — Selection process of target communities for expanding our property management services" in this section of this prospectus.

We believe that by enlarging the total contracted GFA and the number of residential communities we manage, we will be able to increase our revenue from our property

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management services. In addition, we expect that a growing number of residents and property owners will use our retail services, catering services and Ancillary Living Services.

Accelerate our business growth through acquisitions of property management companies

We intend to accelerate the growth of our property management services by acquiring suitable property management companies. As the property management market is highly fragmented, according to the Euromonitor Report, and there is a trend of consolidation in the industry, we can strengthen our business presence and expand into new geographies through acquisition. We have been seeking for potential property companies principally with a focus of business operations in Guangdong Province, covering contracted GFA of over 50,000 sq.m., price of properties being in the mid-to-high-range at its location and that the residential communities or pure commercial properties under their management would be able to implement our business model in achieving our business strategy of standardisation and centralisation as further discussed in the paragraph headed “— Our property management services - Standardisation and centralisation” in this section of this prospectus. As of the Latest Practicable Date, we have not identified other suitable acquisition targets.

We intend to continue to apply our operating model and our standardisation and centralisation strategies to our acquired targets. We believe that this strategy would allow us to efficiently manage an expanding business with increasing complexity.

Further expand our retail network and catering network

To ride on our past experience in retail and catering service segments, we intend to further expand our retail service and catering service network for our business growth. We plan to explore suitable locations for expanding our retail and catering outlet network both in the residential communities we manage and areas in the proximity. By acting as the property manager of these residential communities, we believe we have a better understanding on the needs of the existing residents and the customer traffic within the communities and the neighbourhood. For details on our expansion plan in these two service segments, please see the paragraphs headed “— Our retail services — Expansion strategy of our retail services” and “— Our catering services — Expansion strategy of our catering services” in this section of this prospectus.

To develop online marketing and build online distribution channels

We observe the trend that online sales and services have become more popular in the PRC. We intend to invest in online marketing, such as advertising on third-parties’ websites for promoting various of our services and our Group’s profile. We also intend to collaborate with other websites or online sales platforms for promoting our services and selling our goods through internet, targeting at residents in the communities we manage as well as those in proximity.

As advised by our PRC Legal Advisers, there is no specific licence or permit that the PRC subsidiaries of the Company needs to obtain before conducting any online marketing on third-parties’ websites in promoting our services in the PRC.

RELATIONSHIP WITH THE PRIVATE GROUP

Our PRC Subsidiaries were initially set up mainly for the purpose of serving the needs of the residents of Clifford Estates, one of the estates developed by the Private Group and the

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communities in the neighbourhood. In such connection, certain properties occupied by us are leased from some members of the Private Group. For the years ended 31 December 2013, 2014 and 2015 and the five months ended 31 May 2016, rental expenses paid by our Group to the Private Group accounted for 73.2%, 71.1%, 85.3% and 92.1%, respectively of the operating lease payment for the same periods. We have also identified certain properties for expansion of retail and catering businesses and such properties are owned by some members of the Private Group. Over years of operation, our Group has built up a diversified customer base consisting of individuals and corporates. No single customer was a major contributor to the total revenue of our Group. Although two, four, five and four of the Group's five largest customers were members of the Private Group for the years ended 31 December 2013, 2014 and 2015 and the five months ended 31 May 2016, respectively, revenue attributable to our connected persons only accounted for 5.2%, 9.5%, 8.3% and 10.5%, respectively of our total revenue for each of the said financial years or period. During the Track Record Period, the property management services provided by us were carried out in residential communities or properties developed by the Private Group. The source of income of our Group's property management service is however mainly from the residents of the communities or the tenants of the commercial buildings who are independent of our Group. For the Track Record Period, approximately 83.5% of our Group's revenue from property management services in aggregate were generated from independent residents or tenants, while only 16.5% of our Group's revenue from property management services were generated from our connected persons.

OUR PROPERTY MANAGEMENT SERVICES

Our total contracted GFA had grown during the Track Record Period. Our managed communities and properties were developed by the Private Group. The table below sets forth the total contracted GFA and the number of residential communities and pure commercial properties we managed in different regions in the PRC as of the dates indicated:

	As at 31 December						As at 31 May			
	2013		2014		2015		2015		2016	
	Approximate total contracted GFA ('000 sq.m.)	Number of communities	Approximate total contracted GFA ('000 sq.m.)	Number of communities	Approximate total contracted GFA ('000 sq.m.)	Number of communities	Approximate total contracted GFA ('000 sq.m.)	Number of communities	Approximate total contracted GFA ('000 sq.m.)	Number of communities
<i>Residential communities</i>										
Panyu district	3,519	2	3,523	3	3,705	3	3,606	3	3,735	3
Huadu district	528	5	613	6	698	7	677	7	773	7
Zhaoqing city	282	1	295	1	346	1	345	1	346	1
Foshan city	735	1	793	1	794	1	793	1	793	1
Subtotal	5,064	9	5,224	11	5,543	12	5,421	12	5,647	12
<i>Pure commercial properties</i>										
Huadu district	160	2	164	2	163	2	164	2	166	2
Total	5,224	11	5,388	13	5,706	14	5,585	14	5,813	14

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The table below sets forth the (i) geographical location, (ii) contracted GFA, (iii) total general property management service fee income, (iv) average general property management service fee income per square metre each month, (v) the basis of revenue recognition, (vi) year of commencement of property management services and (vii) expiry date of the existing property management service contract, for each of the residential communities or pure commercial properties we manage as of the dates or for the period as indicated.

Name of residential communities ⁽¹⁾⁽⁸⁾	Location in Guangdong Province	Approximate contracted GFA as at 31 May 2016 ⁽²⁾ ('000 sq.m.)	Total general property management service fee income (RMB '000)					Average general property management service fee income ⁽⁷⁾ (RMB/sq.m./month)					Under commission basis/ lump sum basis ⁽²⁾	Year of commencement of property management services	Expiry date of the existing property management service contract
			For the year ended 31 December		For the five months ended 31 May		For the year ended 31 December		For the five months ended 31 May						
			2013	2014	2015	2016	2013	2014	2015	2016					
Clifford Estates (新福新邨)	Panyu district	3,385	9,416	13,125	14,320	5,829	6,123	2.76	3.50	3.50	3.50	3.51	Commission basis	1998	2020
Clifford Brilliant Terrace (新福輝煌台)	Huadu district	222	270	471	507	198	322	1.97	1.96	1.96	1.93	2.14	Commission basis	2008	N/A ⁽⁵⁾
Clifford Landmark ⁽⁹⁾ (新福名都花園)	Panyu district	214	-	1	760	104	358	-	5.00	2.82	2.85	2.95	Commission basis	2014	N/A ⁽⁵⁾
Clifford Waterfront (番禺新福水城)	Panyu district	136	404	460	468	193	240	1.86	1.86	1.86	1.86	1.86	Commission basis	2008	N/A ⁽⁵⁾
Clifford Bayview (新福南灣半島)	Foshan city	793	799	850	901	371	392	1.66	1.69	1.69	1.69	1.72	Commission basis	2004	N/A ⁽⁵⁾
Clifford Infinity (新福生活無限花園)	Huadu district	76	194	258	280	118	112	2.08	2.07	2.08	2.14	2.02	Commission basis	2009	N/A ⁽⁵⁾
Clifford Scenic Height (新福景峰花園)	Huadu district	88	-	76	272	98	141	-	2.43	2.51	1.91	2.53	Commission basis	2014	N/A ⁽⁵⁾
Clifford Dragon Tower ⁽⁴⁾ (新福天龍苑)	Huadu district	63	-	-	146	1	108	-	-	2.80	2.80	2.80	Commission basis	2015	N/A ⁽⁵⁾
Clifford Metropolis (新福都會花園)	Huadu district	104	278	321	328	136	137	1.96	1.96	1.96	1.96	1.96	Commission basis	2010	N/A ⁽⁵⁾
Clifford Fortress ⁽³⁾ (新福堡龍堡)	Huadu district	127	924	2,217	2,217	929	918	1.46	1.46	1.46	1.46	1.46	Lump sum basis	2013	N/A ⁽⁵⁾
Clifford Gold Coast ⁽³⁾ (新福黃金海岸)	Huadu district	93	783	3,132	3,329	1,387	1,684	2.80	2.80	2.98	2.98	3.63	Lump sum basis	2013	N/A ⁽⁵⁾
Clifford Coast (肇慶新福海岸花園)	Zhaoqing city	346	260	571	647	239	270	1.37	1.50	1.55	1.55	1.55	Commission basis	2013	N/A ⁽⁵⁾
Name of pure commercial properties															
Clifford Logistic Centre (新福物流園)	Huadu district	139	4,350	2,904	3,167	1,227	1,379	1.76	1.77	1.87	1.77	2.02	Lump sum basis	2011	N/A ⁽⁶⁾
Clifford (Huashan) Industrial Park (新福(花山)工業園)	Huadu district	27	413	507	587	228	236	1.35	1.83	1.89	1.86	1.94	Lump sum basis	2011	N/A ⁽⁶⁾

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Note:

- (1) Except Clifford Coast (肇慶祈福海岸花園), we won all our relevant preliminary property management service contracts of residential communities through tender bidding at the respective development stage in accordance with the then PRC laws and regulations. For details on the tendering of property management service contracts of residential communities, please see the paragraph headed “— Our property management services — Bidding of property management service contracts of residential communities” in this section of this prospectus.
- (2) The approximate contracted GFA of the respective communities or properties as of 31 May 2016.
- (3) For Clifford Fortress (祈福聚龍堡) and Clifford Gold Coast (祈福黃金海岸), we entered into preliminary property management service contracts with the property developer at their respective development stage in 2013. During the Track Record Period and up to the Latest Practicable Date, we were still providing our pre-delivery property management services to communities which we charged our general property management service fees on a lump sum basis from the property developer.
- (4) For Clifford Dragon Tower (祈福天龍苑), we entered into the relevant property management service contract in 2013. We started providing our general property management services which we charged our management fees on a commission basis since May 2015.
- (5) The management contracts of the other 11 residential communities do not have a specified expiry date and will expire when the respective property owners’ association is formed and a new corresponding property management service contract is entered into. For details, please see the paragraph headed “— Our property management services — Expiration schedule for property management service contracts” in this section of this prospectus.
- (6) The expiry dates of the relevant property management service contracts vary across different property management service contracts with the relevant tenants with an average duration of 2.5 years and 1.5 year in respect of Clifford (Huashan) Industrial Park (祈福(花山)工業園) and Clifford Logistic Centre (祈福物流園) respectively during the Track Record Period. In case of vacant units, it shall continue until terminated by the Private Group being the owner of the relevant commercial properties. For details, please see the paragraph headed “— Our property management services — Expiration schedule for property management service contracts” in this section of this prospectus.
- (7) The average property management service fee income is calculated based on the total revenue and total contracted GFA of the respective residential communities and pure commercial properties (including both residential and non-residential area within the communities).
- (8) PM Foshan PRC Co (as a member of our Group) has signed two property management service contracts with the Private Group to manage two respective residential communities located in Panyu district. As of the Latest Practicable Date, the two said residential communities were still in their development stage which the Group expects to commence the general property management services to the relevant residential communities and charge property management service fees on a commission basis in the first quarter of 2017 and by phases from the fourth quarter of 2017 to the first quarter of 2018 respectively. In addition, the Group expects the total general property management service fee income to be approximately RMB2.3 million and RMB0.2 million per year respectively after delivery of all the properties to the property owners and the average property management service fee income to be approximately RMB3.98 and RMB2.92 per sq.m. per month respectively, for these two said residential communities. By then, the number of residential communities under our management will be expected to increase from 12 communities to 14 communities and with an approximate 669,000 sq.m. increase in the total contracted GFA of our property management services.
- (9) Clifford Landmark (祈福名都花園) is located adjacent to Clifford Estates in Panyu district.

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The table below indicates the movement of the total contracted GFA and the number of residential communities and pure commercial properties we were contracted to manage during the periods as indicated:

	Year ended 31 December						Five months ended 31 May	
	2013		2014		2015		2016	
	Total contracted GFA (<i>'000 sq.m.</i>)	Number of communities/ properties	Total contracted GFA (<i>'000 sq.m.</i>)	Number of communities/ properties	Total contracted GFA (<i>'000 sq.m.</i>)	Number of communities/ properties	Total contracted GFA (<i>'000 sq.m.</i>)	Number of communities/ properties
As of beginning of period	4,810	9	5,224	11	5,388	13	5,706	14
Additions	414	2	164	2	318	1	107	-
Terminations	-	-	-	-	-	-	-	-
As of end of period	<u>5,224</u>	<u>11</u>	<u>5,388</u>	<u>13</u>	<u>5,706</u>	<u>14</u>	<u>5,813</u>	<u>14</u>

Scope of services in our property management service segment

Our property management services can be grouped into two main types: (i) general property management services; and (ii) resident support services. The following sets out the scope of each service type we render under our property management service segment:

(i) *General property management services*

We focus on providing general property management services such as security, cleaning, gardening, repair and maintenance to residential communities which are mixed-use properties containing residential units and ancillary facilities that are non-residential in nature, such as commercial or office units or pure commercial properties we manage. For residential communities managed on a commission basis, the general property management services are delivered by on-site staff which the labour costs are borne by the property owners. For pure commercial properties managed on a lump sum basis and preliminary property management services of residential communities on a lump-sum basis, the general property management services are delivered by on-site staff which labour costs are borne by us. The scope of our general property management services includes:

– *Security services*

We endeavour to provide high-quality security services to ensure that the residential communities or pure commercial properties we manage are well protected. We seek to enhance the quality of our security services through equipment upgrade. Daily security services provided by us include patrolling, access control, visitor handling and emergency handling.

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– *Cleaning and gardening services*

We provide general cleaning, garbage collection, pest control and landscape maintenance services in the common area to residential communities or pure commercial properties managed by us.

– *Repair and maintenance services*

We are generally responsible for the repair and maintenance of: (i) common area facilities such as lifts, escalators and central air conditioning facilities; (ii) fire and safety facilities such as fire extinguishers and fire alarm system; (iii) security facilities such as entrance gates control and surveillance cameras; and (iv) utility facilities such as electricity generator, water pumps and water tank.

– *Other services*

In view of increasing number of property owners from outside Mainland, PRC in Clifford Estates and other residential communities we manage, we provide certain types of administrative and enquiry services specific to such group of foreign property owners, as it would be more convenient for these foreign property owners to pay the monthly management fees and other relevant utility fees and make enquiries regarding Clifford Estates and other residential communities.

(ii) Resident support services

In order to provide value-added services to our general property management services, we first developed our resident support services in Clifford Estates since 2011 and we target at the residents of Clifford Estates and other residential communities in the surrounding area. Our resident support services primarily include: (i) household helper services; (ii) renovation and fitting-out services; and (iii) household repair and maintenance services. We provide these services through our employees and third-party contractors.

– *Household helper services*

We provide household helper services principally to residents of Clifford Estates and other residential communities in proximity, with the aim of supplying quality household helper services that mainly include cleaning, housekeeping and cooking, and we receive service fees based on the duration of services rendered. We deliver the housekeeping services by our employees, who received training before they perform the required services at the residential units of our customers. We constantly follow up the performance of our employees through telephone survey conducted with the customers by our customer service staff.

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– *Renovation and fitting-out services*

We provide renovation and fitting-out services principally for residents, tenants or owners or their principal contractors of Clifford Estates and other residential communities in proximity in their residential units, offices, shops and other properties.

For renovation and fitting-out projects, we generally engage third-party sub-contractors to render the services under the close supervision of our project management team.

– *Household repair and maintenance services*

We provide household repair and maintenance services principally to residents of Clifford Estates, including flooring repair and maintenance, pest control and caulking and plumbing services. We deliver these repair and maintenance services through our employees.

Standardisation and centralisation

To strengthen our competitiveness and reduce our reliance on manual labour, we focus on implementing standardisation and centralisation of our services.

- *Standardisation.* We streamline and standardise our property management services such as our customer services and security system across the residential communities and pure commercial properties we manage to improve our operational efficiency, service quality and overall satisfaction while we allow for flexibility to respond to the demands of our residents or property owners in different communities or properties to create opportunities for scalability and maximisation of profitability.
- *Centralisation.* By leveraging our standardised procedures, we can achieve centralised management at our headquarters where we plan, command, supervise and evaluate service process and quality.

We believe standardisation and centralisation allows us to consistently and efficiently replicate our service procedures in new residential communities or new commercial properties we are contracted to manage. Standardisation and centralisation provide our on-site teams with technical and other support from our headquarters' resources and enable our headquarters to closely monitor and track work status, which we believe would improve operational efficiency and ensure the delivery of consistent and high-quality services.

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Revenue model of property management services

Our property management services generate revenue from the following two types of services during the Track Record Period:

	Year ended 31 December						Five months ended 31 May			
	2013		2014		2015		2015 (Unaudited)		2016	
	RMB'000	% of property management services revenue	RMB'000	% of property management services revenue	RMB'000	% of property management services revenue	RMB'000	% of property management services revenue	RMB'000	% of property management services revenue
General property management service fee income										
On a commission basis	11,621	33	16,133	37	18,629	37	7,288	33	8,203	38
On a lump sum basis	6,470	18	8,760	20	9,300	18	3,770	16	4,217	19
	18,091	51	24,893	57	27,929	55	11,058	49	12,420	57
Service fees from resident support services										
	17,156	49	18,493	43	22,743	45	11,286	51	9,217	43
Total property management service fee	35,247	100	43,386	100	50,672	100	22,344	100	21,637	100

During the Track Record Period, we charged (i) general property management service fees on a (a) commission basis; and (b) lump sum basis; and (ii) service fees from resident support services.

During the Track Record Period, we charged our general property management service fees (i) on a commission basis for residential communities we manage (except for Clifford Fortress (祈福聚龍堡) and Clifford Gold Coast (祈福黃金海岸)); and (ii) on a lump-sum basis for two commercial properties we manage and for the preliminary property management services for Clifford Fortress and Clifford Gold Coast. For each of the years ended 31 December 2013, 2014 and 2015 and the five months end 31 May 2015 and 2016, gross profit margin for our general property management services was 78.1%, 74.9%, 76.7%, 77.1% and 77.5% respectively.

General property management service fees

(i) On a commission basis

On a commission basis, we are entitled to retain as our revenue a pre-determined percentage of the property management fees (ranging from 5%–10% during the Track Record Period) the property owners are obligated to pay. For details of the relevant PRC laws and regulation, please see the section headed “Summary of Principal Legal and Regulatory Provisions — A. Property management services — c. Property service fee” in this prospectus.

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The other part of the property management fees is used to cover the property management expenses associated with our services. For detailed information, please see the section headed “Financial Information — Discussion of certain items from the statements of financial position — Trade and other receivables — Amount placed at Residents’ Accounts” in this prospectus.

At a preliminary stage of a property development project, we may be appointed by the property developer as property management company for the relevant residential community. Before the sold units in the relevant residential community is delivered to the property owner, we charge our general property management service fees from the property developer on a lump sum basis, but after such sold unit is delivered to the relevant property owners, the obligation to pay such property management fees is directly borne by the relevant property owners, which we charge on a commission basis. For detailed information on property management fees we charge on commission basis, please see the section headed “Financial Information — Discussion of certain items from the statements of financial position — Trade and other receivables — Amount placed at Residents’ Accounts” in this prospectus.

For general property management service fees charged on a commission basis, we essentially act as an agent of the property owners. We recognise the pre-determined percentage of property management fees as our revenue. Although we normally enter into employment contracts with our on-site staff, the relevant costs associated with the majority of on-site staff are typically borne by the property owners through the relevant management offices of the respective residential communities, with a small number of management staff are our Group’s employees which we bear their labour cost. Therefore, we do not incur any direct cost under property management service contracts charged on a commission basis in general.

(ii) On a lump sum basis

For the two pure commercial properties we manage, we directly charge the tenants our property management fees on a lump sum basis whereby we are entitled to retain the full amount of the received property management fees. In case of vacant units of pure commercial properties, the Private Group being the owner of the properties shall pay us management fee. From the property management fees, we pay out our expenses associated with, among others, our general property management services. During the term of the contract, if the amount of property management fees received is not sufficient to cover all expenses incurred, we are not entitled to request the tenants or the property owners to pay us the shortfall as our revenue. Furthermore, we may be appointed as the property management company by the property developers at the preliminary stage of property development projects. Pursuant to the relevant preliminary property management service contract, we provide our general property management services to property developers before the sold residential units are delivered to the property owners. For the property management fees received from the property developers during this period, we recognise our revenue based on the fees we charge on a lump sum basis.

On a lump sum basis, we recognise the full amount of property management fees we charged as our revenue and recognise the expenses incurred as our costs of sales and expenses.

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The table below sets forth the material differences between the general property management service fees we charged on a commission basis and on a lump sum basis:

	On a commission basis	On a lump sum basis
(i) Our revenue	A pre-determined percentage (which ranged from 5% to 10% during the Track Record Period) of property management service fees paid by the property owners that we are entitled as revenue.	The full amount of property management service fees we charged from property owners or property developers that we are entitled to as revenue.
(ii) Expenses associated with the general property management services	Expenses associated with general property management services are covered by the balance of the gross general property management service fees paid by the property owners or residents after deducting our entitled property management service fees mentioned in (i) above. Except the labour costs of a small number of our management staff, we generally do not incur any direct cost under the property management service contracts.	Expenses associated with the general property management services are borne by us.
(iii) Shortfall or surplus between the general property management services fees and expenses associated with the general property management services	We are not responsible for any shortfall if the amount of general property management fees received is not sufficient to cover all the associated expenses incurred. Any shortfall or surplus are assumed or entitled by the property owners.	If the amount of general property management fees received is not sufficient to cover all expenses incurred, we are not entitled to request the property owners to pay us the shortfall.

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Resident support service fees

For the resident support services, we charge our customers based on the services provided: (i) for the household helper services, we receive payment from customers before we render the services at the time they subscribe for one-off or package service; (ii) for renovation and fitting-out projects, we charge our customers after project completion; and (iii) for the household repair and maintenance services, we usually charge our customers after rendering the services.

Price range

Our general property management service fee levels within the same geographical region vary depending on factors such as property types and contracted GFA. The average property management fees for residential area within the residential communities we manage on a commission basis are charged at a range from RMB1.37 to RMB5.00 per sq.m. per month for the Track Record Period. For the two pure commercial properties we manage, we charge at a range from RMB1.54 to RMB1.98 per sq.m. per month for the Track Record Period.

Our resident support service fees vary depending on the complexity and duration of services we rendered. During the Track Record Period, the average service fee of (i) household helper services was charged at a range of approximately RMB24 to RMB80 per hour; (ii) renovation and fitting-out services was charged at a range of approximately RMB50,000 to RMB4,820,000 per contract sum; and (iii) household repair and maintenance services was charged at a range of approximately RMB25 to RMB80,000 per work task.

Our pricing policy

(i) General property management service fees

We are typically appointed as the property management company to provide general property management services to residential communities or preliminary property management services through a bidding process or directly engaged by the property developer for pure commercial properties. For more information, please see the section headed “Summary of Principal Legal and Regulatory Provisions — A. Property management services” in this prospectus. When we bid or consider a new engagement, we generally price our services based on a number of factors, including our expense forecast and the local government’s guidance price on property management fees. We adopt the same pricing policy for our general property management services charged on a commission or lump sum basis.

For our general property management services in relation to preliminary property management service contracts, when the residential communities have reached the delivery stage, we charge our property management fees from property owners of residential units that have already been sold by the developer which are generally calculated based on the size of the unit and the nature of the area of communities (such as residential areas, retail areas or carparks). For the remaining unsold units, we receive property management fees from the property developer which are charged on a lump sum basis.

In the PRC, the management service fees of residential community that property management companies may charge in connection with property management services are strictly regulated and supervised by relevant PRC authorities. The relevant price administration department and construction administration department of the State Council

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are jointly responsible for the supervision over and administration of the fees charged in relation to property management services. For more details, please see the section headed “Summary of Principal Legal and Regulatory Provisions — A. Property management services” in this prospectus.

(ii) Resident support service fees

We price our household helper services based on the duration of the service rendered. We price our renovation and fitting-out services based on a number of factors, such as the types of projects, project cost forecast, our procurement needs and the technical complexity involved. For our repair and maintenance services, our price is mainly based on complexity of the tasks and resources involved.

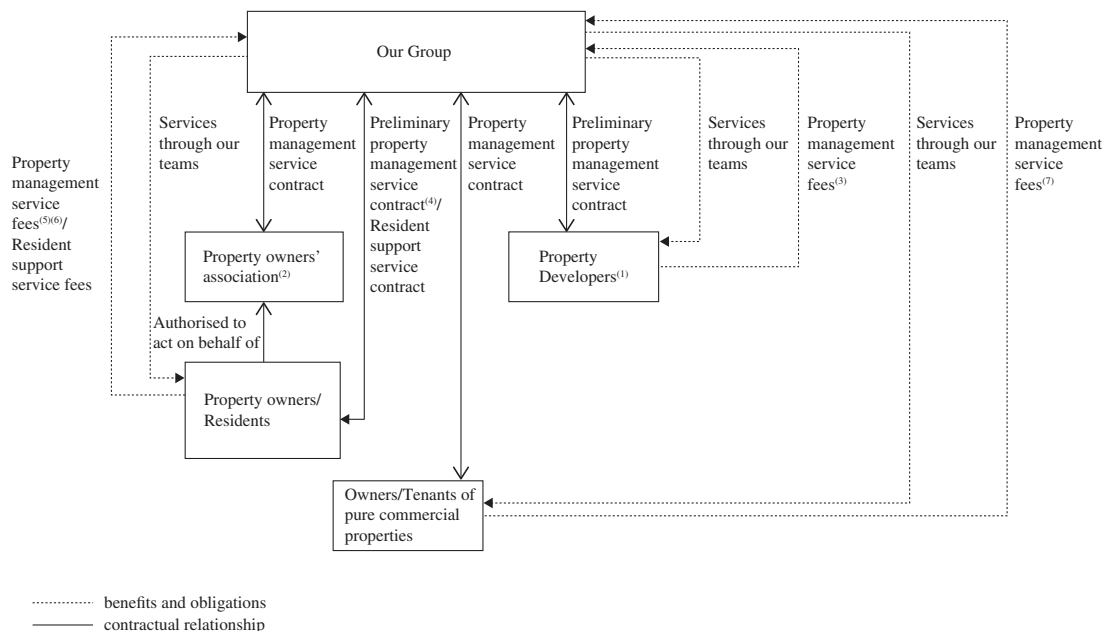
Payment terms

We charge property management fees on a monthly basis for our general property management services.

In terms of our resident support services, we offer regular and irregular household helper service through monthly subscription or the pre-paid package based on the duration of service. The pre-paid package has an expiry date of one year. We receive service fees in full amount from our customers generally by cash before the services are rendered for household helper services. The payment terms of the contracts for our renovation and fitting-out services are generally based on the progress of our work, and payments of the contract value are payable by a lump sum payment within 10 days upon project completion and after we passed our customers’ quality inspection. For the household repair and maintenance services, we receive payments in full mainly in cash after we provided the relevant services.

Types of property management service contracts

The diagram below illustrates our relationships with various counter-parties when we provide property management services:



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Notes:

- (1) Property developers can enter into preliminary property management service contracts on behalf of property owners before the sale of the property and such contracts are legally binding on property owners.
- (2) Property owners' association can enter into property management service contracts on behalf of property owners and such contracts are legally binding on property owners.
- (3) Pursuant to the preliminary property management service contracts entered by the property developers on behalf of the property owners, the property developers pay the relevant property management service fees to us before the sold residential units are delivered to the property owners. We do not receive property management service fees from property owners until the properties are first delivered to them. We recognise such property management service fees received from property developers as revenue on a lump sum basis.
- (4) The preliminary property management service contract entered on behalf of the property owners is legally binding on the property owners. For further details, please see the paragraph headed “— Our property management services — Types of property management service contracts — (i) Contracts with property developers regarding general residential property management services” in this section of this prospectus.
- (5) Pursuant to the property management service contracts entered by the property owners' association on behalf of the property owners, the property management service fees are borne by the property owners which we recognise as revenue on a commission basis.
- (6) Pursuant to the preliminary property management service contracts entered by the property developers on behalf of the property owners, the property management service fees are borne by the property owners after the delivery of the sold residential units which we recognise as revenue on a commission basis.
- (7) Pursuant to the property management service contracts entered between the tenants of the pure commercial properties we manage and us, tenants pay the property management service fees to us which we recognise on a lump sum basis. In case of vacant units of commercial properties, the Private Group being the owner of the properties shall pay us property management service fees.

The table below sets out a summary of key terms of standard contracts of our general property management services for residential communities and pure commercial properties and resident support services:

	General residential property management services	Pure commercial property management services	Resident support services
Contract counter-parties	Property developers or property owners' association	Owners or tenants of pure commercial properties	Residents or property owners
Our primary responsibilities and obligations	<ul style="list-style-type: none"> – Security services – Cleaning and gardening services – Repair and maintenance services 	<ul style="list-style-type: none"> – Security services – Cleaning and maintenance services – Traffic management of common areas and common facilities – Recording of the water and electricity metres reading 	<ul style="list-style-type: none"> – Household helper services – Renovation and fitting-out services – Household repair and maintenance services

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	General residential property management services	Pure commercial property management services	Resident support services
Use of sub-contractors	N/A	N/A	We may engage third party sub-contractors to provide certain household support services
Major suppliers	There are no major suppliers	There are no major suppliers	Third party sub-contractors providing services such as renovation and fitting-out services to residents or property owners of residential communities we manage
Customers	Property developers (before the sales of properties), property owners and property owners' association (if established) of the residential communities we manage	Owners or tenants of the pure commercial properties we manage	Residents or property owners of the residential communities we manage or other residential communities in proximity
Payment terms and credit periods	Typically monthly payments payable within one to 30 days	Typically monthly payments payable within one to 30 days	For household helper services: payment payable before we carry out the services For renovation and fitting-out services: lump sum payments of the whole contract value generally payable within 10 days upon project completion and after we passed our customers' quality inspection For household repair and maintenance services: payments payable after we perform the services
Credit risks	Credit risks mainly result from default payment of property management service fees by the residents, which may lead to recoverability problem on our commission portion. We have the legal right to recover such receivables from the property owners.	Credit risks mainly result from default payment of property management fees by our customers. We have the legal right to recover such receivables from the relevant owners or tenants.	Credit risks mainly result from defaulting payments by our customers after rendering our renovation and fitting-out services. We have legal rights to recover such receivables from our customers.
Employees	Headquarters and on-site staff	Headquarters and on-site staff	On-site staff

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Details of our general property management service contract are set out below:

(i) Contracts with property developers regarding general residential property management services

With respect to service engagements for new communities, we generally enter into preliminary property management service contracts with property developers prior to delivery of the relevant sold residential units to property owners. Under these contracts, we are responsible for the concierge service, security and general cleaning of designated areas and other general property management services. It is also our duty to set up the annual budgets, service plans and final accounting reports. We and the property developer jointly conduct the acceptance inspection of the common areas and facilities of the communities according to relevant regulations of the PRC.

As advised by our PRC Legal Advisers, according to the Regulation on Property Management (物業管理條例) and the Interpretations on Several Issues relating to the Specific Application of Laws on the Hearing of Property Management Service Disputes (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) of the PRC, which was promulgated by the Supreme People's Court on 15 May 2009 and came into effect on 1 October 2009, preliminary property management service contracts, written contracts legally signed and executed by and between property construction units (or property developers) and property management service companies before property owners or property owners' association recruit any property management service companies, are legally binding on the property owners even though they are not the signing parties to such contracts. After the residential units are delivered to the property owners, the obligation to pay management fees is borne by the property owners under these contracts and our revenue is calculated on a commission basis. Before the sold residential units are delivered to the property owners, property developer will pay us the property management fees for our general property management services which we charge our fee on a lump sum basis. We do not receive property management fees from property owners until the properties are finally delivered to owners. The contracts typically do not specify through what means we can seek to collect overdue fees. We persistently contact residents or property owners with outstanding property management fees via text messages, mails or phone calls. If such ordinary collection measures do not suffice, we would hire legal counsel to take legal action against such residents or property owners in recovering the outstanding payments.

If upon the expiration of the initial term of the preliminary property management service contract, the property owners' association has not yet been formed or a new property management service contract has yet to be entered into, the preliminary property management service contract will be automatically renewed until a new property management service contract is entered into by the property owners' association. If the relevant contract stipulates such automatic renewal, either party to the contract may unilaterally terminate the work relationship without liabilities. During the contractual term, if we decide to terminate a contract through non-renewal, we will notify our counter-party, and continue to provide services until contract expiration. As advised by our PRC Legal Advisers, we typically have the option to unilaterally terminate a property management service contract and cease service provisions before its expiration but we may assume responsibility for termination in accordance with the contract or PRC laws. We may also unilaterally terminate a contract and cease service provisions before its expiration without paying a compensation to our

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counter-party if there are legal or contractual grounds for such unilateral termination, such as our counter-party's non-performance of its material obligations. Furthermore, both parties may agree on early termination based on mutual consent. Although we did not unilaterally terminate any property management service contract before its expiration date during the Track Record Period and up to the Latest Practicable Date, if in the future we choose to do so, we intend to negotiate with our counter-party such that the contract can be terminated based on mutual consent to minimise legal risks.

(ii) Contracts with property owners' association regarding general residential property management services

As of the Latest Practicable Date, only one residential community (being Clifford Estates) has established its property owners' association in 1998, which entered into the property management service contract with PM Panyu PRC Co on 18 December 1998. As advised by our PRC Legal Advisers, in general, the valid and legally executed property management service contracts between property owners' association and property management companies in accordance with the PRC laws and regulations, including the various legal rights and obligations of property owners under such contracts, are also valid and legally binding on property owners, whom their respective property owners' association represent, even if property owners are not parties to such contracts. Under the Law on Property of the PRC (中華人民共和國物權法), the property owners' association is elected by the property owners, or the assembly of property owners and represents their interests in matters concerning property management, and the property owners' association's decisions are binding on the property owners. We therefore have legal claims against property owners for overdue property management fees.

We started providing our property management services in Clifford Estates in 1998 which we entered into the relevant property management service contracts with its property owners' association on 8 November 1998 with a duration of three years. The relevant property management service contracts in respect of Clifford Estates were subsequently renewed on the same date in 2001 and 2003 and on 25 August 2007 with the same duration of three years. On 15 September 2010, we renewed our service contract in respect of Clifford Estates with the property owners' association for a duration of five years. The current property management service contract entered into with the property owners' association on 14 September 2015 in respect of Clifford Estates will expire on 14 September 2020. The contract has terms that are substantially similar to the previous property management service contract. For other residential communities we manage, the expiry date of the property management service contracts are not specified.

Under the PRC laws and regulations, the property owners' association of a residential property of a certain scale has the right to change property management companies pursuant to certain procedures. For more information, please see the section headed "Summary of Principal Legal and Regulatory Provisions — A. Property management services — b. Appointment of property management enterprise" in this prospectus. In the event of termination or non-renewal of property management service contracts, we may be adversely affected. For the relevant risk, please see the paragraph headed "Risk Factors — Risks relating to our business — (ii) Risks relating to our property management services — Termination or non-renewal of our property management services contracts could have a material adverse effect on our business, financial position and results of operations" in this prospectus.

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Our property management service contracts with property developers and property owners' association sets out the scope of services to be provided by us, which generally include security, cleaning, gardening, repair and maintenance services for the common area facilities within the residential communities. Although we may not assign the contracts to third parties in their entirety, we are typically allowed to sub-contract part of our services to third parties, such as security, cleaning or repair and maintenance services. These contracts typically require us to meet certain quality standards or quality standards promulgated by the relevant PRC national, provincial or municipal governmental bodies. As of the Latest Practicable Date, we have not delegated any of our general residential property management services to any third-party sub-contractors. For further details on sub-contracting, please see the paragraph headed “— Sub-contracting” in this section of this prospectus.

We have been advised by our PRC Legal Advisers that, in order for us to raise our property management fees, we have to go through certain legal procedures, including but not limited to holding a property owners' meeting. The property management fees can only be increased if property owners representing (i) more than 50% of total number of units and (ii) more than 50% of the total proprietary GFA of that community approve the motion. In addition, if the property owners' association of that residential community has not established, the property management fees shall not exceed the government guidance price, unless approved by relevant price management authority. If we are unable to raise property management fees and there is a shortfall of working capital after deducting the property management expenses, we would seek to cut costs with a view of reducing the shortfall with future property management fees, which may negatively affect the quality of our property management services. For further details concerning the evolving regulatory environment and measures affecting our property management services, please see the paragraph headed “Risk Factors — Risks relating to our industries — (ii) Risks relating to our property management services — We are subject to the evolving regulatory environment and measures affecting the PRC property management services industry” in this prospectus. According to the property management service contract executed by the property owners' association and PM Panyu PRC Co on 14 September 2015 in relation to Clifford Estates, parties shall resolve any contractual disputes through negotiations or mediation first, failing which the dispute is to be resolved through court proceedings.

(iii) Contracts with tenants of pure commercial properties

During our Track Record Period and up to the Latest Practicable Date, we entered into property management service contracts with the tenants of the two pure commercial properties, namely Clifford Logistics Centre (祈福物流園) and Clifford (Huashan) Industrial Park (祈福(花山)工業園). We are responsible for providing cleaning and maintenance, security, traffic management of common areas and common facilities, recording of the water and electricity metres readings, etc. We bear the costs of our services on our own and in return, we receive a fixed lump sum of property management service fees from the tenants every month. The contracts with tenants of pure commercial properties are specified with an expiry date and are renewable with mutual agreement.

In case of vacant units of pure commercial properties, the Private Group being the owner of the relevant properties shall pay us property management service fees. The relevant property management service contracts shall continue until terminated by the Private Group, being the owner of the relevant commercial properties.

Bidding of property management service contracts of residential communities

Under the PRC laws and regulations, for a construction entity of any residential and the non-residential property in the same property management area, property developers are typically required to select property management service companies to provide the preliminary property management services through a bidding process. As advised by our PRC Legal Advisers, according to the Regulation on Property Management (物業管理條例), in circumstances where there are less than three bidders or the residential community is of relatively small scale, property developers are permitted under the PRC laws and regulations to select property management companies without conducting any bidding process directly engage a property management company through a contract, subject to approval by competent PRC real estate administration authorities.

As of the Latest Practicable Date, the residential communities we manage were all developed by the Private Group and we won most of our preliminary residential community property management service contracts through bidding at their respective development stage in accordance with the then PRC laws and regulations, except Clifford Coast (肇慶祈福海岸花園). We were directly appointed to manage Clifford Coast (肇慶祈福海岸花園) in 2013 as Clifford Coast (肇慶祈福海岸花園) was approved by the relevant competent PRC real estate administration authorities that there were less than three bidders, then bidding was not required.

The Directors confirmed that there were no complaints or disputes in relation to the bidding process for the preliminary property management service contracts granted to the Group during the Track Record Period and up to the Latest Practicable Date.

According to the Regulation on Property Management (物業管理條例) and the Temporary Measures on the Tendering and Bidding for Preliminary Property Management Services (前期物業管理招標投標管理暫行辦法), a typical bidding process for engaging property management company to provide preliminary property management services principally involves the stages of:

- *Invitation.* The property developer may publish an announcement or public tender notice at the property management associations' website to invite potential bidders or issue private invitations to at least three qualified bidders.
- *Review.* Pursuant to the relevant PRC laws and regulations, an evaluation committee consisting of limited number of representatives from the property developer and a majority of external property management experts to review and rank the submitted tenders. The tender review committee takes into account factors such as credentials, service quality, availability of capital and human resources and proposed fee levels when it reviews the proposals.
- *Selection.* Based on its review, the tender review committee recommends to the property developer not more than three candidates firms. The property developer will then engage the property management company rank the first.

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The Group does not preclude any business opportunity through tendering for property management service contracts for residential communities developed by other property developers which were Independent Third Parties. During the Track Record Period, the Group started to tender bids for property management projects for residential communities developed by Independent Third Parties. In April 2013, the Group has first tendered bids for managing residential communities developed by Independent Third Parties. Save as mentioned above, we have not tendered any bids to manage residential communities developed by Independent Third Parties and we have not won any property management service contract that was developed by other property developers, except the Private Group during the Track Record Period and up to the Latest Practicable Date. For every residential community developed by the Private Group, we had tendered our bid and won for the relevant preliminary property management service contract, except Clifford Coast (肇慶祈福海岸花園).

For pure commercial properties, we are typically appointed as the property management company directly by the property developer to enter into the contracts with the tenants and no bidding process is mandatorily required.

Expiration schedule for property management service contracts

As of 31 May 2016 and up to the Latest Practicable Date, we are contracted to manage 12 residential communities and two pure commercial properties. Save for the property management service contracts in respect of Clifford Estates which will expire on 14 September 2020, the management contracts of the other 11 residential communities do not have a specified expiry date and will expire when the respective property owners' association is formed and a new corresponding property management service contract is entered into and becomes effective.

For the two pure commercial properties, namely, Clifford Logistics Centre (祈福物流園) and Clifford (Huashan) Industrial Park (祈福(花山)工業園), the expiry dates of the relevant property management service contracts vary across different property management service contracts with the relevant tenants with an average duration of 1.5 year and 2.5 years for Clifford Logistics Centre (祈福物流園) and Clifford (Huashan) Industrial Park (祈福(花山)工業園), respectively, during the Track Record Period. As of 31 May 2016, there were 11 and 32 tenants for Clifford Logistics Centre (祈福物流園) and Clifford (Huashan) Industrial Park (祈福(花山)工業園), respectively. In case of vacant units, the relevant property management service contracts shall continue until terminated by the Private Group, being the owner of the relevant pure commercial properties.

Selection process of target communities for expanding our property management services

Since commencement of our property management services in 1998, we had grown our presence in Guangdong Province where we were contracted to manage 12 residential communities and two pure commercial properties as of 31 May 2016 and up to the Latest Practicable Date.

During the Track Record Period, we were typically appointed as the property management company to provide general property management services to residential

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communities or preliminary property management services through tender bidding process or directly engaged by the property developer for pure commercial properties. For property management service contracts we won through the tender bidding process, bid solicitations were generally from the property developers under the development stage.

We select our target residential communities based on factors such as the property portfolio, geographical location and total GFA of the target communities or properties. We also conduct a feasibility analysis on the target communities' financial status and profit and cash flow forecast. After collecting all the information on the target communities and target customers, we perform data analysis to select the projects with higher profit margins, higher profiles and larger scale of project development.

OUR RETAIL SERVICES

We began our retail services in 2008 and our development in our retail services has been achieved by leveraging our expansion in GFA in the residential communities we managed, with a targeted location in Clifford Estates and the increasing number of residents in the surrounding area.

As of the Latest Practicable Date, our retail network consists of 17 retail outlets (one supermarket, one wet market, 14 convenience stores and one imported goods specialty store) under the names of “祈福超市 (Clifford Supermarket)”, “你我他便利店 (Ni Wo Ta Convenience Store)” and “Dailey’s Mart”, respectively, mainly located in three of the residential communities we manage and the surrounding areas in the Guangdong Province.

The following table sets out the geographical location, date of commencement of business operation, GFA and expiry dates of the leases of the continuing retail outlets as of the Latest Practicable Date.

Stores	Relevant residential community it is located	Location in Guangdong Province, the PRC	Year of commencement of business operation	Approximate aggregate GFA (<i>sq.m.</i>)	Expiry date of existing lease(s)
Supermarket					
Clifford Supermarket ⁽¹⁾	Clifford Landmark (祈福名都花園)	Panyu district	March 2016	3,541	30 April 2021
Wet market					
Clifford Market ⁽²⁾ (Clifford Landmark)	Clifford Landmark (祈福名都花園)	Panyu district	March 2016	3,981	31 December 2020
Convenience stores					
Ni Wo Ta Convenience Store No. 1 – Clubhouse	Clifford Estates	Panyu district	June 2008	87	31 December 2016
Ni Wo Ta Convenience Store No. 2 – 19th Street of District A	Clifford Estates	Panyu district	June 2008	338	31 December 2017
Ni Wo Ta Convenience Store No. 3 – Lakeside	Clifford Estates	Panyu district	June 2008	270	31 December 2017
Ni Wo Ta Convenience Store No. 4 – Hujing Ju	Clifford Estates	Panyu district	June 2008	332	31 December 2017

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Stores	Relevant residential community it is located	Location in Guangdong Province, the PRC	Year of commencement of business operation	Approximate aggregate GFA (sq.m.)	Expiry date of existing lease(s)
Ni Wo Ta Convenience Store No. 5 – Luyi Ju	Clifford Estates	Panyu district	June 2008	46	31 December 2017
Ni Wo Ta Convenience Store No. 6 – Haiqing Ju	Clifford Estates	Panyu district	June 2008	233	31 December 2017
Ni Wo Ta Convenience Store No. 7 – Kangyi Ju	Clifford Estates	Panyu district	June 2008	46	31 December 2017
Ni Wo Ta Convenience Store No. 8 – Qingyi Ju	Clifford Estates	Panyu district	June 2008	43	31 December 2017
Ni Wo Ta Convenience Store No. 9 – Clifford Hospital	Clifford Estates	Panyu district	June 2008	91	31 December 2017
Ni Wo Ta Convenience Store No. 10 – Dynamic Garden	Clifford Estates	Panyu district	June 2008	42	31 December 2017
Ni Wo Ta Convenience Store No. 11 – Cuihu Ju	Clifford Estates	Panyu district	June 2008	300	31 December 2017
Ni Wo Ta Convenience Store No. 12 – The Skyline Clubhouse	Clifford Estates	Panyu district	September 2013	585	31 December 2017
Ni Wo Ta Convenience Store No. 13	Clifford Brilliant Terrace (祈福輝煌台)	Huadu district	September 2014	59	31 December 2020
Ni Wo Ta Convenience Store No. 14	Clifford Metropolis (祈福都會花園)	Huadu district	September 2014	107	31 December 2021
Imported goods specialty store					
Dailey's Mart	Clifford Estates	Panyu district	July 2012	<u>92</u>	31 December 2016
Total				<u><u>10,193</u></u>	

Note:

- (1) Clifford Supermarket was relocated from its previous location near Clifford Estates to the current location in late March 2016. Clifford Supermarket at the previous location continued its operation until its outlet at the new location started operation to ensure smooth transition and the relevant capital expenditure and initial operating costs are not material to the Group. In addition, the relocated Clifford Supermarket is located at a newly developed shopping plaza at Clifford Landmark (祈福名都花園) which the Group expects to gradually pick up the customer flow after its recent commencement of operation. According to the unaudited management account of the Group, the average monthly revenue generated from Clifford Supermarket from April 2016 to June 2016 (i.e. after its relocation) has exceeded the average monthly revenue generated from the old Clifford Supermarket located near Clifford Estates for the year ended 31 December 2015 for approximately 35.7%. Therefore, our Directors confirmed that the relocation of the above retail outlet would not have any material operational or financial impact on the Company.
- (2) Clifford Market has ceased its business operation in late August 2016 with its operation continued at the location at Clifford Landmark (祈福名都花園) (being Clifford Market (Clifford Landmark)). Clifford Market (Clifford Landmark) has started operation in late March 2016. In addition, Clifford Market (Clifford Landmark) is located at a newly developed shopping plaza which the Group expects to gradually pick up the customer flow after its recent commencement of operation. According to the unaudited management account of the Group, the average monthly revenue generated from Clifford Market (Clifford Landmark) from April 2016 to June 2016 (i.e. after its relocation) has exceeded the

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average monthly revenue generated from Clifford Market located near Clifford Estates for the year ended 31 December 2015 for approximately 32.9%. Therefore, our Directors confirmed that the relocation of the above retail outlet would not have any material operational or financial impact on the Company.

The following table sets out the geographical location, period of business operation, GFA and reason(s) for closure of the discontinued retail outlets during the Track Record Period.

Stores	Relevant residential community it was located	Location in Guangdong Province, the PRC	Period of business operation	Approximate aggregate GFA (sq.m.)	Reason(s) for closure
Ni Wo Ta Convenience Store – Tianhu Ju	Clifford Estates	Panyu district	June 2008 – July 2013	57	We consolidate the relevant retail outlets in order to centralise our resources and serve our customers in a more efficient way
Ni Wo Ta Convenience Store – Shanquan Ju	Clifford Estates	Panyu district	June 2008 – September 2013	47	
Ni Wo Ta Convenience Store – Yueming Xuan	Clifford Estates	Panyu district	June 2008 – September 2013	47	
Ni Wo Ta Convenience Store – Yiyun Ju	Clifford Estates	Panyu district	June 2008 – September 2013	46	
Clifford Market – Mid-levels	Clifford Estates	Panyu district	October 2008 – September 2013	400	
Ni Wo Ta Convenience Store – Bus Terminal	Clifford Estates	Panyu district	July 2014 – September 2015	303	Operating results were below our expectation
Clifford Supermarket	Clifford Estates	Panyu district	December 2008 – March 2016	4,094	Construction works conducted by the local government at such location and the lack of the relevant building ownership certificate
Clifford Market	Clifford Estates	Panyu district	November 2008 – August 2016	2,924	

The operations of our retail services are currently all conducted on leased premises. In relation to the properties which we leased from the Private Group for our retail services, we have entered into master lease agreement with the Private Group in covering all the relevant leased retail outlets for a duration of ten years up to 2026 subject to another renewal option for ten years. For details, please see the section headed “Continuing Connected Transactions” in this prospectus.

Going forward, our Group will continue its strategy of setting up and operating our retail outlets on leased premises in the residential communities we manage and will consider to open retail outlets in proximity with the residential communities we manage. We believe such arrangements are appropriate and commercially reasonable so that our Group could focus its capital resources on one of its core business in operating its retail outlet chain and not to tie up its funds for constructing self-owned premises. For further details on our expansion plan, please see the paragraph headed “— Our retail services — Expansion strategy of our retail services” in this section of this prospectus.

For further details about our properties, please see the paragraph headed “— Properties” in this section of this prospectus.

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Our retail outlets

The following table sets out certain key performance indicators of our current retail outlets in operation during the Track Record Period:

	For the year ended 31 December			For the five months ended 31 May	
	2013	2014	2015	2015	2016
				(Unaudited)	
Revenue by type of retail outlet (in RMB thousands)					
Supermarket	64,628	56,681	54,468	22,291	20,989
Wet market	6,361	6,642	6,699	2,833	4,878
Convenience store	25,213	33,558	36,207	13,929	14,070
Imported goods specialty store	1,624	1,427	1,294	582	322
Total	97,826	98,308	98,668	39,635	40,259
Average daily revenue by type of retail outlet (in RMB thousands) ^(Note)					
Supermarket	179.52	157.45	151.30	148.61	139.93
Wet market	17.67	18.45	18.61	18.89	32.52
Convenience store	70.04	93.22	100.58	92.86	93.80
Imported goods specialty store	4.51	3.96	3.59	3.88	2.15

Note:

(1) Calculated by dividing revenue for the year by 360 days or for the five month period by 150 days.

Operational structure

Retail focus

Operation of convenience stores is the focus of our retail services. We position our retail services to target customers of local residents living in the residential communities we manage and those living in surrounding area. We therefore offer fresh and packaged food and beverage items, groceries, and daily necessities goods at our retail outlets located in various locations convenient for our customers, with the aim to providing them with a convenient shopping experience.

All of our retail outlets adopt a consistent interior design with the aim to distinguish our brand names of “Clifford Supermarket”, “Ni Wo Ta Convenience Stores” or “Dailey’s Mart” from our competitors. Meanwhile, the floor layout and merchandise and brand mix of our retail outlets at each location were selected or may change in accordance with the local consumption preferences. All of our retail outlets are equipped with facilities, including securities system, POS system, which are in line with the general standard for operating a unified retail outlet chain.

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Our retail outlets have a strong commitment to food quality and safety. In order to ensure on-going strict compliance with the requirements of the Food Safety Law of the PRC (中華人民共和國食品安全法), we have imposed stringent checking procedures for our food supplies and established a quality assurance system.

(A) Supermarket

As of the Latest Practicable Date, we have one supermarket operating in the name of “Clifford Supermarket” located in Panyu district with total GFA of approximately 3,541 sq.m. It offers mainly daily essential products such as food and beverages, perishables, other household products and small household electrical appliances.

In order to have a broader mix of quality merchandise for our supermarket, we have been introducing food products from different countries to our customers. The management of our Group believes these imported food products not only could attract greater customer flow to our supermarket, but also enable our supermarket to offer a wider product range to our customers. In our supermarket, we also arrange our concessionaires certain area of space to establish their own sales counter and sell their own branded merchandises. For further details of our concessionaire sales arrangements, please see the paragraph headed “— Our retail services — Revenue models for our retail services — Concessionaire fees” in this section of this prospectus.

(B) Wet market

As of the Latest Practicable Date, we have one wet market in the name of “Clifford Market” with a GFA of approximately 3,981 sq.m., which offers mainly fresh food including poultry, meat, seafood, vegetables and fruits. We entered into tenancy agreements with respective stall tenants, with a majority of them are individuals. For further details of the agreements with our stall tenants, please see the paragraph headed “— Our retail services — Management and operations — Standard form of agreements — (C) Agreements with stall tenants” in this section of this prospectus. Clifford Market located near Clifford Estates has ceased its operation in late August 2016 due to construction works to be conducted by the local government at its location and the lack of the relevant building ownership certificate. The wet market business has been mainly sustained by Clifford Market (Clifford Landmark) since its commencement.

(C) Convenience stores

As of the Latest Practicable Date, we have 14 convenience stores all operating in the name of “Ni Wo Ta Convenience Stores” with total GFA of approximately 2,579 sq.m., of which five are medium-sized convenience stores with larger retail space and wider selection of goods including pre-packaged fresh vegetables, fruits and meats and bakery items, and nine are small-sized convenience stores. These stores offer mainly daily essential products such as food and beverages and other household products. Our convenience stores generally operate from early morning to midnight to provide convenient shopping experience for our customers.

(D) Imported goods specialty store

As of the Latest Practicable Date, we have one specialty store operated in the name “Dailey’s Mart” with GFA of approximately 92 sq.m. It offers daily essential products such as food and beverages and other household products, most of which are imported goods supplied by our local direct suppliers.

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Product selection

We offer merchandises from various brands through our retail outlets. Our headquarters is principally responsible for the formulation of overall guidelines for (i) the negotiation of the major terms of the arrangements with direct suppliers; (ii) merchandise mix; and (iii) product presentation and space allocation of different merchandise for our retail outlets.

The selection of direct suppliers, concessionaires and stall tenants is based on the overall guidelines and subsequently we tailor the types and merchandise mix at our stores according to the location, size of the stores and consumer preferences and demands. During our selection process, we have a standard evaluation procedure so as to take into account the following factors:

- legality, such as, whether the direct suppliers, concessionaires or stall tenants have obtained all the valid licences and relevant certificates;
- market position of the direct suppliers, concessionaires or stall tenants in the cities we operate;
- suitability of merchandise to local needs;
- quality of the products;
- price competitiveness of merchandise;
- compatibility of the direct suppliers, concessionaires or stall tenants with our development strategies;
- financial stability of the direct suppliers or concessionaires (except for stall tenants); and
- future growth potential of the brand name or product of the direct suppliers or concessionaires or stall tenants.

We have standard form of agreements with direct suppliers, concessionaires and stall tenants. Agreements with our direct suppliers, concessionaires and stall tenants usually have a term of one year. Having such a short term agreement, it provides flexibility to our retail outlets in terms of procurement. Furthermore, the contractual credit terms offered to us by concessionaires are usually one week after our month-end reconciliation of accounts. Payments to our direct suppliers generally range from before receiving the merchandise to a contractual credit period of up to 30 days from the day we receive the invoice from the direct suppliers. For details, please see the paragraph headed “— Our retail services — Management and operations — Standard form of agreements” in this section of this prospectus. The Company confirmed that there was no material disputes between our Group and its concessionaires and direct suppliers concerning delayed payments during the Track Record Period and up to the Latest Practicable Date.

In order to cater for the changing consumer preference, current economic conditions as well as the local competitive environment, we regularly review and adjust our brand portfolio

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and space allocation of different brands and products at our retail outlets. We believe that quality of our direct suppliers, concessionaires and stall tenants plays an important role in our merchandising strategy. Our business relations team oversees the quality of the merchandise supplied so as to ensure our strict adherence to quality standard. We also constantly evaluate the performance of our existing direct suppliers and concessionaires and identify potential new suppliers and concessionaires.

The business operations department of each individual retail outlet will arrange the product presentation and space allocation of different brands at the respective retail outlets in order to effectively meet the local needs and preferences of our customers. Adjustments to the location and area of different brands at each retail outlet are made with reference to different factors, including the performance result of the direct supplier's or concessionaire's products. In practise, we have discretion concerning the aforesaid in regards to the products supplied by our direct suppliers.

Revenue models for our retail services

Our revenue is mainly derived from direct sales of goods, concessionaire fees and rental income from stall tenants at our retail outlets.

The following table illustrates breakdown of our revenue during the Track Record Period:

	Year ended 31 December						Five months ended 31 May			
	2013		2014		2015		2015		2016	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(Unaudited)									
Direct sales of										
goods	81,753	84	80,589	82	80,361	82	32,690	82	30,648	76
Concessionaire fees	8,750	9	9,707	10	10,262	10	3,595	10	3,851	10
Rental income from										
stall tenants	7,323	7	8,012	8	8,045	8	3,350	8	5,760	14
Total	97,826	100	98,308	100	98,668	100	39,635	100	40,259	100

For further details concerning our arrangements with our direct suppliers, concessionaires and stall tenants and in regards to other sources of income, please see the paragraph headed “— Our retail services — Management and operations” in this section of this prospectus.

Direct sales of goods

Under direct sales arrangements, we source merchandises directly from suppliers and then sell the merchandises to our customers at our retail outlets (except the wet market). Most of our merchandises of our retail outlets are under direct sales arrangements.

During the Track Record Period and up to the Latest Practicable Date, we have only entered into contracts with local entities and therefore we do not have any overseas direct supplier.

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Most of our merchandises such as perishables, grocery products, house cleaning products and personal care products sold in our supermarket, convenience stores and specialty store are under direct sales arrangements. Payments are generally made to our direct suppliers upon receiving the merchandise or after a relevant contractual credit period, which is up to 30 days from the day we receive the invoice from the direct suppliers. The ownership of the merchandise are transferred from our suppliers to us upon the completion of our payment. We have a quality assurance procedure to be carried out upon delivery of merchandise to the retail outlets (except the wet market) at our logistics centre and/or each of our retail outlets so as to ensure the quality and safety of our merchandises. We generally require our direct suppliers to provide us with a return and exchange policy to deal with defective products.

For direct sales of goods, we set our retail prices with reference to the retail prices as suggested by direct suppliers. We also undertake market research on pricing to ensure that our prices are competitive as well as being within our expected range of profit margins.

We monitor the sales of our merchandises in our retail outlets and adjust the product portfolio according to the popularity of each product. We also periodically select merchandises to be offered at a discount in promotional sales or in an area dedicated to discounted products, adjust our product categories and our promotional policies according to the respective sales volume, product expiry and model obsolescence. The direct suppliers, at their own initiatives, may also have sales discount on their selective merchandises for a certain period, and in such situations, the direct suppliers typically bear the discount cost.

We aim to provide quality merchandise in sufficient quantities in our retail outlets. To ensure our consistent service quality, we focus on pre-sale stage to control the quality of our products and therefore we had a limited number of claims for defective merchandises under direct sales arrangement and such claims, whether on an individual or an aggregate basis, are not considered as material during the Track Record Period. Considering (i) we are selective in choosing our direct suppliers with good product quality and (ii) during the pre-sale process, we perform inspection of the goods upon acceptance of delivery and other internal control measures, and we immediately refuse accepting the goods once we found any of them defective. As a result, the volume of return of goods observed during the Track Record Period was relatively low.

For direct sales arrangements, the management of our Company is of the view that formulation of merchandising plans is important to ensure effective management of inventory levels and cash flow sufficiency. Based on the management's experience, we have made merchandising plans after taking into consideration our historical and budgeted sales, gross profit margins, current economic condition, expected product demand and future market trend. Our merchandising plans are then reviewed and modified regularly so as to ensure an appropriate merchandise mix, improve inventory control and to enhance working capital sufficiency.

Concessionaire fees

Under concessionaire sales arrangements, we arrange for specific concessionaires to occupy a certain allocated space in our supermarket, for the establishment of their own sales counter for their own branded merchandise. We generally enter standard form of agreements with our concessionaires for a term of one year and we charge the concessionaires fees

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calculated as a percentage of the gross sale amount (generally ranging from 13% to 25%). The concessionaire fees are determined principally on the size of their allocated area, the strength of their brands, the length of our business relationships, the expected or past profits of the concessionaire and our respective bargaining power. In particular, management fee is collected for administrative services provided such as cleaning services of the store, promotional activities, security and maintenance services. Upon the expiry of the concessionaire agreement, we may renegotiate the concessionaire fees. For details on the standard form of agreements with concessionaires, please see the paragraph headed “— Our retail services — Management and operations — Standard form of agreements — (B) Agreements with concessionaires” in this section of this prospectus. The products sold by our concessionaires in our supermarket mainly comprise food and some daily necessities. As of 31 May 2016, we had approximately 18 concessionaires.

Rental income from stall tenants

We lease stall space in our wet markets and receive rental income and management fees from stall tenants who are usually fresh food retailers. We generally enter into standard form of agreements with our stall tenants for a term of one year. For details on our standard form of agreements with stall tenants, please see the paragraph headed “— Our retail services — Management and operations — Standard form of agreements — (C) Agreements with stall tenants” in this section of this prospectus. As of 31 May 2016, we had approximately 139 stall tenants.

Pricing

Generally, for direct sales of goods, we set the prices of the merchandise with reference to the suggested retail prices of the direct suppliers. Meanwhile, concessionaires and stall tenants set the prices of their merchandise or goods.

Our general pricing policy is affected by a number of factors including but not limited to: (i) prices for similar goods offered by our competitors; (ii) prices of the goods sold to us by the suppliers; (iii) any suggested prices by the suppliers; (iv) our expected profit margins; and (v) where applicable, the Pricing Law of the PRC (for further details, please see the section headed “Summary of Principal Legal and Regulatory Provisions — D. General operation — c. Pricing” in this prospectus).

Management and operations

Centralised management system

Our headquarters is primarily responsible for overall business planning and strategies, operational and administrative guidelines formulation as well as supervision on the implementation of such guidelines and resources allocations of our retail services.

Other general operations (including operation of supermarket and convenience stores, corporate planning, procurement, loss prevention, finance, general matters and strategic planning) are carried out by our business operations department from respective business service segments in our headquarters. Our Directors believe that this centralised approach allows us to: (i) maintain the quality of service in all of our retail outlets; (ii) coordinate

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promotional activities in all of our retail outlets; (iii) optimise resource utilisation; and (iv) negotiate with third parties as representative of our entire retail network.

The local operation teams at each retail outlet focus on daily operations, local marketing, establishment and maintenance of relationship with PRC local direct suppliers and concessionaires. In particular, we maintain the flexibility at each retail outlet to set the merchandise mix in accordance with consumer preferences, demands and competition. The management of our Company believes that such approach allows individual retail outlet to make business adjustments dynamically so as to cater to the changing business environment.

Retail outlet management

Generally, we issue operational guidelines for each individual retail outlet other than the wet market to follow and coordinate multi-store promotional activities. We also monitor the performance of individual retail outlets and require each store manager to report the sales performance and operation proposals to our headquarters on a weekly basis.

The number of full-time staff (excluding staff employed by our concessionaires and stall tenants) is different from store to store ranging from one to 87 employee(s). The majority of our staff are sales personnel at our retail outlets as well as support and administrative staff. Most of our retail outlets are supervised by their respective outlet manager overseeing the overall operations as well as day-to-day management of such each outlet. In some cases, one store manager is assigned to manage multiple smaller scale retail outlets.

Settlement and collection

We have cashier desks operated and controlled by our own staff in our retail outlets to collect payments for merchandises. In order to minimise collection risks, payment from customers at our retail outlets are collected at these cashier desks. As each of the merchandise has a unique item code, our cashiers input the model or item code into our POS system when customers make purchases at our retail outlets and our system records such purchases as sales data for our Group.

Our customers mainly made payments by cash and sometimes by credit cards, debit cards or our Consumption Cards during the Track Record Period. As a retail business is cash-based in nature, we have implemented strict policies and procedures to ensure necessary recording in relation to cash flow and sales receipts. For instance, cash received will be deposited into our bank accounts on a daily basis. A daily reconciliation will be carried out by each retail outlet's cashier department to reconcile our sales data with cash and credit card receipts in order to confirm the revenue generated and that there are no discrepancies between the sales data with cash receipts and credit card receipts.

Return policy

We offer customers of our direct sales the rights to return certain products for replacement or refunds within seven days of purchase with a corresponding receipt if such product (i) has not yet been opened or used and are in resaleable conditions or (ii) is found to be defective. However, we do not allow product return for products such as fresh food, alcoholic beverages and goods in perishable nature due to hygiene concerns or safety reasons.

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We are entitled to return certain defective products to our suppliers for replacement or return in accordance with our supplier agreements and therefore, we are able to transfer the relevant risks and losses in respect of the defective products to our suppliers.

We believe that our return policy is able to attract customers to purchase from us as it differentiates us from other individual retail stores which in general do not allow product returns or refund. For the years ended 31 December 2013, 2014 and 2015 and the five months ended 31 May 2015 and 2016, the product returns from our customers of retail operation amounted to approximately RMB0.6 million, RMB0.7 million, RMB0.3 million, RMB0.2 million and RMB0.1 million, respectively, representing 0.6%, 0.8%, 0.4% 0.5% and 0.3% of our total revenue of our retail services for the same periods.

Quality control

For further details on the quality control measures for our retail services, please see the paragraph headed “— Quality control — Quality control over our retail services” in this section of this prospectus.

Standard form of agreements

We have adopted a standard form of agreements for direct suppliers, concessionaires and stall tenants. We require such standard forms as a general foundation for the terms with our direct suppliers, concessionaires and stall tenants to ensure consistent practise, control legal risk and minimise administrative expenses.

(A) Agreements with direct suppliers

Agreements with direct suppliers are usually for a term of one year and generally contains the following material terms and conditions:

- *Products.* Various types of goods.
- *Consideration.* We generally source the merchandise from the direct suppliers and then sell such merchandise at our retail outlets to customers. We have different arrangement with different suppliers in relation to the payment of products based on the quantity of products ordered from the supplier or the actual quantity of products sold by us. We also charge some of our suppliers management fees if promotional staff is sent from the relevant supplier to promote their products at our retail outlets.
- *Display fee.* We may charge our direct suppliers display fees based on a fixed percentage of monthly sale amount.
- *Return and exchange policy.* In general, we are allowed to return or exchange certain products provided by the suppliers (i) due to quality issue; or (ii) if the product is close to expiry date.
- *Guarantee and indemnity.* Our suppliers guarantee that their products comply with the latest PRC laws and regulations in respect of quality, safety, import procedures and tax, and have not infringed third party intellectual rights. If there is any breach

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of the guarantee, the responsibility will be solely on the supplier and it is required to indemnify us of all our expenses and losses relating thereto.

- *Termination.* We are entitled to terminate our agreements with the suppliers if they fail to comply with the latest PRC laws and regulations in respect of quality, safety, import procedures or tax etc. If the supplier wishes to terminate the agreement, it must provide us with 30 days prior notice and make payment of any of our outstanding fees.

(B) *Agreements with concessionaires*

Agreements with concessionaires are usually for a term of one year and generally contains the following terms and conditions:

- *Products.* Various types of goods.
- *Consideration.* Generally, the concessionaire is charged a total amount calculated as a percentage of the gross sale amount comprising the following (or a combination thereof) general fees: (i) commission; (ii) rental income; (iii) management fees; and (iv) advertising and promotional fees.

As a measure to minimise collection risks, all concessionaire sales are transacted at our cashier desks. At the agreed intervals for payment, typically on a monthly basis, we remit the gross sale proceeds (after deducting all relevant fees and expenses owed to us) to the concessionaires.

- *Pricing policy.* The concessionaire sets the prices for its products. However, to maintain our competitiveness in the market, the concessionaire has the obligation to adopt a standard pricing policy for their merchandises with other third party shops in the same area which sell their brand.
- *Surety deposit.* The concessionaire is generally obliged to pay a deposit which is forfeitable when it is in breach of the terms of the agreement.
- *Renovation.* The concessionaire is generally allowed (at their own costs) to design their own counters and/or designated areas.
- *Guarantee and indemnity.* Our concessionaires guarantee that their products comply with the latest PRC laws and regulations in respect of quality, safety, import procedures and tax etc. They are also required to provide certain licences and permits to evidence that their products are eligible for sale and the aforesaid PRC laws and regulations are duly complied with. Furthermore, our concessionaires are solely liable and agree to indemnify us for any failure to meet applicable rules and regulations and/or infringement of third party intellectual property rights.
- *Termination.* We are entitled to terminate our agreements with concessionaires if such concessionaire: (i) sells any products out of the scope agreed under the agreement; (ii) receives repeated complaints from customers about its quality of service or products which impair our retail outlet's reputation; or (iii) collects sales

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money directly from the customers without our permission. Furthermore, if either party breaches the terms of the agreement, the other party is entitled to terminate the agreement.

(C) Agreements with stall tenants

Our agreements with stall tenants for leasing of stalls in our wet market are usually for a term of one year before its relocation and a term of six months after its relocation to Clifford Landmark (祈福名都花園) in March 2016 and generally contains the following terms and conditions:

- *Products.* Mainly fresh food.
- *Consideration.* Generally, the stall tenant is charged for a fixed monthly rental and management fee.
- *Pricing policy.* The stall tenant sets the prices for its products within the agreed pricing policy.
- *Surety deposit.* The stall tenant is generally obliged to pay a deposit to secure its performance of obligations under the terms of the agreement.
- *Renovation.* The stall tenant is generally allowed (at their own costs) to design its own stall with our prior approval.
- *Guarantee and indemnity.* Our stall tenants guarantee that their products comply with the relevant PRC laws and regulations. Our stall tenants are solely liable and agree to indemnify us or other stall tenants for any loss caused by their failure to meet applicable PRC rules and regulations.
- *Termination.* We are entitled to terminate our agreements with stall tenants if such stall tenant: (i) sub-lease the stall to third parties without our prior approval; (ii) sells any products in contravention of the scope or pricing policy agreed under the agreement more than twice and has been warned by us without rectification; or (iii) receives repeated complaints (more than three times) from customers which impair and causes any loss to the other party's reputation. Furthermore, if either party breaches the terms of the agreement, the other party is entitled to terminate the agreement.

Expansion strategy of our retail services

With the aim to solidify our presence across Guangdong Province, we intend to expand our retail network by opening new outlets in different residential communities, with similar customer profile and traffic of Clifford Estates, in various locations within Guangdong Province. As of the Latest Practicable Date, we have 17 retail outlets which are all situated on leased properties. In the future, we will continue to enter into leases for operating new retail outlets.

Based on the Company's previous experience, depending on the size and location of the relevant retail outlet and other relevant factors, the total capital expenditure and initial

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operating costs required for a supermarket is approximately RMB9.4 million, a wet market is approximately RMB1.5 million, and a convenience store or an imported goods specialty store is approximately RMB1.2 million.

The breakeven period is the period required for a retail outlet to generate turnover covering its initial operating costs and, based on our past experience, the breakeven period for some of retail outlets is generally around six months.

The investment payback period is the time required for a retail outlet to generate its net profit covering its relevant capital expenditure and initial operating cost, and based on our past experience, the investment payback period for some of our retail outlets is generally around 24 months.

Retail outlet site selection process

Before opening new retail outlets, our management will therefore cautiously consider the following major factors:

- pedestrian flow, accessibility, vehicle traffic flow, population density;
- potential growth of local population;
- development potential and future trends (e.g. local government policies especially establishment of new development zones);
- estimated consumption power of the local community;
- start up costs, profitability and payback period; and
- proximity of competitors in the vicinity.

Logistics management and inventory control

Logistics management

During the Track Record Period and up to March 2016, our logistics centre in Clifford Estates supported our inventory at the convenience stores. After the relocation of our supermarket from its previous location near Clifford Estates to Clifford Landmark (祈福名都花園) in March 2016, we commenced the use of its warehouse to support the inventory for our retail outlets including merchandises in our convenience stores and the imported goods specialty store. Our suppliers directly deliver the merchandises to the warehouse in our supermarket. Such warehouse does not support any inventory at the wet market.

We deliver merchandises from the warehouse to each retail outlet at least once a day. The current location of the warehouse with most of our convenience stores is sufficiently close to allow us to replenish our stocks and adequately respond to customer demands in a comparatively short period of time.

Inventory control

To ensure sufficient quantities of our merchandise, we have adopted the “safety stock level” (being a policy of keeping a level of extra stock to prevent being out of stock) and “first in first out” inventory policies, which allows us to maintain an optimal level of stock at our retail outlets in relation to direct sales arrangement. With respect to concessionaire sales, we do not bear any inventory risk. During the Track Record Period, we did not have a material amount of obsolete inventory. We did not make any stock provision during the Track Record Period. Furthermore, our inventory risk is reduced due to: (i) the inventory policies set out in this section; (ii) our ability to reduce aged inventories by various methods (such as organising promotional activities for selling such goods); and (iii) the exchange policies set out in the agreements with suppliers, which we require our suppliers to provide for defective or expired stocks. Our average stock turnover for each of the years ended 31 December 2013, 2014 and 2015 and the five months ended 31 May 2016 was approximately 24 days, 20 days, 18 days and 20 days, respectively.

Inventory is stored at our warehouse in the supermarket and at our individual retail outlets. Generally, the warehouse serve two purposes, which are (i) for managing the stock level in different retail outlets within our network and therefore there is a short period of time from receipt at logistic centre to delivery to individual retail outlet; and (ii) for storage of popular products or products purchased in bulk to save costs. In general, only certain merchandises for our retail outlets (excluding fresh foods and perishables) are kept in our warehouse for a relatively short period before being delivered to our individual retail outlets.

Record keeping and inventory checks

During inventory checks, if the merchandise is acceptable, our staff then records the relevant information relating to the merchandise such as the name of the relevant supplier and quantity, identification code and expiry date of goods into our computerised record keeping system. The quality of goods will be checked again when the merchandise is delivered to individual retail outlets from the logistics centre and prior to displaying on the shelf in the corresponding retail outlets. Generally, we conduct regular monthly scheduled inventory checks as to the quantity and quality of the inventory at our logistics centre and individual retail outlets throughout the year. An inventory analysis is conducted monthly and reported to the procurement department for their formulation in procurement strategy.

At our individual retail outlets, our staff performs a daily inventory check through our computerised record keeping system and makes a request to our logistics centre or suppliers if more stock is needed for a merchandise during the day. Using our computerised record keeping system, we can check the location and quantities of inventory and analyse our inventory movement to improve our procurement strategy. Generally, under the terms of our agreements with the direct suppliers, we may return and exchange such items (i) due to quality issue; (ii) if the product is close to expiry date; or (iii) in case of damage in its packaging. To minimise inventory loss, we perform a stock take every quarter for convenience stores and specialty store and every six months for supermarket to determine if there is any discrepancy between the amount recorded in our system with the inventory actually in our retail outlets and logistics centre or the supermarket warehouse.

From time to time, certain products of our concessionaires or suppliers may not strictly comply with the relevant PRC laws, rules and regulations as inspected by relevant government

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authorities and we may (i) receive a complaint; (ii) be required to destroy the products; and/or (iii) may be fined. For further details, please see the paragraph headed “Risk Factors — Risks relating to our business — (iv) Risks relating to our catering services — Any significant liability claims, food contamination complaints from our customers or reports of incidents of food tampering could adversely affect our reputation, business and operations” in this prospectus. We did not have any material product returns/recall or complaints against our Company’s products and/or service quality during the Track Record Period and up to the Latest Practicable Date.

OUR CATERING SERVICES

We began our catering services in 2011 and the development of our catering services has been achieved by leveraging our expansion in GFA in the residential communities we managed, with a targeted location in Clifford Estates and the increasing number of residents in the surrounding area.

As of the Latest Practicable Date, we operate 18 catering outlets in different categories (six Chinese restaurants, six casual dining restaurants, four East Asian and Western restaurants and two cafés) in Guangdong Province.

The following table sets out the geographical location, date of commencement of business operation, seating capacity, GFA and expiry dates of the leases of our continuing catering outlets as of the Latest Practicable Date.

Catering Outlets	Relevant residential community it is located	Location in Guangdong Province	Year of commencement of business operation	Approximate seating capacity (seats)	Approximate aggregate GFA (sq.m.)	Expiry date of existing lease(s)
Chinese restaurants						
Herbal Cuisine (Clifford Hospital Branch) (藥膳坊(祈福醫院分店))	Clifford Estates	Panyu district	December 2011	300	1,678	31 December 2020
Herbal Cuisine (Shawan Branch) (藥膳坊(沙灣分店))	Clifford Waterfront (番禺祈福水城)	Panyu district	October 2012	258	433 ⁽³⁾	31 December 2020
Herbal Cuisine & Tea Restaurant (藥膳茶坊)	Clifford Estates	Panyu district	December 2011	80	182	31 December 2020
Farm Restaurant (農家菜館)	Clifford Estates	Panyu district	July 2012	360	1,199	31 December 2020
Herbal Cuisine Soup Shop (藥膳湯館) ⁽¹⁾	Clifford Landmark (祈福名都花園)	Panyu district	March 2016	24	46	30 April 2021
Hunan’s Favor (天下毛湘)	Clifford Landmark (祈福名都花園)	Panyu district	March 2016	185	424	30 April 2021

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Catering Outlets	Relevant residential community it is located	Location in Guangdong Province	Year of commencement of business operation	Approximate seating capacity (seats)	Approximate aggregate GFA (sq.m.)	Expiry date of existing lease(s)
Casual dining restaurants						
The Owls ⁽²⁾ (貓頭鷹餐廳)	Clifford Landmark (祈福名都花園)	Panyu district	February 2016	194	340	30 April 2021
Clifford Café (老朋友餐廳)	Clifford Estates	Panyu district	January 2013	127	271	31 December 2020
Big Brother (老大哥)	Clifford Landmark (祈福名都花園)	Panyu district	February 2016	66	106	30 April 2021
Crazy Fire (老點)	Clifford Landmark (祈福名都花園)	Panyu district	March 2016	103	277	30 April 2021
Bababibi Dessert (巴巴閉閉甜品屋)	Clifford Landmark (祈福名都花園)	Panyu district	March 2016	35	100	30 April 2021
Cha Cha Drinks Shop (Cha Cha 奶茶店)	Clifford Landmark (祈福名都花園)	Panyu district	April 2016	10	81	30 April 2021
East Asian and Western restaurants						
Beehive Bar & Kitchen (相見好餐廳)	Clifford Estates	Panyu district	May 2013	177	414	31 December 2020
La TaveRona (達維納意大利餐廳)	Clifford Landmark (祈福名都花園)	Panyu district	February 2016	104	182	30 April 2021
Yamabuki (山吹日本料理)	Clifford Landmark (祈福名都花園)	Panyu district	February 2016	91	126	30 April 2021
Best Thai (泰出色)	Clifford Landmark (祈福名都花園)	Panyu district	February 2016	144	199	30 April 2021
Cafés						
Clifford Owls Café (Clifford Landmark Branch) ⁽²⁾ (貓咖啡(祈福名都花園分店))	Clifford Landmark (祈福名都花園)	Panyu district	February 2016	98	146	30 April 2021
Clifford Owls Café (Yuexiu Branch) (貓咖啡(越秀分店))	N/A	Yuexiu district	June 2015	44	50	30 April 2017
				Total	<u><u>6,254</u></u>	

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Notes:

- (1) Herbal Cuisine Soup Shop near Clifford Estates was closed down in February 2016 and relocated to its current location in early March 2016 for better business environment in terms of higher customer traffic with a relatively immaterial capital expenditure and initial operating costs. Herbal Cuisine Soup Shop is currently located at a newly developed shopping plaza at Clifford Landmark (祈福名都花園) which the Group expects to gradually pick up the customer flow after its recent commencement of operation. According to the unaudited management account of the Group, the average monthly revenue generated from Herbal Cuisine Soup Shop from March 2016 to June 2016 (i.e. after its relocation) has exceeded the average monthly revenue generated from Herbal Cuisine Soup Shop near Clifford Estates for the year ended 31 December 2015 for approximately 239%. Therefore, our Directors confirmed that the relocation of the above catering outlet did not have any material operational or financial impact on the Company.
- (2) The Owls and Clifford Owls Café (Clifford Landmark Branch) were relocated from their previous locations due to the construction works conducted by the local government around the area and the lack of the relevant building ownership certificate to their previous location in late February 2016. The Owls and Clifford Owls Café at the previous locations continued their operation until their outlets at the new locations started operation to ensure smooth transition and the relevant capital expenditure and initial operating costs are not material to the Group. In addition, The Owls and Clifford Owls Café (Clifford Landmark Branch) are currently located at a newly developed shopping plaza at Clifford Landmark (祈福名都花園) which the Group expects to gradually pick up the customer flow after their recent commencement of operations. According to the unaudited management account of the Group, the average monthly revenue generated from The Owls from March 2016 to June 2016 (i.e. after its relocation) has exceeded the average monthly revenue generated from The Owls located near Clifford Estates for the year ended 31 December 2015 for approximately 16.5%; whereas for Clifford Owls Café (Clifford Landmark Branch), the average monthly revenue generated from March 2016 to June 2016 (i.e. after its relocation) has decreased as compared to the average monthly revenue generated from Clifford Owls Café (Panyu Branch) for the year ended 31 December 2015 for approximately 11.0% which the Group considers immaterial taking into account the gradual picking up of customer flow. Therefore, our Directors confirmed that the relocation of the above catering outlets did not have any material operational or financial impact on the Company.
- (3) The Group entered into the lease for an aggregate GFA of 733 sq.m. in respect of Herbal Cuisine (Shawan Branch) of which 300 sq.m. was leased to a sub-leasee, an Independent Third Party, on 31 May 2016 with an expiry date of 31 December 2020. As advised by the PRC Legal Advisers, such sub-lease was entered by the Group in accordance with the relevant PRC laws and regulations.

The following table sets out the geographical location period of business operation, GFA and reason(s) for closure of the discontinued catering outlet(s) during the Track Record Period and up to the Latest Practicable Date:

Catering Outlet	Relevant residential community it was located	Location in Guangdong Province	Period of business operation (sq.m.)	Approximate aggregate GFA	Reason(s) of closure
Herbal Cuisine (Huadu Branch) (藥膳坊(花都分店))	Clifford Infinity (祈福生活無限花園)	Huadu district	March 2012– October 2013	1,575	Change of local community development plan causing unsatisfactory customer traffic in the neighbourhood and decrease in sales

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Catering Outlet	Relevant residential community it was located	Location in Guangdong Province	Period of business operation (<i>sq.m.</i>)	Approximate aggregate GFA	Reason(s) of closure
Herbal Cuisine Soup Shop (藥膳湯館)	Clifford Estates	Panyu district	September 2012– February 2016	58	Relocated for better business environment in terms of higher customer traffic
The Owls (貓頭鷹餐廳)	Clifford Estates	Panyu district	January 2012– March 2016	480	Relocated due to the construction works conducted by the local government around the area and the lack of the relevant building ownership certificate
Clifford Owls Café (Panyu Branch) (貓咖啡(番禺分店))	Clifford Estates	Panyu district	April 2013 – March 2016	152	Relocated due to the construction works to be conducted by the local government around the area and the lack of the relevant building ownership certificate
The Owls (Bus Terminal Branch) (貓頭鷹餐廳(巴士站分店))	Clifford Estates	Panyu district	September 2014– August 2016	320	Due to recent redevelopment plan of the property developer at the bus terminal in Clifford Estates

The operations of our catering services are currently all conducted on leased properties. In relation to the properties which we leased from the Private Group for our catering services, we have on 21 October 2016 entered into master lease agreement with the Private Group covering all the relevant leased catering outlets for a duration of ten years up to 2026 subject to another renewal option for ten years. For details, please see the section headed “Continuing Connected Transactions” in this prospectus.

We target to offer our customers good tasting and healthy food at value-oriented price with hospitable yet efficient services, with a positioning of price-for-value dining choices with variety to cater the needs of the residents and customers from surrounding area.

Going forward, our Group will continue the strategy of setting up and operating our catering outlets in the residential communities we manage on leased premises and will consider to open catering outlets in proximity outside the residential communities we manage. We believe such arrangements are appropriate and commercially reasonable so that our Group could focus its capital resources on one of its core business in operating its catering outlets and not to tie up its funds for purchasing self-owned premises. For further details on our expansion plan, please see the paragraph headed “— Our catering services — Expansion strategy of our catering services” in this section of this prospectus.

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For further details about the leased premises where we operate our catering outlets, please see the paragraph headed “— Properties” in this section of this prospectus. For further details concerning the risk that our rights to lease certain properties may be challenged, please see the paragraph headed “Risk factors — Risks relating to our business — (i) Risks relating to our general operations — Title to certain leased area may be challenged which could prevent us from continuing to operate the affected facilities” in this prospectus.

Our catering outlets

We endeavour to offer an outstanding dining experience, including food, service and dining atmosphere, at our catering outlets which are positioned to provide different dining style to suit different needs of the customers.

Our revenue generated from catering services were approximately RMB69.2 million, RMB68.5 million, RMB76.3 million, RMB29.0 million and RMB35.0 million for the years ended 31 December 2013, 2014 and 2015 and the five months ended 31 May 2015 and 2016, respectively. The table below sets forth the revenue contribution of our catering outlets by category in terms of sales during the Track Record Period.

	Year ended 31 December			Five months ended 31 May	
	2013	2014	2015	2015 (unaudited)	2016
Catering outlet revenue by category					
(in RMB thousands)					
Chinese restaurants	43,928	40,082	42,021	15,936	14,954
Casual dining restaurants	18,265	18,876	23,141	9,058	11,019
East Asian and Western restaurant ⁽¹⁾	5,219	7,393	8,681	3,058	7,902
Cafés	1,778	2,198	2,432	916	1,118
Total	69,190	68,549	76,275	28,968	34,993

Note:

- (1) From May 2013 to January 2016, we only operated one East Asian and Western restaurant, being Beehive Bar & Kitchen. In February 2016, we have opened three new East Asian and Western restaurants, being La TaveRona, Yamabuki and Best Thai. For further details, please see the paragraph headed “— Our catering services” in this section of this prospectus.

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Other operating data of our catering outlet operations during the Track Record Period sets forth as follows:

	Year ended 31 December			Five months ended 31 May	
	2013	2014	2015	2015	2016
Average number of customer per day per catering outlet⁽¹⁾⁽⁷⁾					
Chinese restaurants ⁽⁵⁾	716	633	599	624	418
Casual dining restaurants	824	558	631	604	430
East Asian and Western restaurants ⁽⁶⁾	221	315	369	311	267
Cafés	140	174	91	104	153
Average spending per customer per meal (RMB)⁽²⁾⁽⁷⁾					
Chinese restaurants	43	44	49	43	40
Casual dining restaurants	31	31	34	33	24
East Asian and Western restaurants ⁽⁶⁾	66	65	65	66	49
Cafés	35	35	37	29	24
Average seat turnover rate (X)⁽³⁾					
Chinese restaurants	2.6	2.3	2.1	2.1	2.2
Casual dining restaurants	4.8	3.2	3.7	3.7	4.1
East Asian and Western restaurants ⁽⁶⁾	1.3	1.8	2.1	1.8	2.1
Cafés	1.1	1.3	1.1	1.2	1.2
Average daily catering outlet sales by category (RMB)⁽⁴⁾					
Chinese restaurants	122,022	111,339	116,725	106,240	99,693
Casual dining restaurants	50,736	52,433	64,279	60,387	73,460
East Asian and Western restaurants ⁽⁶⁾	14,497	20,536	24,114	20,387	52,680
Cafés	4,939	6,106	6,757	6,107	7,453

Notes:

- (1) Calculated by dividing total customer traffic (assuming 360 days in the year and 150 days in the five-month period) by number of restaurants during the year/period. For outlets newly opened in 2016, the number of days since commencement of business is taken into account for the calculation.
- (2) Calculated by dividing average daily revenue (assuming 360 days in the year and 150 days in the five-month period) by the average number of customer per day per catering outlet for the year/period. For outlets newly opened in 2016, the number of days since commencement of business is taken into account for the calculation.
- (3) Calculated by dividing the average number of customer per day per catering outlet for the year/period by the total number of seats at the catering outlet.
- (4) Calculated by dividing total revenue by the total number of days during the year/period (assuming 360 days in the year and 150 days in the five-month period).

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- (5) Herbal Cuisine (Huadu Branch) was not included for the reason that it was closed down in October 2013; while Herbal Cuisine Soup Shop was not included until 2016 as it only offered take-away services with no seating area inside the catering outlet.
- (6) From May 2013 to January 2016, we only operated one East Asian and Western restaurant, being Beehive Bar & Kitchen. In February 2016, we have opened three new East Asian and Western restaurants, being La TaveRona, Yamabuki and Best Thai. For further details, please see the paragraph headed “— Our catering services” in this section of this prospectus.
- (7) For casual dining restaurants and cafés, catering outlets closed due to relocation and the relocated ones are counted as one outlet in calculation.

The average number of customer per day per our Chinese restaurant slightly decreased from 716 in 2013 to 633 in 2014 and then to 599 in 2015 mainly due to (i) certain public construction works outside the Clifford Estates since 2014; and (ii) the opening of our two casual dining restaurants adjacent to our learning centre and near the central bus station in Clifford Estates since early 2013 and late 2014, the traffic flow to our Chinese restaurants was affected. On the other hand, the average number of customer per day of our casual dining restaurant, The Owls, decreased in the Track Record Period due to another construction works nearby. Nevertheless, the average number of customer per day for our casual dining restaurants increased in 2015 mainly due to the opening of a new restaurant as mentioned above which is of fast food style. The average number of customer per day of our Western restaurant increased continuously since 2013 mainly due to the additional traffic flow shifted from The Owls as a result of the construction works. As regards to our Cafés, the average number of customer per day increased since 2013 but decreased in 2015 mainly due to the opening of a new Café in Yuexiu district in mid-2015. As a result of the abovementioned, the change in average seat turnover rates is generally in line with the trend of the average number of customers per day during the three years ended 31 December 2015. The average spending per customer per meal has been relatively stable during the three years ended 31 December 2015. With the combination of the above reasons, the average daily catering outlet sales by each outlet type replicate a parallel movement.

For the first five months in 2016, there was a significant decrease in the average number of customers per day in our catering outlets (except cafés) as compared to the corresponding period in 2015. This was mainly due to our expanded catering service network in Guangzhou where we opened a total of eight new catering outlets (namely, one Chinese restaurant, four casual dining restaurants and three East Asian and Western restaurants) at Clifford Landmark (祈福名都花園). Due to the introduction of new kind of food products (such as desserts and drinks) offered by our new casual dining restaurants, namely Bababibi Dessert and Cha Cha Drinks Shop, which generally have a lower unit price, the average spending per customer per meal for our casual dining restaurants for the first five months of 2016 showed a downward trend as compared with that of the same period in 2015. From May 2013 to January 2016, we only operated one East Asian and Western restaurant, being Beehive Bar & Kitchen. In February 2016, we opened three new East Asian and Western restaurants at Clifford Landmark (祈福名都花園) offering different cuisines and styles of catering service which additionally brought up the related average daily restaurants sales in the first five months of 2016.

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(A) Chinese restaurants

As of the Latest Practicable Date, we operated six Chinese restaurants which all located in Panyu district with total GFA of approximately 3,962 sq.m., three of which are located within the Clifford Estates, one is located in the Clifford Waterfront (番禺祈福水城) and two are located at the Clifford Landmark (祈福名都花園) we are contracted to manage.

In order to provide a variety of dining choices for our customers, our Chinese restaurants target to serve different menus in different dining styles. We offer à la carte menu in our Chinese restaurants which operate from morning to evening every day of a week. The table below sets out the summary of the Chinese style cuisine we serve at our Chinese restaurants:

Chinese restaurants	Cuisine served
Herbal Cuisine (藥膳坊)	Guangdong dim sum served in the morning and the afternoon; healthy Chinese cuisine serving a majority of dishes combining certain traditional Chinese herbal medicine or ingredients with medicinal value
Herbal Cuisine & Tea Restaurant (藥膳茶坊)	Guangdong dim sum served in the morning; healthy Chinese cuisine serving a majority of dishes combining certain traditional Chinese medicine or ingredients with medicinal value
Farm Restaurant (農家菜館)	Chinese cuisine of seasonal ingredients sourced from local farms prepared in traditional cooking method to retain the original flavour of the ingredients
Herbal Cuisine Soup Shop (藥膳湯館)	Mainly take-away soup made from Chinese medicine; also serving casual dine-in dishes such as Guangdong style barbeque food with rice and take-away dim sum
Hunan's Favor (天下毛湘)	Hunan cuisine (also known as Xiang cuisine) serving a majority of dishes combining chili peppers, shallots, garlic and other ingredients which tend to be spicy and oily

(B) Casual dining restaurants

As of the Latest Practicable Date, we operated six casual dining restaurants, in the names of “The Owls (貓頭鷹餐廳)”, “Clifford Café (老朋茶餐廳)”, “老大哥” (Big Brother) “老點” (Crazy Fire), “Cha Cha 奶茶店” (Cha Cha Drinks Shop) and “巴巴閉閉甜品屋” (Bababibi Dessert Shop), with aggregate GFA of approximately 1,175 sq.m., which are located near Clifford Estates and at Clifford Landmark (祈福名都花園). Our casual dining restaurants aim to serve an affordable price of Chinese and international dishes with a local twist. They offer a casual dining ambience with the menu features rustic dishes. We offer both à la carte menu and set menus in most of our casual dining restaurants and they operate from morning to evening every day of a week.

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(C) East Asian and Western restaurants

As of the Latest Practicable Date, we operated four East Asian and Western restaurants, in the names of “相見好餐廳” (Beehive Bar & Kitchen) near Clifford Estates and “La TaveRona”, “山吹” (Yamabuki) and “泰出色” (Best Thai) at Clifford Landmark (祈福名都花園) with aggregate GFA of approximately 921 sq.m.

Our East Asian and Western restaurants aim to serve international dishes with a local twist. We offer both à la carte menu and set menus in our East Asian and Western restaurants, and they operates from morning to evening every day of a week.

(D) Cafés

As of the Latest Practicable Date, we operated two cafés in the name of “貓咖啡” (Clifford Owl’s Café) with aggregate GFA of approximately 196 sq.m., one of which is located at Clifford Landmark (祈福名都花園) in Panyu district and one of which is located in Yian Plaza in Yuexiu district. Our cafés focus on providing excellent quality coffee and light bites in a relaxed atmosphere. We offer both à la carte menu in our cafés and they operate from early morning to late evening every day of a week.

Our cafés adopt a consistent interior design with the aim to provide consistent brand image and distinguish our brand name from our competitors.

Pricing

We have implemented a uniform pricing system at our catering outlets of each Chinese and Western style. Our catering outlets under the same name, being “Herbal Cuisine”, “The Owls” and “Clifford Owls Café”, use a standard menu adopting similar pricing. We mainly take into consideration the costs of raw materials and food ingredients, and target profit margin in deciding the price of each menu item. Sometimes, the price of the dishes is determined with reference to the general market trends and the purchasing power of the target customers. Total costs of food ingredients of each dish are measured based on the total unit cost of food ingredients with reference to the standardised recipe. The cost of inventories consumed as a percentage of revenue for our catering segment remained at approximately 39.9%, 37.2%, 37.0%, 37.4% and 40.8%, for the years ended 31 December 2013, 2014 and 2015 and the five months ended 31 May 2015 and 2016, respectively. We review the main menu from time to time at our catering outlet level. Apart from reviewing the selection of menu items, we adjust the menu prices in response to the price fluctuations to the costs of raw materials and food ingredients, the operating costs and the general market trends. As a result, our catering service was able to maintain a relatively stable gross profit margin during the Track Record Period.

Management and operations

We believe hospitable, thorough, efficient and face-to-face services form the essential elements of our core concept and dining experiences. Our catering outlet staff are trained under a uniform standard depends on which type of catering outlet the relevant staff will be working at to provide consistent services to our customers, including greeting of customers,

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setting up of dining table, promoting meal items, taking orders, settling bills, maintaining the hygiene and responding to any other customer needs on a real time basis.

Each of our serving staff carries a handheld ordering terminal linked to the central IT system to process orders in each of our catering outlets. The orders made with the handheld ordering terminals are automatically transmitted to both catering outlet kitchen and the cashier, so as to reduce error and ensure the speed of service. Catering outlet kitchens aim at preparing the dishes at once for a short delivery time, while the cashier prepares bill for customers to pay at the end of their meals. We believe that the quality of our catering outlet staff helps differentiating us from our competitors.

Our diversified catering outlets allows us to provide a range of different dining experience and to attract a broad base of customers from different income segments and age groups due to their convenient locations and comfortable dining environment within prime retail locations.

Centralised management platform

To ensure standardisation of quality and services among restaurants in our network, and to promote operation efficiency and profitability of our restaurants, we have established a management platform with a managerial structure summarised as follows:

Headquarters management. Our catering services is separately managed by Chinese and Western section general managers. The Chinese section general manager is responsible for the management of the Chinese restaurants, which our Western section general manager is responsible for the management of the casual dining restaurants, East Asian and Western restaurants and cafés. Each of them is responsible for corporate and administrative, financial planning and analysis, new restaurant opening strategies, staff recruitment, central procurement, central logistics and sales and marketing.

Catering outlet level management. We typically staff one manager at each catering outlet to oversee the daily catering service operation, including food ingredients inspection, assurance of food safety and quality standard, inventory level, catering outlet level staff recruitment, on-the-job training, customer service, cash management and store maintenance.

We believe our managerial structure enables us to implement and monitor the uniform standards we have developed with respect to food safety, quality of service, inventory management and supply chain management as described in the following subsections.

Standardisation

We endeavour to drive overall customer satisfaction to achieve long-term growth through standardisation.

- *Ingredients.* We procure the ingredients through a separate platform for each Chinese and Western section as they have different procurement requirement. The criteria and procedure of section qualified suppliers are similar. The procurement and production of ingredients facilitates us in ensuring a consistent quality standard and also cater the different needs for Chinese and Western sections. We also implement a uniform quality control standard at our procurement department and each of our catering outlets.

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- *Catering outlet operations.* We implement a comprehensive set of uniform standards with respect to each aspect of our catering outlet operations, including menu items, pricing, food preparation and employee conduct as well as our staff training regimes. We also provide specific training for our staff to suit the need of different catering outlets.

Settlement and cash management

We have implemented guidelines for our POS system through our settlement and cash management manual, which details our POS system and the logistics with respect to collection of payment by way of cash. We conduct reconciliation between the cash receipts as recorded in our systems against the cash kept at the cash register on a daily basis at each of our catering outlets.

Our customers settle their bills primarily through cash, credit card or our Consumption Cards.

To avoid misappropriation and embezzlement of cash, we have adopted a cash management and delivery system in each of our catering outlets. Each cashier staff at each catering outlet directly reports to the finance department of the headquarters of our Group to ensure segregation of duties. The cashier staff at each catering outlet is responsible for ensuring cash received during the day could match the sales record and be timely delivered to the banks. Cash received at a catering outlet pending delivery to the banks is counted after each breakfast, lunch and dinner session and then kept with sealed envelopes in the safes located in each catering outlet. Cash received at a catering outlet are then delivered to our banks by the cashier accompanied by accounting department staff after checking on a daily basis. In addition, we keep the key and passcode of the safe at our catering outlets separately. Furthermore, we have installed surveillance cameras in our catering outlets to deter staff misconduct.

We also reconcile the orders taken and the cash received at the catering outlet and our catering outlet level inventories consumption on a daily basis. Such reconciliation would allow us to discover any fraudulent cancellation of customer orders, which is a commonly seen cash embezzlement technique in our industry. The Group did not encounter any major misappropriation or theft of cash by the Group's employees, customers or other relevant third parties during the Track Record Period.

Food preparation process

The following chart illustrates the processes of the preparation of food ingredients and dishes in our catering services:



Food ingredients procurement

Food ingredients

The sous chef of each catering outlet is responsible for monitoring the level of supplies regularly and deciding the types and quantities of food ingredients to be purchased. The sous chef then places orders to the authorised suppliers directly based on the quotations obtained by the procurement team. Upon delivery of the food ingredients, the sous chef weighs the incoming food ingredients with an electronic scale, records the types and quantity of food ingredients, and checks the information on the delivery notes against the orders before confirming receipt of the food ingredients. Delivery notes and invoices are delivered to the accounts department afterwards.

Ancillary equipment and utensils

In relation to ancillary equipment and utensils, the manager of each catering outlet is responsible for monitoring the stock and notifying the purchasing department to check the price and minimum order quantity with the Group's authorised suppliers. At least three suppliers will be selected for comparison based on price and quality of goods. For any item exceeding RMB10,000, orders will only be made after obtaining approval from Chief Operation Officer. The procurement department is responsible for placing orders and goods are delivered by the suppliers to the catering outlets.

For details of our procurement policy, please see the paragraph headed “— Our catering services — Food preparation process — Food ingredients procurement” in this section of this prospectus.

Storage and preservation

The sous chef of each catering outlet is responsible for ensuring proper processing and storage of food ingredients. For food ingredients that are perishable, the head chef would control the quantity of order to ensure the freshness of the food ingredients.

Preparation and processing

In order to ensure all dishes are freshly prepared, each of the Group's catering outlet conducts its food preparation functions in its own kitchen. Each catering outlet has one head chef, who is responsible for the overall operation of the kitchen of that restaurant.

Under the coordination of the head chefs, there are division of labour for different processes for food preparation in order to ensure efficiency and quality. Different divisions of the staff are responsible for different parts of the food processing chain including washing, cutting, preparing, cooking, serving and dish cleaning. Recipes are developed by the Group that the chefs would follow when preparing the dishes.

Food delivery

Our serving staff at each of our catering outlets will deliver the prepared dishes to our customers as soon as they are processed through the catering outlet kitchen in order to preserve the best taste of our dishes.

Development of new dishes

The Group appreciates the importance of introducing new dishes regularly to attract a broader customer base and to maintain loyalty of existing customers. The Group would update its menu regularly in response to the changing tastes of the customers and general sentiment. In developing new menu items, the head chef of each of the Group's catering outlets considers the market trends, seasonal factors and feedbacks from the customers. Before launching any new dishes, the department supervisor, catering outlet(s) manager, executive chef and the head chef of the relevant catering outlets gather together for tasting and they are responsible for making the final approval of any new dishes and their pricing.

Food safety and quality control

For further details on food safety and quality control of our catering services, please see the paragraph headed “— Quality control — Quality control over our catering services” in this section of this prospectus.

Procurement management

Our ability to maintain consistent quality throughout our catering outlet network in part depends upon the ability to secure stable supply of high quality and safe food ingredients. We implement a centralised purchase system for all purchase orders of food ingredients, beverages and other supplies for our catering services. Our procurement team is required to make purchases only from those suppliers which are included in our suppliers' list, and to implement bidding process to secure food ingredients of high quality and safety at a reasonable cost. Our internal procurement policy sets forth strict guidelines against engaging in bribery and creating situations which may bring a conflict of interests between us and our employees. In addition, we provide anti-bribery clauses in our standard form of agreements to be entered into with our authorised suppliers. The utilisation of our standardised procurement system increases our bargaining power during price negotiations as a result of our economies of scale. Please also see the paragraph headed “— Our catering services — Food preparation process — Food ingredients procurement” in this section of this prospectus for more details on procurement for our catering services.

Supplier selection

We place great emphasis on sourcing food ingredients from reliable suppliers to ensure the quality and safety of the ingredients. We have formulated a comprehensive set of criteria for selecting suppliers including their financial conditions, qualifications, production capacities and manufacturing process control, quality control, pricing, quality of product during trial period and product recall and tracking system. We also require our suppliers to comply with all applicable PRC food production laws and regulations and inspect their licenses, certifications and other accreditation.

Moreover, we have established standardised procedures for selecting new suppliers for both Chinese and Western sections. When screening new suppliers, our procurement team conducts thorough market research, requests recommendations from the relevant industry associations, and invites the competent candidates, in particular, those suppliers with well-established distribution networks and operation track record, to our selection process.

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We also conduct assessments such as food ingredients sampling and site visit to production facilities of potential new suppliers before we decide to engage a new supplier. Furthermore, to facilitate the decision to renew supply contracts with existing suppliers, we conduct annual review of the quality and amount of purchases from each supplier.

Supplier management

During the Track Record Period and up to the Latest Practicable Date, we primarily sourced our food ingredients from domestic suppliers in the PRC. Throughout the Track Record Period, we purchased the substantial majority of the food ingredients through central procurement. While we had 60, 67, 55 and 64 authorised suppliers for food ingredients for our catering services for the years ended 31 December 2013, 2014 and 2015 and five months ended 31 May 2016, 20 of which we had maintained business relationship during the whole Track Record Period. In order to ensure the consistency of our key food ingredients, we only work with a relatively small number of suppliers at a particular time and we typically do not concentrate our procurement from any single supplier during the Track Record Period. In the matter of contingency management, we may also procure from other suppliers which meet our quality standards to avoid supply shortage if necessary. For further details on our suppliers, please see the paragraph headed “— Our suppliers” in this section of this prospectus.

In line with the industry practise, our Group has not entered into any long-term contract with its existing suppliers. Standard form of agreements with suppliers are generally for a term of one year. We require such standard forms as a general foundation for the terms with our suppliers to ensure consistent practise, control legal risk and minimise administrative expenses. In addition, as the numbers of suppliers are abundant, such arrangement helps our Group to maintain flexibility in operations and pricing. We adopt similar standard form of agreements with our suppliers for our catering services as those we adopt for our retail services. For major terms and conditions of the standard form of agreements with our suppliers, please see the paragraph headed “— Our retail services — Management and operations — Standard form of agreements — (A) Agreements with direct suppliers” in this section of this prospectus. To the best knowledge of the Directors, the prices of the food ingredients were determined with reference to the quality, specifications, seasonal factor, source of supply and relationship with the Group when suppliers determine the prices of food ingredients.

Our accounts department is responsible for processing all payments to suppliers. Payment would not be approved until both invoices from suppliers and delivery notes are signed and checked by the designated officers of the Group’s restaurants and verified by the Group’s purchasing and accounts departments. The accounts department will then arrange the settlement of invoices within the agreed credit periods. Payment terms granted by suppliers are normally seven to 30 days upon the receipt of the invoice of the relevant purchases.

Suppliers and sources

Our procurement team emphasises the production sources of the food ingredients in order to ensure the quality and healthiness of the ingredients. We manage our suppliers and procurement strategy based on the categories of food and supply. For more details, please also

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see the paragraph headed “— Our catering services — Food preparation process — Food ingredients procurement” in this section of this prospectus. Our key food ingredients primarily include the following:

- *Fresh vegetables.* We source our vegetables domestically from a limited number of suppliers. There are many vegetable suppliers in the market, and we believe we are able to identify quality suppliers of fresh vegetables through our continuous review. During the Track Record Period, the average purchase price of vegetables increased by approximately 50%. According to the Euromonitor Report, the price of fresh vegetables is easily impacted by many factors, such as season, weather conditions, global trade, natural disasters, cost of fertilisers and domestic supply and demand.
- *Meats.* We source our meats principally from China. We source these food products through a limited number of distributors, rather than a diverse range of producers which we can better control the quality. Even though there had been occasional fluctuation from time to time, the average purchase price of meats decreased by approximately 15% during the Track Record Period.
- *Seafood.* We source our seafood principally from local market, through a limited number of suppliers which allow us to better control the consistency and quality. During the Track Record Period, the average purchase price of seafood fluctuated principally due to seasonality factors and increased by approximately 4%.

We believe the fluctuations in prices of our key food ingredients during the Track Record Period were in line with market conditions and did not have a material adverse effect on our business, financial condition and results of operations. Our key food ingredients, namely fresh vegetables, fresh meats and seafood generally have a relatively short shelf life while we turnover our inventory at a faster rate than their shelf lives, which we believe helps ensure the quality and freshness of the dishes at our catering outlets. In general, we procure our key food ingredients daily for most of our catering outlets. For inventory turnover days of our food ingredients generally, please see the section headed “Financial Information — Discussion of certain items from the statements of financial position — Inventories” in this prospectus.

Purchase cost control

The standard form of agreements with our suppliers contains the general brands and/or products to be supplied by the relevant supplier, the ordering procedure, the quality of supply, the payment terms, etc. The supplier would regularly provide us with the quotations once or twice a month and we will negotiate and confirm the quotation with the supplier before we place the order. Our procurement team regularly analyses the cost of production of suppliers in detail.

Food and beverage costs, as represented by cost of raw materials and consumables for catering business accounted for approximately 39.9%, 37.2%, 37.0%, 37.4% and 40.8% of the revenue generated from our catering services for the years ended 31 December 2013, 2014 and 2015 and five months ended 31 May 2015 and 2016, respectively. We currently do not engage in futures contracts or other financial risk management strategies against potential price fluctuations in the food costs, which we purchase at prevailing market or contracted prices.

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Set forth below are sensitivity analysis of the impact to our profit before tax and our profit during the Track Record Period from the fluctuation of the cost of raw materials and consumable for catering services.

(RMB'000, except percentages)

Hypothetical fluctuation of the cost of raw materials and consumable for catering services

-15% -10% -5% +5% +10% +15%

Impact on certain consolidated statements of comprehensive income items for the year ended 31 December 2013

Change in cost of raw materials and consumable for catering services	(4,168)	(2,779)	(1,389)	1,389	2,779	4,168
Change in the Group's profit before tax	4,168	2,779	1,389	(1,389)	(2,779)	(4,168)
Change in the Group's profit after tax	3,126	2,084	1,042	(1,042)	(2,084)	(3,126)

Impact on certain consolidated statements of comprehensive income items for the year ended 31 December 2014

Change in cost of raw materials and consumable for catering services	(3,859)	(2,572)	(1,286)	1,286	2,572	3,859
Change in the Group's profit before tax	3,859	2,572	1,286	(1,286)	(2,572)	(3,859)
Change in the Group's profit after tax	2,894	1,929	965	(965)	(1,929)	(2,894)

Impact on certain consolidated statements of comprehensive income items for the year ended 31 December 2015

Change in cost of raw materials and consumable for catering services	(4,287)	(2,858)	(1,429)	1,429	2,858	4,287
Change in the Group's profit before tax	4,287	2,858	1,429	(1,429)	(2,858)	(4,287)
Change in the Group's profit after tax	3,215	2,144	1,072	(1,072)	(2,144)	(3,215)

Impact on certain consolidated statements of comprehensive income items for the five months ended 31 May 2015

Change in cost of raw materials and consumable for catering services	(1,624)	(1,083)	(541)	541	1,083	1,624
Change in the Group's profit before tax	1,624	1,083	541	(541)	(1,083)	(1,624)
Change in the Group's profit after tax	1,218	812	406	(406)	(812)	(1,218)

Impact on certain consolidated statements of comprehensive income items for the five months ended 31 May 2016

Change in cost of raw materials and consumable for catering services	(2,141)	(1,427)	(714)	714	1,427	2,141
Change in the Group's profit before tax	2,141	1,427	714	(714)	(1,427)	(2,141)
Change in the Group's profit after tax	1,606	1,070	536	(536)	(1,070)	(1,606)

Inventory management

For details on our inventory management, please see the paragraph headed “— Our catering services — Food preparation process — Food ingredients procurement” in this section of this prospectus.

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We actively seek to ensure ample supply of quality ingredients while maintain stringent control on inventory levels. To reduce the risk of supply disruptions, we would procure from other suppliers that can meet our quality standards as a contingency plan to avoid supply shortages. During the Track Record Period, we did not experience any interruption in the supply of food ingredients, early termination of supply agreements or failure to secure sufficient quantities of irreplaceable food ingredients that had any material adverse impact on our business and results of operations.

Expansion strategy of our catering services

As one of our core business strategies, we intend to expand our catering service network for our business growth. As of the Latest Practicable Date, we had 18 catering outlets which all situated on leased properties. In the future, we will continue to enter into leases for operating new retail outlets.

The typical lead time from the delivery of the site by the landlord to the opening of a catering outlet is approximately six months.

The actual number, location and timing of new catering outlet openings in any period will be affected by a number of factors and subject to a number of uncertainties. We may make necessary adjustment to the number, location and timing of planned new catering outlet openings depending on the existing market conditions and status of pre-opening development and preparation for existing restaurants. For further details, please see the paragraph headed “Risk Factors — Risks relating to our business — (iv) Risks relating to our catering services — Our future growth depends on our ability to open and profitably operate new catering outlets. We may not be able to successfully enter into new markets” in this prospectus.

Leveraging on the popularity of our catering outlets, within communities we provide living services, we plan to continue expanding our catering network by solidifying our presence in Guangdong Province and branching out catering outlets into surrounding area outside the residential communities we manage.

During the first quarter of 2016 and up to the Latest Practicable Date, we opened a total of eight catering outlets (being one Chinese restaurant, four casual dining restaurants and three East Asian and Western restaurants). We intend to open a total of five catering outlets (being one Chinese restaurant, one East Asian and Western restaurant, one casual dining restaurant and two cafés) within Panyu district in Guangdong Province by the end of 2017 with a total GFA of approximately 1,650 sq.m. and a total planned capital expenditure and initial operating cost of approximately RMB9.1 million, funded by a combination of internal resources and proceeds from the Global Offering. Further details of our expansion plan and relevant expenditures in 2017 are set out as below:

1. We plan to open one Chinese restaurant by the end of 2017. Our total planned capital expenditure and initial operating cost for the opening of this Chinese restaurant is around RMB2.0 million and RMB1.0 million respectively which will be sourced from our internal resources and proceeds from the Global Offering. As of the Latest Practicable Date, we had not identified the location for opening this Chinese restaurant in Panyu.
2. We plan to open one East Asian and Western restaurant by the end of 2017. Our total planned capital expenditure and initial operating cost for the opening of East Asian

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and Western restaurant is around RMB2.0 million and RMB0.6 million respectively which will be sourced from our internal resources and proceeds from the Global Offering. As of the Latest Practicable Date, we had not identified the location for opening the East Asian and Western restaurant in Panyu.

3. We plan to open one casual dining restaurant by the end of 2017. Our planned capital expenditure and initial operating cost for the opening of such casual dining restaurant are around RMB1.6 million and RMB0.8 million respectively which will be sourced from our internal resources and proceeds from the Global Offering. As of the Latest Practicable Date, we had not identified the location for opening such casual dining restaurant in Panyu.
4. We plan to open two cafés by the end of 2017. Our planned capital expenditure and initial operating cost for the openings of these two cafés are around RMB0.7 million and RMB0.4 million respectively which will be sourced from our internal resources and proceeds from the Global Offering. As of the Latest Practicable Date, we had not identified the locations for opening these two cafés in Panyu.

Note: The expected capitals are based on the current budget of the Company in relation to the expansion plan of our catering outlets.

We operate a standardised business model, and we believe that we will be able to replicate our established operational and managerial procedures as we continue to expand our catering network services. Our standardised operations enhance scalability by allowing us to efficiently transfer knowledge and adopt best practises when opening new catering outlets. In addition, we believe that since all of our catering outlets are self-operated, we could easily implement our comprehensive set of standards and specifications to maintain standardisation. For further details, please see the paragraphs headed “— Our catering services — Management and operations”, “— Our catering services — Food safety and quality control” and “— Our catering services — Procurement management” in this section of this prospectus.

The breakeven period is the period required for a catering outlet to generate turnover covering its initial operating costs and, based on our past experience, the breakeven period for some of our catering outlets is generally around one month.

The investment payback period is the time required for a catering outlet to generate its net profit covering its relevant capital expenditure, and initial operating cost, and based on our past experience, the investment payback period for our catering outlets is generally around 21 months.

Catering outlet site selection process

We conduct thorough surveys when identifying locations for our new catering outlets, including site visit, pedestrian count and extensive review of public data to collect the necessary information for our decision-making. Due to our diversified types of catering outlets, we enjoy more flexibility in terms of site selection. We typically consider the following criteria:

- pedestrian flow, accessibility, vehicle traffic flow, population density;
- potential growth of local population;

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- estimated consumption power of the local community;
- proximity of competitors in the vicinity; and
- rental cost.

Based on the geographical location, commercial activities level and pedestrian traffic, we also determine a reasonable distance from our existing catering outlets of same dining style to avoid potential competition among our catering outlets.

Catering outlet opening procedure

It usually takes approximately six months between the commencement of the site selection process and the opening of a catering outlet. The key steps in the development process of a new catering outlet include the following:

- *New catering outlet location planning and identification.* Our senior management assesses and plans annual new catering outlets opening targets in each region based on factors such as industry trends, competitive landscape and our internal resources. Meanwhile, our operation department under catering services segment continuously explores new catering outlet location in both existing and new residential, commercial, retail locations.
- *Site assessment and approval.* Once the location for a new catering outlet is identified, we conduct a feasibility study to forecast the expected catering outlet traffic, revenue, cost structure, profitability and investment return period for the next five years, and consider, in particular, the information on the licence status of the prospective property. Feasibility study report is being prepared and considered by the Chief Operating Officer and approved by the Board of the Company.
- *Lease negotiation and execution.* After the Board has approved the feasibility study, we commence lease negotiations with the landlord. We then proceed to approach the landlord directly with indicative lease terms. The Group would generally require the leases to have a term of not less than two years. Some leases may have a rent-free period of 15 days to allow sufficient time for renovation and decoration.
- *Design and renovation.* Upon signing a lease and taking possession of the premises, we commence to design the new catering outlet. Renovation will be carried out by independent contractors engaged by the Group. The design and renovation generally require 15 days.
- *Licensing and permits.* Concurrently with the renovation, we apply for various licences necessary for the operation of the catering outlet, including business licence, catering service licence or food operation license, environmental protection assessment and inspection approval, fire safety design approval and fire prevention inspection approval. It generally requires four months to obtain the required licences and permits for a catering outlet.

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- *Staffing.* Upon completion of renovations and successful application of all required licences and permits, the human resources department reallocates experienced staff from the existing catering outlets, recruits and trains new staff in preparation of the launch of the new catering outlets.

OUR ANCILLARY LIVING SERVICES

We began our Ancillary Living Services in 2011 following the growing population in the residential communities we manage, in particular, Clifford Estates which is the largest residential communities we are contracted to manage, with an aim to provide comprehensive living services support to the residents in Clifford Estates and the other residents living in proximity and to diversify our income sources. With the growth of our total contracted GFA as well as the number of residential communities we manage, we see potential demand for various living services support from our large number of residents and property owners, in enhancing their living quality with convenient living services and to diversify our revenue sources.

During the Track Record Period and up to the Latest Practicable Date, we provide off-campus training services, property agency services, employment placement services, and laundry services.

Our off-campus training services

Since April 2012, we have developed our off-campus training services in Clifford Estates. We offer a wide range of training programmes and interest classes in fulfilling different needs of our students or learners living in the neighbourhood. As of 31 May 2016 and up to the Latest Practicable Date, we had two learning centres within Clifford Estates. For the years ended 31 December 2013, 2014 and 2015 and the five months ended 31 May 2015 and 2016, we had approximately 9,000, 12,000, 19,000, 8,800 and 11,000 student or learner enrolments, respectively, in our training programmes and interest classes, and our revenue for our off-campus training services for the corresponding periods amounted to approximately RMB9.1 million, RMB13.9 million, RMB20.7 million, RMB7.6 million and RMB10.2 million, respectively. Our training programmes mainly include: (i) elementary, middle and high school tutoring courses; and (ii) language learning classes; while our interest classes are divided into four main categories, namely: (i) dance; (ii) martial arts; (iii) sports; and (iv) musical instruments learning. In January 2012, we obtained the Private School Operating Licence (民辦學校辦學許可證) from the Education Bureau of Panyu District Guangzhou City (the “**Private School Operating Licence**”), pursuant to which, as of 31 May 2016, we operated one licenced centre providing training programmes and one centre providing interest classes. As of 31 May 2016, we had 45 full-time employees, including 12 licenced teachers and 27 teaching assistants, and 184 were part-time employees.

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Our off-campus training services primarily comprise of two divisions, namely: (i) training programmes; and (ii) interest classes. Set out below is a breakdown of our revenue for each division under off-campus training services during the Track Record Period:

	Year ended 31 December						Five months ended 31 May			
	2013		2014		2015		2015		2016	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Training										
programmes	2,554	28	4,614	33	4,406	21	1,885	25	2,031	20
Interest classes	6,588	72	9,252	67	16,245	79	5,740	75	8,200	80
Total revenue from off-campus training services	9,142	100	13,866	100	20,651	100	7,625	100	10,231	100

Our revenue generated from our off-campus training services has been increasing during the Track Record Period, from approximately 4.0% of our total revenue in 2013 increased to approximately 7.9% in 2015 and to 8.9% for the first five months of 2016. The revenue generated from our training programmes amounted to approximately RMB2.55 million, RMB4.61 million, RMB4.41 million, RMB1.89 million and RMB2.03 million for the years ended 31 December 2013, 2014 and 2015 and the five months ended 31 May 2015 and 2016, respectively. The revenue generated from our interest classes amounted to approximately RMB6.59 million, RMB9.25 million, RMB16.25 million, RMB5.74 million and RMB8.20 million for the years ended 31 December 2013, 2014 and 2015 and the five months ended 31 May 2015 and 2016, respectively. As the social competition became more intense, we believe that parents were more willing to spend on education or training for their children and as a result, the demand for both training programmes and interest classes increased, driving the significant growth in the number of students enrolled and revenue from off-campus training services during the Track Record Period.

Our programmes and services

We offer a variety of training programmes and interest classes in Clifford Estates to different age groups of students or learners. We provide these programmes and services primarily through classroom instruction by our teams of teachers and teaching assistants. We offer different training programmes depending on the needs and the interests of the students or learners. We regularly review the profile of our training programmes, based on the enrolment results and the feedback from parents, students and teachers.

Training programmes

Our training programmes are primarily divided into (i) tutoring classes and (ii) language training courses. We offer tutoring classes for elementary, middle school and high school level students. Our tutoring classes run regularly during the school academic year to assist students in school work and revision. We also offer irregular short term tutoring courses before the school examination period and public examinations. For our language training classes, we run regularly during the school term and also short-term courses during school holidays.

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We charge our fees for regular courses typically by phases or on a monthly basis. Our course fees vary depending on a number of factors, including the school level, class duration, mode of instruction and subject.

To determine the size of each of our classes, we take into consideration a number of factors, which include school level, class duration, time and subject. Our teachers currently provide instruction mainly through three forms, namely: (i) one-to-one; (ii) small group (consisting of four to eight students); and (iii) small class (consisting of 15 to 20 students).

Interest classes

We have a wide range of interest classes, which are divided into four main categories: (i) dance; (ii) martial arts; (iii) sports; and (iv) music. Most of our interest classes are classified by the age of our students and the level of the respective activity. To determine the size of each of our classes, we take into consideration of the type of the activities, the level of the activities, number of sessions and time. The table set forth below shows different samples of courses we offer under the four main categories:

Categories	Interest classes we offer
Dance	<i>Ballet, Jazz, Latin dance</i>
Martial arts	<i>Wing tsun, Karate, Taekwondo</i>
Sports	<i>Badminton, basketball</i>
Music	<i>Musical instruments learning, singing practise</i>

We charge our fees for interest classes generally by phases. Our class fees vary depending on a number of factors, including the level of the respective activity, class duration, mode of instruction and instructors.

As advised by the PRC Legal Advisers, there were no explicit provisions as to the definitions of higher education institutions (高等教育機構), higher school education institutions (普通高中教育機構) and preschool education institutions (學前教育機構) under the PRC laws. Based on the reasons that (a) our off-campus training services are of tutorial nature and as supplementary studies for elementary, middle and high school students; (b) we are a non-academic training institution organized by non state-owned enterprise (民辦非學歷教育培訓機構) as shown on the Private School Operating License; (c) we do not award any formal academic certificates after receiving any of our off-campus training services; (d) a verbal consultation with the Education Bureau of Guangzhou Municipality and the Education Bureau of Panyu District that preschool education institutions, high school education institutions and higher education institutions mainly refer to kindergartens, general high schools and universities, and technical colleges, respectively, while institutions providing off-campus tutoring classes are non-academic educational institutions which would not be classified as preschool education institutions, high school education institutions or higher education institutions; and (e) written confirmations issued by the Education Bureau of Guangzhou Municipality and the Education Bureau of Panyu District, the competent education authority of Guangzhou Municipality and Panyu District as confirmed by our PRC Legal Advisers, respectively, that our Group is mainly

engaged in providing non-academic training services including off-campus tutoring classes and interest classes which are not within the scope of preschool education institution, high school education institution or higher education institution, the PRC Legal Advisers are of the view that the Group's off-campus training services do not fall under the list of (i) any restricted business, such as higher education institutions (高等教育機構), high school education institutions (普通高中教育機構) or preschool education institutions (學前教育機構); or (ii) any prohibited business, such as compulsory education institutions (義務教育機構), for foreign investors under the Catalogue for the Guidance of Foreign Investment Industries (amended in 2015) (外商投資產業指導目錄 (2015年修訂)).

Our teachers, teaching assistants and other instructors

As of 31 May 2016, we had a team of approximately 223 teaching staff, 12 of whom were our full-time teachers, 27 of whom were our full-time teaching assistants and 184 were part-time teachers. We enter into employment contracts with our full-time teachers. The amount of remuneration varies depending on the experience and education background of the respective teacher. The Company confirms that all of our full-time teachers possess the relevant teaching licenses required under the relevant PRC laws during the Track Record Period.

Collaborations with other educational organisations

As of the Latest Practicable Date, we have entered into five cooperation agreements with various educational organisations to develop and provide different interest classes including dance courses and sports classes. Under the respective cooperation agreements, these educational organisations have agreed to provide course structures and materials and teaching staff, while we are responsible for providing the venue, promotion, enrolments. The course fees received from enrolled students will be normally split equally between us and the educational organisation as agreed under the respective cooperation agreements.

Our property agency services

We have first developed our property agency services since 2011 with a focus to the residential communities we manage. As of 31 May 2016, we have one headquarters and five branch offices located in different districts in Guangdong Province. Our property agency services primarily include: (i) sales agency services focused on the secondary residential property market; (ii) residential properties rental agency services; and (iii) post-rental services.

We generate one-off revenue, as such revenue is generated on a per-transaction basis with our customers in the form of commission for sales and rental agency services, while our post-rental services we provide to landlords following the close of the leasing transactions, generate recurring revenue on a monthly basis. Otherwise, we receive commission based on the transaction price of the sale or lease when the properties were leased or sold by serving as an agent between the parties in a transaction. In a sale transaction, as a return of assisting the property owners in selling out their properties and assisting potential purchasers in purchasing the properties, we generally receive a flat commission of 3% of the purchase price in such transaction paid jointly by the owner and the purchaser. In a leasing transaction, we assist the landlords to lease out their properties, match with suitable lessees and receive commission in

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return, where such one-off commission commonly equals to one month of the rent paid independently by both the landlord and the lessee.

We also provide post-rental services to the landlords who lease out their properties through us, with an aim of providing the tenancy management to landlords. These services include collecting rents from the lessees, payment of management fees and utilities on behalf of the landlords.

The following table sets forth the breakdown of revenue generated from our property agency services during the Track Record Period:

	Year ended 31 December						Five months ended 31 May			
	2013		2014		2015		2015		2016	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Sales agency services	5,749	72	1,644	40	2,458	55	814	52	2,077	69
Rental agency services	1,786	22	1,904	46	1,502	33	530	34	614	21
Post-rental services	342	4	333	8	302	7	142	9	112	4
Others	185	2	239	6	234	5	75	5	191	6
Total property agency services revenue	<u>8,062</u>	<u>100</u>	<u>4,120</u>	<u>100</u>	<u>4,496</u>	<u>100</u>	<u>1,561</u>	<u>100</u>	<u>2,994</u>	<u>100</u>

Portfolio of property agency services

By way of serving as an agent, we provide our property agency services principally to the residents and property owners of residential communities we manage with an aim to facilitate the property sales and leasing for such residents and property owners among these residential communities and to diversify our income sources. Our property agency services can be grouped into the following categories:

- (i) *Sales agency services.* We provide agency services for sale of residential units to the residents or property owners who seek to buy or sell out their properties. In general, we help matching potential buyers with the property owners while identifying suitable properties for the potential property buyers. After the parties confirming their intents to close the sale, the property owner, the purchaser and us will enter into a tripartite sale of property reservation agreement, pursuant to which the property owner agrees to sell and the purchaser agrees to buy the relevant property at a specific price; and that a formal property sale and purchase agreement of the same equivalent terms and conditions will be signed among the property owner and the purchaser on a specified later date. Once such tripartite service agreement is concluded, we are entitled to a flat commission of 3% of the transaction price of the property, which is usually borne jointly by the vendor and the purchaser.

In rendering our sale agency services, we commonly act as the dual agent for both seller and buyer in a transaction. Two types of sale agency services are offered to the potential seller who enters into an engagement agreement with us at the time of

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appointment, namely: (i) exclusive agency; and (ii) non-exclusive agency services. In the course of providing exclusive agency services, we are the exclusive agent for the property and we would recommend such certain properties to potential purchasers in priority over those under non-exclusive agency scheme. In addition, under an exclusive agency arrangement, we are entitled to the commission for selling the property, regardless of the party through whom (the property owner or the agent who the property owner has engaged) the property is sold. Alternatively, in the event of non-exclusive agency services, property owners list their properties for sale with several agents and they only pay the commission to the agent through whom the property is sold. After the potential seller and potential buyer of the property are matched, we will enter into a tripartite agreement with the parties setting out details of the transaction. The terms of the tripartite agreement include the details of the properties, the tentative completion date, the split of the commission to be borne by the seller and buyer, the payment date of the commission, etc. The commission is usually paid by the seller and buyer at the time of entering into the tripartite agreement where the commission will be deducted from the deposit paid by the buyer to the seller.

- (ii) *Rental agency services.* We provide rental agency services to landlords who seek to lease their properties out and help potential lessees to identify suitable properties. By matching such of their requests, we receive commission which equals to one month of rent under the relevant lease from each of the landlord and the lessee as return in accordance with the tripartite service agreement entered into between the landlord, the lessee and us.

The landlord enters into an engagement agreement with us at the time of appointment. In the course of our rental agency services, we offer the same two types of agency services to landlords, namely: (i) exclusive agency services; and (ii) non-exclusive agency services. When we act as the exclusive agent of the landlord, we would prioritise our marketing of the relevant properties which we would firstly recommend to potential lessees. Additionally, along with the exclusive right of dealing such properties, we are still entitled to commission if the relevant properties are eventually leased out through other property agents. For non-exclusive agency services, as landlords usually engage one or more agent in for leasing their properties and they are only liable to pay commission to the agent through whom the properties is let.

After entering into the tenancy agreement, the landlord may further engage us for the post-rental services. For details of post-rental services, please see the paragraph headed “— Our Ancillary living services — Our property agency services — Portfolio of property agency services — (iii) Post-rental services” in this section of this prospectus.

- (iii) *Post-rental services.* We provide certain types of post-rental services to landlords who lease out their properties through us, such as collecting rents from the lessees and paying management fees and utilities for the landlords and following up the progress of any maintenance work to be done to the relevant properties. In return, we charge each landlord a monthly management service fee of RMB100 during the term of the respective lease.

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Our employment placement services

We first developed our employment placement services in 2011 and as of 30 June 2016, we have set up one branch office in Clifford Estates. Our employment placement services primarily include: (i) employment agency services for household helpers, postnatal care helpers and patient care helpers; and (ii) labour dispatch services. For the years ended 31 December 2013, 2014 and 2015 and the five months ended 31 May 2015 and 2016, revenue generated from our employment placement services amounted for approximately RMB854,000, RMB1,048,000, RMB1,467,000, RMB560,000 and RMB664,000, respectively.

The following table sets forth the breakdown of revenue generated from our employment placement services during the Track Record Period:

	Year ended 31 December						Five months ended 31 May			
	2013		2014		2015		2015		2016	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Employment agency services	345	40	459	44	802	55	294	53	336	51
Labour dispatch services (Note)	393	46	494	47	602	41	239	43	304	46
Others	116	14	95	9	63	4	27	4	24	3
Total employment placement services revenue	854	100	1,048	100	1,467	100	560	100	664	100

Note: During the Track Record Period, labour dispatch services were rendered to only Clifford Hospital, a member of the Private Group.

Portfolio of our employment placement services

We act as an agent in providing employment placement services principally to residents of Clifford Estates and other residential communities within the neighbourhood, with the aim of supplying quality helpers to our clients as well as maintaining or enhancing the quality of our helpers. Our employment placement services include:

- (i) *Employment agency services.* We provide our household and postnatal care helper agency services mainly to residents of Clifford Estates and other residential communities in the proximity. We also provide patient care helper agency services mainly to patients who are hospitalised in the Clifford Hospital and residents discharged from the Clifford Hospital who require short-term or long-term care. Potential candidates of household helper, postnatal care helper and patient care helper submit their placement request and provide us with their information usually at our branch offices. The potential employers also submit their requests and preferences for household helpers, postnatal care helpers or patient care helpers. Our employment consultants will supply information of the selected candidates to the potential employers which match with their preferences. We then arrange the potential employers to have an interview session with the relevant candidate to discuss the scope and other terms of the relevant services. If the candidate is

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selected, a tripartite agreement will be entered into among the potential employer, the relevant helper and us. In return for our agency services, we charge a one-off agency fee from each of our client and the relevant helper depending on the types of helper placed and the term of service agreement. We constantly follow up the performance of the placed helpers during the period of the service agreement. We also offer free replacement service to our clients for any unsatisfactory performance of the relevant household or postnatal care helper within the first six months of employment.

- (ii) *Labour dispatch services.* We render our labour dispatch services only to Clifford Hospital. Since 2012, we have been the sole labour dispatch agent of Clifford Hospital. By serving as a labour dispatch agent to our client, we are the employing unit of their employees whom they entered into employment contracts with. Our client will pay us a monthly lump sum calculated on a per-worker basis and we then process wages to our dispatched workers and make social insurance contributions for our dispatched workers on the behalf of our clients. Our client will be responsible for purchasing commercial insurance and injury insurance for our dispatched workers if they are required by the relevant employment contracts. In return, we charge our client a fixed monthly management fee for each labour dispatched. In addition, before we dispatch any workers to our client, we provide trainings to these workers to enable them to meet the job requirements of the designated positions that our client requested workers for. After we dispatched our workers, we regularly monitor the performance of our dispatched workers and we offer free replacement service to our client for any of their unsatisfactory performances within the first six months of employment. For details, please see the section headed “Continuing Connected Transactions” in this prospectus.

Our laundry services

We have first developed our laundry services since 2011 and as of the Latest Practicable Date, we operate four laundry shops and one laundry facility located in Clifford Estates. We target (i) the corporate customers in proximity such as hospitals, hotels and schools; and (ii) individual customers who are mainly the residents of Clifford Estates, with an aim to provide reliable, convenient and quality laundry and dry cleaning services. For the years ended 31 December 2013, 2014 and 2015 and the five months ended 31 May 2015 and 2016, revenue generated from our laundry services segment amounted for approximately RMB6.8 million, RMB7.6 million, RMB8.9 million, RMB3.8 million and RMB4.3 million, respectively, representing approximately 3.0%, 3.2%, 3.4%, 3.6% and 3.7% of our total revenue for the corresponding year or period, respectively.

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The following table sets forth the breakdown of revenue generated from our laundry services during the Track Record Period:

	Year ended 31 December						Five months ended 31 May			
	2013		2014		2015		2015		2016	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Laundry services										
Corporate customers <i>(Note)</i>	5,483	81	6,367	84	7,779	88	3,207	84	3,653	85
Individual customers	<u>1,326</u>	<u>19</u>	<u>1,200</u>	<u>16</u>	<u>1,104</u>	<u>12</u>	<u>599</u>	<u>16</u>	<u>641</u>	<u>15</u>
Total	<u>6,809</u>	<u>100</u>	<u>7,567</u>	<u>100</u>	<u>8,883</u>	<u>100</u>	<u>3,806</u>	<u>100</u>	<u>4,294</u>	<u>100</u>

Note: The laundry services provided for guest valet of the hotel customers are also included in the revenue from corporate customers.

Portfolio of our laundry services

We generate most of our revenue from laundry services for corporate customers, including the Private Group, hospitals, hotels and schools. Our laundry services are tailored to the business needs of our corporate customers. Our commitment to the latest laundry technology and improved customer focus ensures that our customers receive the best possible quality, service and support. All the linens and clothes received from our customers are cleaned and treated in our laundry facility and are then delivered to our corporate customers and to our service outlets for pick-up by our individual customers. We also provide pick-up and delivery service for individual customers. As of 31 May 2016, we have 57 full-time and five part-time employees, including 54 staff at our laundry facility. Our laundry services include:

- (i) *Corporate laundry services.* Our corporate clients are mainly hospitals, hotels and schools. We provide laundry services for linens used in hospitals such as the beddings, staff uniform, hospital gown of patients, linen used in hotels such as beddings, staff uniform, and towels. We collect the used linens from and deliver cleaned linen to the hospital and hotel customers every day. Linen laundry service of hospital requires special cleaning and sterilisation process. In this regard, we have a separate production line exclusively used for hospital linens. For further details of the laundry process, please see the paragraph headed “— Our Ancillary living services — Our laundry services — Our laundry facility” in this section of this prospectus.

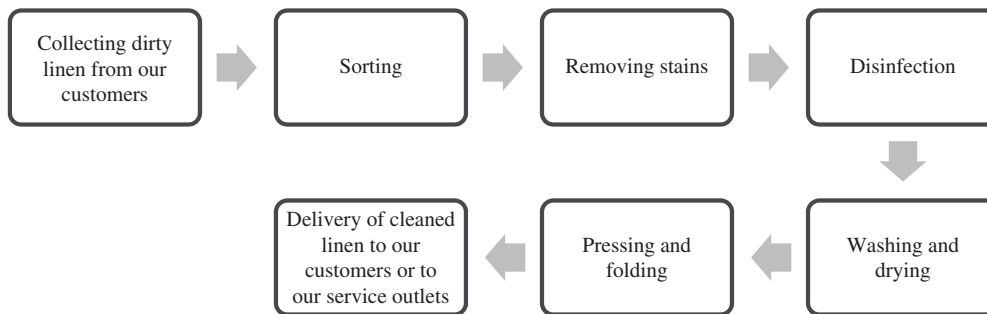
We entered into a standard form of service contract with these corporate customers, terms of which are usually up to 12 months. The service contracts specify the price based on the weight of linen cleaned and payments are generally made at the end of the next month. For the hotel customers, we are contracted for the laundry services, we also provide hotel guest valet laundry services. We will charge the hotel customer for these laundry services based on weight or per item basis for dry cleaning services and settlement will be made at the end of the next month.

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- (ii) *Individual laundry services.* We provide laundry services to individual customers through our four laundry shops, three of which are located within Clifford Estates and one of which is located at Clifford Landmark (祈福名都花園). These services include dry cleaning, laundry, laundry without iron, ironing, seasonal clothing storage service, etc. We also provide special service such as delicate material care, such as leather, carpet and sofa cover cleaning tailored to satisfy our customers' needs. After receiving the linens or clothing from our customers at the service outlets or pick-up at customer's location, all of them are then delivered to our laundry facility for treatment. We generally receive payments from customers by cash, credit card or by our Consumption Cards at the time the soiled linens or clothing are received by us.

Our laundry facility

Our laundry facility is located at Clifford Estates with a GFA of approximately 2,874 sq.m. We conduct all the laundry process for our individual and corporate clients including guest valet laundry services at our laundry facility. For more details, please see the paragraph headed “— Properties” in this section of this prospectus. The following diagram represents the general workflow of our laundry services:



Operation

Our laundry facility has in total two production line. One separate production line handles the hospital linens only. The other production line handles all linens from our corporate customers other than hospitals and individual customers. For corporate customers, we collect soiled linens from them and at the same time we deliver the cleaned linens to them at least one time a day. We sometimes provide pick-up and delivery services twice a day due to large volume of linens. We may provide storage services for our customers up to three months depending on our customers' needs.

Machinery, maintenance and repair

We station laundry machinery that we own in our laundry facility to facilitate our production. We conduct routine checkup before the startup of the laundry machinery for production. Our machinery suppliers provide repair and maintenance training to our maintenance personnel upon the delivery of machinery and provide remote technical support to us. We consult third party repair and maintenance service providers on an as-needed basis.

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A comprehensive maintenance system regularly monitors the machines in our production process, including scheduled downtimes for repair by our in-house maintenance team. We have established a preventative maintenance programme, which allows us to eliminate unscheduled downtime which may cause unexpected manufacturing inefficiencies. We repair our laundry machinery only when it is needed.

SEASONALITY

During the year, consumer spending patterns in the PRC tend to fluctuate depending on the season which would affect the performance of our retail services and catering services. In our experience, we generally record higher sales during major holidays and festivals such as the Chinese New Year holiday, the Labour Day holiday, Dragon Boat Festival, Mid-Autumn Festival and the National Day holiday. Our sales are therefore affected by seasonal factors. In the past, we usually adjust our level of inventory before these periods so as to accommodate the increase in demand and we therefore did not experience any shortage of merchandise supply.

SUB-CONTRACTING

To utilise our own workforce more efficiently, we delegate certain renovation and fitting-out services of our resident support services in the property management service segment, such as to third-party sub-contractors, which are independent third parties. We constantly monitor and evaluate third-party sub-contractors on their ability to meet our requirements and standards.

To ensure the overall quality of our works, we have maintained a list of third-party sub-contractors, the selection of which are based on factors, including them having the required licenses, their previous job references, reputation in the industry, past track records and price competitiveness of their quotations.

Apart from our renovation and fitting-out services, we do not generally outsource our services to third party sub-contractors.

A typical sub-contracting agreement entered into between our sub-contractor and us generally includes the following material terms:

- scope of works and sub-contracting rates, inclusive of the labour costs and miscellaneous expenses to be incurred by the sub-contractor;
- rights and obligations of the parties, such as the arrangement as to which party is responsible for maintaining the applicable insurance and the sub-contractors' obligations to follow our instructions. The sub-contractor is usually responsible for maintaining the applicable insurance;
- damages to be payable by our sub-contractor if the sub-contractor fails to complete the works before the specified completion date;
- raw material procurement policy that the sub-contractor bears the procurement costs of the raw material involved which can only be used after obtaining approval from our project team;

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- our right to retain a warranty fee, which would be released to the sub-contractor upon expiration of the warranty period if the work quality meets the requisite standards;
- compliance with the relevant PRC safety rules and regulations in connection with the work; and
- undertaking by sub-contractor to indemnify us and our right for termination under certain circumstances, such as any breach, non-observant or non-performance by the sub-contractor or any act or omission of the sub-contractor resulting in liability claims by our customers.

We generally enter into contracts with our sub-contractors for the relevant services on a case-by-case basis, and the term of such contract varies mainly depending on the complexity of the tasks and resources involved.

As of the Latest Practicable Date, none of our Directors, their close associates or any Shareholders who, to the knowledge of our Directors, owned more than 5% of our share capital or had any interest in any of our five largest sub-contractors. Since we commenced our renovation and fitting-out services in 2013, our business relationships with our major sub-contractors are less than three years. We generally require our third-party sub-contractors to purchase accident insurance for their employees or to be responsible for any injuries suffered by their employees when they discharge their duties at our sites.

OUR SUPPLIERS

The table below sets forth our major suppliers (other than landlords) for each of our service segments:

Service segment	Major suppliers
Property management services	Sub-contractors for renovation and fitting-out services
Retail services	Grocery and daily goods suppliers
Catering services	Raw materials suppliers
Service segment	Major suppliers
Ancillary Living Services	
• Off-campus training services	N/A
• Property agency services	N/A
• Employment placement services	N/A
• Laundry services	Detergents suppliers

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Our major suppliers are suppliers mainly for our retail and catering service segments.

We have entered into arrangements with our direct suppliers mainly for our retail service segment. The products are generally delivered by the direct suppliers to our retail outlets or the warehouse in our supermarket.

The table below sets forth information related to our five largest suppliers during the Track Record Period.

For the year ended 31 December 2013

Supplier	Business nature of the supplier	Credit terms	Year of relationship as of the Latest Practicable Date (rounded to nearest year)	Approximate % of total costs of purchase of our Group	Corresponding service segment
Supplier A	Principally engaged in the wholesale and retail of fresh and frozen meats	1 month	5 years	3%	Catering and retail services
Supplier B	Principally engaged in the wholesale and retail of consumables	1 month	8 years	3%	Retail services
Supplier C	Principally engaged in the wholesale of consumables	1 month	6 years	2%	Retail services
Supplier D	Principally engaged in the wholesale of consumables	1 month	5 years	2%	Retail services
Supplier E	Principally engaged in the wholesale and retail of consumables	1 month	8 years	2%	Retail services

For the year ended 31 December 2014

Supplier	Business nature of the supplier	Credit terms	Year of relationship as of the Latest Practicable Date (rounded to nearest year)	Approximate % of total costs of purchase of our Group	Corresponding service segment
Supplier H	Principally engaged in the retail of fruits	7 days	6 years	5%	Retail services
Supplier A	Principally engaged in the wholesale and retail of fresh and frozen meats	1 month	5 years	3%	Catering and retail services

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Supplier	Business nature of the supplier	Credit terms	Year of relationship as of the Latest Practicable Date (rounded to nearest year)	Approximate % of total costs of purchase of our Group	Corresponding service segment
Supplier F	Principally engaged in the retail of consumables and prepackaged food products	1 month	6 years	3%	Retail services
Supplier E	Principally engaged in the wholesale and retail of consumables	1 month	8 years	2%	Retail services
Supplier D	Principally engaged in the wholesale and retail of consumables	1 month	5 years	2%	Retail services

For the year ended 31 December 2015

Supplier	Business nature of the supplier	Credit terms	Year of relationship as of the Latest Practicable Date (rounded to nearest year)	Approximate % of total costs of purchase of our Group	Corresponding service segment
Supplier H	Principally engaged in the retail of fruits	7 days	6 years	4%	Retail services
Supplier A	Principally engaged in the wholesale and retail of fresh and frozen meats	1 month	5 years	4%	Catering and retail services
Supplier D	Principally engaged in the wholesale consumables	1 month	5 years	3%	Retail services
Supplier F	Principally engaged in the retail of consumables and prepackaged food products	1 month	6 years	2%	Retail services
Supplier I	Principally engaged in the wholesale and retail of consumables and dairy products	1 month	5 years	2%	Retail and catering services

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For the five months ended 31 May 2016

Supplier	Business nature of the supplier	Credit terms	Year of relationship as of the Latest Practicable Date (rounded to nearest year)	Approximate % of total costs of purchase of our Group	Corresponding service segment
Supplier A	Principally engaged in the wholesale and retail of fresh and frozen meats	1 month	5 years	4%	Catering and retail services
Supplier H	Principally engaged in the retail of fruits	7 days	6 years	3%	Retail services
Supplier J	Principally engaged in retail and wholesale of prepackaged food products	45 days	1 year	3%	Catering services
Supplier D	Principally engaged in the wholesale consumables	1 month	5 years	2%	Retail services
Supplier K	Principally engaged in interior design and fitting-out works	1 month subject to progress milestone	1 year	2%	Property management (resident support services only) services

For each of the years ended 31 December 2013, 2014 and 2015 and the five months ended 31 May 2016, our five largest suppliers (which are mainly our suppliers from our retail and catering service segments) accounted for approximately 12%, 15%, 15% and 14% of our total purchases, respectively, and our largest supplier accounted for 3%, 5%, 4% and 4% of our total purchases, respectively. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material delay in receiving products or services from our suppliers.

We generally enter into standard form of agreements with third-party suppliers for our retail and catering services for a term of one year. The credit terms to settle the purchase payable with these suppliers vary but we generally receive a range of seven to 30 days credit terms based on the contract terms. For details on our standard form of agreements with our suppliers, please see the paragraph headed “— Our retail services — Management and operations — Standard form of agreements — (A) Agreements with direct suppliers” in this section of this prospectus.

As of the Latest Practicable Date, none of our Directors, their close associates or any Shareholders who, to the knowledge of our Directors, owned more than 5% of our share capital, had any interest in any of our five largest suppliers.

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OUR CUSTOMERS

The table below sets forth the types of our major customers for each of our service segments:

Service segment	Major customers
Property management services	Property owners or tenants or property developers (including the Private Group) and property owners' association
Retail services	Individual customers
Catering services	Individual customers
Ancillary Living Services	
• Off-campus training services	Individual customers
• Property agency services	Property vendors and purchasers; property landlords and tenants
• Employment placement services	Clifford Hospital (a member of the Private Group) and local individual customers
• Laundry services	Corporate customers (including Clifford Hospital) and local individual customers

For the year ended 31 December 2013, 2014 and 2015 and five months ended 31 May 2016, our five largest customers mainly accounted for approximately 6%, 6%, 6% and 6% of our revenue, respectively, and our largest customer accounted for 2%, 2%, 2% and 2% of our revenue, respectively. Save indicated in the table below, as of the Latest Practicable Date, none of our Directors, their close associates or any Shareholders who, to the knowledge of our Directors, owned more than 5% of our share capital, had any interest in any of our five largest customers.

For the services we provide to connected persons, please see the section headed "Continuing Connected Transactions" in this prospectus.

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The table below sets forth information related to our five largest customers during the Track Record Period.

For the year ended 31 December 2013

Customer	Business nature of the customer	Credit terms	Year of relationship as of the Latest Practicable Date (rounded to nearest year)	Approximate % of total revenue of our Group	Corresponding service segment
Customer A	Principally engaged in loading and storage business	Advanced payment	5 years	2%	Property management services
Guangzhou Panyu Clifford Estates Resort Club Company Limited* (廣州市番禺祈福新邨渡假俱樂部有限公司), a connected person	Principally engaged in hotel and club house business	1 month	5 years	1%	Property management, retail and laundry services
Customer C	Principally engaged in construction and renovation business	20 days subject to progress milestones	3 years	1%	Property management services
Guangdong Clifford Hospital Company Limited* (廣東祈福醫院有限公司), a connected person	Principally engaged in providing hospital and health services	1 month	5 years	1%	Property management, retail, employment placement and laundry services
Customer E	Principally engaged in construction and renovation business	20 days subject to progress milestones	3 years	1%	Property management services

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For the year ended 31 December 2014

Customer	Business nature of the customer	Credit terms	Year of relationship as of the Latest Practicable Date (rounded to nearest year)	Approximate % of total revenue of our Group	Corresponding service segment
Guangzhou Panyu Clifford Estates Property Development Company Limited* (廣州市番禺祈福新邨房地產有限公司), a connected person	Principal engaged in property development business	1 month	7 years	2%	Property management, retail, catering and laundry services
Guangzhou Huadu Clifford Property Development Company Limited* (廣州市花都祈福房地產有限公司), a connected person	Principally engaged in property development business	Advanced payment	4 years	1%	Property management and retail services
Guangzhou Panyu Clifford Estates Resort Club Company Limited* (廣州市番禺祈福新邨渡假俱樂部有限公司), a connected person	Principally engaged in hotel and club house business	1 month	5 years	1%	Property management, retail and laundry services
Customer A	Principally engaged in loading and storage business	Advanced payment	5 years	1%	Property management services
(Guangdong Clifford Hospital Company Limited*) (廣東祈福醫院有限公司), a connected person	Principally engaged in providing hospital and health services	1 month	5 years	1%	Property management, retail, catering, employment placement and laundry services

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For the year ended 31 December 2015

Customer	Business nature of the customer	Credit terms	Year of relationship as of the Latest Practicable Date (rounded to nearest year)	Approximate % of total revenue of our Group	Corresponding service segment
Guangzhou Panyu Clifford Estates Property Development Company Limited* (廣州市番禺祈福新邨房地產有限公司), a connected person	Principally engaged in property development business	1 month	7 years	2%	Property management, retail, catering and laundry services
Guangzhou Huadu Clifford Property Development Company Limited* (廣州市花都祈福房地產有限公司), a connected person	Principally engaged in property development business	Advanced payment	4 years	1%	Property management and retail services
Guangzhou Clifford Hospital Company Limited (廣東祈福醫院有限公司), a connected person	Principally engaged in providing hospital and health services	1 month	5 years	1%	Property management, retail, catering, employment placement and laundry services
Guangzhou Panyu Clifford Estates Resort Club Company Limited* (廣州市番禺祈福新邨渡假俱樂部有限公司), a connected person	Principally engaged in hotel and club business	1 month	5 years	1%	Property management, retail, catering and laundry services

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Customer	Business nature of the customer	Credit terms	Year of relationship as of the Latest Practicable Date (rounded to nearest year)	Approximate % of total revenue of our Group	Corresponding service segment
Guangzhou Huadu Clifford Estates Property Development Company Limited* (廣州市花都祈福花園房地產有限公司), a connected person	Principally engaged in property development business	1 month	3 years	1%	Property management and retail services

For the five months ended 31 May 2016

Customer	Business nature of the customer	Credit terms	Year of relationship as of the Latest Practicable Date (rounded to nearest year)	Approximate % of total revenue of our Group	Corresponding service segment
Customer F	Principally engaged in fitting-out works	1 month subject to progress milestones	1 year	2%	Property management (resident support services only) services
Guangzhou Huadu Clifford Property Development Company Limited* (廣州市花都祈福房地產有限公司), a connected person	Principally engaged in property development business	Advanced payment	4 years	1%	Property management, laundry and retail services

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Customer	Business nature of the customer	Credit terms	Year of relationship as of the Latest Practicable Date (rounded to nearest year)	Approximate % of total revenue of our Group	Corresponding service segment
Guangzhou Clifford Hospital Company Limited (廣東祈福醫院有限公司), a connected person	Principally engaged in providing hospital and health services	1 month	5 years	1%	Property management, retail, catering, employment placement, laundry and property agency services
Guangzhou Crown Property Company Limited* (廣州市冠都物業有限公司), a connected person	Principally engaged in real estate management and agency services	1 month subject to progress milestones	1 year	1%	Property management (resident support services only), property agency and laundry services
Guangzhou Huadu Clifford Property Company Limited* (廣州市花都祈福置業有限公司), a connected person	Principally engaged in real estate and property rental activities	1 month subject to progress milestones	3 years	1%	Property management, property agency and retail services

Major terms of our service agreements

The service agreements with our customers are determined by negotiation with our customers and the terms included may be varied across different customers and different services provided by us. Generally, the service agreements include the terms such as duration, pricing, delivery arrangement, credit period and termination.

MARKETING AND PROMOTION

Marketing

We adopt a number of marketing and promotional activities (i) to ensure prospective and repeat customers are updated on our promotional activities; (ii) as part of our customer-oriented services; and (iii) to promote our brand with our customers and the local community.

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Promotional events

For purposes of promoting sale, increasing customer loyalty and reducing inventory risks, we engage in a number of sales, promotional and other events. To achieve our business objective, we employ different marketing initiatives for our different service segments, including:

- *Retail service segment.* We offer general seasonal and festival sales such as Christmas holidays and Mid-Autumn Festival. Furthermore, individual retail outlets may host different sales event such as for their individual store anniversary or in accordance with local practise. During such sales promotions, we usually provide direct discounts on purchases, gifts, our Consumption Cards and certain free services. In general, we have the right to initiate and set such sales and promotional events and the suppliers and concessionaires agree to participate. However, the costs involved from providing discount in such events, (i) are borne by us in the case of direct suppliers; and (ii) are negotiated on case by case basis in the case of concessionaires.
- *Catering service segment.* We offer special menu items for various holidays and events, such as Christmas and Chinese New Year special menu set.
- *Off-campus training service segment.* We organise events, from time to time, such as seminars, concerts, outdoor activities and trial classes for our target customers to experience sample session of the courses that we offer. We also promote our services and the activities that we organise by various means such as advertising boards, banners and telephone messages.

Consumption Cards

Our Group started issuing our Consumption Cards in January 2011. Our Consumption Cards are issued by Guangzhou Clifford Trading as non-recorded prepaid cards in various denominations of RMB100, RMB200 and RMB300 and RMB500. The Consumption Cards are used by customers mainly to settle the payments in our retail, catering and laundry service segments during the Track Record Period.

The issuance of Consumption Cards where payment is involved prior to the issue of the pre-paid cards is subject to certain regulatory requirements. For details, please see the section headed “Summary of Principal Legal and Regulatory Provisions — B. Catering services and retail services — g. Commercial prepaid cards” in this prospectus.

CUSTOMER RELATIONSHIP MANAGEMENT

Our residents’ and customers’ feedback and evaluations are crucial for us to improve the quality of our services. We implemented different customer relationship management policies and system for each of our service segments to better suit the needs of residents and customers. We also closely monitor online media such as chat groups, and blogs on the internet in order to manage any customer complaints that appears in the media.

Customer services management of our property management services

During our ordinary course of business, from time to time, we receive complaints from our residents. Detailed complaint management procedures are established to handle all

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complained matters in a timely manner and maintain the service standard of the Group at a high level. Generally, for all complaints received by telephone or in writing, our customer service officers revert to the residents or property owners within three working days.

Pursuant to the internal control policies, all complaints and comments are lodged in our complaint management system with designated serial numbers and the handling progress is reviewed and monitored by our managers in our property management service segment regularly. Typical complaints such as service quality of our property management officer and are normally handled within three business days. For complaints of other categories managers in our property management service segment would follow up the concerned property owners or residents' feedback on the progress and are typically handled within 48 hours. These procedures ensure that all complaints are handled and resolved in a timely manner in order to uphold the quality of service.

During the Track Record Period, there were claims seeking orders from the court to strike out the passed resolutions regarding the increase of the property management fee by the property owners' association of Clifford Estates in April 2011 (the "**2011 Fee Increment**") and April 2014 (the "**2014 Fee Increment**"), respectively. As of the Latest Practicable Date, the Company has been provided with two judgements of Guangzhou Panyu District People's Court dated 5 April 2016 (the "**Judgements**"). Two claims to strike out the increment in the property management fee were dismissed by Guangzhou Panyu District People's Court. As of the Latest Practicable Date, to the best knowledge of the Directors, the relevant plaintiffs have filed their appeals against the Judgements (the "**Appeals**") to Guangzhou Intermediate People's Court. Notification has not been given as to when the court will schedule a hearing, if any, and deliver a ruling in respect of the Appeals. As advised by the property owners' association of Clifford Estates, its lawyer advised that it is most likely that Appeals and any other similar claims (collectively, the "**Claims**") will be dismissed based on, amongst others, the Judgements and the following reasons, (a) in respect of the 2011 Fee Increment, the Claims were initiated outside the limitation period as prescribed under the relevant PRC laws and regulations; (b) in respect of the 2014 Fee Increment, the decision of the property owners' association of Clifford Estates to increase the property management fees has complied with the relevant PRC laws and regulations and the rules of procedures of Clifford Estates, and was approved by property owners with their aggregate exclusive area of more than half of the total GFA and the approving property owners representing more than 50% of the total number of property owners; and (c) there was a precedent case with similar facts, in which the court dismissed the claim by a resident opposing the increase in property management fees where majority of the residents paid the increased property management fees and thereby implying their consent about the increase.

If the courts subsequently decide to strike out the resolution to increase property management fees, the relevant portion of our revenue that could be deemed invalid amounted to approximately RMB1.4 million, RMB2.8 million, RMB3.9 million and RMB1.6 million for the three years ended 31 December 2015 and the five months ended 31 May 2016 respectively, representing approximately 0.6%, 1.2%, 1.5% and 1.4% of our Group's total revenue of the respective period, in which case it would have an adverse effect on the financial position or results of operation of the Group.

For further details on the Claims, please see the section headed "Risk Factors — Risks relating to our business — (ii) Risks relating to our property management services" in this prospectus.

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Customer services management for our retail services

In accordance with our customer-oriented services, we provide direct communication channels for customers' suggestions or complaints through our customer hotline or customer suggestion box. Furthermore in our supermarket and selected convenience stores, we offer free delivery for purchase over a specified amount to locations near our retail outlets, refund and exchange guarantees for certain items to ensure customer satisfaction.

Customer services management for our catering services

We provide direct communication channels for customers' suggestions or complaints with our manager of our catering outlets or through our customer suggestion box. During the Track Record Period, complaints we received directly from our customers generally related to the waiting time of food orders and the management quality at specific catering outlet. We view these complaints as a means to consistently improve our service quality. Managers in our catering outlets are responsible for promptly resolving any complaints to food and service quality at catering outlet level. For example, managers at our catering outlets are authorised to take remedial actions including replacing the dishes which are subject to the customer's complaints, waiving charges on dishes, offering complimentary drinks. Managers in our catering outlets keep logs on these complaints and remedies and report to the Chief Operation Officer regularly for any material complaint.

During the Track Record Period, we rarely received complaints relating to our food and services quality. In addition, we did not experience any complaints from customers that had any material adverse impact on our brand, our business or results of operations.

Customer services management for our Ancillary Living Services

For our Ancillary Living Services, we also have our detailed management procedures to handle complaints from our customers. Complaints received from the customers through our different channels, such as suggestion box, would be firstly attended by officers in different service segments of our Ancillary Living Services who would subsequently report to the respective managers or the managerial personnel for every complaint we receive. During the Track Record Period, we did not experience any complaints from our customers that had material adverse impact on our business or results of operations in connection with our Ancillary Living Services.

COMPETITION

Property management industry

The PRC property management industry is highly fragmented in Guangdong Province. Our major competitors include large national, regional and local residential property management companies, some of which may have better track records and greater financial and other resources, greater name recognition and greater economies of scale than us. We compete with our major competitors in relation to a number of factors, including primarily scale, brand recognition, financial resources, price, service quality and other factors. According to the Euromonitor Report, some leading property management companies have started to offer wider and value-added services, such as household services, which provide

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more convenience for residents and further stimulate the development of the property management industry in Guangdong Province. To compete with other competitors in the market and diversify our income sources, we began to expand our presence in other service segments since 2008.

We believe that standardisation and centralisation of our businesses help us reduce costs and improve on-site staff's efficiency. In addition, we believe the qualification criteria to become a property management company under the relevant PRC laws and regulations, especially those relating to property management companies possessing Qualification Certificate for Property Service Enterprise (Class One) (物業管理企業資質證書(一級)), are barriers to potential entrants into the property management industry. Our two operating subsidiaries in our property management service segment, PM Panyu PRC Co and PM Foshan PRC Co, have been qualified as property management companies possessing Qualification Certificate for Property Service Enterprise (Class One) (物業管理企業資質證書(一級)) since 2005 and 2012 under the relevant PRC laws and regulations, respectively. For classifications of different classes of property management companies, please see the paragraph headed "Summary of Principal Legal and Regulatory Provisions — A. Property management services — a. Qualification of property service enterprise" in this prospectus.

Retail industry

The PRC retail industry, particularly in regard to supermarket and convenience store operators, is a highly competitive industry. We face constant pressures from small domestic stores and retailers to larger stores, possibly international operators of supermarkets, hypermarkets and department stores. Our key competitors are local and foreign in the vicinity of our stores which: (i) sell similar merchandise at similar price levels; and (ii) provide the same level of customer service.

Although we adopt a number of measures to remain competitive, we compete, among other, for customers, suitable locations, suppliers and concessionaires. Competitive pressures may therefore affect our continuing operations and future expansion strategies. For further discussion concerning the risks in connection with our competitive environment, please see the section headed "Risk Factors" in this prospectus, particularly the paragraph headed "Risk Factors — Risks relating to our industries — (iii) Risks relating to our retail services — We operate in a highly competitive industry and face increasing competition from online retailers" in this prospectus.

Going forward, our Group will focus on our distinct strengths as set out above, we will also adopt the strategy of exploring the opportunities to expand our retail network in other residential communities we manage and the areas in proximity, we will consider to extend to more value-added services provided in the convenience stores, such as collection of utility bills, other than selling daily necessities, in order to bring in more customer flow which drives the overall sales in our retail outlets.

Catering industry

The catering industry in China is intensely competitive with a significant number of competitors of different scale and position, ranging from restaurant chains to small enterprises, targeting customer groups with different demand and consumption power, and

offering different kinds of cuisine and dishes. Different restaurant operators target different group of customers in which their spending power and demand vary from one group to another. The size, number, and strengths of the competitors in this industry differ widely and there is no significant player dominating the industry. Though different segments of the catering industry have their own leading players, their individual market share varies from one segment to the other. Accordingly, the Directors consider that none of the operators in one segment can be treated as a direct competitor of another operator in a different segment.

The quality of food and services, pricing, location, dining environment and the restaurants reputation are all determining factors on whether a restaurant can survive in the keen competition in the food and beverage industry.

Other industries related to our Ancillary Living Services

Off-campus training industry. Our off-campus training services compete with different operators and also private tutors. According to the Euromonitor Report, under the fierce social competition, parents are paying more attention to the quality of children's education or training and have the tendency to have their children receive comprehensive education or training at very young ages. In addition, English language learning, hobby-related interest classes and IT training are the most popular among various types of training courses. We believe that the profile of programmes provided by us and the convenient locations of our training centres would enable us to attract more student enrolments.

Property agency industry. The property agency industry is tied with the property market. According to the Euromonitor Report, based on the latest available public information, the area of the residential housing sold in Guangdong Province recorded a CAGR of 4.4% from 2010 to 2014. However, more stringent regulations of Guangzhou were effective since 2011 which have the effect of imposing limitations on property purchase and reducing the amount of the property transaction in the market. With the increasing area of residential housing sold in Guangdong Province, we believe the demand for property agency services in Guangdong Province will also increase in long term. Our property agency services competitors include other chained property agency companies, individual property agents and online property agency websites.

Employment placement industry. According to the Euromonitor Report, it is more efficient and effective for the employers to find suitable personnel and employees in the PRC prefer engaging placement agencies because of the temporary employment opportunities created for them. Before we dispatch any workers to our client, we provide training to these workers to enable them to meet the job requirements of the designated positions that our client requested workers for. For postnatal services, with the relaxation of one-child policy in late 2015, it is expected that the need for postnatal care service are booming.

Laundry industry. The laundry industry in China is highly fragmented. We compete with franchised shops and other independent laundry shops located in the proximity. According to the Euromonitor Report, based on the latest available public information, with the increase on per capita expenditure on clothing for urban population with a CAGR of 2.2% from 2010 to 2014, it would stimulate more people to use laundry services as most of the dedicate clothing require professional dry cleaning. We expect our laundry services will continue to provide more value-added after-wash care services such as leather-care services to expand our customer base and maintain competitive advantages in the market.

INFORMATION AND TECHNOLOGY SYSTEM

Our information and technology system governs many aspects of our businesses and operations. We have our own information technology department and as of 31 May 2016 employed a total of three full-time employees to manage our systems. Our Directors believe that our system is important for monitoring and analysing the efficiency of our operations and ensuring its maintenance.

Retail management and financial management systems

As of the Latest Practicable Date, each of our 17 retail outlets in operation has an on-site server to record financial and operational data on a real-time basis. The data from our individual outlets are sent to and compiled at the central server in our headquarters on a regular basis. Our management and relevant departments are then able to access and analyse the data in the operation of our outlets and the development of future strategies.

Our retail management system governs our basic day-to-day retail operation including purchases, sales, storage, direct suppliers and concessionaires management, sales and purchase budgeting, audits and settlements. This system recognises price adjustments to the retail price due to our special promotions and other discounts as well as payments under the pre-paid gift cards.

By gathering data from our retail management system and using our financial management system, our employees can generate daily, monthly and annual sales or financial reports of among other things, our revenue, profits, units price as well as conduct necessary operational analysis. Another key aspect of our financial management system is the use of our POS system, which records sales and generates invoices, to assist our staff in their daily reconciliation of sales figures.

Catering management systems

In addition to our managerial structure, we have also made significant investment to establish an efficient technological infrastructure that serves as the foundation of our restaurant network management platform, which provides us with visibility over our operations and ensures standardised restaurant operation. For example, the advanced POS terminals and handheld ordering terminals we use in each catering outlet ensure that a thorough, accurate and instantaneous recording of transactions in the catering outlet and crucial operating data is channelled to the IT system at our headquarters. Such daily data collection enables our management to analyse the data and respond to any changes in market environment or customer preferences to optimise operational efficiency in a timely manner.

Contingency plan

We have established a contingency plan in the event of systems breakdown and power failure and to ensure swift recovery of all systems in our service outlets. Our contingency plan includes a back-up server (with an independent power supply) in all of our service outlets to record outlet sales during power failures. Each service outlet is provided with detailed contingency, internal assessment and reporting and recovery procedures. We have not experienced any material breakdown or interruption in our information system, which resulted in prolonged or serious loss or significant damage in the past.

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INTELLECTUAL PROPERTY RIGHTS

We strongly emphasise the establishment, application, administration and protection of intellectual property rights as they are the key component to our strong brand recognition and is an integral part of our businesses. In connection with our property management services, retail services, catering services and Ancillary Living Services, we own most trademarks or (as the case may be) we are licenced to use the intellectual property rights relevant to our businesses. We will seek trademark registration for our brands and marks from time to time when our management determines that it is competitively advantageous and cost effective for us to do so. For details of our material intellectual property rights currently used by us, including trademarks and domain names, please see paragraph headed “— 2. Further information about our business — 2.2. Intellectual property rights of our Group” in Appendix IV to this prospectus.

As of the Latest Practicable Date, our material intellectual property rights included three domain names of which we were the registered proprietor and 61 registered trademarks which were assigned to us under the terms of the Trademark Assignment. As of the Latest Practicable Date, the right in respect of a total of five applications for trademark registration in the PRC, which we believe are material to our business, were transferred to us and a total of seven registered trademarks were licenced to us on a non-exclusive basis. For further details, please see the section headed “Appendix IV — Statutory and General Information — 2. Further information about our business — 2.2 Intellectual property rights of our Group” in this prospectus.

As of the Latest Practicable Date, we were not aware of any material incidents of intellectual property rights infringement claims or litigation initiated by others against us or vice versa.

EMPLOYEES

We employed 3,268 full-time employees as of 31 May 2016. A breakdown of our employees by function as of 31 May 2016 is set forth below:

Service segment	Number of employees		
	Headquarters	Labour costs borne by us On-site staff in properties we manage in our service outlets	Labour costs borne by the residential communities we manage on a commission basis ⁽¹⁾
Property management	25	140	2,193
Retail	30	188	N/A
Catering	40	460	N/A
Ancillary Living Services			
– Off-campus training	20	25	N/A
– Property agency	15	20	N/A
– Employment placement	6	49	N/A
– Laundry	6	51	N/A
Total	142	933	2,193

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Note:

- (1) The labour costs of on-site staff in residential communities managed on a commission basis are paid with monies managed on behalf of such residential communities. As a result, our financial statements do not recognise their labour costs.

A breakdown of our employees by geographic location as of 31 May 2016 is set forth below:

Geographical regions	Number of employees		
	Headquarters	Labour costs borne by us On-site staff in properties we manage in our service outlets	Labour costs borne by the residential communities we manage on a commission basis for property management service segment
Panyu district	132	917	1,745
Huadu district	2	3	185
Zhaoqing city	3	5	58
Foshan city	5	8	205
Total	142	933	2,193

We enter into individual employment contracts with our employees covering matters such as work location, scope of work, work hours, wages, employee benefits, safety and sanitary conditions at the workplace, confidentiality obligations and grounds for termination. These employment contracts either have no fixed terms, or if there are fixed terms, the terms are generally up to three years, and at around their expiry, we evaluate renewals based on performance appraisals.

All of our full-time employees are paid a fixed salary and may be granted other allowances and commissions, based on their positions. In addition, discretionary bonuses may also be awarded to our employees based on employee performances. We conduct regular performance appraisals to ensure that our employees receive feedback on their performances.

We have not experienced any significant problems with our employees or disruption to our operations due to labour disputes during the Track Record Period. Our Directors believe that the Group has maintained good working relationships with our employees.

Training

In order to ensure the quality of our service to our customers and their satisfaction, we have a standardised employee training programme for all of our employees catering for the different job specifications for different business segments. This includes a detailed orientation programme for all new recruits to familiarise themselves with our corporate

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culture, operational system, fire and work safety and the expected level of services to be provided to our customers. All existing employees are also required to undergo continuous skill development training from time to time. Furthermore, our senior management and certain promising employees are invited to attend training courses and programmes organised by universities or professional training organisations to further enhance their knowledge and skills. The Directors believe that the training of new staff and the ongoing training of our current staff is the key to maintaining our customer-oriented services and attracting customers to our stores.

Assessment

We have established an assessment and incentive system based on their personal performance to reduce our staff attrition rates and motivate our employees to provide the quality services which our customers expect. Our Directors believe that as our employees comprehend the promotional opportunity available, they will be more likely to remain with us and are more likely to maintain and improve the level of customer service.

QUALITY CONTROL

We believe the quality of service is one of our strengths to establish a solid foundation for our businesses. We have adopted a quality control system for each of our service segments catered for the different operation procedures and quality standards. We adopt the same quality control standards within the same service segment to standardise the operations and ensure consistent quality of services. As of 31 May 2016, we have a team of a total 49 employees among different service segments which is responsible for the quality control function. The relevant staff reports directly to the service segment quality control manager for all related matters. Our quality control manager in each service segment regularly reports to our Chief Operating Officer at the headquarters level. Our Chief Operating Officer is responsible for overseeing the overall quality control function, and has more than five years of experience in quality control. Our quality control team is independent from all other teams and our Chief Operating Officer has a veto power over all quality control related issues and decisions.

Quality control over our property management services

We require our employees and the third-party sub-contractors we engage to strictly observe our quality standards. We value and seek to proactively address residents' or tenant's feedback. Our on-site staff members actively solicit feedback from the residents, and routinely inspect structures and hardware at the residential communities to identify potential issues. We regularly conduct surveys of residents' satisfaction levels. We also periodically perform quality control reviews on different levels of staff to further improve our service quality.

We have set up a multi-level inspection system, including daily and monthly inspections. Our on-site manager conducts daily inspections of service quality in a residential community, while staff at our headquarters conducts monthly inspections.

To ensure consistent service quality, we also place particular emphasis on information sharing. Every level within our business structure, from our on-site staff to our senior

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management, may input first-hand data into the same enterprise database. Such information will be made available to our senior management, who can coordinate necessary knowledge and resources to devise prompt and optimised solutions and collaborate with our on-site service teams to address residents' concerns at different residential communities we manage.

As of 31 May 2016, we had 17 staff members overseeing the quality control in our property management services.

Quality control over our retail services

We need to have quality merchandise in sufficient quantities for our retail services. To ensure the quality of our merchandise, we focus on pre-sale to control over the quality of our products. Our concessionaires and suppliers play an important role in ensuring the quality standard of the products sold at our stores.

We select supplier based on a set of selection criteria and maintain an approved suppliers list and purchase goods from the suppliers according to such list. A quarterly review of this approved suppliers list is performed so as to ensure the under-performed suppliers in respect of product quality are removed from such list in a timely manner. Product quality for goods sold by the concessionaire is principally the responsibility of the relevant concessionaire as per the terms of our concessionaire agreements generally. Concessionaires have to provide product quality assurance to us and are responsible in the event of any claims arise from the quality of their products. We inspect the goods upon acceptance of delivery to us. Relevant staff will inspect the types of products to ensure it matches the description and quantity ordered and whether the products are in good condition. The relevant staff also regularly checks the expiry dates of the products and performs sample checking on the weight of the goods to the weight stated on the packaging.

We also adopted an inventory control system to ensure sufficient quantities of our merchandise. For details, please see the paragraph headed “— Our retail services — Logistics management and inventory control — Inventory control” in this section of this prospectus.

As of 31 May 2016, we had seven staff members overseeing the quality control related issues in our retail services.

Quality control over our catering services

Food safety and quality control are of paramount importance to our catering services. We implement stringent food safety and quality control standards and measures throughout different aspects of our operations including (i) procurement, (ii) storage food preparation and (iii) restaurant management.

We maintain an approved suppliers list and purchase food ingredients from them. For details on our supplier selection and management, please see the paragraph headed “— Our catering services — Procurement management” in this section of this prospectus. With the aim of sourcing safe and high quality food ingredients, we conduct quality inspection and review on our suppliers, including spot checks on the facilities of our suppliers. We also set out guidelines on the storage method including the place and temperature for preserving

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different types and quantities of food ingredients to ensure the freshness of the food ingredients. Inventory levels of food ingredients are inspected on a daily basis to prevent overstocking of perishable food ingredients. The Group has distributed an operation manual setting out procedures and requirement to ensure food safety and that the hygiene manager in each catering outlet is responsible for ensuring the compliance of the Group's food safety regulations and guidance and conducting daily quality monitoring at the operating level.

As of 31 May 2016, we had 12 staff members overseeing the quality control related issues in our catering services. Our respective quality control managers in Chinese and Western section, Mr. Peng Guozhu and Mr. Li Zhongli, in catering service segment supervise the relevant quality control matters in accordance with our food processing procedures who have an average of over 12 years in food business, including experience in food quality control.

During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material food safety incidents or any relevant government authorities investigation.

Quality control over our Ancillary Living Services

Off-campus training services. We monitor the quality and standard of our teaching staff. We provide orientation training and weekly on-the-job training to all of our teaching staff. We also regularly review the structure and content of courses provided and review any feedbacks received from students and parent on the content and conduction of courses and constantly improve our teaching quality.

Property agency services. We monitor the quality and standard of our property agents to ensure professional and quality agency services are delivered. We also provide orientation training and on-the-job training to all of our staff. Staff appraisal will be performed by direct supervisors and department heads on regular basis.

Employment placement services. We constantly monitor and follow up the performance and quality of the relevant household helper and our dispatched workers through telephone survey conducted with the customers by our staff and we offer 6-month period free replacement service to our clients for any of their unsatisfactory performances. In addition, for our labour dispatch services, we provide trainings to our workers customised to our client's needs before we dispatch any of our workers.

Laundry services. A standard quality assurance procedure has been implemented for our laundry services. We ensure the quality of cleaned linens by performing sample checking at every step of the laundry process. We provide induction training, on-the-job training and safety training to our laundry staff according to their job duties to ensure they know how to operate the laundry machines and are aware of the job safety.

As of 31 May 2016, we had 13 staff members overseeing the quality control related issues in our Ancillary Living Services.

RESEARCH AND DEVELOPMENT

During the Track Record Period, we did not conduct any technological research and development activities, or incur any research and development expenses.

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HONOURS AND AWARDS

We have received honours and awards from various entities in the PRC in recognition of, among other things, our enterprise strength, development status, customer satisfaction and overall reputation in the PRC residential property management industry. The table below sets forth our major awards:

Year	Honour/Award	Awarding Entity
2016	11 th CAPITAL Outstanding China Enterprise Awards — “Outstanding China Living Service Provider” (第十一屆資本傑出中國企業成就獎 — 傑出中國生活服務供應商)	Capital Magazine (資本雜誌)
2016	The Best Enterprise (最佳企業獎)	Guangzhou Property Management Association (廣州市物業管理行業協會)
2013	Property Management “Top 200 Overall Strength Company (物業管理能力TOP200企業)	China Property Management Association (中國物業管理協會)
2013	Nanhai District Three-Star Property Demonstrating Community (南海區三星級物業服務示範小區)	Foshan City Nanhai District Real Estate Association (佛山市南海區房地產業協會)
2012	Guangdong The Best Property Management Top 10 (廣東最佳物業管理10強)	Guangdong Provincial Enterprise Confederation (廣東省企業聯合會) and Guangdong Provincial Association of Entrepreneurs (廣東省企業家協會)
2012	Guangzhou City Blessed Property Community (廣州市幸福物業小區)	Guangzhou Municipal Land Resources And Housing Administrative Bureau (廣州市國土資源和房屋管理局), Guangzhou Daily (廣州市日報社) and Guangzhou Property Management Association (廣州市物業管理行業協會)
2011	China Property Management-Overall Strength Company Finalist (中國物業綜合實力排名入圍企業)	China Property Management Association (中國物業管理協會)

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Year	Honour/Award	Awarding Entity
2011	Guangdong The Best Property Management Top 10 (廣東最佳物業管理10強)	Guangdong Provincial Enterprise Confederation (廣東省企業聯合會) and Guangdong Provincial Association of Entrepreneurs (廣東省企業家協會)
2011	Property Management Reform Development 30th Anniversary Industry Outstanding Contribution Award (物業管理改革發展三十周年行業突出貢獻獎)	China Property Management Association (中國物業管理協會)
2008	Property Services (Engineering Maintenance) Integrated Skills Competition Group Winner (物業服務(工程維修)綜合技能競賽團體優勝獎)	Foshan Real Estate Association (佛山市房地產業協會)

INSURANCE

We maintain various insurance policies to safeguard against risks and unexpected events for different service segments.

- *Property management service segment.* We maintain, among others, property management liability insurance, property insurance and employers' liability insurance for the properties we manage. We generally require our third-party sub-contractors to purchase accident insurance for their employees or to be responsible for any injuries suffered by their employees when they discharge their duties at our sites.
- *Retail service segment.* We maintain, among others, public liability insurance, property insurance, cash insurance and employers' liability insurance for our retail service segment. Although we do not have insurance for product liability, we generally require the relevant concessionaires, suppliers and in certain cases, stall tenants to indemnify us under the relevant agreement(s) where the products sold or supplied by them infringe a third party's intellectual property rights.
- *Catering service segment.* We maintain, among others, public liability insurance for damages arising out of our business operations for patrons of our catering outlets, among other things, claims of food and drink poisoning by our customers and property insurance covering all risks for our catering outlets to protect our business from fire hazard and explosions. Our Directors consider our insurance coverage to be customary for business of our size and type and in line with the standard commercial practise in the PRC.
- *Ancillary Living Services segment.* We maintain, among others, public liability insurance for damages arising out of our business operations for our service outlets and property insurance covering all risks for our service outlets to protect our

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business from fire hazard and explosions. In particular, we maintain school liability insurance for our learning centres on behalf of students for our off-campus training services.

We believe our insurance coverage is in line with industry practise in the PRC, and we have not faced any material insurance claims during the Track Record Period. However, our insurance coverage may not adequately protect us against certain operating risks and other hazards, which may result in adverse effects on our business. Please see the paragraph headed “Risk Factors — Risks relating to our business — (i) Risks relating to our general operations — Our insurance coverage may not completely cover the risks related to our business and operations” in this prospectus.

SOCIAL, HEALTH, SAFETY AND ENVIRONMENTAL MATTERS

We are subject to various PRC laws and regulations with respect to labour, health, safety, insurance and accidents, including the Labour Law of the PRC, the Labour Contract Law of the PRC, the Implementation Regulations on Labour Contract Law of the PRC, the Interim Regulations on the Collection and Payment of Social Insurance Premiums, the Regulations on Work Injury Insurance, the Regulations on Unemployment Insurance, the Trial Measures on Employee Maternity Insurance of Enterprises, the Social Insurance Law of the PRC, the Regulations on the Administration of Housing Provident Fund and other related laws, regulations, rules and provisions issued by the relevant governmental authorities from time to time.

In compliance with the relevant PRC laws and regulations, we participate in various social welfare schemes for the benefit of our employees. For further details, please see the paragraph headed “Directors and Senior Management — Senior management and company secretary — Benefits and social insurance” in this prospectus. Our human resources department personnel are responsible for our social, health and safety issues. They administer employment and related matters and have knowledge of the latest legal developments in this area and our compliance with the relevant requirements. In addition, we have established internal policies aiming at promoting work safety through measures such as conducting safety trainings and setting up safety goals in order to promote a safe work environment and minimise workplace injuries. We have also implemented system to ensure proper documentation of any workplace safety incidents. During the Track Record Period, some of our subsidiaries have not strictly complied with the PRC laws and regulations governing contributions to social insurance. In addition, some of our subsidiaries have not paid the required amounts with respect to certain housing provident funds for our employees in the PRC pursuant to the Regulations on the Administration of Housing Provident Fund. Please also see the paragraph headed “— Legal proceedings and compliance — Non-compliance record” in this section of this prospectus.

During the Track Record Period and up to the Latest Practicable Date, there had been no reported cases of accidents causing the death of, or material bodily injury to, any of our on-duty employees.

In addition, we are also subject to the PRC national and local environmental laws and regulations. Under applicable PRC laws and regulations, any restaurant construction or renovation must be subject to an environmental impact appraisal procedures (環境影響評價手

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續) and approved by the relevant environmental protection authorities before the commencement of the construction work. Following the completion of the construction or renovation project, normally, we should complete the check and acceptance procedures for the environmental protection facilities (環境保護設施竣工驗收手續) by the relevant environmental protection authorities before we commence use of the relevant site. The relevant environmental protection authorities will also ensure continuing compliance with applicable PRC laws and regulations through random visits after the relevant site is put into use. If any incidents of non-compliance are found during such visits, the authorities may order rectification within a designated period of time. If we fail to rectify the area of non-compliance as ordered, the environmental protection authorities may order us to suspend our operations or to pay a fine.

In order to comply with the relevant PRC environmental laws and regulations, we have undertaken wastewater and solid waste disposal and processing measures such as (i) installing proper wastewater treatment devices as required by the PRC laws and regulations to process our wastewater at each of our restaurants and food processing plants; (ii) daily collection of solid wastes for which we contract qualified waste management companies to dispose of; and (iii) timely payment of wastewater processing fees to the relevant authorities. For further details, please see the section headed “Summary of Principal Legal and Regulatory Provisions — D. General operation — f. Environmental protection” in this prospectus. Our Directors are of the view that the annual cost of compliance with applicable PRC environmental laws, regulations and policies was not material during the Track Record Period. For the years ended 31 December 2013, 2014 and 2015 and five months ended 31 May 2016, our cost of compliance with PRC environmental protection laws and regulations was approximately RMB62,000, RMB115,000, RMB90,000 and RMB59,000, respectively.

QUALIFICATIONS AND LICENCES

We hold various qualifications and licenses in respect of our core living services and Ancillary Living Services. As of the Latest Practicable Date, we had the following key qualifications and licences for our businesses:

Year of grant	Recipient	Qualifications/ certificates/licences	Granting organisation or authority	Validity period
Property management services				
2015	PM Foshan PRC Co	Qualification Certificate for Property Service Enterprises (Class One) (Jian 112167)	MOHURD	17 December 2015 to 2 December 2018
2009	PM Panyu PRC Co	Qualification Certificate for Property Service Enterprises (Class One) (Jian 1050162)	MOHURD	N/A (<i>Note</i>)

Note: As advised by the PRC Legal Advisers, there is no validity period for all class one Qualification Certificate for Property Service Enterprises issued before 2012 by MOHURD.

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Year of grant	Recipient	Qualifications/ certificates/licences	Granting organisation or authority	Validity period
Retail services				
<i>Supermarket</i>				
2016	Clifford Supermarket	Publication Operation Permit (Xin Chu Fa Yue Sui Ling Zi No.C-0402)	the Bureau of Culture, Radio, Film, Television and Press of Panyu District, Guangzhou City (廣州市番禺區文化廣電 新聞出版局)	27 January 2016 to 26 January 2018
2016	Clifford Supermarket	Food Operation License (Xu Ke Zheng No.JY14401130001255 (1-1))	the Food and Drug Administration of Panyu District, Guangzhou City (廣州市番禺區食品藥品 監督管理局)	25 January 2016 to 24 January 2021
2015	Clifford Supermarket	Hygienic License (Yue Wei Gong Zheng Zi No.[2015]0113G00058)	the Bureau of Health and Family Planning of Panyu District, Guangzhou City (廣州市番禺區衛生和計 劃生育局)	31 December 2015 to 30 December 2019
<i>Convenience stores</i>				
2016	Ni Wo Ta Convenience Store – No. 1	Food Operation License (Xu Ke Zheng No.JY14401130168702 (1-1))	the Food and Drug Administration of Panyu District, Guangzhou City (廣州市番禺區食品藥品 監督管理局)	19 October 2016 to 18 October 2021
2015	Ni Wo Ta Convenience Store – No. 2	Publication Operation Permit (Xin Chu Fa Yue Sui Ling Zi No.C-0361)	the Bureau of Culture, Radio, Film, Television and Press of Panyu District, Guangzhou City (廣州市番禺區文化廣電 新聞出版局)	30 November 2015 to 29 November 2017
2016	Ni Wo Ta Convenience Store – No. 2	Food Operation License (Xu Ke Zheng No.JY14401130168680 (1-1))	the Food and Drug Administration of Panyu District, Guangzhou City (廣州市番禺區食品藥品 監督管理局)	19 October 2016 to 18 October 2021

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Year of grant	Recipient	Qualifications/ certificates/licences	Granting organisation or authority	Validity period
2015	Ni Wo Ta Convenience Store – No. 3	Publication Operation Permit (Xin Chu Fa Yue Sui Ling Zi No.C-0368)	the Bureau of Culture, Radio, Film, Television and Press of Panyu District, Guangzhou City (廣州市番禺區文化廣電 新聞出版局)	30 November 2015 to 29 November 2017
2016	Ni Wo Ta Convenience Store – No. 3	Food Operation License (Xu Ke Zheng No.JY14401130168719 (1-1))	the Food and Drug Administration of Panyu District, Guangzhou City (廣州市番禺區食品藥品 監督管理局)	19 October 2016 to 18 October 2021
2015	Ni Wo Ta Convenience Store – No. 4	Publication Operation Permit (Xin Chu Fa Yue Sui Ling Zi No.C-0366)	the Bureau of Culture, Radio, Film, Television and Press of Panyu District, Guangzhou City (廣州市番禺區文化廣電 新聞出版局)	30 November 2015 to 29 November 2017
2016	Ni Wo Ta Convenience Store – No. 4	Food Operation License (Xu Ke Zheng No.JY14401130168647 (1-1))	the Food and Drug Administration of Panyu District, Guangzhou City (廣州市番禺區食品藥品 監督管理局)	19 October 2016 to 18 October 2021
2015	Ni Wo Ta Convenience Store – No. 5	Publication Operation Permit (Xin Chu Fa Yue Sui Ling Zi No.C-0367)	the Bureau of Culture, Radio, Film, Television and Press of Panyu District, Guangzhou City (廣州市番禺區文化廣電 新聞出版局)	30 November 2015 to 29 November 2017
2016	Ni Wo Ta Convenience Store – No. 5	Food Operation License (Xu Ke Zheng No.JY14401130168671 (1-1))	the Food and Drug Administration of Panyu District, Guangzhou City (廣州市番禺區食品藥品 監督管理局)	19 October 2016 to 18 October 2021

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Year of grant	Recipient	Qualifications/ certificates/licences	Granting organisation or authority	Validity period
2015	Ni Wo Ta Convenience Store – No. 6	Publication Operation Permit (Xin Chu Fa Yue Sui Ling Zi No.C-0363)	the Bureau of Culture, Radio, Film, Television and Press of Panyu District, Guangzhou City (廣州市番禺區文化廣電 新聞出版局)	30 November 2015 to 29 November 2017
2016	Ni Wo Ta Convenience Store – No. 6	Food Operation License (Xu Ke Zheng No.JY14401130168639 (1-1))	the Food and Drug Administration of Panyu District, Guangzhou City (廣州市番禺區食品藥品 監督管理局)	19 October 2016 to 18 October 2021
2015	Ni Wo Ta Convenience Store – No. 7	Publication Operation Permit (Xin Chu Fa Yue Sui Ling Zi No.C-0359)	the Bureau of Culture, Radio, Film, Television and Press of Panyu District, Guangzhou City (廣州市番禺區文化廣電 新聞出版局)	30 November 2015 to 29 November 2017
2016	Ni Wo Ta Convenience Store – No. 7	Food Operation License (Xu Ke Zheng No.JY14401130168606 (1-1))	the Food and Drug Administration of Panyu District, Guangzhou City (廣州市番禺區食品藥品 監督管理局)	19 October 2016 to 18 October 2021
2015	Ni Wo Ta Convenience Store – No. 8	Publication Operation Permit (Xin Chu Fa Yue Sui Ling Zi No.C-0365)	the Bureau of Culture, Radio, Film, Television and Press of Panyu District, Guangzhou City (廣州市番禺區文化廣電 新聞出版局)	30 November 2015 to 29 November 2017
2016	Ni Wo Ta Convenience Store – No. 8	Food Operation License (Xu Ke Zheng No.JY14401130168622 (1-1))	the Food and Drug Administration of Panyu District, Guangzhou City (廣州市番禺區食品藥品 監督管理局)	19 October 2016 to 18 October 2021

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Year of grant	Recipient	Qualifications/ certificates/licences	Granting organisation or authority	Validity period
2015	Ni Wo Ta Convenience Store – No. 9	Publication Operation Permit (Xin Chu Fa Yue Sui Ling Zi No.C-0369)	the Bureau of Culture, Radio, Film, Television and Press of Panyu District, Guangzhou City (廣州市番禺區文化廣電 新聞出版局)	30 November 2015 to 29 November 2017
2016	Ni Wo Ta Convenience Store – No. 9	Food Operation License (Xu Ke Zheng No.JY14401130168655 (1-1))	the Food and Drug Administration of Panyu District, Guangzhou City (廣州市番禺區食品藥品 監督管理局)	19 October 2016 to 18 October 2021
2015	Ni Wo Ta Convenience Store – No. 10	Publication Operation Permit (Xin Chu Fa Yue Sui Ling Zi No.C-0362)	the Bureau of Culture, Radio, Film, Television and Press of Panyu District, Guangzhou City (廣州市番禺區文化廣電 新聞出版局)	30 November 2015 to 29 November 2017
2016	Ni Wo Ta Convenience Store – No. 10	Food Operation License (Xu Ke Zheng No.JY14401130168614 (1-1))	the Food and Drug Administration of Panyu District, Guangzhou City (廣州市番禺區食品藥品 監督管理局)	19 October 2016 to 18 October 2021
2015	Ni Wo Ta Convenience Store – No. 11	Publication Operation Permit (Xin Chu Fa Yue Sui Ling Zi No.C-0364)	the Bureau of Culture, Radio, Film, Television and Press of Panyu District, Guangzhou City (廣州市番禺區文化廣電 新聞出版局)	30 November 2015 to 29 November 2017
2016	Ni Wo Ta Convenience Store – No. 11	Food Operation License (Xu Ke Zheng No.JY14401130168698 (1-1))	the Food and Drug Administration of Panyu District, Guangzhou City (廣州市番禺區食品藥品 監督管理局)	19 October 2016 to 18 October 2021

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Year of grant	Recipient	Qualifications/ certificates/licences	Granting organisation or authority	Validity period
2014	Ni Wo Ta Convenience Store – No. 12	Publication Operation Permit (Xin Chu Fa Yue Sui Ling Zi No.C-0358)	the Bureau of Culture, Radio, Film, Television and Press of Panyu District, Guangzhou City (廣州市番禺區文化廣電 新聞出版局)	1 December 2014 to 30 November 2016
2016	Ni Wo Ta Convenience Store – No. 12	Food Operation License (Xu Ke Zheng No.JY14401130132923)	the Food and Drug Administration of Panyu District, Guangzhou (廣州市番禺區食品藥品 監督管理局)	5 August 2016 to 4 August 2021
2014	Ni Wo Ta Convenience Store – No. 13	Food Distribution License (Xu Ke Zheng No. SP4401141411004107)	the Food and Drug Administration of Huadu District, Guangzhou City (廣州市花都區食品藥品 監督管理局)	16 December 2014 to 15 December 2017
2015	Ni Wo Ta Convenience Store – No. 14	Food Distribution License (Xu Ke Zheng No. SP4401141511006700)	the Food and Drug Administration of Huadu District, Guangzhou City (廣州市花都區食品藥品 監督管理局)	26 January 2015 to 25 January 2018
<i>Imported goods specialty store</i>				
2016	Dailey's Mart	Food Operation License (Xu Ke Zheng No.JY14401130000506 (1-1))	the Food and Drug Administration of Panyu District, Guangzhou City (廣州市番禺區食品藥品 監督管理局)	22 January 2016 to 20 January 2021
2015	Dailey's Mart	Publication Operation Permit (Xin Chu Fa Yue Sui Ling Zi No.C-0391)	the Bureau of Culture, Radio, Film, Television and Press of Panyu District, Guangzhou City (廣州市番禺區文化廣電 新聞出版局)	1 September 2015 to 31 August 2017

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Year of grant	Recipient	Qualifications/ certificates/licences	Granting organisation or authority	Validity period
Catering services				
<i>Chinese restaurants</i>				
2016	Herbal Cuisine & Tea Restaurant	Food Operation License (Xu Ke Zheng No.JY24401130001260)	the Food and Drug Administration of Panyu District, Guangzhou City (廣州市番禺區食品藥品 監督管理局)	25 January 2016 to 24 January 2021
2015	Herbal Cuisine (Shawan Branch)	Catering Service License (Yue Can Zheng Zi No.2011440113008490)	the Food and Drug Administration of Panyu District, Guangzhou City (廣州市番禺區食品藥品 監督管理局)	20 January 2015 to 19 January 2018
2015	Farm Restaurant	Catering Service License (Yue Can Zheng Zi No.2012440113001706)	the Food and Drug Administration of Panyu District, Guangzhou City (廣州市番禺區食品藥品 監督管理局)	12 November 2015 to 11 November 2018
2014	Herbal Cuisine (Clifford Hospital Branch)	Catering Service License (Yue Can Zheng Zi No.2010440113004500)	the Food and Drug Administration of Panyu District, Guangzhou City (廣州市番禺區食品藥品 監督管理局)	27 November 2014 to 26 November 2017
2016	Herbal Cuisine Soup Shop	Food Operation License (Xu Ke Zheng No.JY24401130015986)	the Food and Drug Administration of Panyu District, Guangzhou City (廣州市番禺區食品藥品 監督管理局)	19 February 2016 to 18 February 2021
2016	Hunan's Favor (Note)	Food Operation License (Xu Ke Zheng No.JY24401130015994)	the Food and Drug Administration of Panyu District, Guangzhou City (廣州市番禺區食品藥品 監督管理局)	19 February 2016 to 18 February 2021

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Year of grant	Recipient	Qualifications/ certificates/licences	Granting organisation or authority	Validity period
<i>Casual dining restaurants</i>				
2016	Clifford Café	Food Operation License (Xu Ke Zheng No.JY24401130037971)	the Food and Drug Administration of Panyu District, Guangzhou City (廣州市番禺區食品藥品 監督管理局)	13 April 2016 to 12 April 2021
2016	The Owls, Cha Cha Drinks Shop (Note)	Food Operation License (Xu Ke Zheng No.JY24401130001180)	the Food and Drug Administration of Panyu District, Guangzhou City (廣州市番禺區食品藥品 監督管理局)	25 January 2016 to 20 January 2021
2016	Big Brother	Food Operation License (Xu Ke Zheng No.JY24401130001163)	the Food and Drug Administration of Panyu District, Guangzhou City (廣州市番禺區食品藥品 監督管理局)	25 January 2016 to 20 January 2021
2016	Crazy Fire (Note)	Food Operation License (Xu Ke Zheng No.JY24401130015994)	the Food and Drug Administration of Panyu District, Guangzhou City (廣州市番禺區食品藥品 監督管理局)	19 February 2016 to 18 February 2021
2016	Bababibi Dessert Shop (Note)	Food Operation License (Xu Ke Zheng No.JY24401130001171)	the Food and Drug Administration of Panyu District, Guangzhou City (廣州市番禺區食品藥品 監督管理局)	25 January 2016 to 20 January 2021
<i>East Asian and Western restaurants</i>				
2016	Beehive Bar & Kitchen	Food Operation License (Xu Ke Zheng No.JY24401130038005)	the Food and Drug Administration of Panyu District, Guangzhou City (廣州市番禺區食品藥品 監督管理局)	13 April 2016 to 12 April 2021
2016	La TaveRona, Yamabuki, Best Thai (Note)	Food Operation License (Xu Ke Zheng No.JY24401130011101)	the Food and Drug Administration of Panyu District, Guangzhou City (廣州市番禺區食品藥品 監督管理局)	2 February 2016 to 1 February 2021

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Year of grant	Recipient	Qualifications/ certificates/licences	Granting organisation or authority	Validity period
<i>Cafés</i>				
2015	Clifford Owls Café (Yuexiu Branch)	Catering Service License (Yue Can Zheng Zi No.2015440404103751)	the Food and Drug Administration of Yuexiu District, Guangzhou City (廣州市越秀區食品藥品 監督管理局)	11 September 2015 to 10 September 2018
2016	Clifford Owls Café (Clifford Landmark Branch) <i>(Note)</i>	Food Operation License (Xu Ke Zheng No.JY24401130001171)	the Food and Drug Administration of Panyu District, Guangzhou City (廣州市番禺區食品藥品 監督管理局)	25 January 2016 to 20 January 2021

Note: As advised by the PRC Legal Advisers, if the catering outlets are operated by the same enterprise at the same premise, only one food operation licence will be issued by the relevant PRC government authorities.

Year of grant	Recipient	Qualifications/ certificates/licences	Granting organisation or authority	Validity period
Ancillary Living Services				
<i>Off-campus training services</i>				
2015	Education Training Panyu Centre	Private School Operating License (Jiao Min No. 144011370001111)	Education Bureau of Panyu District, Guangzhou City (廣州市番禺區教育局)	25 May 2015 to 24 May 2019
<i>Property agency services</i>				
2016	Estate Agency PRC Co	Qualification Certificate of Real Estate Agency of Guangzhou (No. 20115715(1))	Guangzhou Municipal Land Resources and Housing Management Bureau (廣州市國土資源 和房屋管理局)	1 January 2016 to 31 December 2016
2016	Estate Agency PRC Co – Shawan branch office	Qualification Certificate of Real Estate Agency of Guangzhou (No. 20115715(2))	Guangzhou Municipal Land Resources and Housing Management Bureau (廣州市國土資源 和房屋管理局)	1 January 2016 to 31 December 2016

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Year of grant	Recipient	Qualifications/ certificates/licences	Granting organisation or authority	Validity period
2016	Estate Agency PRC Co – Fuyi Lu branch office	Qualification Certificate of Real Estate Agency of Guangzhou (No. 20115715(3))	Guangzhou Municipal Land Resources and Housing Management Bureau (廣州市國土資源 和房屋管理局)	1 January 2016 to 31 December 2016
2015	Estate Agency PRC Co – Clifford Brilliant Terrance branch office	Qualification Certificate of Real Estate Agency of Guangzhou (No. 20115715(5))	Guangzhou Municipal Land Resources and Housing Management Bureau (廣州市國土資源 和房屋管理局)	9 December 2015 to 15 December 2016
2015	Estate Agency PRC Co – Clifford Metropolis branch office	Qualification Certificate of Real Estate Agency of Guangzhou (No. 20115715(4))	Guangzhou Municipal Land Resources and Housing Management Bureau (廣州市國土資源 和房屋管理局)	9 December 2015 to 15 December 2016

*Employment
placement services*

2014	Placement Welcome PRC Co	Labour Dispatch Operation License (No.440101140013)	Guangzhou Municipal Human Resources and Social Security Bureau (廣州市人力資源和社會 保障局)	22 May 2014 to 21 May 2017
2013	Placement Welcome PRC Co	Human Resource Service License (No. 440113209030)	the Human Resources and Social Security Bureau of Panyu District (番禺區人力資源和社會 保障局)	1 May 2013 to 30 April 2017

Save as disclosed in the paragraph headed “— Legal proceedings and compliance — Non-compliance record” in this section of this prospectus, the Company and the PRC Legal Advisers confirmed that during the Track Record Period and as of the Latest Practicable Date, we have obtained all material requisite licenses, permits, approvals and consents and relevant certificates. As advised by our PRC Legal Advisers, as of the Latest Practicable Date, we held all material requisite licenses, permits, approvals and consents and relevant certificates relating to our incorporation or necessary for our business operations in the PRC and that all such licenses, permits, approvals and consents and relevant certificates were in force. During the Track Record Period, we did not experience any material difficulty in renewing the business license, permits and certificates of our business operations. As advised by the PRC Legal Advisers, we had been able to meet the conditions or satisfy the requirements of the relevant PRC laws and regulations, and so long as we can continue to meet such conditions or

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to satisfy such requirements under the relevant PRC laws and regulations applicable and effective from time to time, there will be no legal impediments to renew the necessary licenses and permits when they expire.

PROPERTIES

As at the Latest Practicable Date, we did not own any properties and we leased 59 premises in various locations in the PRC for use as offices and service outlets, with an aggregated GFA of approximately 29,499 sq.m. and the GFA of each property ranges from approximately 13.7 sq.m. to 5,369 sq.m. The landlords of certain leases are the connected persons of our Group. For further details of these connected transactions, please see the section headed “Continuing Connected Transactions” in this prospectus.

The following table sets forth the corresponding service segment, number and the aggregated GFA of the 59 leased premises.

Corresponding service segment	Approximate aggregated GFA (sq.m.)
Property management services	5,635
Retail services	10,920
Catering services	6,568
Ancillary Living Services	<u>6,376</u>
	<u><u>29,499</u></u>

Defective Leased Area

As at the Latest Practicable Date, for an area with an aggregate GFA of approximately 1,196 sq.m., representing only approximately 4.1% of the total GFA of the properties leased by our Group, we have not been provided by the lessors the relevant building ownership certificates, the planning approvals or other documents proving the relevant title of the properties. As a result, we may not be able to continue occupying the relevant properties if any of these leased area is challenged by the relevant authorities.

Our Directors believe that the properties set out above (“**Defective Leased Area**”) are not crucial to, and will not have a material adverse effect on, our business, financial condition and results of operations primarily because (i) they represent approximately 4.1% of the total GFA of properties leased by the Company only; (ii) our Group, as the lessees, will not be penalised for the lessors’ failure to provide the building ownership certificates; (iii) as of the Latest Practicable Date, the Group’s usage of the Defective Leased Area has never been challenged by the relevant authorities; and (iv) we can easily lease other properties with valid building ownership certificates in the event that we can no longer use any of the Defective Leased Area and the estimated time and cost for relocation (expected not to exceed RMB4.2 million) would not be material.

So far as the Directors are aware, there is no difference in rental we have to pay for the Defective Leased Area. In addition, our Controlling Shareholders and the relevant lessors have undertaken to indemnify us for any loss arising from the Defective Leased Area.

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Lease Registration

As of the Latest Practicable Date, one lease which we were the lessee and two sub-leases which we were the lessor had not been registered with the relevant PRC government authorities. Pursuant to the relevant PRC laws and regulations, parties to a property lease or a sub-lease shall register the respective lease with the relevant authorities within the prescribed time limit from executing the lease. Failure to do so may subject us to a fine up to RMB10,000 for each non-registration of lease.

As advised by our PRC Legal Advisers, the relevant PRC government authorities will only impose penalty if the PRC government authorities order us to, within a prescribed time limit, register and file the lease and we fail to do so. As confirmed by the Directors, the leases or sub-leases which are in force are in the process of being registered with the relevant PRC authorities. We were advised by the PRC Legal Advisers, the possibility that the relevant PRC government authorities imposing penalties on us is remote if we complete the registration and filing procedure within the prescribed time limit once ordered by the relevant authority and the failure of registration of the leases or sub-leases does not affect the legality of these leases or sub-leases.

So far as our Directors are aware, there is no difference in terms of rental for the unregistered leases and the sub-leases.

For details in relation to the risks associated with the leased properties, please see the paragraph headed “Risk Factors — Risks relating to our business — (i) Risks relating to our general operations — Title to certain leased area may be challenged which could prevent us from continuing to operate the affected facilities” in this prospectus.

As of the Latest Practicable Date, as we have no single property with a carrying amount of 15% or more of our total assets, on this basis, we are not required by Rule 5.01A of the Listing Rules to include in this prospectus any valuation report. Pursuant to section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), this prospectus is exempted from compliance with the requirements of section 342(1)(b) of the COWUMPO in relation to paragraph 34(2) of the Third Schedule to the COWUMPO, which requires a valuation report with respect to all of our interests in land or buildings.

LEGAL PROCEEDINGS AND COMPLIANCE

Legal proceedings

We are from time to time involved in legal proceedings arising from the ordinary course of our businesses during the Track Record Period, but none of them are material to us. As of the Latest Practicable Date, none of our Company, any of our subsidiaries or any of our Directors is a party to any outstanding litigation, arbitration or claim that could have a material adverse effect on our financial condition or results of operations, and no such material litigation, arbitration or administrative proceedings have been threatened against our Company or any of our subsidiaries.

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Non-compliance record

During the Track Record Period, our Group has failed to comply with certain applicable PRC laws and regulations, a summary of such major non-compliances sets out below:

Historical non-compliance and reason(s) for non-compliance	Relevant laws and regulations and legal consequence(s) and maximum potential penalty and other financial liabilities	Remedial action(s) taken/to be taken
<p>Incident 1:</p> <p>Eight of our catering outlets (the “Subject Catering Outlets”) failed to obtain the pollutants emission permit (排污許可證) (the “Permit”) before commencement of discharge of pollutants. Amongst these eight catering outlets, four of them also failed to complete the check and acceptance procedures for the environmental protection facilities (建設項目竣工環境保護驗收手續) (the “Check and Acceptance Procedures”); and one of the Subject Catering Outlets also failed to complete its environmental impact appraisal procedures (環境影響評價手續) (the “Appraisal Procedures”).</p> <p>During the Track Record Period, Guangzhou Environmental Protection Bureau has made an administrative decision on (i) Beehive Bar & Kitchen and (ii) Guangzhou Clifford Farm Restaurant Catering (operating under the name of “Farm Restaurant”) in May 2014 and ordered to cease their respective operation of their catering services and imposed a fine of RMB30,000 respectively.</p> <p>The non-compliance incidents occurred due to the lack of understanding of the relevant PRC laws and regulations of the personnel of the relevant subsidiary or branch office.</p>	<p>Pursuant to the Laws of the PRC on Appraising of Environmental Impacts (中華人民共和國環境影響評價法), Administrative Regulations on Environmental Protection for Development Projects (建設項目環境保護管理條例) and Guangzhou Municipality Regulating Administrative Penalty Enforcement Decisions of the Environmental Protection Bureau (廣州市環境保護局規範行政處罰自由裁量權規定), if any construction unit completes a construction project and constructs without submitting its environmental impact appraisal document and the Check and Acceptance Procedures has not yet completed but the project formally goes into production or is delivered for use, it shall be ordered to cease operation by the competent environmental protection authority and can be fined up to RMB100,000.</p> <p>According to the Regulations of Guangdong Province on Environmental Protection (廣東省環境保護條例) (the “Regulations of Guangdong Province on Environmental Protection”) which was effective before 1 July 2015, if an enterprise discharges pollutants without the Permit, the competent environmental protection department at or above the county level shall be entitled to order the relevant enterprise to suspend the discharge of pollutants and impose a fine ranging from RMB50,000 to RMB100,000. If the discharge of pollutants causes serious pollution or the relevant enterprise does not suspend the pollutants from discharging within the prescribed time limit, the relevant people’s government shall order the relevant enterprise to suspend its operation.</p>	<p>In respect of the administration decision on Beehive Bar & Kitchen, we have already made the relevant payment of RMB30,000 on 3 July 2014 and were granted the Permit with a validity period from 1 July 2015 to 1 October 2015. Given that we had paid the relevant fine and been granted the Permit, we resumed our operation of catering services at Beehive Bar & Kitchen on 1 July 2015. Subsequently, on 31 August 2015, we completed the Check and Acceptance Procedures and on 9 September 2015, we were granted the 5-year Permit which will expire in October 2020.</p> <p>In respect of the administrative decision on Guangzhou Clifford Farm Restaurant (operating under the name of “Farm Restaurant”), we have made the relevant payment of RMB30,000 on 12 June 2014 and completed the Check and Acceptance Procedures on 23 December 2014. Given that we had paid the relevant fine and completed the Check and Acceptance Procedures, we resumed our operation of catering services at Farm Restaurant on 23 December 2014. Subsequently, on 17 June 2015, we were granted the 5-year Permit which will expire in July 2020.</p>

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Historical non-compliance and reason(s) for non-compliance	Relevant laws and regulations and legal consequence(s) and maximum potential penalty and other financial liabilities	Remedial action(s) taken/to be taken
	<p>According to the Regulations of Guangdong Province on Environmental Protection as amended on 13 January 2015 and became effective on 1 July 2015, if an enterprise discharges pollutants without the Permit, the competent environmental protection department at or above the county level shall order the relevant enterprises to suspend the discharge of pollutants and impose a fine ranging from RMB100,000 to RMB200,000. If the relevant enterprise does not suspend the pollutants from discharging, the relevant enterprise may be ordered to stop its operation or close subject to the approval from the relevant people's government.</p>	<p>Save that the two catering outlets is not required to comply with the Check and Acceptance Procedures and is not required to obtain its respective Permits, all Subject Catering Outlets have obtained the Permit and completed the relevant procedure.</p> <p>On 9 September 2015, we have conducted a face-to-face interview with Panyu Environmental Protection Bureau (番禺環境保護局), the competent governmental authority for environment protection related matters of our Group. It confirmed that as at 9 September 2015, among other matters, that it will not order cessation of operation or impose any fine or penalty on each of the Subject Catering Outlets.</p> <p>Based on the fact that the fines of the relevant subsidiary or branch office had been fully settled and the verbal confirmation from the relevant PRC authority, our PRC Legal Advisers is of the view that it is unlikely that the relevant environmental authority will impose penalties on the Group.</p> <p>In addition, the Company would adopt the corresponding internal control procedures which are set out in the paragraph headed “— Internal control” in this section of this prospectus and the Controlling Shareholders will enter into a Deed of Indemnity with and in favour of the Group to provide indemnities in respect of monetary fines, settlement payments and any associated costs and expenses which would be incurred or suffered by them in connection with the aforesaid non-compliance occurred on or before the Listing Date.</p> <p>No provision has been made in the Group's accounts.</p>

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Historical non-compliance and reason(s) for non-compliance	Relevant laws and regulations and legal consequence(s) and maximum potential penalty and other financial liabilities	Remedial action(s) taken/to be taken
<u>Incident 2:</u>		
<p>Our PRC subsidiaries failed to make full social insurance contribution payments in accordance with relevant PRC laws and regulations during the Track Record Period.</p> <p>Employees were generally unwilling to participate in the social insurance scheme. We paid the social insurance for our employees according to its minimum contribution standard under the PRC laws and regulations.</p>	<p>Pursuant to Social Insurance Law of the PRC (中國人民共和國社會保險法) and the Interim Regulations on the Collection of Social Insurance Premium (社會保險費徵繳暫行條例) of the PRC, PRC companies are required to make social insurance contributions for employees which shall cover basic pension insurance, unemployment insurance, basic medical insurance, workplace injury insurance and maternity insurance.</p> <p>Under the relevant PRC laws and regulations, for the unsubscribed social insurance contribution prior to 1 July 2011, being the effective date of the Social Insurance Law of the PRC (中國人民共和國社會保險法), the relevant government authority may require a company who fails to pay social insurance contribution within a given period of time, and if the company fails to do so, may impose on the company an additional late payment fee of 0.2% per day of the outstanding amount.</p>	<p>On 28 August 2015 and 8 September 2015, we have conducted face-to-face interviews with Guangzhou Huadu District Human Resources and Social Security Bureau (廣州市花都區人力資源和社會保障局), Zhaoqing Gaoyao District Human Resources and Social Security Bureau (肇慶市高要區人力資源和社會保障局), Foshan Nanhai District Human Resources and Social Security Bureau (佛山市南海區人力資源和社會保障局) and Guangzhou Panyu District Zhongcun Street Social Insurance Services Centre (廣州市番禺區鐘村街道勞動社會保障服務中心), the competent PRC authorities for social insurance related matters, it was confirmed that in practise, our Group would not be required to make up any of the past outstanding social insurance contributions of the relevant subsidiaries or that we would not be penalised for any of the past non-compliance of the relevant subsidiaries if they do not receive any complaint or request from the employees concerned. Since August 2015, the Group has been in compliance with the relevant requirements under the PRC laws and regulations.</p>

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Historical non-compliance and reason(s) for non-compliance	Relevant laws and regulations and legal consequence(s) and maximum potential penalty and other financial liabilities	Remedial action(s) taken/to be taken
	<p>For the unsubscribed social insurance contribution after 1 July 2011, the relevant government authority may require the company to make the unsubscribed contribution with an additional late payment fee at a daily rate of 0.05% of the outstanding contribution from the due date within a given period and, if the company fails to do so, may impose a fine on the company ranging from one to three times of the total amount of the unsubscribed contribution.</p>	<p>The Group has not received any request or complaint from the relevant employees nor order from the relevant PRC authorities requesting payment of outstanding social insurance contribution. Whilst we do not expect that any employee will likely make such request since they are generally unwilling to make up for the contribution on the part of employee, we will pay the outstanding social insurance contribution if any employees make such request.</p> <p>Based on the verbal confirmation from the relevant PRC authorities, our PRC Legal Advisers is of the view that, if no employees complain to the relevant social-insurance authorities for the past outstanding social insurance contributions, in practise, it is unlikely that the relevant social insurance authorities will take the initiative to require the Group to make up the past outstanding social insurance contributions, pay the late payment fee and penalties.</p> <p>In respect of the outstanding contributions for social insurance of approximately RMB0.4 million during the Track Record Period in aggregate, the Group has made full provision for such outstanding amount and our Directors believe that the provision made is sufficient.</p>

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Historical non-compliance and reason(s) for non-compliance	Relevant laws and regulations and legal consequence(s) and maximum potential penalty and other financial liabilities	Remedial action(s) taken/to be taken
<p>Incident 3:</p> <p>Our PRC subsidiaries failed to make full housing provident fund during the Track Record Period.</p> <p>During the Track Record Period and up to the Latest Practicable Date, we had not received any notification from the relevant PRC authorities requiring us to make the outstanding housing provident fund contributions or pay any fine.</p> <p>Employees, in particular for those who are migrant workers, were generally unwilling to participate in the housing provident fund scheme of the city to which they migrant temporarily, and prefer a cash payment in lieu of their payments of the housing provident fund contribution. We paid the housing provident fund for our employees according to the minimum contribution standard under the PRC laws and regulations.</p>	<p>Pursuant to the Administrative Regulations on the Housing Provident Fund of the PRC (住房公積金管理條例), PRC companies are required to register with the relevant housing provident fund authority and make housing provident fund contribution for employees.</p> <p>The relevant government authority may require the company to make the unsubscribed contribution within a given period of time, and if the company fails to do so, the relevant government authority may apply to a PRC court for an order to enforce the payment. If the company fails to open the housing provident fund accounts for its employees within a prescribed time limit ordered by the relevant government authority, it shall be imposed a fine ranging from RMB10,000 to RMB50,000.</p>	<p>In addition, the Company would adopt the corresponding internal control procedures which are set out in the paragraph headed “— Internal control” in this section of this prospectus and the Controlling Shareholders will enter into a Deed of Indemnity with and in favour of the Group to provide indemnities in respect of the monetary fines, settlement payments and any associated costs and expenses (“Damages and Expenses”) which would be incurred or suffered by them in connection with the aforesaid non-compliance occurred on or before the Listing Date, provided that the Controlling Shareholders will not be liable to such Damages and Expenses to the extent of any provision being made in the financial statement of the relevant members.</p> <p>On 28 August 2015 and 8 September 2015, we have conducted face-to-face interviews with Guangzhou Housing Provident Fund Management Center (廣州住房公積金管理中心), Zhaoqing Gaoyao District Housing Provident Fund Management Center (肇慶市高要區住房公積金管理中心) and Foshan Housing Provident Fund Management Center (佛山市住房公積金管理中心), the competent PRC authorities for housing provident fund related matters, it was confirmed that in practise, our Group would not be required to make up for any of the past outstanding housing provident fund or to be penalised for any of the past non-compliance if they do not receive any complaint or request from the employees concerned.</p> <p>Since September 2015, the Group has been in compliance with the relevant requirements under the PRC laws and regulations.</p>

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Historical non-compliance and reason(s) for non-compliance	Relevant laws and regulations and legal consequence(s) and maximum potential penalty and other financial liabilities	Remedial action(s) taken/to be taken
		<p>The Group has not received any request or complaint from the relevant employees nor order from the relevant PRC authorities requesting payment of outstanding housing provident fund. Whilst we do not expect that any employee will likely make such request since they are generally unwilling to make up for the contribution on the part of employee, we will pay the outstanding housing provident fund if any employees make such request.</p>
		<p>Based on the verbal confirmation from the relevant PRC authorities, our PRC Legal Advisers is of the view that, if no employees complain to the relevant housing provident fund authorities for the past outstanding housing provident fund, in practise, it is unlikely that the relevant housing provident fund authorities will take the initiative to require the Group to make up the past outstanding housing provident fund.</p>
		<p>In respect of the outstanding contributions for the housing provident fund of approximately RMB2.5 million during the Track Record Period in aggregate, the Group has made full provision for such outstanding and our Directors believe that the provision made is sufficient.</p>
		<p>In addition, the Company would adopt the corresponding internal control procedures which are set out in the paragraph headed “— Internal control” in this section of this prospectus and the Controlling Shareholders will enter into a Deed of Indemnity with and in favour of the Group to provide indemnities in respect of the monetary fines, settlement payments and any associated costs and expenses which would be incurred or suffered by them in connection with the aforesaid non-compliance occurred on or before the Listing Date, provided that the Controlling Shareholders will not be liable to such Damages and Expenses to the extent of any provision being made in the financial statement of the relevant members.</p>

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Historical non-compliance and reason(s) for non-compliance	Relevant laws and regulations and legal consequence(s) and maximum potential penalty and other financial liabilities	Remedial action(s) taken/to be taken
<p>Incident 4:</p> <p>Advances (the “Advances”) from Foshan Clifford Property Management, GZ Panyu Clifford Property Management and Guangzhou Clifford Trading (collectively, the “Lenders”) to six related parties of the Private Group and a third party (collectively, the “Borrowers”) may be considered as money lending among enterprises and would violate the relevant PRC lending regulations implemented by People’s Bank of China (“PBOC”). Advances from the Lenders to the Borrowers may be considered as money lending among enterprises and in such case, would violate the relevant PRC lending regulations implemented by PBOC. The Advances were interest-bearing in nature. The interest rate was determined in accordance with that of PBOC, and if PBOC adjusted its interest rate or the method of determining the interest rate, the interest rate of the Advances would be adjusted accordingly.</p> <p>For the years ended 31 December 2013, 2014 and the 2015, the interest income we obtained arising out of the Advances amounted to RMB4.2 million, RMB3.3 million and RMB0.3 million, respectively.</p> <p>The non-compliance incident occurred due to the lack of comprehensive understanding of the PRC laws and regulations of the relevant personnel.</p>	<p>Pursuant to the Lending General Provisions of the PRC (貸款通則) (the “Provisions”), lenders must be approved by PBOC to engage in lending business and they must hold financial institution legal person licences (金融機構法人許可證) or financial institution business licences (金融機構營業許可證) issued by PBOC. If enterprises engage in lending and borrowing or lending and borrowing in a disguised form between themselves without authorization, PBOC shall impose on such enterprise a fine ranging from one to five times of the interest income gained in violation of Provisions.</p> <p>According to 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), for private lending contracts concluded between legal persons or other organisations and between legal persons and other organisations for the need of production and operation, the private lending contract may be deemed to be effective.</p>	<p>The Advances were fully repaid in June 2015 and there have been no disputes between the parties. The Group confirms it has stopped making advance in contravention of the PRC laws and regulations.</p> <p>As advised by the PRC Legal Advisers, given that the Advances had been fully settled, the likelihood that PBOC to impose fines on us is relatively low.</p> <p>In addition, the Company would adopt the corresponding internal control procedures which are set out in the paragraph headed “— Internal control” in this section of this prospectus and the Controlling Shareholders will enter into a Deed of Indemnity with and in favour of the Group to provide indemnities in respect of monetary fines, settlement payments and any associated costs and expenses which would be incurred or suffered by them in connection with the aforesaid non-compliance occurred on or before the Listing Date.</p> <p>No provision has been made in the Group’s accounts.</p>

INTERNAL CONTROL

Our Board of Director recognises the importance of good corporate governance and strives to improve it through a variety of means. We entered into an engagement letter with an

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independent internal control consultant (the “**Internal Control Consultant**”) in January 2015 to review our internal control. The scope of the engagement mainly entailed: (i) conducting a review of our internal control at corporate level and business operation level; (ii) reporting major risks and operational inefficiencies; (iii) assessing whether policies and operation procedures documents are being appropriately maintained and properly executed; (iv) recommending improvements; (v) communicating with our Directors and senior management to report the findings and recommendations of the review; and (vi) conducting follow-up reviews and reporting on the findings.

In order to ensure the effective implementation of such internal control policies, we have adopted a series of internal control policies, procedures and programmes designed to provide reasonable assurance for achieving objectives including effective and efficient operations, reliable financial reporting and compliance with applicable laws and regulations, including the following:

- We have also engaged the Internal Control Consultant in March 2016 to perform a review for the effectiveness of certain internal controls implemented by our Group;
- we have appointed Guotai Junan Capital Limited as our compliance adviser upon Listing to advise us on on-going compliance with the Listing Rules and other applicable securities laws and regulations in Hong Kong;
- we have engaged PRC legal advisers to provide legal services to us in relation to our business to facilitate future ongoing compliance with PRC laws and regulations;
- we have established a risks, internal control and compliance task force (the “**RICC Task Force**”), which consists of, among others, Mr. Sun Derek Wei Kong, our Chief Executive Officer and an executive Director, Mr. Leong Chew Kuan, our Chief Financial Officer and an executive Director, Ms. Liang Yuhua, our Chief Operating Officer and an executive Director and Mr. Liu Xing our non-executive Director, to oversee the implementation and monitoring of our internal control, particularly the application, obtainment and renewal of licenses, permits and approvals;
- for the purpose of enhancing compliance awareness and knowledge, we have arranged compliance training to our management. The trainings provide information with respect to our internal control policies in relation to compliance with relevant laws and regulations (such as social insurance and housing providence funds). In addition, training has also been provided to our Directors and senior management in relation to compliance with Listing Rules. Also, we expect to provide continuous and regular training when necessary;
- our finance and operations team conducts regular internal control review and report recommendations;
- we have engaged external professional advisers as necessary to work with our Group to conduct regular review to assist in full compliance with relevant rules and regulations, e.g. all registrations, licenses, permits, filings and approvals are valid and that the renewals of such documents are made in a timely manner;
- we have included and will continue to include the observation of our internal control policies in our overall performance assessment system to incentivise the implementation of our internal control policies;

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- we have established a system to enhance the accountability of our employees with regard to internal control and legal compliance issues; and
- We designated Ms. Liang Yuhua, an executive Director and Chief Operating Officer, to oversee and monitor rectification of our past non-compliance, particularly the following aspects:
 - *Safety and environmental protection related matters.* To ensure our Group will obtain all necessary approvals and permits and complete the registration with the relevant PRC authorities, we have adopted the following measures, amongst the others:
 - (i) Our finance and operation team is responsible for liaising with the relevant PRC authorities for the application of approvals relating to fire, safety and environment for each restaurant and other building structures (if any) with the assistance of our external PRC legal advisers. A checklist is prepared and will be updated from time to time to record the status of all required approvals and permits on all the restaurants and/or building structures in progress. On a semi-annually basis, the finance and operation team is responsible for reporting the status of compliance of each catering outlet and/or building structure to the RICC Task Force. Our finance and operation team provides ongoing training on a regular basis to update our staff in the catering service segment on the relevant PRC fire, safety and environmental laws and regulations.
 - (ii) Our finance and operation team is responsible for monitoring the progress of application of permits and ensuring that all approvals relating to fire, safety and environment for each catering outlets and/or building structure are obtained before commencement of its respective business.
 - (iii) For the business of the catering outlets and/or their relevant building structures without the required approvals and permits or without completing registration with the relevant PRC authorities, we proactively seek consultations with external professional advisers and PRC authorities to comply the relevant PRC rules and regulations.
 - (iv) Our finance and operation team reports the progress of application and compliance matters to the RICC Task Force periodically.
 - *Social insurance and housing fund provident.* We have improved the human resources administration for employees, amongst the others:
 - (i) Our human resources department continues to review personal employment records of each of the employees for the proper registration of the corresponding employment terms with the local authority.
 - (ii) Our human resources department works with the finance department for checking social insurance and housing fund contribution amount and proceed payment.

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- (iii) Our human resources department continues to update and implement the internal manual and the relevant management standards.
- *Unauthorised inter-company loans.* We have adopted internal control measures to avoid future unauthorised inter-company loans, including amongst the others:
 - (i) We have ceased to provide loans to any entities.
 - (ii) Our finance department maintains a related party list and will escalate to the senior management of the Group for any material related party transactions.
 - (iii) Any subsidiary in need of funds is required to make an application for borrowing to the relevant service segment manager for review and approval, and such application is also required to be counter-approved by our finance department.
 - (iv) Our finance department monitors the fund flow of each subsidiary on a monthly basis by reviewing the reports submitted by the finance department of each subsidiary and cross-check the balance set out in the monthly report against the balance at the relevant bank account. This helps identify any suspicious or non-approved lending transactions, in particular, any large amount of money going out to other parties.
 - (v) We will not make external payments without obtaining approvals from the relevant service segment managers, finance department managers, Chief Financial Officer and the board of Directors in accordance with the corresponding authorization. The Group will seek RICC Task Force's approval for any future external loans and financing issues.

Views of our Directors and the Sole Sponsor

Our Directors and the Sole Sponsor have reviewed the relevant corporate governance measures and internal control adopted by our Group, and our Directors and the Sole Sponsor believe that the above corporate governance measures and internal control, when adopted, will be sufficient to prevent recurrence of such non-compliance incidents, and our non-compliance incidents do not have any material impacts on the suitability of our Directors under Rules 3.08, 3.09 and 8.15 of the Listing Rules and the suitability for listing of our Company under Rule 8.04 of the Listing Rules.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

OUR CONTROLLING SHAREHOLDERS

Immediately following completion of the Global Offering and Capitalisation Issue (but taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or options which have been or may be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme), Elland Holdings will directly hold 75% of the issued share capital of our Company. Elland Holdings is solely owned by Ms. Wendy Man. Details of the background of Ms. Wendy Man are set out in the section headed “Directors and Senior Management — Directors — Chairman and executive Director” in this prospectus.

For the purpose of the Listing Rules, Elland Holdings and Ms. Wendy Man are regarded as our Controlling Shareholders as at the Latest Practicable Date.

Information on other companies owned by our Controlling Shareholders and their close associates

The spouse of Ms. Wendy Man is Mr. Pang Lun Kee Clifford. He is a close associate of Ms. Wendy Man. He is also the ultimate controlling shareholder of the Private Group.

Ms. Wendy Man’s Spouse has been actively engaged in the business of property development and property investment in the PRC since the 1990s. He contributed to and helped shape the initial development of some of our Group members. To enhance the value of the properties developed by the Private Group and serve the needs of the residents of the Clifford Estates, PM Panyu PRC Co was founded in 1998 to provide property management services to the residents of Clifford Estates. Ms. Wendy Man’s Spouse has been one of the directors of PM Panyu PRC Co since the date of its establishment. Since July 2011, when Ms. Wendy Man agreed to acquire and China Venture agreed to sell the 51% equity interest in PM Panyu PRC, Ms. Wendy Man’s Spouse assumed a non-executive role in PM Panyu PRC Co and was not involved in the daily management and operation of PM Panyu PRC Co. Ms. Wendy Man’s Spouse was also a director of PM Foshan PRC Co and Education Info PRC Co (which are members of our Group) when they were established in 2004 and 2011, respectively. As at the Latest Practicable Date, save for PM Panyu PRC Co, Ms. Wendy Man’s Spouse did not hold directorship in our Company or any of its subsidiaries nor was he involved in the daily management or operation of any of our Group members.

Save for the transactions entered or to be entered into between our Group and the Private Group as disclosed in the section headed “Continuing Connected Transactions” in this prospectus and other than his capacity of being the spouse of Ms. Wendy Man, as at the Latest Practicable Date, Ms. Wendy Man’s Spouse did not hold any interest in our Group except for the deemed interest arising as a spouse of Ms. Wendy Man.

Apart from the business of our Group, the Controlling Shareholders and their close associates, individually or together, are currently interested (directly or indirectly) in a number of companies which have been excluded from our Group (the “**Excluded Group**” (comprising, for the avoidance of doubt, the Private Group and Ms. Wendy Man’s Group)).

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As at the Latest Practicable Date, the principal activities of the companies within the Excluded Group include:

	Business	Principal business activities	Principal region of operation
1.	Property development	<ul style="list-style-type: none"> • Development of residential, industrial and commercial properties 	The PRC
2.	Property investment	<ul style="list-style-type: none"> • Property investment • Operation of service apartments 	The PRC
3.	Hotel investment and management	<ul style="list-style-type: none"> • Investment in and operation of hotels and hotel related businesses • Operation of catering restaurants and beauty parlour • Providing recreational facilities and facility management 	The PRC
4.	Information technology (Note)	<ul style="list-style-type: none"> • Software development • Engineering services 	The PRC
5.	Education	<ul style="list-style-type: none"> • Operation of schools and kindergartens offering pre-school to high school education 	The PRC
6.	Hospital and medical services	<ul style="list-style-type: none"> • Operation of hospitals and dental clinics 	The PRC
7.	Aged, maternal and infant care	<ul style="list-style-type: none"> • Operation of aged care homes, and maternal and child care service centres 	The PRC
8.	Landscaping	<ul style="list-style-type: none"> • Landscape design, construction and maintenance • Installation of electrical system 	The PRC
9.	Medicine and medical devices	<ul style="list-style-type: none"> • Manufacturer and distributor of nutritional supplements, medicine and medical devices 	Overseas and the PRC

Note: During the Track Record Period, the information technology business operated by the Excluded Group provided some services to the Group. In particular, Guangzhou Fortune Software Limited * (廣州市科進計算機技術有限公司) provided certain software development and support services to Retail PRC Co for a term of one year from 1 January 2014 to 31 December 2014. The Group incurred a service fee in the amount of RMB288,000 for the year ended 31 December 2014. For details, please refer to note 28 of the Accountant's Report set out in Appendix I to this prospectus. The Group currently does not expect to continue to have transactions with the information technology business operated by the Excluded Group.

The Private Group is currently expected to complete three residential property projects in Guangdong Province before the first quarter of 2018, offering an expected total saleable GFA

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of 693,000 sq.m.. As at the Latest Practicable Date, some sites in Guangdong Province had been earmarked for future development by the Private Group with an expected total saleable GFA of 564,878 sq.m., over 68.5% of which, or a total GFA of 387,360 sq.m., will be developed into high-end residences while the rest will be office premises. Construction work is expected to be completed after the second half of 2017 or beyond. As at the Latest Practicable Date, all of the Private Group's completed property projects were under our Group's property management. For details of the property projects under our Group's property management, please see the section headed "Business — our property management services" in this prospectus.

The following table sets forth details of the three residential property projects to be completed by the Private Group in Guangdong Province before the first quarter of 2018:

Project name	Location	Expected Saleable GFA (sq.m.)	Expected completion date	Usage
1. Clifford Bayview (祈福南灣半島)	Foshan city	24,000	June 2017	mainly residential
2. Dynamic Garden II (活力花園2期)	Panyu district, Guangzhou	59,000	First quarter of 2017	mainly residential
3. Clifford Wonderview (祈福名家閣(又名祈福繽紛匯))	Panyu district, Guangzhou	610,000	By phases from the fourth quarter of 2017 to the first quarter of 2018	mainly residential
	Total	693,000		

Save as set out in the paragraph headed "— Competing interests" below in this section of this prospectus, none of the companies within the Excluded Group have interests in any business that compete or is likely to compete, whether directly or indirectly, with the businesses of our Group.

Our Directors consider not to include the Excluded Group as part of our Group primarily due to the fact that Resort Club Company declined to sell the Excluded Catering Outlets to us for they form an integral and inseparable part of the hotel, banqueting, event and conference services offered by Clifford Hotel and Clifford Resort Centre (details of which are set out on page 250 of this prospectus). Secondly, it was also due to (i) the principal business activities of the Excluded Group are not within the principal business scope of our Group, (ii) it is not in the interests of the Shareholders if our Group allocates resources, management effort and expertise on activities outside the core business of our Group, (iii) the Excluded Group has its own operational management team which is independent from our Group, (iv) any potential competition between our Group and the Excluded Group would be minimal and could be closely monitored as our Controlling Shareholders have entered into the Deed of Undertakings (which contains, among other terms, non-compete undertakings) in favour of our Company. Our Directors also believe that the corporate governance measures that have been adopted as disclosed in the prospectus will be adequate to protect the interests of the minority Shareholders.

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COMPETING INTERESTS

Catering activities – Manhattan Café (曼克頓), Clifford Palace (祈福軒), Food Paradise (食通天) and Hotel Coffee Shop (咖啡廳)

During the Track Record Period, there were catering outlets in Clifford Estates operated by the Excluded Group which might be in direct or indirect competition with the catering outlets operated by our Group. They include (i) Manhattan Café and Clifford Palace (collectively, the “**Excluded Catering Outlets**”), which were in operation as at the Latest Practicable Date, and (ii) Food Paradise and a coffee shop (“**Hotel Coffee Shop**”), which ceased operations during 2016.

Manhattan Café is a western restaurant, and Clifford Palace is a Chinese restaurant. They are both located at Clifford Resort Centre (“**Clifford Resort Centre**”) in Clifford Estates.

Food Paradise was a restaurant then offering around seven types of cuisine, and was located at Clifford Resort Centre. It ceased operation in March 2016 due to less satisfactory financial performance.

Hotel Coffee Shop was a café and located at Clifford Hotel (“**Clifford Hotel**”) in Clifford Estates. It ceased operation in July 2016 due to less satisfactory financial performance.

Clifford Hotel and Clifford Resort Centre

Clifford Hotel is a four-star hotel owned by Guangzhou Panyu Zhongcun Clifford Hotels Company Limited* (廣州市番禺鐘村祈福酒店有限公司) (“**ZC Hotel Company**”). ZC Hotel Company is a sino-foreign equity joint venture enterprise established in the PRC with limited liability on 20 July 2000, and is owned as to 51% by China Venture, 24.5% by an Independent Third Party and 24.5% by PRC JV Partner No.1. Clifford Resort Centre is owned by Guangzhou Panyu Clifford Estates Resort Club Company Limited* (廣州市番禺祈福新邨渡假俱樂部有限公司) (“**Resort Club Company**”), a sino-foreign equity joint venture enterprise established in the PRC with limited liability on 6 June 1999 which is owned as to 51% by China Venture, 24.5% by PRC JV Partner No.1 and 24.5% by PRC JV Partner No.2. Resort Club Company is responsible for the operations of Clifford Hotel and Clifford Resort Centre. Clifford Resort Centre adjoins Clifford Hotel and features approximately 100,000 sq.m. of meeting, convention and reception space which include a banquet hall and 25 exhibition and meeting rooms. It also operates sports centres, beauty and fitness centres and other recreational facilities. Clifford Resort Centre mainly offers facilities and ancillary food and beverage services for hotel guests staying at Clifford Hotel or conference delegates or individuals participating in conferences or banquets held at Clifford Resort Centre.

The target customers of Clifford Hotel and Clifford Resort Centre are business and holiday travellers of Panyu, Guangzhou. Resort Club Company has a dedicated sales and marketing team, comprising 15 members as at the Latest Practicable Date, which is responsible for promotion of the services of Clifford Hotel and Clifford Resort Centre, including coordinating and arranging banquets and conferences according to the requirements of its customers. Their service packages generally include hotel accommodation, organisation of events, such as exhibitions, large scale conferences and banquets. Accommodation, conference rooms, exhibition venues, food and beverages and other amenities are usually

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bundled and offered together to meet the specific requirements of the target customers. Food and beverage offerings of the Excluded Catering Outlets are an essential component and an integral part of these service packages. Therefore, the facilities, food and beverage offerings and the operations of Clifford Resort Centre and Clifford Hotel complement each other by providing bundled service packages to attract customers.

The Excluded Catering Outlets are business units under Resort Club Company. Our Directors consider that the Excluded Catering Outlets were not, and will not be in direct competition with the catering outlets operated by our Group on the following basis:

- (i) the target customers of the Excluded Catering Outlets are hotel guests, group participants of banquet and conferences, and public visitors with higher spending power; whereas our catering outlets mainly serve the residents and those living or working in the neighbourhood of Clifford Estates and Clifford Landmark. During the Track Record Period, approximately 78.3% of the total revenue of the Excluded Catering Outlets was attributable to hotel guests, group participants of banquet and conferences, and approximately 21.7% of the total revenue of the Excluded Catering Outlets was attributable to public visitors;
- (ii) in respect of the public visitors (i.e. customers other than hotel guests, group participants of banquet and conferences who are not the target customers of our Group), there are significant differences in average spending per customer per meal: during the Track Record Period, the average spending per customer per meal of public visitors in Clifford Palace was approximately 219% higher than that of the Chinese restaurants operated by our Group; and the average spending per customer per meal of public visitors in Manhattan Café was approximately 100% higher than that of the East Asian and Western restaurants operated by our Group;
- (iii) in respect of sales and marketing, the food and beverage services of the Excluded Catering Outlets are generally bundled together with the promotion activities of Clifford Hotel and Clifford Resort Centre as they form an integral part of the hotel, banqueting and event services offered by Clifford Hotel and Clifford Resort Centre. The marketing activities of Clifford Hotel and Clifford Resort Centre are mainly directed at corporations, large scale factories and various government institutions. As confirmed by our Directors, our sales and marketing team has been operating independently from that of Resort Club Company. Our marketing and promotion activities are principally designed to promote the brand names of our various catering outlets for family and individual consumers;
- (iv) in respect of management and staffing, the Excluded Catering Outlets are managed by the senior management of Resort Club Company (which is also the operator of Clifford Hotel). The recruitment policy, remuneration packages and training programmes of the staff of the Excluded Catering Outlets are determined by the senior management of Resort Club Company, the standard and quality of services of those staff have to commensurate with those offered by other four-star hotels;

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- (v) in respect of sourcing of food and beverages of the Excluded Catering Outlets, it is carried out by the sourcing team of Resort Club Company, who determined the selection criteria of key suppliers of food ingredients and beverages, as the quality, quantity and varieties of food and drinks have to commensurate with that of a four-star hotel and event venues which support large scale exhibitions and conferences. Our catering outlets have their own sources of suppliers. For each of the three years ended 31 December 2015 and the five months ended 31 May 2016, our catering outlets had approximately eight, 14, 18 and 72 key suppliers respectively, out of which one, four, seven and 14 were common suppliers of both the Excluded Catering Outlets and our catering outlets. Key suppliers refer to those suppliers from which the aggregate purchases exceeded RMB500,000 per year (or RMB200,000 for the five months ended 31 May 2016) during the Track Record Period. As confirmed by our Directors, our procurement department has been operating independently from that of Resort Club Company;
- (vi) none of the Directors or senior management of our Group is involved in the daily management and operation of the Excluded Catering Outlets; and
- (vii) to the best of the knowledge, information and belief of our Directors after having made all reasonable enquiries, as at the Latest Practicable Date, Resort Club Company or ZC Hotel Company had no plan to open any new catering outlet inside or outside Clifford Resort Centre or Clifford Hotel.

Under the articles of association of Resort Club Company, the board of directors of Resort Club Company consists of eight members, four of whom are representatives of China Venture and the remaining four representatives are nominated by the joint venture partners. Each of the equity-holders of Resort Club Company has pre-emptive rights whereby the sale of any equity interest in Resort Club Company by an equity holder requires prior offer to (or consent from) the other equity-holders. One of the joint venture partners of Resort Club Company is PRC state-owned enterprise. Sale of the equity interests in any enterprise owned by PRC state owned enterprises generally requires compliance with the laws and regulations concerning state-owned assets, including tender, auction and/or quotation (招拍掛) procedure, valuation and/or approval from the local state-owned assets administration. Save and except (i) alteration of the articles of association of the joint venture; (ii) termination and dissolution of the joint venture; (iii) increase, transfer and other forms of disposal of the registered capital of the joint venture; and (iv) merger of the joint venture with other economic entities which requires the unanimous approval of the directors of Resort Club Company, all other matters may be resolved by a simple majority of the directors present and at least one director nominated by each joint venture party shall vote in favour of the resolution(s). In the case of a deadlock, none of the directors of Resort Club Company have a casting vote on the matter. The board of directors of a sino-foreign equity joint venture enterprise is the highest corporate organ and shall make decisions on material issues pertaining to the enterprise in accordance with its articles of association. As advised by the PRC Legal Advisers, under the applicable PRC law, the decision-making power of the business operation of a sino-foreign equity joint venture enterprise is generally vested with the board of directors.

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We approached Resort Club Company with a view to acquiring the Excluded Catering Outlets. Although China Venture was willing to sell the Excluded Catering Outlets, Resort Club Company declined to sell the Excluded Catering Outlets to us for they form an integral and inseparable part of the hotel, banqueting, event and conference services offered by Clifford Hotel and Clifford Resort Centre. As advised by the PRC Legal Advisers, according to the articles of association of Resort Club Company, Resort Club Company may sell the Excluded Catering Outlets to us only when the proposed sale is approved by a simple majority of the directors of the relevant sino-foreign joint venture enterprises, with at least one director nominated by each joint venture party concurrently casting an affirmative vote in favour such proposed resolution.

Education services offered by the Private Group

Some members of the Private Group are engaged in the provision of education services to children in different age groups from kindergarten to high school (“**Excluded Education Companies**”). As at the Latest Practicable Date, Excluded Education Companies operated three schools and six kindergartens (“**Excluded Education Service Providers**”), namely GZ Panyu English Experimental Primary School* (廣州市番禺區祈福英語實驗小學), GZ Panyu English Experimental School* (廣州市番禺區祈福英語實驗學校), GZ Clifford Estates School* (廣州市番禺區祈福新邨學校), GZ Panyu Elite Kindergarten* (廣州市番禺區祈福精英幼兒園), Foshan Nanhai English Experimental Kindergarten* (佛山市南海區祈福英語實驗幼兒園), GZ Panyu English Experimental Kindergarten* (廣州市番禺區祈福英語實驗幼兒園), GZ Panyu CZ Mid-level Kindergarten* (廣州市番禺區鐘村街祈福半山幼兒園), GZ Panyu CZ Lakeside Kindergarten* (廣州市番禺區鐘村街祈福倚湖灣幼兒園), and GZ Panyu CZ Master Kindergarten* (廣州市番禺區鐘村街祈福名家幼兒園), all of which are located in Guangdong Province. Through these schools and kindergartens, Excluded Education Service Providers offer formal education with comprehensive educational programmes from kindergarten to high school. In addition to the basic educational programme in which students obtain PRC middle school and high school diplomas, Excluded Education Service Providers have also established an international programme through collaboration with the government of Manitoba, Canada. Under this programme, dual high school diplomas (PRC and Canadian) are offered to high school students who are interested in attending colleges and universities in Canada.

Save for the international programme, the curriculum for the schools operated by Excluded Education Companies is designed based on the standards set by the PRC national, provincial and local educational authorities. It is primarily formulated towards National Higher Education Entrance Examination (普通高等學校招生全國統一考試) for high school students and Senior High School Entrance Examination (高級中等學校招生考試) for middle school students. The kindergartens operated by Excluded Education Companies use an integrated programme that stimulates the children’s interest to explore the world around them and awakens their learning capabilities so that they are well-prepared for the primary school coursework ahead.

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The following table sets forth some information about the education services or training services provided by the Excluded Education Companies and our Group:

	Education services offered by the Excluded Education Companies	Off-campus training services offered by our Group
(i) Type of institution	<p>(a) Private schools offering education which confer formal academic qualification: upon completion of such formal education programmes, students will be awarded PRC middle school and high school diplomas, and students enrolled in the international programme will be awarded dual high school diplomas (PRC and Canadian).</p> <p>(b) Kindergartens offering non-academic qualification education.</p>	<p>Learning centres offering training which do not confer formal academic qualification. After completion of our training programmes or interest classes at our learning centres, no formal academic qualification will be awarded.</p>
(ii) Establishment of institution	<p>(a) Applications for the establishment of private high schools shall be approved by the education authority above the municipality level and filed with the provincial education authority while applications for the establishment of primary schools and middle schools shall be approved by the education authority above the county level.</p> <p>(b) Applications for the establishment of kindergartens shall be approved by the education authority above the county level.</p>	<p>Applications for the establishment of learning centres offering non-academic qualification training shall be approved by the education authority above the county level.</p>
(iii) Licence	<p>Each school or kindergarten holds a Private School Operating Licence (民辦學校辦學許可證) which specifies the type of institution, such as whole day school (全日制學校), non-state funded middle and high school (民辦初中、高中) or kindergarten, and the scope of education service (辦學內容), such as primary school education middle and high school education, or pre-school education.</p>	<p>We hold a licence which specifies that we are a non-academic training institution organised by non state-owned enterprise (民辦非學歷教育培訓機構) offering tutorial classes aiming at primary and high school students, arts training and language courses (for details, please see the section headed “Business — Our Ancillary Living Services — Our off-campus training services” in this prospectus).</p>

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	Education services offered by the Excluded Education Companies	Off-campus training services offered by our Group
(iv) Teaching materials	<p>(a) Teaching materials used by schools shall be selected from the catalogue approved by the provincial or municipal education authorities.</p> <p>(b) There is no restriction on the teaching materials of kindergartens.</p>	There is no restriction on the training materials of learning centres.
(v) Nature of curriculum/ programme	<p>(a) The curriculum for schools is designed based on the curriculum requirements prescribed by the PRC national, provincial and local educational authorities.</p> <p>(b) Kindergartens develop learning objectives and design the curriculum according to children's needs.</p>	Learning centres are not subject to any curriculum requirements prescribed by the PRC national, provincial and local educational authorities. The training programmes or interest classes are designed by the staff of our learning centres to meet the needs and interests of our students or learners.
(vi) Age group	<p>(a) Primary school education is generally for children up to the age of 11 to 12; middle school and high school education is generally for children up to the age of 17 to 18.</p> <p>(b) Kindergarten education is offered to children in the three to five age group in kindergartens</p>	Training programmes are open to children and adult of any age.
(vii) Teaching staff	There shall be a definite number of full-time teachers in a private school, and in private schools offering academic qualification education, full-time teachers shall account for not less than one-third of the total number of teachers.	There is no restriction on the number of full-time teachers.

As at the Latest Practicable Date, other than the businesses mentioned above and other than the businesses carried on by our Group, our Controlling Shareholders and their respective close associates do not have any interests in any business that competes or is likely to compete, whether directly or indirectly, with the business of our Group.

It is not the intention of our Directors to exclude the Excluded Catering Outlets and the Excluded Education Service Providers in order to enable our Company to meet the basic listing qualification requirements or to enhance our Group's apparent attractiveness. Our

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Directors confirm that even if the Excluded Catering Outlets and the Excluded Education Service Providers had been included in our Group, we would still have been able to comply with the profit test requirement under Rule 8.05(1)(a) of the Listing Rules.

Extract unaudited financial data regarding the Excluded Catering Outlets and the Excluded Education Service Providers

The following table sets forth some information about the Excluded Catering Outlets and the Excluded Education Service Providers:

	For the year ended 31 December			For the five months ended 31 May	Business focus
	2013	2014	2015	2016	
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>	
Excluded Catering Outlets (Notes 1 and 3)					
					Chinese restaurant and western restaurant
Revenue	51.0	48.0	42.6	15.9	
Net profit/(loss) after tax	0.9	0.6	(4.0)	(2.2)	
Excluded Education Service Providers (Note 2)					
					Offering formal education programmes
Revenue	245.7	283.2	315.6	140.3	
Net profit/(loss) after tax	(0.1)	(0.1)	(2.6)	2.7	
Net asset value	(20.3)	(10.0)	3.0	5.7	

Notes:

1. The revenue and net profits/(loss) after tax were extracted from the unaudited financial statements of Resort Club Company for each of the years ended 31 December 2013, 2014 and 2015 and the five months ended 31 May 2016, which however have not been reviewed or audited by our reporting accountants. Manhattan Café recorded a net loss in each year/period during the Track Record Period.
2. The revenue and net profits/(loss) after tax were extracted from the unaudited financial statements of the Excluded Education Companies for the years ended 31 December 2013, 2014 and 2015 and the five months ended 31 May 2016, which however have not been reviewed or audited by our reporting accountants.
3. Net assets value of the Excluded Catering Outlets are not available as they are not independent legal persons, but only business units under Resort Club Company. No such information has been recorded in the financial statements of Resort Club Company which report the total assets and total liabilities of the said club and hotel, without further breakdown of the total assets and total liabilities attributable to individual business units.

Based on the information as disclosed above, our Directors are of the view that the business operations of the Excluded Catering Outlets and the Excluded Education Service Providers can be clearly delineated from the catering and training businesses operated by our Group, and the potential competition will not be extreme.

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Undertakings given by the Private Group and Ms. Wendy Man's Spouse

On 24 May 2016, Ms. Wendy Man's Spouse and China Venture (the "Excluded Catering Business Owners") entered into a deed of undertakings in favour of the Company, pursuant to which the Excluded Catering Business Owners have given (among other undertakings) the following undertakings to our Group:

- (i) in connection with ZC Hotel Company and Resort Club Company, the Excluded Catering Business Owners shall exercise voting rights (and shall procure their nominee directors to exercise voting rights) to vote against any proposal of ZC Hotel Company or Resort Club Company (as the case may be) to operate any catering outlets or increase the GFA occupied by the Excluded Catering Outlets, provided that catering operation which is ancillary to the principal business of Clifford Hotel or Clifford Resort Centre will be allowed within Clifford Hotel or Clifford Resort Centre; and
- (ii) the Excluded Catering Business Owners, their respective subsidiaries (where applicable) or companies or non-enterprise units under their control will not engage in any catering business or other business in the PRC, which is same as or similar to the Group's catering business, unless such catering business is ancillary to the principal business of such company or unit (for example, hospitals, schools and hotels, etc) which principal business is not the provision of catering services.

The deed will take effect on the Listing Date and will remain in full force until the earlier of the dates below:

- (i) the date on which the Controlling Shareholders and their close associates (individually or taken as a whole) (aa) cease to own 30% of the then issued share capital of our Company (whether directly or indirectly) or (bb) cease to be the controlling shareholders for the purpose of the Listing Rules and do not have power to control our Board; and
- (ii) the date on which our Shares cease to be listed on the Stock Exchange.

Confirmation given by the Excluded Catering Business Owners

Each of the Excluded Catering Business Owners confirmed that as at the Latest Practicable Date,

- (i) Resort Club Company would continue to operate the Excluded Catering Outlets within Clifford Resort Centre and had no intention to operate (whether solely or jointly with other entities) any new catering outlets or to increase the GFA occupied by the Excluded Catering Outlets; and
- (ii) to their best knowledge, information and belief, the joint venture partners of Resort Club Company had no intention to request Resort Club Company (whether solely or jointly with other entities) to operate any new catering outlets or to increase the GFA occupied by the Excluded Catering Outlets.

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INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Save as disclosed in this section or the section headed “Continuing Connected Transactions” in this prospectus, our Directors do not expect that there will be any significant transactions between our Group and our Controlling Shareholders or their respective close associates upon or shortly after the Listing.

Our Group is capable of carrying on our businesses independently of our Controlling Shareholders and their respective close associates following the Listing, having regard to the following factors:

Operational Independence

While our Board has full rights to make decisions on the overall strategic development and management and operational aspects of our Group, all of the essential operational functions including business development, marketing and sales operations, have been and will be overseen by our management team separately and independently from the Controlling Shareholders and their respective close associates.

At the initial stage of the property development or before the establishment of property owners’ association, our Group usually won the property management service contracts for residential communities developed by the Private Group or was appointed by the Private Group in property management projects for pure commercial properties. Under the PRC laws and regulations, for a construction entity of any residential and the non-residential property in a same property management area, property developers are typically required to select property management service companies through a bidding process. Furthermore, in circumstances where there are less than three bidders or the residential community is of relatively small scale, property developers are permitted to select property management companies without conducting any bidding process and directly engage a property management company through a contract, subject to approval by competent PRC real estate administration authorities.

As at the Latest Practicable Date, the real estates that our Group managed were all developed by the Private Group as it won the contracts at preliminary stage through bidding (except for one estate, namely, Clifford Coast (肇慶祈福海岸花園), which were exempt from bidding process as approved by the authorities as there were less than three bidders). Pursuant to the relevant PRC laws and regulations, the evaluation of tenders were performed by a committee composed of a majority of independent persons.

Except for the property management service contract on Clifford Estates, the management contracts of the other 11 residential communities managed by our Group do not have a specified expiry date and will only expire when the respective property owners’ association is formed and a new corresponding property management service contract is entered into and becomes effective. If the owners of any residential community are not satisfied with our performance, they are entitled to establish property owners association, and initiate process to change the property management company. Up to the Latest Practicable Date, none of such residential communities started such process to establish property owners association.

In respect of Clifford Estates, as its Property Owners Association was set up in 1998, the renewal of the management contract is subject to approval of the property owners by poll

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every 5 years. The current contract on Clifford Estates was renewed and approved by the owners in the form of polling in 2015 and will expire in 2020. Given that our Group has successfully renewed its property management service contract on Clifford Estates in the past, our Company is confident that our Group would be able to renew its other contract when the current contract expires.

In addition, although the property management services are carried out in estates developed by the Private Group, the source of income of our Group's property management service is mainly from the residents of the communities or the tenants of the commercial buildings who are independent of our Group; while only the part of management fee attributable to the following are generated from the connected parties: (i) premises occupied by connected persons, (ii) or properties developed and held by the Private Group which are yet to be delivered to residents, or (iii) units inside pure commercial properties of the Private Group, which are not subject to a tenancy agreement. For more details, please see the section headed "Business — Our property management services — Types of property management service contracts" in this prospectus. For the Track Record Period, approximately 83.5% of our Group's revenue from property management services in aggregate were generated from independent residents or tenants, while only 16.5% of our Group's revenue from property management services were generated from our connected persons.

During the Track Record Period, we started to tender bids for property management projects for residential properties developed by Independent Third Parties. Our Directors consider that our Group's property management operations have not unduly relied on the Controlling Shareholders or their respective close associates.

Master tenancy agreement

During the Track Record Period, we entered into various tenancy agreements with members of the Private Group to lease certain premises in accordance with the respective terms of the relevant tenancy agreements. To avoid potential disruption of our operations, in October 2016, we entered into a master tenancy agreement with members of the Private Group for a term of ten years with an option (exercisable by our Group) to renew for a successive period of ten years upon the initial expiry. For details of the master tenancy agreement, please see the section headed "Continuing Connected Transactions — Continuing connected transactions subject to the reporting, announcement, circular and independent Shareholders' approval requirements — 1. Master tenancy agreement" in this prospectus. Our Directors consider that the entering into of the master tenancy agreement could provide our Group with established operation bases without the need to incur costs of removal and renovation.

Our Group has its own sources of independent suppliers. Neither our Controlling Shareholders nor any of their respective close associates are suppliers or an intermediary for our Group's suppliers. Save for the circumstances mentioned above, we have independent access to our customers. Our Directors believe that our Group has not unduly relied on the Controlling Shareholders or their respective close associates to carry on our business during the Track Record Period. The management team of our Group has been and will be able to seek business opportunities for our Group. The capability of our Group to operate independently from the Controlling Shareholders is not considered to be a concern.

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Save for the related party transactions disclosed in note 28 of the Accountant's Report set out in Appendix I to this prospectus, there were no material business dealings between our Group and the Controlling Shareholders during the Track Record Period.

Management Independence

The Board consists of eight members, comprising four executive Directors, one non-executive Director and three INEDs. With the appointment of INEDs to our Board, we maintain and will continue to maintain a balanced composition of executive Directors, non-executive Director(s) and INEDs with diversified expertise and experience so that a strong independent element is present to exercise independent judgement on the corporate actions of our Company and to make decisions after due consideration of independent and impartial opinions and views of our INEDs.

Save for her positions in various members of our Group, Ms. Wendy Man held certain positions in the Excluded Group, including directorship or the office of legal representatives of some of the companies in the Excluded Group. As at the Latest Practicable Date, none of our executive Directors or members of the senior management of our Group (other than Ms. Wendy Man) held any positions in any of the companies in the Excluded Group.

The following table sets out the directorships in our Company and the close associates of our Controlling Shareholders by our executive and non-executive Directors as at the Latest Practicable Date:

	Our Company	Private Group	Ms. Wendy Man's Group
Ms. Wendy Man	Executive Director	Director	Director
Mr. SUN Derek Wei Kong	Executive Director	x	x
Mr. LEONG Chew Kuan	Executive Director	x	x
Ms. LIANG Yuhua	Executive Director	x	x
Mr. LIU Xing	Non-executive Director	x	x

Note: "x" means no directorship.

Ms. Wendy Man, our chairman and executive Director, has devoted substantially her time and efforts to the management of our Group during the Track Record Period and up to the Latest Practicable Date. Although she holds the office of director in the Excluded Group, she has not and will not assume any executive role or management position involving day-to-day management of the Excluded Group.

Each of our Directors is aware of his or her fiduciary duties as a Director which require, among other things, that he or she acts for the benefit and in the best interests of our Company and does not allow any conflict between his or her duties as a Director and his or her personal interests. In the event that there is a potential conflict of interests arising out of any transaction to be entered into between our Group and our Directors or their respective 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

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particular, Ms. Wendy Man will not attend any board meetings in respect of those matters or transactions relating to the Excluded Group or which may otherwise give rise to potential conflicts of interest and would not be counted as quorum in the relevant meetings so far as required by the Listing Rules or other applicable laws and regulations. Furthermore, Ms. Wendy Man and her associates will not attend, or be counted as quorum of, any meeting of our Shareholders for consideration and approval of matters which may give rise to potential conflicts of interest so far as required by the Listing Rules or other applicable laws and regulations.

Our Board acts collectively by a majority decision according to the Articles and no individual Director is allowed to transact or can alone make any decision on behalf of the Company unless authorised by our Board or in accordance with the provisions of the Articles or the Companies Law. Any view of a Director will be checked and balanced by the views of other members of our Board.

We have an independent team of senior management to carry out the business decisions of our Group independently. Our Directors are satisfied that our senior management team is able to perform their roles in our Company independently, and our Group is capable of managing the business independently from our Controlling Shareholders and their close associates after Listing.

Financial Independence

During the Track Record Period, we principally financed our operations through cash generated from our operations. As at the year/period-end during the Track Record Period,

- (a) approximately RMB59.1 million, RMB45.4 million, RMB15.2 million and RMB3.0 million respectively remained outstanding and payable to our Controlling Shareholders and the Excluded Group; and
- (b) approximately RMB86.8 million, RMB63.9 million, RMB10.3 million and RMB12.2 million respectively remained outstanding and receivable from our Controlling Shareholders and the Excluded Group.

As of the Latest Practicable Date, all loans, advances and non-trade balances due to and from our Controlling Shareholders and/or their close associates have been fully settled.

Save as mentioned above, our source of funding is independent from our Controlling Shareholders, and none of our Controlling Shareholders or their respective close associates financed our operations during the Track Record Period.

Our Group has an independent financial system and makes financial decisions according to its own business needs. Our Directors are of the view that our Group does not unduly rely on the advances from related parties for its business operations. Furthermore, our Group has its own finance department and has established its own financial accounting system independent of our Controlling Shareholders. Our Group has its own bank accounts, makes its tax registrations and has employed a sufficient number of financial accounting and treasury personnel. Accordingly, our Directors consider that our Group is capable of operating independently from a financial perspective.

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ASSIGNMENT AND LICENSING OF CERTAIN TRADEMARKS OWNED BY THE PRIVATE GROUP

In the past, all trademarks used by members of our Group and of the Excluded Group were registered under the name of Clifford TM or Old Holdco, for administrative convenience reasons. In order to rationalise the commercial relationship between our Group and the Private Group after the Listing, as part of the Reorganisation,

- (a) by a trademark assignment dated 21 October 2016 and made between Clifford TM and Old Holdco (as assignors) on the one part and our Company (as assignee) on the other part, all the trademarks which are currently used by our Group or relevant to our current businesses (but which are not used by the Excluded Group) were assigned by Clifford TM and Old Holdco to the Company at a nominal consideration of HK\$1; and
- (b) by a trademark licence agreement dated 21 October 2016 and made between Clifford TM (as licensor) on the one part and the Company (as licensee) on the other part, Clifford TM granted to the Company a non-exclusive licence to use (for a term of 20 years commencing on the date of such agreement) certain trademarks (which are used by our Group and also by the Excluded Group) only in relation to the goods and/or services which are marketed, sold and/or rendered by our Group and for the related marketing and promotion activities within the jurisdictions of the PRC, Hong Kong and such other jurisdictions where the relevant trademarks are registered from time to time; Clifford TM also granted to our Company the right to sub-license the relevant trademarks to all or any of our subsidiaries to use those trademarks in respect of the provision of their goods and/or services and/or the sales and marketing activities in connection with their respective ordinary course of business or in connection with our Group taken as a whole.

Under such licence agreement, our Company is required to pay an annual licence fee of HK\$1 to Clifford TM during the term of the agreement. The term of the licence agreement is 20 years from the date of such licence agreement, subject to the early termination provisions contained in such agreement. The events which may trigger early termination include breach in any material respect of any term of the licence agreement by our Company, or when our Company is subject to any bankruptcy proceedings, or when the aggregate shareholding of Ms. Wendy Man and her associates in our Company falls below 30%. The licence granted in respect of any particular trademark is provided to expire or be terminated upon the cessation of the registration of such trademark. Details of the trademarks assigned under the trademark assignments and the trademarks licenced under the trademark licence agreement, which are material to our Group's business, are set out in the section headed "Statutory and General Information — 2. Further Information about our business — 2.2 Intellectual property rights of our Group" in this prospectus.

COMPETITION AND CONFLICT OF INTERESTS

Undertakings given by Controlling Shareholders

Each of our Controlling Shareholders has confirmed that save as disclosed in the paragraph headed "— Competing interests" above in this section of this prospectus, none of

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them or their respective close associates is engaged in, or interested in any business (other than that of our Group) which, directly or indirectly, competes or may compete with our business. To protect our Group from any potential competition, the Controlling Shareholders (collectively, the “**Covenantors**”) have entered into the Deed of Undertakings dated 21 October 2016, and such deed contains certain non-compete undertakings (the “**Non-Compete Undertakings**”) in favour of our Company. Under these Non-Compete Undertakings, each of the Covenantors has, among other matters, irrevocably and unconditionally undertaken to us on a joint and several basis that at any time during the Relevant Period (as defined below), each of the Covenantor shall, and shall procure that their respective close associates and/or companies controlled by them (other than our Group) shall:

- (i) not, save for the interest disclosed in the paragraph headed “— Competing interests” and those exceptions as mentioned in the paragraph headed “— Competing interests — Undertakings given by the Private Group and Ms. Wendy Man’s Spouse” above in this section of this prospectus, directly or indirectly, be interested or involved or engaged in or acquire or hold any right or interest (in each case whether as a shareholder, partner, agent or otherwise and whether for profit, reward or otherwise) in any business (other than our Group) which is or is about to be engaged in any business which competes or is likely to compete directly or indirectly with the business currently and from time to time engaged by our Group (including but not limited to property management, retail and catering services and other Ancillary Living Services) in the PRC or any other country or jurisdiction to which our Group provides such services and/or in which any member of our Group carries on business mentioned above from time to time (the “**Restricted Activity**”);
- (ii) not solicit any then existing employee of our Group for employment by its/her close associates (excluding our Group);
- (iii) not, without the consent from our Company, make use of any information pertaining to the business of our Group which may have come to its/her knowledge in its/her capacity as our Controlling Shareholder for any purpose of engaging, investing or participating in any Restricted Activity;
- (iv) if there is any project or new business opportunity that relates to the Restricted Activity, refer such project or new business opportunity to our Group for consideration;
- (v) not invest or participate in any Restricted Activity; and
- (vi) procure its/her close associates (excluding our Group) not to invest or participate in any project or business opportunity of the Restricted Activity.

The above undertakings (i) and (vi) are subject to the exception that any of the close associates of the Covenantors (excluding our Group) are entitled to invest, participate and be engaged in any Restricted Activity or any project or business opportunity, regardless of value, which has been offered or made available to our Group, provided always that information about the principal terms thereof has been disclosed to our Company and our Directors, and our Company shall have, after review and approval by our Directors (including our INEDs without the attendance by any Director with beneficial interest in such project or business

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opportunities at the meeting, in which resolutions have been duly passed by the majority of the INEDs), confirmed its rejection to be involved or engaged, or to participate, in the relevant Restricted Activity and provided also that the principal terms on which that relevant close associate of the Covenantor(s) invests, participates or engages in the Restricted Activity are substantially the same as or not more favourable than those disclosed to our Company. Subject to the above, if the relevant close associate of the Covenantor(s) decides to be involved, engaged, or participate in the relevant Restricted Activity, whether directly or indirectly, the terms of such involvement, engagement or participation must be disclosed to our Company and our Directors as soon as practicable.

In assessing whether or not to reject or participate in the Restricted Activity, our Directors will consider a range of factors including any feasibility study, counterparty risk, estimated profitability, our business and the legal and regulatory landscape and form their views based on the best interest of the Shareholders and our Company as a whole.

Each of the Covenantors has undertaken under the Non-Compete Undertakings that she or it shall:

- (i) provide or procure the provision to us and our Directors (including our INEDs) from time to time all information necessary for the annual review by our INEDs with regard to compliance with the terms of the Non-Compete Undertakings by the Covenantors and her/its close associates;
- (ii) allow our Directors, their respective representatives and the auditors of our Group to have sufficient access to the records of the relevant Covenantor and her/its close associates to ensure their compliance with the terms and conditions under the Non-Compete Undertakings;
- (iii) issue an annual declaration to our Company on compliance with the terms of the Non-Compete Undertakings, setting out their interests (if any) in any projects or business opportunities (including any changes) and consenting to the disclosure of such declaration in our annual reports or the announcements published by our Company regarding the decisions of the INEDs on matters referred to in the Non-Compete Undertakings;
- (iv) supply to our Company upon signing of the Non-Compete Undertakings with full and accurate details of any business or interest (if any) which the relevant Covenantors and her/its close associate have or may have which competes or may compete with the business from time to time carried on by our Group and any other conflicts of interests (if any) which the relevant Covenantor has or may have with our Group and whether the relevant Covenantors and her/its close associates intend or do not intend to inject such business or interest into our Group;
- (v) at any time during which the Shares of our Company are listed on the Stock Exchange and for so long as the relevant Covenantor and her/its close associates are regarded, whether individually or taken together, as controlling shareholders of our Company within the meaning of the Listing Rules, notify our Company forthwith of any changes of the details and information referred to in paragraph (iv) above so as to enable our Company to, if so required by the Stock Exchange or pursuant to the

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Listing Rules, disclose such information by way of an announcement and include such information in such circulars, annual reports, half year reports and/or quarterly reports required to be issued by our Company pursuant to the Listing Rules;

- (vi) procure any Director from time to time nominated by the relevant Covenantor:
 - (a) to disclose to our Company upon signing of the Non-compete Undertakings and at any time during which the Shares of our Company are listed on the Stock Exchange full and accurate details of any business or interest (if any) which such Director and/or her/his close associate have or may have which competes or may compete with the business from time to time carried on by our Group and any other conflicts of interest (if any) which such Director has or may have with our Group;
 - (b) to notify our Company forthwith of any changes of the details and information referred to in paragraph (vi)(a) above, including any such business or interest acquired by such Director and/or her/his close associates after the Listing so as to enable our Company to, if so required by the Stock Exchange or pursuant to the Listing Rules, disclose such information by way of announcement and include such information in such circulars, annual reports, half year reports and/or quarterly reports required to be issued by our Company pursuant to the Listing Rules.

The Covenantors acknowledge that and, if so required by our Company, procure such Director(s) referred to in paragraph (vi) above to acknowledge that the information supplied to our Company pursuant to paragraph (iv), (v) and/or (vi) above will or may be disclosed by our Company in this prospectus, circulars, reports, announcements and other statements to the Stock Exchange and/or any regulatory authorities and their respective officers and employees from time to time issued by our Company and that such disclosure is required by our Company in order to comply with the requirements of the Stock Exchange and/or regulatory bodies.

Notwithstanding the undertakings given under the Non-Compete Undertakings, any of the Covenantors and their respective close associates (excluding our Group) are entitled to invest, participate and be engaged in any Restricted Activity or any project or business opportunity regardless of value, which (i) are direct or indirect investments of the relevant Covenantor and/or her/its close associates (excluding our Group and any associated companies of the Company) in any member of our Group or its associated companies and/or (ii) any other companies which the relevant Covenantor does not hold more than 5% interest and does not participate in the management of such company and at all times there is a holder of such shares or securities holding (together, where appropriate, with its close associate(s)) a larger percentage of the shares or securities of such company than the Covenantor and her/its close associate(s) together hold.

The Non-Compete Undertakings will become effective conditional on the conditions stated in the paragraph headed “Conditions of the Global Offering” under the section headed “Structure of the Global Offering” in this prospectus being fulfilled or, to the extent permitted, waived by the relevant party. If such conditions are not fulfilled or, to the extent permitted, waived on or before the date falling 30 days from the date of this prospectus, or such later date as the parties under the Deed of Undertakings may agree, such deed shall become null and void and cease to have effect and no party shall have any liability under such deed.

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For the above purpose, the “Relevant Period” means the period commencing from the Listing Date and shall expire on the earlier of the dates below:

- (a) the date on which the Covenantors and their close associates (individually or taken as a whole) ceases to own 30% of the then issued share capital of our Company (whether directly or indirectly) or cease to be the controlling shareholders for the purpose of the Listing Rules and do not have power to control our Board; and
- (b) the date on which our Shares cease to be listed on the Stock Exchange.

Confirmation given by Directors

Each of our Directors confirmed that, as at the Latest Practicable Date, he/she had not had any business which, directly or indirectly, competes or may compete with our business, save for Ms. Wendy Man and Ms. LAW Elizabeth. For details, please see the section headed “Directors and Senior Management” in this prospectus.

CORPORATE GOVERNANCE MEASURES

In order to manage properly any potential or actual conflict of interests between us and our Controlling Shareholders in relation to compliance and enforcement of the Non-Compete Undertakings and safeguard the interests of our Shareholders, we have adopted the following corporate governance measures:

- (a) we have appointed three INEDs to ensure the effective exercise of independent judgement on the decision-making process of our Board and provide independent advice to our Shareholders;
- (b) the INEDs would review, at least on an annual basis, the compliance with and enforcement of the terms of the Non-Compete Undertakings by our Controlling Shareholders and if any, the options, pre-emptive rights or first rights of refusals provided by our Controlling Shareholders and/or their respective close associates on their existing or future competing businesses. Such options, pre-emptive rights or first rights of refusals relate to business which our Group may engage in the future (and, in such context, does not mean the business currently engaged by our Group);
- (c) our Company shall disclose decisions with basis on matters reviewed by the INEDs relating to non-compliance and enforcement of the Non-Compete Undertakings (including whether to take up the options, pre-emptive rights or first rights of refusals) either through annual report, or by way of announcement and/or other documents issued or published by our Company as required under the Listing Rules;
- (d) our Company shall disclose in the corporate governance report of the annual reports on how the terms of the Non-Compete Undertakings are complied with and enforced;
- (e) our Controlling Shareholders have undertaken to provide all information necessary to our Company for the annual review by our INEDs and the enforcement of the Non-Compete Undertakings;

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- (f) our Controlling Shareholders have undertaken to provide and procure their respective close associates to provide a written confirmation to our Company upon written request by our Company in respect of the compliance with the terms of the Non-Compete Undertakings by our Controlling Shareholders and her/its close associates;
- (g) in the event that any of our Directors and/or their respective close associates has material interest in any matter to be deliberated by our Board in relation to compliance and enforcement of the Non-Compete Undertakings or other proposed transactions in which such Directors and/or their respective close associates have material interest, he/she/they may not vote on the resolutions of our Board considering and approving the matter and shall not be counted towards the quorum for the voting pursuant to the applicable provisions in the Articles;
- (h) our Controlling Shareholders will abstain from voting at any general meeting of our Company if there is any actual or potential conflict of interests and shall not be counted towards the quorum for voting pursuant to the Articles and/or the Listing Rules; and
- (i) where the advice from independent professional, such as that from financial adviser, is reasonably requested by our Directors (including INEDs), the appointment of such independent professional will be made at our Company's expenses.

Our Directors consider that the above corporate governance measures are sufficient to manage any potential conflict of interests between our Controlling Shareholders and their respective close associates and our Group and to protect the interests of our Shareholders, in particular, the minority Shareholders. Any transaction that is proposed between our Group and the Controlling Shareholders or their associates will be required to comply with the requirements of the Listing Rules, including, where appropriate, the reporting, annual review, announcement and independent Shareholders' approval requirements.

CONTINUING CONNECTED TRANSACTIONS

OVERVIEW

Immediately following the completion of the Global Offering and the Capitalisation Issue, Ms. Wendy Man (through Elland Holdings which is solely owned by her) will hold approximately 75% (taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or options which have been or may be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme) or approximately 72.3% (assuming full exercise of the Over-allotment Option but taking no account of any Shares which may be allotted and issued pursuant to the exercise of the options which have been or may be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme) of the total issued share capital in the Company. Ms. Wendy Man will be a substantial shareholder, and is a Director of our Company. Accordingly, Ms. Wendy Man and her associates (including members of both the Private Group and Ms. Wendy Man's Group) constitute connected persons of our Company.

We entered into certain transactions with members of both the Private Group and Ms. Wendy Man's Group during the Track Record Period, and such transactions are expected to continue after the Listing Date. Accordingly, these transactions will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules which include (i) continuing connected transactions subject to the reporting, announcement, circular and independent shareholders' approval requirements; and (ii) continuing connected transactions exempt from the reporting, annual review, announcement and independent shareholders' approval requirements.

CONTINUING CONNECTED TRANSACTIONS SUBJECT TO THE REPORTING, ANNOUNCEMENT, CIRCULAR AND INDEPENDENT SHAREHOLDERS' APPROVAL REQUIREMENTS

Nature of transaction	Applicable Listing Rules	Waiver sought	Historical amount (RMB million)			For the five months ended 31 May	Proposed annual cap (RMB million)		
			For the year ended 31 December				For the year ending 31 December		
			2013	2014	2015	2016	2016	2017	2018
1. Master Tenancy Agreement	14A.34, 14A.35, 14A.36, 14A.49, 14A.52, 14A.71	Announcement and independent shareholders' approval requirements; and a fixed term of three years requirement	6.3	6.4	7.9	3.8	11.5	12.0	12.5

CONTINUING CONNECTED TRANSACTIONS

Nature of transaction	Applicable Listing Rules		Historical amount (RMB million)				Proposed annual cap (RMB million)		
			For the year ended 31 December			For the five months ended 31 May	For the year ending 31 December		
			2013	2014	2015	2016	2016	2017	2018
2. Master Composite Services Agreement	14A.34, 14A.35, 14A.36, 14A.49, 14A.71	Announcement and independent shareholders' approval requirements	11.9	22.4	20.4	12.0	23.0	23.0	23.0

1. Master Tenancy Agreement

Parties: Our Company (on behalf of its subsidiaries) (as tenant) and Clifford Estates (Panyu) Limited (“**Clifford Estates Panyu**”, for itself and on behalf of the other property owners which are members of the Private Group) (as landlord).

Nature of, and reasons for the transactions: We have been leasing certain properties from the Private Group, which are used as our operating or business outlets, offices, warehouses etc. As our businesses have been carried out or situated at the relevant leased properties (“**Leased Properties**”) during the Track Record Period, it is considered appropriate (in terms of cost, time and operational stability) to continue leasing the Leased Properties from the Private Group. In addition, relocating any of the Leased Properties will also incur unnecessary expenses. Under our current business expansion plan, other than the Leased Properties, we also intend to lease other properties owned by the Private Group.

Major terms: Our Company (on behalf of its subsidiaries) (as tenant) and Clifford Estates Panyu (for itself and on behalf of the other property owners which are members of the Private Group) (as landlord) entered into a master tenancy agreement dated 21 October 2016 (“**Master Tenancy Agreement**”). Pursuant to such agreement, our Group have agreed to lease certain properties (including the Leased Properties and other properties which we may lease from the Private Group in the future) from members of the Private Group for a term (“**Initial Lease Period**”) of ten years commencing from 1 January 2016.

The major terms of the Master Tenancy Agreement are as follows:

- with respect to the Leased Properties, individual members of our Group (as tenants) and individual members of the Private Group (as landlords) will enter into individual tenancy agreement(s) which prescribe specific lease terms and conditions (including rental, payment method and other terms);
- individual tenancy agreement(s) shall contain provisions which are consistent with the principles, terms and conditions set out in the Master Tenancy Agreement;

CONTINUING CONNECTED TRANSACTIONS

- the rental payable:
 - (a) for the first year of the Initial Lease Period shall be such amount as determined by the Group with reference to the fair rent letter issued by Jones Lang LaSalle Corporate Appraisal and Advisory Limited (“**Jones Lang LaSalle**”);
 - (b) for each of the subsequent four years immediately after the expiry of the said first year shall be increased by the lower of (i) 7%; and (ii) the prevailing GDP growth rate of the PRC in the immediately preceding year;
 - (c) for the sixth year of the Initial Lease Period shall be determined by an independent property valuer to be appointed by both the Group and the Private Group based on the fair rentals for the Leased Properties as at the expiry of the first five years of the Initial Lease Period; and
 - (d) for each of the last four years of the Initial Lease Period shall be increased according to the formula as mentioned in sub-paragraph (b) above
- the Master Tenancy Agreement shall commence with effect from 1 January 2016 until the tenth anniversary of such commencement date and may be renewed for a successive period of ten years by mutual consent upon the initial expiry, subject to compliance with the then applicable provisions of the Listing Rules.
- Details of the location of each Leased Property currently subject to the Master Tenancy Agreement are set out below:

S/N	Location	(a) No. of outlets/ leases in the location, and (b) current usage	Total GFA (sq.m.)	Range of annual rentals for the first year of the Initial Lease Term (RMB per sq.m.)
1.	Panyu district	a) 48; b) see Note 1	28,262 (See Note 3)	60–1,875.36
2.	Huadu district	a) 4; b) See Note 2	273	247.56–840
3.	Foshan city	a) 1; b) property agency services	20	1,200

Notes:

1. The said leases are used for the provision of property management services, retail services, catering services and/or other Ancillary Living Services.
2. The said leases are used for the provision of retail services and/or property agency services.
3. No rental is payable by our Group to the Private Group for the properties with a total GFA of approximately 5,368.6 sq.m. (“**Rent Free Properties**”) which are mainly used as offices of PM Panyu PRC Co. Under the property management service contract entered into with the property owners’

CONTINUING CONNECTED TRANSACTIONS

association of Clifford Estates, PM Panyu PRC Co is entitled to use free of charge certain premises as offices in connection with its provision of property management services under such contract. Clifford Estates were developed in phases since 1992. Under the Property Management Regulations on Resident Area of Guangzhou City (廣州市新建住宅小區物業管理辦法), which became effective on 20 December 1995 and abolished on 23 March 2001, and the Property Management Regulations of Guangzhou City (廣州市物業管理辦法), which was effective on 23 March 2001 and abolished on 29 December 2004, property developer was obliged to provide property-management related premises which were owned by the property developer for use by the property management company. Following the Regulation on Property Management (物業管理條例) becoming effective from 1 September 2003, property-management related premises are generally provided by the property developer for such purposes, and co-owned by all property-owners of the relevant estate. For such reasons, property management office attributable to the properties (whose construction was completed before the Regulation on Property Management (物業管理條例) becoming effective) were provided by Clifford Estates Panyu (in its capacity of property developer) to the PM Panyu PRC Co by way of lease free of rent.

Jones Lang LaSalle, our independent property valuer, has confirmed that the terms and conditions of the Master Tenancy Agreement are on normal commercial terms and conditions and are fair and reasonable. Jones Lang LaSalle is also of the view that, save for the Rent Free Properties, the rentals as provided under the Master Lease Agreement are in line with the market levels.

Pricing policy: The annual rentals under the Master Tenancy Agreement were determined after arm's length negotiations between the relevant parties with reference to the prevailing market rates of local properties in the neighbourhood with a similar scale and quality and subject to our internal control measures, and future increments will be determined based on the GDP growth rates (subject to a cap of 7% per annum). For new or renewal of individual tenancy agreement, our Group will request for a quotation from members of the Private Group. Our Group will also request Independent Third Party estate agency to provide quotations of three or more similar comparable properties owned by Independent Third Parties in the neighbouring area. Our Group will compare such information to decide whether the quotation offered by the Private Group is no less favourable than those given by the Independent Third Party estate agency and whether the lease terms are fair and reasonable.

Historical transaction amounts: The total rentals incurred by our Group in relation to the properties leased from members of the Private Group for each of the years ended 31 December 2013, 2014 and 2015 and the five months ended 31 May 2016 are as follows:

	Historical amount (RMB million)			
	for the year ended			for the five
	2013	2014	2015	months ended
	31 December			31 May
	2013	2014	2015	2016
Total rentals	6.3	6.4	7.9	3.8

CONTINUING CONNECTED TRANSACTIONS

Proposed annual caps: The estimated amount of annual rental payable by our Group to members of the Private Group for each of the three years ending 31 December 2018 is as follows:

	Proposed annual cap (RMB million)		
	for the year ending 31 December		
	2016	2017	2018
Estimated total rental	11.5	12.0	12.5

Basis of caps: The above proposed annual caps are determined with reference to: (i) the total expected property area leased by our Group from the Private Group for each of the three years ending 31 December 2018; and (ii) the unit rental stipulated in the Master Lease Agreement as of the said reference date, and will be adjusted on an annual basis with reference to the prevailing GDP growth of the PRC (subject to a cap of 7% per annum).

In arriving at the proposed annual cap for the year ending 31 December 2016, the following factors have been taken into account:

- (i) the total GFA to be leased by our Group is expected to have a net increase by approximately 3,098 sq.m. from approximately 27,043 sq.m. as at 31 December 2015 to approximately 30,141 sq.m. as at 31 December 2016, representing an increase of approximately 11.5%, which is mainly attributable to relocation and expansion of our outlets in Panyu district. Pursuant to the Group's expansion and relocation plan, outlets with an aggregate GFA of approximately 7,735 sq.m. have been closed before the end of August 2016 and have been re-opened at new premises in Panyu district, together with our other new outlets opened and to be opened in the same district, occupying an aggregate GFA of 11,195 sq.m.; and
- (ii) the overall average unit rental is expected to increase by approximately 20.7% from RMB24.2 per month per sq.m. for the year ended to 31 December 2015 to RMB29.5 per month per sq.m. for the year ending 31 December 2016. The expected increase in the overall average unit rental is mainly attributable to the following:
 - (a) the average unit rental of the new premises occupied by Clifford Supermarket and Clifford Market (Clifford Landmark) (with an aggregate GFA of 7,522 sq.m.) was expected to increase to approximately RMB23 per month per sq.m. for the year ending 31 December 2016 from RMB18 per month per sq.m. for the premises previously occupied by them. These premises are located in a newly developed shopping plaza where the customer flow is expected to pick up gradually when more outlets are opened;
 - (b) the unit rental of certain premises to be occupied by our other relocated outlets and new outlets (with an aggregate GFA of 3,673 sq.m.) was expected to range from approximately RMB30 per month per sq.m. to RMB50 per month per sq.m. for the year ending 31 December 2016 (subject to rent free period of around three months prior to their commencement of operation). These premises are mainly located in a newly developed shopping plaza where the customer flow is expected to pick up gradually when more outlets are opened;

CONTINUING CONNECTED TRANSACTIONS

- (c) we were offered a rent free period of three months in the fourth quarter of 2015 for certain lease premises (including Clifford Supermarket and Clifford Market) which were affected by the construction works conducted by the local government. Such construction works have adversely affected the pedestrian flow and/or customer flow in the neighbourhood; and
- (d) the unit rental of the existing properties leased by our Group is expected to increase by 5% during such year due to inflation.

Listing Rules implications: As one of the applicable percentage ratios (as defined under Chapter 14 of the Listing Rules) in respect of the proposed annual caps for the transactions contemplated under the Master Tenancy Agreements is, on an annual basis, expected to be more than 5% and the expected aggregate annual rentals are more than HK\$10 million, and the terms of Master Tenancy Agreement are normal commercial terms, such transactions constitute non-exempt continuing connected transactions which are subject to the reporting, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

In addition, as required by Rule 14A.52 of the Listing Rules, the period for continuing connected transactions must not exceed three years, except in cases where the nature of the transaction requires the contract to be of a duration longer than three years. Our Directors and the Sole Sponsor are of the view that a longer duration of the Master Tenancy Agreement will provide and maintain stability of our business operations in the long term, and it is normal business practise for agreements of this type to have such duration. Moreover, most of the retail or catering projects of our Group require significant capital commitment and time and management efforts to operate our businesses and to establish a stable base of customers, which makes it commercially desirable for our Group to have a sufficiently long term use of the Leased Properties to capture the benefits arising from our effort.

2. Master Composite Services Agreement

Parties: Our Company (for itself and on behalf of its subsidiaries) (as service providers) and Clifford Estates Panyu (for itself and on behalf of other members of the Private Group) and Clifford Aged Home Company Limited* (廣州市祈福護老公寓有限公司) (for itself and on behalf of Ms. Wendy Man's Group) (as receiving parties).

Nature of, and reasons for the transactions: We are a living service provider in Guangdong Province, the PRC, and we have four main service segments, namely, property management services, retail services, catering services and other Ancillary Living Services. The Private Group and Ms. Wendy Man's Group are principally engaged in the businesses of (among others) property development and investment, hotel investment and management, education, hospital and medical services, and aged, maternal and infant care. In their ordinary course of business, the Private Group and Ms. Wendy Man's Group receive our Group's services (mainly, in the areas of procurement, property management, laundry, resident support and maintenance, employment placement and property agency) to support their business activities and development. As our Group generally understands the business needs of the Private Group and Ms. Wendy Man's Group, it is expected that our Group will, after Listing, in its ordinary course of business continue to supply such services to the Private Group and Ms. Wendy Man's Group.

CONTINUING CONNECTED TRANSACTIONS

Major terms: Our Company (for itself and on behalf of its subsidiaries, as service providers) and Clifford Estates Panyu (for itself and on behalf of other members of the Private Group) and Clifford Aged Home Company Limited* (廣州市祈福護老公寓有限公司) (for itself and on behalf of Ms. Wendy Man's Group) (as receiving parties) entered into a master composite services agreement ("**Master Composite Services Agreement**", 綜合服務框架協議) dated 21 October 2016. Pursuant to such agreement, our Group have agreed to provide certain services to members of both the Private Group and Ms. Wendy Man's Group for a term of three years ending 31 December 2018 with an option to renew such agreement for an additional term of three years by mutual consent, subject to compliance with the then applicable provisions of the Listing Rules.

The major terms of the Master Composite Services Agreement are set out below:

- our Group will provide members of both the Private Group and Ms. Wendy Man's Group with various types of services, including but not limited to the provision of:
 - (i) procurement of food, beverages and sundry items;
 - (ii) property management for property units which are (a) developed by the Private Group but not yet sold or occupied, and also to members of the Private Group, or (b) Ms. Wendy Man's Group (as the case may be) which occupy the property units which are managed by our Group, or (c) in the pure commercial properties of the Private Group, which are not subject to any tenancy agreement;
 - (iii) laundry (which services are mainly supplied to members of the Private Group or Ms. Wendy Man's Group (as the case may be), which are principally engaged in the businesses of property development, hotel investment and management, hospital and medical services, and aged, maternal and infant care;
 - (iv) resident support (which services are mainly supplied to members of the Private Group or Ms. Wendy Man's Group (as the case may be), including renovation and fitting of properties, property repairs and maintenance and home cleaning);
 - (v) employment placement (which services are mainly supplied to members of the Private Group or Ms. Wendy Man's Group (as the case may be), which are principally engaged in the businesses of hospital and medical services, and aged, maternal and infant care. Our employment placement services include employment agency services and labour dispatch services, and our Group is the sole labour dispatch agent of Clifford Hospital); and
 - (vi) property agency (which services are mainly supplied to members of the Private Group, which are principally engaged in the businesses of property development and investment);

CONTINUING CONNECTED TRANSACTIONS

- with respect to each type of services, relevant member of our Group and relevant member of the Private Group (or, as the case may be, Ms. Wendy Man's Group) will enter into individual agreement(s) which prescribe specific terms and conditions for each individual order, including service scope, charges and other terms; and
- the Master Composite Services Agreement shall commence on 1 January 2016 and expire on 31 December 2018.

Pricing policy: The services provided by our Group to the Private Group and to Ms. Wendy Man's Group are also offered to other Independent Third Parties. The pricing policy applicable to the continuing connected transactions under the Master Composite Services Agreement follows that applicable to transactions of similar nature or types which is applicable to services rendered to Independent Third Parties. Such pricing policy is explained in greater details below:

- | | |
|--------------------------|--|
| (i) Procurement | purchase prices of relevant products provided by our Company or its subsidiaries are determined (a) based on the trading cost (including purchase price and other costs) of the relevant products plus a premium of approximately 4% (which is equivalent to the estimated administrative and/or miscellaneous expenses incurred in processing the orders plus a mark-up); or (b) through arm's length negotiation and having regard to the comparable market prices, depending on the size of the order to ensure that the terms offered by us shall be no more favourable than those available to Independent Third Parties. |
| (ii) Property management | we determine the property management fee based on the regulations promulgated by the PRC government with reference to the prices charged by property management companies (which are Independent Third Parties) in the neighbourhood to ensure that the prices offered by us shall be no more favourable than those available from such companies. |
| (iii) Laundry | laundry service fee is determined by the relevant parties through arm's length negotiation, with reference to the laundry fees charged by Independent Third Party laundry service providers for services of a similar nature in the neighbourhood to ensure that the terms offered by us shall be no more favourable than those available from Independent Third Party laundry service providers. |

CONTINUING CONNECTED TRANSACTIONS

- (iv) Resident support in respect of renovation and property fitting services, the prices are determined by relevant parties on arm's length basis, having regard to the nature and value of the relevant services rendered by us and the actual costs and expenses incurred plus a mark-up ranging from approximately 30% to 45% which is determined with reference to the service fees that we charge Independent Third Parties (most of whom are local residents). In respect of home cleaning services, the prices are determined by relevant parties on arm's length basis with reference to the prices offered to the Independent Third Parties (most of whom are local residents). Our prices are readily available market information made known to (among others) unrelated third party users and potential users. Such prices shall be no more favourable than prices of similar services rendered by us to Independent Third Parties.
- (v) Employment placement the prices are determined by relevant parties on arm's length basis having regard to the type of care helper which is fixed with reference to the prices charged by Independent Third Party employment placement agencies providing services of a similar nature in the neighbourhood to ensure that the prices offered by us are no more favourable than those available from Independent Third Party employment placement agencies.
- (vi) Property agency the property agency fees are determined by relevant parties on arm's length basis with reference to the historical fees paid by us and the prevailing market rates of local property agencies (which are Independent Third Parties) in the neighbourhood with a similar scale and quality to ensure that the fees offered by us are no more favourable than those available from Independent Third Party local property agencies.

CONTINUING CONNECTED TRANSACTIONS

Historical transaction amounts: The total service fees charged by our Group in relation to the provision of the above services for each of the years ended 31 December 2013, 2014 and 2015 and the five months ended 31 May 2016 are as follows:

	Historical amount (RMB million)			
	for the year ended			for the five
	31 December			months
	2013	2014	2015	ended
				31 May
				2016
(i) Procurement	1.0	1.5	1.2	0.6
(ii) Property management	4.1	7.1	8.8	4.9
(iii) Laundry	5.1	5.0	5.5	2.8
(iv) Resident support	0.7	7.5	4.0	2.4
(v) Employment placement	0.4	0.5	0.6	0.3
(vi) Property agency	0.6	0.8	0.3	1.0
Total:	11.9	22.4	20.4	12.0

Proposed annual caps : The proposed annual caps in respect of the income we receive from the provision of the services under the Master Composite Services Agreement to the connected persons for each of the three years ending 31 December 2018 are as follows:

	Proposed annual cap (RMB million)		
	for the year ending 31 December		
	2016	2017	2018
Total:	23.0	23.0	23.0

Basis of caps: The proposed annual caps are fixed based on the historical transaction amounts for the relevant services/segments, the expected increase service fee or goods price in the PRC, together with the factors which are specific to the particular types of services/segments:

- | | |
|--------------------------|---|
| (i) Procurement | the demands from members of both the Private Group and Ms. Wendy Man’s Group remain stable per annum from 2016 to 2018 |
| (ii) Property management | the demand for our property management services to be increased from 2016 to 2018 in line with the gross floor area to be managed by the Group. For details of the property projects to be developed and completed by the Private Group, please see the section headed “Relationship with Controlling Shareholders — Our Controlling Shareholders — Information on other companies owned by our Controlling Shareholders and their close associates” in this prospectus |

CONTINUING CONNECTED TRANSACTIONS

(iii) Laundry	the demand for our laundry services remains stable and the service fees will increase by 10% to 40% per annum, depending on the type of customer
(iv) Resident support	the demand for our resident support services is expected to be stable from 2016 to 2018
(v) Employment placement	agency fee is expected to be increased by 15% per annum
(vi) Property agency	the aggregate value of property sale and leasing transactions remain stable from 2016 to 2018

Listing Rules implications: As all applicable percentage ratios (other than the profits ratio) in respect of the proposed aggregate annual caps contemplated under the Master Composite Services Agreement are, on an annual basis, expected to be more than 5% and such proposed aggregate annual caps are more than HK\$10 million, such transactions will constitute non-exempt continuing connected transactions which are subject to the reporting, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS EXEMPT FROM THE REPORTING, ANNUAL REVIEW, ANNOUNCEMENT AND INDEPENDENT SHAREHOLDERS' APPROVAL REQUIREMENTS

Trademark Licence Agreement

A trademark licence agreement (“**Trademark Licence Agreement**”) dated 21 October 2016 was made between Clifford TM (as licensor) and our Company (as licensee). Pursuant to such agreement, Clifford TM agreed to grant to our Company a non-exclusive licence to use certain trademarks (which are used by our Group and also by the Excluded Group) (“**Licensed Trademarks**”). The Trademark Licence Agreement is for a term of 20 years (subject to renewal of the respective trademarks) with effect from 21 October 2016 (i.e. the date of such agreement) at an annual licence fee of HK\$1. Details of the Trademark Licence Agreement are set out in the section headed “Relationship with Controlling Shareholders — Assignment and licensing of certain trademarks owned by the Private Group” in this prospectus.

We have been using the Licensed Trademarks in the business of our Group over the years in relation to the goods and services which are marketed, sold and/or rendered by our Group, and for the related marketing and promotion activities. We intend to continue to use, after Listing, the Licensed Trademarks in such connection because (i) the Licensed Trademarks are considered by the Company to be necessary to our business to align brand image and/or to promote our goods and services; and (ii) a longer duration of the licence term will allow a greater degree of stability and continuity to our business. Our Directors are of the view that it is normal business practise for licence agreement of this type to be of a term exceeding three years and on the same basis, the Sole Sponsor concurs with such view.

As the consideration payable by us in respect of the Trademark Licence Agreement is HK\$1 per annum, the trademark licensing transactions contemplated thereunder constitute *de*

CONTINUING CONNECTED TRANSACTIONS

minimis continuing connected transactions, which are exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

WAIVERS

The continuing connected transactions as contemplated by each of the agreements as described above are expected to continue on a recurring basis after Listing and have been fully disclosed in this prospectus and potential investors will participate in the Global Offering on the basis of such disclosure. Our Directors consider that it would be impractical, unduly burdensome and would add unnecessary administrative costs and workload for us to make disclosure of the transactions in compliance with the requirements under Chapter 14A of the Listing Rules.

Waiver from the announcement, circular and shareholders' approval requirements

We have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules for the Master Tenancy Agreement and the Master Composite Services Agreements. The waiver granted by the Stock Exchange pursuant to the Listing Rules is based on the following conditions:

- (a) in the event of any future amendments to the Listing Rules imposing more stringent requirements than those applicable provisions under Chapter 14A of the Listing Rules as at the date of the prospectus relating to the continuing connected transactions, our Company will take necessary action to ensure compliance with such requirements;
- (b) such transactions will continue to be subject to the annual reporting requirements under Rule 14A.49 and 14A.71 of the Listing Rules; and
- (c) upon expiry of the waiver granted in respect of the announcement, circular and independent shareholders' approval requirements for the period ending 31 December 2018, our Company will comply with the relevant requirements under Chapter 14A of the Listing Rules.

Waiver from the requirements to set a term for the Master Tenancy Agreement and the Trademark Licence Agreement

We have applied to the Stock Exchange for, and the Stock Exchange has granted, in respect of the Master Tenancy Agreement and the Trademark Licence Agreement, a waiver from strict compliance with the requirements to set a term not exceeding three years under Rule 14A.52 of the Listing Rules.

CONFIRMATION FROM OUR DIRECTORS

Our Directors (including INEDs) are of the view that each of the agreements disclosed above has been entered into in the ordinary and usual course of business of our Group, on normal commercial terms that are fair and reasonable and in the interests of our Shareholders

CONTINUING CONNECTED TRANSACTIONS

as a whole. The proposed annual caps mentioned above in respect of the non-exempt continuing connected transactions are also fair and reasonable and in the interest of our Company and our Shareholders as a whole.

Both the Master Tenancy Agreement and the Trademark Licence Agreement have a term exceeding three years due to the nature of the transactions contemplated thereunder. Our Directors (including the INEDs) are of the view that each of the Master Tenancy Agreement and the Trademark Licence Agreement with a term exceeding three years has been entered into in our ordinary and usual course of business of our Group, on normal commercial terms that are fair and reasonable and in the interests of our Company and our Shareholders as a whole and it is normal business practise for these agreements to have a relatively long duration.

CONFIRMATION FROM THE SOLE SPONSOR

The Sole Sponsor has reviewed the relevant documents, information and historical figures provided by our Group and has participated in the due diligence and discussions with the management teams as well as the independent property valuer, Jones Lang LaSalle, in connection with the Listing. It has obtained necessary representations and confirmations from our Company and our Directors. Based on the above, the Sole Sponsor is of the view that the non-exempt continuing connected transactions (including the relevant annual caps and pricing terms which form part of the terms of such transactions) arise in the ordinary and usual course of business of our Group, and are on normal commercial terms, fair and reasonable and in the interests of our Company and the Shareholders as a whole. As for the duration of the Master Tenancy Agreement and the Trademark Licence Agreement, it is normal business practise for agreements of these types to have such duration.

DISCONTINUED RELATED PARTY TRANSACTIONS

During the Track Record Period and up to the Latest Practicable Date, our Group entered into certain related party transactions with its related parties (“**Related Party Transactions**”). Details of Related Party Transactions are set out in note 28 to the Accountant’s Report in Appendix I to this prospectus.

Provision of management consultancy services by Guangzhou Clifford Living Services Management Company Limited 廣州市祈福生活服務管理有限公司 (“GZ Living Services Management”)

During the Track Record Period, we engaged GZ Living Services Management to provide us with management consultancy services. No long term agreement was entered into between our Group and GZ Living Services Management. Our Directors considered the fees charged by GZ Living Services Management were comparable with the fees charged by other providers of similar services, and that such fees were reasonable, fair and on normal commercial terms. For the years ended 31 December 2013 and 2014, the total fees paid by us to GZ Living Services Management in respect of such service amounted to an aggregate of approximately RMB0.7 million and RMB0.7 million, respectively. Our Directors consider that the terms of the said transactions were fair and reasonable and on normal commercial terms. We ceased to engage GZ Living Services Management and no agreement was entered into between GZ Living Services Management and our Group since January 2015.

CONTINUING CONNECTED TRANSACTIONS

Provision of information technology consulting and supporting services by Guangzhou Fortune Software Limited 廣州市科進計算機技術公司 (“GZ Fortune Software”)

During the Track Record Period, we engaged GZ Fortune Software to provide us with information technology consulting and supporting services. No long term agreement was entered into between our Group and GZ Fortune Software. Our Directors considered the fees charged by GZ Fortune Software were comparable with the fees charged by other providers of similar services, and that such fees were reasonable, fair and on normal commercial terms. For the year ended 31 December 2014, the total fees paid by us to GZ Fortune Software amounted to approximately RMB0.3 million. Our Directors consider that the terms of the said transactions were fair and reasonable and on normal commercial terms. We ceased to engage GZ Fortune Software to provide us with such services in December 2014.

Provision of loans to/from related parties

During the Track Record Period, we provided interest-bearing loans to our related parties. No long term agreement was entered into between our Group and each of the related parties involved. For the years ended 31 December 2013, 2014 and 2015, interest income from loans to related parties amounted to RMB4.2 million, RMB3.3 million and RMB0.3 million, respectively. For the year ended 31 December 2014, interest expenses of loan from a related party amounted to RMB111,000. All such loans were repaid before 30 September 2015. We ceased to provide any loans to or borrow from any of our related parties subsequent to January 2015 and up to the Latest Practicable Date.

Reimbursement of purchase cost of customised renovation, fixture, fittings and furniture to Guangzhou Crown Property Limited* 廣州市冠都物業有限公司 (“GZ Crown”)

For the five months ended 31 May 2016, in order to expedite the commencement of operation of our Group’s outlets in a newly developed shopping plaza at Clifford Landmark (祈福名都花園), it was agreed that GZ Crown (a member of the Private Group in charge of the supervision on maintenance and general renovation of the Clifford Landmark) would provide customised renovation services (including purchases of fixture, fittings and furniture, as an all-in-one package) for the said outlets when they were under construction. In return, we agreed to reimburse GZ Crown at cost for the customised renovation services and the purchase cost of these fixture, fittings and furniture. No long term agreement was entered into between our Group and GZ Crown. Our Directors considered that the customised renovation services fees (including the purchase cost of fixture, fittings and furniture) charged by GZ Crown were fair and reasonable and on normal commercial terms or better, as GZ Crown did not intend to take any economic benefit from our Group with this transaction and merely charged our Group at cost. The total fees for such period charged by GZ Crown amounted to approximately RMB8.1 million, which has been agreed to be settled by us on or before 8 November 2016. GZ Crown ceased to provide us with such services in June 2016.

DIRECTORS AND SENIOR MANAGEMENT

GENERAL INFORMATION OF OUR DIRECTORS AND SENIOR MANAGEMENT

Our Board is responsible and has general powers for the management and conduct of our business. Our Board consists of four executive Directors, one non-executive Director and three INEDs. The following table sets out certain information about our Directors:

Name	Age	Position/Title	Date of joining our Group	Date of first becoming a Director	Roles and responsibilities
Ms. MAN Lai Hung (孟麗紅)	57	Chairman and executive Director	October 1998	6 January 2016	Strategic planning and direction and overall performance
Mr. SUN Derek Wei Kong (孫偉剛)	38	Executive Director, cum Chief Executive Officer	March 2015	6 January 2016	Managing the overall operations of our Group, planning our business and development strategies and overseeing the management of our Group's business
Mr. LEONG Chew Kuan (梁昭坤)	39	Executive Director, cum Chief Financial Officer	February 2015	6 January 2016	Taking charge of financial planning and management, and treasury management
Ms. LIANG Yuhua (梁玉華)	51	Executive Director, cum Chief Operating Officer	March 2010	6 January 2016	Managing the general operations of our Group and supervising the overall business performance of all business segments of our Group
Mr. LIU Xing (劉興)	53	Non-executive Director	January 2016	6 January 2016	Advising on legal issues and matters of the Group and overseeing general compliance of rules and regulations of the Group's operation
Ms. LAW Elizabeth (羅君美)	62	INED	October 2016	21 October 2016	} See note below
Mr. HO Cham (何湛)	59	INED	October 2016	21 October 2016	
Mr. MAK Ping Leung (alias Mr. MAK Wah Cheung) (麥炳良, 又名麥華章)	66	INED	October 2016	21 October 2016	

DIRECTORS AND SENIOR MANAGEMENT

Note: Participating in meetings of the Board to bring an independent judgement to bear on issues of strategy, performance, accountability, resources, key appointments and standards of conduct and transactions which are material to our Group as and when required; taking the lead where potential conflicts of interest arise and serving on the audit committee, remuneration committee and the nomination committee (as the case may be).

The following table sets out certain information about other members of senior management of our Group:

Name	Age	Position/Title	Date of joining our Group	Roles and responsibilities
Mr. DENG Zhengchuan (鄧正川)	44	General manager of retail services	May 2012	Responsible for managing and overseeing the operation of retail business of our Group
Mr. CEN Jiayin (岑家殷)	34	General manager of the catering services	April 2012	Responsible for managing and overseeing the operation of catering services business of our Group
Mr. CHEN Yuxiong (陳宇雄)	50	Chief operation officer of property management services	October 1998	Responsible for managing and overseeing the operation of property management services business of our Group
Mr. CHEN Zhezhen (陳哲臻)	46	Human resources manager of the Group	January 2015	Overseeing human resources allocation and staff development of our Group
Mr. YU Ding Him Anthony (余定謙)	31	Company secretary	February 2015	Responsible for company secretarial matters of our Group

DIRECTORS

Chairman and executive Director

Ms. MAN Lai Hung (孟麗紅), aged 57, is the chairman of our Group and an executive Director. She is primarily responsible for strategic planning and direction and overall performance of our Group. Ms. Man obtained a degree of Bachelor of Business Administration from The Chinese University of Hong Kong in December 1982.

Ms. Man is a member of the Eleventh Guangdong Committee of the Chinese People's Political Consultative Conference* (中國人民政治協商會議第十一屆廣東省委員會). She is a member of the standing committee of the Thirteenth Beijing Women's Federation* (北京市婦女聯合會) and also serves as the vice president of the Fourteenth Executive Committee of the Guangzhou Chamber of Commerce* (廣州市總商會) and the vice chairman of the Ninth Standing Committee of the Chamber of Commerce of Guangzhou Foreign Investment

DIRECTORS AND SENIOR MANAGEMENT

Enterprises (廣州外商投資企業商會). Ms. Man was appointed as the honorary chairman of Baise City Education Fund* (百色市教育基金會) in November 2014 and was one of the winners of the Fourth Outstanding Entrepreneur Social Responsibility Award* (第四屆傑出企業家社會責任獎) organised by The Mirror (鏡報) in Hong Kong in March 2015. Ms. Man serves as the founding member of the “Business for Social Good Platform” (商社聚賢平台) organised by Our Hong Kong Foundation (團結香港基金) since July 2016.

Ms. Man first joined the Private Group in around 1990. Over the years, she has accumulated extensive experience in administration and management in businesses comprising property development, property management, retail, catering, education and other ancillary living services. Currently Ms. Man is a director in various members of the Private Group in which she has assumed only a non-executive role since her founding of our Group.

Ms. Man is the founder of our Group and has since been in charge of the strategic development, management, operations as well as the overall performance of our Group. She is the sole shareholder of Elland Holdings, which in turn is the sole shareholder of our Company. As at the Latest Practicable Date, Ms. Man is a director of each of the subsidiaries of our Group.

In the three years preceding the Latest Practicable Date, Ms. Man did not hold any directorship in any listed companies.

Executive Directors

Mr. SUN Derek Wei Kong (孫偉剛), aged 38, is an executive Director and the chief executive officer of our Group. He is primarily responsible for managing the overall operations of our Group and in particular, planning our business and development strategies and overseeing the management of our Group’s business. Mr. Sun was awarded the degree of Bachelor of Science by the Columbia University in the City of New York in May 1999.

Mr. Sun is a member of the Twelfth Guangzhou Committee of the Chinese People’s Political Consultative Conference* (中國人民政治協商會議第十二屆廣州市委員會). He is also vice chairman of the Eighth Zhongshan Committee of the Youth Federation* (第八屆中山市青年聯合會).

Mr. Sun was the executive vice president of the Private Group between January 2008 and January 2016, and was in charge of strategy formulation and operational management in businesses comprising property development and management, hotel, health care, education and information technology. In March 2015, Mr. Sun joined our Group as the chief executive officer responsible for overseeing the overall management and operation of our Group. He has been actively involved in the reorganisation of our Group and the process of preparing for the Listing.

Mr. Sun has extensive experience in strategic planning and operational management. From November 2003 to January 2008, Mr. Sun served as a consultant of McKinsey & Company, Inc. Hong Kong, a management consulting firm, in which Mr. Sun formulated and advised on strategic development and operations of major infrastructure companies and financial institutions in the Greater China region.

In the three years preceding the Latest Practicable Date, Mr. Sun did not hold any directorship in listed companies.

DIRECTORS AND SENIOR MANAGEMENT

Mr. LEONG Chew Kuan (梁昭坤), aged 39, is an executive Director and the chief financial officer of our Group. He is primarily responsible for financial reporting and management and business planning of our Group. Mr. Leong was awarded a degree of Bachelor of Business by the University of Technology, Sydney in July 2000.

Mr. Leong has been a member of HKICPA since May 2014 and a member of the Malaysian Institute of Accountants since August 2003. Mr. Leong was also admitted as a member of CPA Australia in February 2000 and was awarded a fellow membership in February 2014.

Mr. Leong joined the Private Group as financial controller in March 2014 and ceased to hold such office in January 2016. Since February 2015, Mr. Leong joined our Group as the chief financial officer responsible for overseeing the financial planning and management of our Group. He has been actively involved in the reorganisation of our Group and the process of preparing for the Listing.

Mr. Leong has extensive experience in accounting, auditing and corporate finance. From June 2004 to May 2006, Mr. Leong was employed by KPMG (Malaysia), a firm of certified public accountants, serving first as audit senior and then senior associate, in which he was responsible for performing audit works. Mr. Leong was then employed by KPMG (Hong Kong) in November 2006, and was a manager responsible for auditing and advisory works when leaving in January 2010. Immediately before joining our Group, Mr. Leong worked as a senior manager in the risk advisory services department of BDO Financial Services Limited, a firm of certified public accountants in Hong Kong for the period from May 2011 to February 2014.

In the three years preceding the Latest Practicable Date, Mr. Leong did not hold any directorship in listed companies.

Ms. LIANG Yuhua (梁玉華), aged 51, is an executive Director and also the Chief Operating Officer of our Group. She is primarily responsible for managing the general operations as well as supervising the overall business performance of all business segments of our Group. Ms. Liang was awarded a diploma in administrative management (行政管理專業) by the College of Continuing Education of Zhongkai University of Agriculture and Engineering* (仲愷農業工程學院繼續教育學院) in December 2014.

Ms. Liang joined our Group in March 2010 and up to April 2012, she was the then general manager of the retail department of Guangzhou Clifford Trading and was in charge of managing the overall business operation. She has since April 2012 become the chief operating officer of our Group responsible for overseeing the overall business operation and management.

Before joining our Group, Ms. Liang was employed by the Private Group. Ms. Liang worked as the manager of the resort department of Clifford Estates (Panyu) Limited* (廣州市番禺祈福新邨房地產有限公司俱樂部) between June 1992 and June 1998, a member of the Private Group engaged in real estate development, and Guangzhou Panyu Clifford Estates Resort Club Company Limited* (廣州市番禺祈福新邨渡假俱樂部有限公司) between July 1998 and February 2010, a company engaged in the provision of resort and recreational facilities, respectively.

DIRECTORS AND SENIOR MANAGEMENT

In the three years preceding the Latest Practicable Date, Ms. Liang did not hold any directorship in listed companies.

Non-executive Director

Mr. LIU Xing (劉興), aged 53, is a non-executive Director. He is primarily responsible for advising on legal issues and matters of the Group and overseeing general compliance of rules and regulations of the Group's operation. Mr. Liu was awarded a degree of Bachelor of Law by the then Zhongnan Institute of Politics and Law (中南政法學院) (currently known as Zhongnan University of Economics and Law (中南財經政法大學)) in July 1986. Mr. Liu was issued with a qualification certificate as an accredited lawyer in the PRC by the Administrative Department of Hubei Province Xianning City* (湖北省咸寧地區行政公署) in April 1991. He is currently a non-practising lawyer.

Mr. Liu is a member of the Twelfth Guangzhou Committee of the Chinese People's Political Consultative Conference* (中國人民政治協商會議第十二屆廣州市委員會). He has become a judicial inspector of the Guangzhou Intermediate People's Court* (廣州市中級人民法院司法監督員) since September 2012. Mr. Liu is also the executive president of the Guangdong Real Estate Chamber of Commerce* (廣東省地產商會).

In July 1986, Mr. Liu started to work for the Justice Bureau of Hubei Province Xianning City* (湖北省咸寧地區司法局) and was an accredited lawyer of the consultancy department of the Justice Bureau of Hubei Province Xianning City* during August 1988 to August 1995. Mr. Liu founded Hubei Province Haizhou Law Office* (湖北省海舟律師事務所) in August 1995 and up to February 1999 when he assumed the office as the chief lawyer (主任律師).

From July 2000 onward, Mr. Liu has been employed by Clifford Estates (Panyu) Limited* (廣州市番禺祈福新邨房地產有限公司), assuming various offices including being the in-house counsel since July 2000 and the legal manager of the legal department since January 2002. Mr. Liu was promoted to the office as the legal director of Clifford Estates (Panyu) Limited* in September 2010 in which he was in charge of overseeing the legal department and providing legal advice in relation to business negotiations and drafting of contracts and other relevant legal documents.

In the three years preceding the Latest Practicable Date, Mr. Liu did not hold any directorship in listed companies.

Independent non-executive Directors

Ms. LAW Elizabeth (羅君美), MH JP, aged 62, was appointed an INED of our Company with effect from 21 October 2016. Ms. Law graduated from McGill University in Canada with a degree of Bachelor of Commerce (majoring in Accounting) in May 1976. Ms. Law became a chartered accountant in Canada in June 1979, an associate of HKICPA in May 1982, a chartered accountant in England and Wales in February 2006 and a fellow certified public accountant in Australia in November 2009. She is a fellow of HKICPA since December 1991, a fellow of The Taxation Institute of Hong Kong since April 2003 and a chartered professional accountant in Canada since November 2012.

Ms. Law served as the president of The Society of Chinese Accountants and Auditors in 1993. She was the founding president of the Association for Women Accountants (Hong Kong)

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Ltd and has been appointed as the honorary founding president since 2008. Ms. Law was appointed as Justice of the Peace in Hong Kong in 2009 and is a member of the Eleventh Chinese People's Political Consultative Conference Guangdong Committee* (中國人民政治協商會議第十一屆廣東省委員會委員).

Currently, Ms. Law is the managing director of Law & Partners CPA Ltd. and the proprietor of Stephen Law & Company, Certified Public Accountants.

As at the Latest Practicable Date and in the three years preceding that date, Ms. Law was an independent non-executive director of Sunwah Kingsway Capital Holdings Limited (新華滙富金融控股有限公司) (listed in the Stock Exchange with stock code: 188) and China Vanke Co., Ltd. (萬科企業股份有限公司) (listed in the Stock Exchange with stock code: 2202 for H shares and listed in Shenzhen Stock Exchange with stock code: 000002 for A shares), and she was also an independent non-executive directors of Sunwah International Limited (listed in Toronto with stock code: SWH).

Save as disclosed above, in the three years preceding the Latest Practicable Date, Ms. Law did not hold any directorship in other listed companies.

Mr. HO Cham (何湛), aged 59, was appointed an INED of our Company with effect from 21 October 2016. Mr. Ho was awarded a degree of Bachelor of Laws and the Postgraduate Certificate in Laws by the University of Hong Kong in November 1980 and July 1981 respectively. Mr. Ho was admitted as a solicitor of the then Supreme Court of Hong Kong (currently known as the High Court of Hong Kong) in March 1983 and as a solicitor of the Supreme Court of England in January 1990. Mr. Ho is currently a practising solicitor in Hong Kong.

From July 1981 to February 1983, Mr. Ho worked as an articled clerk at Johnson Stokes and Master. In March 1983, Mr. Ho joined Ho and Wong as assistant solicitor and became a partner of Ho and Wong in 1987. Currently Mr. Ho is the senior and managing partner of Ho and Wong.

In the three years preceding the Latest Practicable Date, Mr. Ho did not hold any directorship in listed companies.

Mr. MAK Ping Leung (alias Mr. MAK Wah Cheung) (麥炳良, 又名麥華章), aged 66, was appointed an INED of our Company with effect from 21 October 2016. Mr. Mak obtained a degree in Bachelor of Arts from the University of Hong Kong in November 1973.

Currently, Mr. Mak is the managing director of the Hong Kong Economic Times Holdings Limited (香港經濟日報集團有限公司) (“**HKET**”) and publisher of Hong Kong Economic Times and Sky Post. He is also a founder of HKET. Mr. Mak is responsible for formulating the business strategies and the overall management of publishing, recruitment advertising and printing production of HKET. He has over 30 years of extensive experience in the media and publishing industry. Prior to the founding of HKET in 1987, he was the bureau chief of the European Bureau of Wen Wei Po in London, and was later promoted to the office of deputy general manager of Wen Wei Po. Mr. Mak is currently an honorary advisor of Hong Kong Institute of Marketing. In 1988, Mr. Mak was elected as one of the Ten Outstanding Young Persons of Hong Kong organised by Junior Chamber International Hong Kong

DIRECTORS AND SENIOR MANAGEMENT

(formerly know as Hong Kong Junior Chamber). In 2012, Mr. Mak won the Outstanding Entrepreneurship Award of the Asia Pacific Entrepreneurship Awards 2012 organised by Enterprise Asia.

As at the Latest Practicable Date and in the three years preceding that date, Mr. Mak was an executive director of HKET (stock code: 423), a listed company in Hong Kong. From March 2010 to June 2013, Mr. Mak was also an independent non-executive director of North Asia Resources Holdings Limited (北亞資源控股有限公司) (stock code: 61).

Save as disclosed above, in the three years preceding the Latest Practicable Date, Mr. Mak did not hold any directorship in other listed companies.

General

Save as disclosed above, there is no other information relating to our Directors that needs to be disclosed under the requirements under Rule 13.51(2) of the Listing Rules.

Save as disclosed above, none of our Directors:

- (i) held any other positions in our Company or other members of our Group as at the Latest Practicable Date;
- (ii) had any other relationship with any Directors, senior management or Substantial Shareholders or Controlling Shareholders of our Company as at the Latest Practicable Date;
- (iii) held any other directorships in listed public companies in the three years prior to the Latest Practicable Date; and
- (iv) are a director or an employee of a company which has an interest or short position in the Shares or underlying shares in our Company.

Except for such interests of (i) Ms. Wendy Man in the Shares which are disclosed in the section headed “Substantial Shareholders” in this prospectus and (ii) all our Directors (except all INEDs) who are holders of Pre-IPO Share Options (further details of which are set out in paragraph 4.1(c) of “Appendix IV — Statutory and General Information” in this prospectus), each of our Directors did not have any interest in the Shares within the meaning of Part XV of the SFO.

Each of our Director confirmed that as at the Latest Practicable Date, he/she had not had any business which directly or indirectly, compete or may compete, with our Group, save for:

- (i) Ms. Wendy Man and her close associates having interests in certain companies as disclosed in the section headed “Relationship With Controlling Shareholders — Competing interests” in this prospectus; and
- (ii) Ms. Law Elizabeth being an independent non-executive director of China Vanke Co., Ltd. (萬科企業股份有限公司) (listed in the Stock Exchange with stock code: 2202 for H shares and listed in Shenzhen Stock Exchange with stock code: 000002

DIRECTORS AND SENIOR MANAGEMENT

for A Shares), a company which is principally engaged in residential property development and the provision of property management services.

Save as disclosed above, to the best of the knowledge, information and belief of our Directors after having made all reasonable enquiries, there was no other matter with respect to the appointment of our Directors that needs to be brought to the attention of our Shareholders and there was no information relating to our Directors that is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules as at the Latest Practicable Date.

SENIOR MANAGEMENT AND COMPANY SECRETARY

Mr. DENG Zhengchuan (鄧正川), aged 44, joined our Group in May 2012 and has since become the general manager of Guangzhou Clifford Trading, responsible for managing and overseeing the operation of retail business of our Group.

Mr. Deng has extensive working experience in operation and management of retail business. He was the senior managing supervisor of the retail stores of Guangdong Aeon Team Co., Ltd.* (廣東永旺天河城商業有限公司) from April 1996 to November 2007 and the manager of the supermarket department of Guangdong Lerun Department Store Company Limited* (廣東樂潤百貨有限公司) since March 2008. From May 2009 to May 2012, Mr. Deng worked as a store general manager of Ole', one of the leading chain supermarkets operated by China Resources Vanguard Co., Ltd.* (華潤萬家有限公司).

In the three years preceding the Latest Practicable Date, Mr. Deng did not hold any directorship in listed companies.

Mr. CEN Jiayin (岑家殷), aged 34, joined our Group in April 2012 and has since become the general manager of Guangzhou Mascot Catering Limited, responsible for managing and overseeing the operation of catering services business of our Group.

Prior to joining our Group, Mr. Cen worked for GZ Haoxuan Catering Management Company Limited* (廣州市浩軒餐飲管理有限公司), a company engaging in provision of catering management and operation services, from June 2002 to July 2007 as an operation manager responsible for overseeing general operation. From August 2007 to February 2012, Mr. Cen worked for Guangzhou Jinzhan Catering Management Company Limited* (廣州市金展餐飲管理有限公司), a company engaging in provision of investment management and marketing planning for catering business services, in which Mr. Cen was responsible for overseeing the management and business development.

In the three years preceding the Latest Practicable Date, Mr. Cen did not hold any directorship in listed companies.

Mr. Chen Yuxiong (陳宇雄), aged 50, joined our Group in April 2004 and is currently the chief operation officer of Guangzhou Panyu Clifford Property Management Limited, responsible for managing and overseeing the operation of the property management services business of our Group. He obtained a degree of Bachelor of Engineering from the Guangdong Mechanical Engineering Institution* (廣東機械學院) (currently known as Guangdong University of Technology (廣東工業大學) in June 1988.

Mr. Chen has extensive experience in multiple aspects of the property management business. Mr. Chen joined GZ Panyu Clifford Property Management since its establishment in

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October 1998, and has since served as the property management director responsible for managing and overseeing the operation of property management services. Mr. Chen has also overseen the management and operation of Foshan Clifford Property Management since its establishment.

In the three years preceding the Latest Practicable Date, Mr. Chen did not hold any directorship in listed companies.

Mr. Chen Zhezhen (陳哲臻), aged 47, is the human resources manager of the Group responsible for overseeing human resources allocation and staff development of our Group. Mr. Chen was elected as a council member of Panyu Tourism Association* (廣州市番禺區旅遊協會) in March 2014.

Mr. Chen joined our Group in January 2015 as the personnel administration manager of Guangzhou Mascot Catering. Prior to joining our Group, Mr. Chen was the personnel administration manager of Guangzhou Panyu Clifford Estates Resort Club Company Limited* (廣州市番禺祈福新邨渡假俱樂部有限公司), a member of the Private Group which engaged in the provision of resort and recreational facilities, from August 2000 to July 2011. From August 2011 and up to December 2014, Mr. Chen served as the director of the personnel administration department of the said company. Since then and up to the Latest Practicable Date, Mr. Chen did not hold any office in any subsidiaries of the Private Group.

In the three years preceding the Latest Practicable Date, Mr. Chen did not hold any directorship in listed companies.

Mr. YU Anthony Ding Him (余定謙), aged 31, was appointed as the company secretary of our Company on 6 January 2016, responsible for company secretarial matters of our Group. Mr. Yu was awarded a degree of Bachelor of Commerce in April 2009 by the University of South Australia. By profession, he has been a member of CPA Australia since January 2013 and a member of HKICPA since May 2014. Mr. Yu was also admitted as an associate of the Chartered Institute of Management Accountants in March 2013.

Mr. Yu joined an accounting firm Eric C.K. Fok & Co. from March 2009 as an auditor-junior and left the said firm in December 2010 as an auditor-senior. In January 2011 Mr. Yu joined BDO Limited (the Hong Kong member firm of a global accounting network BDO International Limited) as an associate 2 in the assurance department. He left the said firm in January 2014 as a senior associate. Immediately before joining our Group, from January 2014 to July 2014, Mr. Yu was the deputy chief financial officer of Flying Financial Service Holdings Limited, a company mainly engaged in the provision of integrated financial services which is listed in the Stock Exchange (stock code: 8030).

Mr. Yu joined the Private Group as financial manager in July 2014. Mr. Yu joined our Group in February 2015 and has been responsible for company secretarial matters of our Group. He has been actively involved in the reorganisation of our Group and the process of preparing for the Listing.

In the three years preceding the Latest Practicable Date, Mr. Yu did not hold any directorship in listed companies.

DIRECTORS AND SENIOR MANAGEMENT

Human Resources

Our Company generally maintains good employee relations. Our Company has not experienced any significant problems with the recruitment or retention of experienced employees. In addition, our Company has not suffered from any material disruption of its normal business operations as a result of labour disputes or strikes. The remuneration payable to our employees includes salaries and allowances.

As at 31 May 2016, we had approximately 3,268 employees, substantially all of whom are located in the PRC. The following table shows a breakdown of our employees by business segments of our Group as at 31 May 2016.

Segments	Number
Property management services	2,358
Retail services	218
Catering services	500
Ancillary Living Services	<u>192</u>
Total	<u><u>3,268</u></u>

For further details of the breakdown of our employees by function as of 31 May 2016, please see the section headed “Business — Employees” in this prospectus.

Benefits and social insurance

As required by the PRC regulations on social insurance, our Company participates in the social insurance schemes operated by the relevant local government authorities which include retirement pension, medical insurance, unemployment insurance, industrial injuries insurance, maternity insurance and housing provident fund. Our Company also provides other additional insurance plans for our employees such as additional medical insurance for individuals and groups and employees’ injuries insurance.

For the Track Record Period, our Group accrued (i) housing provident fund and allowance in the sum of RMB599,000, RMB721,000, RMB1,413,000 and RMB898,000 respectively, (ii) retirement pension, medical insurance, unemployment insurance, industrial injuries insurance and maternity insurance in the sum of RMB8,888,000, RMB7,725,000, RMB 7,625,000 and RMB3,372,000 respectively, and (iii) other additional insurance plans for our employees in the sum of RMB3,853,000, RMB3,560,000, RMB4,030,000 and RMB1,999,000.

For further details about the payment of social insurance contribution and housing provident fund during the Track Record Period, please see the paragraph headed “Business — Legal proceedings and compliance — Non-compliance record” in this prospectus.

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Remuneration Policy

The aggregate amounts of remuneration of our Directors paid by our Group for each of the years ended 31 December 2013, 2014 and 2015 and the five months ended 31 May 2016 were approximately RMB350,000, RMB373,000, RMB529,000 and RMB853,000 respectively. Details of the arrangement for remuneration are set out in Note 30 to the Accountant's Report in Appendix I to this prospectus. Under such arrangement and pursuant to the Directors' service agreements and letters of appointment referred to in the paragraph headed "3.2 Directors' service contracts and letters of appointment" under the section headed "Statutory and General Information" as set out in Appendix IV to this prospectus, the aggregate amount of Directors' fee and other emoluments payable to the Directors for the year ending 31 December 2016 is estimated to be approximately RMB2.12 million, excluding any discretionary bonuses.

Our Directors and senior management receive compensation in the form of salaries, benefits in kind and/or discretionary bonuses relating to the performance of our Group. Our Company also reimburses them for expenses which are necessarily and reasonably incurred for providing services to our Company or executing their functions in relation to its operations. Our Company regularly reviews and determines the remuneration and compensation packages of our Directors and senior management.

After Listing, the remuneration committee of our Company will review and determine the remuneration and compensation packages of our Directors and senior management with reference to salaries paid by comparable companies, time commitment and responsibilities of our Directors and performance of our Group.

During the Track Record Period, no remuneration was paid by our Company to, or received by, our Directors as an inducement to join or upon joining our Company.

PRE-IPO SHARE OPTION SCHEME

The Company has formally adopted the Pre-IPO Share Option Scheme on 21 October 2016. The purpose of the Pre-IPO Share Option Scheme is to recognise and reward the contribution of certain Directors, senior management, employees and former employees of the Group to the growth and the development of the Group and the listing of the Shares on the Main Board. As at the Latest Practicable Date, options to subscribe for an aggregate of 21,175,000 Shares had been granted by the Company to a total of 27 grantees under the Pre-IPO Share Option Scheme, none of which has been exercised by the grantees. A summary of the principal terms of the Pre-IPO Share Option Scheme is set out in the paragraph headed "— 4.1 Pre-IPO Share Option Scheme" in Appendix IV to this prospectus.

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BOARD COMMITTEES

The audit committee, remuneration committee and nomination committee of our Company were approved to be established by resolutions passed by our Board on 21 October 2016. The membership of such committees is as follows:

Name of Director	Audit Committee	Remuneration Committee	Nomination Committee
<i>Executive Director</i>			
Ms. MAN Lai Hung	N.A.	Member	Chairman
Mr. SUN Derek Wei Kong	N.A.	N.A.	N.A.
Mr. LEONG Chew Kuan	N.A.	N.A.	N.A.
Ms. LIANG Yuhua	N.A.	N.A.	N.A.
<i>Non-executive Director</i>			
Mr. LIU Xing	Member	N.A.	N.A.
<i>INED</i>			
Ms. LAW Elizabeth	Chairman	Member	Member
Mr. HO Cham	Member	N.A.	Member
Mr. MAK Ping Leung (alias Mr. MAK Wah Cheung)	Member	Chairman	N.A.

Each of the above three committees has written terms of reference. The functions of the above three committees are summarised as follows:

Audit committee

Our audit committee has written terms of reference in compliance with Code C.3 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The primary duties of the audit committee of our Company are mainly to make recommendations to the Board on the appointment and dismissal of the external auditor, review the financial statements and material and provide advice in respect of financial reporting and oversee the internal control procedures of our Company.

Remuneration committee

Our Company has written terms of reference in compliance with Code B.1 the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The primary functions of the remuneration committee of our Company are to make recommendation to the Board on the overall remuneration policy and the structure relating to all Directors and senior management of our Group, review performance-based remuneration and ensure none of our Directors determine their own remuneration.

Nomination Committee

Our Company has written terms of reference in compliance with Code A.5 the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The primary functions of the nomination committee of our Company are to review the structure, size and composition

DIRECTORS AND SENIOR MANAGEMENT

(including the skills, knowledge and experiences) of the Board at least annually and make recommendation to the Board on any proposed changes to the Board to complement the Company's corporate strategy; identify individuals suitably qualified as potential board members and select or make recommendations to the board on the selection of individuals nominated for directorships; to assess the independence of INEDs; and make recommendations to the board on the appointment or re-appointment of Directors and succession planning of Directors, in particular that of our chairman and the chief executive officer.

COMPLIANCE ADVISER

We have agreed to appoint Guotai Junan Capital Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules, and the term of its appointment will commence from the Listing Date. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will advise us on, among other matters, the following:

- (a) (before its publication) any regulatory announcement, circular or financial report;
- (b) a transaction is contemplated, which might be a notifiable or connected transaction or will involve Share issues and Share repurchases;
- (c) where our Company proposes to use the net proceeds of the Global Offering in a manner different from that set out in this prospectus or where our business activities, development or results deviate from any forecast, estimate, or other information in this prospectus; and
- (d) where the Stock Exchange makes any inquiry of us regarding unusual movements in the price or trading volume of our Shares.

The term of appointment of our compliance adviser will end on the date of despatch of our annual report in respect of our financial results for the first full financial year commencing after the Listing Date. Such appointment may be subject to extension by mutual agreement.

SHARE CAPITAL

SHARE CAPITAL

The following is a description of the authorised and issued share capital of our Company as at the date of this prospectus and immediately after completion of the Global Offering and the Capitalisation Issue. This table does not take into account Shares which may be issued upon exercise of the Pre-IPO Share Options and any options which may be granted under the Share Option Scheme.

Authorised share capital:

	<i>HK\$</i>
10,000 million	Shares
	100,000,000

Issued and to be issued, fully paid or credited as fully paid:

		<i>HK\$</i>
1 million	Shares in issue at the date of this prospectus	10,000
749 million	Shares to be issued under the Capitalisation Issue	7,490,000
250 million	Shares to be issued pursuant to the Global Offering (excluding any Shares which may be issued under the Over-allotment Option)	2,500,000
<u>1,000 million</u>	Shares	<u>10,000,000</u>

Assuming the Over-allotment Option is exercised in full, the issued share capital of our Company immediately following completion of the Global Offering and the Capitalisation Issue will be as follows (without taking into account any Shares which may be issued and allotted pursuant to the exercise of options granted under the Pre-IPO Share Option Scheme and to be granted under the Share Option Scheme):

Issued and to be issued, fully paid or credited as fully paid:

		<i>HK\$</i>
1 million	Shares in issue at the date of this prospectus	10,000
749 million	Shares to be issued under the Capitalisation Issue	7,490,000
287.5 million	Shares to be issued pursuant to the Global Offering (including any Shares which may be issued under the Over-allotment Option)	2,875,000
<u>1,037.5 million</u>	Shares	<u>10,375,000</u>

The above table assumes that the Global Offering becomes unconditional and the issue of Shares pursuant to the Global Offering and the Capitalisation Issue are made as described herein. It does not take into account any Shares which may be allotted and issued upon

SHARE CAPITAL

exercise of any options which have been or may be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme or any Shares which may be allotted and issued or repurchased by our Company under the Issuing Mandate or the Repurchase Mandate granted to our Directors.

MINIMUM PUBLIC FLOAT

Pursuant to Rule 8.08(1)(a) of the Listing Rules, at the time of Listing and at all times thereafter, our Company must maintain the minimum prescribed percentage of 25% of the issued share capital of our Company in the hands of the public (as defined in the Listing Rules).

RANKING

The Offer Shares and the Shares which may be issued under the Over-allotment Option or upon the exercise of any options which have been or may be granted under the Pre-IPO Share Option Scheme or the Share Option Scheme will rank equally with all of the Shares now in issue or to be issued, and will qualify for all dividends or other distributions declares, made or paid on the Shares after the date of this prospectus, except for the entitlements under the Capitalisation Issue.

ISSUING MANDATE

Subject to the Global Offering becoming unconditional, our Directors have been granted a general unconditional mandate to allot, issue and deal in unissued Shares with an aggregate number not exceeding the sum of

- (a) 20% of the total number of Shares in issue and to be issued immediately following completion of the Global Offering and the Capitalisation Issue, but excluding (where applicable) any Shares which may be issued pursuant to the exercise of the Over-allotment Option or exercise of options that have been or may be granted under the Pre-IPO Share Options or the Share Option Scheme; and
- (b) the total number of Shares repurchased by our Company (if any) pursuant to the repurchase mandate (as mentioned below).

The Issuing Mandate does not apply to situations where our Directors allot, issue or deal in Shares by way of a rights issue, scrip dividend schemes or similar arrangements providing for the allotment of Shares in lieu of the whole or in part of any dividend in accordance with the Articles, or pursuant to the exercise of any subscription or conversion rights attaching to any warrants or any securities which are convertible into Shares, or pursuant to the Capitalisation Issue or the exercise of any options which have been or may be granted under the Pre-IPO Share Option Scheme or the Share Option Scheme, or under the Global Offering. Our Directors may, in addition to Shares which they are authorised to issue under the Issuing Mandate, allot, issue or deal in the Shares pursuant to a right issue, the exercise of subscription rights attaching to any warrants of our Company, scrip dividends or similar arrangements or the exercise of any options that may be granted under the Scheme Option Scheme or any other option scheme or similar arrangement for the time being adopted.

SHARE CAPITAL

This Issuing Mandate will expire upon the earliest occurrence of any of the following:

- at the conclusion of our next annual general meeting; or
- on the date by which our next annual general meeting is required by the Articles or the Companies Law or any other applicable laws to be held; or
- when the authority given to our Directors is revoked or varied by an ordinary resolution passed by our Shareholders in general meeting.

For further details of the Issuing Mandate, please see paragraph 1.3 of the section headed “Appendix IV — Statutory and General Information” to this prospectus.

REPURCHASE MANDATE

Subject to the Global Offering becoming unconditional, our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase Shares with an aggregate number of not exceeding 10% of the total number of Shares in issue and to be issued immediately following completion of the Global Offering and the Capitalisation Issue but excluding (where applicable) any Shares which may be issued pursuant to the exercise of the Over-allotment Option or exercise of any options that have been or may be granted under the Pre-IPO Share Option Scheme or the Share Option Scheme. The Repurchase Mandate only related to repurchase made on the Stock Exchange, or on any other stock exchange on which the Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and which are made in accordance with the Listing Rules. A summary of the relevant Listing Rules is set out in the section headed “Statutory and General Information — 1. Further information about our Group — 1.7 Repurchases by our Company of our own securities” in Appendix IV to this prospectus.

The Repurchase Mandate will expire upon the earliest occurrence of any of the following:

- at the conclusion of our next annual general meeting;
- on the date by which our next annual general meeting is required by the Articles or the Companies Law or any other applicable law to be held; or
- when the authority given to our Directors is revoked or varied by an ordinary resolution passed by our Shareholders in general meeting,

For further details, please see paragraph 1.3 of Appendix IV headed “Statutory and General Information” to this prospectus.

PRE-IPO SHARE OPTION SCHEME

On 21 October 2016, we adopted the Pre-IPO Share Option Scheme. Under which certain Directors, senior management and employees of our Group have been granted options prior to the Listing Date to subscribe Shares. The principal terms of the Pre-IPO Share Option Scheme and particulars of the options granted are set out in paragraph 4.1 of Appendix IV headed “Statutory and General Information” to this prospectus.

SHARE CAPITAL

SHARE OPTION SCHEME

Subject to the Global Offering becoming unconditional, our Company have approved and adopted the Share Option Scheme. For detailed information for the Share Option Scheme, please see paragraph 4.2 of Appendix IV headed “Statutory and General Information” to this prospectus.

CONVENING OF GENERAL AND CLASS MEETINGS

Please see “Appendix III — Summary of the Constitution of The Company and Cayman Islands Company Law” in this Prospectus for details of the circumstances under which general meetings and class meetings of the Company are required.

SUBSTANTIAL SHAREHOLDERS

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following completion of the Global Offering and the Capitalisation Issue (without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option and any Shares which may fall to be issued pursuant to the exercise of any options which have been or may be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme), the following persons will have interests or short positions in our Shares or underlying Shares which would be required to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be directly or indirectly, interested in 10% or more of the issued voting shares of any other member of our Group:

Name	Number of Shares	Approximate percentage of shareholding	Capacity/ Nature of interest
Elland Holdings	750,000,000(L)	75%	Beneficial owner
Ms. Wendy Man	750,000,000(L)	75%	Interest in a controlled corporation
Ms. Wendy Man	5,000,000(L) (Note 4)	0.5%	Beneficial owner
Ms. Wendy Man's Spouse	755,000,000(L)	75.5%	Interest of spouse

Notes:

1. The letter "L" denotes the person's long position in the Shares. This does not take account of up to 37.5 million Shares which may be the subject of the stock borrowing agreement to be entered into between the Stabilising Manager (as borrower) and Elland Holdings (as lender).
2. Elland Holdings is wholly-owned by Ms. Wendy Man.
3. Ms. Wendy Man's Spouse is the spouse of Mr. Wendy Man. By virtue of the SFO, Ms. Wendy Man's Spouse is deemed to be interested in the Shares held by Ms. Wendy Man.
4. These represent the maximum number of Shares which may be allotted and issued to Ms. Wendy Man upon the exercise of the Pre-IPO Share Options granted to her. The Pre-IPO Share Options may be exercised at any time during the period (i) commencing on the business day immediately after the expiry of the six-month period after the Listing Date; and (ii) ending on the date falling five (5) years and six (6) months of the Listing Date. The exercise price for subscription of each Share upon the exercise of the Pre-IPO Share Options is equal to 90% of the final Offer Price.

SUBSTANTIAL SHAREHOLDERS

In addition to the above and so far as our Directors are aware, immediately following the completion of the Global Offering and the Capitalisation Issue, the following person is directly interested in 10% or more of the issued voting shares of our subsidiaries:

Name of subsidiary	Substantial shareholder of such subsidiary	Approximate percentage of shareholding
GZ Panyu Property Management	PRC JV Partner No.1 (a State-owned enterprise)	24.5%

Save as disclosed above, our Directors are not aware of any other persons who will, immediately following the Global Offering and the Capitalisation Issue (without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option and any Shares which may fall to be issued pursuant to the exercise of any options which have been or may be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme), have interests or short positions in our Shares or underlying Shares which would be required to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be directly or indirectly, interested in 10% or more of the issued voting shares of our Company or any of our subsidiaries.

FINANCIAL INFORMATION

You should read the following discussion in conjunction with our consolidated financial statements together with the accompanying notes set forth in the Accountant's Report included as Appendix I to this prospectus and the selected historical financial information and operating data included elsewhere in this prospectus. The Accountant's Report has been prepared in accordance with HKFRSs.

Our historical results do not necessarily indicate results expected for any future periods. The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. Our actual results may differ from those anticipated in these forward-looking statements as a result of any number of factors, including those set forth in "Forward-Looking Statements" and "Risk Factors".

OVERVIEW

We are a service provider with a diversified service portfolio comprising four main service segments, namely, property management services, retail services, catering services and Ancillary Living Services. Our four main service segments are:

- *Property management services*, which primarily include: (i) general property management services; and (ii) resident support services. As of 31 May 2016, our residential property management services cover 12 residential communities of total GFA of approximately 5,647,000 sq.m., all located in Guangdong Province with over 50,000 residential units and two pure commercial properties of a total GFA of approximately 166,000 sq.m.
- *Retail services*, which primarily include: current operation of 17 retail outlets of different scales (one supermarket, one wet market, 14 convenience stores and one imported goods specialty store) mainly located in Clifford Estates and other areas in proximity, covering a total GFA of approximately 10,193 sq.m. as of the Latest Practicable Date;
- *Catering services*, which primarily include: current operation of 18 catering outlets (six Chinese restaurants, six casual dining restaurants, four East Asian and Western restaurants and two cafés) serving different cuisines and in different dining styles mainly located in Clifford Estates and other areas in proximity, covering a total GFA of approximately 6,254 sq.m. as of the Latest Practicable Date;
- *Ancillary Living Services*, including:
 - *Off-campus training services*, which primarily include: (i) off-campus training programmes; and (ii) interest classes.
 - *Property agency services*, which primarily include: (i) property sales agency services with a focus on the secondary residential property market; (ii) property rental agency services; and (iii) post-rental services.
 - *Employment placement services*, which primarily include: (i) placement services; and (ii) labour dispatch services.

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- *Laundry services*, which primarily include: laundry services for (i) individual customers and (ii) corporate customers in proximity.

We experienced growth in terms of revenue during the Track Record Period. Our revenue increased from approximately RMB227.1 million in 2013 to approximately RMB236.8 million in 2014, and further to approximately RMB261.1 million in 2015, which represented a CAGR of approximately 7% from 2013 to 2015. For the five months ended 31 May 2015 and 2016, our revenue was approximately RMB104.5 million and RMB115.1 million, respectively, representing a growth of approximately 10% as compared for the same period during 2015. In particular, Clifford Landmark (祈福名都花園) is a residential community located adjacent to Clifford Estates with a GFA of approximately 214,000 sq.m. as at 31 May 2016 which commenced its delivery of residential units to property owners in around late 2014. During the period from February 2016 to April 2016, we opened and/or relocated a total of 11 catering outlets in Clifford Landmark (祈福名都花園), and in March 2016, we relocated our Clifford Supermarket to Clifford Landmark (祈福名都花園) and opened a new wet market in Clifford Landmark (祈福名都花園). In view of the increased population in Clifford Landmark (祈福名都花園) and its location which is adjacent to Clifford Estates, we generated increased revenue from our property management services, catering services and Ancillary Living Services during the five months ended 31 May 2016.

Our net profit increased from approximately RMB32.7 million in 2013 to approximately RMB34.3 million in 2014, and further to approximately RMB40.1 million in 2015, which represented a CAGR of approximately 11% from 2013 to 2015. For the five months ended 31 May 2015 and 2016, our net profit was approximately RMB15.9 million and RMB10.1 million, respectively, representing a decrease of approximately 36% as compared to that for the same period during 2015, mainly because of the listing expenses incurred in 2016.

The following table sets forth the breakdown of our revenue generated from the main service segments of our businesses during the Track Record Period:

	Year ended 31 December						Five months ended 31 May			
	2013		2014		2015		2015		2016	
	RMB'000	% of revenue	RMB'000	% of revenue	RMB'000	% of revenue	(Unaudited)			
							RMB'000	% of revenue	RMB'000	% of revenue
Property management services	35,247	16%	43,386	18%	50,672	19%	22,344	21%	21,637	19%
Retail services	97,826	43%	98,308	42%	98,668	38%	39,635	38%	40,259	35%
Catering services	69,190	30%	68,549	29%	76,275	29%	28,968	28%	34,993	30%
Ancillary Living Services	24,867	11%	26,601	11%	35,497	14%	13,552	13%	18,183	16%
Total revenue	<u>227,130</u>	<u>100%</u>	<u>236,844</u>	<u>100%</u>	<u>261,112</u>	<u>100%</u>	<u>104,499</u>	<u>100%</u>	<u>115,072</u>	<u>100%</u>

RECENT DEVELOPMENT

PM Foshan PRC Co has signed two property management service contracts with the Private Group to manage two respective residential communities located in Panyu district. As

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of the Latest Practicable Date, the two said residential communities were still in their development stage and the Group expects to commence the general property management services to such residential communities and charge property management service fees on a commission basis in the first quarter of 2017 and by phases from the fourth quarter of 2017 to the first quarter of 2018, respectively. In addition, the Group expects the total general property management service fee income to be RMB2.3 million and RMB0.2 million per year respectively and the average property management service fee income to be RMB3.98 and RMB2.92 per sq.m. per month respectively, for these two said residential communities. By then, the number of residential communities under our management will be expected to increase from 12 communities to 14 communities and with an approximate 669,000 sq.m. increase in the total contracted GFA of our property management services.

We expect that this would bring positive effect to the revenue and gross profit of our general property management services starting from the year of 2017.

After reviewing the operating data for the first nine months of 2016, particularly the operational performance of two retail outlets and three catering outlets after their relocation in the first quarter of 2016, our Directors have confirmed that there has been no material adverse change in the operation and financial results of the operation of the Group since 31 May 2016. For further details on relocation, please see the sections headed “Business — Our retail services” and “Business — Our catering services” in this prospectus. It is estimated that listing expenses of approximately RMB14.3 million are expected to be charged to our consolidated income statement after 31 May 2016. We expect that the listing expenses would adversely affect our profit for the year ending 31 December 2016. For the relevant risk, please see the paragraph headed “Risk Factors — Risks relating to our business — (i) Risks relating to our general operations — The estimated listing expenses may adversely affect our financial results for the year ending 31 December 2016” in this prospectus.

No audited financial statements of our Group, our Company or our subsidiary have been prepared in respect of any period subsequent to 31 May 2016. Our Directors have confirmed that, save for the listing expenses as disclosed in the paragraph headed “— Listing expenses” of this section in this prospectus, since 31 May 2016 and up to the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects of our Group and there is no event which would materially affect the information shown in our consolidated financial statements included in the Accountant’s Report in Appendix I to this prospectus.

BASIS OF PREPARATION

Our Company was incorporated in the Cayman Islands on 6 January 2016 as an exempted company with limited liability under the Companies Law of the Cayman Islands. We underwent the Reorganisation as detailed in the section headed “History, Development and Reorganisation” in this prospectus. Immediately prior to and after the Reorganisation, the business of the Group is controlled and operated by Ms. Wendy Man through the PRC Subsidiaries. Pursuant to the Reorganisation, the business of the Group was transferred to and held by the Company.

The Company has not been involved in any other business prior to the Reorganisation and does not meet the definition of a business.

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The Reorganisation is merely a reorganisation of the business of the Group with no change in management of such business and the ultimate owner of the business of the Group remains the same. Accordingly, the consolidated financial statements of the Group have been prepared applying the similar basis of merger accounting and is presented using the carrying values of the assets, liabilities and operating results of the business of the Group for the Track Record Period.

Inter-company transactions, balances and unrealised gains/losses on transactions between the companies now comprising the Group are eliminated on consolidation. For more information on the basis of preparation of our financial information included herein, please see the Accountant's Report in Appendix I to this prospectus.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our businesses, financial positions and results of operations have been, or may be expected to be in the future, significantly affected by a number of factors, many of which may be beyond our control. A discussion of certain of the key factors is set out below.

Service mix

Our businesses and results of operations are affected by our service mix and our profit margins vary across different services we render within each service segment. During the Track Record Period, the revenue contribution, gross profit and gross profit margin by service segment are set forth in the tables below:

	Year ended 31 December						Five months ended 31 May			
	2013		2014		2015		2015 (Unaudited)		2016	
	RMB'000	% of revenue	RMB'000	% of revenue	RMB'000	% of revenue	RMB'000	% of revenue	RMB'000	% of revenue
Property management services	35,247	16	43,386	18	50,672	19	22,344	21	21,637	19
Retail services	97,826	43	98,308	42	98,668	38	39,635	38	40,259	35
Catering services	69,190	30	68,549	29	76,275	29	28,968	28	34,993	30
Ancillary Living Services	24,867	11	26,601	11	35,497	14	13,552	13	18,183	16
Total revenue	227,130	100	236,844	100	261,112	100	104,499	100	115,072	100

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	Year ended 31 December						Five months ended 31 May			
	2013		2014		2015		2015		2016	
							(Unaudited)			
	Gross profit margin	Gross profit margin	Gross profit margin	Gross profit margin	Gross profit margin	Gross profit margin	Gross profit margin	Gross profit margin	Gross profit margin	Gross profit margin
<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	
Property management services	19,788	56	23,342	54	27,950	55	11,401	51	12,723	59
Retail services	34,095	35	35,850	36	38,189	39	14,963	38	16,577	41
Catering services	9,288	13	13,337	19	16,173	21	5,831	20	6,366	18
Ancillary Living Services	<u>12,350</u>	50	<u>13,281</u>	50	<u>18,146</u>	51	<u>7,565</u>	56	<u>9,917</u>	55
Total gross profit	<u>75,521</u>	33	<u>85,810</u>	36	<u>100,458</u>	38	<u>39,760</u>	38	<u>45,583</u>	40

Our different service segments constituted different proportion of our total revenue and have different profit margins. Any change in the structure of revenue contribution from service segments or change in profit margin of any of our service segments may have a corresponding impact on our overall profit margin.

Our Contracted GFA Under Management

During the Track Record Period, we generated a substantial and increasing part of our revenue from our property management services. Revenue from our property management services amounted to approximately RMB35.2 million, RMB43.4 million, RMB50.7 million, RMB22.3 million and RMB21.6 million, accounting for approximately 16%, 18%, 19%, 21% and 19% of our total revenue in 2013, 2014 and 2015 and the five months ended 31 May 2015 and 2016, respectively. Accordingly, our continued revenue growth depends on our ability to grow our property management portfolio.

Our financial position and results of operations are affected by the scale of our contracted GFA. Our total contracted GFA had grown during the Track Record Period from approximately 5,224,000 sq.m. as at 31 December 2013 to approximately 5,813,000 sq.m. as at 31 May 2016. However, we cannot assure that any property management service contracts will not be terminated prior to expiration nor will be renewed when their terms expire or whether the property owners' association of these residential communities will engage us once it is established. Cessation or non-renewal of any of management contracts could have a material and negative impact on our revenue from property management services and ultimately on our business, financial position and results of operations as a whole. For further details, please see the paragraph headed “— Termination or non-renewal of our property management services contracts could have a material adverse effect on our business, financial position and results of operations” in the section headed “Risk Factors” in this prospectus.

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We derive significant amount of revenue from Guangdong Province

Most of our business are conducted in 12 residential communities including Clifford Estates we manage. Most of our property management services, retail services, catering services and Ancillary Living Services are operated around or within these residential communities with geographical focus on Panyu district, Huadu district, Zhaoqing city and Foshan city. Our target customers are principally the residents of these residential communities. During the Track Record Period, a significant amount of revenue was generated from Guangdong Province. Our profitability thus is dependent on the sustainability of the economic vigorousness and growth of Guangdong Province, particularly in Panyu district, Huadu district, Zhaoqing city and Foshan city. During the Track Record Period, our main income source was derived from Guangdong Province, our operation results would highly depend on the social and economic conditions of Guangdong Province and whether the region can continue to sustain the historical growth rate. Our revenue and profitability might be adversely affected by unfavourable change in the business environment of Guangdong Province, such as change in government policies, natural disasters, occurrence of epidemics, and imposition of new legal restrictions, which may lead to a decline in our sales or increase in our operating costs.

Our revenue and gross profit by residential community

During the Track Record Period, except revenue generated from Clifford Owls Café (Yuexiu Branch) located in Yuexiu district, substantially all of our total revenue were derived from our property management services, retail services, catering services and Ancillary Living Services operated within or in the proximity of the 12 residential communities including Clifford Estates we manage.

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The table below sets forth the revenue and gross profit breakdown by locations of our operations during the Track Record Period:

Name of residential communities	2013			Year ended 31 December 2014			2015			Five months ended 31 May 2016					
	Revenue RMB'000	Percentage of Revenue %	Gross profit RMB'000	Revenue RMB'000	Percentage of Revenue %	Gross profit RMB'000	Revenue RMB'000	Percentage of Revenue %	Gross profit RMB'000	Revenue RMB'000	Percentage of Revenue %	Gross profit RMB'000			
													(Unaudited)		
Clifford Estates (祈福新邨)	202,696	89.2	70,130	212,098	89.6	77,879	235,438	90.2	90,430	94,480	90.4	36,150	80,408	69.9	33,711
Clifford Waterfront (番禺祈福水城)	10,846	4.8	1,718	10,113	4.3	1,807	8,529	3.3	1,227	3,478	3.3	214	2,348	2.1	301
Clifford Gold Coast (祈福黄金海岸)	788	0.3	221	3,133	1.3	853	3,332	1.3	827	1,389	1.3	355	1,703	1.5	673
Clifford Bayview (祈福南湾半岛)	2,630	1.2	1,181	2,408	1.0	1,139	2,391	0.9	1,088	916	0.9	396	964	0.8	565
Clifford Fortress (祈福翠庭)	926	0.4	241	2,233	0.9	1,064	2,229	0.9	1,388	929	0.9	608	1,002	0.9	568
Clifford Coast (肇庆祈福海岸花园)	259	0.1	245	895	0.4	728	1,189	0.5	928	479	0.5	411	469	0.4	401
Clifford Landmark (祈福名都花园)	-	-	-	34	0.1	13	1,076	0.4	770	270	0.3	86	25,047	21.8	7,542
Clifford Brilliant Terrace (祈福耀庭台)	446	0.2	316	1,243	0.5	678	1,064	0.4	607	453	0.4	279	562	0.5	434
Clifford Metropolis (祈福都会花园)	406	0.2	57	549	0.2	48	782	0.3	529	288	0.3	202	283	0.2	205
Clifford Scenic Height (祈福景峰花园)	-	-	-	188	0.1	146	453	0.1	431	161	0.2	151	147	0.1	141
Clifford Infinity (祈福生活无限花园)	3,370	1.5	(1,560)	538	0.2	(154)	341	0.1	323	154	0.1	147	132	0.1	127
Clifford Dragon Tower (祈福天龍苑)	-	-	-	-	-	-	237	0.1	227	16	0.0	15	115	0.1	111
Name of pure commercial properties															
Clifford Logistic Centre (祈福物流園)	4,417	1.9	2,765	2,905	1.2	1,290	3,167	1.2	1,394	1,243	1.2	584	1,382	1.2	660
Clifford (Huashan) Industrial Park (祈福(花山)工業園)	346	0.2	207	507	0.2	319	587	0.2	382	243	0.2	162	246	0.3	143
Yian Plaza (宜安廣場) ^(Note)	-	-	-	-	-	-	297	0.1	(93)	-	-	-	264	0.2	1
Total	227,130	100.0	75,521	236,844	100.0	85,810	261,112	100.0	100,458	104,499	100.0	39,760	115,072	100.0	45,583

Note: Yian Plaza is located in Yuexiu District outside Panyu District and is operated and managed by Independent Third Parties.

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Our operations and profitability are thus heavily dependent on the economic and social conditions of these residential communities which are all located in Guangdong Province. For further details, please see the paragraph headed “Risk Factors — Risks relating to our business — (i) risks relating to our general operations — We rely substantially on key residential communities for a significant portion of our revenue” in this prospectus.

Same store comparable sales

Our profitability in our catering business segment is affected in part by our ability to successfully grow revenue from our existing restaurants. Same-store sales growth rate provides a period-to-period comparison of restaurant performance because it excludes the increase due to the opening of new restaurants by comparing the operational and financial performance of those restaurants that have been in operation. We define our same-store base to be those restaurants that were in operation throughout the years or periods under comparison.

Same-store comparable sales are primarily affected by the average customer per day and the average spending per customer. The table below sets forth our same-store sales during the Track Record Period.

	Year ended 31 December		Year ended 31 December		Five months ended 31 May	
	2013	2014	2014	2015	2015	2016
Number of same-store						
Chinese restaurants	5		5		4	
Casual dining restaurants	1		2		2	
East Asian and Western restaurants ⁽¹⁾	N/A		1		1	
Cafés	N/A		1		N/A	
Same-store sales (in RMB'000)						
Chinese restaurants	41,022	39,942	39,942	42,021	15,934	13,362
Casual dining restaurants	11,600	9,683	17,359	18,919	5,248	5,150
East Asian and Western restaurants	N/A	N/A	7,393	8,681	3,058	3,136
Cafés	N/A	N/A	2,198	2,135	N/A	N/A

Note:

- (1) From May 2013 to January 2016, we only operated one East Asian and Western restaurant, being Beehive Bar & Kitchen. In February 2016, we have opened three new East Asian and Western restaurants, being La TaveRona, Yamabuki and Best Thai. For further details, please see the section headed “Business — Our catering services” in this prospectus.

Our same-store comparable sales remained relatively stable throughout the Track Record Period.

Ability to mitigate the impact of rising labour cost

Labour costs (including staff costs of our employees and other employee benefits) comprise a large portion of our cost of sales and services. In 2013, 2014 and 2015 and the five

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months ended 31 May 2016, the staff costs of our employees amounted to approximately RMB58.3 million, RMB57.8 million, RMB65.5 million and RMB31.0 million, respectively. Significant increases in our labour costs may negatively affect our profit margin and reduce our profitability. As such, we focus on implementing our standardisation and centralization strategy to reduce our dependency on manual labour and to mitigate the impact of rising labour costs. In response to rising labour costs, we also plan to further develop our property management services and Ancillary Living Services which had higher gross profit margins than that of our catering service and retail service.

Set forth below are sensitivity analysis of the impact to our profit before tax and our profit during the Track Record Period from the fluctuation of the cost of employee benefit expenses.

Hypothetical fluctuation of the cost of employee benefit expenses	(RMB'000, except percentages)					
	5%	-5%	10%	-10%	15%	-15%
<i>Impact on certain consolidated statements of comprehensive income items for the year ended 31 December 2013</i>						
Change in cost of employee benefit expenses	2,915	(2,915)	5,830	(5,830)	8,744	(8,744)
Change in profit before tax	(2,915)	2,915	(5,830)	5,830	(8,744)	8,744
Change in profit after tax	(2,186)	2,186	(4,373)	4,373	(6,558)	6,558
<i>Impact on certain consolidated statements of comprehensive income items for the year ended 31 December 2014</i>						
Change in cost of employee benefit expenses	2,889	(2,889)	5,779	(5,779)	8,668	(8,668)
Change in profit before tax	(2,889)	2,889	(5,779)	5,779	(8,668)	8,668
Change in profit after tax	(2,167)	2,167	(4,334)	4,334	(6,501)	6,501
<i>Impact on certain consolidated statements of comprehensive income items for the year ended 31 December 2015</i>						
Change in cost of employee benefit expenses	3,276	(3,276)	6,551	(6,551)	9,827	(9,827)
Change in profit before tax	(3,276)	3,276	(6,551)	6,551	(9,827)	9,827
Change in profit after tax	(2,457)	2,457	(4,913)	4,913	(7,370)	7,370
<i>Impact on certain consolidated statements of comprehensive income items for the five months ended 31 May 2016</i>						
Change in cost of employee benefit expenses	1,549	(1,549)	3,098	(3,098)	4,647	(4,647)
Change in profit before tax	(1,549)	1,549	(3,098)	3,098	(4,647)	4,647
Change in profit after tax	(1,162)	1,162	(2,324)	2,324	(3,485)	3,485

Coverage, location and expense of our service outlets

The coverage of our service network has affected, and will continue to affect, our businesses and results of operations. Since the establishment of the Group in 1998, we had expanded our service network including 17 retail outlets of different scale and 18 catering outlets serving different cuisine as of the Latest Practicable Date. From 2013 to 2014, our revenue of these two segments remained relatively stable.

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The amount of turnover an outlet generates depends on the level of customer traffic, quality of outlets management, extent of redecoration and renovation, and rate of growth in the local economy.

Seasonality

The performances of the operation and sales of our retail outlets and catering outlets are typically affected by seasonality such as strong sales usually recorded around long public holidays like Chinese New Year. We have experienced and expect to continue to be affected by seasonality and the associated holiday shopping habits and patterns commonly seen in the PRC. In view of the seasonality factor, we usually review and adjust our inventory level in advance in order to accommodate the anticipated increase in demand and needs of our products to avoid supply shortage and our loss of profits.

Operational expenses and costs

Our service outlets' operating costs include, among others, rental expenses, utilities and maintenance expenses. These costs and expenses fluctuate and differ from outlet to outlet depending on a variety of factors and are affected by inflation. Inflation increases our operating costs, which in turn may adversely affect our results of operations. In addition, the increase in fixed operating costs arising from the opening of new service outlets could have a material adverse effect on our operating margin. In addition, we carry out periodic redecorations and renovations of our service outlets, which we believe are important in maintaining and enhancing the image of our service outlets and in attracting customers. In our experience, redecorations and renovations generally lead to increases in turnover. However, during redecorations and renovations, we may incur significant expenses and may also experience disruptions to our normal service operations which may affect our turnover.

CRITICAL ACCOUNTING POLICIES, ESTIMATES AND JUDGEMENTS

We have identified certain accounting policies that are significant to the preparation of our financial statements. Our significant accounting policies, which are important for an understanding of our financial condition and results of operations, are set forth in detail in summary of significant accounting policies to the Accountant's Report included in Appendix I to this prospectus.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The estimates and associated assumptions were consistently applied for the Track Record Period and our Directors are satisfied with the result of the estimates and associated assumptions by comparing with actual results in the past. As of the Latest Practicable Date, the Directors believe that the estimates and associated assumptions are not likely to change in the foreseeable future.

1. Revenue Recognition

We recognise revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group; and when specific criteria have

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been met for each of the Group's activities, as described below. Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied or services rendered by our service segments, stated net of discounts returns and value added taxes.

(a) *Property management fee*

We recognise revenue from our general property management services (both under lump sum basis and under commission basis) and resident support services when these services are rendered. For property management service income under lump sum basis, where the Group acts as principal, the Group is entitled to revenue at the value of property management service fee received or receivable by the properties. For property management service income under commission basis, where the Group acts as an agent of the property owner, the Group is entitled to revenue at a pre-determined percentage of the property management fee received or receivable by the properties.

(b) *Sales of goods and commission income – retail services*

Sales of goods at our supermarket and convenient stores are recognised when the Group delivers the goods to the customers. Commission income from concessionaire sales is recognised upon delivery of goods.

(c) *Sales of food and beverages – catering services*

We recognise sales of food and beverages in the restaurants operated by the Group when the food and beverages are served to customers.

(d) *Provision of property agency services*

The Group provides property agency services on the residential communities, including property sales agency services and property lease agency services. Agency commission income is recognised when a buyer and seller or lessee and lessor execute a legally binding sales or lease agreement and when the relevant agreement becomes unconditional and irrevocable.

(e) *Provision of the other services*

For the other services which we provide, such as laundry services, off-campus training services, employment placement services, construction services, etc., we recognise revenue when these services are rendered.

(f) *Rental income*

Rental income which was mainly derived from the agreements with the stall tenants at our retail outlets is recognised on a straight-line basis over the term of the lease.

(g) *Interest income*

Interest income is recognised using the effective interest method.

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2. Property, plant and equipment

We state our property, plant and equipment at historical cost (which includes expenditure that is directly attributable to the acquisition of the items) less depreciation. Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives. We reviewed and adjusted their residual values and useful lives at the end of each reporting period, if appropriate.

The assets' carrying amounts are written down immediately to their recoverable amounts if their carrying amounts are greater than their estimated recoverable amounts.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amounts and are recognised within "other gains/(losses) — net" in the consolidated income statement.

3. Financial assets

Financial assets are recognised when the Group commits to purchase the assets and are initially measured at fair value plus transaction costs that are directly attributable to the purchase of financial assets.

The Group classifies its financial assets as loans and receivables, which comprise "trade and other receivables", "term deposits", "restricted cash" and "cash and cash equivalents". The classification depends on the purpose for which the financial assets were acquired and is determined by the Group's management at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently carried at amortised cost using the effective interest method, less any identified impairment losses. (see accounting policy 3.10 on impairment of financial assets to the Accountant's Report)

4. Current and deferred income tax

The tax expense for the period comprises current and deferred income tax. We recognise tax either in other comprehensive income or directly in equity to the extent it relates to the respective items.

(a) Current income tax

The current income tax charge is calculated based on tax rates under the relevant tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group operates and generates taxable income. Our management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and provisions are made where appropriate based on the amounts expected to be paid to the relevant tax authorities.

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(b) Deferred income tax

We recognise deferred income tax, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, 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 affects neither accounting nor taxable profit or loss at the time of the transaction. We determine deferred income tax 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 realised or the deferred income tax liability is settled.

We recognise deferred income tax assets only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

(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.

5. Inventories

Our inventories which mainly comprise merchandise goods and raw materials are stated at the lower of cost and net realisable value. Cost, which comprises purchase price and other costs directly attributable to acquisition of inventories, is determined using the first-in first-out method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

6. Trade and other receivables

Trade receivables are amounts due from customers for merchandise goods sold or services provided in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

RESULTS OF OPERATIONS

The following summary of our operating results is extracted from Appendix I — Accountant's Report to this prospectus. Please read the following summary together with the Accountant's Report and the notes thereto.

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The following table sets forth our consolidated income statement for the periods indicated and our consolidated statements of comprehensive income set out in the Accountant's Report included in Appendix I to this prospectus.

Consolidated income statements

	Year ended 31 December			Five months ended 31 May	
	2013 <i>RMB'000</i>	2014 <i>RMB'000</i>	2015 <i>RMB'000</i>	2015 <i>RMB'000</i> (Unaudited)	2016 <i>RMB'000</i>
Revenue	227,130	236,844	261,112	104,499	115,072
Cost of sales	<u>(151,609)</u>	<u>(151,034)</u>	<u>(160,654)</u>	<u>(64,739)</u>	<u>(69,489)</u>
Gross profit	75,521	85,810	100,458	39,760	45,583
Selling and marketing expenses	(17,769)	(16,731)	(18,263)	(7,342)	(8,010)
Administrative expenses	(17,031)	(23,199)	(26,275)	(10,968)	(20,761)
Other income	718	835	1,018	372	163
Other gains/(losses) – net	<u>631</u>	<u>(291)</u>	<u>(594)</u>	<u>(52)</u>	<u>230</u>
Operating profit	42,070	46,424	56,344	21,770	17,205
Finance income	4,255	3,373	444	316	96
Finance costs	–	(111)	–	–	–
Share of profit/(loss) from investment in an associate	<u>88</u>	<u>(4)</u>	<u>(2)</u>	<u>(2)</u>	<u>(3)</u>
Profit before income tax	46,413	49,682	56,786	22,084	17,298
Income tax expenses	<u>(13,671)</u>	<u>(15,425)</u>	<u>(16,692)</u>	<u>(6,205)</u>	<u>(7,172)</u>
Profit for the year/period	<u>32,742</u>	<u>34,257</u>	<u>40,094</u>	<u>15,879</u>	<u>10,126</u>
Profit attributable to:					
– Owners of the Company	27,885	29,588	34,847	13,711	8,983
– Non-controlling interests	<u>4,857</u>	<u>4,669</u>	<u>5,247</u>	<u>2,168</u>	<u>1,143</u>
	<u>32,742</u>	<u>34,257</u>	<u>40,094</u>	<u>15,879</u>	<u>10,126</u>
Earnings per share attributable to the owners of the Company during the year/period⁽¹⁾ (expressed in RMB per Share)					
– Basic and diluted earnings per Share	<u>27.89</u>	<u>29.59</u>	<u>34.85</u>	<u>13.71</u>	<u>8.98</u>

Note:

- (1) The earnings per share presented has not been taken into account the Capitalisation Issue because the Capitalisation Issue has not become effective as of the date of this prospectus.

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Consolidated statements of comprehensive income

	Year ended 31 December			Five months ended 31 May	
	2013 <i>RMB'000</i>	2014 <i>RMB'000</i>	2015 <i>RMB'000</i>	2015 <i>RMB'000</i> (Unaudited)	2016 <i>RMB'000</i>
Profit for the year/period	32,742	34,257	40,094	15,879	10,126
Other comprehensive income	—	—	—	—	—
Total comprehensive income for the year/period	<u>32,742</u>	<u>34,257</u>	<u>40,094</u>	<u>15,879</u>	<u>10,126</u>
Total comprehensive income attributable to:					
– Owners of the Company	27,885	29,588	34,847	13,711	8,983
– Non-controlling interests	4,857	4,669	5,247	2,168	1,143
	<u>32,742</u>	<u>34,257</u>	<u>40,094</u>	<u>15,879</u>	<u>10,126</u>

DESCRIPTION OF SELECTED COMPONENTS OF STATEMENT OF COMPREHENSIVE INCOME

Revenue

During the Track Record Period, we derived our revenue from the following four main business segments. The following table sets forth a breakdown of revenue by major services under each business segment for the period indicated:

	Year ended 31 December						Five months ended 31 May			
	2013		2014		2015		2015 (Unaudited)		2016	
	<i>RMB'000</i>	<i>% of revenue</i>	<i>RMB'000</i>	<i>% of revenue</i>	<i>RMB'000</i>	<i>% of revenue</i>	<i>RMB'000</i>	<i>% of revenue</i>	<i>RMB'000</i>	<i>% of revenue</i>
General Property Management Services										
On commission basis	11,621	5%	16,133	7%	18,629	7%	7,288	7%	8,203	7%
On lump sum basis	6,470	3%	8,760	3%	9,300	3%	3,770	3%	4,217	4%
Service fees from resident support services	17,156	8%	18,493	8%	22,743	9%	11,286	11%	9,217	8%
Total revenue from property management services	<u>35,247</u>	<u>16%</u>	<u>43,386</u>	<u>18%</u>	<u>50,672</u>	<u>19%</u>	<u>22,344</u>	<u>21%</u>	<u>21,637</u>	<u>19%</u>

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	Year ended 31 December						Five months ended 31 May			
	2013		2014		2015		2015		2016	
	RMB'000	% of revenue	RMB'000	% of revenue	RMB'000	% of revenue	(Unaudited)		RMB'000	% of revenue
Supermarket	64,628	28%	56,681	24%	54,468	21%	22,291	21%	20,989	18%
Wet market	6,361	3%	6,642	3%	6,699	3%	2,833	3%	4,878	4%
Convenience store	25,213	11%	33,558	14%	36,207	14%	13,929	13%	14,070	12%
Imported goods specialty store	1,624	1%	1,427	1%	1,294	0%	582	1%	322	1%
Total revenue from retail services	<u>97,826</u>	<u>43%</u>	<u>98,308</u>	<u>42%</u>	<u>98,668</u>	<u>38%</u>	<u>39,635</u>	<u>38%</u>	<u>40,259</u>	<u>35%</u>
Chinese restaurants	43,928	19%	40,082	17%	42,021	16%	15,936	15%	14,954	13%
Casual dining restaurants	18,265	8%	18,876	8%	23,141	9%	9,058	9%	11,019	9%
East Asian and Western restaurants	5,219	2%	7,393	3%	8,681	3%	3,058	3%	7,902	7%
Cafés	1,778	1%	2,198	1%	2,432	1%	916	1%	1,118	1%
Total revenue from catering services	<u>69,190</u>	<u>30%</u>	<u>68,549</u>	<u>29%</u>	<u>76,275</u>	<u>29%</u>	<u>28,968</u>	<u>28%</u>	<u>34,993</u>	<u>30%</u>
Off-campus training services	9,142	4%	13,866	6%	20,651	8%	7,625	7%	10,231	8%
Property agency services	8,062	4%	4,120	2%	4,496	2%	1,561	1%	2,994	3%
Employment placement services	854	0%	1,048	0%	1,467	1%	560	1%	664	1%
Laundry services	6,809	3%	7,567	3%	8,883	3%	3,806	4%	4,294	4%
Total revenue from Ancillary Living Services	<u>24,867</u>	<u>11%</u>	<u>26,601</u>	<u>11%</u>	<u>35,497</u>	<u>14%</u>	<u>13,552</u>	<u>13%</u>	<u>18,183</u>	<u>16%</u>
Total	<u>227,130</u>	<u>100%</u>	<u>236,844</u>	<u>100%</u>	<u>261,112</u>	<u>100%</u>	<u>104,499</u>	<u>100%</u>	<u>115,072</u>	<u>100%</u>

Revenue from property management services increased from approximately RMB35.2 million in 2013 to RMB43.4 million in 2014 and further to RMB50.7 million in 2015. The increase was primarily attributable to increase in total contracted GFA under our management as a result of expansion in GFA in the residential communities that we managed as well as number of our residential communities managed and the increase in property management fees of Clifford Estates and our entitled commission percentage of Clifford Estates. It then decreased from RMB22.3 million for the five months ended 31 May 2015 to RMB21.6 million for the five months ended 31 May 2016, primarily attributable to the decrease in revenue from resident support services as a result of the decrease in number of small-scale renovation and fitting-out projects taken up in the first five months of 2016 as compared with the same period of 2015 because of the delivery of new residential units of Clifford Landmark (祈福名都花園) in around late 2014.

Our revenue from property management services attributable to property owners amounted to approximately RMB21.1 million, RMB25.9 million, RMB32.8 million, RMB16.6 million and RMB11.0 million, for the years ended 31 December 2013, 2014 and 2015 and the five months ended 31 May 2015 and 2016, respectively. For the same period, our revenue from property management services attributable to property developers, amounted to

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approximately RMB4.1 million, RMB10.2 million, RMB11.5 million, RMB3.2 million and RMB5.2 million, respectively. The increase was mainly because of the increase in GFA managed as more properties have been newly completed by the property developer and become under our management. Our revenue from property management services attributable to tenants amounted to approximately RMB4.9 million, RMB3.6 million, RMB2.8 million, RMB1.6 million and RMB0.5 million, for the years ended 31 December 2013, 2014 and 2015 and the five months ended 31 May 2015 and 2016, respectively. For the same period, our revenue attributable to other types of clients amounted to approximately RMB5.1 million, RMB3.7 million, RMB3.5 million, RMB0.9 million and RMB4.9 million, respectively.

Revenue from retail services increased slightly during the Track Record Period, with an increase from approximately RMB97.8 million in 2013 to approximately RMB98.3 million in 2014, and further to approximately RMB98.7 million in 2015, and from RMB39.6 million for the five months ended 31 May 2015 to RMB40.3 million for the five months ended 31 May 2016. The increase from 2013 to 2015 was primarily attributable to the net effect of increase in sales of convenience stores being partially offset by the decrease in sales of supermarket. Such decrease in sales in supermarket was mainly brought by the relocation of the central bus terminal nearby that resulted in decrease in pedestrian flow. The increase for the five months ended 31 May 2016 from the five months ended 31 May 2015 was primarily attributable to the net effect of increase in revenue from wet market as a result of the opening of Clifford Market (Clifford Landmark) in March 2016 while Clifford Market being in operation at the same time, which is partially offset by the decrease in sales at supermarket mainly caused by the decrease in pedestrian flow resulting from relocation of the central bus terminal where our supermarket was previously located nearby before its relocation to Clifford Landmark. As a result, revenue from direct sales of goods decreased while revenue from concessionaire fees and rental income from stall tenants increased, leading to an increase in overall revenue from the retail service segment. Please see the section headed “Business — Our retail services — Revenue models for our retail services” in this prospectus for further details.

Revenue from catering services decreased slightly from approximately RMB69.2 million in 2013 to approximately RMB68.5 million in 2014, primarily attributable to closure of our Herbal Cuisine (Huadu Branch). It then increased from approximately RMB68.5 million in 2014 to approximately RMB76.3 million in 2015, primarily attributable to the increase in number and improving performance of our catering outlets particularly our casual dining restaurants and Chinese restaurants. It increased from approximately RMB29.0 million for the five months ended 31 May 2015 to approximately RMB35.0 million for the five months ended 31 May 2016, primarily attributable to opening of eight new and three relocated catering outlets in 2016.

Revenue from Ancillary Living Services increased significantly during the Track Record Period, with an increase from approximately RMB24.9 million in 2013 to RMB26.6 million in 2014 and further to approximately RMB35.5 million in 2015. The increase was primarily attributable to the net effect of increase in revenue from our laundry services and off-campus training service network being partially offset by the decrease in revenue from our property agency services. It then increased from approximately RMB13.6 million for the five months ended 31 May 2015 to approximately RMB18.2 million for the five months ended 31 May 2016, primarily attributable to increase in revenue from our off-campus training services and property agency services.

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Cost of sales

Our cost of sales comprises mainly the cost of goods sold for our retail service segment, the employee benefit expenses for each of our business segments and the cost of raw materials and consumables for our catering service segment.

The following table sets out a breakdown of our cost of sales by components and respective percentage of total cost of sales for the Track Record Period:

	Year ended 31 December						Five months ended 31 May			
	2013		2014		2015		2015		2016	
	RMB'000	%	RMB'000	%	RMB'000	%	(Unaudited)		RMB'000	%
Cost of goods sold for retail business	61,752	41%	60,664	40%	59,080	37%	23,773	36%	22,472	32%
Employee benefit expenses	36,965	24%	36,193	24%	39,470	25%	14,668	23%	17,323	25%
Cost of raw materials and consumables for catering business	27,590	18%	25,484	17%	28,246	18%	10,825	17%	14,270	21%
Utilities – electricity, water and gas, etc.	7,135	5%	7,334	5%	7,546	5%	2,909	4%	3,500	5%
Business tax and other levies	7,881	5%	8,096	5%	8,868	5%	3,463	5%	3,127	4%
Operating lease payments	4,316	3%	4,619	3%	5,015	3%	1,715	3%	2,737	4%
Sub-contracting costs for other services	3,230	2%	5,215	3%	8,916	5%	5,124	8%	3,053	4%
Depreciation and amortisation charges	1,250	1%	1,029	1%	1,392	1%	548	1%	574	1%
Others	1,490	1%	2,400	2%	2,121	1%	1,714	3%	2,433	4%
	151,609	100%	151,034	100%	160,654	100%	64,739	100%	69,489	100%

The following table sets out the cost of sales breakdown by business segments during the Track Record Period:

	Year ended 31 December						Five months ended 31 May			
	2013		2014		2015		2015		2016	
	RMB'000	%	RMB'000	%	RMB'000	%	(Unaudited)		RMB'000	%
Cost by business segment										
Property management services	15,459	10%	20,044	13%	22,722	14%	10,943	17%	8,914	13%
Retail services	63,731	42%	62,458	41%	60,479	38%	24,672	38%	23,682	34%
Catering services	59,902	40%	55,212	37%	60,102	37%	23,137	36%	28,627	41%
Ancillary Living Services	12,517	8%	13,320	9%	17,351	11%	5,987	9%	8,266	12%
Total	151,609	100%	151,034	100%	160,654	100%	64,739	100%	69,489	100%

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Our total cost of sales remained relatively stable with slight decrease from approximately RMB151.6 million in 2013 to approximately RMB151.0 million in 2014. It then increased from approximately RMB151.0 million in 2014 to approximately RMB160.7 million in 2015 and increased from approximately RMB64.7 million for the five months ended 31 May 2015 to approximately RMB69.5 million for the five months ended 31 May 2016.

During the Track Record Period, the main factors affecting our total cost of sales are the cost of goods sold derived primarily from the retail service segment, the employee benefit expenses derived from various business segments and the cost of raw materials and consumables mainly derived from the catering service segment.

The cost of goods sold consists of costs incurred for purchase of merchandise from suppliers derived from our retail service segment. It remained stable for the three years ended 31 December 2013, 2014 and 2015 as the revenue from retail service segment was also stable. It then decreased for the five months ended 31 May 2016 as compared with 31 May 2015, which is largely in line with the decrease in revenue from direct sales of goods in our supermarket for the same period.

Employee benefit expenses primarily consist of wages and salaries to our operational staff, contribution to social security funds and welfare, medical and other benefits from our various service segments. It remained stable for the two years ended 31 December 2013 and 2014, and then increased for the year ended 31 December 2015 and for the five months ended 31 May 2016, primarily due to expansion of our business operation.

Our cost of raw materials and consumables comprises mainly the cost of ingredients procured from external suppliers and consumables used for our catering service segment. In 2013, 2014 and 2015 and the five months ended 31 May 2015 and 2016, cost of raw materials and consumables for catering business amounted to approximately RMB27.6 million, RMB25.5 million, RMB28.2 million, RMB10.8 million and RMB14.3 million, respectively, representing approximately 18%, 17%, 18%, 17% and 21% of our total cost of sales for the respective periods. The cost of our raw materials and consumables decreased slightly from approximately RMB27.6 million in 2013 to approximately RMB25.5 million in 2014 primarily due to closure of our Herbal Cuisine (Huadu Branch) in October 2013. Our cost of raw materials and consumables for catering increased from approximately RMB25.5 million in 2014 to approximately RMB28.2 million in 2015 and from RMB10.8 million for the five months ended 31 May 2015 to RMB14.3 million for the five months ended 31 May 2016. The increase in the cost of raw materials and consumables for our catering service segment is largely in line with the growth of catering service segment.

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Gross profit and gross profit margin

Gross profit and gross profit margins by business segments

	Year ended 31 December						Five months ended 31 May			
	2013		2014		2015		2015		2016	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	(Unaudited)		Gross profit	Gross profit margin
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Property management services	19,788	56%	23,342	54%	27,950	55%	11,401	51%	12,723	59%
Retail services	34,095	35%	35,850	36%	38,189	39%	14,963	38%	16,577	41%
Catering services	9,288	13%	13,337	19%	16,173	21%	5,831	20%	6,366	18%
Laundry services	2,318	34%	2,515	33%	2,787	31%	1,255	33%	1,258	29%
Off-campus training services	4,671	51%	7,749	56%	12,001	58%	5,061	66%	6,675	65%
Property Agency services	4,608	57%	2,170	53%	2,278	51%	799	51%	1,435	48%
Employment placement services	753	88%	847	81%	1,080	74%	450	80%	549	83%
Ancillary Living Services	<u>12,350</u>	<u>50%</u>	<u>13,281</u>	<u>50%</u>	<u>18,146</u>	<u>51%</u>	<u>7,565</u>	<u>56%</u>	<u>9,917</u>	<u>55%</u>
Overall	<u>75,521</u>	33%	<u>85,810</u>	36%	<u>100,458</u>	38%	<u>39,760</u>	38%	<u>45,583</u>	40%

Our overall gross profit increased from approximately RMB75.5 million in 2013 to approximately RMB85.8 million in 2014 and further to approximately RMB100.5 million in 2015. It then increased from approximately RMB39.8 million for the five months ended 31 May 2015 to approximately RMB45.6 million for the five months ended 31 May 2016. The increase in 2014 was mainly driven by increase in gross profit of our property management services and our catering services. The increase in 2015 and the five months ended 31 May 2016 was driven by increase in gross profit of all of our four segments.

Our overall gross profit margin increased from approximately 33% in 2013 to approximately 36% in 2014, primarily due to increase in gross profit margin of our catering service segment as brought by the closure of our Herbal Cuisine (Huadu Branch) in October 2013 which underperformed in 2013. Our gross profit margin then increased from approximately 36% in 2014 to approximately 38% in 2015, primarily due to increase in gross profit margin of our retail services and catering services. Our gross profit margin then increased from approximately 38% for the five months ended 31 May 2015 to approximately 40% for the five months ended 31 May 2016, primarily due to increase in gross profit margin of our property management services and retail services.

The gross profit of property management service segment increased throughout the Track Record Period primarily attributable to expansion of our general property management services and GFA managed. The gross profit margin of our property management service

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segment remained relatively stable within approximately 54% to 56% for the years ended 31 December 2013, 2014 and 2015. It increased from approximately 51% for the five months ended 31 May 2015 to approximately 59% for the five months ended 31 May 2016, primarily due to decrease in number of small scale renovation and fitting-out projects with lower profit margin undertaken in 2016.

The gross profit of our retail service segment generally increased throughout the Track Record Period, whilst the gross profit margin of our retail service segment showed an increase during the Track Record at approximately 35%, 36%, 39%, 38% and 41% for the years ended 31 December 2013, 2014 and 2015 and the five months ended 31 May 2015 and 2016, respectively. During 2014, the increase in gross profit was primarily attributable to the increase in gross profit of convenience stores. It was mainly because of the enhancement of locations of our new convenience stores and the diversification of product mix, thereby attracting more sales. During 2015, the increase in both gross profit and gross profit margin was mainly because of the increase in income from concessionaire fees, which did not incur corresponding direct cost and thus led to increase in gross profit margin. For the five months ended 31 May 2015 and 2016, the increase in gross profit margin was mainly brought by the increase in revenue from concessionaire fees and rental income from stall tenants, and a rental income generated from leasing space on outdoor glass windows of supermarket and convenience stores for advertising since May 2015.

The gross profit of our catering service segment increased throughout the years ended 31 December 2013, 2014 and 2015, primarily attributable to the increase in gross profit of Chinese restaurants. The gross profit margin of our catering service segment increased from approximately 13% to 19% for the years ended 31 December 2013 and 2014 respectively, primarily attributable to the closure of our Herbal Cuisine (Huadu Branch) in October 2013 which underperformed in 2013. Thereafter our gross profit margin increased from approximately 19% to 21% for the years ended 31 December 2014 and 2015 mainly contributed by the sales of festive food and upgrading of menu and selling price. The gross profit margin remained relatively stable with slight decrease from approximately 20% for the five months ended 31 May 2015 to 18% for the five months ended 31 May 2016. This was mainly because the cost was relatively higher for the newly opened catering outlets at their start-up stage.

The gross profit of our Ancillary Living Service segment increased throughout the years ended 31 December 2013, 2014 and 2015, primarily attributable to the increase in gross profit of our off-campus training services and laundry services. The gross profit margin of our Ancillary Living Services segment remained relatively stable at 50% for both the years ended 31 December 2013 and 2014, primarily attributable to the increase in gross profit margin of off-campus training services as offset by the decrease in gross profit margin of property agency services due to decrease in property transactions as a result of more stringent regulations of Guangzhou City which imposed restriction on property purchase that reduced the amount of property transactions in the market. The gross profit margin increased slightly from approximately 50% to 51% for the years ended 31 December 2014 and 2015, respectively, primarily attributable to the increase in gross profit of off-campus training services brought by the increase in number of enrolment, and enhancement of economies of scale. The gross profit margin remained relatively stable with slight decrease from approximately 56% for the five months ended 31 May 2015 to 55% for the five months ended 31 May 2016.

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Selling and marketing expenses

Our selling and marketing expenses primarily consist of employee benefit expenses for our selling and marketing staff, operating lease payments and utility expenses. The following table sets out a breakdown of our selling and marketing expenses by components during the Track Record Period:

	Year ended 31 December						Five months ended 31 May			
	2013		2014		2015		2015 (Unaudited)		2016	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Selling and marketing expenses										
Employee benefit expense	9,723	55%	8,861	53%	10,109	55%	4,281	58%	4,691	59%
Cost of raw materials and consumables	197	1%	239	1%	335	2%	122	2%	110	1%
Utilities – electricity, water and gas, etc.	1,768	10%	1,983	12%	1,753	10%	558	8%	596	7%
Operating lease payments	3,506	20%	3,586	21%	3,333	18%	1,609	22%	787	10%
Depreciation and amortisation charges	454	2%	799	5%	581	3%	190	3%	349	4%
Advertising expenses	640	4%	603	4%	403	2%	89	1%	249	3%
Other expenses	1,481	8%	660	4%	1,749	10%	493	6%	1,228	16%
Total	17,769	100%	16,731	100%	18,263	100%	7,342	100%	8,010	100%

Our selling and marketing expenses amounted to approximately RMB17.8 million, RMB16.7 million, RMB18.3 million, RMB7.3 million and RMB8.0 million for each of the years ended 31 December 2013, 2014 and 2015 and the five months ended 31 May 2015 and 2016, respectively. Such expenses represented around 7% to 8% of our total revenue during each period in the Track Record Period and substantial portion of our selling and marketing expenses were attributable to the staff cost. The slight increase in selling and marketing expenses during the Track Record Period were primarily due to the increase in wages and the number of employees. Other expenses include mainly the cost of providing Consumption Cards to residents and purchases of consumables for setting up new outlets.

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Administrative expenses

Our administrative expenses principally comprised administrative staff benefit expenses and office related expenses. The table below sets forth a breakdown of our administrative expenses by components during the Track Record Period:

	Year ended 31 December						Five months ended 31 May			
	2013		2014		2015		2015		2016	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Administrative expenses										
Employee benefit expense	11,607	68%	12,732	55%	15,932	61%	6,194	57%	8,963	43%
Utilities – electricity, water and gas, etc.	6	1%	19	1%	33	0%	8	0%	7	0%
Operating lease payments	757	4%	825	4%	859	3%	581	5%	611	3%
Business tax and other levies	376	2%	791	3%	53	0%	36	0%	24	0%
Office related expenses	3,249	19%	3,301	14%	2,552	10%	1,045	10%	1,247	6%
Depreciation and amortisation charges	233	1%	296	1%	452	2%	246	2%	231	1%
Advertising expenses	–	0%	3	0%	–	0%	–	0%	–	0%
Listing expenses	–	0%	4,052	17%	5,736	22%	2,639	24%	7,912	38%
Other expenses	803	5%	1,180	5%	658	2%	219	2%	1,766	9%
Total	17,031	100%	23,199	100%	26,275	100%	10,968	100%	20,761	100%

The increase in our administrative expenses during the Track Record Period was primarily attributable to the incurrence of listing expenses. Excluding the listing expenses incurred, our administrative expenses remained relatively stable for the Track Record Period, amounting to approximately RMB17.0 million, RMB19.1 million, RMB20.5 million, RMB8.3 million and RMB12.8 million for each of the years ended 31 December 2013, 2014 and 2015 and the five months ended 31 May 2015 and 2016, respectively and represented around 7% to 11% of our total revenue during each period in the Track Record Period.

Finance income

Our finance income amounted to approximately RMB4.3 million, RMB3.4 million, RMB0.4 million, RMB0.3 million and RMB96,000 for the year ended 31 December 2013, 2014 and 2015 and the five months ended 31 May 2015 and 2016, respectively. Our finance income principally comprised interest income from loans to related parties and term deposits with banks. As of the Latest Practicable Date, loans to related parties have been fully settled and we have ceased to provide loans to any entities.

Finance costs

Our finance expenses amounted to approximately nil, RMB0.1 million, nil, nil and nil respectively for the years ended 31 December 2013, 2014 and 2015 and the five months ended 31 May 2015 and 2016. Our finance expenses comprised principally interest expenses of loan from a related party near year end of 2013 which was fully repaid in 2015.

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Income tax expenses

Our taxation expenses comprised PRC corporate income tax and Hong Kong profits tax on the profit of our Company and our subsidiaries and PRC withholding tax.

The applicable PRC corporate income tax rate and applicable Hong Kong profits tax rate were 25% and 16.5% respectively for the years ended 31 December 2013, 2014 and 2015 and the five months ended 31 May 2015 and 2016. The applicable PRC withholding income tax rate was 10% for the years ended 31 December 2013, 2014 and 2015 and the five months ended 31 May 2015 and 2016.

Our income tax expenses for the years ended 31 December 2013, 2014 and 2015 and the five months ended 31 May 2015 and 2016 were approximately RMB13.7 million, RMB15.4 million, RMB16.7 million, RMB6.2 million and RMB7.2 million, respectively. Our effective tax rate for the same periods remained relatively stable at approximately 29%, 31%, 29%, 28% and 41%, respectively. Our effective tax rate was higher than 25% because we incurred PRC withholding income tax on dividends declared by our subsidiaries in the PRC to the then shareholders of such subsidiaries outside the PRC, and certain listing expenses incurred were not tax deductible. The especially high effective tax rate for the five months ended 31 May 2016 was mainly because of the non-deductible listing expenses incurred by the Company.

As of the Latest Practicable Date and during the Track Record Period, we fulfilled all our tax obligations in all material aspects, we have made sufficient tax provision where necessary in our financial statements and did not have any unresolved tax disputes.

Profit for the year/period and net profit margin

We recorded profit of approximately RMB32.7 million and RMB34.3 million, representing an increase of 5%, for the years ended 31 December 2013 and 2014, respectively. We recorded profit of approximately RMB34.3 million and RMB40.1 million, representing an increase of 17%, for the years ended 31 December 2014 and 2015, respectively. We recorded profit of approximately RMB15.9 million and RMB10.1 million, representing a decrease of 36%, for the five months ended 31 May 2015 and 2016, respectively.

Our net profit margin for a particular period represents the percentage of our net profit divided by the amount of our total revenue during the period. Our net profit margins were approximately 14%, 14%, 15%, 15% and 9% for the years ended 31 December 2013, 2014 and 2015 and the five months ended 31 May 2015 and 2016, respectively. Our net profit margin remained stable for the years ended 31 December 2013, 2014 and 2015, and the decrease for the five months ended 31 May 2016 as compared with the five months ended 31 May 2015 was mainly attributable to increase in listing expense in 2016.

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The tables below set out the segment results and segment result margin of our various segments. The segment result margin is calculated by dividing the segment profit by the revenue from external parties of that segment.

	Year ended 31 December			Five months ended 31 May	
	2013	2014	2015	2015	2016
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	(Unaudited) <i>RMB'000</i>	<i>RMB'000</i>
Segment results					
Retail services	13,898	15,083	16,598	6,065	6,855
Catering services	2,417	7,156	7,828	2,923	620
Property management services	18,111	21,047	25,795	10,636	10,979
Ancillary Living Services					
Off-campus training services	2,400	4,534	8,656	3,461	4,634
Property agency services	3,366	1,211	1,402	444	1,010
Laundry services	293	437	670	278	238
Employment placement services	324	460	705	280	385
Total	40,809	49,928	61,654	24,087	24,721
	Year ended 31 December			Five months ended 31 May	
	2013	2014	2015	2015	2016
	%	%	%	(Unaudited) %	%
Segment result margin					
Retail services	14%	15%	17%	15%	17%
Catering services	3%	10%	10%	10%	2%
Property management services	51%	49%	51%	48%	51%
Ancillary Living Services					
Off-campus training services	26%	33%	42%	45%	45%
Property agency services	42%	29%	31%	28%	34%
Laundry services	4%	6%	8%	7%	6%
Employment placement services	38%	44%	48%	50%	58%
Overall	18%	21%	24%	23%	21%

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PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Five months ended 31 May 2016 compared to five months ended 31 May 2015

Revenue

Our revenue increased from approximately RMB104.5 million for the five months ended 31 May 2015 to RMB115.1 million for the five months ended 31 May 2016, representing an increase of approximately RMB10.6 million or 10%. The growth in our revenue was mainly attributable to increase in revenue from our catering services and Ancillary Living Services segments.

- **Property management services.** Revenue in the property management services slightly decreased by 3% to approximately RMB21.6 million for the five months ended 31 May 2016 from RMB22.3 million for the five months ended 31 May 2015. Such decrease was mainly attributable to the decrease in revenue of our resident support services. The decrease in revenue of our resident support services from RMB11.3 million for the five months ended 31 May 2015 to RMB9.2 million for the five months ended 31 May 2016 was primarily due to the decrease in number of small-scale renovation and fitting-out projects taken up in 2016.
- **Retail services.** Revenue in the retail services slightly increased by approximately 2% to RMB40.3 million for the five months ended 31 May 2016 from RMB39.6 million for the five months ended 31 May 2015. The relative stability was primarily attributable to the increase in revenue of wet market, being partially offset by the decrease in revenue of supermarket. The increase in revenue of wet market from approximately RMB2.8 million for the five months ended 31 May 2015 to RMB4.9 million for the five months ended 31 May 2016 was primarily due to opening of Clifford Market (Clifford Landmark) in March 2016 while Clifford Market being in operation. The decrease in revenue of supermarket from approximately RMB22.3 million for the five months ended 31 May 2015 to RMB21.0 million for the five months ended 31 May 2016 was primarily due to the continuing effect of relocation of the central bus terminal which affected the pedestrian flow during the period.
- **Catering services.** Revenue in the catering services increased by approximately 21% to approximately RMB35.0 million for the five months ended 31 May 2016 from RMB29.0 million for the five months ended 31 May 2015. Such increase was primarily due to increase in revenue of casual dining restaurants and East Asian and Western restaurants. The increase in revenue of casual dining restaurants from approximately RMB9.1 million for the five months ended 31 May 2015 to RMB11.0 million for the five months ended 31 May 2016 and the increase in revenue of East Asian and Western restaurants from approximately RMB3.1 million to RMB7.9 million for the same period were primarily due to opening of new restaurants in 2016.
- **Ancillary Living Services.** Revenue in the Ancillary Living Services increased by approximately 34% to RMB18.2 million for the five months ended 31 May 2016 from RMB13.6 million for the five months ended 31 May 2015. Such increase was primarily due to increase in revenue of our off-campus training services and

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property agency services. The increase in revenue of our off-campus training services from approximately RMB7.6 million for the five months ended 31 May 2015 to RMB10.2 million for the five months ended 31 May 2016 was mainly brought by increase in class enrolments. The increase in revenue of property agency services from approximately RMB1.6 million for the five months ended 31 May 2015 to RMB3.0 million for the five months ended 31 May 2016 was mainly due to increase in sales in the secondary residential property market.

Cost of sales

Our cost of sales increased from approximately RMB64.7 million for the five months ended 31 May 2015 to RMB69.5 million for the five months ended 31 May 2016, representing an increase of RMB4.8 million or 7%. The growth in our cost of sales was largely in line with our increase in revenue. In particular, we incurred more cost of raw materials and consumables for the five months ended 31 May 2016, which is in line with the growth of our catering business segment.

Gross profit and gross profit margin

Our gross profit increased from approximately RMB39.8 million for the five months ended 31 May 2015 to RMB45.6 million for the five months ended 31 May 2016, representing an increase of approximately RMB5.8 million or 15%. Meanwhile, our gross profit margin improved from approximately 38% for the five months ended 31 May 2015 to 40% for the five months ended 31 May 2016. The increase in gross profit was mainly due to the contribution of our property management services, retail services and Ancillary Living Services segments. The increase in gross profit margin was mainly attributable to increase in gross profit margin of our property management services and retail services segment. Gross profit in the retail services increased by approximately 11% to approximately RMB16.6 million for the five months ended 31 May 2016 from RMB15.0 million for the five months ended 31 May 2015. Its gross profit margin increased to 41% from 38% for the same period, mainly because of increased concessionaires' income and rental income, and the rental income generated from leasing space on outdoor glass windows of supermarket and convenience stores for advertising since May 2015 without incurrance of corresponding direct cost. The increase in gross profit margin of our property management service segment from approximately 51% for the five months ended 31 May 2015 to 59% for the five months ended 31 May 2016 was mainly attributable to the decrease in the number of small scale renovation and fitting-out projects which have lower profit margin. There were more small-scale renovation and fitting-out services to residents for the five months ended 31 May 2015 as compared to the same period in 2016 because of the delivery of new residential units of Clifford Landmark (祈福名都花園) in around late 2014.

Selling and marketing expenses

Our selling and marketing expenses increased from approximately RMB7.3 million for the five months ended 31 May 2015 to RMB8.0 million for the five months ended 31 May 2016, representing an increase of approximately 9%, which was primarily due to the increase in number of employees and expense in relation to opening and relocation of new retail and catering outlets in 2016. A substantial portion of selling and marketing expenses were related to retail service segment and catering service segment. Other expenses increased from

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approximately RMB0.5 million for the five months ended 31 May 2015 to approximately RMB1.2 million for the five months ended 31 May 2016 mainly due to the purchase of consumables for setting up new outlets in 2016.

Administrative expenses

Our administrative expenses increased from approximately RMB11.0 million for the five months ended 31 May 2015 to RMB20.8 million for the five months ended 31 May 2016, representing a growth of approximately 89%, primarily due to the incurrence of listing expenses and increase in employee benefit expense due to the increase in headcount. Other expenses increased from approximately RMB0.2 million for the five months ended 31 May 2015 to approximately RMB1.8 million for the five months ended 31 May 2016 mainly due to the incurrence of cost for setting up new outlets in 2016.

Other gains or losses — net

We incurred other losses of approximately RMB52,000 for the five months ended 31 May 2015 and other gains of RMB230,000 for the five months ended 31 May 2016. The change from net loss to net gain was primarily arisen from the fluctuation of exchange rate of Renminbi against HK dollars.

Other income

Our other income decreased from approximately RMB0.4 million for the five months ended 31 May 2015 to RMB0.2 million for the five months ended 31 May 2016, representing a decrease of approximately RMB0.2 million or 56%. The decrease was attributable to the decrease in interest income.

Finance income

Our finance income decreased from approximately RMB0.3 million for the five months ended 31 May 2015 to RMB96,000 for the five months ended 31 May 2016, representing a decrease of approximately RMB0.2 million or 70%. Such decrease was mainly attributable to settlement of the relevant loan by related parties in 2015.

Income tax expenses

Our income tax expense increased by approximately RMB1.0 million, or 16%, from approximately RMB6.2 million for the five months ended 31 May 2015 to RMB7.2 million for the five months ended 31 May 2016, primarily due to increase in profit before income tax. The effective tax rate increased from 28% to 41% for the five months ended 31 May 2015 and 2016, respectively, primarily due to increase in listing expense which is not tax deductible.

Profit for the period and net profit margin

As a result of the foregoing factors, our profit for the period decreased from approximately RMB15.9 million for the five months ended 31 May 2015 to RMB10.1 million for the five months ended 31 May 2016, representing a decrease of approximately RMB5.8 million or 36%. Our net profit margin decreased from approximately 15% to 9% for the same period.

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Year ended 31 December 2015 compared to year ended 31 December 2014

Revenue

Our revenue increased from approximately RMB236.8 million for the year ended 31 December 2014 to RMB261.1 million for the year ended 31 December 2015, representing an increase of approximately RMB24.3 million or 10%. The growth in our revenue was mainly attributable to increase in revenue from our property management, catering and Ancillary Living Services segments.

- **Property management services.** Revenue in the property management services increased by 17% to approximately RMB50.7 million for the year ended 31 December 2015 from RMB43.4 million for the year ended 31 December 2014. Such increase was mainly attributable to the increase in revenue of our general property management services based on commission basis and resident support services. The increase in revenue of general property management services based on commission basis from approximately RMB16.1 million for the year ended 31 December 2014 to RMB18.6 million for the year ended 31 December 2015 was primarily due to the increase in total contracted GFA under our management as well as the number of our residential communities managed. The increase in revenue of our resident support services from RMB18.5 million to RMB22.7 million was primarily due to taking up and completion of more renovation and fitting-out projects.
- **Retail services.** Revenue in the retail services remained relatively stable with slight increase to RMB98.7 million for the year ended 31 December 2015 from RMB98.3 million for the year ended 31 December 2014. The relative stability was primarily attributable to the increase in revenue of convenience stores. The increase in revenue of convenience stores from approximately RMB33.6 million to RMB36.2 million was primarily due to increase in sales of our convenience stores, in particular the Ni Wo Ta Convenience Store-Bus Terminal which commenced operation in the second half of 2014 and fully operated for the year of 2015. We increased variety of product offering and there were enhanced customer flows in the locations of the new convenience stores, thereby attracting more sales.
- **Catering services.** Revenue in the catering services increased by approximately 11% to approximately RMB76.3 million for the year ended 31 December 2015 from RMB68.5 million for the year ended 31 December 2014. Such increase was primarily due to increase in revenue of casual dining restaurants from approximately RMB18.9 million to RMB23.1 million resulting from (i) the opening of an additional restaurant, the Owls (Bus Terminal Branch), in September 2014; and (ii) improvement in performance of our Clifford Café.
- **Ancillary Living Services.** Revenue in the Ancillary Living Services increased by approximately 33% to RMB35.5 million for the year ended 31 December 2015 from RMB26.6 million for the year ended 31 December 2014. Such increase was primarily due to increase in revenue of our off-campus training services and laundry services. The increase in revenue of our off-campus training services from approximately RMB13.9 million to RMB20.7 million was mainly brought by increase in class enrolments. The increase in revenue of laundry services from

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approximately RMB7.6 million to RMB8.9 million was mainly due to increase in new customers and increase in our service price with respect to certain corporate customers. Our revenue from the property agency services and employment placement services remained stable.

Cost of sales

Our cost of sales increased from approximately RMB151.0 million for the year ended 31 December 2014 to RMB160.7 million for the year ended 31 December 2015, representing an increase of RMB9.7 million or 6%. The growth in our cost of sales was largely in line with our increase in revenue. In particular, we incurred more sub-contracting cost for other services during 2015, as we took up more renovation and fitting-out services and household repair services; besides we incurred more staff cost and cost of raw materials and consumables for catering business in line with business growth.

Gross profit and gross profit margin

Our gross profit increased from approximately RMB85.8 million for the year ended 31 December 2014 to RMB100.5 million for the year ended 31 December 2015, representing an increase of approximately RMB14.7 million or 17%. Meanwhile, our gross profit margin improved from approximately 36% for the year ended 31 December 2014 to 38% for the year ended 31 December 2015. The increase in gross profit was mainly contributed by the increase in gross profit of all of our four business segments along with our business growth. The increase in gross profit margin was mainly contributed by (i) the increase in gross profit margin of catering services brought by the sale of festive food and upgrading menu and selling price; (ii) the increase in gross profit margin of retail services brought by the increase in income from concessionaire fees which did not incur corresponding direct cost and thus led to increase in gross profit margin; and (iii) the increase in gross profit margin of off-campus training services brought by the continuous success of our training programmes and interest classes, with increased number of classes and enrolment, and enhancement of economies of scale.

Selling and marketing expenses

Our selling and marketing expenses increased from approximately RMB16.7 million for the year ended 31 December 2014 to RMB18.3 million for the year ended 31 December 2015, representing an increase of approximately 9%, primarily due to increase in staff cost in our selling and marketing function. A substantial portion of selling and marketing expenses were related to retail service segment. The increase in selling expenses was mainly attributable to increase in wages.

Administrative expenses

Our administrative expenses increased from approximately RMB23.2 million for the year ended 31 December 2014 to RMB26.3 million for the year ended 31 December 2015, representing a growth of approximately 13%, primarily due to: (i) the incurrence of listing expenses; and (ii) increase in employee benefit expense due to the increase in wages.

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Other gains or losses – net

We incurred other losses of approximately RMB0.3 million and RMB0.6 million respectively for the years ended 31 December 2014 and 2015. The increase in other losses was primarily arisen from the fluctuation of exchange rate of Renminbi against HK dollars.

Other income

Our other income increased from approximately RMB0.8 million for the year ended 31 December 2014 to RMB1.0 million for the year ended 31 December 2015, representing an increase of approximately RMB0.2 million or 22%. The increase was attributable to the increase in interest income.

Finance income

Our finance income decreased from approximately RMB3.4 million for the year ended 31 December 2014 to RMB0.4 million for the year ended 31 December 2015, representing a decrease of approximately RMB3.0 million or 87%. Such decrease was mainly attributable to settlement of the relevant loan by related parties.

Income tax expenses

Our income tax expense increased by approximately RMB1.3 million, or 8%, from approximately RMB15.4 million for the year ended 31 December 2014 to RMB16.7 million for the year ended 31 December 2015, primarily due to increase in net profit. The effective tax rate remained relatively stable at 31% and 29% for the year ended 31 December 2014 and 2015, respectively.

Profit for the year and net profit margin

As a result of the foregoing factors, our profit for the year increased from approximately RMB34.3 million for the year ended 31 December 2014 to RMB40.1 million for the year ended 31 December 2015, representing an increase of approximately RMB5.8 million or 17%. Our net profit margin remained relatively stable with slight increase from 14% to 15% for the same period.

Year ended 31 December 2014 compared to year ended 31 December 2013

Revenue

Our revenue grew from approximately RMB227.1 million for the year ended 31 December 2013 to RMB236.8 million for the year ended 31 December 2014, representing an increase of approximately RMB9.7 million or 4%. The growth in our revenue was mainly attributable to increase in revenue from our property management services.

- **Property management services.** Revenue in the property management services increased by approximately 23% to RMB43.4 million in 2014 from RMB35.2 million in 2013, which was attributable to increase in revenue of both general property management services and resident support services. The increase in

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revenue of general property management services on commission basis from approximately RMB11.6 million to RMB16.1 million was primarily due to the increase in the total contracted GFA under our management resulted from: (i) increased contracted GFA in communities already managed by us on commission basis; and (ii) increase in property management fees and our entitled commission percentage of Clifford Estates. The increase in revenue of general property management services on lump sum basis from approximately RMB6.5 million to RMB8.8 million was primarily due to the provision of general property management services to two new communities at pre-delivery stage in second quarter of 2013. The increase in revenue of resident support services from approximately RMB17.2 million to RMB18.5 million was primarily due to the increase in the number of renovation and fitting out projects undertaken and completed.

- **Retail services.** Revenue in the retail services remained relatively stable with slight increase by approximately 0.5% to RMB98.3 million in 2014 from RMB97.8 million in 2013. The increase was primarily attributable to the increase in revenue of convenience stores, being partially set off by the decrease in revenue of supermarket. The increase in revenue of convenience stores from approximately RMB25.2 million to RMB33.6 million was primarily due to: (i) our centralisation strategy of consolidating five convenience stores in the vicinity into one, namely Ni Wo Ta Convenience Store No. 12. The Skyline Clubhouse with a relatively higher customer flow in September 2013 offering a wider product selection which attracted more customers; (ii) opening of Ni Wo Ta Convenience Store — Bus Terminal in the second half of 2014; and (iii) increase in sales of existing convenience stores as a result of enhancement in product selection while the decrease in revenue of supermarket from approximately RMB64.6 million to RMB56.7 million was primarily due to decrease in the customer flow resulting from relocation of the central bus terminal near the supermarket.
- **Catering services.** Revenue in the catering services remained relatively stable with slight decrease by approximately 1% to RMB68.5 million in 2014 from RMB69.2 million in 2013. Such decrease was primarily attributable to the decrease in revenue of Chinese restaurants, being partially offset by the increase in revenue of Western restaurant (being Beehive Bar & Kitchen). The decrease in revenue of Chinese restaurants from approximately RMB43.9 million to RMB40.1 million was mainly due to the closure of our Herbal Cuisine (Huadu Branch) in October 2013 and the public construction work outside the Clifford Estates which affected the traffic flow. The increase in revenue of Western restaurant (being Beehive Bar & Kitchen) from approximately RMB5.2 million to RMB7.4 million was mainly due to commencement of operation of Beehive Bar & Kitchen in May 2013 and increasing average seat turnover rate since then.
- **Ancillary Living Services.** Revenue in the Ancillary Living Services increased by approximately 7% to RMB26.6 million in 2014 from RMB24.9 million in 2013. Such increase was primarily attributable to the increase in revenue of off-campus training services, being partially offset by the decrease in revenue of property agency services. The increase in revenue of off-campus training services from approximately RMB9.1 million to RMB13.9 million was mainly due to: increase in class enrolments (i) of our existing training programmes and interest classes; and

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(ii) from introduction of new classes. The decrease in revenue of property agency services from approximately RMB8.1 million to RMB4.1 million was mainly due to the implementation of more stringent regulations of Guangzhou City which imposed limitations on property purchase that adversely affected our property sales agency services. On the other hand, our revenue from employment placement services and laundry services remained stable.

Cost of sales

Our cost of sales remained relatively stable with slight decrease from approximately RMB151.6 million for the year ended 31 December 2013 to RMB151.0 million for the year ended 31 December 2014, representing a decrease of approximately RMB0.6 million or 0.4%. The decrease was mainly brought by the decrease in cost of raw materials and consumables for catering business, as a result of the closure of one of our Chinese restaurants (Herbal Cuisine (Huadu Branch)) in October 2013, partially offset by the increase in cost of sales of a new restaurant starting to operate in 2014 and the full year operation of Beehive Bar & Kitchen which commenced business in 2013.

Gross profit and gross profit margin

Our gross profit increased from approximately RMB75.5 million for the year ended 31 December 2013 to RMB85.8 million for the year ended 31 December 2014, representing an increase of approximately RMB10.3 million or 14%. Meanwhile, our gross profit margin improved from 33% in the year ended 31 December 2013 to 36% in the year ended 31 December 2014. The increase in gross profit was mainly due to the contribution of property management services segment and catering services segment. The increase in gross profit margin was mainly due to the increase in gross profit margin of catering services segments from 13% in 2013 to 19% in 2014 as a result of the closure of a low gross margin restaurant, namely Herbal Cuisine (Huadu Branch), and the increase in gross profit margin of off-campus training services (in Ancillary Living Services segment) from 51% in 2013 to 56% in 2014, mainly attributable to the benefit from economies of scale achieved from increased enrolment in our training programmes and interest classes.

Selling and marketing expenses

Our selling and marketing expenses decreased from approximately RMB17.8 million for the year ended 31 December 2013 to RMB16.7 million for the year ended 31 December 2014, representing a decrease of approximately 6%, primarily due to decrease in expenses in the retail services. Nevertheless, selling and marketing expenses were relatively stable at around 7% to 8% of our total revenue for 2013 and 2014. Selling and marketing expenses in relation to retail service segment contributed to a substantial portion of our total selling and marketing expenses for the years ended 31 December 2013 and 2014 respectively. It decreased by approximately 4% to approximately RMB15.2 million for the year ended 31 December 2014 from RMB15.8 million for the year ended 31 December 2013, primarily attributable to the decrease in staff cost.

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Administrative expenses

Our administrative expenses increased from approximately RMB17.0 million for the year ended 31 December 2013 to RMB23.2 million for the year ended 31 December 2014, representing an increase of approximately 36%, primarily attributable to incurrence of listing expenses and increase in staff cost.

Other gains or losses – net

Our other gains or losses decreased from a gain of approximately RMB0.6 million for the year ended 31 December 2013 to a loss of RMB0.3 million for the year ended 31 December 2014. The change from gain to loss was arisen from the fluctuation of exchange rate of Renminbi against HKD.

Other income

Our other income increased from approximately RMB0.7 million for the year ended 31 December 2013 to RMB0.8 million for the year ended 31 December 2014, representing an increase of approximately RMB0.1 million or 16%. The increase was attributable to the increase in interest income.

Finance income

Our finance income decreased from approximately RMB4.3 million for 2013 to RMB3.4 million for 2014, representing a decrease of approximately RMB0.9 million or 21%. Such decrease was mainly attributable to reduced interest income from loans which have been partially settled by related parties.

Income tax expenses

Our income tax expense increased by approximately RMB1.7 million, or 13%, from approximately RMB13.7 million for 2013 to approximately RMB15.4 million for 2014, primarily due to increase in revenue. The effective tax rate remained relatively stable at approximately 29% and 31% for 2013 and 2014, respectively.

Profit for the year and net profit margin

As a result of the foregoing factors, our profit for the year increased from approximately RMB32.7 million in 2013 to RMB34.3 million in 2014, representing an increase of approximately RMB1.6 million or 5%. Our net profit margin remained at 14% for the two years.

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NET CURRENT ASSETS AND LIABILITIES

The table below sets out the information of our current assets and current liabilities as of the dates indicated:

	As at 31 December			As at 31 May	As at 30 September
	2013 <i>RMB'000</i>	2014 <i>RMB'000</i>	2015 <i>RMB'000</i>	2016 <i>RMB'000</i>	2016 <i>RMB'000</i> (Unaudited)
Current assets					
Inventories	9,006	8,152	8,265	10,470	9,956
Trade and other receivables	109,899	95,741	47,200	48,172	49,789
Term deposits	–	3,000	7,960	23,258	29,175
Restricted cash	52	53	478	480	481
Cash and cash equivalents	<u>49,297</u>	<u>77,670</u>	<u>93,334</u>	<u>80,185</u>	<u>98,937</u>
	<u>168,254</u>	<u>184,616</u>	<u>157,237</u>	<u>162,565</u>	<u>188,338</u>
Current liabilities					
Trade and other payables	103,800	98,201	60,148	67,974	80,675
Current income tax liabilities	13,635	10,361	7,951	6,848	6,083
Borrowings	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>4,305</u>
	<u>117,435</u>	<u>108,562</u>	<u>68,099</u>	<u>74,822</u>	<u>91,063</u>
Net current assets	<u><u>50,819</u></u>	<u><u>76,054</u></u>	<u><u>89,138</u></u>	<u><u>87,743</u></u>	<u><u>97,275</u></u>

Our current assets consist primarily of trade and other receivables and cash and cash equivalents. Our current liabilities consist primarily of trade and other payables.

Our net current assets, being the difference between total current assets and total current liabilities, remained positive during the Track Record Period.

As of 30 September 2016, our net current assets increased slightly to approximately RMB97.3 million from RMB87.7 million as of 31 May 2016. The increase was primarily due to increase in cash and cash equivalents generated from our operation, being partially offset by the increase in trade and other payables primarily due to (i) increase in listing expense payable; and (ii) increase in advances from customers as a result of increase in enrolment for interest classes in our off-campus training services.

Our net current assets of approximately RMB87.7 million as of 31 May 2016 decreased from a net current assets of approximately RMB89.1 million as of 31 December 2015. The decrease was primarily due to increase in trade and other payables mainly arising from increase in procurement for our newly-opened catering outlets and increase in stock for the newly opened Clifford Supermarket.

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Our net current assets of approximately RMB89.1 million as of 31 December 2015 increased from a net current assets of approximately RMB76.1 million as of 31 December 2014. The increase was primarily due to increase in cash and cash equivalents primarily due to increase in cash at bank and on hand generated from our operation and settlement of loans and interest receivables from our related parties and decrease in trade and other payables primarily due to settlement of dividend payable.

Our net current assets of approximately RMB76.1 million as of 31 December 2014 increased from a net current assets of RMB50.8 million as of 31 December 2013. The increase was primarily due to increase in cash and cash equivalents primarily due to increase in cash at bank and on hand generated from our operation and decrease in trade and other payables primarily due to net effect of: (i) settlement of dividends payable; and (ii) increase in other payables due to incurrance of listing expenses.

DISCUSSION OF CERTAIN ITEMS FROM THE STATEMENTS OF FINANCIAL POSITION

Property, plant and equipment

Our property, plant and equipment mainly consisted of machinery, vehicles, office equipment, and leasehold improvements. As at 31 December 2013, 2014 and 2015 and 31 May 2016, the net book values of our Group's property, plant and equipment were approximately RMB9.8 million, RMB9.4 million, RMB10.3 million and RMB21.3 million, respectively. The decrease from 2013 to 2014 was mainly due to the depreciation charges, partially offset by the additions. The increase from 2014 to 2015 and from 31 December 2015 to 31 May 2016 was mainly due to addition of machinery and leasehold improvements for the replacement and addition of equipment for our newly opened catering outlets and retail outlets.

Inventories

Our inventories consist mainly of merchandise goods for our retail service segment and raw materials for our catering service segment we procured from suppliers.

As of 30 September 2016, we had subsequently sold and/or used up approximately RMB9.6 million, or 92% of our inventories as of 31 May 2016.

Our inventories increased from approximately RMB8.3 million as of 31 December 2015 to RMB10.5 million as of 31 May 2016, primarily due to increase in inventory level as a result of increase in stock for our opening of new retail and catering outlets.

Our inventories remained relatively stable with slight increase from approximately RMB8.2 million as of 31 December 2014 to RMB8.3 million as of 31 December 2015.

Our inventories decreased from approximately RMB9.0 million as of 31 December 2013 to RMB8.2 million as of 31 December 2014. The decrease was primarily due to decrease in inventory level as a result of enhanced customer flow in the location of our new convenience store, Ni Wo Ta Convenience Store No. 12 – The Skyline Clubhouse.

Our inventory turnover days was 24 days, 20 days, 18 days and 20 days during the year ended 31 December 2013, 2014 and 2015 and the five months ended 31 May 2016. The changes were in line with the fluctuation of our stock level as explained above.

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During the Track Record Period, we neither recognised any provision nor write-down for our inventories.

Trade and other receivables

Our trade and other receivables mainly consist of trade receivables, amounts placed in Residents' Accounts, other receivables and loans and interest receivables. The following table sets out a breakdown of our trade and other receivables as of the dates indicated.

	As at 31 December			As at
	2013	2014	2015	31 May
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables				
– Related parties	960	3,885	4,297	2,475
– Third parties	<u>3,703</u>	<u>3,452</u>	<u>3,655</u>	<u>4,188</u>
	<u>4,663</u>	<u>7,337</u>	<u>7,952</u>	<u>6,663</u>
Amounts placed in Residents' Accounts	<u>8,969</u>	<u>19,120</u>	<u>24,010</u>	<u>17,752</u>
Other receivables				
– Related parties	3,698	4,179	5,954	9,510
– Third parties	<u>8,521</u>	<u>8,890</u>	<u>4,948</u>	<u>8,802</u>
	<u>12,219</u>	<u>13,069</u>	<u>10,902</u>	<u>18,312</u>
Loans and interest receivables				
– Related parties	82,105	54,777	57	57
– A third party	<u>1,573</u>	<u>152</u>	<u>152</u>	<u>152</u>
	<u>83,678</u>	<u>54,929</u>	<u>209</u>	<u>209</u>
Prepayments				
– Related parties	–	–	–	132
– Third parties	<u>370</u>	<u>246</u>	<u>4,127</u>	<u>5,104</u>
	<u>370</u>	<u>246</u>	<u>4,127</u>	<u>5,236</u>
Dividends receivable	<u>–</u>	<u>1,040</u>	<u>–</u>	<u>–</u>
Total	<u>109,899</u>	<u>95,741</u>	<u>47,200</u>	<u>48,172</u>

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Trade receivables

Our trade receivables are mainly related to our receivable of outstanding property management fee and the receivables arisen from laundry services.

Our trade receivables increased by approximately 57% from approximately RMB4.7 million as of 31 December 2013 to RMB7.3 million as of 31 December 2014 as a result of the increase in receivable mainly from property management service fees due from residents. It then increased by approximately 8% from approximately RMB7.3 million as of 31 December 2014 to RMB8.0 million as of 31 December 2015. It then decreased by approximately 16% from approximately RMB8.0 million as of 31 December 2015 to RMB6.7 million as of 31 May 2016, mainly due to settlement of property management service fee due from developers in respect of vacant units on a lump sum basis. Among these trade receivables as at 31 May 2016, approximately RMB4.2 million and approximately RMB2.5 million were attributable to independent third parties and related parties respectively.

The following table sets out the ageing analysis of our trade receivables as of the dates indicated.

	As of 31 December			As of 31 May
	2013	2014	2015	2016
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Up to 1 year	4,663	6,618	7,591	6,155
1–2 years	–	719	266	384
2–3 years	–	–	95	109
Over 3 years	–	–	–	15
Total	<u>4,663</u>	<u>7,337</u>	<u>7,952</u>	<u>6,663</u>

During the Track Record Period, the Group has granted credit term of one month to corporate customers of laundry services and property management fee receivables on commission basis from residents.

The following table sets forth our trade receivables turnover days for the periods indicated:

	For the year ended 31 December			For the five months ended
	2013	2014	2015	31 May 2016
	Trade receivables turnover days	<u>5</u>	<u>9</u>	<u>11</u>

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The trade receivables turnover days increased from 5 days in 2013 to 9 days in 2014, primarily due to increase in our various services rendered to our customers near the year-end and the increase in property management fees as a result of the increase in contracted GFA we managed in 2014.

The trade receivables turnover days increased slightly from 9 days for the year ended 31 December 2014 to 11 days for the year ended 31 December 2015.

The trade receivables turnover days decreased slightly from 11 days for the year ended 31 December 2015 to 10 days for the five months ended 31 May 2016.

As at 30 September 2016, approximately RMB4.7 million (of which approximately RMB2.6 million and RMB2.1 million are attributable to independent third parties and related parties respectively), or 71%, of the trade receivables balance as of 31 May 2016 was subsequently settled.

For certain trade receivables aged over one year, we did not make provision because (i) the amount was relatively immaterial; (ii) the amount was mainly related to our commission receivable under property management service and we would consider to take legal actions in collecting the outstanding payment as appropriate; and (iii) pursuant to the relevant PRC laws and regulations, the property owners need to settle the outstanding property management fees before they sell the unit and therefore the property owners generally settle all outstanding property management fees when they sell the unit.

Under the relevant property management service contracts, the property owners should pay the property management fees on a monthly basis. There is amount due from residents outstanding primarily because of (i) property owners making late payments; and (ii) property owners who purchased their units for investment purposes and did not reside at the property, but such property owners generally pay all outstanding property management fees when selling the unit.

Measures to improve collection of property management fees

We, as the manager of the relevant residential communities, have adopted the following measures to improve the collection of property management fees. For property owners who are inaccessible to us, other than exhausting our ordinary collection methods, we would hire legal counsel to take legal action against the property owners to collect the outstanding payments. To further enhance the timeliness of payment of property management fees owed to the management offices or us, we adopt the following measures at an increasing number of communities:

- We persistently contact residents and property owners with outstanding property management fees via text messages, mails or phone calls. If such measures do not suffice, we would hire legal counsel to take legal action against the property owners to recover the outstanding payments.
- We have made available electronic payment methods such as payment through bank transfers for certain communities.
- We have made remote payments available for foreign property owners.

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Amount placed at Residents' Accounts

Under the property management service contracts on a commission basis, we essentially act as an agent of the property owners. Our subsidiaries (i.e. PM Panyu PRC Co and PM Foshan PRC Co, collectively the “**PM Subsidiaries**”), as the property management companies of the residential communities that we manage on a commission basis, are principally engaged in (a) provision of property management services to the residential communities under commission basis and are entitled to commission income at a pre-determined portion of the general property management service fees (the “**Entitled Commission**”); and (b) provision of resident support services under the residents' request and charge residents of fees at the rates accepted by residents (the “**Support Services Income**”).

Historically, our PM Subsidiaries opened bank accounts on behalf of the residents (“**Residents' Accounts**”) to collect general property management service fees and resident support service fees from the residents. The residents are the beneficial owners of the Residents' Accounts and our PM Subsidiaries are responsible for the treasury function of the Residents' Accounts and manage the utilisation of funds received and saved in these accounts on behalf of the residents.

Fund accumulated in such bank accounts include:

- (i) the balance of net Support Services Income which is entitled to but has not yet been withdrawn by our PM Subsidiaries;
- (ii) the balance of Entitled Commission which is entitled to but has not yet been withdrawn by our PM Subsidiaries; and
- (iii) the balance of the gross general property management service fees paid by the residents net of our Entitled Commission and payments of expenses incurred for various services rendered to the residential communities (“**Undeployed Funds**”) which our PM Subsidiaries are not entitled to.

According to the Measures on the Charges of Property Service (物業服務收費管理辦法), for provision of our property management services under commission basis, we are entitled to a pre-determined portion of the general property management service fees, which the property owners are obligated to pay as our remuneration. As advised by the PRC Legal Advisers, because (a) the Entitled Commission (i.e. item (ii) mentioned above) represents the commission income generated from provision of our general property management services to the relevant residential communities; and (b) the Support Services Income (i.e. item (i) mentioned above) represents the service income generated from provision of resident support services by our PM Subsidiaries to the residents of Clifford Estates and other residential communities in the surrounding area, our PM Subsidiaries are entitled to the Entitled Commission and the net Support Services Income (i.e. items (i) and (ii) mentioned above) and have the right to use these balances at our discretion, notwithstanding that such balances are saved in the Residents' Accounts and have not yet been withdrawn by our PM Subsidiaries; while the Undeployed Funds (i.e. item (iii) mentioned above) belong to the residents and are to be utilised for the payments of various services rendered to the residential communities as our PM Subsidiaries are only agents to manage the utilisation of such balance on behalf of the residents.

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In view of the facts that:

- (i) our PM Subsidiaries are entitled to the Entitled Commission and Support Services Income as the related services have already been provided;
- (ii) such Residents' Accounts have been opened on behalf of the residential communities and are beneficially owned by the residents; and
- (iii) such balance of Entitled Commission and net Support Services Income are saved in the Residents' Accounts but have not yet been withdrawn by our PM Subsidiaries to our Group's beneficiary bank accounts,

we have recognised the balances of the Entitled Commission and net Support Services Income that are saved in the Residents Accounts as "Trade and other receivables — Amounts placed at Residents' Accounts" in our balance sheet but not "cash and cash equivalents". Our Directors confirmed that such "Amounts placed at Residents' Accounts" in our balance sheet (which amounted to approximately RMB9.0 million, RMB19.1 million, RMB24.0 million and RMB17.8 million as at 31 December 2013, 2014, 2015 and 31 May 2016 respectively) represented only Entitled Commission and Support Services Income, but did not include the Undeployed Funds.

On the other hand, the whole cash and bank balance (comprising the Undeployed Funds, the Entitled Commission and the net Support Services Income) at the Residents' Accounts are excluded from our Group's financial statements. In order to ensure the accurate calculation of the amount of the Entitled Commission and the net Support Services Income as opposed to the Undeployed Funds, we have adopted the following measures:

- (i) the Entitled Commission are calculated at the pre-determined percentage of the general property management service fees according to the property management service contracts of the residential communities, which are clear and unambiguous;
- (ii) the Support Services Income are determined pursuant to the agreed fees under the relevant contracts entered into between our PM Subsidiaries and the residents for provision of resident support services while the related costs are determined pursuant to the agreed fees payable to third party subcontractors or salary of our on-site staff, which are clear and unambiguous;
- (iii) the Entitled Commission and the net Support Services Income on the one hand and the Undeployed Funds on the other hand are recorded and monitored in separate management accounts of the residential communities maintained by our PM Subsidiaries and the statement of income and expenses of the residential communities are audited by an independent qualified auditor engaged by our PM Subsidiaries on behalf of the residential communities and the audit reports are made available for inspection by the residents in public area in the communities on an annual basis;
- (iv) the usage and transfer of the balance of the Entitled Commission and net Support Services Income out of the Residents' Accounts are all made after approval by our management team and representatives of shareholders of our PM Subsidiaries; and

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- (v) any usage or transfer out of the Residents' Accounts in the amount exceeding RMB2 million must be approved in writing by the chief operation officer of our general property management services and at least one executive Director of our Group.

Historically, PM Panyu PRC Co had three shareholders. For the purposes of minimising administrative work and securing the respective interests of each of the three shareholders, it was accustomed to the three shareholders that the internal resources of PM Panyu PRC Co (being the funds accumulated and generated from its operations, mainly consisting of the net Support Services Income and the Entitled Commission) would be accumulated and placed at the Residents' Accounts. After the end of each year, we will arrange independent qualified auditors in the PRC to issue audit report on the statement of income and expenses of the relevant residential communities. Content of such audit reports are made available for inspection by the residents in public area in the communities. When the audit on the statement of income and expenses of Clifford Estates each year were completed and the amount of dividend to be declared by PM Panyu PRC Co for the relevant period or year was agreed among the three shareholders, the funds entitled by PM Panyu PRC Co accumulated in the Residents' Accounts would then be transferred directly to each of the three shareholders of PM Panyu PRC Co. Regarding PM Foshan PRC Co, though it is a wholly-owned subsidiary of our Group, it accustomed to follow the practise of PM Panyu PRC Co and thus the net Support Services Income and the Entitled Commission of PM Foshan PRC Co were also placed at the Residents' Accounts.

Because of such accustomed practise, certain funds entitled by our Group are accumulated in the Residents' Accounts which are accounted for in our balance sheet as "Amount placed at Residents' Accounts" as one of the items included in trade and other receivables. In particular, such funds accumulated by PM Panyu PRC Co are disposable by PM Panyu PRC Co itself subject to the internal approval process of PM Panyu PRC Co (i.e. approval by representatives of shareholders of PM Panyu PRC Co as PM Panyu PRC Co is owned as to 75.5% by our Group and as to 24.5% by PRC JV Partner No.1 as at the Latest Practicable Date); while the funds accumulated by PM Foshan PRC Co are disposable by PM Foshan PRC Co itself (which is a wholly owned subsidiary of our Group) subject to the internal approval process by the management of our Group. As long as we complete certain internal approval process, we are able to transfer the balances of the Entitled Commission and the net Support Services Income in Residents' Accounts to the accounts of the respective shareholders of our PM Subsidiaries or to our PM Subsidiaries' separate bank accounts at our discretion. On this basis, our Directors are of the view that there is no foreseeable risks associated with the recoverability of the amount.

The amount placed at Residents' Accounts were approximately RMB9.0 million, RMB19.1 million and RMB24.0 million as at 31 December 2013, 2014 and 2015 respectively. The increase in amount placed at Residents' Accounts during 2014 was mainly due to the accumulation of funds by the PM Subsidiaries as a result of profit generated from their normal operation. The increase in amount placed at Residents' Accounts during 2015 was mainly due to (i) the accumulation of funds by the PM Subsidiaries as a result of profit generated from their normal operation; (ii) certain within the limit of the accumulated Entitled Commission and Support Services Income in the Residents' Accounts which had been previously lent to related parties as loans were repaid during 2015 and were stored in the Residents' Accounts because the PM Subsidiaries did not open their own bank accounts until December 2015 and the funds/resources of the PM Subsidiaries were accustomed to be accumulated in the

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Residents' Accounts; and (iii) partially net off by the transfer out of RMB19 million from the Residents' Accounts to the Group's own bank account in December 2015.

In December 2015, in order to further enhance our internal control and ensure clear delineation of funds accumulated in the Residents' Accounts, our PM Subsidiaries opened their own separate bank accounts to keep their own internal resources. Subsequent to the opening of separate accounts in December 2015, the Support Services Income as well as any other miscellaneous income generated by the PM Subsidiaries which are totally entitled by the PM Subsidiaries (if any) are directly received by our PM Subsidiaries' own bank accounts upon payment by the customers.

In respect of the Entitled Commission Income, as it is derived from a percentage of the gross property management fee received from a large population of residents from time to time, and is only entitled by our Group along with the passage of service period, it would be impractical and unduly burdensome for us to make transfer immediately upon our entitlement. As mentioned above, both PM Subsidiaries have accustomed to the practise of making transfer annually after the completion of the audit of the statements of income and expenses of the relevant residential communities. It is expected that such practise shall carry on for the sake of fairly safeguarding the respective interest of the residents, the Group and the minority shareholder of PM Panyu PRC Co.

Our Directors are of the view that the above measures could enable our Group to reduce the risk of any disputes between our Group and the residents about the relevant calculations. Whilst it is inevitable there may be disputes with or complaints from the residents by reason of our business nature, the Company confirmed that there were no material disputes over the amount of the Undeployed Funds during the Track Record Period.

Other receivables

Our other receivables due from related parties which are non-trade nature will be settled before Listing. They were mainly resulted from various payments on behalf of the related parties and current accounts.

Our other receivables due from third parties included (i) concessionary fee receivable which amounted to approximately RMB2.9 million, RMB2.1 million, RMB0.2 million and nil as at 31 December 2013, 2014 and 2015 and 31 May 2016 respectively; and (ii) other miscellaneous items such as utility deposits.

Loans and the relevant interest receivables

Our loans and the relevant interest receivables decreased substantially from approximately RMB83.7 million as of 31 December 2013 to approximately RMB54.9 million as of 31 December 2014 and then to approximately RMB0.2 million as of 31 December 2015 and 31 May 2016, primarily due to settlement of most of the loans and relevant interests due from related parties and a third party.

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All of the loans and the relevant interest receivables had been settled as at the Latest Practicable Date. As mentioned in the section headed “Business — Legal proceedings and compliance” in this prospectus, our lending of loans to related parties and a third party in the PRC would violate the relevant PRC lending regulations implemented by People’s Bank of China. We have ceased to provide loans to any entities.

Trade and other payables

Our trade and other payables primarily comprised trade payables, other payables, advances from customers, dividends payable to the then equity holders of the Group and accrued payroll. The following table sets out a breakdown of our trade and other payables as of the dates indicated.

	As of 31 December			As of
	2013	2014	2015	31 May
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables				
– Related parties	70	3	3	25
– Third parties	<u>14,883</u>	<u>15,327</u>	<u>12,444</u>	<u>19,415</u>
	<u>14,953</u>	<u>15,330</u>	<u>12,447</u>	<u>19,440</u>
Other payables				
– Related parties	20,917	22,629	15,157	11,047
– Third parties	<u>11,364</u>	<u>13,438</u>	<u>11,585</u>	<u>13,240</u>
	<u>32,281</u>	<u>36,067</u>	<u>26,742</u>	<u>24,287</u>
Advances from customers				
– Related parties	250	–	–	–
– Third parties	<u>4,093</u>	<u>9,053</u>	<u>6,565</u>	<u>9,346</u>
	<u>4,343</u>	<u>9,053</u>	<u>6,565</u>	<u>9,346</u>
Dividends payable to the then equity holders of the Group	36,363	22,619	–	–
Loan from a related party and interest payable	1,500	111	–	–
Accrued payroll	12,789	13,681	13,780	13,311
Other taxes payables	<u>1,571</u>	<u>1,340</u>	<u>614</u>	<u>1,590</u>
	<u><u>103,800</u></u>	<u><u>98,201</u></u>	<u><u>60,148</u></u>	<u><u>67,974</u></u>

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Trade payables

Our trade payables primarily comprised fees due to third-party suppliers for procurement of raw materials for our catering service segment and products for provision of our retail service segment, and fees due to sub-contractors for provision of our resident support service. We generally enjoy credit terms of approximately seven days to 45 days from the suppliers.

As of 30 September 2016, we had subsequently settled approximately RMB15.9 million, or 82% of our trade payables outstanding as of 31 May 2016.

Our trade payables increased by approximately 56% from approximately RMB12.4 million as of 31 December 2015 to RMB19.4 million as of 31 May 2016, primarily because of increase in procurement from third-parties for our newly-opened catering outlets and increase in stock for the newly opened Clifford Supermarket.

Our trade payables decreased by approximately 19% from RMB15.3 million as of 31 December 2014 to RMB12.4 million as of 31 December 2015, primarily because of the reduction in purchases towards the year end in our retail services given the relocation plan of our supermarket in the first half of 2016.

Our trade payables remained relatively stable with slight increase by approximately 3% from approximately RMB15.0 million as of 31 December 2013 to RMB15.3 million as of 31 December 2014.

The following table sets out the ageing analysis of our trade payables as of the dates indicated.

	As of 31 December			As of 31 May
	2013	2014	2015	2016
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Up to 1 year	14,582	14,632	11,639	18,060
1–2 years	243	603	214	929
2–3 years	68	33	499	169
Over 3 years	60	62	95	282
Total	<u>14,953</u>	<u>15,330</u>	<u>12,447</u>	<u>19,440</u>

The table below sets out the turnover days of our average trade payables during the Track Record Period.

	As of 31 December			As of 31 May
	2013	2014	2015	2016
	<i>(days)</i>			
Average trade payable turnover days	<u>35</u>	<u>36</u>	<u>31</u>	<u>34</u>

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Other payables

Our other payables due to related parties which are non-trade nature will be settled before Listing. They were mainly resulted from various payments on behalf of our Group and current accounts.

Our other payables due to third parties included deposits received from tenants in our retail business which amounted to RMB3.9 million, RMB4.4 million, RMB6.2 million and RMB4.2 million as at 31 December 2013, 2014 and 2015 and 31 May 2016 respectively. The increase as at 31 December 2015 was mainly due to the increase in concessionaires and stall tenants in our new supermarket and wet market opened in the first half of 2016. In addition, as at 31 December 2014, we also recorded listing expenses payable of RMB3.8 million which was largely settled as at 31 December 2015. The rest of the other payables balances are miscellaneous payables.

Advances from customers

Advances from customers are primarily related to prepaid course fees received from customers in our off-campus training services, prepaid service fees for our resident support services and the unused value of our Consumption Cards. Advances from customers increased from approximately RMB4.3 million as of 31 December 2013 to RMB9.1 million as of 31 December 2014, primarily due to increase in prepaid course fees for our off-campus training services resulting from increased enrolment of our training programmes and interest classes, and increased prepaid service fees for renovation and fitting-out services and household helper services of our resident support services, being partially offset by the decrease in unused value of our Consumption Cards.

It decreased from approximately RMB9.1 million as of 31 December 2014 to RMB6.6 million as of 31 December 2015, primarily due to the decrease in prepaid service fees received from customers for renovation and fitting-out services of our resident support services as a result of completion of services.

It then increased from approximately RMB6.6 million as of 31 December 2015 to RMB9.3 million as of 31 May 2016, primarily due to increased enrolment of our interest classes which led to increase in receipt of advances from customers.

Dividends payable to the then equity holders of the Group

Our dividends payable to the then equity holders of the Group amounted to approximately RMB36.4 million, RMB22.6 million, nil and nil as at 31 December 2013, 2014, and 2015 and 31 May 2016, respectively.

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Accrued payroll

Our accrued payroll amounted to approximately RMB12.8 million, RMB13.7 million, RMB13.8 million and RMB13.3 million as at 31 December 2013, 2014 and 2015 and 31 May 2016, respectively. The accrued payroll remained relatively stable during the Track Record Period.

LIQUIDITY AND CAPITAL RESOURCES

Overview

Our primary liquidity requirements relate to the funding of required working capital to support an increase in our scale of operations, purchase of property, plant and equipment and payments for leasehold land. To date, we have financed our cash requirements through a consolidation of cash generated from operating activities and the proceeds of capital contributions from our Shareholders. In the future, we expect to continue relying on cash flows from operations, the proceeds from the Global Offering and other debt and equity financing to fund our working capital needs and finance part of our business expansion.

Cash Flows

The table below is a summary of our consolidated statements of cash flows during the Track Record Period.

	As of 31 December			Five months ended 31 May 2015	Five months ended 31 May 2016
	2013	2014	2015	2015	2016
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				(Unaudited)	
Cash and cash equivalents at beginning of year	32,714	49,297	77,670	77,670	93,334
Net cash generated from operating activities	19,277	31,201	45,535	16,746	27,904
Net cash (used in)/generated from investing activities	(2,977)	195	33,794	38,459	(19,338)
Net cash generated from/(used in) financing activities	283	(3,023)	(63,665)	(20,355)	(21,715)
Net increase/(decrease) in cash and cash equivalents	<u>16,583</u>	<u>28,373</u>	<u>15,664</u>	<u>34,850</u>	<u>(13,149)</u>
Cash and cash equivalents at end of year	<u><u>49,297</u></u>	<u><u>77,670</u></u>	<u><u>93,334</u></u>	<u><u>112,520</u></u>	<u><u>80,185</u></u>

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Cash flows from operating activities

During the Track Record Period, our cash flows from operating activities are principally derived from the receipt of payments for our services provided to our customers. Our primary cash outflows from operating activities are mainly for the operating expenses in relation to the provision of our services and taxes, if any.

For the five months ended 31 May 2016, our net cash generated from operating activities was approximately RMB27.9 million, primarily reflecting: (i) profit before income tax of approximately RMB17.3 million; and (ii) cash inflow from trade and other payables of approximately RMB20.4 million, partially offset by cash outflow from income tax paid of approximately RMB6.5 million.

For the year ended 31 December 2015, our net cash generated from operating activities was approximately RMB45.5 million, primarily reflecting (i) profit before income tax of approximately RMB56.8 million; (ii) adjustment for depreciation of property, plant and equipment; and (iii) cash inflow from trade and other payables of approximately RMB3.7 million, partially offset by the cash outflow from income tax paid of approximately RMB16.5 million.

For the year ended 31 December 2014, our net cash generated from operating activities was approximately RMB31.2 million, primarily reflecting: (i) profit before income tax of approximately RMB49.7 million and (ii) cash inflow from trade and other payables of approximately RMB10.3 million, partially offset by the cash outflows from (i) trade and other receivables of approximately RMB20.4 million and (ii) income tax paid of approximately RMB9.1 million.

For the year ended 31 December 2013, our net cash generated from operating activities was approximately RMB19.3 million, primarily reflecting: profit before income tax of approximately RMB46.4 million, partially offset by cash outflow from (i) trade and other receivables of approximately RMB22.7 million and (ii) income tax paid of approximately RMB6.8 million.

Cash flows from investing activities

For the five months ended 31 May 2016, our net cash used in investing activities was approximately RMB19.3 million, mainly consisted of: (i) payment of approximately RMB15.3 million for term deposits and (ii) payment of approximately RMB4.5 million for purchase of property, plant and equipment mainly for outlets under our catering and retail segments newly opened and relocated during the period.

For the year ended 31 December 2015, our net cash generated from investing activities was net cash inflows of approximately RMB33.8 million, mainly consisted of: (i) loans repaid from related parties and a third party of approximately RMB36.4 million; and (ii) interest received of approximately RMB6.0 million received relating to the loans repaid and the term deposits, partially offset by: (i) increase in term deposits of approximately RMB5.0 million and (ii) payment of approximately RMB3.3 million for purchase of property, plant and equipment mainly for laundry equipment.

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For the year ended 31 December 2014, our net cash generated from investing activities was approximately RMB0.2 million, mainly consisted of: (i) loans repaid from related parties and a third party of approximately RMB2.3 million; and (ii) interest received of approximately RMB3.1 million received relating to the loans repaid and the term deposits, partially offset by: (i) payment of approximately RMB3.0 million for term deposits and (ii) payment of approximately RMB2.0 million for purchase of property, plant and equipment mainly for kitchen utensils and leasehold improvement of outlets under our catering and retail segments newly opened during the year, operating equipment under our retail segment and laundry equipment.

For the year ended 31 December 2013, our net cash used in investing activities was approximately RMB3.0 million, mainly consisted of: (i) loans granted to related parties and a third party of approximately RMB1.0 million and (ii) payment of approximately RMB3.0 million for purchase of property, plant and equipment mainly for the purchase of kitchen utensils, equipment instalations and leasehold improvement for our restaurant and café under our catering business newly opened during the year and operating equipment under our retail segment, partially offset by loans repaid from related parties and a third party of approximately RMB0.9 million; and (ii) interest of approximately RMB0.1 million received relating to the loans granted.

Cash flows from financing activities

For the five months ended 31 May 2016, our net cash used in financing activities was approximately RMB21.7 million, mainly consisted of: (i) repayment of cash advances to related parties of approximately RMB16.1 million and (ii) payment of listing expenses of approximately RMB8.4 million.

For the year ended 31 December 2015, our net cash used in financing activities was approximately RMB63.7 million, mainly consisted of: (i) dividends paid to the then equity holders of the Group of approximately RMB22.6 million; (ii) repayment of cash advances to related parties of approximately RMB64.3 million; and (iii) payment of consideration for acquiring an additional 24.5% equity interests of PM Panyu PRC Co of approximately RMB13.5 million, partially offset by cash advances from related parties of approximately RMB56.5 million.

For the year ended 31 December 2014, our net cash used in financing activities was approximately RMB3.0 million, mainly consisted of: (i) consideration paid to Ms. Man for business combination under common control of approximately RMB2.7 million; and (ii) repayment of cash advances to related parties of approximately RMB8.5 million, partially offset by increase in cash advances from related parties of approximately RMB9.9 million.

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For the year ended 31 December 2013, our net cash generated from financing activities was approximately RMB0.3 million, mainly consisted of: (i) cash advances from related parties of approximately RMB11.2 million; and (ii) RMB1.5 million from loan from a related party, partially offset by repayment of cash advances to related parties of approximately RMB12.4 million.

CAPITAL EXPENDITURES

Our capital expenditures primarily comprised expenditures for the purchase of machinery, office equipment and leasehold improvements. The following table sets out our capital expenditures for our operations during the Track Record Period.

	Year ended 31 December						Five months ended 31 May	
	2013		2014		2015		2016	
	<i>RMB'000</i>	<i>% of total</i>	<i>RMB'000</i>	<i>% of total</i>	<i>RMB'000</i>	<i>% of total</i>	<i>RMB'000</i>	<i>% of total</i>
Machinery	1,271	43%	1,066	54%	2,027	61%	2,058	16%
Vehicles	3	0%	9	0%	3	0%	8	0%
Office equipment	610	20%	637	32%	408	12%	1,225	10%
Leasehold improvements	1,000	33%	262	13%	563	17%	9,185	73%
Others	108	4%	20	1%	335	10%	130	1%
Total	<u>2,992</u>	<u>100%</u>	<u>1,994</u>	<u>100%</u>	<u>3,336</u>	<u>100%</u>	<u>12,606</u>	<u>100%</u>

During the Track Record Period, our capital expenditures amounted to approximately RMB3.0 million, RMB2.0 million, RMB3.3 million and RMB12.6 million for the years ended 31 December 2013, 2014 and 2015 and the five months ended 31 May 2016 respectively.

We estimate our further capital expenditures for the remaining seven months in 2016 to be approximately RMB1.4 million, which will be funded by our internal resources. Such capital expenditure would be mainly for the purpose of expansion of our outlets in our retail, catering and Ancillary Living Services. For more details, please see the section headed “Future Plans and Use of Proceeds” in this prospectus.

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INDEBTEDNESS AND CONTINGENCIES

Borrowings

We have financed our operations primarily through cash flows from operations. During Track Record Period, we had no bank borrowings. The table below sets out our other borrowings as of the dates indicated.

	As of 31 December			As of	As of
	2013	2014	2015	31 May	30
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>2016</i>	<i>September</i>
				<i>RMB'000</i>	<i>2016</i>
					<i>RMB'000</i>
					(Unaudited)
Other payables to related parties	19,727	21,167	13,326	–	–
Loan from a related party and interest payable	1,500	111	–	–	–
Bank borrowings	–	–	–	–	4,305
Total	<u>21,227</u>	<u>21,278</u>	<u>13,326</u>	<u>–</u>	<u>4,305</u>

As at 30 September 2016, being the latest practicable date for the purpose of this indebtedness statement, our material sources of liquidity were cash and cash equivalents of approximately RMB98.9 million.

Our Directors confirmed that we had not experienced difficulties in meeting obligations during the Track Record Period and we do not have bank borrowings or facilities subject to the fulfilment of covenants relating to financial ratio requirements or any other material covenants which would adversely affect our Group's ability to undertake additional debt or equity financing.

In September 2016, our Group has entered into a banking facility letter, pursuant to which we were granted a banking facility for a short-term unsecured revolving loan of up to HKD10 million. Save as disclosed above, our Directors confirmed that there is no material change in our indebtedness position since 31 May 2016.

Contingent liabilities

Save as disclosed above, during the Track Record Period and as of the latest practicable date (being 30 September 2016), we did not maintain any outstanding loan capital or bank overdraft, or carry any liabilities under acceptance or other similar indebtedness, debenture, mortgages, charges or acceptance credits or hire purchase commitments, or guarantees or material contingent liabilities.

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Commitments

Operating lease commitments

We lease various retail outlets, catering outlets, offices and warehouses under non-cancellable operating lease agreements. The terms are between 1 and 8 years. The table below sets out the aggregate minimum lease payments under these non-cancellable operating lease agreements as of the dates indicated.

	As of 31 December			As of	As of
	2013	2014	2015	31 May	30
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	2016	September
				<i>RMB'000</i>	<i>RMB'000</i>
					(Unaudited)
Up to 1 year	5,220	1,554	6,348	12,629	12,951
1 to 5 years	11,106	3,676	26,487	52,975	48,823
Over 5 years	<u>6,159</u>	<u>985</u>	<u>4,513</u>	<u>4,865</u>	<u>2,899</u>
Total	<u>22,485</u>	<u>6,215</u>	<u>37,348</u>	<u>70,469</u>	<u>64,673</u>

Off-balance sheet commitments and arrangements

As of the Latest Practicable Date, we did not have any material off-balance sheet arrangements.

WORKING CAPITAL

Working capital is critical to our financial performance and we must maintain sufficient liquidity and financial flexibility to continue our daily operations. Our current assets primarily consist of cash and cash equivalents, trade and other receivables, inventories, term deposits and restricted cash. Our current liabilities primarily consist of trade and other payables and current income tax liabilities. We manage our working capital by closely monitoring the levels of our trade payables and other payables as well as cash and cash equivalents. Our cash position consists primarily of cash and bank balances.

As of 30 September 2016, we had cash and cash equivalents of approximately RMB98.9 million. Taking into account (i) the estimated net proceeds from the Global Offering; (ii) the internal resources available to our Group, including cash and cash equivalents on hand and cash generated from our operations and (iii) the banking facility available to our Group, 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.

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KEY FINANCIAL RATIOS

The table below sets out our key financial ratios as of the dates or for the years/period indicated.

	For the year ended 31 December			For the five months ended 31 May
	2013	2014	2015	2016
	Return on equity (%) ⁽¹⁾	57	43	41
Return on total assets (%) ⁽²⁾	18	18	24	5
Interest coverage ratio ⁽³⁾	– ⁽⁷⁾	449x	– ⁽⁷⁾	– ⁽⁷⁾

	As at 31 December			As at 31 May
	2013	2014	2015	2016
	Gearing ratio (%) ⁽⁴⁾	36.7	26.6	13.5
Current ratio ⁽⁵⁾	1.43x	1.70x	2.31x	2.17x
Quick ratio ⁽⁶⁾	1.36x	1.63x	2.19x	2.03x

Notes:

- (1) Return on equity is calculated based on our profit for the year/period divided by our total equity as of the end of each reporting period.
- (2) Return on total assets is calculated based on our profit for the year/period divided by total assets as of the end of each reporting period.
- (3) Interest coverage ratio is calculated based on our profit before interest expenses and income tax divided by our interest expenses during each reporting period.
- (4) Gearing ratio is calculated based on our total debts (being cash advances due to related parties, loan from a related party and interest payable) divided by our total equity as of the end of each reporting period.
- (5) Current ratio is calculated based on the total current assets divided by our total current liabilities as of the end of each reporting period.
- (6) Quick ratio is calculated based on our total current assets minus inventories divided by our total current liabilities as of the end of each reporting period.
- (7) We incurred no interest expenses for the reporting period.

Return on equity

Our return on equity decreased from approximately 57% for the year ended 31 December 2013 to approximately 43% for the year ended 31 December 2014 and further to 41% for the year ended 31 December 2015, respectively, which was primarily due to the higher rate of increase in total equity as compared to the increase of net profit. Our return on equity further decreased to 9% for the five months ended 31 May 2016 which was mainly because there were

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only five months in the period and there had been decrease in net profit as a result of increased administrative expenses mainly including listing expenses and staff cost.

Return on total asset

Our return on total asset for the year ended 31 December 2013 and 2014 remained at approximately 18% and increased to approximately 24% for the year ended 31 December 2015, primarily due to decrease in total assets mainly attributable to the repayment of cash advance to related parties and dividend paid for the aforementioned reasons and increase of net profit. Our return on total asset further decreased to 5% for the five months ended 31 May 2016 which was mainly because there were only five months in the period and there had been decrease in net profit as a result of increased administrative expenses mainly including listing expenses and staff cost.

Interest coverage ratio

Our interest coverage was 449 times for the year ended 31 December 2014. We incurred no interest expenses for the years ended 31 December 2013 and 2015 and for the five months ended 31 May 2016.

Gearing ratio

Our gearing ratio decreased from approximately 36.7% as at 31 December 2013 to approximately 26.6% as at 31 December 2014 and to 13.5% as at 31 December 2015 and further to nil as at 31 May 2016, respectively, which was primarily due to the settlement of cash advances due to related parties, loan from a related party and the relevant interest.

Current ratio

Our current ratio increased from approximately 1.43 times as at 31 December 2013 to approximately 1.70 times as at 31 December 2014 and further to approximately 2.31 times as at 31 December 2015 and 2.17 times as at 31 May 2016, respectively, which was primarily due to increase in cash and cash equivalents and decrease in trade and other payables.

Quick ratio

Our quick ratio increased from approximately 1.36 times as at 31 December 2013 to approximately 1.63 times as at 31 December 2014 and further to approximately 2.19 times as at 31 December 2015 and 2.03 times as at 31 May 2016, respectively, which was in the same direction as the changes in our current ratio due to the reasons described in the above paragraph.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Interest rate risk

Our Group's interest rate risk arises from bank balances and loans to/from related parties. Loans to/from related parties at variable rates expose our Group to cash flow interest rate risk. Loans to/from related parties at fixed rates expose our Group to fair value interest

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rate risk. Bank balances carried at prevailing market interest rate expose the Group to cash flow interest rate risk. Our Group closely monitors trend of interest rate and its impact on the Group's interest rate risk exposure. Our Group currently has not used any interest rate swap arrangements but will consider hedging interest rate risk should the need arises.

As at 31 December 2013, 2014 and 2015 and 31 May 2016, if interest rates on loans to related parties at floating rates had been 100 basis points higher or lower with all other variables held constant, interest income for the years ended 31 December 2013, 2014 and 2015 and the five months ended 31 May 2016 would increase or decrease by RMB701,000, RMB559,000, RMB52,000 and nil, respectively.

Our management consider that interest rate risk related to bank balances and loans from related parties is insignificant.

Credit Risk

Our Group has no concentrations on credit risk. Cash transactions are limited to high credit quality institutions. Our Group's maximum exposure to credit risk in relation to financial assets is the carrying amounts of bank balances and trade and other receivables shown in the consolidated balance sheets.

As at 31 December 2013, 2014 and 2015 and 31 May 2016, substantially all of our Group's bank balances are deposited with major financial institutions incorporated in the PRC, which our management believes are of high credit quality without significant credit risk.

The Group assessed the credit quality of the counter parties by taking into account their financial position, credit history and other factors. Management also regularly reviews the recoverability of these receivables and follow up the disputes or amounts overdue, if any. The directors are of the opinion that the risk of default by counter parties is low.

Liquidity Risk

Management of the Group aims to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of available financing, including short-term and long-term borrowings and new ordinary shares to meet its construction commitments. The Group maintains flexibility in funding by maintaining adequate amount of cash and cash equivalents and flexibility in funding through having available sources of financing.

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The table below set out the Group's financial liabilities by relevant maturity grouping at each balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year RMB'000
Trade and other payables, excluding non-financial liabilities:	
As at 31 December 2013	<u>84,532</u>
As at 31 December 2014	<u>73,682</u>
As at 31 December 2015	<u>38,864</u>
As at 31 May 2016	<u>43,727</u>

DIVIDEND

Subject to the Companies Law and our Articles of Association, we may declare dividends through a general meeting in any currency but no dividend shall be declared in excess of the amount recommended by our Directors. The Company may also make a distribution out of share premium account subject to the provisions of the Companies Law.

During the Track Record Period, the entities now comprising the Group declared dividend of approximately RMB9.4 million to their then equity holder in 2014. Dividend distribution in prior years shall not be indicative of future dividend payment. The payment and amount of our future dividends will depend on the availability of dividends received from our subsidiaries. The amount of dividends actually distributed to our Shareholders will depend on our earnings and financial condition, operating requirements, capital requirements and any other conditions that our Directors may deem relevant and will be subject to approval of our Shareholders. Our Board has absolute discretion to recommend any dividends. Our dividend distribution record in the past may not be useful as a reference or basis to determine the level of dividends that may be declared or paid by us in the future. We currently do not have a fixed dividend payout ratio.

Distributable reserves

Our reserves available for distribution to Shareholders consist of share premium and retained earnings. Under the Companies Law and subject to compliance with our Articles of Association, the share premium account may be applied by our Company for paying distributions or dividends to our Shareholders if immediately following the date on which the distribution or dividend is proposed to be paid, we will be able to pay off our debts as they fall due in the ordinary course of business. As of 31 May 2016, the Company did not have distributable reserve.

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MATERIAL RELATED PARTY TRANSACTIONS

We had certain material transactions with related parties during the Track Record Period. For a discussion of related party transactions, please also see note 28 to the Accountant's Report in Appendix I to this prospectus.

With respect to the material related party transactions which were in trade nature during the Track Record Period, our Directors confirm that these transactions were conducted on normal commercial terms that such terms were no less favourable to us than terms available to or from Independent Third Parties and were fair and reasonable and in the interest of our Shareholders. Our Directors have further confirmed that these material related party transactions would not distort our results of operations during the Track Record Period or make our historical results not reflective of our expectations for our future performance.

DISCLOSURE REQUIREMENTS UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

We confirm that as of the Latest Practicable Date, there were no circumstances that would give rise to a disclosure obligation under Rules 13.13 to 13.19 of the Listing Rules.

LISTING EXPENSES

All incremental costs that are directly attributable to the issue of new Shares are directly deducted from equity, while any expenses attributable to listing of existing Shares are charged to the profit and loss accounts in the period in which the expenses are incurred. The total expenses for the Listing are estimated to be approximately RMB44.1 million (assuming an Offer Price of HK\$0.42 per Offer Share, being the mid-point of the indicative Offer Price range of HK\$0.38 to HK\$0.46), of which approximately RMB12.1 million is directly attributable to the issue of new Shares in the Global Offering and to be accounted for as a deduction from equity and approximately RMB32.0 million is to be charged as administrative expenses to our profit and loss accounts in the period in which the expenses are incurred. The listing expenses of approximately RMB17.7 million were charged to our profit and loss account for the years ended 31 December 2014 and 2015 and the five months ended 31 May 2016, and approximately RMB14.3 million are expected to be charged to our profit and loss account after 31 May 2016, which will be reflected in our administrative expenses for the year ending 31 December 2016.

NO MATERIAL ADVERSE CHANGE

Our Directors have confirmed that, since 31 May 2016 and up to the date of this prospectus, there had been no material adverse change in our financial or trading position or prospects and no event had occurred that would materially and adversely affect the financial information in the Accountant's Report included as Appendix I to this prospectus.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of our net tangible assets prepared in accordance with Rule 4.29 of the Listing Rules is for illustration purposes only, and is set out here to illustrate the effect of the Global Offering as if it had taken place on 31 May 2016.

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The unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purpose only and because of its hypothetical nature, it may not give a true picture of our consolidated net tangible assets as of 31 May 2016 or any future date following the Global Offering. It is prepared based on our audited consolidated net tangible assets as of 31 May 2016 as set out in the Accountant's Report in Appendix I to this prospectus, and adjusted as described below. The unaudited pro forma statement of net tangible assets does not form part of the Accountant's Report as set out in Appendix I of this prospectus.

	Audited consolidated net tangible assets of the Group attributable to equity holders of the Company as at 31 May 2016 RMB'000 ⁽¹⁾	Estimated net proceeds from the Global Offering RMB'000 ⁽²⁾	Unaudited pro forma net tangible assets of the Group RMB'000	Unaudited pro forma net tangible assets per Share RMB ⁽³⁾	Unaudited pro forma net tangible assets per Share HK\$ ⁽⁵⁾
Based on an offer price of HK\$0.38 per Share	104,011	55,653	159,664	0.16	0.19
Based on an offer price of HK\$0.46 per Share	104,011	72,165	176,176	0.18	0.20

Notes:

- (1) The unaudited consolidated net tangible assets of the Group attributable to the owners of the Company as of 31 May 2016 are extracted from the Accountant's Report as set out in Appendix I to this prospectus, which is based on the audited consolidated net assets of the Group attributable to the owners of the Company as of May 2016 of approximately RMB104,385,000 less the intangible assets of the Group as at 31 May 2016 of approximately RMB374,000.
- (2) The estimated net proceeds from the Global Offering are based on the indicative Offer Price of HK\$0.38 (equivalent to RMB0.33) and HK\$0.46 (equivalent to RMB0.40) per Offer Share, being the lower end to higher end of the stated offer price range respectively, after the deduction of total estimated underwriting commissions and fees and other listing related expenses payable by the Company (excluding listing expenses of approximately RMB17,700,000 which have been accounted for prior to 31 May 2016), and takes no account of any Shares which may be allotted and issued upon the exercise of the Over-allotment Option or upon the exercise of options which may be granted under the Pre-IPO Share Option Scheme and Share Option Scheme or of any Shares which may be allotted and issued or repurchased by the Company under the general mandates for the allotment and issue or repurchase of Shares granted to our Directors.
- (3) The unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to owners of the Company as of 31 May 2016 per Share is determined after the adjustments referred to the preceding paragraphs and on the basis of 1,000,000,000 Shares were in issue assuming that the Capitalisation Issue and the Global Offering have been completed on 31 May 2016, but takes no account of any shares which may be allotted and issued upon the exercise of the Over-allotment Options or upon the exercise of options which may be granted under the Pre-IPO Share Option Scheme and Share Option Scheme or any Shares which may be allotted and issued or repurchased by the Company under the Issuing Mandate or the Repurchase Mandate granted to our Directors.

FINANCIAL INFORMATION

- (4) No adjustment has been made to reflect any trading or other transactions of the Group entered into subsequent to 31 May 2016.

- (5) For the purpose of preparing this unaudited pro forma statement of adjusted net tangible assets, the amount denominated in Hong Kong Dollars has been converted to Renminbi at the rate of HK\$1 to RMB0.86, as set out in “Information About This Prospectus and The Global Offering — Exchange Rate Conversion” to this prospectus. No representation is made that the HK\$ amounts have been, could have been or may be converted to RMB, or vice versa, at that rate or at all.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

A detailed description of our future plans is set forth in the section headed “Business — Our business strategies” in this prospectus.

USE OF PROCEEDS

We estimate that the net proceeds from the Global Offering (after deduction of underwriting fees and estimated expenses payable by us in relation to the Global Offering, and assuming an Offer Price of HK\$0.42 per Offer Share, being the mid-point of the indicative Offer Price range of HK\$0.38 to HK\$0.46 and the Over-allotment Option is not exercised) are approximately HK\$53.7 million. Our Directors intend to apply the net proceeds (assuming the mid-point of the indicative Offer Price range is determined and the Over-allotment Option is not exercised) from the Global Offering for the following purposes:

- approximately HK\$16.1 million, representing approximately 30.0% of the net proceeds from the Global Offering, will be used for merger and acquisition activities to acquire other property management companies in various locations in Guangdong Province. We have been seeking for potential property companies principally with a focus of business operations in Guangdong Province, covering contracted GFA of over 50,000 sq.m., price of properties being in the mid-to-high-range at its location and that the residential communities or pure commercial properties under their management would be able to implement our business model in achieving our business strategy of standardisation and centralisation as further discussed in the section headed “Business — Our property management services — Standardisation and centralisation” in this prospectus. As of the Latest Practicable Date, we have not yet identified any specific acquisition target. For details on our acquisition strategy, please see the section headed “Business — Our business strategies” in this prospectus;
- approximately HK\$13.4 million, representing approximately 25.0% of the net proceeds from the Global Offering, will be used to support part of the fund required for expanding our retail and catering network in coming few years by opening new outlets in different residential communities, with similar customer profile and traffic of Clifford Estates, in various locations in Guangdong Province. For details on our retail and catering expansion plan, please see the sections headed “Business — Our retail services — Expansion strategy of our retail services” and “Business — Our catering services — Expansion strategy of our catering services” in this prospectus;
- approximately HK\$10.7 million, representing approximately 20.0% of the net proceeds from the Global Offering, will be used for expanding our Ancillary Living Services by opening new outlets for our off-campus training services and laundry services in different residential communities, with similar customer profile and traffic of Clifford Estates, in various locations in Guangdong Province;
- approximately HK\$8.1 million, representing approximately 15.0% of the net proceeds from the Global Offering, will be applied in online marketing and to develop online distribution channels of our various services by utilising various online sales platforms or websites;

FUTURE PLANS AND USE OF PROCEEDS

- approximately HK\$5.4 million, representing approximately 10.0% of the net proceeds from the Global Offering, will be used towards working capital and other general corporate purposes.

The additional net proceeds that we will receive if the Over-allotment Option is exercised in full will be approximately HK\$15.1 million (assuming the Offer Price at the mid-point of the stated Offer Price range of HK\$0.42). If the Over-allotment Option is exercised in full, our Directors intend to apply all the additional net proceeds for the above uses on a pro rata basis.

If the Offer Price is fixed at HK\$0.46, being the high end of the stated Offer Share range, our net proceeds will be (i) increased by approximately HK\$9.6 million, assuming the Over-allotment Option is not exercised; and (ii) increased by approximately HK\$26.2 million, assuming the Over-allotment Option is exercised in full. Our Directors currently intend to use such additional proceeds for the above uses in the proportions stated above.

If the Offer Price is fixed at HK\$0.38, being the low end of the stated Offer Price range, our net proceeds will instead be decreased by approximately HK\$9.6 million, assuming the Over-allotment Option is not exercised. Our Directors currently intend to reduce our use of proceeds proportionately as earmarked.

To the extent that the net proceeds to us from the Global Offering are not immediately applied to the above purposes, we will deposit the net proceeds into short-term demand deposits and/or money market instruments. In such event, we will comply with the appropriate disclosure requirements under the Listing Rules.

UNDERWRITING

HONG KONG UNDERWRITERS

Sole Global Coordinator and Sole Bookrunner

Guotai Junan Securities (Hong Kong) Limited

Joint Lead Managers

Guotai Junan Securities (Hong Kong) Limited

Head & Shoulders Securities Limited

Co-Managers

Koala Securities Limited

Gransing Securities Co., Limited

Ample Orient Capital Limited

Ever-Long Securities Company Limited

AM Capital Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, our Company is offering the Hong Kong Offer Shares for subscription by the public in Hong Kong on and subject to the terms and conditions of this prospectus and the Application Forms.

The Hong Kong Underwriting Agreement is conditional upon and subject to, amongst others, the International Underwriting Agreement becoming unconditional and not having been terminated.

Subject to the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus and certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have severally agreed to subscribe or procure subscribers to subscribe for the Hong Kong Offer Shares which are not taken up under the Hong Kong Public Offering.

UNDERWRITING

Grounds for termination

The Sole Global Coordinator, at its sole and absolute discretion, may, for itself and on behalf of the Hong Kong Underwriters, upon the giving of notice in writing to us and/or the other warrantors (including our Controlling Shareholders and all our executive Directors), terminate the Hong Kong Underwriting Agreement with immediate effect if any of the following events occurs at or prior to 8:00 a.m. on the Listing Date:

- (a) there has come to the notice of the Sole Global Coordinator:
 - (i) that any statement, considered by the Sole Global Coordinator to be material, contained in this prospectus and/or the Application Forms in relation to the Global Offering was when the same was issued, or has become, untrue, incorrect or misleading in any material respect; or
 - (ii) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute an omission therefrom considered by the Sole Global Coordinator to be material to the Global Offering; or
 - (iii) any breach of any of the obligations imposed upon any party to the Hong Kong Underwriting Agreement or the International Underwriting Agreement (other than on any of the Underwriters, the Sole Sponsor or the Sole Global Coordinator); or
 - (iv) any adverse change or development involving a prospective adverse change in the conditions, business affairs, prospects or the financial or trading position of our Group as a whole; or
 - (v) any breach by our Company, the executive Directors or the Covenantors, reasonably considered by the Sole Global Coordinator to be material, of any of the warranties under the Hong Kong Underwriting Agreement or the International Underwriting Agreement;

- (b) there shall develop, occur, exist or come into effect:
 - (i) any event, or series of events, in the nature of force majeure beyond the reasonable control of the Hong Kong Underwriters (including, without limitation, acts of government, strikes, lockouts, fire, explosion, flooding, civil commotion, acts of war, acts of God, acts of terrorism, riot, public disorder, economic sanctions, outbreak of diseases or epidemics including SARS and avian influenza and such related/mutated forms or interruption or delay in transportation); or

UNDERWRITING

- (ii) any change or development involving a prospective change, or any event or series of events likely to result in any change or development involving a prospective change, in local, national, international, financial, economic, political, military, industrial, fiscal, regulatory or market conditions and matters and/or disaster or any monetary or trading settlement systems (including any moratorium or suspension on or material fluctuations in trading prices of the securities generally traded on the Stock Exchange, the New York Stock Exchange, the NASDAQ National Market or any of the stock exchanges in China, a material fluctuation in the exchange rate of Hong Kong dollars against any foreign currency or any interruption in securities settlement or clearance service or procedures in Hong Kong or anywhere in the world); or
- (iii) any new law or regulation or change or development involving a prospective change in existing laws or regulations or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in Hong Kong or any other jurisdictions relevant to any member of our Group (the “**Specific Jurisdictions**”); or
- (iv) the imposition of economic sanctions, in whatever form, directly or indirectly, by or for the U.S. or by the European Union (or any member thereof) on Hong Kong or any of the Specific Jurisdictions; or
- (v) a change or development occurs involving a prospective change in taxation or currency exchange control (or the implementation of any exchange control) in Hong Kong or any of the Specific Jurisdictions; or
- (vi) any change or development involving a prospective change, or an actual occurrence of, any of the risks set out in the section headed “Risk Factors” in this prospectus; or
- (vii) any litigation or claim of material importance of any third party being threatened or instigated against any member of our Group; or
- (viii) a valid demand by any creditor for repayment or payment of any indebtedness of any member of our Group or in respect of which any member of our Group is liable prior to its stated maturity; or
- (ix) any material loss or damage sustained by any member of our Group (howsoever caused and whether or not the subject of any insurance or claim against any person); or
- (x) a petition is presented for the winding-up or liquidation of any member of our Group or any member of our Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of our Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of any member of our Group or anything analogous thereto occurs in respect of any member of our Group; or

UNDERWRITING

- (xi) any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary of Hong Kong and/or the Hong Kong Monetary Authority or other competent authority) or any of the Specific Jurisdictions.

which in its sole opinion of the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) (1) is or will have or could be expected to have a material adverse effect on the business, financial or other condition or prospects of our Group as a whole; or (2) has or will have or could reasonably be expected to have material adverse effect on the success, marketability or pricing of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Placing; or (3) makes it inadvisable, inexpedient or impracticable for the Global Offering to proceed.

Undertakings to the Stock Exchange pursuant to the Listing Rules

Undertakings by our Company

Under Rule 10.08 of the Listing Rules, our Company has undertaken to the Stock Exchange that our Company will not issue any further Shares or securities convertible into equity securities of our Company (whether or not of a class already listed) or enter into any agreement to such an issue within six months from the Listing Date (whether or not such issue of Shares or securities of our Company will be completed within six months from the Listing Date), except under the Capitalisation Issue or the Global Offering (including the exercise of the Over-allotment Option) or in certain circumstances provided under Rules 10.08(1) to 10.08(4) of the Listing Rules.

Undertakings by our Controlling Shareholders

Pursuant to Rule 10.07 of the Listing Rules, each of our Controlling Shareholders has undertaken to the Sole Global Coordinator, our Company and the Stock Exchange that it shall not, and shall procure that any other registered holder (if any) controlled by us shall not, without the prior written consent of the Stock Exchange or unless otherwise in compliance with the applicable requirements of the Listing Rules:

- (i) during the period commencing from the date of this prospectus up to and including the date which is six months from the Listing Date (the “**First Six-month Period**”), dispose of, nor enter into any agreement to dispose of, or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which it is shown by this prospectus to be the beneficial owner (as defined in Rule 10.07(2) of the Listing Rules) (the “**Parent Shares**”); or
- (ii) during the period of six months immediately following the expiry of the First Six-month Period (the “**Second Six-month Period**”), dispose of, nor enter into any agreement to dispose of, or otherwise create any options, rights, interests or encumbrances in respect of, any of the Parent Shares if, immediately following such disposal, or upon the exercise or enforcement of such options, rights, interests or encumbrances, it would cease to be a controlling shareholder (as defined in the Listing Rules) of our Company.

UNDERWRITING

Each of our Controlling Shareholders has further undertaken to each of the Stock Exchange and our Company that within the period commencing from the date by reference to which disclosure of its shareholding in our Company is made in this prospectus and ending on the date which is 12 months from the Listing Date, it will:

- (i) when it pledges or charges any Shares beneficially owned by it in favour of an authorised institution pursuant to Note (2) to Rule 10.07(2) of the Listing Rules, immediately inform our Company in writing of such pledge or charge together with the number of Shares so pledged or charged; and
- (ii) when it receives indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged Shares will be disposed of, immediately inform our Company in writing of such indications.

Undertakings pursuant to the Hong Kong Underwriting Agreement

Undertakings by our Company

Our Company has undertaken to the Hong Kong Underwriters and each of them that it will not, and each of the Covenantors and executive Directors has jointly and severally undertaken to the Hong Kong Underwriters and each of them to procure, except pursuant to the Global Offering (including the issue of new Shares pursuant to the Capitalisation Issue and the exercise of the Over-allotment Option), the grant of options under the Pre-IPO Share Option Scheme and the Share Option Scheme and the issue of new Shares pursuant to the exercise of options that were granted or may be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme or as mentioned in this prospectus or with the prior written consent of the Hong Kong Underwriters, and unless in compliance with the requirements of the Listing Rules or any applicable laws, our Company shall not, and shall procure that its subsidiaries shall not, to (a) allot or issue, or agree to allot or issue, any Shares or securities convertible into equity securities of our Company (whether or not of a class already listed) (including warrants or other convertible or exchangeable securities), or (b) grant or agree to grant any options, warrants or other rights to subscribe for or otherwise acquire any securities or convertible or exchangeable into Shares or other securities of our Company, or (c) repurchase Shares or other securities of our Company (except in compliance with the Listing Rules and the Code on Share Buy-backs), or (d) enter into any swap or other arrangement that transfers, in whole or in part, any of the economic consequences of ownership of any Shares, or (e) offer to or agree to do any of the foregoing or announce any intention to do so, within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date) and in the event of our Company doing any of the foregoing by virtue of the aforesaid consent or exceptions or during the period of six months immediately following the expiry of the first six months period after the Listing Date, our Company will take all reasonable steps to ensure that any such act will not create a disorderly or false market for any Shares or other securities of our Company.

UNDERWRITING

Undertakings by our Controlling Shareholders

Pursuant to the Hong Kong Underwriting Agreement, each of our Controlling Shareholders has jointly and severally undertaken to each of our Company and the Hong Kong Underwriters that without the prior written consent of the Hong Kong Underwriters, he or it shall not directly or indirectly (except in connection with the Stock Borrowing Agreement or the exercise of the Over-allotment Option) and shall procure that the relevant registered holder(s):

- (i) in the period commencing on the Listing Date and ending on a date which is six months from the Listing Date, shall not:
 - (a) transfer or dispose of, nor enter into any agreements to transfer or dispose of or otherwise create any options, rights, interests or encumbrances (including the creation or entry into of any agreement to create any pledge or charge, save as permitted under Note (2) to Rule 10.07(2) of the Listing Rules) in respect of any of those securities in respect of which they are shown by this prospectus to be the beneficial owner(s) or any interest in such securities (which includes any interest in a company which holds any such securities) or securities that constitute or confer the right to receive such securities or securities convertible into or exercisable or exchangeable for or repayable with such securities; or
 - (b) enter into a swap agreement or any other agreement or any transaction that transfers, in whole or in part, directly or indirectly, the economic consequence of ownership of such securities, whether any such swap agreement or other agreement or transaction is to be settled by delivery of such securities or other securities, in cash or otherwise; or
 - (c) agree (conditionally or unconditionally) to enter into or effect any transaction with the same economic effect as any of the transactions referred to in paragraphs (a) and (b) above; or
 - (d) announce any intention to enter into or effect any of the transactions referred to in paragraphs (a), (b) or (c) above;
- (ii) within a further six months commencing on the expiry of the six-month period referred to in paragraph (i) above, shall not take any action as referred to in (i) (a) to (d) above, if, immediately following such disposal, any of them, either individually or taken together with the others, would cease to be a controlling shareholder (within the meaning of the Listing Rules) of the Company or cease to hold a controlling interest (that is to say, an interest of over 30% or such lower amount as may from time to time be specified in the Takeovers Code as being the level for triggering a mandatory general offer); and
- (iii) in the event of any disposal of Shares or any such interests referred to in paragraph (i) above after expiry of the six-month period referred to in paragraph (i) above, all reasonable steps will be taken to ensure that such disposal will not create a false or disorderly market in the Shares.

UNDERWRITING

Activities by Syndicate members

The Underwriters of the Global Offering (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 accounts and for the account of others. In relation to our Shares, other activities could include acting as agent for buyers and sellers of our Shares, entering into transactions with other buyers and sellers in a principal capacity, proprietary trading in our Shares, and entering into over-the-counter or listing 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 including our Shares. Those activities may require hedging activity by those entities involving, directly or indirectly, buying and selling our Shares. All such activities could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in 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, whether on the Stock Exchange or on any other stock exchange, the rules of the stock exchange may require the issuer of other securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and these will also result in hedging activity in our Shares in most cases.

These activities may affect the market price or value of our Shares, the liquidity or trading volume in our Shares, and the volatility of our Share price, 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 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 stabilising 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.

Hong Kong Underwriters’ interests in our Company

Save as disclosed in this prospectus and save for their interests and obligations under the Hong Kong Underwriting Agreement, none of the Hong Kong Underwriters is interested beneficially or otherwise in any shares in any member of our Group or has any right (whether legally enforceable or not) or option to subscribe for, or to nominate persons to subscribe for, any shares in any member of our Group.

UNDERWRITING

The International Placing

In connection with the International Placing, it is expected that our Company will enter into the International Underwriting Agreement with, among others, the International Underwriters. Under the International Underwriting Agreement, the International Underwriters would, subject to certain conditions set out therein, agree to subscribe for or purchase the International Placing Shares being offered pursuant to the International Placing or procure subscribers to subscribe for or purchasers to purchase such International Placing Shares.

Our Company is expected to grant to the International Underwriters the Over-allotment Option, exercisable by the Sole Global Coordinator on behalf of the International Underwriters at any time from the Listing Date until the date which is 30 days from the last date of lodging application under the Hong Kong Public Offering, to require our Company to allot and issue up to and not more than 37.5 million additional new Shares (representing 15% of the total number of the Offer Shares initially available under the Global Offering) at the Offer Price to cover, among others, over-allocations in the International Placing.

Commission

The Hong Kong Underwriters will receive a commission of 4% of the aggregate Offer Price of the Hong Kong Offer Shares, out of which they will pay any sub-underwriting commission. In addition, the Sole Sponsor will receive a sponsorship, financial advisory and documentation fee in relation to the Global Offering. The underwriting commission, financial advisory and documentation fees, listing fees, the Stock Exchange trading fee, the SFC transaction levy, legal and other professional fees together with printing and other expenses relating to the Global Offering, assuming an Offer Price of HK\$0.42 per Offer Share (being the mid-point of the indicative Offer Price range of HK\$0.38 and HK\$0.46), are estimated to amount to approximately HK\$4.2 million in total (assuming that the Over-allotment Option is not being exercised).

Indemnity

Our Company and our Controlling Shareholders have agreed to indemnify the Hong Kong Underwriters against certain losses which they may suffer, including but not limited to losses arising from the performance of their obligations under the Hong Kong Underwriting Agreement and any breach by us of the Hong Kong Underwriting Agreement.

STRUCTURE OF THE GLOBAL OFFERING

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises:

- (i) the Hong Kong Public Offering of initially 25 million Hong Kong Offer Shares (subject to adjustment as mentioned below) in Hong Kong as described in the paragraph headed “— Hong Kong Public Offering” below in this section of this prospectus; and
- (ii) the International Placing of initially an aggregate of 225 million International Placing Shares (subject to adjustment and the Over-allotment Option as mentioned below) to professional, institutional and private investors.

Investors may apply for Hong Kong Offer Shares under the Hong Kong Public Offering or apply for or indicate an interest for International Placing Shares under the International Placing, but may not do both. References in this prospectus to applications, Application forms, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

The Offer Shares will represent approximately 25% of the enlarged issued share capital of our Company immediately after completion of the Global Offering and the Capitalisation Issue, without taking into account the exercise of the Over-allotment Option or any options that have been or may be granted under the Pre-IPO Share Option Scheme or the Share Option Scheme. If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 27.7% of the enlarged issued share capital immediately after completion of the Global Offering, the Capitalisation Issue and the exercise of the Over-allotment Option in full as set out in the paragraph headed “— Over-allotment Option” below in this section of this prospectus.

DETERMINATION OF THE OFFER PRICE

The Offer Price is expected to be fixed by agreement between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company on or before the Price Determination Date, when the market demand for the Offer Shares will be ascertained. The Price Determination Date is currently expected to be on Tuesday, 1 November 2016 and in any event, not later than Friday, 4 November 2016.

Prospective investors should be aware that the Offer Price to be determined on or before the Price Determination Date may be, but not expected to be, lower than indicative Offer Price range as stated in this prospectus. The Offer Price will not be more than HK\$0.46 per Offer Share and is expected to be not less than HK\$0.38 per Offer Share. The Offer Price will fall within the Offer Price range as stated in this prospectus unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offering.

The Sole Global Coordinator (for itself and on behalf of the Underwriters) may, where it considers appropriate, based on the level of interest expressed by prospective professional, institutional and private investors during a book-building process, and with the consent of our

STRUCTURE OF THE GLOBAL OFFERING

Company, reduce the number of Offer Shares and/or the indicative Offer Price range below that stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, our Company 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 on Tuesday, 1 November 2016, cause there to be published on the Stock Exchange's website at www.hkexnews.hk and our Company's website at www.cliffordmodernliving.com notices of reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range. Upon issue of such a notice, the revised number of Offer Shares and/or the Offer Price range will be final and conclusive and the Offer Price, if agreed upon with our Company, will be fixed within such revised Offer Price range. Before submitting applications for the Hong Kong Offer Shares, applicants should have regarded 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. Such notice will also include confirmation or revision, as appropriate, of the working capital statement, the Global Offering statistics as currently set out in the section headed "Summary" in this prospectus, and any other financial information which may change as a result of such reduction. In the absence of any notice being published on the Stock Exchange's website at www.hkexnews.hk and our Company's website at www.cliffordmodernliving.com of a reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range as stated in this prospectus on or before the morning of the last day for lodging applications under the Hong Kong Public Offering, the Offer Price, if agreed upon by the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company, will under no circumstances be set outside the Offer Price range as stated in this prospectus. If the number of Offer Shares and/or the Offer Price range is reduced, applicants under the Hong Kong Public Offering will be entitled to withdraw their applications, unless positive confirmations from the applicants to proceed are received.

If, for any reason, the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company are unable to enter into the agreement to fix the Offer Price by the Price Determination Date, the Global Offering will not become unconditional and will not proceed.

Announcement of the Offer Price, together with indication of the level of interests in the International Placing and the results of application under the Hong Kong Public Offering and basis of allocation of the Hong Kong Offer Shares is expected to be published on the Stock Exchange's website at www.hkexnews.hk and our Company's website at www.cliffordmodernliving.com.

PRICE PAYABLE ON APPLICATION

The Offer Price will not be more than HK\$0.46 per Offer Share and is expected to be not less than HK\$0.38 per Offer Share. Applicants under the Hong Kong Public Offering should pay, on application, the maximum price of HK\$0.46 per Offer Share and 1% brokerage, 0.005% Stock Exchange trading fee and 0.0027% SFC transaction levy. That means a total of HK\$4,646.35 is payable for one board lot of 10,000 Shares. The Application Forms have tables showing the exact amount payable for certain numbers of Hong Kong Offer Shares. If the Offer Price, as finally determined in the manner as described above, is lower than the

STRUCTURE OF THE GLOBAL OFFERING

maximum price of HK\$0.46 per Offer Share, appropriate refund payments (including the related brokerage, the Stock Exchange trading fee and the SFC transaction levy attributable to the excess application money) will be made to applicants, without interest. Further details are set out in the section headed “How to Apply for Hong Kong Offer Shares” in this prospectus.

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of the application for the Offer Shares pursuant to the Hong Kong Public Offering is conditional upon the following:

- the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus on the Stock Exchange and such approval not subsequently having been revoked prior to the commencement of dealings in the Shares;
- the obligations of the Underwriters under the Underwriting Agreements becoming unconditional, and not being terminated in accordance with the terms thereof;
- the execution and delivery of the International Underwriting Agreement prior to or on the Price Determination Date; and
- the Offer Price having been determined and the execution of the agreement for such determination on or around the Price Determination Date,

in each case on or before the dates and times specified in such Underwriting Agreements (unless and to the extent such conditions are waived on or before such dates and times) and in any event not later than 30 days after the date of this prospectus.

If any of the conditions is not fulfilled or waived on or before the times specified above, the Global Offering will lapse and the application money will be returned to the applicants, without interest. The terms on which the application money will be returned to the applicants are set out in the paragraph headed “Refund of your money” in the relevant Application Forms.

In the meantime, the application money will be held in one or more separate bank accounts with the receiving banks or other bank(s) in Hong Kong, licenced under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

THE GLOBAL OFFERING

The Global Offering comprises the International Placing and the Hong Kong Public Offering. A total of initially 250 million Offer Shares will be made available under the Global Offering, of which 225 million International Placing Shares (subject to adjustment and the Over-allotment Option), representing 90% of the Offer Shares, will initially be conditionally placed with selected professional, institutional and private investors under the International Placing. The remaining 25 million Hong Kong Offer Shares (subject to adjustment), representing 10% of the Offer Shares, will initially be offered to members of the public in Hong Kong under the Hong Kong Public Offering.

The Hong Kong Public Offering is open to all members of the public in Hong Kong as well as to institutional and professional investors. The Hong Kong Underwriters have

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severally agreed to underwrite the Hong Kong Offer Shares under the terms of the Hong Kong Underwriting Agreement. The International Underwriters are expected to severally underwrite the International Placing Shares pursuant to the terms of the International Underwriting Agreement. Further details of the underwriting are set out in the section headed “Underwriting” in this prospectus.

Investors may apply for the Offer Shares under the Hong Kong Public Offering or indicate an interest for Offer Shares under the International Placing, but may not do both.

INTERNATIONAL PLACING

Our Company is expected to offer initially 225 million International Placing Shares (subject to adjustment and the Over-allotment Option) at the Offer Price under the International Placing. The number of International Placing Shares expected to be initially available for application under the International Placing represents 90% of the total number of Offer Shares being initially offered under the Global Offering. The International Placing is expected to be fully underwritten by the International Underwriters subject to the Offer Price being agreed on or before the Price Determination Date.

It is expected that the International Underwriters, or selling agents nominated by them, on behalf of our Company, will conditionally place the International Placing Shares at the Offer Price with selected professional, institutional and private investors. Professional and institutional 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. Private investors applying through banks or other institutions who sought the International Placing Shares in the International Placing may also be allocated the International Placing Shares.

Allocation of the International Placing Shares will be based on a number of factors, including the level and timing of demand and whether or not it is expected that the relevant investor is likely to acquire further Shares and/or hold or sell its Shares after the Listing. Such allocation is intended to result in a distribution of the International Placing Shares on a basis which would lead to the establishment of a solid shareholder base to the benefit of our Company and its shareholders as a whole. Investors to whom International Placing Shares are offered will be required to undertake not to apply for Shares under the Hong Kong Public Offering. Our Company, our Directors, the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the Underwriters) are required to take reasonable steps to identify and reject applications under the Hong Kong Public Offering from investors who receive Shares under the International Placing, and to identify and reject indications of interest in the International Placing from investors who receive Shares under the Hong Kong Public Offering.

The International Placing is expected to be subject to the conditions as stated in the paragraph headed “— Conditions of the Global Offering” in this section of this prospectus.

HONG KONG PUBLIC OFFERING

Our Company is initially offering 25 million Hong Kong Offer Shares for subscription (subject to adjustment) by members of the public in Hong Kong under the Hong Kong Public

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Offering, representing 10% of the total number of Offer Shares being initially offered under the Global Offering. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters subject to the Offer Price being agreed on or before Price Determination Date. Applicants for the Hong Kong Offer Shares are required on application to pay the maximum Offer Price of HK\$0.46 per Share plus a 1% brokerage, a 0.005 % Stock Exchange trading fee and a 0.0027% SFC transaction levy.

The Hong Kong Public Offering is open to all members of the public in Hong Kong. An applicant for Shares under the Hong Kong Public Offering will be required to give an undertaking and confirmation in the application submitted by him/her/it that he/she/it has not applied for nor taken up any Shares under the International Placing nor otherwise participated in the International Placing. Applicants should note that if such undertaking and/or confirmation given by an applicant is breached and/or is untrue, such applicant's application under the Hong Kong Public Offering is liable to be rejected.

For allocation purposes only, the number of the Hong Kong Offer Shares will be divided equally into two pools: pool A and pool B. The Hong Kong Offer Shares in pool A will consist of 12.5 million Shares and will be allocated on an equitable basis to applicants who have applied for the Hong Kong Offer Shares in the value of HK\$5 million or less (excluding brokerage, Stock Exchange trading fee and SFC transaction levy thereon). The Hong Kong Offer Shares available in pool B will consist of 12.5 million Shares and will be allocated on an equitable basis to applicants who have applied for the Hong Kong Offer Shares in the value of more than HK\$5 million (excluding brokerage, Stock Exchange trading fee and SFC transaction levy) and up to the value of pool B.

Investors should be aware that the allocation ratios for applications in the two pools, as well as the allocation ratios for applications in the same pool, are likely to be different. Where one of the pools is undersubscribed, the surplus Hong Kong Offer Shares will be transferred to satisfy demand in the other pool and be allocated accordingly. Applicants can only receive an allocation of Hong Kong Offer Shares from any one pool but not from both pools and can only make applications to either pool A or pool B. Any application made for more than 100% of the Hong Kong Offer Shares initially available under pool A or pool B will be rejected.

Allocation of the Hong Kong 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. When there is over-subscription under the Hong Kong Public Offering, allocation of the Hong Kong Offer Shares may involve balloting, which would mean that some applicants may be allotted more Hong Kong Offer Shares than others who have applied for the same number of the Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

REALLOCATION AND CLAW BACK MECHANISM

The allocation of the Offer Shares between the International Placing and the Hong Kong Public Offering is subject to reallocation on the following basis:

- (a) if the number of Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the number of Shares initially available for subscription under the Hong Kong Public Offering, then Shares will be

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reallocated to the Hong Kong Public Offering from the International Placing, so that the total number of Shares available for subscription under the Hong Kong Public Offering will be increased to 75 million Shares, representing 30% of the Offer Shares initially available for subscription under the Global Offering;

- (b) if the number of Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the number of Shares initially available for subscription under the Hong Kong Public Offering, then Shares will be reallocated to the Hong Kong Public Offering from the International Placing, so that the number of Shares available for subscription under the Hong Kong Public Offering will be increased to 100 million Shares, representing 40% of the Offer Shares initially available for subscription under the Global Offering; and
- (c) if the number of Shares validly applied for under the Hong Kong Public Offering represents 100 times or more the number of Shares initially available for subscription under the Hong Kong Public Offering, then Shares will be reallocated to the Hong Kong Public Offering from the International Placing, so that the number of Shares available for subscription under the Hong Kong Public Offering will be increased to 125 million Shares, representing 50% of the Offer Shares initially available for subscription under the Global Offering.

In all cases, the additional Shares reallocated to the Hong Kong Public Offering will be allocated equally between pool A and pool B and the number of Offer Shares allocated to the International Placing will be correspondingly reduced.

The Offer Shares to be offered in the Hong Kong Public Offering and the International Placing may, in certain circumstances, be reallocated as between these offerings at the sole and absolute discretion of the Sole Global Coordinator. The Sole Global Coordinator may in its sole and absolute discretion reallocate the Offer Shares from the International Placing to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering. In addition, if the Hong Kong Public Offering is not fully subscribed, the Sole Global Coordinator may also in its sole and absolute discretion reallocate to the International Placing all or any Hong Kong Offer Shares which are not subscribed.

OVER-ALLOTMENT OPTION

In connection with the Global Offering, our Company is expected to grant to the Sole Global Coordinator (for itself and on behalf of the International Underwriters) the Over-allotment Option which will expire on a date which is the 30th day after the last date of lodging application under the Hong Kong Public Offering. Pursuant to the Over-allotment Option, our Company may be required by the Sole Global Coordinator (for itself and on behalf of the International Underwriters) to allot and issue up to and not more than 37.5 million additional new Shares (representing 15% of the total number of the Offer Shares initially available under the Global Offering) at the Offer Price to cover over-allocations in the International Placing. The Sole Global Coordinator (for itself and on behalf of the International Underwriters) may also cover such over-allocations by, among other means, purchasing Shares in the secondary market or through stock borrowing arrangements with Elland Holdings or by a combination of these means or otherwise as may be permitted under the applicable laws and regulatory requirements. Any such secondary market purchases will

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be made in compliance with all applicable laws, rules and regulations. If the Over-allotment Option is exercised in full, the additional 37.5 million new Shares will represent approximately 3.6% of our Company's enlarged issued share capital immediately after completion of the Capitalisation Issue, the Global Offering and the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised or expired, a press announcement will be made.

STABILISATION

Stabilisation is a practise used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to retard and, if possible, prevent a decline in the initial public market price of the securities below the offer price. In Hong Kong, the stabilisation price is not permitted to exceed the offer price.

In connection with the Global Offering, the Sole Global Coordinator, as the stabilising manager, or its affiliates or any person acting for it, for itself and on behalf of the Underwriters, may over-allocate Shares or effect transactions with a view to stabilising or maintaining the market price of the Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. The number of Shares that may be over-allocated will be up to, but not more than, an aggregate of 37.5 million additional Shares, being the number of the Shares that may be issued under the Over-allotment Option. Such stabilising actions may include over-allocating International Placing Shares and covering such over allocations by exercising the Over-allotment Option or by making purchases in the secondary market or through stock borrowing arrangement with Elland Holdings or through a combination of these means or otherwise. However, there is no obligation on the Sole Global Coordinator, its affiliates or any person acting for it to conduct any such stabilisation action. Such stabilisation action, if commenced, will be conducted at the absolute discretion of the Sole Global Coordinator, its affiliates or any person acting for it and may be discontinued at any time, and must be brought to an end after a limited period. Such transactions may be effected in compliance with all applicable laws and regulatory requirements.

Subject to and under the Securities and Futures (Price Stabilizing) Rules of the SFO, the Sole Global Coordinator (for itself and on behalf of the Underwriters) may take all or any of the following actions (“**primary stabilising action**”) with respect to any Shares during the stabilisation period, which should end on the 30th day after the last date for lodging application under the Hong Kong Public Offering:

- (1) purchase, or agree to purchase, any of the Shares;
- (2) offer or attempt to do anything as described in paragraph (1), for the sole purpose of preventing or minimising any reduction in the market price of the Shares. The Sole Global Coordinator (for itself and on behalf of the Underwriters) may also, in connection with any primary stabilising action, take all or any of the following actions:
 - (a) for the purpose of preventing or minimising any reduction in the market price of the Shares:
 - (i) allocate a greater number of Shares than the number that is initially offered under the Global Offering; or

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- (ii) sell or agree to sell Shares so as to establish a short position in them;
- (b) pursuant to an option or other right to purchase or subscribe for Shares, purchase or subscribe for or agree to purchase or subscribe for Shares in order to close out any position established under paragraph (a);
- (c) sell or agree to sell any Shares acquired by it in the course of the primary stabilising action in order to liquidate any position that has been established by such action; and/or
- (d) offer or attempt to do anything as described in paragraphs (a)(ii), (b) or (c).

Investors should be aware:

- that the Sole Global Coordinator (for itself and on behalf of the Underwriters) may, in connection with the stabilising action, maintain a long position in the Shares;
- that there is no certainty regarding the extent to which and the time period for which the Sole Global Coordinator will maintain such a long position;
- of possible impact in the case of liquidation of such a long position by the Sole Global Coordinator;
- that stabilising action cannot be taken to support the price of the Shares for longer than the stabilising period which begins on the Listing Date and ends on the 30th day after the last date for the lodging of applications under the Hong Kong Public Offering on Tuesday, 1 November 2016, and that after this date, when no further stabilising action may be taken, demand for the Shares, and therefore its price could fall;
- that the price of the Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilising action; and
- that stabilising bids may be made or transactions effected in the course of the stabilising action at any price at or below the Offer Price, which means that stabilising bids may be made or transactions effected at a price below the price the investor has paid for the Shares.

Our Company will ensure or procure that a public announcement in compliance with the Securities and Futures (Price Stabilising) Rules of the SFO will be made within seven days of the expiration of the stabilising period.

STOCK BORROWING ARRANGEMENT

In connection with the Global Offering, the Sole Global Coordinator may over-allocate up to and not more than an aggregate of 37.5 million additional Shares and cover such over-allocations by exercising the Over-allotment Option or by making purchases in the secondary market at prices that do not exceed the Offer Price or through stock borrowing arrangements or a combination of these means. In particular, for the purpose of covering such

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over-allocations, the Sole Global Coordinator may borrow up to 37.5 million Shares from Elland Holdings, equivalent to the maximum number of Shares to be issued on a full exercise of the Over-allotment Option, under the stock borrowing agreement to be entered into with Elland Holdings.

Such stock borrowing arrangement is not subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules provided that the following requirements as set out in Rule 10.07(3) of the Listing Rules are complied with:

- the 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 maximum number of Shares to be borrowed from Elland Holdings will be limited to the maximum number of Shares that may be issued upon full exercise of the Over-allotment Option;
- the same number of Shares so borrowed will be returned to Elland Holdings or its nominees (as the case may be) within three business days after the last day on which the Over-allotment Option may be exercised or, if earlier, the date on which the Over-allotment Option is exercised in full; the borrowing of Shares pursuant to the stock borrowing arrangement will be effected in compliance with applicable Listing Rules, laws and other regulatory requirements; and
- no payments will be made to Elland Holdings in relation to such stock borrowing arrangement.

DEALING ARRANGEMENTS

Assuming the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. on Tuesday, 8 November 2016, it is expected that dealings in the Shares on the Stock Exchange will commence on Tuesday, 8 November 2016.

The Shares will be traded in board lots of 10,000 Shares each.

HOW TO APPLY 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 Placing Shares.

To apply for Hong Kong Offer Shares, you may:

- use a **White** or **Yellow** Application Form;
- apply online via the **HK eIPO White Form** Service Provider at www.hkeipo.hk; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Sole Global Coordinator, the **HK eIPO White Form** 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.

If you apply online through the **HK eIPO White Form** Service Provider, 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 names of the individual members. If you are a body corporate, the application form must be signed by a duly authorised officer, who must state his or her representative capacity, and stamped with your corporation's chop.

If an application is made by a person duly authorised under a power of attorney, the Sole Global Coordinator may accept it at its discretion and on any conditions if it thinks 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 **HK eIPO White Form** Service Provider for the Hong Kong Offer Shares.

HOW TO APPLY FOR 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 officer of our Company and/or any of its subsidiaries;
- a close Associate of any of the above;
- a core connected person 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 any International Placing Shares or otherwise participate in the International Placing.

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.hkeipo.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 Thursday, 27 October 2016 to 12:00 noon on Tuesday, 1 November 2016 from:

- (a) any of the following offices of the Hong Kong Underwriters:

Guotai Junan Securities (Hong Kong) Limited
27th Floor, Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

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Head & Shoulders Securities Limited

Room 2511, 25/F
Cosco Tower
183 Queen's Road Central
Hong Kong

Koala Securities Limited

Room 803, 8/F
Hong Kong Chinese Bank Building
61 Des Voeux Road Central
Hong Kong

Gransing Securities Co., Limited

Rm 805-806, 8/F
Far East Consortium Building
121 Des Voeux Road Central
Hong Kong

Ample Orient Capital Limited

Unit 902, 9/F
Far East Consortium Building
121 Des Voeux Road Central
Hong Kong

Ever-Long Securities Company Limited

18th Floor
Dah Sing Life Building
99-105 Des Voeux Road Central
Hong Kong

AM Capital Limited

1605, West Tower
Shun Tak Center
168-200 Connaught Road
Central
Hong Kong

HOW TO APPLY FOR HONG KONG OFFER SHARES

(b) any of the branches of the following receiving bank:

Standard Chartered Bank (Hong Kong) Limited:

District	Branch Name	Address
Hong Kong Island	88 Des Voeux Road Branch	88 Des Voeux Road Central, Central
	Wanchai Southorn Branch	Shop C2 on G/F and 1/F to 2/F, Lee Wing Building, No. 156-162 Hennessy Road, Wanchai
	North Point Centre Branch	Shop G, G/F, North Point Centre, 284 King's Road, North Point
Kowloon	Kwun Tong Hoi Yuen Road Branch	G/F, Fook Cheong Building, No. 63 Hoi Yuen Road, Kwun Tong
	68 Nathan Road Branch	Basement, Shop B1, G/F and M/F Golden Crown Court, 66-70 Nathan Road, Tsimshatsui
New Territories	Shatin Plaza Branch	Shop No. 8, Shatin Plaza, 21-27 Shatin Centre Street, Shatin

You can collect a **Yellow** Application Form and a prospectus during normal business hours from 9:00 a.m. on Thursday, 27 October 2016 until 12:00 noon on Tuesday, 1 November 2016: from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Time for lodging Application Forms

Your completed **White** or **Yellow** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "HORSFORD NOMINEES LIMITED — CLIFFORD MODERN LIVING PUBLIC OFFER" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

Thursday, 27 October 2016	—	9:00 a.m. to 5:00 p.m.
Friday, 28 October 2016	—	9:00 a.m. to 5:00 p.m.
Saturday, 29 October 2016	—	9:00 a.m. to 1:00 p.m.
Monday, 31 October 2016	—	9:00 a.m. to 5:00 p.m.
Tuesday, 1 November 2016	—	9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Tuesday, 1 November 2016, the last application day or such later time as described in the paragraph headed "— 10. Effect of bad weather on the opening of the application lists" in this section of this prospectus.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **HK eIPO White Form** Service Provider, among other things, you:

- (a) undertake to execute all relevant documents and instruct and authorise 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;
- (b) agree to comply with the Companies Ordinance, the COWUMPO and the Articles of Association;
- (c) 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;
- (d) 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;
- (e) confirm that you are aware of the restrictions on the Global Offering in this prospectus;
- (f) agree that none of our Company, the Sole Sponsor, the Sole Global Coordinator, the Underwriters, their respective directors, officers, employees, partners, agents, advisers 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);

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (g) 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 Placing nor participated in the International Placing;
- (h) agree to disclose to our Company, our Hong Kong Share Registrar, receiving banks, the Sole Sponsor, the Sole Global Coordinator, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (i) 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 Sponsor, the Sole Global Coordinator and the Underwriters nor any of their respective officers or advisers 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;
- (j) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (k) agree that your application will be governed by the Laws of Hong Kong;
- (l) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (m) warrant that the information you have provided is true and accurate;
- (n) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;
- (o) authorise 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-Auto Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have chosen to collect the share certificate(s) and/or refund cheque(s) in person;
- (p) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (q) 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;
- (r) (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 **HK eIPO White Form** Service Provider by you or by any one as your agent or by any other person; and
- (s) (if you are making the application as an agent for the benefit of another person) warrant that no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **White** or **Yellow** Application Form or by giving electronic application instructions to HKSCC; and (ii) you have due authority to sign the Application Form or give electronic application instructions on behalf of that other person as their agent.

Additional instructions for Yellow Application Form

You may refer to the **Yellow** Application Form for details.

5. APPLYING THROUGH HK eIPO WHITE FORM

General

Individuals who meet the criteria in the paragraph headed “— 2. Who can apply” in this section of this prospectus, may apply through the **HK eIPO White Form** service for the Offer Shares to be allotted and registered in their own names through the designated website at www.hkeipo.hk.

Detailed instructions for application through the **HK eIPO White Form** service are on the designated website at www.hkeipo.hk. 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 authorise the **HK eIPO White Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** service.

Time for submitting applications under the HK eIPO White Form

You may submit your application to the **HK eIPO White Form** Service Provider at www.hkeipo.hk (24 hours daily, except on the last application day) from 9:00 a.m. on Thursday, 27 October 2016 until 11:30 a.m. on Tuesday, 1 November 2016 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Tuesday, 1 November 2016 or such later time under the paragraph headed “— 10. Effect of bad weather on the opening of the application lists” in this section of this prospectus.

HOW TO APPLY FOR HONG KONG OFFER SHARES

No multiple applications

If you apply by means of **HK eIPO White Form**, once you complete payment in respect of any electronic application instruction given by you or for your benefit through the **HK eIPO White Form** 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 **HK eIPO White Form** 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 the **HK eIPO White Form** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the COWUMPO

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 COWUMPO (as applied by Section 342E of the COWUMPO).

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give electronic application instructions to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these electronic application instructions through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input electronic application instructions for you if you go to:

Hong Kong Securities Clearing Company Limited

Customer Service Centre
1/F, One & Two Exchange Square
8 Connaught Place
Central
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

HOW TO APPLY FOR HONG KONG OFFER SHARES

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorised 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:

- (a) 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;
- (b) 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 Placing;
 - (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 authorised 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;
 - **authorise** 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;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- **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, advisers 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 advisers 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 our Company 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 COWUMPO 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

HOW TO APPLY FOR HONG KONG OFFER SHARES

application instructions) to observe and comply with the COWUMPO 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 **authorised** 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 **authorised** 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 **authorised** 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 10,000 Hong Kong Offer Shares. Instructions for more than 10,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

Time for inputting electronic application instructions

CCASS Clearing/Custodian Participants can input electronic application instructions at the following times on the following dates:

Thursday, 27 October 2016	—	9:00 a.m. to 8:30 p.m. ⁽¹⁾
Friday, 28 October 2016	—	8:00 a.m. to 8:30 p.m. ⁽¹⁾
Monday, 31 October 2016	—	8:00 a.m. to 8:30 p.m. ⁽¹⁾
Tuesday, 1 November 2016	—	8:00 a.m. ⁽¹⁾ to 12:00 noon

HOW TO APPLY FOR HONG KONG OFFER SHARES

Note:

- (1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input electronic application instructions from 9:00 a.m. on Thursday, 27 October 2016 until 12:00 noon on Tuesday, 1 November 2016 (24 hours daily, except on Saturday, 29 October 2016, Sunday, 30 October 2016 and the last application day).

The latest time for inputting your electronic application instructions will be 12:00 noon Tuesday, 1 November 2016, the last application day or such later time as described in the paragraph headed “— 10. Effect of bad weather on the opening of the application lists” in this section of this prospectus.

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 COWUMPO

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 COWUMPO (as applied by Section 342E of the COWUMPO).

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 banks, the Sole Global Coordinator, the Underwriters and any of their respective advisers 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 **HK eIPO White Form** service is also only a facility provided by the **HK eIPO White Form** 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 Hong Kong Underwriters, the Sole Sponsor, the Sole Global Coordinator and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **HK eIPO White Form** service will be allotted any Hong Kong Offer Shares.

HOW TO APPLY FOR 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 with CCASS Phone System/CCASS Internet System for submission of electronic application instructions, they should either (i) submit a **White** or **Yellow** Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for electronic application instructions before 12:00 noon on Tuesday, 1 November 2016.

8. HOW MANY APPLICATIONS MAY YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **White** or **Yellow** Application Form or by giving electronic application instructions to HKSCC or through **HK eIPO White Form** 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).

9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The **White** and **Yellow** Application Forms have tables showing the exact amount payable for Shares.

HOW TO APPLY FOR HONG KONG OFFER SHARES

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **White** or **Yellow** Application Form or through the **HK eIPO White Form** service in respect of a minimum of 10,000 Hong Kong Offer Shares. Each application or electronic application instruction in respect of more than 10,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at www.hkeipo.hk.

If your application is successful, brokerage will be paid to the participants of the Sock Exchange, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see the section headed “Structure of the Global Offering — Determination of the Offer Price” in this prospectus.

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, 1 November 2016. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Tuesday, 1 November 2016 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed “Expected Timetable” in this prospectus, an announcement will be made in such event.

11. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication of interest in the International Placing, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Monday, 7 November 2016 on our Company’s website at www.cliffordmodernliving.com, and the website of the Stock Exchange at www.hkexnews.hk.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Company’s website at www.cliffordmodernliving.com, and the Stock Exchange’s website at www.hkexnews.hk by no later than 8:00 a.m. on Monday, 7 November 2016;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- from the designated results of allocations website at www.tricor.com.hk/ipo/result with a “search by ID” function on a 24-hour basis from 8:00 a.m. on Monday, 7 November 2016 to 12:00 midnight on Sunday, 13 November 2016;
- by telephone enquiry line by calling 3691 8488, between 9:00 a.m. and 6:00 p.m. from Monday, 7 November 2016 to Thursday, 10 November 2016 on a business day;
- in the special allocation results booklets which will be available for inspection during opening hours from Monday, 7 November 2016 to Wednesday, 9 November 2016 at all the receiving bank’s designated branches on a business day.

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 the section headed “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.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED THE HONG KONG OFFER SHARES

You should note the following situations in which the Hong Kong Offer shares will not be allotted to you:

(a) If your application is revoked:

By completing and submitting an Application Form or giving electronic application instructions to HKSCC or to **HK eIPO White Form** 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 Saturday, Sunday or public holiday in Hong Kong). 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 COWUMPO (as applied by Section 342E of the COWUMPO) 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

HOW TO APPLY FOR HONG KONG OFFER SHARES

rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(b) If our Company, the Sole Global Coordinator or our or their respective agents exercise their discretion to reject your application:

Our Company, the Sole Global Coordinator, the **HK eIPO White Form** 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.

(c) If the allotment of Hong Kong Offer Shares is void:

The allotment of Hong Kong Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Offer 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 of the Stock Exchange notifies our Company of that longer period within three weeks of the closing date of the application lists.

(d) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Placing Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your electronic application instructions through the **HK eIPO White Form** service are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- 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.

HOW TO APPLY FOR HONG KONG OFFER SHARES

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum offer price of HK\$0.46 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 the section headed “Structure of the Global Offering — Conditions of the Global Offering” in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker’s cashier order will not be cleared.

Any refund of your application monies will be made on Monday, 7 November 2016.

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one Share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **Yellow** Application Forms or by electronic application instructions to HKSCC via CCASS where the Share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Offer Shares. No receipt will be issued for sums paid on application. If you apply by **White** or **Yellow** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- Share certificate(s) for all the Hong Kong Offer Shares allotted to you (for **Yellow** Application Forms, Share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed “Account Payee Only” in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, the SFC transaction levy and the Stock Exchange trading fee) but without interest. Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on despatch/collection of Share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or around Monday, 7 November 2016. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker’s cashier’s order(s).

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Share certificates will only become valid at 8:00 a.m. on Tuesday, 8 November 2016 provided that the Global Offering has become unconditional and the right of termination described in the section headed “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

(a) If you apply using a White Application Form

If you apply for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from the Hong Kong Share Registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Monday, 7 November 2016 or such other date as notified by us on our Company’s website at www.cliffordmodernliving.com and the website of the Stock Exchange at www.hkexnews.hk.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation’s chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on Monday, 7 November 2016, by ordinary post and at your own risk.

(b) If you apply using a Yellow Application Form

If you apply for 1,000,000 Hong Kong Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Monday, 7 November 2016, 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 Monday, 7 November 2016, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

(c) If you apply through a designated CCASS participant (other than a CCASS investor participant)

For Hong Kong Public Offering shares credited to your designated CCASS participant’s stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Public Offering shares allotted to you with that CCASS participant.

HOW TO APPLY FOR HONG KONG OFFER SHARES

(d) If you are applying 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 Monday, 7 November 2016 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.

(e) If you apply through the HK eIPO White Form service

If you apply for 1,000,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect your share certificate(s) from Hong Kong Share Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Monday, 7 November 2016, or such other date as notified by our Company on our Company's website at www.cliffordmodernliving.com and the website of the Stock Exchange at www.hkexnews.hk as the date of despatch/collection of share certificates/e-Auto Refund payment instructions/refund cheques.

If you do not collect your share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your share certificate(s) (where applicable) will be sent to the address specified in your application instructions on Monday, 7 November 2016 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-Auto Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(f) 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

HOW TO APPLY FOR HONG KONG OFFER SHARES

Participant stock account on Monday, 7 November 2016, 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 the paragraph headed “— 11. Publication of results” above in this section of this prospectus on Monday, 7 November 2016. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Monday, 7 November 2016 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give electronic application instructions on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time) on Monday, 7 November 2016. 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 Monday, 7 November 2016.

15. ADMISSION OF THE OFFER SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Offer Shares and we comply with the stock admission requirements of HKSCC, the Offer Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Offer 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.

HOW TO APPLY FOR HONG KONG OFFER SHARES

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

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

The following is the text of a report 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 Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants.



羅兵咸永道

27 October 2016

The Board of Directors
Clifford Modern Living Holdings Limited

Guotai Junan Capital Limited

Dear Sirs,

We report on the financial information of Clifford Modern Living Holdings Limited (the "Company") and its subsidiaries (together, the "Group"), which comprises the consolidated balance sheets as at 31 December 2013, 2014 and 2015 and 31 May 2016, the balance sheet of the Company as at 31 May 2016, and the consolidated income statements, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years ended 31 December 2013, 2014 and 2015 and the five months ended 31 May 2016 (the "Relevant Periods"), and a summary of significant accounting policies and other explanatory information. This financial information has been prepared by the directors of the Company and is set out in Sections I to III below for inclusion in Appendix I to the prospectus of the Company dated 27 October 2016 (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.

The Company was incorporated in the Cayman Islands on 6 January 2016 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. Pursuant to a group reorganisation as described in Note 1.2 of Section II headed "Reorganisation" below, which was completed on 22 January 2016, the Company became the holding company of the subsidiaries now comprising the Group (the "Reorganisation").

As at the date of this report, the Company has direct and indirect interests in the subsidiaries as set out in Note 10 of Section II below. All of these companies are private companies or, if incorporated or established outside Hong Kong, have substantially the same characteristics as a Hong Kong incorporated private company.

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No statutory audited financial statements have been prepared by the Company as it is newly incorporated and has not involved in any significant business transactions since its date of incorporation, other than the Reorganisation. The statutory audited financial statements of the other companies now comprising the Group as at the date of this report for which there are statutory audit requirements have been prepared in accordance with the relevant accounting principles generally accepted in their place of incorporation. The details of the statutory auditors of these companies are set out in Note 10 of Section II.

The directors of the Company have prepared the consolidated financial statements of the Company for the Relevant Periods, in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) (the “Underlying Financial Statements”). The directors of the Company are responsible for the preparation of the Underlying Financial Statements that gives a true and fair view in accordance with HKFRSs. We have audited the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing (the “HKSA”) issued by the HKICPA pursuant to separate terms of engagement with the Company.

The financial information has been prepared based on the Underlying Financial Statements, with no adjustment made thereon.

Directors’ Responsibility for the Financial Information

The directors of the Company are responsible for the preparation of the financial information that gives a true and fair view in accordance with HKFRSs, and for such internal control as the directors determine is necessary to enable the preparation of 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 financial information and to report our opinion to you. We carried out our procedures in accordance with Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” issued by the HKICPA.

Opinion

In our opinion, the financial information gives, for the purpose of this report, a true and fair view of the financial position of the Company as at 31 May 2016 and of the financial position of the Group as at 31 December 2013, 2014 and 2015 and 31 May 2016 and of the Group’s financial performance and cash flows for the Relevant Periods.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information set out in Sections I to III below included in Appendix I to the Prospectus which comprises the consolidated income statements, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for the five months ended 31 May 2015 and a summary of significant accounting policies 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 accounting policies set out in Note 3 of Section II below.

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 of the Stub Period Comparative Financial Information 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 HKSAAs 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 purpose of this report is not prepared, in all material respects, in accordance with the accounting policies set out in Note 3 of Section II below.

I FINANCIAL INFORMATION OF THE GROUP

The following is the financial information of the Group prepared by the directors of the Company as at 31 December 2013, 2014, 2015 and 31 May 2016 and for each of the years ended 31 December 2013, 2014 and 2015 and the five months ended 31 May 2015 and 2016 (the "Financial Information"):

Consolidated income statements

	Note	Year ended 31 December			Five months ended 31 May	
		2013 RMB'000	2014 RMB'000	2015 RMB'000	2015 RMB'000 (Unaudited)	2016 RMB'000
Revenue	6	227,130	236,844	261,112	104,499	115,072
Cost of sales	7	<u>(151,609)</u>	<u>(151,034)</u>	<u>(160,654)</u>	<u>(64,739)</u>	<u>(69,489)</u>
Gross profit		75,521	85,810	100,458	39,760	45,583
Selling and marketing expenses	7	(17,769)	(16,731)	(18,263)	(7,342)	(8,010)
Administrative expenses	7	(17,031)	(23,199)	(26,275)	(10,968)	(20,761)
Other income	9	718	835	1,018	372	163
Other gains/(losses) – net		<u>631</u>	<u>(291)</u>	<u>(594)</u>	<u>(52)</u>	<u>230</u>
Operating profit		42,070	46,424	56,344	21,770	17,205
Finance income	9	4,255	3,373	444	316	96
Finance costs	9	–	(111)	–	–	–
Share of profit/(loss) from investment in an associate		<u>88</u>	<u>(4)</u>	<u>(2)</u>	<u>(2)</u>	<u>(3)</u>
Profit before income tax		46,413	49,682	56,786	22,084	17,298
Income tax expenses	11	<u>(13,671)</u>	<u>(15,425)</u>	<u>(16,692)</u>	<u>(6,205)</u>	<u>(7,172)</u>
Profit for the year/period		<u>32,742</u>	<u>34,257</u>	<u>40,094</u>	<u>15,879</u>	<u>10,126</u>
Profit attributable to:						
– Owners of the Company		27,885	29,588	34,847	13,711	8,983
– Non-controlling interests		<u>4,857</u>	<u>4,669</u>	<u>5,247</u>	<u>2,168</u>	<u>1,143</u>
		<u>32,742</u>	<u>34,257</u>	<u>40,094</u>	<u>15,879</u>	<u>10,126</u>
Earnings per share attributable to the owners of the Company during the year/period (expressed in RMB per share)						
– Basic and diluted earnings per share	12	<u>27.89</u>	<u>29.59</u>	<u>34.85</u>	<u>13.71</u>	<u>8.98</u>

The earnings per share presented above has not been taken into account the proposed capitalisation issue pursuant to the resolution in writing of the shareholders passed on 21 October 2016, because the proposed capitalisation issue has not become effective as of the date of this report.

Consolidated statements of comprehensive income

	Year ended 31 December			Five months ended 31 May	
	2013 RMB'000	2014 RMB'000	2015 RMB'000	2015 RMB'000 (Unaudited)	2016 RMB'000
Profit for the year/period	32,742	34,257	40,094	15,879	10,126
Other comprehensive income	—	—	—	—	—
Total comprehensive income for the year/period	<u>32,742</u>	<u>34,257</u>	<u>40,094</u>	<u>15,879</u>	<u>10,126</u>
Total comprehensive income attributable to:					
– Owners of the Company	27,885	29,588	34,847	13,711	8,983
– Non-controlling interests	<u>4,857</u>	<u>4,669</u>	<u>5,247</u>	<u>2,168</u>	<u>1,143</u>
	<u>32,742</u>	<u>34,257</u>	<u>40,094</u>	<u>15,879</u>	<u>10,126</u>

Consolidated balance sheets

	Note	As at 31 December			As at
		2013 RMB'000	2014 RMB'000	2015 RMB'000	31 May 2016 RMB'000
Assets					
Non-current assets					
Property, plant and equipment	13	9,785	9,360	10,259	21,325
Intangible assets		99	141	373	374
Investment in an associate		1,109	65	63	60
		<u>10,993</u>	<u>9,566</u>	<u>10,695</u>	<u>21,759</u>
Current assets					
Inventories	15	9,006	8,152	8,265	10,470
Trade and other receivables	16	109,899	95,741	47,200	48,172
Term deposits	17	–	3,000	7,960	23,258
Restricted cash	17	52	53	478	480
Cash and cash equivalents	17	49,297	77,670	93,334	80,185
		<u>168,254</u>	<u>184,616</u>	<u>157,237</u>	<u>162,565</u>
Total assets		<u>179,247</u>	<u>194,182</u>	<u>167,932</u>	<u>184,324</u>
Equity					
Equity attributable to owners of the Company					
Share capital	18	3,105	2,805	–	8
Share premium	18	–	–	–	105,182
Reserves	19	13,052	11,070	4,007	(98,857)
Retained earnings		39,928	64,296	91,395	98,052
		56,085	78,171	95,402	104,385
Non-controlling interests		<u>1,836</u>	<u>1,903</u>	<u>3,574</u>	<u>4,717</u>
Total equity		<u>57,921</u>	<u>80,074</u>	<u>98,976</u>	<u>109,102</u>
Non-current liabilities					
Deferred income tax liabilities	21	3,891	5,546	857	400
Current liabilities					
Trade and other payables	22	103,800	98,201	60,148	67,974
Current income tax liabilities		13,635	10,361	7,951	6,848
		<u>117,435</u>	<u>108,562</u>	<u>68,099</u>	<u>74,822</u>
Total equity and liabilities		<u>179,247</u>	<u>194,182</u>	<u>167,932</u>	<u>184,324</u>
Net current assets		<u>50,819</u>	<u>76,054</u>	<u>89,138</u>	<u>87,743</u>
Total assets less current liabilities		<u>61,812</u>	<u>85,620</u>	<u>99,833</u>	<u>109,502</u>

Balance sheet of the Company

The Company was set up on 6 January 2016. Balance sheet of the Company as at 31 May 2016 is presented below.

	Note	As at 31 May 2016 RMB'000
Assets		
Non-current assets		
Investments in subsidiaries	10	<u>105,190</u>
Current assets		
Other receivables	16	4,428
Cash and cash equivalents		<u>2,095</u>
		<u>6,523</u>
Total assets		<u><u>111,713</u></u>
Equity and liabilities		
Equity attributable to owners of the Company		
Share capital	18	8
Share premium	18	105,182
Accumulated losses	20	<u>(18,646)</u>
Total equity		<u><u>86,544</u></u>
Current liabilities		
Amounts due to subsidiaries	22	<u>25,169</u>
Total equity and liabilities		<u><u>111,713</u></u>
Net current liabilities		<u><u>(18,646)</u></u>
Total assets less current liabilities		<u><u>86,544</u></u>

Consolidated statements of changes in equity

Note	Attributable to owners of the Company				Non-controlling interests RMB'000	Total equity RMB'000
	Share capital RMB'000 (Note 18)	Reserves RMB'000 (Note 19)	Retained earnings RMB'000	Total RMB'000		
Balance at 1 January 2013	3,105	12,818	12,277	28,200	(3,021)	25,179
Comprehensive income						
Profit for the year	-	-	27,885	27,885	4,857	32,742
Other comprehensive income	-	-	-	-	-	-
	-	-	27,885	27,885	4,857	32,742
Transactions with owners of the Company						
Appropriation of statutory reserves	19	234	(234)	-	-	-
	-	234	(234)	-	-	-
Balance at 31 December 2013	<u>3,105</u>	<u>13,052</u>	<u>39,928</u>	<u>56,085</u>	<u>1,836</u>	<u>57,921</u>
Balance at 1 January 2014	3,105	13,052	39,928	56,085	1,836	57,921
Comprehensive income						
Profit for the year	-	-	29,588	29,588	4,669	34,257
Other comprehensive income	-	-	-	-	-	-
	-	-	29,588	29,588	4,669	34,257
Transactions with owners of the Company						
Dividend to the then equity holders of the Group	23	-	(4,789)	(4,789)	(4,602)	(9,391)
Transfer of subsidiaries under common control	1.2(a)(b)	(300)	(2,413)	(2,713)	-	(2,713)
Appropriation of statutory reserves	19	431	(431)	-	-	-
	(300)	(1,982)	(5,220)	(7,502)	(4,602)	(12,104)
Balance at 31 December 2014	<u>2,805</u>	<u>11,070</u>	<u>64,296</u>	<u>78,171</u>	<u>1,903</u>	<u>80,074</u>

Consolidated statements of changes in equity (continued)

	Note	Attributable to owners of the Company			Non-controlling interests	Total equity	
		Share capital	Reserves	Retained earnings			
		RMB'000 (Note 18)	RMB'000 (Note 19)	RMB'000			
Balance at 1 January 2015		<u>2,805</u>	<u>11,070</u>	<u>64,296</u>	<u>78,171</u>	<u>1,903</u>	<u>80,074</u>
Comprehensive income							
Profit for the year		-	-	34,847	34,847	5,247	40,094
Other comprehensive income		-	-	-	-	-	-
		<u>-</u>	<u>-</u>	<u>34,847</u>	<u>34,847</u>	<u>5,247</u>	<u>40,094</u>
Transactions with owners of the Company							
Transfer of a subsidiary under common control	1.2(c)	(2,805)	(4,863)	-	(7,668)	-	(7,668)
Changes in ownership interests in a subsidiary without change of control	26	-	(9,948)	-	(9,948)	(3,576)	(13,524)
Appropriation of statutory reserves	19	-	7,748	(7,748)	-	-	-
		<u>(2,805)</u>	<u>(7,063)</u>	<u>(7,748)</u>	<u>(17,616)</u>	<u>(3,576)</u>	<u>(21,192)</u>
Balance at 31 December 2015		<u>-</u>	<u>4,007</u>	<u>91,395</u>	<u>95,402</u>	<u>3,574</u>	<u>98,976</u>

Consolidated statements of changes in equity (continued)

	Note	Attributable to owners of the Company				Total	Non-controlling interests	Total equity
		Share capital	Share premium	Reserves	Retained earnings			
		RMB'000 (Note 18)	RMB'000 (Note 18)	RMB'000 (Note 19)	RMB'000			
Balance at 1 January 2016		–	–	4,007	91,395	95,402	3,574	98,976
Comprehensive income								
Profit for the period		–	–	–	8,983	8,983	1,143	10,126
Other comprehensive income		–	–	–	–	–	–	–
		–	–	–	8,983	8,983	1,143	10,126
Transactions with owners of the Company								
Issue of shares upon incorporation of the Company	1.2(f)	–	–	–	–	–	–	–
Effect of the Reorganisation	1.2(i)	8	105,182	(105,190)	–	–	–	–
Appropriation of statutory reserves	19	–	–	2,326	(2,326)	–	–	–
		8	105,182	(102,864)	(2,326)	–	–	–
Balance at 31 May 2016		<u>8</u>	<u>105,182</u>	<u>(98,857)</u>	<u>98,052</u>	<u>104,385</u>	<u>4,717</u>	<u>109,102</u>
Unaudited								
Balance at 1 January 2015		2,805	–	11,070	64,296	78,171	1,903	80,074
Comprehensive income								
Profit for the period		–	–	–	13,711	13,711	2,168	15,879
Other comprehensive income		–	–	–	–	–	–	–
		–	–	–	13,711	13,711	2,168	15,879
Balance at 31 May 2015		<u>2,805</u>	<u>–</u>	<u>11,070</u>	<u>78,007</u>	<u>91,882</u>	<u>4,071</u>	<u>95,953</u>

Consolidated statements of cash flows

	Note	Year ended 31 December			Five months ended 31 May	
		2013 RMB'000	2014 RMB'000	2015 RMB'000	2015 RMB'000 (Unaudited)	2016 RMB'000
Cash flows from operating activities						
Cash generated from operations	24	26,031	40,329	62,027	22,321	34,370
Income tax paid		(6,754)	(9,128)	(16,492)	(5,575)	(6,466)
Net cash generated from operating activities		19,277	31,201	45,535	16,746	27,904
Cash flows from investing activities						
Purchases of property, plant and equipment	13	(2,992)	(1,994)	(3,336)	(414)	(4,513)
Proceeds from disposal of property, plant and equipment		67	325	10	11	402
Purchase of intangible assets		(74)	(83)	(287)	(261)	(25)
Loans granted to related parties and a third party		(1,000)	(500)	–	–	–
Loans repaid by related parties and a third party		919	2,300	36,400	36,400	–
Increase in term deposits		–	(3,000)	(4,960)	(3,131)	(15,298)
Interest received		103	3,147	5,967	5,854	96
Net cash (used in)/generated from investing activities		(2,977)	195	33,794	38,459	(19,338)
Cash flows from financing activities						
Dividends paid to the then equity holders of the Group		–	–	(22,619)	(22,619)	–
Consideration paid to Ms. Man for transfer of subsidiaries under common control	1.2(a)(b)(c)	–	(2,713)	(7,668)	–	–
Acquisition of additional interest in a subsidiary	26	–	–	(13,524)	–	–
Proceeds of loan from a related party	28(f)	1,500	–	–	–	–
Loan repaid to a related party	28(f)	–	(1,500)	–	–	–
Interest paid to a related party	28(f)	–	–	(111)	(111)	–
Listing expenses paid		–	(250)	(11,902)	(5,663)	(8,389)
Cash advances from related parties		11,178	9,929	56,451	15,207	2,787
Cash advances repaid to related parties		(12,395)	(8,489)	(64,292)	(7,169)	(16,113)
Net cash generated from/(used in) financing activities		283	(3,023)	(63,665)	(20,355)	(21,715)
Net increase/(decrease) in cash and cash equivalents						
Cash and cash equivalents at beginning of year/period	17(a)	32,714	49,297	77,670	77,670	93,334
Cash and cash equivalents at end of year/period	17(a)	49,297	77,670	93,334	112,520	80,185

II NOTES TO THE FINANCIAL INFORMATION

1 GENERAL INFORMATION AND REORGANISATION

1.1 General information

The Company was incorporated in the Cayman Islands on 6 January 2016 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of the Company's registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (hereinafter collectively referred to as the "Group") are primarily engaged in the provision of services to residents in properties developed under the brand name of Clifford, including retail services, catering services, property management services, laundry services, off-campus training services, property agency services, employment placement services, etc. (the "Listing Business") in the People's Republic of China (the "PRC").

This Financial Information is presented in Renminbi ("RMB"), unless otherwise stated.

1.2 Reorganisation

Prior to the incorporation of the Company and the completion of the reorganisation (the "Reorganisation"), the Listing Business was principally operated by the PRC companies of the Group (collectively the "Operating Companies") controlled by Ms. Man Lai Hung ("Ms. Man") throughout the years ended 31 December 2013, 2014 and 2015 and the five months ended 31 May 2016 (the "Relevant Periods").

Except for three of the Operating Companies, namely Guangzhou Clifford Education Information Consulting Limited (廣州市祈福教育信息諮詢有限公司) (Note 1.2(a)), Guangzhou Champion Management Limited (廣州市冠勤企業管理諮詢有限公司) (Note 1.2(b)), and Panyu Clifford Property Management Limited (廣州市番禺祈福物業管理有限公司, "Panyu PM Co") (Note 1.2(c)), all the other Operating Companies were indirectly held by Elland Holdings Limited ("Elland Holdings") (an investment holding company incorporated in British Virgin Islands wholly owned by Ms. Man) through Great Polly Investments Limited ("Great Polly") and a number of intermediate holding companies incorporated in British Virgin Islands ("BVI") or Cayman Islands wholly owned by Great Polly (the "Intermediate Holding Companies") during the Relevant Periods. For the purpose of this report, the financial information of the Listing Business was included throughout the Relevant Periods.

In preparation for the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Listing"), the Reorganisation was undertaken pursuant to which certain Operating Companies engaged in the Listing Business were transferred from Ms. Man to the Group by way of the following steps:

- (a) Guangzhou Clifford Education Information Consulting Limited was held by an individual on behalf of Ms. Man. On 24 February 2014, the entire equity interests of Guangzhou Clifford Education Information Consulting Limited was transferred to a subsidiary of the Group at a consideration of RMB2,612,000.
- (b) Guangzhou Champion Management Limited was indirectly held by Ms. Man. On 26 February 2014, the entire equity interest of Guangzhou Champion Management Limited was transferred to a subsidiary of the Group at a consideration of RMB101,000.
- (c) 51% of equity interest in Panyu PM Co was held by a related company of the Group on behalf of Ms. Man and the remaining 49% equity interests were held by two non-controlling shareholders. On 24 August 2015, the 51% of equity interests in Panyu PM Co was transferred from Ms. Man to a subsidiary of the Group at a consideration of RMB7,668,400. On 29 December 2015, the subsidiary of the Group further acquired 24.5% of the equity interests in Panyu PM Co from one of the two non-controlling shareholders at a consideration of RMB13,524,000. After the acquisition, the Group holds 75.5% of the equity interests in Panyu PM Co.

- (d) On 8 July 2015, Wide Leisure Limited (“Wide Leisure”) was incorporated in the BVI with share capital of US\$1 allotted to Ms. Man.
- (e) On 13 November 2015, Green Charm Enterprises Limited (“Green Charm”) was incorporated in Hong Kong with share capital of HK\$1 allotted to Ms. Man.
- (f) On 6 January 2016, the Company was incorporated in Cayman Islands with 10,000 nil-paid shares issued to Elland Holdings.
- (g) On 21 January 2016, the Company acquired the entire equity interest in Wide Leisure from Ms. Man at a consideration of US\$1.
- (h) On 21 January 2016, Wide Leisure acquired the entire equity interest in Green Charm from Ms. Man at a consideration of HK\$1.
- (i) On 22 January 2016, the Company allotted and issued 990,000 new shares of HK\$0.01 each to Elland Holdings together with the 10,000 nil-paid Shares then held by Elland Holdings being credited as fully paid up at par in exchange for transferring the issued share capital of the Intermediate Holdings Companies from Great Polly Investments Limited to Green Charm.

After the completion of the Reorganisation, the Company became the holding company of the Group. As at the date of this report, the Company has direct or indirect interests in the subsidiaries as set out in Note 10 of Section II.

2 BASIS OF PRESENTATION

Immediately prior to and after the Reorganisation, the Listing Business is controlled and operated by Ms. Man through the Operating Companies. Pursuant to the Reorganisation, the Listing Business was transferred to and held by the Company. The Company has not been involved in any other business prior to the Reorganisation and does not meet the definition of a business. The Reorganisation is merely a reorganisation of the Listing Business with no change in management of such business and the ultimate owner of the Listing Business remains the same. Accordingly, the consolidated financial statements of the Group have been prepared applying the similar basis of merger accounting and is presented using the carrying values of the assets, liabilities and operating results of the Listing Business for the Relevant Periods.

Inter-company transactions, balances and unrealised gains/losses on transactions between the companies of the Group are eliminated on consolidation.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

The Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA are set out below. The Financial Information has been prepared under the historical cost convention.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

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:

		Effective for annual years beginning on or after
HKAS 7 (Amendment)	Statement of cash flows	1 January 2017
HKAS 12 (Amendment)	Recognition of deferred tax assets for unrealised losses	1 January 2017
HKFRS 15	Revenue from contracts with customers	1 January 2018
HKFRS 9	Financial instruments	1 January 2018
HKFRS 10 and HKAS 28 (Amendment)	Sale or contribution of assets between an investor and its associate or joint venture	To be determined
HKFRS 16	Leases	1 January 2019

The Group has already commenced an assessment of the impact of these new or revised standards, interpretation and amendments, certain of which are relevant to the Group's operations. According to the preliminary assessment made by the Directors, no significant impact on the financial performance and position of the Group is expected when they become effective except for HKFRS 16.

The amendments to HKAS 7 introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

The amendments to HKAS 12 on the recognition of deferred tax assets for unrealised losses clarify how to account for deferred tax assets related to debt instruments measured at fair value.

HKFRS 15 replaces the previous revenue standards: HKAS 18 Revenue and HKAS 11 Construction Contracts, and the related Interpretations on revenue recognition. HKFRS 15 establishes a comprehensive framework for determining when to recognize revenue and how much revenue to recognize through a 5-step approach: (1) Identify the contract(s) with customer; (2) Identify separate performance obligations in a contract; (3) Determine the transaction price; (4) Allocate transaction price to performance obligations and (5) Recognise revenue when performance obligation is satisfied. The core principle is that a company should recognise revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. It moves away from a revenue recognition model based on an approach of transfer of risk and rewards to an approach based on transfer of control. HKFRS 15 provides specific guidance on capitalisation of contract cost and licence arrangements. It also includes a cohesive set of disclosure requirements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. Under HKFRS 15, an entity recognises revenue when a performance obligation is satisfied.

HKFRS 9 (2014), "Financial instruments" replaces the whole of HKAS 39. HKFRS 9 has three financial asset classification categories for investments in debt instruments: amortised cost, fair value through other comprehensive income ("OCI") and fair value through profit or loss. Classification is driven by the entity's business model for managing the debt instruments and their contractual cash flow characteristics. Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in OCI, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss. For financial liabilities there are two classification categories: amortised cost and fair value through profit or loss. Where non-derivative financial liabilities are designated at fair value through profit or loss, the changes in the fair value due to changes in the liability's own credit risk are recognised in OCI, unless such changes in fair value would create an accounting mismatch in profit or loss, in which case, all fair value movements are recognised in profit or loss. There is no subsequent recycling of the amounts in OCI to profit or loss. For financial liabilities held for trading (including derivative financial liabilities), all changes in fair value are presented in profit or loss.

HKFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model, which constitutes a change from the incurred loss model in HKAS 39. HKFRS 9 contains a 'three stage' approach, which is based on the change in credit quality of financial assets since initial recognition. Assets move through the three stages as credit quality changes and the stages dictate how an entity measures impairment losses and applies the effective interest rate method. HKFRS 9 applies to all hedging relationships, with the exception of portfolio fair value hedges of interest rate risk.

The amendments to HKFRS 10 and HKAS 28 address an inconsistency between HKFRS 10 and HKAS 28 in the sale and contribution of assets between an investor and its associate or joint venture. A full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if those assets are in a subsidiary. The amendments were originally intended to be effective for annual periods beginning on or after 1 January 2016. The effective date has now been deferred/removed. Early application of the amendments continues to be permitted.

The Group is a lessee of certain offices and buildings, which are currently accounted for as operating leases under HKAS 17 based on the accounting policy as set out in Note 3.20(a). As of 31 May 2016, the Group's minimum lease payments under non-cancellable operating lease agreements are of RMB70.5 million as separately disclosed in Note 25. Under HKFRS 16, lessees are required to recognise a lease liability reflecting future lease payments and a right-of-use asset for all lease contracts in the balance sheet. Lessees will also have to present interest expense on the lease liability and depreciation on the right-of-use asset in the income statement. In comparison with operating leases under HKAS 17, this will change not only the allocation of expenses but also the total amount of expenses recognised for each period of the lease term. The combination of a straight-line depreciation of the right-of-use asset and the effective interest rate method applied to the lease liability will result in a higher total charge to profit or loss in the initial years of the lease, and decreasing expenses during the latter part of the lease term. The new standard has included an optional exemption for certain short-term leases and leases of low-value assets. This exemption can only be applied by lessees. The Group is expected to apply the new standard starting from the financial year beginning on or after 1 January 2019.

3.2 Subsidiaries

3.2.1 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.

Business combinations

The Group applies the acquisition method to account for business combinations except for business combinations 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 recognises 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 recognised 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 HKFRSs.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

Business combinations under common control

The Financial Information incorporate the financial statement items of the entities or businesses in which the common control combination occurs as if they had been combined from the date when the entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling party's perspective. No amount is recognised in consideration for goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated income statement and the consolidated statement of comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

A uniform set of accounting policies is adopted by those entities. All intra-group transactions, balances and unrealised gains on transactions between combining entities or businesses are eliminated on consolidation.

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.

3.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

3.3 Associates

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition.

The Group's share of post-acquisition profit or loss is recognised in the income statement. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to "share of profit of investments accounted for using equity method" in the income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gain or losses on dilution of equity interest in associates are recognised in the consolidated income statement.

3.4 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, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors of the Company that makes strategic decisions.

3.5 Foreign currency translation

(a) *Functional and presentation currency*

Items included in the financial statements of each of the group entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Renminbi (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. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Foreign exchange gains and losses are presented in the consolidated income statement within "other gains/(losses) – net".

3.6 Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

– Machinery	5–15 years
– Vehicles	4–5 years
– Office equipment	3–5 years
– Leasehold improvements	3–8 years
– Other 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.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "other gains/(losses) – net" in the consolidated income statement.

3.7 Intangible assets

Computer software

Costs associated with acquisition of computer software programmes are recognised as intangible asset as incurred.

Computer software recognised as assets are amortised over their estimated useful lives, which does not exceed three years.

3.8 Impairment of non-financial assets

Intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell 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.

3.9 Financial assets

3.9.1 Classification

The Group classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the

reporting period, which are classified as non-current assets. The Group's loans and receivables comprise "trade and other receivables" (Notes 3.12), "term deposits", "restricted cash" and "cash and cash equivalents" (Note 3.13) in the consolidated balance sheets.

3.9.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

3.10 Impairment of financial assets

Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

3.11 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises purchase price and other costs directly attributable to acquisition of inventories, is determined using the first-in first-out method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

3.12 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services provided in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

3.13 Cash and cash equivalents, restricted cash and term deposits

In the consolidated statement of cash flows, cash and cash equivalents include cash on hand and deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less. Bank deposits which are restricted to use are included in "restricted cash" of the consolidated balance sheet. Bank deposits with initial terms of over three months are included in "term deposits" in the consolidated balance sheets. Restricted cash and term deposits with initial terms of over three months are excluded from cash and cash equivalents.

3.14 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

3.15 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired from suppliers in the ordinary course of business. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

3.16 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated income statements, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(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 and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) *Deferred income tax*

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, 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 realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, an associate, 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. Generally the Group is unable to control the reversal of the temporary difference for associates. Only when there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the associate's undistributed profits is not recognised.

Deferred income tax assets are recognised 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 utilised.

(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.

3.17 Employee benefits

(a) *Pension obligations*

The group companies incorporated in the PRC contribute funds, based on certain percentage of the salaries of the employees, to a defined contribution retirement benefit plan organised by relevant government authorities in the PRC on a monthly basis. The government authorities undertake to assume the retirement benefit obligations payable to all existing and future retired employees under these plans and the Group has no further obligation for post-retirement benefits beyond the contributions made.

Contributions to these defined contributions plans are expensed as incurred.

(b) *Housing benefits*

Full-time PRC employees of the Group are entitled to participate in government-sponsored housing funds. The Group contributes to these funds based on certain percentages of the salaries of these employees on a monthly basis. The Group's liability in respect of these funds is limited to the contribution payable in each period. Contributions to the housing funds are expensed as incurred.

3.18 Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

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 recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

3.19 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied or services rendered, stated net of discounts returns and value added taxes. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimates of return on historical results, taking into consideration the type of customers, the type of transactions and the specifics of each arrangement.

(a) *Property management fee*

Revenue from property management services (both under lump sum basis and under commission basis) and resident support services is recognised when services are rendered. For 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 property management services fee received or receivable by the properties. For property management service income from properties managed under commission basis, where the Group acts as an agent of the property owner, the Group entitles revenue at a pre-determined percentage of the property management fee received or receivable by the properties.

(b) Sales of goods and commission income – retail services

The Group operates one supermarket and several convenient stores for selling commodities. Sales of goods are recognised when the Group delivers the goods to the customers. Commission income from concessionaire sales is recognised upon delivery of goods.

(c) Sales of food and beverages – catering services

Sales of food and beverages in the restaurants operated by the Group are recognised when the food and beverages are served to customers.

(d) Provision of property agency services

The Group provides property agency services on the residential communities, including property sales agency services and property lease agency services. Agency commission income is recognised when a buyer and seller or lessee and lessor execute a legally binding sale or lease agreement and when the relevant agreement becomes unconditional and irrevocable.

(e) Provision of the other services

The Group also provides various services, such as laundry services, off-campus training services, employment placement services, construction services, etc. Revenue is recognised when services are rendered.

(f) Rental income

The Group's policy for recognition of revenue from operating leases is described in Note 3.20(b).

(g) Interest income

Interest income is recognised using the effective interest method.

3.20 Leases

(a) The Group is the lessee

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

(b) The Group is the lessor

When assets are leased out under operating lease, the assets are included in the balance sheet based on the nature of the assets. Rental income is recognised in the consolidated income statements on a straight-line basis over the term of the lease.

4. FINANCIAL RISK MANAGEMENT

4.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: interest rate risk, credit risk and liquidity risk. The Group's principal activities are conducted in RMB. The directors are of the opinion that the Group's

activities do not expose it to any significant foreign exchange risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

4.1.1 Interest rate risk

The Group's interest rate risk arises from bank balances and loans to/from related parties. Loans to/from related parties at variable rates expose the Group to cash flow interest rate risk. Loans to/from related parties at fixed rates expose the Group to fair value interest rate risk. Bank balances carried at prevailing market interest rate expose the Group to cash flow interest rate risk. The Group closely monitors trend of interest rate and its impact on the Group's interest rate risk exposure. The Group currently has not used any interest rate swap arrangements but will consider hedging interest rate risk should the need arise.

As at 31 December 2013, 2014, 2015 and 31 May 2016, if interest rates on loans to related parties at floating rates had been 100 basis points higher or lower with all other variables held constant, interest income for the years ended 31 December 2013, 2014, 2015 and 31 May 2016 would increase or decrease by RMB701,000, RMB559,000, RMB52,000 and nil, respectively.

Management considers that interest rate risk related to bank balances and loans from related parties is insignificant.

4.1.2 Credit risk

The Group has no concentrations on credit risk. Cash transactions are limited to high credit quality institutions. The Group's maximum exposure to credit risk in relation to financial assets is the carrying amounts of bank balances and trade and other receivables shown in the consolidated balance sheets.

As at 31 December 2013, 2014, 2015 and 31 May 2016, substantially all the Group's bank balances are deposited with major financial institutions incorporated in the PRC, which management believes are of high credit quality without significant credit risk.

The table below shows the bank balances of the major counterparties with external credit ratings as at 31 December 2013, 2014, 2015 and 31 May 2016 are as follows:

	As at 31 December			As at
	2013	2014	2015	31 May
	RMB'000	RMB'000	RMB'000	2016
				RMB'000
Counterparties with external credit ratings (<i>Note</i>)				
– Aa1	4,058	3,569	16,114	3,598
– A1	<u>45,028</u>	<u>76,888</u>	<u>85,437</u>	<u>100,096</u>
	<u>49,086</u>	<u>80,457</u>	<u>101,551</u>	<u>103,694</u>

Note: The source of credit rating is from Moody's.

For the trade and other receivables, the Group assessed the credit quality of the counter parties by taking into account their financial position, credit history and other factors. Management also regularly reviews the recoverability of these receivables and follow up the disputes or amounts overdue, if any. The directors are of the opinion that the risk of default by counter parties is low.

4.1.3 Liquidity risk

Management of the Group aims to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of available financing, including short-term and long-term borrowings and new ordinary shares to meet its construction commitments. Due to the dynamic nature of the underlying businesses, the Group's finance department maintains flexibility in funding by maintaining adequate amount of cash and cash equivalents and flexibility in funding through having available sources of financing.

The table below set out the Group's financial liabilities by relevant maturity grouping at each balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year RMB'000
Trade and other payables, excluding non-financial liabilities:	
As at 31 December 2013	<u>84,532</u>
As at 31 December 2014	<u>73,682</u>
As at 31 December 2015	<u>38,864</u>
As at 31 May 2016	<u>43,727</u>

4.2 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 the owner and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Total capital comprises "equity" as shown in the consolidated balance sheets. During the years ended 31 December 2013, 2014, 2015 and the five months ended 31 May 2016, the Group is at net cash position, which is calculated as cash and cash equivalents less total borrowings.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

Income taxes

The Group is subject to corporate income taxes in the PRC and profits tax in Hong Kong. Significant judgement is required in determining the amount of the provision for taxation and 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 current income tax and deferred tax provisions in the period in which such determination is made.

6 SEGMENT INFORMATION

Information reported to the executive directors of the Company, who are the chief operating decision makers (“CODM”) of the Group, was specifically focused on the segments of retail services, catering services, property management services, laundry services, off-campus training services, property agency services, and employment placement services for the purpose of resource allocation and performance assessment. These divisions are the basis on which the Group reports its segment information under HKFRS 8 “Operation Segments”.

The executive directors of the Company assesses the performance of the operating segments based on a measure of segment revenue and results and segment assets. Segment results excluded central administration costs, other income, other gains/(losses)-net, finance income, finance costs and income tax expenses, and segment assets excluded the cash and cash equivalents, term deposits and loans to related parties and a third party, as these activities are centrally driven by the Group. Other information provided to the executive directors of the Company is measured in a manner consistent with that in the Financial Information.

Segment revenue and results

Sales between segments are carried out at arm’s length. The revenue from external customers reported to the CODM of the Company is measured in a manner consistent with that in the consolidated income statements.

The segment revenue and results and the reconciliation with profit for the year ended 31 December 2013 are as follows:

	Retail services RMB'000	Catering services RMB'000	Property management services RMB'000	Off-campus training services RMB'000	Property agency services RMB'000	Laundry services RMB'000	Employment placement services RMB'000	Total RMB'000
Total revenue	98,056	69,190	35,247	9,142	8,062	7,390	854	227,941
Revenue (inter-segment)	(230)	–	–	–	–	(581)	–	(811)
Revenue (from external customers)	<u>97,826</u>	<u>69,190</u>	<u>35,247</u>	<u>9,142</u>	<u>8,062</u>	<u>6,809</u>	<u>854</u>	<u>227,130</u>
Segment results	<u>13,898</u>	<u>2,417</u>	<u>18,111</u>	<u>2,400</u>	<u>3,366</u>	<u>293</u>	<u>324</u>	<u>40,809</u>
Other income								718
Other gains – net								631
Finance income								4,255
Income tax expenses								<u>(13,671)</u>
Profit for the year								<u><u>32,742</u></u>
Segment results include:								
Share of profit from investment in an associate	<u>–</u>	<u>88</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>88</u>
Depreciation and amortisation	<u>603</u>	<u>708</u>	<u>6</u>	<u>37</u>	<u>73</u>	<u>490</u>	<u>20</u>	<u>1,937</u>

The segment revenue and results and the reconciliation with profit for the year ended 31 December 2014 are as follows:

	Retail services RMB'000	Catering services RMB'000	Property management services RMB'000	Off-campus training services RMB'000	Property agency services RMB'000	Laundry services RMB'000	Employment placement services RMB'000	Total RMB'000
Total revenue	98,510	68,698	43,386	13,866	4,120	8,055	1,048	237,683
Revenue (inter-segment)	(202)	(149)	-	-	-	(488)	-	(839)
Revenue (from external customers)	<u>98,308</u>	<u>68,549</u>	<u>43,386</u>	<u>13,866</u>	<u>4,120</u>	<u>7,567</u>	<u>1,048</u>	<u>236,844</u>
Segment results	<u>15,083</u>	<u>7,156</u>	<u>21,047</u>	<u>4,534</u>	<u>1,211</u>	<u>437</u>	<u>460</u>	<u>49,928</u>
Other income								835
Other losses – net								(291)
Finance income								3,373
Finance costs								(111)
Unallocated expenses								(4,052)
Income tax expenses								(15,425)
Profit for the year								<u><u>34,257</u></u>
Segment results include:								
Share of loss from investment in an associate	<u>-</u>	<u>(4)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4)</u>
Depreciation and amortisation	<u>740</u>	<u>745</u>	<u>32</u>	<u>57</u>	<u>55</u>	<u>492</u>	<u>3</u>	<u>2,124</u>

The segment revenue and results and the reconciliation with profit for the year ended 31 December 2015 are as follows:

	Retail services <i>RMB'000</i>	Catering services <i>RMB'000</i>	Property management services <i>RMB'000</i>	Off-campus training services <i>RMB'000</i>	Property agency services <i>RMB'000</i>	Laundry services <i>RMB'000</i>	Employment placement services <i>RMB'000</i>	Total <i>RMB'000</i>
Total revenue	98,881	76,280	50,672	20,651	4,496	9,316	1,467	261,763
Revenue (inter-segment)	(213)	(5)	–	–	–	(433)	–	(651)
Revenue (from external customers)	<u>98,668</u>	<u>76,275</u>	<u>50,672</u>	<u>20,651</u>	<u>4,496</u>	<u>8,883</u>	<u>1,467</u>	<u>261,112</u>
Segment results	<u>16,598</u>	<u>7,828</u>	<u>25,795</u>	<u>8,656</u>	<u>1,402</u>	<u>670</u>	<u>705</u>	<u>61,654</u>
Other income								1,018
Other losses – net								(594)
Finance income								444
Unallocated expenses								(5,736)
Income tax expenses								<u>(16,692)</u>
Profit for the year								<u><u>40,094</u></u>
Segment results include:								
Share of loss from investment in an associate	<u>–</u>	<u>(2)</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(2)</u>
Depreciation and amortisation	<u>815</u>	<u>833</u>	<u>92</u>	<u>131</u>	<u>26</u>	<u>523</u>	<u>4</u>	<u>2,424</u>

The segment revenue and results and the reconciliation with profit for the five months ended 31 May 2016 are as follows:

	Retail services RMB'000	Catering services RMB'000	Property management services RMB'000	Off-campus training services RMB'000	Property Agency services RMB'000	Laundry services RMB'000	Employment placement services RMB'000	Total RMB'000
Total revenue	40,351	34,999	21,643	10,231	2,994	4,459	664	115,341
Revenue (inter-segment)	(92)	(6)	(6)	–	–	(165)	–	(269)
Revenue (from external customers)	<u>40,259</u>	<u>34,993</u>	<u>21,637</u>	<u>10,231</u>	<u>2,994</u>	<u>4,294</u>	<u>664</u>	<u>115,072</u>
Segment results	<u>6,855</u>	<u>620</u>	<u>10,979</u>	<u>4,634</u>	<u>1,010</u>	<u>238</u>	<u>385</u>	<u>24,721</u>
Other income								163
Other losses – net								230
Finance income								96
Unallocated expenses								(7,912)
Income tax expenses								<u>(7,172)</u>
Profit for the period								<u><u>10,126</u></u>
Segment results include:								
Share of loss from investment in an associate	–	(3)	–	–	–	–	–	(3)
Depreciation and amortisation	<u>431</u>	<u>401</u>	<u>25</u>	<u>72</u>	<u>6</u>	<u>217</u>	<u>2</u>	<u>1,154</u>

The segment revenue and results and the reconciliation with profit for the five months ended 31 May 2015 are as follows:

	Retail services <i>RMB'000</i> (Unaudited)	Catering services <i>RMB'000</i> (Unaudited)	Property management services <i>RMB'000</i> (Unaudited)	Off-campus training services <i>RMB'000</i> (Unaudited)	Property Agency services <i>RMB'000</i> (Unaudited)	Laundry services <i>RMB'000</i> (Unaudited)	Employment placement services <i>RMB'000</i> (Unaudited)	Total <i>RMB'000</i> (Unaudited)
Total revenue	39,713	28,993	22,344	7,625	1,561	3,991	560	104,787
Revenue (inter-segment)	(78)	(25)	-	-	-	(185)	-	(288)
Revenue (from external customers)	<u>39,635</u>	<u>28,968</u>	<u>22,344</u>	<u>7,625</u>	<u>1,561</u>	<u>3,806</u>	<u>560</u>	<u>104,499</u>
Segment results	<u>6,065</u>	<u>2,923</u>	<u>10,636</u>	<u>3,461</u>	<u>444</u>	<u>278</u>	<u>280</u>	<u>24,087</u>
Other income								372
Other losses – net								(52)
Finance income								316
Unallocated expenses								(2,639)
Income tax expenses								(6,205)
Profit for the period								<u>15,879</u>
Segment results include:								
Share of loss from investment in an associate	<u>-</u>	<u>(2)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2)</u>
Depreciation and amortisation	<u>340</u>	<u>343</u>	<u>41</u>	<u>45</u>	<u>11</u>	<u>202</u>	<u>2</u>	<u>984</u>

The segment assets and the reconciliation with total assets of the Group as at 31 December 2013, 2014, 2015 and 31 May 2016 are as follows:

Segment assets

	As at 31 December			As at
	2013	2014	2015	31 May
	RMB'000	RMB'000	RMB'000	2016
				RMB'000
Retail services	17,326	18,061	18,101	26,670
Catering services	8,075	5,934	6,331	14,724
Property management services	13,953	27,418	35,626	28,580
Off-campus training services	531	361	518	776
Property agency services	1,045	111	83	811
Laundry services	4,851	5,414	5,295	6,088
Employment placement services	491	1,284	475	3,023
Total segment assets	<u>46,272</u>	<u>58,583</u>	<u>66,429</u>	<u>80,672</u>
Cash and cash equivalents	49,297	77,670	93,334	80,185
Term deposits	-	3,000	7,960	23,258
Loans to related parties and a third party	<u>83,678</u>	<u>54,929</u>	<u>209</u>	<u>209</u>
Total assets	<u><u>179,247</u></u>	<u><u>194,182</u></u>	<u><u>167,932</u></u>	<u><u>184,324</u></u>

The information provided to the executive directors of the Company with respect to segment assets are measured in a manner consistent with that of the Financial Information. These assets are allocated based on the operations of the segment and the physical location of the assets.

No geographical segment analysis is shown as all of the Group's revenue are derived from activities in, and from customers located in the PRC and more than 90% of the carrying values of the Group's assets are situated in the PRC.

There is no single customer contributes more than 10% of the Group's revenue for each of the years ended 31 December 2013, 2014, 2015 and the five months ended 31 May 2015 and 2016.

7 EXPENSES BY NATURE

	Year ended 31 December			Five months ended 31 May	
	2013 RMB'000	2014 RMB'000	2015 RMB'000	2015 RMB'000	2016 RMB'000
				(Unaudited)	
Cost of goods sold for retail business	61,752	60,664	59,080	23,773	22,472
Employee benefit expenses (<i>Note 8</i>)	58,295	57,786	65,512	25,143	30,977
Cost of raw materials and consumables for catering business	27,787	25,724	28,581	10,947	14,380
Utilities – electricity, water and gas, etc.	8,909	9,335	9,332	3,475	4,103
Operating lease payments	8,580	9,030	9,208	3,905	4,135
Business tax and other levies	8,257	8,887	8,921	3,499	3,151
Sub-contracting costs for other services	3,230	5,215	8,916	5,124	3,053
Office expenses	3,249	3,301	2,552	1,045	1,247
Depreciation and amortisation charges	1,937	2,124	2,424	984	1,154
Advertising expenses	640	606	403	89	249
Listing expenses	–	4,052	5,736	2,639	7,912
Others	3,773	4,240	4,527	2,426	5,427
	<u>186,409</u>	<u>190,964</u>	<u>205,192</u>	<u>83,049</u>	<u>98,260</u>

8 EMPLOYEE BENEFIT EXPENSES

	Year ended 31 December			Five months ended 31 May	
	2013 RMB'000	2014 RMB'000	2015 RMB'000	2015 RMB'000	2016 RMB'000
				(Unaudited)	
Wages and salaries	44,955	45,780	52,444	20,416	24,708
Staff welfare expenses (<i>Note (a)</i>)	<u>13,340</u>	<u>12,006</u>	<u>13,068</u>	<u>4,727</u>	<u>6,269</u>
	<u>58,295</u>	<u>57,786</u>	<u>65,512</u>	<u>25,143</u>	<u>30,977</u>

- (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) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year/period include one executive for the years ended 31 December 2013, 2014, 2015 and the five months ended 31 May 2015, three executives for the five months ended 31 May 2016. The emoluments of executives are disclosed in Note 30, the emoluments payable to the remaining highest paid individuals during the Relevant Periods are as follows:

	Year ended 31 December			Five months ended 31 May	
	2013	2014	2015	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Basic salaries, housing allowances, other allowances and benefits in kind	1,268	1,272	1,508	538	349
	<u>1,268</u>	<u>1,272</u>	<u>1,508</u>	<u>538</u>	<u>349</u>

The emoluments fell within the following bands:

	Number of individuals				
	Year ended 31 December			Five months ended 31 May	
	2013	2014	2015	2015	2016
Emolument bands (in HKD)					
Nil – HKD1,000,000	4	4	4	4	2
	<u>4</u>	<u>4</u>	<u>4</u>	<u>4</u>	<u>2</u>

9 OTHER INCOME, FINANCE INCOME AND COSTS

	Year ended 31 December			Five months ended 31 May	
	2013	2014	2015	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Other income:					
– Interest income on cash and cash equivalents	224	446	778	253	163
– Interest income from amounts placed in Residents' Accounts (Note 16(b))	494	389	240	119	–
	<u>718</u>	<u>835</u>	<u>1,018</u>	<u>372</u>	<u>163</u>
Finance income:					
– Interest income from loans to related parties	4,187	3,292	301	285	–
– Interest income from loan to a third party	68	79	–	–	–
– Interest income on term deposits	–	2	143	31	96
	<u>4,255</u>	<u>3,373</u>	<u>444</u>	<u>316</u>	<u>96</u>
Finance expenses:					
– Interest expenses of loan from a related party	–	(111)	–	–	–
	<u>–</u>	<u>(111)</u>	<u>–</u>	<u>–</u>	<u>–</u>

10 PARTICULARS OF THE PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries of the Group as at 31 December 2013, 2014 and 2015 and as at the date of this report are set out as below:

Company name	Place and date of incorporation/ establishment	Registered/ issued and paid-up capital	Attributable equity interest of the Group as at 31 December 2013	Attributable equity interest of the Group as at 31 December 2014	Attributable equity interest of the Group as at 31 December 2015	Attributable equity interest of the Group as at 31 May 2016	Principal place of operation	Statutory auditors for the years ended 31 December 2013, 2014 and 2015
Directly owned:								
Wide Leisure Limited 廣逸有限公司	BVI, 8 July 2015	USD1	N/A	N/A	100%	100%	Investment holding in BVI	Not applicable
Indirectly owned:								
Guangzhou Panyu Clifford Property Management Limited* 廣州市番禺祈福物業管理有限公司 (Note 1.2(c))	The PRC, 30 October 1998	RMB5,500,000	51%	51%	75.5%	75.5%	Property management services in Guangzhou	Guangzhou Ye Qin Certified Public Accountants Limited 廣州業勤會計師事務所有限公司
Foshan Clifford Property Management Limited* 佛山市祈福物業管理有限公司	The PRC, 20 April 2004	HKD8,770,000	100%	100%	100%	100%	Property management services in Foshan	BDO China Shu Lun Pan Certified Public Accountants LLP Guangdong Branch 立信會計師事務所(特殊普通合夥)廣東分所
Guangzhou Clifford Trading Limited* 廣州市祈福貿易有限公司	The PRC, 7 April 2005	RMB1,000,000	100%	100%	100%	100%	Retail services in Guangzhou	Guangzhou Hui Jian Certified Public Accountants Limited Company 廣州惠建會計師事務所有限公司

10 PARTICULARS OF THE PRINCIPAL SUBSIDIARIES (Continued)

Company name	Place and date of incorporation/ establishment	Registered/ issued and paid-up capital	Attributable equity interest of the Group as at 31 December 2013	Attributable equity interest of the Group as at 31 December 2014	Attributable equity interest of the Group as at 31 December 2015	Attributable equity interest of the Group as at 31 May 2016	Principal activities and place of operation	Statutory auditors for the years ended 31 December 2013, 2014 and 2015
Guangzhou Smart Real Estate Agency Limited* 廣州市睿明房地產中介有限公司	The PRC, 12 November 2010	RMB300,000	100%	100%	100%	100%	Property agency services in Guangzhou	Guangzhou De Gong Certified Public Accountants Limited 廣州德公會計師事務所有限公司
Guangzhou Welcome Employment Limited* 廣州市惠爾家職業介紹有限公司	The PRC, 13 May 2011	RMB2,000,000	100%	100%	100%	100%	Employment placement services in Guangzhou	Guangzhou De Gong Certified Public Accountants Limited 廣州德公會計師事務所有限公司
Guangzhou Goodwash Laundry Limited* 廣州市雪白洗衣有限公司	The PRC, 27 September 2011	RMB5,000,000	100%	100%	100%	100%	Laundry services in Guangzhou	Guangzhou Hui Jian Certified Public Accountants Limited 廣州惠建會計師事務所有限公司
Guangzhou Clifford Herbal Cuisine Catering Limited* 廣州市祈福藥膳坊餐飲有限公司	The PRC, 29 September 2011	RMB1,000,000	100%	100%	100%	100%	Catering services in Guangzhou	Guangzhou Hui Jian Certified Public Accountants Limited 廣州惠建會計師事務所有限公司

10 PARTICULARS OF THE PRINCIPAL SUBSIDIARIES (Continued)

Company name	Place and date of incorporation/ establishment	Registered/ issued and paid-up capital	Attributable equity interest of the Group as at 31 December 2013	Attributable equity interest of the Group as at 31 December 2014	Attributable equity interest of the Group as at 31 December 2015	Attributable equity interest of the Group as at 31 May 2016	Principal activities and place of operation	Statutory auditors for the years ended 31 December 2013, 2014 and 2015
Guangzhou Mascot Catering Limited* 廣州市福品餐飲有限公司	The PRC, 31 October 2011	RMB1,000,000	100%	100%	100%	100%	Catering services in Guangzhou	Guangzhou Hui Jian Certified Public Accountants Limited Company 廣州惠建會計師事務所有限公司
Guangzhou Panyu Clifford Education Training Centre* 廣州市番禺區祈福教育培訓中心	The PRC, 20 March 2012	RMB50,000	100%	100%	100%	100%	Off-campus training services in Guangzhou	Guangzhou Ye Qin Certified Public Accountants Limited Company 廣州葉勤會計師事務所有限公司
Guangzhou Clifford Household Services Limited* 廣州市祈福家居服務有限公司	The PRC, 6 September 2012	RMB500,000	100%	100%	100%	100%	Property management services in Guangzhou	Guangzhou Ye Qin Certified Public Accountants Limited Company 廣州葉勤會計師事務所有限公司
Guangzhou Clifford Farm Restaurant Catering Limited* 廣州市祈福農家菜館餐飲有限公司	The PRC, 27 September 2012	RMB1,000,000	100%	100%	100%	100%	Catering services in Guangzhou	Guangzhou Hui Jian Certified Public Accountants Limited Company 廣州惠建會計師事務所有限公司

* 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.

The Company

The investment in subsidiaries of the Company represents the carrying values of the net assets of the Listing Business attributable to owners of the Company transferred under the Company upon the completion of the Reorganisation (Note 1.2(i)).

11 INCOME TAX EXPENSES

	Year ended 31 December			Five months ended 31 May	
	2013	2014	2015	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Current income tax:					
– PRC corporate income tax	11,934	13,597	15,733	6,170	6,727
– Hong Kong profits tax	201	173	102	35	45
– PRC withholding tax	–	–	5,546	–	857
	12,135	13,770	21,381	6,205	7,629
Deferred income tax:					
– PRC withholding income tax	1,536	1,655	(4,689)	–	(457)
	<u>13,671</u>	<u>15,425</u>	<u>16,692</u>	<u>6,205</u>	<u>7,172</u>

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 31 December			Five months ended 31 May	
	2013	2014	2015	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Profit before income tax	46,413	49,682	56,786	22,084	17,298
Less: share of (profit)/loss of investment in an associate	(88)	4	2	2	3
	<u>46,325</u>	<u>49,686</u>	<u>56,788</u>	<u>22,086</u>	<u>17,301</u>
Tax charge at effective rate applicable to profits in the respective group entities	11,774	13,410	15,659	6,177	6,500
Tax effects of:					
– Expenses not deductible for tax purposes	169	285	139	–	280
– Income not subject to tax	(72)	–	(232)	(2)	(87)
– Tax losses for which no deferred income tax asset was recognised	264	75	269	30	79
	12,135	13,770	15,835	6,205	6,772
PRC withholding income tax on dividends	1,536	1,655	857	–	400
	<u>13,671</u>	<u>15,425</u>	<u>16,692</u>	<u>6,205</u>	<u>7,172</u>

The Company did not have any potential ordinary shares outstanding during the Relevant Periods. Diluted earnings per share is equal to basic earnings per share.

13 PROPERTY, PLANT AND EQUIPMENT

	Machinery <i>RMB'000</i>	Vehicles <i>RMB'000</i>	Office equipment <i>RMB'000</i>	Leasehold improvements <i>RMB'000</i>	Other equipment <i>RMB'000</i>	Total <i>RMB'000</i>
As at 1 January 2013						
Cost	6,740	725	1,783	1,730	19	10,997
Accumulated depreciation	<u>(1,118)</u>	<u>(205)</u>	<u>(544)</u>	<u>(387)</u>	<u>(2)</u>	<u>(2,256)</u>
Net book amount	<u>5,622</u>	<u>520</u>	<u>1,239</u>	<u>1,343</u>	<u>17</u>	<u>8,741</u>
Year ended 31 December 2013						
Opening net book amount	5,622	520	1,239	1,343	17	8,741
Additions	1,271	3	610	1,000	108	2,992
Disposals	(25)	–	(14)	–	–	(39)
Depreciation charge	<u>(588)</u>	<u>(118)</u>	<u>(596)</u>	<u>(592)</u>	<u>(15)</u>	<u>(1,909)</u>
Closing net book amount	<u>6,280</u>	<u>405</u>	<u>1,239</u>	<u>1,751</u>	<u>110</u>	<u>9,785</u>
As at 31 December 2013						
Cost	7,986	727	2,316	2,730	126	13,885
Accumulated depreciation	<u>(1,706)</u>	<u>(322)</u>	<u>(1,077)</u>	<u>(979)</u>	<u>(16)</u>	<u>(4,100)</u>
Net book amount	<u>6,280</u>	<u>405</u>	<u>1,239</u>	<u>1,751</u>	<u>110</u>	<u>9,785</u>
Year ended 31 December 2014						
Opening net book amount	6,280	405	1,239	1,751	110	9,785
Additions	1,066	9	637	262	20	1,994
Disposals	(88)	–	(242)	–	(6)	(336)
Depreciation charge	<u>(617)</u>	<u>(104)</u>	<u>(732)</u>	<u>(606)</u>	<u>(24)</u>	<u>(2,083)</u>
Closing net book amount	<u>6,641</u>	<u>310</u>	<u>902</u>	<u>1,407</u>	<u>100</u>	<u>9,360</u>
As at 31 December 2014						
Cost	8,934	731	2,574	2,992	137	15,368
Accumulated depreciation	<u>(2,293)</u>	<u>(421)</u>	<u>(1,672)</u>	<u>(1,585)</u>	<u>(37)</u>	<u>(6,008)</u>
Net book amount	<u>6,641</u>	<u>310</u>	<u>902</u>	<u>1,407</u>	<u>100</u>	<u>9,360</u>

	Machinery <i>RMB'000</i>	Vehicles <i>RMB'000</i>	Office equipment <i>RMB'000</i>	Leasehold improvements <i>RMB'000</i>	Other equipment <i>RMB'000</i>	Total <i>RMB'000</i>
Year ended 31 December 2015						
Opening net book amount	6,641	310	902	1,407	100	9,360
Additions	2,027	3	408	563	335	3,336
Disposals	(58)	(3)	(7)	–	–	(68)
Depreciation charge	(696)	(107)	(830)	(681)	(55)	(2,369)
Closing net book amount	7,914	203	473	1,289	380	10,259
As at 31 December 2015						
Cost	10,821	730	2,861	3,553	472	18,437
Accumulated depreciation	(2,907)	(527)	(2,388)	(2,264)	(92)	(8,178)
Net book amount	7,914	203	473	1,289	380	10,259
Five months ended 31 May 2016						
Opening net book amount	7,914	203	473	1,289	380	10,259
Additions	2,058	8	1,225	9,185	130	12,606
Disposals	(30)	–	(3)	(122)	(255)	(410)
Depreciation charge	(368)	(36)	(394)	(329)	(3)	(1,130)
Closing net book amount	9,574	175	1,301	10,023	252	21,325
As at 31 May 2016						
Cost	12,555	738	4,081	12,617	347	30,338
Accumulated depreciation	(2,981)	(563)	(2,780)	(2,594)	(95)	(9,013)
Net book amount	9,574	175	1,301	10,023	252	21,325
Five months ended 31 May 2015 (Unaudited)						
Opening net book amount	6,641	310	902	1,407	100	9,360
Additions	64	3	124	223	–	414
Disposals	(12)	(1)	(1)	–	–	(14)
Depreciation charge	(300)	(47)	(342)	(264)	(16)	(969)
Closing net book amount	6,393	265	683	1,366	84	8,791
As at 31 May 2015						
Cost	8,966	731	2,678	3,170	137	15,682
Accumulated depreciation	(2,573)	(466)	(1,995)	(1,804)	(53)	(6,891)
Net book amount	6,393	265	683	1,366	84	8,791

Depreciation of the property, plant and equipment has been charged to profit or loss as follows:

	Year ended 31 December			Five months ended 31 May	
	2013 RMB'000	2014 RMB'000	2015 RMB'000	2015 RMB'000	2016 RMB'000
				(Unaudited)	
Cost of sales	916	900	1,021	548	574
Selling and marketing expenses	650	784	932	184	344
Administrative expenses	343	399	416	237	212
	<u>1,909</u>	<u>2,083</u>	<u>2,369</u>	<u>969</u>	<u>1,130</u>

14 FINANCIAL INSTRUMENTS BY CATEGORY

	As at 31 December			As at 31 May
	2013 RMB'000	2014 RMB'000	2015 RMB'000	2016 RMB'000
Financial asset				
Loans and receivables				
– Trade and other receivables excluding prepayments	109,529	95,495	43,073	42,936
– Cash and cash equivalents	49,297	77,670	93,334	80,185
– Term deposits	–	3,000	7,960	23,258
– Restricted cash	52	53	478	480
	<u>158,878</u>	<u>176,218</u>	<u>144,845</u>	<u>146,859</u>
Financial liabilities at amortised costs				
Trade and other payables excluding non-financial liabilities				
	<u>84,532</u>	<u>73,682</u>	<u>38,864</u>	<u>43,727</u>

15 INVENTORIES

	As at 31 December			As at 31 May
	2013 RMB'000	2014 RMB'000	2015 RMB'000	2016 RMB'000
Merchandise goods	7,503	6,762	6,588	8,354
Raw materials	1,391	1,167	1,589	1,820
Others	112	223	88	296
	<u>9,006</u>	<u>8,152</u>	<u>8,265</u>	<u>10,470</u>

16 TRADE AND OTHER RECEIVABLES

The Group

	As at 31 December			As at
	2013	2014	2015	31 May
	RMB'000	RMB'000	RMB'000	2016
				RMB'000
Trade receivables (<i>Note (a)</i>)				
– Related parties (<i>Note 28(d)</i>)	960	3,885	4,297	2,475
– Third parties	<u>3,703</u>	<u>3,452</u>	<u>3,655</u>	<u>4,188</u>
	<u>4,663</u>	<u>7,337</u>	<u>7,952</u>	<u>6,663</u>
Amounts placed in Residents' Accounts (<i>Note (b)</i>)	<u>8,969</u>	<u>19,120</u>	<u>24,010</u>	<u>17,752</u>
Other receivables				
– Related parties (<i>Note 28(d)</i>)	3,698	4,179	5,954	9,510
– Third parties	<u>8,521</u>	<u>8,890</u>	<u>4,948</u>	<u>8,802</u>
	<u>12,219</u>	<u>13,069</u>	<u>10,902</u>	<u>18,312</u>
Loans and interest receivables (<i>Note (c)</i>)				
– Related parties (<i>Note 28(d)</i>)	82,105	54,777	57	57
– A third party	<u>1,573</u>	<u>152</u>	<u>152</u>	<u>152</u>
	<u>83,678</u>	<u>54,929</u>	<u>209</u>	<u>209</u>
Prepayments				
– Related parties (<i>Note 28(d)</i>)	–	–	–	132
– Third parties	<u>370</u>	<u>246</u>	<u>4,127</u>	<u>5,104</u>
	<u>370</u>	<u>246</u>	<u>4,127</u>	<u>5,236</u>
Dividends receivable (<i>Note 28(d)</i>)	<u>–</u>	<u>1,040</u>	<u>–</u>	<u>–</u>
	<u>109,899</u>	<u>95,741</u>	<u>47,200</u>	<u>48,172</u>

- (a) Trade receivables from third parties mainly represented the receivables of outstanding property management fee charged on commission basis and the receivables of laundry service income.

During the Relevant Periods, the Group's trading terms are mainly on a cash basis, except for certain corporate customers of laundry services and household services, as well as property management fee receivable from residents, which is generally with one month credit period.

As at 31 December 2013, 2014, 2015 and 31 May 2016, the ageing analysis of the trade receivables based on invoice date were as follows:

	As at 31 December			As at 31 May
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Up to 1 year	4,663	6,618	7,591	6,155
1 to 2 years	–	719	266	384
2 to 3 years	–	–	95	109
Over 3 years	–	–	–	15
	<u>4,663</u>	<u>7,337</u>	<u>7,952</u>	<u>6,663</u>

As at 31 December 2013, 2014, 2015 and 31 May 2016, trade receivables of RMB4,663,000, RMB7,337,000, RMB7,952,000 and RMB6,663,000 were fully performing.

- (b) Certain property management companies of the Group engaged in managing residential communities on commission basis opened bank accounts on behalf of the residents (“Residents’ Accounts”) to collect the property management fee and resident support services fee from the residents. The property management companies are also responsible for the treasury function of these bank accounts on behalf of the residents pursuant to the property management service contracts. As at 31 December 2013, 2014, 2015 and 31 May 2016, amounts placed in Residents’ Accounts of RMB8,969,000, RMB19,120,000, RMB24,010,000 and RMB17,752,000 represented the balances of the receipts of property management commission fee and residents support service fee entitled by the property management companies offset by the payments of expenses of property management companies, but did not include the undeployed property management fee received from the residents net of the property management companies’ commission fee. Such balances can be used by the Group at its discretion. As at 31 December 2013, 2014, 2015 and 31 May 2016, amounts placed in Resident’s Accounts of RMB8,969,000, RMB19,120,000, RMB24,010,000 and RMB17,752,000 carry interest at prevailing rates from 0.35% to 3.05% per annum. The fair value of these balances approximates their carrying amounts.
- (c) Loans to related parties carry variable interest rates ranging from 5.35% to 6.56% per annum and repayable within one year from each balance sheet date. Loans to a third party carry fixed interest rates of 6% per annum and repayable within one year from each balance sheet date.

Trade and other receivables do not contain impaired assets. The maximum exposure to credit risk at the reporting dates is the carrying value of each class of receivable mentioned above. The Group does not hold any collateral as security.

The Company

Other receivables of the Company mainly comprised of prepayments of listing expenses.

17 CASH AND BANK BALANCES

(a) Cash and cash equivalents

	As at 31 December			As at 31 May
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Cash at bank and on hand	49,297	65,102	84,604	68,507
Short-term bank deposits	–	12,568	8,730	11,678
	<u>49,297</u>	<u>77,670</u>	<u>93,334</u>	<u>80,185</u>

Short-term bank deposits carry interest at prevailing deposit rates which range from 1.35% to 2.35% per annum.

(b) Term deposits

	As at 31 December			As at 31 May
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Matured within:				
– 6 months	–	2,000	4,460	3,071
– 1 year	–	1,000	3,500	20,187
	–	3,000	7,960	23,258

The term deposits carry interest at prevailing deposit rates which range from 1.55% to 3.05% per annum. The fair value of the Group's term deposits approximate their carrying amounts. The term deposits are denominated in RMB.

(c) Restricted cash

Restrict cash represents cash deposits in the banks as security for issuance of cash cards and carrying out training services according to the relevant regulations in the PRC.

18 SHARE CAPITAL AND SHARE PREMIUM

The share capital of the Group as at 31 December 2013, 2014 and 2015 represented the combined share capital of the entities comprising the Group after elimination of inter-company investment costs.

The share capital and share premium as at 31 May 2016 represented the share capital and share premium of the Company as follows:

	Number of ordinary shares	Share capital		Share premium	Total
		Equivalent to HK\$	RMB'000	RMB'000	RMB'000
Authorised:					
As at 31 May 2016	1,000,000				
Issued and fully paid:					
Issue of shares on 6 January 2016 (date of incorporation) (Note 1.2(f))	10,000	–	–	–	–
Effect of the Reorganisation (Note 1.2(i))	990,000	9,900	8	105,182	105,190
As at 31 May 2016	1,000,000	9,900	8	105,182	105,190

19 RESERVES

	Statutory reserve RMB'000 (Note (a))	Capital reserve RMB'000 (Note (b))	Total RMB'000
As at 1 January 2013	3,206	9,612	12,818
Appropriation of statutory reserves	<u>234</u>	<u>–</u>	<u>234</u>
As at 31 December 2013	<u>3,440</u>	<u>9,612</u>	<u>13,052</u>
Acquisition of subsidiaries under common control (Note 1.2(a)(b))	–	(2,413)	(2,413)
Appropriation of statutory reserves	<u>431</u>	<u>–</u>	<u>431</u>
As at 31 December 2014	<u>3,871</u>	<u>7,199</u>	<u>11,070</u>
Acquisition of a subsidiary under common control (Note 1.2(c))	–	(4,863)	(4,863)
Transaction with non-controlling interests (Note 26)	–	(9,948)	(9,948)
Appropriation of statutory reserves	<u>7,748</u>	<u>–</u>	<u>7,748</u>
As at 31 December 2015	<u>11,619</u>	<u>(7,612)</u>	<u>4,007</u>
Appropriation of statutory reserves	2,326	–	2,326
Effect of the Reorganisation (Note (b))	<u>–</u>	<u>(105,190)</u>	<u>(105,190)</u>
As at 31 May 2016	<u>13,945</u>	<u>(112,802)</u>	<u>(98,857)</u>

(a) Statutory reserve

In accordance with relevant rules and regulations in the PRC, except for sino-foreign equity joint venture enterprises, all PRC companies are required to transfer 10% of their profit after taxation calculated under PRC accounting rules and regulations to the statutory reserve fund, until the accumulated total of the fund reaches 50% of their registered capital. The statutory reserve fund can only be used, upon approval by the relevant authority, to offset losses carried forward from previous years or to increase capital of the respective companies.

(b) Capital reserve

Capital reserve deficit of approximately RMB105,190,000 represented the difference between the carrying value of the Listing Business and the share capitals of the Intermediate Holding Companies upon completion of the Reorganisation. The remaining balance represented the difference between the capital of subsidiaries under common control and the consideration paid (Note 1.2(a), (b) and (c)).

20 ACCUMULATED LOSSES OF THE COMPANY

The accumulated losses of the Company represent mainly the listing expenses.

	Accumulated losses RMB'000
As at 6 January 2016	–
Charged to income statement	<u>(18,646)</u>
As at 31 May 2016	<u>(18,646)</u>

21 DEFERRED INCOME TAX LIABILITIES

The analysis of deferred income tax liabilities is as follows:

	As at 31 December			As at 31 May
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Deferred income tax liabilities to be recovered after more than 12 months	3,891	–	–	–
Deferred income tax liabilities to be recovered within 12 months	–	5,546	857	400
	<u>3,891</u>	<u>5,546</u>	<u>857</u>	<u>400</u>

The movement in deferred income tax liabilities during the Relevant Periods, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	Temporary difference relating to undistributed profit of subsidiaries RMB'000
As at 1 January 2013	2,355
Charged to consolidated income statement	<u>1,536</u>
As at 31 December 2013	<u>3,891</u>
As at 1 January 2014	3,891
Charged to consolidated income statement	<u>1,655</u>
As at 31 December 2014	<u>5,546</u>
As at 1 January 2015	5,546
Credited to consolidated income statement	<u>(4,689)</u>
As at 31 December 2015	<u>857</u>
As at 1 January 2016	857
Credited to consolidated income statement	<u>(457)</u>
As at 31 May 2016	<u>400</u>

As at 31 December 2013, 2014, 2015 and 31 May 2016, the Group did not recognise deferred income tax assets of RMB731,000, RMB806,000, RMB1,075,000 and RMB1,155,000 in respect of tax losses of RMB2,962,000, RMB3,289,000, RMB4,884,000 and RMB5,297,000, respectively. Tax losses of group companies operated in the PRC could be carried forward for a maximum of five years.

As at 31 December 2013, 2014, 2015 and 31 May 2016, the Group has not recognised withholding tax payables of RMB627,000, RMB1,677,000, RMB4,012,000 and RMB5,324,000 in relation to the undistributed profits of certain PRC group companies totalling RMB6,270,000, RMB16,770,000, RMB40,120,000 and RMB53,240,000 as the Group does not have a plan to distribute these profits out of the PRC in the foreseeable future.

22 TRADE AND OTHER PAYABLES

The Group

	As at 31 December			As at 31 May
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables (<i>Note (a)</i>)				
– Related parties (<i>Note 28(d)</i>)	70	3	3	25
– Third parties	<u>14,883</u>	<u>15,327</u>	<u>12,444</u>	<u>19,415</u>
	<u>14,953</u>	<u>15,330</u>	<u>12,447</u>	<u>19,440</u>
Other payables				
– Related parties (<i>Note 28(d)</i>)	20,917	22,629	15,157	11,047
– Third parties	<u>11,364</u>	<u>13,438</u>	<u>11,585</u>	<u>13,240</u>
	<u>32,281</u>	<u>36,067</u>	<u>26,742</u>	<u>24,287</u>
Advances from customers				
– Related parties (<i>Note 28(d)</i>)	250	–	–	–
– Third parties	<u>4,093</u>	<u>9,053</u>	<u>6,565</u>	<u>9,346</u>
	<u>4,343</u>	<u>9,053</u>	<u>6,565</u>	<u>9,346</u>
Dividends payable to the then equity holders of the Group (<i>Note 28(d)</i>)	36,363	22,619	–	–
Loan from a related party and interest payable (<i>Note (b), Note 28(d)</i>)	1,500	111	–	–
Accrued payroll	12,789	13,681	13,780	13,311
Other taxes payables	<u>1,571</u>	<u>1,340</u>	<u>614</u>	<u>1,590</u>
	<u>103,800</u>	<u>98,201</u>	<u>60,148</u>	<u>67,974</u>

- (a) As at 31 December 2013, 2014, 2015 and 31 May 2016, the ageing analysis of the trade payables (including amounts due to related parties of trading in nature) based on invoice date were are follows:

	As at 31 December			As at 31 May
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Up to 1 year	14,582	14,632	11,639	18,060
1 to 2 years	243	603	214	929
2 to 3 years	68	33	499	169
Over 3 years	60	62	95	282
	<u>14,953</u>	<u>15,330</u>	<u>12,447</u>	<u>19,440</u>

- (b) Loans from a related party carried fixed interest rates 7.8% per annum and matured within one year from each balance sheet date.

The Company

Other payables of the Company mainly represent cash advances payable to subsidiaries for the settlement of listing expenses and the listing expenses payable to professional parties.

23 DIVIDENDS

	Year ended 31 December			Five months ended 31 May	
	2013	2014	2015	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Dividends	<u>–</u>	<u>9,391</u>	<u>–</u>	<u>–</u>	<u>–</u>

Dividends represented dividends declared by the entities now comprising the Group to their then equity holders. The rates for dividend and the number of shares ranking for dividends are not presented as such information is not considered meaningful for the purpose of this report.

24 CASH GENERATED FROM OPERATIONS

	Year ended 31 December			Five months ended	
	2013	2014	2015	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Profit before income tax	46,413	49,682	56,786	22,084	17,298
Adjustments for:					
– Depreciation of property, plant and equipment (<i>Note 13</i>)	1,909	2,083	2,369	969	1,130
– Amortisation of intangible assets	28	41	55	15	24
– (Gains)/losses on disposal of property, plant and equipment	(28)	11	58	53	8
– Finance income	(2,340)	(2,271)	(143)	(31)	(96)
– Finance expenses (<i>Note 9</i>)	–	111	–	–	–
Changes in working capital:					
– Restricted cash	(2)	(1)	(425)	(42)	(2)
– Inventories	1,837	854	(113)	(776)	(2,205)
– Trade and other receivables	(22,704)	(20,435)	(264)	(3,597)	(2,207)
– Trade and other payables	918	10,254	3,704	3,646	20,420
Cash generated from operations	<u>26,031</u>	<u>40,329</u>	<u>62,027</u>	<u>22,321</u>	<u>34,370</u>

Major non-cash transactions

Major non-cash transactions during the Relevant Periods mainly include:

- (1) Settlement of dividends to shareholders of property management subsidiaries of RMB8,462,000, RMB23,135,000 and RMB1,541,000 from amounts placed in Residents' Accounts entitled by the Group during the years ended 31 December 2013, 2014 and 2015 respectively.
- (2) Loans to/repayments from related parties through amounts placed in Residents' Accounts entitled by the Group (Note 28(e)).

25 COMMITMENTS**Operating lease commitments – group entities as lessee**

The Group leases various retail outlets, restaurants, offices and warehouses under non-cancellable operating lease agreements. The lease terms are between 1 and 8 years, and the majority of lease agreements are signed with the related parties.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	As at 31 December			As at 31 May
	2013	2014	2015	2016
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Up to 1 year	5,220	1,554	6,348	12,629
1 to 5 years	11,106	3,676	26,487	52,975
Over 5 years	<u>6,159</u>	<u>985</u>	<u>4,513</u>	<u>4,865</u>
	<u>22,485</u>	<u>6,215</u>	<u>37,348</u>	<u>70,469</u>

26 TRANSACTIONS WITH NON-CONTROLLING INTERESTS**Acquisition of additional interest in a subsidiary**

On 29 December 2015, the Group acquired 24.5% equity interests of Panyu PM Co at a consideration of RMB13,524,000. The carrying amount of the non-controlling interests in Panyu PM Co being acquired as of the date of acquisition is RMB3,576,000. The effect of changes in equity interests of the Group is summarised as follows:

	As at
	31 December
	2015
	<i>RMB'000</i>
Carrying amount of non-controlling interests acquired	3,576
Consideration paid to non-controlling interests	<u>(13,524)</u>
Excess of consideration paid recognised as a decrease in reserves	<u>(9,948)</u>

27 FUTURE MINIMUM RENTAL PAYMENT RECEIVABLE

The future aggregate minimum lease rental receivables under non-cancellable operating leases are as follows:

	As at 31 December			As at 31 May
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Up to 1 year	920	522	2,401	11,330
1 to 5 years	—	—	780	11,885
	<u>920</u>	<u>522</u>	<u>3,181</u>	<u>23,215</u>

28 RELATED PARTY TRANSACTIONS

(a) Name and relationship with related parties:

Name	Relationship
Ms. Man	Ultimate shareholder of the Company
Mr. Pang Lun Kee	Spouse of Ms. Man
廣州市科進計算機技術有限公司	Company under control of Ms. Man from 2 January 2014 to 4 August 2015; then under control of the spouse of Ms. Man
廣州市科健計算機技術有限公司	Company under control of Ms. Man from 2 January 2014 to 4 August 2015; then under control of the spouse of Ms. Man.
廣州市番禺祈福新邨房地產有限公司	Company under significant influence of the spouse of Ms. Man
廣州市番禺祈福新邨渡假俱樂部有限公司	Company under significant influence of the spouse of Ms. Man
China Venture Limited	Company under control of the spouse of Ms. Man
佛山市南海祈福仙湖酒店有限公司	Company under control of the spouse of Ms. Man
佛山市南海祈福房地產有限公司	Company under control of the spouse of Ms. Man
廣東祈福醫院有限公司	Company under control of the spouse of Ms. Man
廣州市倚湖物業有限公司	Company under control of the spouse of Ms. Man
廣州市祈福企業管理有限公司	Company under control of the spouse of Ms. Man
廣州市祈福物業有限公司	Company under control of the spouse of Ms. Man
廣州市花都新華祈福房地產有限公司	Company under control of the spouse of Ms. Man
廣州市花都祈福房地產有限公司	Company under control of the spouse of Ms. Man
廬山祈福花園發展有限公司	Company under control of the spouse of Ms. Man
廣州市花都祈福花園房產有限公司	Company under control of the spouse of Ms. Man
廣州市番禺區祈福新邨學校	Company under control of the spouse of Ms. Man
廣州市祈福生活服務管理有限公司	Company under control of the spouse of Ms. Man
廣州市番禺區祈福英語實驗小學	Company under common control of the spouse of Ms. Man and two third party companies
佛山市南海祈福置業有限公司	Company under control of the spouse of Ms. Man
廣州市花都祈福置業有限公司	Company under control of the spouse of Ms. Man
廣州市番禺祈福房產有限公司	Company under control of the spouse of Ms. Man
廣州市番禺祈福食街管理有限公司	Company under significant influence of the spouse of Ms. Man
廣州市番禺區房地產聯合開發總公司	Shareholder of a subsidiary
廣州市番禺區物業經營有限公司	Shareholder of a subsidiary
廣州市番禺區祈福英語實驗學校	Company under control of the spouse of Ms. Man
廣州市安華物業有限公司	Company under control of the spouse of Ms. Man

Name	Relationship
Clifford Modern Living Company Limited	Company under control of Ms. Man
廣州市冠都物業有限公司	Company under control of the spouse of Ms. Man
肇慶祈福海岸房地產有限公司	Company under control of the spouse of Ms. Man
佛山市南海祈福家居實業有限公司	Company under control of the spouse of Ms. Man

(b) The following transactions were carried out with related parties:

	Year ended 31 December			Five months ended 31 May	
	2013 RMB'000	2014 RMB'000	2015 RMB'000	2015 RMB'000	2016 RMB'000
				(Unaudited)	
Sales of goods					
廣東祈福醫院有限公司	16	369	158	69	214
Others (individual transaction is less than RMB200,000)	433	643	602	220	331
	<u>449</u>	<u>1,012</u>	<u>760</u>	<u>289</u>	<u>545</u>
Provision of services					
廣州市番禺祈福新邨渡假俱樂部有限公司	2,781	3,265	2,415	916	652
廣東祈福醫院有限公司	1,937	2,282	3,177	1,346	1,355
廣州市番禺祈福房地產有限公司	1,156	–	–	–	–
廣州市花都祈福花園房地產有限公司	926	2,219	2,221	925	1,001
廣州市花都祈福房地產有限公司	789	3,138	3,335	1,391	1,700
廣州市番禺區祈福英語實驗小學	712	775	543	236	227
佛山市南海祈福置業有限公司	577	556	389	1	95
廣州市倚湖物業有限公司	566	2,284	694	395	137
廣州市番禺祈福新邨房地產有限公司	417	3,903	4,084	813	1,220
廣州市番禺區祈福英語實驗學校	366	92	468	160	288
廣州市花都新華祈福房地產有限公司	277	204	54	45	698
廣州市番禺區祈福新邨學校	226	211	389	135	152
廣州市祈福物業有限公司	188	1,303	189	145	44
佛山市南海祈福家居實業有限公司	26	8	241	100	99
廣州市花都祈福置業有限公司	11	712	1,417	22	1,436
肇慶祈福海岸房地產有限公司	3	95	485	188	199
廣州市冠都物業有限公司	–	–	–	–	1,551
佛山市南海祈福仙湖酒店有限公司	30	32	194	8	372
Others (individual transaction is less than RMB200,000)	437	441	715	205	311
	<u>11,425</u>	<u>21,520</u>	<u>21,010</u>	<u>7,031</u>	<u>11,537</u>

	Year ended 31 December			Five months ended 31 May	
	2013	2014	2015	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
(Unaudited)					
Interest income					
received/receivable of loans to related parties (Note 9)					
廣州市花都新華祈福房地產 有限公司	1,323	918	122	122	–
佛山市南海祈福房地產 有限公司	980	1,114	179	163	–
廬山祈福花園發展有限公司	698	540	–	–	–
廣州市祈福企業管理有限公司	600	600	–	–	–
廣州市安華物業有限公司	449	–	–	–	–
廣州市花都祈福房地產 有限公司	120	120	–	–	–
Others (individual transaction is less than RMB100,000)	17	–	–	–	–
	<u>4,187</u>	<u>3,292</u>	<u>301</u>	<u>285</u>	<u>–</u>
Interest expenses paid/payable of a loan from a related party (Note 9)					
廣東祈福醫院有限公司	–	(111)	–	–	–
	<u>–</u>	<u>(111)</u>	<u>–</u>	<u>–</u>	<u>–</u>
Purchases of services					
廣州市祈福生活服務管理 有限公司	719	683	–	–	–
廣州市科進計算機技術 有限公司	–	288	–	–	–
	<u>719</u>	<u>971</u>	<u>–</u>	<u>–</u>	<u>–</u>
Rental expenses					
廣州市番禺祈福新邨房地產 有限公司	4,661	4,948	5,742	2,677	1,500
廣州市番禺祈福新邨渡假俱樂部 有限公司	748	748	960	405	386
廣東祈福醫院有限公司	527	527	670	259	288
廣州市花都新華祈福房地產 有限公司	197	24	26	11	9
廣州市番禺祈福房產有限公司	123	123	200	51	54
廣州市番禺區祈福新邨學校	–	–	120	50	50
廣州市冠都物業有限公司	–	–	–	–	1,467
Others (individual transaction is less than RMB100,000)	26	49	132	53	55
	<u>6,282</u>	<u>6,419</u>	<u>7,850</u>	<u>3,506</u>	<u>3,809</u>

	Year ended 31 December			Five months ended 31 May	
	2013	2014	2015	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Purchase of property, plant and equipment 廣州市冠都物業有限公司	-	-	-	-	8,093

(c) Key management compensation

Compensations for key management other than those for directors as disclosed in Note 30 is set out below.

	Year ended 31 December			Five months ended 31 May	
	2013	2014	2015	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Salaries and other short-term employee benefits	688	733	1,134	412	604

(d) Period-end balances

	As at 31 December			As at 31 May	
	2013	2014	2015	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Receivables from related parties (Note 16)					
- Trade receivables (Note (i))					
廣東祈福醫院有限公司	639	547	537	517	
廣州市番禺祈福新邨渡假俱樂部有限公司	192	312	533	194	
廣州市番禺區祈福英語實驗小學	70	103	40	145	
廣州市祈福物業有限公司	8	192	69	3	
廣州市倚湖物業有限公司	6	346	167	19	
廣州市番禺祈福新邨房地產有限公司	-	1,782	343	232	
廣州市花都祈福房地產有限公司	-	522	-	-	
廣州市花都祈福花園房產有限公司	-	-	1,108	-	
廣州市花都祈福置業有限公司	-	-	1,250	78	
廣州市番禺區祈福新邨學校	-	-	150	160	
廣州市番禺區祈福英語實驗學校	-	30	18	183	
佛山市南海祈福仙湖酒店有限公司	-	-	8	149	
廣州市花都新華祈福房地產有限公司	-	-	-	599	
Others (individual balance is less than RMB100,000)	45	51	74	196	
	960	3,885	4,297	2,475	

	As at 31 December			As at
	2013	2014	2015	31 May
	RMB'000	RMB'000	RMB'000	2016
				RMB'000
– Other receivables (<i>Note (ii)</i>)				
China Venture Limited	917	917	917	1,003
廣州市番禺祈福新邨房地產有限公司	817	575	1,773	2,217
廣州市番禺祈福新邨渡假俱樂部有限公司	787	319	1,456	1,214
Spouse of Ms. Man	540	540	–	–
廣州市番禺祈福房產有限公司	293	293	293	293
廣東祈福醫院有限公司	17	234	202	1,290
廣州市花都新華祈福房地產有限公司	21	66	34	750
廣州祈福物業管理有限公司	15	–	12	168
廣州市冠都物業有限公司	–	587	590	2,021
Clifford Modern Living Company Limited	–	–	354	–
Others (individual balance is less than RMB100,000)	291	648	323	554
	<u>3,698</u>	<u>4,179</u>	<u>5,954</u>	<u>9,510</u>
– Loans to related parties (<i>Note (iii)</i>)				
廣州市花都新華祈福房地產有限公司	34,700	8,400	–	–
佛山市南海祈福房地產有限公司	19,000	19,000	–	–
廣州市祈福企業管理有限公司	10,000	10,000	–	–
廬山祈福花園發展有限公司	9,000	9,000	–	–
廣州市花都祈福房地產有限公司	2,000	2,000	–	–
	<u>74,700</u>	<u>48,400</u>	<u>–</u>	<u>–</u>
– Loan interest receivable from related parties (<i>Note (iii)</i>)				
廬山祈福花園發展有限公司	3,636	4,175	–	–
廣州市祈福企業管理有限公司	1,310	600	–	–
佛山市南海祈福房地產有限公司	939	1,002	–	–
廣州市花都新華祈福房地產有限公司	883	472	49	49
廣州市花都祈福房地產有限公司	629	120	–	–
Others (individual balance is less than RMB100,000)	8	8	8	8
	<u>7,405</u>	<u>6,377</u>	<u>57</u>	<u>57</u>
– Prepayments				
廣州市科進計算機技術有限公司	–	–	–	132
– Dividends receivable				
廣州市番禺祈福食街管理有限公司	–	1,040	–	–
Total receivables from related parties	<u>86,763</u>	<u>63,881</u>	<u>10,308</u>	<u>12,174</u>

	As at 31 December			As at
	2013	2014	2015	31 May
	RMB'000	RMB'000	RMB'000	2016
				RMB'000
Payables to related parties (<i>Note 22</i>):				
– Trade payables (<i>Note (i)</i>)				
Others (individual balance is less than RMB100,000)	70	3	3	25
– Other payables (<i>Note (ii)</i>)				
Ms. Man	18,960	17,689	13,310	–
China Venture Limited	–	–	345	481
Spouse of Ms. Man	768	3,478	18	–
廣州市花都新華祈福房地產有限公司	561	437	452	453
廣州市番禺祈福新邨房地產有限公司	208	78	79	279
廣州市番禺祈福新邨渡假俱樂部有限公司	115	76	202	248
廣州市花都祈福花園房產有限公司	–	182	248	23
廣州市冠都物業有限公司	–	–	–	8,912
Others (individual balance is less than RMB100,000)	305	689	503	651
	<u>20,917</u>	<u>22,629</u>	<u>15,157</u>	<u>11,047</u>
– Advances from customers				
廣州市番禺祈福新邨渡假俱樂部有限公司	250	–	–	–
– Dividends payable				
Ms. Man	29,073	22,619	–	–
廣州市番禺區房地產聯合開發總公司	3,645	–	–	–
廣州市番禺區物業經營有限公司	3,645	–	–	–
	<u>36,363</u>	<u>22,619</u>	<u>–</u>	<u>–</u>
– Loan from a related party (<i>Note (iii)</i>)				
廣東祈福醫院有限公司	1,500	–	–	–
– Loan interest payable to a related party (<i>Note (iii)</i>)				
廣東祈福醫院有限公司	–	111	–	–
Total payables to related parties	<u>59,100</u>	<u>45,362</u>	<u>15,160</u>	<u>11,072</u>

- (i) Trade receivables and payables with related parties are unsecured and interest-free. These balances are with credit period of one month.
- (ii) Other receivables and payables with related parties are unsecured and interest-free. The deposits balances are repayable upon maturity of rental period according to the respective contracts, the remaining balances are repayable on demand.

	As at 31 December			As at
	2013	2014	2015	31 May
	RMB'000	RMB'000	RMB'000	2016
				RMB'000
Other receivables				
– Cash advances	2,014	1,426	541	3,113
– Deposits	317	1,373	2,320	2,393
– Others	1,367	1,380	3,093	4,004
	<u>3,698</u>	<u>4,179</u>	<u>5,954</u>	<u>9,510</u>
Other payables				
– Cash advances	19,727	21,167	13,326	–
– Deposits	–	99	39	–
– Purchase of property, plant and equipment	–	–	–	8,093
– Others	1,190	1,363	1,792	2,954
	<u>20,917</u>	<u>22,629</u>	<u>15,157</u>	<u>11,047</u>

(iii) Loans to related parties and loan from a related party are with interest charges and repayable/matured within one year from each balance sheet date.

(e) **Movements of loans to related parties and the relevant interest receivable**

	Year ended 31 December			Five months
	2013	2014	2015	ended
	RMB'000	RMB'000	RMB'000	31 May
				2016
				RMB'000
As at beginning of the year/period	80,458	82,105	54,777	57
Loans to related parties transferred from amounts placed in Residents' Accounts	60,000	4,000	–	–
Repayments from related parties by cash	(919)	(300)	(36,400)	–
Repayments from related parties transferred to amounts placed in Residents' Accounts	(58,311)	(30,000)	(12,000)	–
Interest charged (<i>Note 9</i>)	4,187	3,292	301	–
Interest received by cash	(35)	(3,066)	(5,824)	–
Interest received through amounts placed in Residents' Accounts	(3,275)	(1,254)	(797)	–
As at end of the year/period	<u>82,105</u>	<u>54,777</u>	<u>57</u>	<u>57</u>

(f) Movements of loans from a related party and the relevant interest payable

	Year ended 31 December			Five months ended
	2013	2014	2015	31 May
	RMB'000	RMB'000	RMB'000	2016 RMB'000
As at beginning of the year/period	–	1,500	111	–
Loans from a related party	1,500	–	–	–
Repayments to a related party	–	(1,500)	–	–
Interest accrued (<i>Note 9</i>)	–	111	–	–
Interest paid	–	–	(111)	–
As at end of the year/period	<u>1,500</u>	<u>111</u>	<u>–</u>	<u>–</u>

(g) Movements of other payables to related parties

	Year ended 31 December			Five months ended
	2013	2014	2015	31 May
	RMB'000	RMB'000	RMB'000	2016 RMB'000
As at beginning of the year/period	25,074	20,917	22,629	15,157
Additions	61,907	38,978	39,960	16,036
Repayments	<u>(66,064)</u>	<u>(37,266)</u>	<u>(47,432)</u>	<u>(20,146)</u>
As at end of the year/period	<u>20,917</u>	<u>22,629</u>	<u>15,157</u>	<u>11,047</u>

29 EVENTS AFTER THE BALANCE SHEET DATE

Pre-IPO Share Option Plan

On 21 October 2016, the Company adopted a share option scheme (the “Pre-IPO Share Option Plan”) for the purpose of recognising the contribution to the Group by the directors, certain senior management and employees and former employees of the Group and to retain them whose contributions are important to the long-term growth and profitability of the Group.

On 21 October 2016, the Company granted share options under the Pre-IPO Share Option Plan under which the option holders are entitled to acquire an aggregate of 21,175,000 shares of the Company. All the options under the Pre-IPO Share Option Plan should be exercisable at any time during the period (i) commencing on the business day immediately after the expiry of the six-month period after the Listing Date and (ii) ending on the date falling five years and six months of the Listing Date.

30 BENEFITS AND INTERESTS OF DIRECTORS

On 6 January 2016 (date of incorporation of the Company), the following directors are appointed:

Executive directors

Ms. Man, Chairlady
 Mr. Sun Wei Kong
 Mr. Leong Chew Kuan
 Ms. LIANG Yuhua

Non-executive director

Mr. Liu Xing

(a) Directors' emoluments

Ms. Man and Mr. Liu Xing did not receive any emoluments from the Group and related parties of the Group for the years ended 31 December 2013, 2014 and 2015.

Ms. LIANG Yuhua received emoluments from the Group amounting to RMB350,000, RMB373,000 RMB529,000 respectively during the years ended 31 December 2013, 2014 and 2015.

Ms. Sun Wei Kong and Mr. Leong Chew Kuan received emoluments totaling RMB432,000, RMB729,000, RMB681,000 during the years ended 31 December 2013, 2014 and 2015, which were borne by related parties of the Group. Mr. Sun Wei Kong and Mr. Leong Chew Kuan were also management of the related parties during the years ended 31 December 2013, 2014 and 2015 and their emoluments were not allocated to the Group as the management of the Company considers there is no reasonable basis of allocation.

The directors' emoluments received from the Group for the five months ended 31 May 2016 are as follows:

	Five months ended 31 May 2016 RMB'000
Ms. Man	63
Mr. Sun Wei Kong	257
Mr. Leong Chew Kuan	207
Ms. LIANG Yuhua	263
Mr. Liu Xing	63
	<u>63</u>
	<u><u>853</u></u>

(b) 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 interests, whether directly or indirectly, subsisted at the end of the Relevant Periods or at any time during the Relevant Periods.

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of its subsidiaries in respect of any period subsequent to 31 May 2016 and up to the date of this report. No dividend or distribution has been declared or made by the Company or any of its subsidiaries in respect of any period subsequent to 31 May 2016.

Yours faithfully,
PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

The information set forth in this appendix does not form part of the Accountant's Report prepared by PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, the reporting accountant of the Company, as set forth in Appendix I to this prospectus, and is included in this appendix for illustrative purposes only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountant's Report set forth in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following is an illustrative and pro forma statement of adjusted net tangible assets of the Group which has been prepared in accordance with Rule 4.29 of the Listing Rules and on the basis of the notes set out below for the purpose of illustrating the effect of the Capitalisation Issue and the Global Offering as if it had taken place on 31 May 2016 and based on the audited consolidated net tangible assets attributable to owners of our Company as at 31 May 2016 as shown in the Accountant's Report, the text of which is set out in Appendix I to this prospectus, and adjusted as described below.

This unaudited pro forma adjusted net tangible assets of the Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the Capitalisation Issue and the Global Offering been completed as at 31 May 2016 or at any future date.

	Audited consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 May 2016	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted net tangible assets of the Group attributable to the owners of the Company as at 31 May 2016	Unaudited pro forma adjusted net tangible assets of the Group attributable to the owners of the Company per Share	
	<i>RMB'000</i> <i>(Note 1)</i>	<i>RMB'000</i> <i>(Note 2)</i>	<i>RMB'000</i>	<i>RMB</i> <i>(Note 3)</i>	<i>Equivalent to</i> <i>HK\$</i> <i>(Note 5)</i>
Based on an Offer Price of HK\$0.38 per Share	104,011	55,653	159,664	0.16	0.19
Based on an Offer Price of HK\$0.46 per Share	104,011	72,165	176,176	0.18	0.20

Notes:

- (1) The audited consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 May 2016 are extracted from the Accountant's Report as set out in Appendix I to this prospectus, which is based on the audited consolidated net assets of the Group attributable to the owners of the Company as at 31 May 2016 of approximately RMB104,385,000 less the intangible assets of the Group as at 31 May 2016 of approximately RMB374,000.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

- (2) The estimated net proceeds from the Global Offering are based on the indicative Offer Price of HK\$0.38 (equivalent to RMB0.33) and HK\$0.46 (equivalent to RMB0.40) per Offer Share, being the lower end to higher end of the stated offer price range respectively, after the deduction of total estimated underwriting commissions and fees and other listing related expenses payable by the Company (excluding listing expenses of approximately RMB17,700,000 which have been accounted for prior to 31 May 2016) and takes no account of any Shares which may be allotted and issued upon the exercise of the Over-allotment Option or upon the exercise of options which may be granted under the Pre-IPO Share Option Scheme and Share Option Scheme or of any Shares which may be allotted and issued or repurchased by the Company under the Issuing Mandate or the Repurchase Mandate granted to our Directors.
- (3) The unaudited pro forma adjusted net tangible assets of the Group attributable to owners of the Company as at 31 May 2016 per Share is determined after the adjustments referred to the preceding paragraphs and on the basis of 1,000,000,000 Shares were in issue assuming that the Capitalisation Issue and the Global Offering have been completed on 31 May 2016, but takes no account of any shares which may be allotted and issued upon the exercise of the Over-allotment Options or upon the exercise of options which may be granted under the Pre-IPO Share Option Scheme and Share Option Scheme or any Shares which may be allotted and issued or repurchased by the Company under the Issuing Mandate or the Repurchase Mandate granted to our Directors.
- (4) No adjustment has been made to reflect any trading or other transactions of the Group entered into subsequent to 31 May 2016.
- (5) For the purpose of preparing this unaudited pro forma statement of adjusted net tangible assets, the amount denominated in Hong Kong Dollars has been converted to Renminbi at the rate of HK\$1 to RMB0.86, as set out in “Information About This Prospectus and The Global Offering — Exchange Rate Conversion” to this prospectus. No representation is made that the HK\$ amounts have been, could have been or may be converted to RMB, or vice versa, at that rate or at all.

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.



羅兵咸永道

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of Clifford Modern Living Holdings Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Clifford Modern Living 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 31 May 2016, 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 27 October 2016, 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 31 May 2016 as if the proposed initial public offering had taken place at 31 May 2016. As part of this process, information about the Group's financial position has been extracted by the directors from the Group's financial information for the period ended 31 May 2016, 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 requirement of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

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APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

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

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus", issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

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

The purpose of unaudited pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the proposed initial public offering at 31 May 2016 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 judgement, having regard to the reporting accountant's understanding of the nature of the company, the event or

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

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, 27 October 2016

Set out below is a summary of certain provisions of the memorandum and articles of association of the Company and of certain aspects of Cayman Islands company law.

1. MEMORANDUM OF ASSOCIATION

The memorandum of association provides that the Company's objects are unrestricted. The objects of the Company are set out in Clause 3 of the memorandum of association which is available for inspection at the address and during the period specified in the paragraph headed "2. Documents available for inspection" specified in Appendix V to this Prospectus. As an exempted company, the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

2. ARTICLES OF ASSOCIATION

The articles of association of the Company (the "Articles") were adopted on 21 October 2016. The following is a summary of certain provisions of the Articles.

(a) Directors

(i) *Power to allot and issue shares*

Without prejudice to any special rights or restrictions for the time being attaching to any shares or any class of shares, any share may be issued upon such terms and conditions and with such preferred, deferred or other special rights, or such restrictions, whether as regards dividend, voting, return of capital or otherwise, as the Company may from time to time by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Directors may determine) and any preference shares may be issued on terms that they are liable to be redeemed upon the happening of a specified event or upon a given date and either at the option of the Company or at the option of the holder. The Directors may issue warrants to subscribe for any class of shares or securities of the Company on such terms as they may from time to time determine.

All unissued shares in the Company 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, for such consideration and generally on such terms they shall in their absolute discretion think fit, but so that no shares shall be issued at a discount.

(ii) *Power to dispose of the assets of the Company or any subsidiary*

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries although the Directors may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or relevant statutes of the Cayman Islands to be exercised or done by the Company in general meeting.

(iii) Compensation or payments for loss of office

Payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(iv) Loans and the giving of security for loans to Directors

Where the shares of the Company remain listed on the Stock Exchange or on a stock exchange in such other territory as the Directors may from time to time decide, the Company may not make, without the approval of, or ratification by, the Company in general meeting, any loans to, or provide any guarantee, indemnity or security in respect of any loan to a Director or any of his associates, provided that the Articles do not prohibit the granting of any loan or the provision of any guarantee, indemnity or security (i) to be applied for, or in respect of a liability incurred for any business of the Company, (ii) for the purchase by a Director (or the repayment of a loan for his purchase) of a residence where the amount of the loan, the liability under the guarantee or indemnity or the value of the security does not exceed 80 per cent. of the fair market value of such residence nor 5 per cent. of the consolidated net asset value of the Company as shown in its latest audited accounts; provided that any such loan is on normal commercial terms and is secured by a legal charge over the residence; or, (iii) of any amount to, or in respect of a liability of, a company in which the Company has an equity interest, and the amount of such loan, or the liability assumed by the Company under such guarantee, indemnity or security, does not exceed its proportional interest in such company.

(v) Financial assistance to purchase shares of the Company or its holdings company

There are no provisions in the Articles relating to the giving by the Company of financial assistance for the purchase, subscription or other acquisition of shares of the Company or of its holding company. The law on this area is summarised in paragraph 4(b) below.

(vi) Disclosure of interests in contracts with the Company or any of its subsidiaries

A Director may hold any other office or place of profit with the Company (except that of an auditor) in conjunction with his office of Director for such period and upon such terms as the Directors may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) as the Directors may determine. A Director may be or become a director or other officer of, or be otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profit or other benefit received by him as a director or officer of or from his interest in such other company. The Directors may also cause the voting power conferred by

the shares in any other company held or owned by the Company to be exercised in such manner in all respects as they think fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company. A Director shall not vote or be counted in the quorum on any resolution of the Directors concerning his own appointment or the appointment of any of his associates as the holder of any office or place of profit with the Company or any other company in which the Company is interested (including the arrangement or variation of the terms thereof, or the termination thereof).

Subject to the provisions of the Articles, no Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor will any contract with regard thereto or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. If to the knowledge of a Director, he or any of his associates, is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company, he must declare the nature of his or, as the case may be, his associate(s)' interest at the meeting of the Directors at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest or that of his associates then exists, or in any other case at the first meeting of the Directors after he knows that he or his associate(s) is or has become so interested.

Save as otherwise provided by the Articles, a Director may not vote (nor be counted in the quorum for the voting) on any resolution of the Directors approving any contract or arrangement in which he or any of his close associate(s) (as defined in the Articles) is to his knowledge materially interested, and if he does so his vote will not be counted, but this prohibition will not apply to any of the following matters, namely:

- (aa) any contract or arrangement for the giving to the Director or his close associate(s) of any security or indemnity in respect of money lent by him or any of them or obligations undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) any contract or arrangement for the giving by the Company of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries which the Director or his close associate(s) has himself/themselves guaranteed or secured in whole or in part and whether alone or jointly under a guarantee or by the giving of security;

- (cc) any contract or arrangement by a Director or his close associate(s) by virtue only of his/their interest in shares or debentures or other securities of the Company, to subscribe for shares or debentures or other securities of the Company to be issued pursuant to any offer or invitation to the members or debenture or other securities holders or to the public which does not provide the Director and his close associate(s) any privilege not accorded to any other members or debenture or other securities holders or to the public;
- (dd) any contract or arrangement concerning an offer of the shares, debentures or other securities of or by the Company for subscription or purchase where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer and/or for the purposes of making any representations, the giving of any covenants, undertakings or warranties or assuming any other obligations in connection with such offer;
- (ee) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company;
- (ff) any proposal or arrangement for the benefit of employees of the Company or its subsidiaries including a pension fund or retirement, death or disability benefit scheme or personal pension plan under which a Director, his close associate(s) and employees of the Company or of any of its subsidiaries may benefit and which has been approved by or is subject to and conditional on approval by the relevant tax authorities for taxation purposes or relates to Directors, close associate(s) of Directors and employees of the Company or any of its subsidiaries and does not give the Director or his close associate(s) any privilege not accorded to the relevant class of officers of which the Director is a member and to whom such scheme or fund relates;
- (gg) any proposal concerning the adoption, modification or operation of any share scheme involving the issue or grant of options over shares or other securities by the Company to, or for the benefit of, the employees of the Company or its subsidiaries under which the Director or his close associate(s) may benefit;
- (hh) any contract, transaction or proposal concerning the purchase and/or maintenance of any insurance policy for the benefit of the employees of the Company or its subsidiaries, including any Director and his close associate(s); and
- (ii) any proposal concerning any other company in which the Director or his close associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or shareholder or in which the Director or his close

associate(s) is/are beneficially interested in shares of that company, provided that the Director and any of his close associates are not in aggregate beneficially interested in 5% or more of the issued shares of any class of such company (or of any third company through which his interest or that of his close associates is derived) or of the voting rights.

(vii) Remuneration

The Directors shall be entitled to receive by way of ordinary remuneration for their services such sum as is from time to time determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) 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. The foregoing provisions shall not apply to a Director who holds any salaried employment or office in the Company except in the case of sums paid in respect of Directors' fees. The Directors shall also be entitled to be repaid all travelling, hotel and other expenses reasonably incurred by them respectively in or about the performance of their duties as Directors, including their expenses of travelling to and from Directors' 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 performs any special or extra services to or 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 arranged. Notwithstanding the foregoing the remuneration of the managing director, joint managing director, deputy managing director or an executive Director or a Director appointed to any other office in the management of the Company may be fixed from time to time 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 pension and/or gratuity and/or other benefits on retirement) and allowances as the Directors may from time to time decide. Such remuneration is in addition to his ordinary remuneration as a Director.

The Directors also have power to establish and maintain or procure the establishment and maintenance of any contributory or non-contributory pension or superannuation funds for the benefit of, or to give or procure the giving of donations, gratuities, pensions, allowances or emoluments to, any persons who are or were at any time in the employment or service of the Company, or of any company which is a subsidiary of the Company, or is allied or associated with the Company or with any such subsidiary company, or who are or were at any time directors or officers of the Company or of any such other company as aforesaid, and holding or who have held any salaried employment or office in the Company or such other company, and the spouses, widows, widowers, families and dependants of any

such persons and may make payments for or towards the insurance of any such persons. Any Director holding any such employment or office is entitled to participate in and retain for his own benefit any such donation, gratuity, pension, allowance or emolument.

(viii) Retirement, appointment and removal

At each annual general meeting, 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) will retire from office by rotation provided that every Director shall be subject to retirement at least once every three years. The Directors to retire in every year will be those who have been longest in office since their last election but as between persons who became Directors on the same day those to retire shall (unless they otherwise agree between themselves) be determined by lot.

A Director is not required to retire upon reaching any particular age.

The Directors are entitled to attend and speak at all general meetings of the Company and at all separate meetings of holders of any class of shares in the Company.

The number of Directors shall not be fewer than one. A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for breach of any contract of service between him and the Company). Subject to the statutes and the provisions of the Articles, the Company may from time to time in general meeting by ordinary resolution elect any person to be a Director either to fill a casual vacancy or as an additional Director. In addition, the Directors may appoint any person to be a Director either to fill a casual vacancy or as an additional Director but so that the number of Directors so appointed shall not exceed the maximum number determined from time to time by the members in general meeting. Any Director so appointed shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election at the meeting.

The Directors may from time to time entrust to and confer upon the chairman, deputy chairman, managing director, joint managing director, deputy managing director or executive director of the Company all or any of the powers of the Directors that they may think fit, provided that the exercise of all powers by such Director shall be subject to such regulations and restrictions as the Directors may from time to time make and impose. The Directors may delegate any of their powers to committees consisting of such member or members of their body and such other persons as they think fit, and they may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall in the exercise of the powers so delegated conform to any regulations that may from time to time be imposed upon it by the Directors.

(ix) 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 uncalled capital or any part thereof. The Directors may raise or secure the payment or repayment of such sum or sums in such manner and upon such terms and conditions in all respects as they think fit and in particular, but subject to the provisions of the Companies Law, by the issue of debentures, debenture stock, bonds or other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

Note: The provisions summarised above, in common with the Articles in general, may be varied with the sanction of a special resolution of the Company.

(x) Qualification shares

Directors of the Company are not required under the Articles to hold any qualification shares.

(xi) Indemnity to Directors

The Articles contain provisions that provide indemnity to, among other persons, the Directors from and against all actions, costs, charges, losses, damages and expenses which they or any of them may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty or supposed duty in their respective offices or trusts, except such (if any) as they shall incur or sustain through their own fraud or dishonesty.

(b) Alterations to constitutive documents

The memorandum of association of the Company may be altered by the Company in general meeting. The Articles may also be amended by the Company in general meeting. As more fully described in paragraph 3 below, the Articles provide that, subject to certain exceptions, a special resolution is required to alter the memorandum of association, to approve any alteration to the Articles and to change the name of the Company.

(c) Alterations of capital

The Company may from time to time by ordinary resolution:

- (i) increase its share capital;
- (ii) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; on any consolidation of fully paid shares into shares of larger amount, the Board may settle any difficulty which may arise as it thinks expedient and in particular (but without prejudice to the generality of the foregoing) may, as between the holders of the shares to be

consolidated, determine which particular shares are to be consolidated into a 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;

- (iii) divide its shares into several classes and attach thereto respectively any preferential, deferred, qualified or special rights, privileges or conditions;
- (iv) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled;
- (v) 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 Companies Law, and so that the resolution whereby any shares are 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;
- (vi) change the currency of denomination of its share capital; and
- (vii) make provision for the issue and allotment of shares which do not carry any voting rights.

The Company may by special resolution reduce its issued share capital, any capital redemption reserve fund or other undistributable reserve in any manner authorised and subject to any conditions prescribed by law. The Company may apply its share premium account in any manner permitted by law.

(d) Variation of rights of existing shares or classes of shares

If at any time the capital is divided into different classes of shares, all or any of the special rights (unless otherwise provided for by the terms of issue of that class) attached to any 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 general meeting the provisions of the Articles relating to general meetings will mutatis mutandis apply, save as to the provisions regarding the quorum of meetings, as to which see paragraph 2(s) below.

(e) Special resolutions – majority required

For so long as any part of the issued capital of the Company remains listed on the Stock Exchange, a special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their respective duly authorised representatives, or by proxy, at a general meeting of which notice has been duly given in accordance with 2(i) below for further details.

(f) Voting rights

Subject to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares, at any general meeting on a poll every member present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote for every share of which he is the holder which is fully paid or credited as fully paid (but so that no amount paid or credited as paid on a share in advance of calls or instalments is treated for the foregoing purposes as paid on the share). So long as the shares are listed on the Stock Exchange, where any member is, under the Listing Rules (as defined in the Articles), 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 (whether by way of proxy or, as the case may be, corporate representative) in contravention of such requirement or restriction shall not be counted. On a poll, a member entitled to more than one vote need not use all his votes or cast all his votes in the same way.

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 in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorised representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

Where a shareholder is a clearing house (as defined in the Articles) or a nominee of a clearing house, it may authorise such persons as it thinks fit to act as its representatives at any meeting of the Company or at any meeting of any class of shareholders provided that the authorisation shall specify the number and class of shares in respect of which each such representative is so authorised. Each person so authorised under the provisions of the Articles shall be entitled to exercise the same rights and powers as if such person was the registered holder of the shares of the Company held by the clearing house (or its nominees) in respect of the number and class of shares specified in the relevant authorisation including, where a show of hands is allowed, the right to vote individually on a show of hands.

(g) Requirements for annual general meetings

For so long as any part of the issued capital of the Company remains listed on the Stock Exchange, an annual general meeting must be held once in every year and within

not more than 15 months after the last preceding annual general meeting or such longer period as is permissible or not prohibited under the rules of the Stock Exchange on which any securities of the Company are listed with the permission of the Company.

(h) Accounts and audit

The Directors shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipts and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by law or are necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts are to be kept at the principal office of the Company or at such other place as the Directors think fit and shall always be open to the inspection of the Directors. No member (not being a Director) or other person has any right to inspect any account or book or document of the Company except as conferred by the Companies Law or ordered by a court of competent jurisdiction or authorised by the Directors or by the Company in general meeting. However, an exempted company shall make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

The Directors shall from time to time cause to be prepared and laid before the Company at its annual general meeting such profit and loss accounts, balance sheets, group accounts (if any) and reports and so long as any shares in the Company are listed on the Stock Exchange, the accounts of the Company shall be prepared and audited based on the generally accepted accounting principles of Hong Kong or the International Financial Reporting Standards or such other standards as the Stock Exchange may permit. Every balance sheet of the Company shall be signed on behalf of the Directors by two Directors and a copy of every balance sheet (including every document required by law to be comprised therein or attached or annexed thereto) and profit and loss account which is to be laid before the Company at its annual general meeting, together with a copy of the Directors' report and a copy of the auditors' report, shall not less than 21 days before the date of the meeting, be sent to every member of, and every holder of debentures of, the Company and every other person entitled to receive notices of general meetings of the Company under the Companies Law or of the Articles. Subject to due compliance with the Companies Law and the rules of the Stock Exchange, and to obtaining all necessary consents, if any, required thereunder and such consents being in full force and effect, such requirements shall be deemed satisfied in relation to any person by sending to the person in any manner not prohibited by the Companies Law and instead of such copies, a summary financial statement derived from the Company's annual financial statements and the directors' report thereon, which shall be in the form and containing the information required by applicable laws and regulation, provided that any person who is otherwise entitled to the annual financial statements of the Company and the directors' report thereon may, if he so requires by notice in writing served on the Company, demand that the Company sends to him, in addition to a summary financial statement, a complete printed copy of the Company's annual financial statement and the

directors' report thereon. If all or any of the shares or debentures of the Company are for the time being (with the consent of the Company) listed or dealt in on any stock exchange, there shall be forwarded to such stock exchange such number of copies of such documents as may for the time being be required under its regulations or practise.

Auditors shall be appointed and their duties regulated in accordance with the Articles. Save as otherwise provided by such provisions the remuneration of the auditors shall be fixed by or on the authority of the Company at each annual general meeting, but in respect of any particular year, the Company in general meeting may delegate the fixing of such remuneration to the Directors.

(i) Notices of meetings and business to be conducted thereat

An annual general meeting shall be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days. All other general meetings (including an extraordinary general meeting) must be called by notice of not less than fourteen (14) clear days and not less than ten (10) clear business days. The notice shall specify the place (if the meeting is to be held in two or more places, the notice of meeting shall specify the principal place of the meeting and the other place or places of the meeting), the day and the hour of meeting and particulars of resolutions to be considered at the meeting and, in case of special business, the general nature of that business.

(j) Transfer of shares

All transfers of shares must be effected by transfer in writing in the usual or common form or so long as any shares in the Company are listed on the Stock Exchange, such standard form prescribed by the Stock Exchange or in any other form acceptable to the Board and may be under hand only or, if the transferor or transferee is a clearing house or its nominee(s), by hand, by machine imprinted signature or by such other means of execution as the Directors may approve from time to time; and an instrument of transfer must be executed by or on behalf of the transferor and by or on behalf of 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 in respect thereof, provided that the Directors may in their absolute discretion dispense with the requirement for the production of a transfer in writing before registering a transfer of a share, and may accept mechanically executed transfers in any case.

The Directors may, in their absolute discretion, at any time and from time to time transfer or agree to transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the Directors otherwise agree, no shares on the principal register shall be transferred to any branch register nor shall shares on any branch register be transferred to the principal register or any other register. All transfers and other documents of title must be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the transfer office for that register.

The Directors may in their absolute discretion and without assigning any reason therefor, refuse to register any transfer of any shares (not being fully paid shares) to a person of whom they do not approve and they may refuse to register the transfer of any shares (not being fully paid shares) on which the Company has a lien. The Directors may also refuse to register a transfer of shares (whether fully paid or not) in favour of more than four persons jointly or any share issued under any share option scheme for employees upon which a restriction on transfer imposed thereby shall subsist, or where the transfer is to an infant or a person of unsound mind or under other legal disability. If the Directors refuse to register a transfer, they must within two months after the date on which the transfer was lodged with the Company send to the transferor and transferee notice of the refusal and (if the shares concerned are fully paid shares) the reasons(s) for such refusal.

The Directors may, if applicable, decline to recognise an instrument of transfer unless the instrument of transfer is properly stamped, is in respect of only one class of share and is lodged at the relevant registration or transfer office accompanied by the relevant share certificate(s) and such other evidence as they may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may, on giving notice by advertisement in one English and one Chinese newspaper circulating in Hong Kong, be suspended at such times and for such periods as the Directors may from time to time determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole 30 days in any year.

(k) Power for the Company to purchase its own shares

The Articles provide that the power of the Company to purchase or otherwise acquire its shares is exercisable by the Directors upon such terms and conditions as they think fit subject to the conditions prescribed by the Companies Law.

(l) Power of any subsidiary to own securities in the Company

There are no provisions in the Articles relating to ownership of securities in the Company by a subsidiary.

(m) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency but no dividend may exceed the amount recommended by the Directors. The Company may also make a distribution out of share premium account subject to the provisions of the Companies Law.

Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends will be apportioned and paid pro rata according to the amounts paid or credited as paid on the shares during any portion or portions of the period in respect of which the dividend is paid. No amount paid on a share in advance of

calls will for this purpose be treated as paid on the shares. The Directors may retain any dividends or other moneys 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 deduct from any dividend or bonus payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

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 either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid, provided that the members 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 entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid in lieu of the whole or such part of the dividend as the Directors may think fit.

The Company may also upon the recommendation of the Directors by an ordinary resolution resolve in respect of any particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Whenever the Directors or the Company in general meeting have resolved that a dividend be paid or declared the Directors may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends, bonuses or other distributions or the proceeds of the realisation of any of the foregoing unclaimed for one year after having been declared may be invested or otherwise made use of by the Directors for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions or proceeds as aforesaid unclaimed for six years after having been declared may be forfeited by the Directors and, upon such forfeiture, shall revert to the Company and, in the case where any of the same are securities in the Company, may be re-allotted or re-issued for such consideration as the Directors think fit.

(n) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company or a meeting of the holders of any class of shares in the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him to vote on his behalf at a general meeting of the Company or at a class meeting. At any general meeting, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy. Proxies need not be members of the Company.

A proxy shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise as if it were an individual member.

(o) Corporate representatives

A corporate member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint any person or persons as its representative to attend and vote on its behalf. A corporate member represented by its representative is deemed to be present in person at the relevant meeting and its representative may vote on a poll on any resolution put at such meeting.

(p) Calls on shares and forfeiture of shares

The Directors may from time to time make such calls as it may think fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment thereof made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20 per cent. per annum as the Directors shall fix from the day appointed for the payment thereof to the time of actual payment, but the Directors may waive payment of such interest wholly or in part. The Directors may, if they think fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20 per cent. per annum as the Directors may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment thereof, the Directors may, at any time thereafter during such time as any part of the call or instalment remains unpaid, serve a notice on him requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice will name a further day (not earlier than the expiration of fourteen days from the date of the notice) on or before which the payment required by the notice is to be made, and it will also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Directors to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all moneys 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 from the date of forfeiture until payment at such rate not exceeding 20 per cent. per annum as the Board may prescribe.

(q) Inspection of register of members

For so long as any part of the share capital is listed on the Stock Exchange, any member may inspect the principal or branch register of the Company maintained in Hong Kong without charge and require the provision to him of copies or extracts thereof in all respect as if the Company were incorporated under and is subject to the Companies Ordinance (Cap. 622) of the laws of Hong Kong.

(r) Inspection of register of Directors

There are no provisions in the Articles relating to the inspection of the register of Directors and Officers of the Company, since the register is not open to inspection (as to which see paragraph 4(k) below).

(s) Quorum for meetings and separate class meetings

For all purposes the quorum for a general meeting shall be two members present in person and entitled to vote (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting convened to sanction the modification of class rights, the necessary quorum shall not be less than two persons holding or representing by proxy one-third in nominal value of the issued shares of that class and, where such meeting is adjourned for want of quorum, the quorum for the adjourned meeting shall be any two members present in person and entitled to vote or by proxy (whatever the number of shares held by them).

(t) Rights of the minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority members in relation to fraud or oppression. However, certain remedies are available to members of the Company under Cayman Islands company law as summarised in paragraph 4(e) below.

(u) Procedures on liquidation

A resolution for a court or voluntary winding up of the Company must be passed by way of a special resolution.

If the Company shall be wound up, the surplus assets remaining after payment to all creditors are to be divided among the members in proportion to the capital paid up on the shares held by them respectively, and if such surplus assets shall be insufficient to repay the whole of the paid up capital, they are to be distributed so that, as nearly as may be, the

losses shall be borne by the members in proportion to the capital paid up on the shares held by them respectively, all subject to the rights of any shares issued on special terms and conditions.

If the Company shall be wound up (whether the liquidation is voluntary or by the court), the liquidator may, with the sanction of a special resolution, divide among the members in specie or kind the whole or any part of the assets of the Company and whether the assets consist of property of one kind or properties of different kinds and the liquidator may, for such purposes, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division is to be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any one or more class or classes of property and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like sanction, shall think fit, but so that no member shall be compelled to accept any shares or other assets upon which there is a liability.

(v) Untraceable members

The Company may sell the shares of any member if: (i) dividends or other distributions have been declared by the Company on at least three occasions during a period of 12 years and these dividends or distributions have been unclaimed on such shares; (ii) the Company has published an advertisement of its intention to sell such shares in English and in Chinese in one leading English and (unless unavailable) one leading Chinese newspaper circulating in the territory of the stock exchange on which the ordinary share capital of the Company is listed and a period of three months has elapsed since the date of the first publication of such notice; (iii) the Company has not at any time during the said periods of 12 years and three months received any indication of the existence of the member who is the holder of such shares or of a person entitled to such shares by death, bankruptcy or operations of law; and (iv) the Company has notified the stock exchange on which the ordinary share capital of the Company is listed of its intention to sell such shares. The net proceeds of any such sale will belong to the Company and upon the receipt of such net proceeds by the Company, the Company will become indebted to the former holder of such shares for an amount equal to the amount of such net proceeds.

(w) Stock

The Company may by ordinary resolution convert any fully paid shares into stock, and may from time to time by like resolution reconvert any stock into fully paid shares of any denominations. The holders of stock may transfer the same or any part thereof in the same manner, and subject to the same regulations as and subject to which the shares from which the stock arose might prior to conversion have been transferred or as near thereto as circumstances admit, but the Directors may from time to time, if they think fit, fix the minimum amount of stock transferable and restrict or prohibit the transfer of fractions of that minimum, but so that such minimum shall not exceed the nominal amount of the shares from which the stock arose. No warrants to bearer shall be issued in respect of any

stock. The holders of stock shall, according to the amount of the stock held by them, have the same rights, privileges and advantages as regards dividends, participation in assets on a winding-up, voting at meetings, and other matters, as if they held the shares from which the stock arose, but no such privilege of the Company shall be conferred by an amount of stock which would not, if existing in shares, have conferred such privilege or advantage. All such of the provisions of the Articles as are applicable to paid up shares shall apply to stock, and the words “share” and “shareholder” and “member” therein shall include “stock” and “stockholder”.

(x) Other provisions

The Articles provide that, to the extent that it is not prohibited by and is in compliance with the Companies Law, if any rights attaching to any warrants which the Company may issue after the date of this prospectus shall remain exercisable and the Company does any act which would result in the subscription price under such warrants being reduced below the par value of a Share, a subscription right reserve shall be established and applied in paying up the shortfall between the subscription price and the par value of a Share on any exercise of the warrants.

3. VARIATION OF MEMORANDUM AND ARTICLES OF ASSOCIATION

Subject to the rights of the Company set out in paragraph 2(c) above to amend its capital by ordinary resolution, the memorandum of association of the Company may be altered by the Company by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the memorandum of association (subject as provided above) or the Articles or to change the name of the Company. For these purposes, a resolution is a special resolution if it has been passed by a majority of not less than three-fourths of the votes cast by such members of the Company as, being entitled to do so, vote in person or, in the case of such members as are corporations, by their respective duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice of not less than 21 clear days and not less than ten (10) clear business days specifying the intention to propose the resolution as a special resolution has been duly given. Except in the case of an annual general meeting, the requirement of not less than 21 clear days’ notice and not less than ten (10) clear business days notice may be waived by a majority in number of the members having the right to attend and vote at the relevant meeting, being a majority together representing not less than 95 per cent. of the total voting rights at the meeting of all the members.

4. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of the Cayman Islands company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman Islands company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

(a) Share capital

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 or value of the premiums on those shares shall be transferred to an account, to be called the “share premium account”. The share premium account may be applied by a company subject to the provisions of its memorandum and articles of association in such manner as the company may from time to time determine including, but without limitation:

- (i) in paying distributions or dividends to members;
- (ii) in paying up unissued shares of the company to be issued to members of the company as fully paid bonus shares;
- (iii) in redeeming or purchasing its shares as provided in the Companies Law; or
- (iv) in writing off
 - (aa) the preliminary expenses of the company; or
 - (bb) the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No dividend or distribution may be paid to members out of the share premium account unless immediately following the date of the proposed payment, the company is able to pay its debts as they fall due in the ordinary course of business.

A company may issue preference shares and redeemable preference shares.

The Companies Law does not contain any express provisions dealing with the variation of rights of holders of different classes of shares.

(b) Financial assistance to purchase shares of a company or its holding company

There is no statutory restriction in the Cayman Islands against the provision of financial assistance for the purchase, subscription or other acquisition of its shares, though on English common law principles, the directors have a duty to act in good faith for a proper purpose in the best interests of the company, and moreover, there are restrictions on any act which amounts to a reduction of capital. Accordingly, it may, depending on the circumstances be legitimate for the directors to authorise the provision by a company of financial assistance for the purchase, subscription or other acquisition of its own shares, or the shares of its holding company.

(c) Redemption and Purchase of shares and warrants by a company and its subsidiaries

A company may, if authorised by its articles of associations issue redeemable shares and, purchase its own shares, including any redeemable shares and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be

varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. Purchases and redemptions may only be effected out of the profits of the company or the share premium account of the company or out of the proceeds of a fresh issue of shares made for the purpose, or, if so authorised by its articles of association and subject to the provisions of the Companies Law, out of capital. Any premium payable on a redemption or purchase over the par value of the shares to be purchased must be provided for out of profits of the company or out of the company's share premium account, or, if so authorised by its articles of association and subject to the provisions of the Companies Law, out of capital. Any purchase by a company of its own shares may be authorised by its directors or otherwise by or in accordance with the provisions of its articles. A payment out of capital for a redemption or purchase of a company's own shares is not lawful unless immediately following the date of the proposed payment the company is able to pay its debts as they fall due in the ordinary course of business. Shares purchased by a company shall be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company shall not be treated as a member for any purpose and shall not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share shall not be voted, directly or indirectly, at any meeting of the company and shall not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law. Further, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

A company is not prohibited from purchasing and may purchase its own subscription warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and in certain circumstances, may acquire such shares. A company, whether a subsidiary or a holding company, may only purchase its own shares for cancellation if it is authorised to do so in its articles of association.

(d) Dividends and distributions

A company may not pay a dividend, or make a distribution out of share premium account unless immediately following the date on which the payment is proposed to be made, the company is able to pay its debts as they fall due in the ordinary course of business.

(e) Protection of minorities

The Cayman Islands courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of a company to challenge (a) an act which is ultra vires the company or illegal (b) an act which constitutes a fraud against the minority and the wrong doers are themselves in control of the company, or (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of company (not being a bank) having a share capital divided into shares, the court 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 court shall direct.

Any shareholder of a company may petition the court which may make a winding up order if the court is of the opinion that it is just and equitable that the company shall be wound up.

Generally, claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the memorandum and articles of association of the company.

(f) Management

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary is required, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(g) Accounting and auditing requirements

The Companies Law requires a company to cause proper records of accounts to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company and (iii) the assets and liabilities of the company. A company is required to keep such books of account as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

(h) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(i) Taxation

There are no income, corporation, capital gains or other taxes in effect in the Cayman Islands on the basis of the present legislation. As an exempted company, the Company has received from the Governor-in-Counsel of the Cayman Islands pursuant to the Tax Concessions Law (2011 Revision) of the Cayman Islands, an undertaking that in the event of any change to the foregoing, the Company, for a period of 20 years from the date of the grant of the undertaking, will not be chargeable to tax in the Cayman Islands on its income or its capital gains arising in the Caymans Islands or elsewhere and that dividends of the Company will be payable without deductions of Cayman Islands tax. No capital or stamp duties are levied in the Cayman Islands on the issue, transfer or redemption of Shares.

(j) Stamp duty

Certain documents (which do not include contract, notes for the sale and purchase of, or instruments of transfer of, shares in Cayman Islands companies) are subject to stamp duty which is generally calculated on an ad valorem basis.

(k) Inspection of corporate records

Neither the members of a company nor the general public have the right to inspect the register of directors and officers, the minutes, accounts or, in the case of any exempted company, the register of members. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands. The register of mortgages and charges must be kept at the registered office of the company and must be open to inspection by any creditor or member at all reasonable times.

Members of the public have no right to inspect the constitutive documents of a company but the memorandum and articles of association must be forwarded to any member of the company upon request. If no articles of association have been registered with the Registrar of Companies, each member has the right to receive copies of special resolutions of members upon request upon payment of a nominal fee.

The location of the registered office of a company is available to the general public upon request to the Registrar of Companies.

(l) Winding up

A company may be wound up by the Cayman Islands court on application presented by the company itself, its creditors or its contributors. The Cayman Islands court also has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Cayman Islands court, just and equitable that such company be wound up.

A company may be wound up voluntarily when the members so resolve in general meeting, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum or articles of association expires, or the event occurs on the occurrence of which the memorandum or articles of association provides that the company is to be dissolved. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above. Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval.

Where a resolution has been passed for the voluntary winding up of a company, the court may make an order that the winding up should continue subject to the supervision of the court with such liberty to creditors, contributors or others to apply to the court as the court may think fit.

In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators for the purposes of winding up the affairs of the company and distributing its assets. If the liquidator at any time forms the opinion that such company will not be able to pay its debts in full, he is obliged to summon a meeting of creditors.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting requires at least one month's notice called by Public Notice in the Cayman Islands or otherwise as the Registrar of Companies may direct.

5. GENERAL

Conyers Dill & Pearman, the Company's legal advisers on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "2. 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 is more familiar is recommended to seek independent legal advice.

1. FURTHER INFORMATION ABOUT OUR GROUP

1.1 Incorporation of our Company in the Cayman Islands and registration of our Company under Part 16 of the Companies Ordinance

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 6 January 2016 with an authorised share capital of HK\$100 million divided into 10,000 million shares of HK\$0.01 each.

Our Company has a principal place of business in Hong Kong at 7/F, Chai Wan Industrial City, Phase II, 70 Wing Tai Road, Chai Wan, Hong Kong. Our Company was registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on 28 January 2016. Mr. LEONG Chew Kuan (an executive Director) and Mr. YU Ding Him, Anthony (company secretary) have been appointed as the authorised representatives 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, our operation is subject to the Memorandum of Association and Articles of Association and the Companies Law. A summary of the relevant aspects of the Companies Law and our Memorandum of Association and Articles of Association is set out in Appendix III to this prospectus.

1.2 Changes in the share capital of our Company

(a) Change in authorised and issued share capital

As at the date of incorporation of our Company, our Company had an authorised share capital of HK\$100 million divided into 10,000 million shares of HK\$0.01 each.

On 6 January 2016, one share of HK\$0.01 was allotted and issued, nil paid, to an officer of Codan Trust Company (Cayman) Limited (the corporate-secretarial company affiliated with our Company's legal adviser as to Cayman Islands law), which was transferred to Elland Holdings on the same date. On the same date, our Company further allotted and issued 9,999 Shares, nil paid, as to Elland Holdings.

On 22 January 2016, 990,000 shares of HK\$0.01 each were allotted and issued to Elland Holdings, credited as fully paid (together with the 10,000 nil-paid Shares then held by Elland Holdings being credited as fully paid up at par, as the consideration for the transfer of the entire issued share capital in each of the BVI Subsidiaries (including New PM BVI Co) from Great Polly (as transferor) to HK Intermediate Holdco (as transferee). For further details, please see the section headed "History, Development and Reorganisation — Reorganisation — Detailed steps of the Reorganisation" in this prospectus.

Immediately following completion of the Global Offering and the Capitalisation Issue but without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option or the options which have been or may be granted under the Pre-IPO Share Option Scheme and the Share Option

Scheme, 1,000 million Shares will be issued fully paid or credited as fully paid, and 9,000 million Shares will remain unissued. In the event that the Over-allotment Option is exercised in full, 1,037.5 million Shares will be issued fully paid or credited as fully paid, and 8,962.5 million Shares will remain unissued. Other than pursuant to the exercise of the Over-allotment Option or the options which have been or may be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme, the Directors do not have any present intention to issue any of the authorised but unissued share capital of the Company and, without the prior approval of the Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of the Company.

Save as disclosed above, there has been no alteration in the share capital of our Company since its incorporation.

(b) Information as of the Latest Practicable Date and immediately after the Global Offering and the Capitalisation Issue

The following is a description of the authorised and issued share capital of our Company in issue and to be issued as fully paid or credited as fully paid immediately prior to and following the completion of the Global Offering and the Capitalisation Issue:

Authorised share capital:

		<i>HK\$</i>
<u>10,000 million</u>	Shares	<u>100,000,000</u>
<i>Issued and to be issued, fully paid or credited as fully paid:</i>		
1 million	Shares in issue as at the date of this prospectus	10,000
749 million	Shares to be issued pursuant to the Capitalisation Issue	7,490,000
250 million	Shares to be issued pursuant to the Global Offering (excluding any Shares which may be issued under the Over-allotment Option)	2,500,000
<u>1,000 million</u>	Total	<u>10,000,000</u>

Assumptions

The above table assumes that the Global Offering becomes unconditional and Shares are issued pursuant to the Global Offering and the Capitalisation Issue are made as described herein. It takes no account of any Shares which may be allotted and issued upon the exercise of the Over-allotment Option or any options which have been or may be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme or of any Shares which may be issued or repurchased by us pursuant to the Issuing Mandate or the Repurchase Mandate granted to our Directors as described below.

Founder shares

Our Company has no founder shares, management shares or deferred shares.

Other than pursuant to the exercise of the Over-allotment Option or the exercise of any options which have been or may be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme, there is no present intention to issue any of the authorised but unissued share capital of our Company and, without the prior approval of our Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

Save as disclosed above and in paragraph 1.3 below, there has been no alteration in the share capital of our Company since its incorporation.

1.3 Resolutions in writing of our sole Shareholder passed on 21 October 2016

Pursuant to the written shareholder's resolutions passed by our sole Shareholder on 21 October 2016, among others:

- (a) the Articles were approved and adopted with effect from the Listing Date;
- (b) conditional on (A) the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering and the Capitalisation Issue; (B) the Offer Price having been determined between our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters); (C) the execution and delivery of the Hong Kong Underwriting Agreement on or before the dates as referred to this prospectus; (D) the obligations of the Underwriters under the respective Underwriting Agreements becoming and remaining unconditional and not having been terminated in accordance with the terms of the Underwriting Agreements or otherwise, in each case on or before the day falling 30 days after the date of this prospectus:
 - (i) the Global Offering and the grant of the Over-allotment Option were approved and the Directors were authorised to allot and issue the Offer Shares pursuant to the Global Offering and such additional number of Shares as may be required to be allotted and issued upon the exercise of the Over-allotment Option;
 - (ii) the rules of the Pre-IPO Share Option Scheme (the principal terms of which are set out in the paragraph headed “— 4.1 Pre-IPO Share Option Scheme” below in this section of this prospectus) were approved and adopted, and the Directors were authorised, to approve any amendments to the rules of the Pre-IPO Share Option Scheme as may be acceptable or not objected to by the Stock Exchange, and in their absolute discretion, to grant options to subscribe for Shares thereunder and conditional on the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in,

the Shares falling to be allotted and issued pursuant to the exercise of the Pre-IPO Share Options (the commencement date of which exercise period is the business day immediately after the expiry of the six-month period after the Listing Date) and to take all such steps as they consider necessary or desirable to implement the Pre-IPO Share Option Scheme;

- (iii) the rules of the Share Option Scheme (the principal terms of which are set out in the paragraph headed “— 4.2 Share Option Scheme” below in this section of this prospectus) were approved and adopted and the Directors were authorised to approve any amendments to the rules of the Share Option Scheme as may be acceptable or not objected to by the Stock Exchange, and at their absolute discretion to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of options which may be granted under the Share Option Scheme and to take all such steps as may be necessary, desirable or expedient to carry into effect the Share Option Scheme;
- (iv) conditional on the share premium account of our Company being credited as a result of the Global Offering, the Directors were authorised to capitalise the sum of HK\$7.49 million standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par 749 million Shares for allotment and issue to holder(s) of Shares whose names appear on the register of members of our Company at the close of business on 21 October 2016 (or as they may direct) in proportion (as nearly as possible without involving fractions so that no fraction of a Share shall be allotted and issued) to their then existing respective shareholdings in our Company and so that the Shares to be allotted and issued pursuant to this resolution should rank equally in all respects with the then existing issued Shares (other than the right to participate in the Capitalisation Issue) and the Directors were authorised to give effect to such capitalisation;
- (v) a general unconditional mandate (“**Issuing Mandate**”) was given to the Directors to exercise all powers of our Company to allot, issue and deal with, otherwise than by way of rights issue, scrip dividend schemes or similar arrangements providing for allotment of Shares in lieu of the whole or in part of any dividend in accordance with the Articles of Association, or upon the exercise of any Pre-IPO Share Option or any option which may be granted under the Share Option Scheme or other arrangements regulated by Chapter 17 of the Listing Rules, or under the Global Offering or the Capitalisation Issue, or issue of Shares upon exercise of rights of subscription or conversion attaching to any warrants of our Company or any securities which are convertible into Shares, Shares with an aggregate number not exceeding the sum of (aa) 20% of the total number of Shares in issue and to be issued immediately following completion of the Global Offering and the Capitalisation Issue but excluding (where applicable) any Shares which may be issued pursuant to the exercise of the Over-allotment Option or exercise of options that have been or may be granted under the Pre-IPO Share Option Scheme or the

Share Option Scheme and (bb) the total number of Shares which may be purchased by our Company pursuant to the authority granted to the Directors as referred to in sub-paragraph (vi) below, until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles of Association or the Companies Law or any other applicable law to be held, or the passing of an ordinary resolution by our Shareholders revoking or varying the authority given to the Directors, whichever occurs first;

- (vi) a general unconditional mandate (the “**Repurchase Mandate**”) was given to the Directors to exercise all powers of our Company to purchase Shares with an aggregate number of not exceeding 10% of the total number of Shares in issue and to be issued immediately following the completion of the Global Offering and Capitalisation Issue but excluding (where applicable) any Shares which may be issued pursuant to the exercise of the Over-allotment Option or exercise of options that have been or may be granted under the Pre-IPO Share Option Scheme or the Share Option Scheme until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles of Association or the Companies Law or any other applicable law to be held, or the passing of an ordinary resolution by our Shareholders revoking or varying the authority given to the Directors, whichever occurs first; and
 - (vii) the extension of the general mandate to allot, issue and deal with Shares to include the number of Shares which may be purchased or repurchased pursuant to paragraph (vi) above; and
- (c) the form and substance of (i) each of the service agreements made between our executive Directors and us, and (ii) each of the appointment letters made between each of our INEDs and non-executive Director (as the case may be) and us were approved.

1.4 Further information about our Group's PRC subsidiaries

Our Group has interest in the registered capital of 17 companies established in the PRC. A summary of the corporate information of these enterprises as at the Latest Practicable Date is set out as follows:

	1. Estate Agency PRC Co	2. PM Panyu PRC Co	3. PM Foshan PRC Co	4. Household Foshan PRC Co
(i) Full name of company	Guangzhou Smart Real Estate Agency Limited* (廣州市睿明房地產中介有限公司)	Guangzhou Panyu Management Limited* (廣州市番禺祈福物業管理有限公司)	Foshan Clifford Property Management Limited* (佛山市祈福物業管理有限公司)	Foshan Clifford Household Services Limited* (佛山市祈福家居服務有限公司)
(ii) Date of establishment	12 November 2010	30 October 1998	20 April 2004	26 October 2012
(iii) Economic nature	Wholly foreign owned enterprise	Sino-foreign equity joint venture	Wholly foreign owned enterprise	Wholly foreign owned enterprise
(iv) Registered holder(s)	Alpha Year Investments	Treasure Forever	Clifford Property Management	Best Able
(v) Total investment amount (where applicable)	RMB300,000	RMB7.8 million	HK\$12.2 million	RMB710,000 (dormant)
(vi) Registered capital	RMB300,000	RMB5.5 million	HK\$8.77 million	RMB500,000
(vii) Percentage equity interest attributable to our Group	100%	75.5%	100%	100%
(viii) Term of operation (or where applicable, its expiry date)	From 12 November 2010 to 12 November 2025	From 6 November 1998 to 6 November 2028	From 20 April 2004 to 20 April 2024	From 26 October 2012 to 18 October 2042

	5. Household GZ PRC Co	6. Retail PRC Co	7. Catering Mascot PRC Co	8. Catering Herbal PRC Co
(i) Full name of company	Guangzhou Clifford Household Services Limited* (廣州市祈福家居服務有限公司)	Guangzhou Clifford Trading Limited* (廣州市祈福貿易有限公司)	Guangzhou Mascot Catering Limited* (廣州市福品餐飲有限公司)	Guangzhou Clifford Herbal Cuisine Catering Limited* (廣州市祈福藥膳坊餐飲有限公司)
(ii) Date of establishment	6 September 2012	7 April 2005	31 October 2011	29 September 2011
(iii) Economic nature	Wholly foreign owned enterprise	Wholly foreign owned enterprise	Wholly foreign owned enterprise	Wholly foreign owned enterprise
(iv) Registered holder(s)	Best Able	Mighty Choice	Easy Dollar Inv	Easy Dollar Inv
(v) Total investment amount (where applicable)	RMB710,000	RMB1.4 million	RMB1.4 million	RMB1.4 million
(vi) Registered capital	RMB500,000	RMB1 million	RMB1 million	RMB1 million
(vii) Percentage equity interest attributable to our Group	100%	100%	100%	100%
(viii) Term of operation (or where applicable, its expiry date)	From 6 September 2012 to 6 September 2042	From 7 April 2005 to 10 September 2042	From 31 October 2011 to 31 October 2041	From 29 September 2011 to 29 September 2041

	9. Catering Farm PRC Co	10. Catering Congee PRC Co	11. Placement Champion PRC Co	12. Placement Welcome PRC Co
(i) Full name of company	Guangzhou Clifford Farm Restaurant Catering Limited* (廣州市祈福農家菜館餐飲有限公司)	Guangzhou Clifford Big Brother Congee & Noodles Limited* (廣州市祈福一哥雲吞麵有限公司)	Guangzhou Champion Management Limited* (廣州市冠勤企業管理諮詢有限公司)	Guangzhou Welcome Employment Limited* (廣州市惠爾家職業介紹有限公司)
(ii) Date of establishment	27 September 2012	19 October 2011	11 November 2011	13 May 2011
(iii) Economic nature	Wholly foreign owned enterprise	Wholly foreign owned enterprise	Wholly foreign owned enterprise	Limited liability company (owned by foreign invested enterprises) (有限責任公司 (外商投資企業法人獨資))
(iv) Registered holder(s)	Easy Dollar Inv	Easy Dollar Inv	Vigour Trade	Guangzhou Champion Management
(v) Total investment amount (where applicable)	RMB1.4 million	RMB1.4 million	RMB140,000	Not applicable
(vi) Registered capital	RMB1 million	RMB1 million	RMB100,000	RMB2 million
(vii) Percentage equity interest attributable to our Group	100%	100%	100%	100%
(viii) Term of operation (or where applicable, its expiry date)	From 27 September 2012 to 27 September 2042	From 19 October 2011 to 19 October 2041	From 11 November 2011 to 11 November 2041	Long term

	13. Education Tech PRC Co	14. Education Elite PRC Co	15. Education Info PRC Co	16. Education Panyu Centre
(i) Full name of company	Guangzhou Clifford Educational Technology Services Limited* (廣州市祈福教育科技服務有限公司)	Guangzhou Clifford Elite Education Information Consulting Limited* (廣州市番禺祈福精英教育信息諮詢有限公司)	Guangzhou Clifford Education Information Consulting Limited* (廣州市祈福教育信息諮詢有限公司)	Guangzhou Panyu Clifford Education Training Centre* (廣州市番禺區祈福教育培訓中心)
(ii) Date of establishment	16 September 2011	23 January 2014	16 November 2011	20 March 2012
(iii) Economic nature	Wholly foreign owned enterprise	Limited liability company (owned by foreign invested enterprises) (有限責任公司(外商投資企業法人獨資))	Limited liability company (corporate owned) (有限責任公司(法人獨資))	Private Non-enterprise Units (Legal entity) (民辦非企業單位(法人))
(iv) Registered holder(s)	Favour Market	Guangzhou Clifford Educational Tech	Guangzhou Clifford Elite	Guangzhou Clifford Education
(v) Total investment amount (where applicable)	RMB1.4 million	Not applicable	Not applicable	Not applicable
(vi) Registered capital	RMB1 million	RMB300,000	RMB200,000	RMB50,000 (founding funds)
(vii) Percentage equity interest attributable to our Group	100%	100%	100%	100%
(viii) Term of operation (or where applicable, its expiry date)	From 16 September 2011 to 16 September 2041	From 23 January 2014 to 21 January 2044	Long term	From 19 April 2016 to 20 March 2020

**17. Laundry PRC
Co**

- | | | |
|--------|--|---|
| (i) | Full name of company | Guangzhou Goodwash Laundry Limited* (廣州市雪白洗衣有限公司) |
| (ii) | Date of establishment | 27 September 2011 |
| (iii) | Economic nature | Wholly foreign owned enterprise |
| (iv) | Registered holder(s) | Ace Wisdom |
| (v) | Total investment amount (where applicable) | RMB7.1 million |
| (vi) | Registered capital | RMB5 million |
| (vii) | Percentage equity interest attributable to our Group | 100% |
| (viii) | Term of operation (or where applicable, its expiry date) | From 27 September 2011 to 26 September 2041 |

PM Panyu PRC Co

A summary of the provisions of the joint venture contract and articles of association of PM Panyu PRC Co is set out as follows:

(a) Joint venture parties

On 8 June 1997, two state-owned enterprises and China Venture entered into a sino-foreign joint venture contract to establish GZ Panyu Clifford Property Management, a sino-foreign equity joint venture owned as to 24.5% by PRC JV Partner No. 1, 24.5% by a state-owned enterprise and 51% by China Venture to provide property management services to the residents of Clifford Estates and (where applicable) other newly developed residential estates. GZ Panyu Clifford Property Management was established on 30 October 1998. Immediately before the implementation of the Reorganisation, the registered capital in PM Panyu PRC Co was registered as to 51% under the name of China Venture and the remaining 49% equally under the name of the PRC JV Partners. As disclosed in the section headed “History, Development and Reorganisation — Reorganisation — Detailed steps of the Reorganisation” in this prospectus, by an equity transfer agreement dated 4 August 2015 and entered into between (among other parties) Treasure Forever and China Venture, Treasure Forever agreed to acquire 51% equity interest in PM Panyu PRC Co from China Venture, and such equity transfer (“**PM Panyu 2015 First Transfer**”) was completed on 24 August 2015; further by an equity transfer agreement dated 22 December 2016 and entered into between (among other parties) Treasure Forever and PRC JV Partner No.2, Treasure Forever agreed to acquire 24.5% equity interest in PM Panyu PRC Co from PRC JV Partner No. 2, and such equity transfer (“**PM Panyu 2015 Second Transfer**”) was completed on 29 December 2015. Following such acquisitions, Treasure Forever has become the holder of 75.5% equity interest in PM Panyu PRC Co.

(b) Capital commitments

As at the date of its incorporation, GZ Panyu Clifford Property Management had a total investment amount of RMB5 million and registered capital of RMB3.5 million. Each of the joint venture partners was required to contribute towards its share of registered capital by injection of assets of the management office of Clifford Estates (which the joint venture partners jointly owned up to the date of signing of the joint venture contract) and the remaining portion of its respective share in the registered capital by way of cash within one month from the date of the issue of business licence. On 18 July 2004, the registered capital of the joint venture was increased to RMB5.5 million and the total investment amount of the joint venture increased to RMB7.8 million.

(c) *Board of directors*

Under the articles of association adopted at incorporation of PM Panyu PRC Co, the board of directors of the joint venture shall consist of eight directors, two of whom are appointed by PRC JV Partner No. 1 (including the chairman), two of whom are appointed by PRC JV Partner No.2 (including the vice-chairman) and four of whom are appointed by China Venture (including the vice-chairman). The quorum of a board meeting shall be no less than two-thirds of the number of directors. With effect from August 2003, the chairman of the joint venture shall be appointed by China Venture for a term of three years and shall be eligible for re-election. Save and except the following matters which require the unanimous approval of the directors, all other matters may be resolved by a simple majority of the directors present and at least one director from each joint venture party votes in favour of the resolution(s):

- (i) alteration of the articles of association of the joint venture;
- (ii) termination and dissolution of the joint venture;
- (iii) increase, transfer and other forms of disposal of the registered capital of the joint venture; and
- (iv) merger of the joint venture with other economic entities.

Following completion of the PM Panyu 2015 First Transfer, on 24 August 2015, the board of directors of the joint venture passed resolutions to amend its articles of association. The amendments were approved by the relevant competent authority in the PRC on 10 September 2015. Under the revised articles of association of the joint venture, save and except the aforesaid matters which require the unanimous approval of the directors, all other matters may be resolved by a simple majority of the directors present only and the quorum of a board meeting shall be more than two-thirds of the number of directors.

Pursuant to a confirmation dated 10 January 2015 and signed by PRC JV Partner No. 1, PRC JV Partner No. 1 confirmed that it would act in concert with China Venture in connection with matters other than the aforesaid matters which require the unanimous approval of the directors.

Following completion of the PM Panyu 2015 Second Transfer, on 22 December 2015, the board of directors of the joint venture passed resolutions to amend its articles of association. The amendments were approved by the relevant competent authority in the PRC on 25 December 2015. Under the revised articles of association of the joint venture, the board of directors of the joint venture shall consist of eight directors, two of whom are appointed by PRC JV Partner No.1 and six of whom are appointed by Treasure Forever and the chairman of the board of directors of the joint venture shall be appointed by Treasure Forever for a term of three years and shall be eligible for re-election.

(d) Duration of joint venture

The joint venture had an initial term of 15 years commencing from 6 November 1998 and ending on 6 November 2013. Such duration was subsequently agreed and approved to be extended to 6 November 2028.

The joint venture contract provided that the joint venture may be terminated prior to the expiry of the term;

- (i) by any other joint venture partner(s) if a joint venture partner commits a serious breach or fails to perform its obligations under the joint venture contract or the articles of association with the results that the joint venture becomes unable to carry on its operation or to attain its business objectives;
- (ii) by mutual agreement after the occurrence of a force majeure event.

(e) Profit distribution

Under the joint venture contract, the profits or losses of the joint venture shall be distributed among the joint venture parties in proportion to the their respective contributions to the registered capital of the joint venture.

(f) Tax

The PRC enterprise income tax rate applicable to the joint venture is currently 25%.

(g) Resolution of disputes

The joint venture contract provides that any dispute arising out of the joint venture contract or its implementation shall be resolved through friendly conciliation and consultations between the parties, failing which, shall be submitted to an arbitration organisation in Guangzhou for arbitration. The arbitration proceedings shall be conducted in accordance with the rules of procedure of the arbitration organisation.

The approved scope of business of the respective PRC Subsidiaries as registered with the relevant local AIC as at the Latest Practicable Date is set out below:

PRC Subsidiary	Approved scope of business
1. PM Panyu PRC Co	Property management; catering management; environmental greening management; enterprise management services (excluding operation items involving approval); environmental protection consultation and communication services; landscaping and greening projects services; operation of parking lots
2. PM Foshan PRC Co	Property management and services, maintenance, greening and environmental services, parking services and swimming pool operation. (Provision of the following services by operating branches) leisure and fitness activities, chess and card room, billiard room
3. Retail PRC Co	Retail business of grocery products for daily use (engaged only by branches); retail business of fruits (engaged only by branches); retail business of vegetables (engaged only by branches); retail business of fresh meats (applicable only to pork, beef and lamb) (engaged only by branches); retail business of eggs (engaged only by branches); retail business of seafood (engaged only by branches); retail business of fresh poultries (engaged only by branches); retail business of other kinds of meat (excluding pork, beef and lamb) (engaged only by branches); retail business of textile and knitwear (engaged only by branches); retail business of clothing (engaged only by branches); retail business of shoes (engaged only by branches); retail business of hats and caps (engaged only by branches); retail business of cosmetics and hygienic goods (engaged only by branches); retail business of glasses (engaged only by branches); retail business of luggage and bags (engaged only by branches); retail business of bicycles (engaged only by branches); retail business of clocks and watches (engaged only by branches); retail business of cleaning and washing commodities (engaged only by branches); retail business of stationery (engaged only by branches); retail business of sports products and equipment (engaged only by branches); retail business of photography equipment (engaged only by branches); retail business of toys (engaged only by branches); retail business of telescopes (engaged only by branches); retail business of automobile parts and components (engaged only by branches); retail business of motorbike parts and components (engaged only by branches);

retail business of electric automobile (engaged only by branches); retail business of household appliances and devices for daily use (engaged only by branches); retail business of computers (engaged only by branches); retail business of computer parts and components (engaged only by branches); retail business of software (engaged only by branches); retail business of office equipment and consumables (engaged only by branches); retail business of ironware (engaged only by branches); retail business of lights and lamps (engaged only by branches); retail business of furniture (engaged only by branches); retail business of sanitary ware (engaged only by branches); retail business of chemical and industrial products (excluding dangerous chemicals) (engaged only by branches); retail business of jewellery (engaged only by branches); retail business of crystal accessories (engaged only by branches); repair of electric appliances for daily use (engaged only by branches); commissioning agency; wholesale of cosmetics and hygienic goods (engaged only by branches); marketing operation and management, rental of the stalls; retail business of dried fruits and nuts (engaged only by branches); retail business of dried seafood and dried food (engaged only by branches); retail business of food additive (engaged only by branches); retail business of kitchen utensils and grocery products for daily use (engaged only by branches); retail business of ceramic ware and glassware (engaged only by branches); retail business of baby products (engaged only by branches); retail business of gifts and flowers (engaged only by branches); retail business of recreation and entertainment products (engaged only by branches); wholesale of fruits; wholesale of communication equipment and ancillaries; wholesale of leather and leather goods; wholesale of handicrafts; wholesale of building materials and decorative materials; retail business of books, newspapers and periodicals (engaged only by branches); retail business of dairy products (engaged only by branches); retail business of prepackaged food (engaged only by branches); retail business of winery (engaged only by branches); retail business of pastries and bread (engaged only by branches); retail business of cooked food (engaged only by branches); retail business of non-alcoholic drinks and tea leaves (engaged only by branches); retail business of soybean products (engaged only by branches); retail business of bulk food (engaged only by branches); retail business of audio visual products and electronic publications (engaged only by branches); retail business of grains and oil (engaged only by branches)

4. Catering Mascot PRC Co Chinese cuisine; Western cuisine; buffet; Japanese cuisine, cuisine services; Korean food and cuisine service; supply of Southeast Asian meal (specific operating items be stated on Catering Service License); supply of Thai food (specific operating items be stated on Catering Service License); fast food services; teahouse services; cafeteria services; bar services; supply of hot and cold drinks, snack; food delivery services; supply of dessert; centralised kitchen (specific operating items be stated on Catering Service License)
5. Catering Herbal PRC Co Chinese cuisine
6. Catering Farm PRC Co Chinese cuisine
7. Catering Congee PRC Co Chinese-style dining service; appetiser service; preparation and sale of dessert; catering delivery service; preparation and sale of cold and hot drinks; teahouse service; fast food service
8. Education Tech PRC Co Education consulting services; art tutoring services; dancing tutoring services; music tutoring services; martial art tutoring services
9. Education Elite PRC Co Education consulting services
10. Education Info PRC Co Education consulting services
11. Education Training Panyu Centre Non-academic education, after-school tutorials, offering tutorial for primary and secondary school; arts training; language training
12. Household Foshan PRC Co (dormant) Cleaning services, household services, pumping, pest control services; landscaping, greening maintenance, biological control of pests; ticketing, clerical services, copying services; parking services
13. Household GZ PRC Co Family services; household cleansing, disinfection services; pest control services; water system installation services; drainage system installation services; ticketing services; interior design; household appliances repairs; landscape engineering services; office services; building cleansing services; green management; operation of parking lots
14. Estate Agency PRC Co Real estate agency services

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|-------------------------------|---|
| 15. Placement Champion PRC Co | Corporate management consultation services, building cleansing services, environmental greening and landscaping projects |
| 16. Placement Welcome PRC Co | Employment agency services; copying services; labour dispatch services; corporate management consultation services; hotel management; building cleansing services; interior decoration and design; post-construction decoration, decoration and cleansing; household cleansing and disinfection services; computer entry, proofreading and printing services; pest control services; landscape greening projects; property management |
| 17. Laundry PRC Co | Laundry and dyeing services; cleaning, retail of cleansing supplies (operated by branches only) |

1.5 Further information about our Group's members incorporated in BVI or Hong Kong

Our Group also comprises companies incorporated in BVI or in Hong Kong, most of which act as investment holding companies. A summary of the corporate information of these enterprises as at the Latest Practicable Date is set out as follows:

(a) Companies incorporated in BVI:

	Relevant BVI Subsidiary	Full name of company	Date of incorporation	Authorised share capital and authorised number of shares	Issued share capital	Name of current shareholder
1	PM BVI Co	Sincere Wealth Investments Limited (誠富投資有限公司)	7 May 2011	US\$50,000, 50,000 shares of a single class	US\$1	HK Intermediate Holdco
2	Retail BVI Co	Sunrise Faith Limited (旭信有限公司)	4 July 2011	US\$50,000, 50,000 shares of a single class	US\$1	HK Intermediate Holdco
3	Catering BVI Co	All Mighty Developments Limited (全能發展有限公司)	13 March 2012	US\$50,000, 50,000 shares of a single class	US\$1	HK Intermediate Holdco
4	Education BVI Co	Hero Link International Limited (豪領國際有限公司)	30 May 2011	US\$50,000, 50,000 shares of a single class	US\$1	HK Intermediate Holdco
5	Household BVI Co	Pinechina Limited (栢華有限公司)	23 April 2008	US\$50,000, 50,000 shares of a single class	US\$1	HK Intermediate Holdco

	Relevant BVI Subsidiary	Full name of company	Date of incorporation	Authorised share capital and authorised number of shares	Issued share capital	Name of current shareholder
6	Estate Agency BVI Co	Century Stand Limited (立世有限公司)	5 July 2011	US\$50,000, 50,000 shares of a single class	US\$1	HK Intermediate Holdco
7	Placement BVI Co	Metro Elite Limited (傑都有限公司)	23 October 2013	US\$50,000, 50,000 shares of a single class	US\$1	HK Intermediate Holdco
8	Laundry BVI Co	High United Limited (高聯有限公司)	13 March 2009	US\$50,000, 50,000 shares of a single class	US\$1	HK Intermediate Holdco
9	Daytide	Daytide Limited (日泰有限公司)	23 May 2013	US\$50,000, 50,000 shares of a single class	US\$1	HK Intermediate Holdco
10	New PM BVI Co	Star Elite Developments Limited (星傑發展有限公司)	15 April 2015	US\$50,000, 50,000 shares of a single class	US\$1	HK Intermediate Holdco
11	BVI Intermediate Holdco	Wide Leisure Limited (廣逸有限公司)	8 July 2015	US\$50,000, 50,000 shares of a single class	US\$1	Company

All the BVI Subsidiaries and BVI Intermediate Holdco are investment-holding companies.

(b) Companies incorporated in Hong Kong:

	Relevant HK Subsidiary	Full name of company	Date of incorporation	Total number of issued shares	Issued share capital	Name of current shareholder
1	PM HK Co	Clifford Property Management (Hong Kong) Limited (祈福物業管理(香港)有限公司)	16 March 2004	One (1)	HK\$1	PM BVI Co
2	Retail HK Co	Mighty Choice Limited (威麒有限公司)	24 June 2011	One (1)	HK\$1	Retail BVI Co
3	Catering HK Co	Easy Dollar Investments Limited (駿鑫投資有限公司)	16 June 2011	One (1)	HK\$1	Catering BVI Co
4	Education HK Co	Favour Market Investments Limited (銘樂投資有限公司)	9 May 2011	One (1)	HK\$1	Education BVI Co
5	Household HK Co	Best Able Investments Limited (溢年投資有限公司)	18 June 2013	One (1)	HK\$1	Household BVI Co

	Relevant HK Subsidiary	Full name of company	Date of incorporation	Total number of issued shares	Issued share capital	Name of current shareholder
6	Estate Agency HK Co	Alpha Year Investments Limited (贊益投資有限公司)	6 July 2011	One (1)	HK\$1	Estate Agency BVI Co
7	Placement HK Co	Vigour Trade Limited (業湛有限公司)	22 October 2013	One (1)	HK\$1	Placement BVI Co
8	Laundry HK Co	Ace Wisdom Limited (佳廷有限公司)	18 April 2011	One (1)	HK\$1	Laundry BVI Co
9	New PM HK Co	Treasure Forever Limited (寶都花華有限公司)	17 April 2014	One (1)	HK\$1	New PM BVI Co
10	Pretty Angel	Pretty Angel Limited (彩琪有限公司)	29 March 2012	One (1)	HK\$1	Daytide
11	HK Intermediate Holdco	Green Charm Enterprises Limited (青美企業有限公司)	13 November 2015	One (1)	HK\$1	BVI Intermediate Holdco

All the above companies incorporated in Hong Kong are investment-holding companies, except for Pretty Angel which has been engaged in the provision of consultancy services.

1.6 Changes in the share capital of our subsidiaries

Our subsidiaries are listed in the Accountant's Report set out in Appendix I to this prospectus.

In preparation for the Listing and the Global Offering, our Group implemented the Reorganisation to rationalise the corporate structure of our Group. The detailed steps and changes in share capital of BVI Intermediate Holdco, HK Immediate Holdco, New PM BVI Co, New PM HK Co, PM Panyu PRC Co and each of the BVI Subsidiaries in relation to the Reorganisation are set out in the section headed "History, Development and Reorganisation — Reorganisation — Detailed steps of the Reorganisation" in this prospectus.

Apart from the above changes in share capital of the relevant subsidiaries involved in the Reorganisation, the following alterations in the equity capital or equity-holders of each of our Company's subsidiaries took place within the two years preceding the date of this prospectus:

(a) Household Foshan PRC Co

On 11 November 2014, an equity transfer agreement was entered into between PM HK Co (as transferor) and Household HK Co (as transferee) for the transfer of the entire equity interest in Household Foshan PRC Co at a consideration of RMB500,000 which was determined based on the net asset value of Household Foshan PRC Co. The said equity transfer was approved by the relevant Commerce Authority on 18 November 2014 and the relevant registration procedures were completed on 4 December 2014.

(b) PM Foshan PRC Co

The registered capital of PM Foshan PRC Co was increased from RMB7,500,000 to RMB8,770,000 by the merger of Zhaoqing Clifford Property Management Company Limited* (肇慶祈福物業管理有限公司) (a company established in the PRC and was then wholly-owned by PM HK Co as from the commencement of the Track Record Period and up to the completion of the said merger). The relevant registration procedures in relation to the said increase were completed on 18 June 2015.

(c) GZ Pest Control Company Limited* (廣州市福怡白蟻蟲害防治有限公司)

GZ Pest Control Company Limited* (廣州市福怡白蟻蟲害防治有限公司) (“**GZ Pest Control**”) was established in the PRC as a limited liability company on 17 March 2003 with initial registered capital of RMB600,000 and was owned by PM Panyu PRC Co as to 90%.

On 8 December 2014, an equity transfer agreement was entered into between, among others, PM Panyu PRC Co (as transferor) and Clifford Estates (Panyu) Limited* (廣州市番禺祈福新邨房地產有限公司) (as transferee) for the transfer of the 90% equity interest in GZ Pest Control at a consideration of RMB878,662.06. The relevant registration procedures in relation to the said equity transfer were completed on 26 December 2014.

Our PRC Legal Advisers confirmed that all equity transfers, increases and/or changes in registered capital in respect of the PRC companies as described above have obtained all necessary approvals, completed all registrations and the procedures involved and are in accordance with the PRC laws and regulations.

Save as disclosed above or in the section headed “History, Development and Reorganisation — Reorganisation — Detailed steps of the Reorganisation” in this prospectus, 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.

1.7 Repurchases by our Company of our own securities

This section sets out information required by the Stock Exchange to be included in this prospectus concerning the repurchase by our Company of our own securities.

(a) Provisions of the Listing Rules

The Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their own securities on the Stock Exchange subject to certain restrictions, the more important of which are summarised below:

(i) Shareholders' approval

All proposed repurchase of securities (which must be fully paid up 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 the shareholders, either by way of general mandate or by specific approval of a particular transaction.

(ii) Source of funds

Repurchases must be funded out of funds legally available for the purpose in accordance with the Memorandum of Association and Articles of Association of our Company, the Listing Rules and the applicable laws of Cayman Islands. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time. Subject to the foregoing, under the Companies Law, any repurchases by our Company may be made out of our Company's profits, out of our Company's share premium account, out of the proceeds of a new issue of Shares made for the purpose of the repurchase or, if authorised by the Articles and subject to the Companies Law, out of capital. Any amount of premium payable on the purchase over the par value of the Shares to be repurchased must be out of profits or from sums standing to the credit of our Company's share premium account or, if authorised by the Articles, and subject to the Companies Law, out of capital.

(iii) Trading Restrictions

The total number of shares which a listed company may repurchase on the Stock Exchange is the number of shares representing up to a maximum of 10% of the aggregate number of shares in issue. A listed company may not issue or announce a proposed issue of new securities for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the listed company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange. In addition, a listed company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is 5% or more than the average closing market

price for the five preceding trading days on which its shares were traded on the Stock Exchange. The Listing Rules also prohibit a listed company from repurchasing its securities which would result in the number of the listed securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange. A listed company is required to procure that the broker appointed by it to effect a repurchase of securities discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require.

(iv) Status of repurchased shares

All repurchased securities (whether effected on the Stock Exchange or otherwise) will be automatically delisted and the certificates for those securities must be cancelled and destroyed.

(v) Suspension of repurchase

A listed company may not make any repurchase of securities on the Stock Exchange at any time after inside information has come to its knowledge until the information is made publicly available. In particular, during the period of one month immediately preceding the earlier of (a) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of a listed company's results for any year, half year, quarterly or any other interim period (whether or not required under the Listing Rules) and (b) the deadline for publication of an announcement of a listed company's results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcement, the listed company may not repurchase its shares on the Stock Exchange other than in exceptional circumstances. In addition, the Stock Exchange may prohibit a repurchase of securities on the Stock Exchange if a listed company has breached the Listing Rules.

(vi) Reporting requirements

Certain information relating to repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following business day. In addition, a listed company's annual report is required to disclose details regarding repurchases of securities made during the year, including a monthly analysis of the number of securities repurchased, the purchase price per share or the highest and lowest price paid for all such purchase, where relevant, and the aggregate prices paid. The director's report shall contain reference to the purchases made during the year and the reasons for making such purchases.

(vii) Core connected persons

A listed company is prohibited from knowingly repurchasing securities on the Stock Exchange from a "core connected person" (that is, a director, chief

executive or substantial shareholder of the company or any of its subsidiaries or their close associates) and a core connected person is prohibited from knowingly selling his securities to the company on the Stock Exchange.

(b) *Reasons for repurchases*

Our Directors believe that the ability to repurchase Shares is in the interests of our Company and our Shareholders. Repurchases may, depending on the circumstances, result in an increase in the net assets and/or earnings per Share. Our Directors have sought the grant of a general mandate to repurchase Shares to give our Company the flexibility to do so if and when appropriate. The number of Shares to be repurchased on any occasion and the price and other terms upon which the same are repurchased will be decided by the Directors at the relevant time having regard to the circumstances then pertaining.

(c) *Funding of repurchases*

In repurchasing securities, our Company may only apply funds lawfully available for such purpose in accordance with its Memorandum of Association and Articles of Association, the Listing Rules and the applicable laws of Cayman Islands.

There could be a material adverse impact on the working capital or gearing position of our Company (as compared with the position disclosed in this prospectus) in the event that the Repurchase Mandate were to be carried out in full at any time during the share repurchase period.

However, our Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Company.

(d) *General*

The exercise in full of the Repurchase Mandate, on the basis of 1,000 million Shares in issue immediately following the completion of the Global Offering and the Capitalisation Issue, could accordingly result in up to approximately 100 million Shares being repurchased by our Company during the period prior to the earliest occurrence of any of the following:

- (i) the conclusion of our next annual general meeting; or
- (ii) the end of the period within which we are required by any applicable law or the Articles of Association to hold our next annual general meeting; or
- (iii) when varied or revoked by an ordinary resolution of our Shareholders in general meeting.

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their respective close associates currently intends to sell any Shares to our Company.

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 Cayman Islands.

If, as a result of any repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purposes of the Takeovers Code.

Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate. Any repurchase of Shares that results in the number of Shares held by the public being reduced to less than 25% of the Shares then in issue could only be implemented if the Stock Exchange agreed to waive the Listing Rules requirements regarding the public shareholding. It is believed that a waiver of this provision would not normally be given other than in exceptional circumstances.

No core connected person of our Company has notified our Company that he or she has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

1.8 Corporate reorganisation

The Companies comprising our Group underwent the Reorganisation to rationalise the Group's structure in preparation for the Listing. For more details regarding the Reorganisation, please see section headed "History, Development and Reorganisation — Reorganisation" in this prospectus.

2. FURTHER INFORMATION ABOUT OUR BUSINESS

2.1 Summary of material contracts

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by our Company or our subsidiaries within the two years preceding the date of this prospectus and are or may be material:

- (a) an equity transfer agreement dated 4 August 2015 entered into between the PRC JV Partner No.1, PRC JV Partner No.2, China Venture and Treasure Forever, pursuant to which Treasure Forever acquired 51% equity interest in GZ Panyu Clifford Property Management from China Venture for a consideration of RMB7,668,400;
- (b) an equity transfer agreement dated 22 December 2015 entered into between PRC JV Partner No.2 and Treasure Forever, pursuant to which Treasure Forever acquired 24.5% equity interest in GZ Panyu Clifford Property Management from PRC JV Partner No.2 for a consideration of RMB13,524,000;

- (c) a share purchase agreement dated 22 January 2016 and entered into between Great Polly, Ms. Wendy Man, Elland Holdings, HK Intermediate Holdco and our Company, pursuant to which the entire issued share capital in each of the BVI Subsidiaries (including New PM BVI Co) held by Great Polly was agreed to be sold to HK Intermediate Holdco, at a total consideration of RMB191 million, such consideration was agreed to be settled by:
 - (i) our Company allotting and issuing a total of 990,000 Shares to Elland Holdings (as directed by Great Polly) credited as fully paid; and
 - (ii) crediting as fully paid the 10,000 nil-paid Shares held by Elland Holdings, which were issued upon the incorporation of our Company;
- (d) a trademark assignment dated 21 October 2016 entered into between Clifford TM and Old Holdco (as assignors) on the one part and the Company (as assignee) on the other part, pursuant to which the assignors have agreed to assign to the Company all their rights, title, benefits and interests of the trademarks as set out in the Trademark Assignment at a nominal consideration of HK\$1;
- (e) a trademark licence agreement dated 21 October 2016 and entered into between Clifford TM as licensor on the one part, and the Company as licensee on the other part, pursuant to which Clifford TM has granted a non-exclusive licence to the Company to use certain trademarks as specified therein, details of which are set out in the section headed “Relationship with Controlling Shareholders — Assignment and licencing of certain trademarks owned by the Private Group” in this prospectus;
- (f) a deed of non-competition and other undertakings dated 21 October 2016 executed by our Controlling Shareholders in favour of our Company, which contains (among other undertakings) certain non-compete undertakings, details of which are set out in the paragraph headed “Undertakings given by Controlling Shareholders” of the section headed “Relationship with Controlling Shareholders — Competition and conflict of interests” in this prospectus;
- (g) a deed of indemnity dated 21 October 2016 executed by our Controlling Shareholders in favour of our Company (for itself and as trustee for our subsidiaries stated therein) containing the indemnities more particularly referred to in paragraph headed “— 5. Estate duty, tax and other indemnities” of this Appendix to this prospectus; and
- (h) the Hong Kong Underwriting Agreement.

2.2 Intellectual property rights of our Group














(a) Trademarks





Trademarks assigned under the Trademark Assignment




Under the trademark assignment (“**Trademark Assignment**”) dated 21 October 2016 (being the material contract (d) referred to in paragraph headed “— 2.1 Summary of material contracts” above in this section of this prospectus), the following trademarks (all of which are material to the Group’s business) have (among other trademarks) been assigned to and in favour of the Company:




Trademarks registered in the PRC (Note 1)

No.	Trademark	Class	Registration number	Duration of validity
1.	CLIFFORD MODERN LIVING	35	11142220	From 21 November 2013 to 20 November 2023
2.	CLIFFORD MODERN LIVING	36	11142305	
3.	CLIFFORD MODERN LIVING	44	11142671	
4.	CLIFFORD MODERN LIVING	37	11142432	From 14 November 2013 to 13 November 2023
5.	CLIFFORD MODERN LIVING	39	11142482	
6.	CLIFFORD MODERN LIVING	43	11142638	
7.	CLIFFORD MODERN LIVING	40	11142549	From 28 November 2013 to 27 November 2023
8.	CLIFFORD MODERN LIVING	41	11142594	From 21 April 2014 to 20 April 2024
9.	CLIFFORD MODERN LIVING	45	11150370	From 7 January 2014 to 6 January 2024

No.	Trademark	Class	Registration number	Duration of validity
10.		35	11255972	From 21 December 2013 to 20 December 2023
11.		36	11256035	
12.		39	11256034	
13.		40	11256108	
14.		43	11256167	
15.		37	11255982	From 21 April 2014 to 20 April 2024
16.		41	11256146	From 28 January 2014 to 27 January 2024
17.		44	11256212	From 14 January 2014 to 13 January 2024
18.		45	11256250	From 14 January 2014 to 13 January 2024
19.		36	10460022	From 21 July 2013 to 20 July 2023
20.	Big Brother	43	10173825	From 28 February 2013 to 27 February 2023
21.	老朋	43	11207353	From 7 December 2013 to 6 December 2023
22.		43	4056577	From 14 April 2007 to 13 April 2017 (Note 2)
23.	祈福藥膳坊	43	9687643	From 14 November 2012 to 13 November 2022
24.		43	11375360	From 21 January 2014 to 20 January 2024
25.		43	12622154	From 28 March 2015 to 27 March 2025

No.	Trademark	Class	Registration number	Duration of validity
26.	 培安家政 Clifford Household Management	45	10783196	From 28 June 2013 to 27 June 2023
27.	 祈福物业服务 CLIFFORD PROPERTY SERVICES	45	12842505	From 14 April 2015 to 13 April 2025
28.	 惠尔家 Welcome	45	13563009	From 14 June 2015 to 13 June 2025
29.	 祈福中介 CLIFFORD PROPERTY AGENCY	36	10995937	From 28 September 2013 to 27 September 2023
30.	 洁霸洗衣 CLIFFORD LAUNDRY	37	9804907	From 28 November 2012 to 27 November 2022
31.		35	9919787	From 21 December 2012 to 20 December 2022
32.		35	11176223	From 28 November 2013 to 27 November 2023
33.		35	10019605	From 7 February 2013 to 6 February 2023
34.	 祈福教育 CLIFFORD EDUCATION	41	10241031	From 7 February 2013 to 6 February 2023
35.		30	6807040	From 21 April 2010 to 20 April 2020
36.		29	4056579	} From 28 May 2016 to 27 May 2026 (Note 2)
37.		30	4056578	
38.		32	4854272	} From 14 May 2008 to 13 May 2018
39.		33	4854273	



No.	Trademark	Class	Registration number	Duration of validity
40.		41	4854271	From 21 July 2009 to 20 July 2019
41.		43	10432681	From 28 April 2013 to 27 April 2023
42.		37	9804839	From 28 November 2012 to 27 November 2022
43.		43	9805066	From 7 October 2012 to 6 October 2022
44.		43	10068442	From 14 December 2012 to 13 December 2022
45.		35	10783160	From 28 June 2013 to 27 June 2023
46.		40	10995764	From 28 September 2013 to 27 September 2023
47.		43	10995704	From 7 June 2014 to 6 June 2024
48.		44	10995627	From 28 September 2013 to 27 September 2023
49.		35	10995878	From 28 September 2013 to 27 September 2023
50.		45	10996007	From 14 November 2013 to 13 November 2023
51.		37	10460061	From 21 April 2013 to 20 April 2023
52.		40	10460068	
53.		44	10460078	From 28 August 2013 to 27 August 2023
54.		45	10460085	From 28 March 2013 to 27 March 2023

No.	Trademark	Class	Registration number	Duration of validity
55.		43	10068452	From 7 January 2013 to 6 January 2023
56.		37	10994991	From 14 October 2013 to 13 October 2023
57.		43	6446721	From 14 April 2010 to 13 April 2020
58.	Fresh Life Tea & Deserts	40	17818312	From 14 October 2016 to 13 October 2026
59.	Fresh Life Tea & Deserts	43	17818203	From 14 October 2016 to 13 October 2026
60.	Fresh Life Tea & Deserts	44	17818427	From 14 October 2016 to 13 October 2026

Notes:

- (1) The trademarks have been assigned by Clifford TM to the Company under the terms of the Trademark Assignment.
- (2) Transfers of the said trademarks were made from Clifford Investment Company Limited, a member of the Private Group, to Clifford TM and the relevant registration procedures were completed on 14 April 2008. The validity period denoted in the column headed “Duration of validity” commenced from the registration or latest renewal of such trademarks instead of from the commencement of the respective transfer.




Trademark registered in Hong Kong (Note)

Trademark	Class	Registration number	Duration of validity
	35-37, 39, 41-45	303570165	From 20 October 2015 to 19 October 2025
			

Note: The trademark has been assigned by Old Holdco to the Company under the terms of the Trademark Assignment.

The transfer and registration process of the above trademarks has commenced since the signing of the Trademark Assignment. In the PRC, transfer of trademark ownership will take effect on the date of promulgation of the assignment by the Trademark Office of the SAIC. Our Group will become the registered owner of the above trademarks upon completion of the registration process of the respective transfers.

As at the Latest Practicable Date, the following trademarks were subjects of the applications for trademark registration and/or renewal applications which we believe are material to our business, and registration has not been granted:

No.	Trademark	Class	Application number	Place of application	Name of applicant
1.	天下毛湘	43	18719623	PRC	Clifford TM (<i>Note</i>)
2.		43	18896556	PRC	Clifford TM (<i>Note</i>)
3.		43	18899029	PRC	Clifford TM (<i>Note</i>)
4.	泰出色	43	18665783	PRC	Clifford TM (<i>Note</i>)
5.		43	19074232	PRC	Clifford TM (<i>Note</i>)

Note: The applications for trademark registration and/or renewal have been assigned by Clifford TM to the Company under the terms of the Trademark Assignment and we will become the registered owner of these trademarks upon completion of the respective transfer and/or registration process.

Trademarks licenced under the Trademark Licence Agreement

Under the trademark licence agreement (“**Trademark Licence Agreement**”) dated 21 October 2016 (being the material contract (e) referred to in paragraph headed “— 2.1 Summary of material contracts” above in this section of this prospectus), the following trademarks have been licenced by Clifford TM to us:

No.	Trademark	Class	Registration no.	Duration of validity
1.	祈福	36	776142	From 21 January 2015 to 20 January 2025 (Note 1)
2.	CLIFFORD	36	10427070	From 7 May 2013 to 6 May 2023
3.	祈福	43	5653875	From 28 December 2009 to 27 December 2019
4.	CLIFFORD	43	10427245	From 7 May 2013 to 6 May 2023
5.	CLIFFORD	36	778857	From 28 February 2015 to 27 February 2025 (Note 1)
6.	祈福	41	1025734	From 7 June 2007 to 6 June 2017 (Note 2)
7.	CLIFFORD	41	983611	From 14 April 2007 to 13 April 2017 (Note 2)

Notes:

1. Transfers of the said trademarks were made from Clifford Investment Company Limited, a member of the Private Group, to Clifford TM and the relevant registration procedures were completed on 7 July 2006. The validity period denoted in the column headed “Duration of validity” commenced from the registration or latest renewal of such trademarks instead of the commencement of the respective transfer.
2. Transfers of the said trademarks were made from Clifford Estates (Panyu) Limited* (廣州市番禺祈福新邨房地產有限公司), a member of the Private Group, to Clifford TM and the relevant registration procedures were completed on 21 February 2006. The validity period denoted in the column headed “Duration of validity” commenced from the registration or latest renewal of such trademarks instead of the commencement of the respective transfer.

Classes of trademarks registered or pending registration

The products and/or services under the respective classes above mainly include:

- (i) Class 29 – Meat, fish, poultry and game; gravy; pickled, dried and cooked fruits and vegetables; jellies, jams, confiture; eggs; milk and dairy products; edible oils and fats;
- (ii) Class 30 – Coffee, tea, cocoa, sugar, rice, edible starch, sago; artificial coffee; flour and preparations made from cereals; bread, pastries and confectionery; ices; honey; syrup; yeast, baking-powder; salt; mustard; vinegar; sauces (condiments); spices; edible ice;
- (iii) Class 32 – Beers, mineral waters, soft drinks and other non-alcoholic beverages; fruit beverages and fruit juices; syrups and other preparations for beverages-making;
- (iv) Class 33 – Alcoholic beverages (except beers);
- (v) Class 35 – Advertising; business management; business administration; office functions;
- (vi) Class 36 – Insurance; financial affairs; monetary affairs; real estate affairs;
- (vii) Class 37 – Building construction; repair; installation services;
- (viii) Class 39 – Transport; packaging and storage of goods; travel arrangement;
- (ix) Class 40 – Treatment of materials;
- (x) Class 41 – Education; providing of training; entertainment; sporting and cultural activities;
- (xi) Class 42 – Scientific and technological services and research and design relating thereto; industrial analysis and research services; design and development of computer hardware and software;
- (xii) Class 43 – Services for providing food and drink; temporary accommodation;
- (xiii) Class 44 – Medical services; veterinary services; hygienic and beauty care for human beings or animals; agriculture, horticulture and forestry services; and
- (xiv) Class 45 – Security services for the protection of property and individuals; personal and social services rendered by others to meet the needs of individuals.

(b) Domain Names

As at the Latest Practicable Date, members of our Group had registered the following domain names which are material to our business:

No.	Domain name	Registrant	Date of registration	Expiry date
1.	www.cliffordmodernliving.com	Guangzhou Clifford Herbal Cuisine Catering	25 May 2012	25 May 2022
2.	www.cliffordmodernliving.cn	Guangzhou Clifford Herbal Cuisine Catering	2 June 2012	2 June 2022
3.	www.cliffordmodernliving.com.cn	Guangzhou Clifford Herbal Cuisine Catering	2 June 2012	2 June 2022

Save as aforesaid, there are no other trade or service marks, patents, other intellectual or industrial property rights, which are or may be material in relation to our Group's business.

3. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

3.1 Disclosure of Interests

(a) *Interests and short positions of our Directors and the chief executive in the shares, underlying shares or debentures of our Company and our associated corporations*

Immediately following the completion of the Global Offering and the Capitalisation Issue and without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option and any Shares which may be issued pursuant to the exercise of any options which have been or may be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme, the interests or short positions of each of the Directors and the chief executive 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 and 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 into in the register referred to in that section, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (“**Securities**

Dealing Model Code”) as set out in Appendix 10 to the Listing Rules, to be notified to our Company and the Stock Exchange, once the Shares are listed will be as follows:

Name of Director	Nature of interest/ Capacity	Relevant company (including associated corporations)	Number of shares (or, as the case may be, amount of registered capital) in the relevant company	Approximate percentage of shareholding
Ms. Wendy Man	Interest in a controlled corporation	Our Company (Note 1)	750 million	75%
Ms. Wendy Man	Beneficial owner	Our Company	5 million (Note 2)	0.5%
Mr. SUN Derek Wei Kong	Beneficial owner	Our Company	2.5 million (Note 2)	0.25%
Mr. LEONG Chew Kuan	Beneficial owner	Our Company	2.5 million (Note 2)	0.25%
Ms. LIANG Yuhua	Beneficial owner	Our Company	2.5 million (Note 2)	0.25%
Mr. LIU Xing	Beneficial owner	Our Company	2.5 million (Note 2)	0.25%

Notes:

- (1) Elland Holdings is solely owned by Ms. Wendy Man. Immediately following completion of the Global Offering and the Capitalisation Issue (and assuming that the Over-allotment Option is not exercised at all), Elland Holdings will own 75% of the issued share capital in our Company. By virtue of the SFO, Ms. Wendy Man is deemed or taken to be interested in all the shares which are beneficially owned by Elland Holdings.
- (2) These represent the maximum number of Shares which may be allotted and issued to such Directors upon the exercise of the Pre-IPO Share Options granted to each of them. In respect of these five Directors, the Pre-IPO Share Options may be exercised at any time during the period (i) commencing on the business day immediately after the expiry of the six-month period after the Listing Date and (ii) ending on the date falling five (5) years and six (6) months of the Listing Date. The exercise price for subscription of each Share upon the exercise of the Pre-IPO Share Options is equal to 90% of the final Offer Price.

Save as disclosed in the section headed “History, Development and Reorganisation” in this prospectus, none of our Directors or their close associates were engaged in any dealings with our Group during the two years preceding the date of this prospectus.

(b) Interests of the Substantial Shareholders

So far as is known to any Director or chief executive of our Company, immediately following the completion of the Global Offering and the Capitalisation Issue and without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option and any Shares which may be issued pursuant to the exercise of any options which have been or may be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme, the following persons (other than a Director or chief executive of our Company) will have an interest or short position in the Shares or the underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or are, directly or indirectly, interested in 10% or more of the issued voting shares of any other member of the Group:

Name	Number of Shares held	Approximate percentage of shareholding	Capacity/ Nature of interest
Elland Holdings <i>(Note 1 and 2)</i>	750 million (L) <i>(Note 1)</i>	75%	Beneficial owner
Ms. Wendy Man <i>(Note 2)</i>	750 million (L)	75%	Interest in a controlled corporation
Ms. Wendy Man's Spouse <i>(Note 3)</i>	755 million (L)	75.5%	Interest of spouse
Ms. Wendy Man <i>(Note 4)</i>	5 million (L)	0.5%	Beneficial owner

Notes:

1. The letter "L" denotes the person's long position in the Shares. This does not take account of up to 37.5 million Shares which may be the subject of the stock borrowing agreement to be entered into between the Stabilising Manager (as borrower) and Elland Holdings (as lender).
2. Elland Holdings is solely owned by Ms. Wendy Man.
3. Ms. Wendy Man's Spouse is the spouse of Mr. Wendy Man. By virtue of the SFO, Ms. Wendy Man's Spouse is deemed to be interested in the Shares held by Ms. Wendy Man.
4. These represent the maximum number of Shares which may be allotted and issued to such individual upon the exercise of the Pre-IPO Share Options granted to her. The Pre-IPO Share Option may be exercised at any time during the period (i) commencing on the business day immediately after the expiry of the six-month period after the Listing Date and (ii) ending on the date falling five (5) years and six (6) months of the Listing Date. The exercise price for subscription of each Share upon the exercise of the Pre-IPO Share Option is equal to 90% of the final Offer Price.

In addition to the above and so far as our Directors are aware, immediately following the completion of the Global Offering and the Capitalisation Issue, the following person is directly interested in 10% or more of the issued voting shares of our subsidiaries:

Name of subsidiary	Substantial shareholder of such subsidiary	Approximate percentage of shareholding
PM Panyu PRC Co	PRC JV Partner No. 1 (a state-owned enterprise)	24.5%

Save as disclosed above, our Directors are not aware of any other persons who will, immediately following completion of the Global Offering and the Capitalisation Issue (without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option and any Shares which may fall to be issued pursuant to the exercise of any options which have been or may be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme), have interests or short positions in our Shares or underlying Shares which would be required to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be directly or indirectly, interested in 10% or more of the issued voting shares of our Company or any of our subsidiaries.

3.2 Directors' service contracts and letters of appointment

Executive Directors

Each of our executive Directors has entered into a service contract with our Company pursuant to which they agreed to act as executive Directors for an initial term of three years with effect from 1 November 2016.

Each of our executive Directors is entitled to a basic salary and a director's fee as set out below (subject to an annual increment of not more than 25% of the annual salary or director's fee immediately prior to such increase after 31 December 2016 at the discretion of our Directors). In addition, each of the executive Directors is also entitled to a discretionary management bonus provided that the aggregate amount of the bonuses payable to all the executive Directors for any financial year of our Company may not exceed 20% of the audited net profit of our Group (after taxation, minority interests and payment of such bonuses but before extraordinary items) in respect of that financial year of our Company. An executive Director may not vote on any resolution of our Directors regarding the amount of the

management bonus payable to him/her. The current annual remuneration of our executive Directors are as follows:

Name	Aggregate remuneration RMB
Ms. Wendy Man	147,600
Mr. SUN Derek Wei Kong	600,437
Mr. LEONG Chew Kuan	484,128
Ms. LIANG Yuhua	627,600

Non-executive Director and INEDs

Each of our non-executive Director and our INEDs has been appointed for an initial term of three years commencing from 1 November 2016. Our non-executive Director and each of our INEDs is entitled to a director's fee of HK\$180,000 per annum. Save for Directors' fees, none of our non-executive Director or INEDs are expected to receive any other remuneration for holding their respective offices.

Save as disclosed aforesaid, none of our Directors has or is proposed to have a service contract with our Company or any of our subsidiaries other than contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation).

3.3 Directors' and senior management's remuneration

- (i) The aggregate amount of fees, salaries, housing allowances, other allowances and benefits in kind paid by our Group to the Directors in respect of the three year ended 31 December 2015 and the five months ended 31 May 2016 were approximately RMB350,000, RMB373,000, RMB529,000 and RMB853,000 respectively.
- (ii) Under the arrangements currently in force, the aggregate emoluments (excluding discretionary bonus) payable by our Group to and benefits in kind receivable by the Directors (including the INEDs in their respective capacity as Directors) for the year ending 31 December 2016 are expected to be approximately RMB2.12 million.
- (iii) None of the Directors or any past directors of any member of our Group or the five highest paid individuals has been paid any sum of money for each of the three years ended 31 December 2015 and the five months ended 31 May 2016 (i) as an inducement to join or upon joining our Company or (ii) for loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group.
- (iv) There has been no arrangement under which a Director has waived or agreed to waive any emoluments for each of the three years ended 31 December 2015 and the five months ended 31 May 2016.

3.4 Disclaimers

- (a) Save as disclosed in the paragraph headed “— 3.1 Disclosure of interests — (a) Interests and short positions of our Directors and the chief executive in the shares, underlying shares or debentures of our Company and our associated corporations” above in this appendix to this prospectus, none of the Directors or chief executive of our Company has any interests or short positions in the shares, underlying shares and debentures of our Company or 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 and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to in that section, or which will be required, pursuant to the Model Code, to be notified to our Company and the Stock Exchange, once the Shares are listed on the Stock Exchange.
- (b) Save as disclosed in the paragraph headed “— 3.1 Disclosure of interests — (b) Interests of the Substantial Shareholders” above in this appendix to this prospectus and the section headed “Substantial Shareholders” in this prospectus, so far as is known to any Director or chief executive of our Company, no person (other than a Director or chief executive of our Company) has an interest or short position in the Shares and underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or is, directly or indirectly, interested in 10% or more of the issued voting shares of any other member of the Group once the Shares are listed on the Stock Exchange.
- (c) Save as disclosed in the sections headed “History, Development and Reorganisation”, “Relationship with Controlling Shareholders” and “Continuing Connected Transactions” in this prospectus, none of our Directors nor any of the persons listed in the paragraph headed “— 6.6 Qualifications of experts” below in this appendix is interested in the promotion of, or in any assets which have been, within the two years immediately preceding the issue of this prospectus, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.
- (d) Save as disclosed in the sections headed “History, Development and Reorganisation”, “Relationship with Controlling Shareholders” and “Continuing Connected Transactions” in this prospectus, none of our Directors is materially interested in any contract or arrangement with the Group subsisting at the date of this prospectus which is unusual in its nature or conditions or which is significant in relation to the business of the Group.
- (e) Save in connection with the Underwriting Agreements, none of the persons listed in the paragraph headed “— 6.6 Qualifications of experts” below in this appendix to this prospectus has any shareholding in any member of the Group

or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

- (f) Save for the Underwriting Agreement, none of the persons listed in the paragraph headed “— 6.6 Qualifications of experts” below in this appendix to this prospectus is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of the Group taken as a whole.
- (g) Save as disclosed in the paragraph headed “— 3.2 Directors’ service contracts and letters of appointment” above in this appendix to this prospectus, none of our Directors have entered or have proposed to enter into any service agreements with our Company or any member of the Group (other than contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).
- (h) Save as disclosed in the section headed “Business” in this prospectus, none of our Directors or their respective close associates or any Shareholder (which to the knowledge of our Directors owns 5% or more of the issued share capital of our Company) has any interest in any of the five largest customers or the five largest suppliers of the Group during the Track Record Period.
- (i) Save as disclosed in the sections headed “History, Development and Reorganisation”, “Directors and Senior Management” and “Relationship with Controlling Shareholders” in this prospectus, none of our Directors are interested in any business apart from the Group’s business which competes or is likely to compete, directly or indirectly, with the business of the Group.

4. PRE-IPO SHARE OPTION SCHEME AND SHARE OPTION SCHEME

4.1 Pre-IPO Share Option Scheme

(a) Summary of terms

The purpose of the Pre-IPO Share Option Scheme is to recognise and reward the contribution of certain Directors, senior management, employees and former employees of the Group to the growth and development of the Group and the listing of the Shares on the Main Board. The principal terms of the Pre-IPO Share Option Scheme adopted by a resolution in writing passed by our then sole Shareholder on 21 October 2016 are similar to the terms of the Share Option Scheme except that:

- (i) the classes of eligible participants are different from that provided in paragraph 4.2 (a)(ii);
- (ii) the subscription price for Shares under the Pre-IPO Share Option Scheme is determined by the Board fixed to be equal to 90% of the final Offer Price;
- (iii) the general scheme limit, the individual limit applicable to each proposed grantee and the restrictions on grant of options to a connected person as

referred to in paragraphs 4.2(a)(iii)(b), 4.2(a)(iv) and 4.2(a)(v), respectively, do not apply;

- (iv) the rules of the Pre-IPO Share Option Scheme were adopted unconditionally by a resolution in writing passed by the then sole Shareholder on 21 October 2016, but the exercise of any option granted thereunder is conditional upon the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, any Shares to be issued pursuant to the exercise of options granted under the Pre-IPO Share Option Scheme on or before the date falling 30 days after the date of this prospectus, failing which such options granted and the Pre-IPO Share Option Scheme shall forthwith lapse;
- (v) the Directors may only grant options under the Pre-IPO Share Option Scheme at any time on or before 21 October 2016;
- (vi) any offer of option made by the Directors under the Pre-IPO Share Option Scheme shall be open for acceptance for a period from the relevant offer date and ending on 21 October 2016; and
- (vii) in the event of a capitalisation of profits or reserves, rights issue, sub-division or consolidation of Shares or reduction of capital of the Company whilst an option remains exercisable under the Pre-IPO Share Option Scheme, the number or nominal amount of Shares to which the Pre-IPO Share Option Scheme or any option relates and/or the subscription price of the option concerned and/or the number of Shares comprised in an option granted under the Pre-IPO Share Option Scheme is subject to adjustments on terms similar to that of the Share Option Scheme as referred to in paragraph 4.2(a)(xxiv) below, except that sub-paragraph (d) of paragraph 4.2(a)(xxiv) is not applicable to the Pre-IPO Share Option Scheme and options granted thereunder.

A nominal consideration of HK\$1 is payable on acceptance of the grant of each pre-IPO Share Option.

(b) Present status of the Pre-IPO Share Option Scheme

As at the Latest Practicable Date, the Pre-IPO Share Options to subscribe for an aggregate of 21,175,000 Shares had been granted to certain Directors, senior management and employees of the Group, representing (i) approximately 2.12% of the issued share capital of the Company immediately following completion of the Global Offering and the Capitalisation Issue (but does not take into account any Shares which may fall to be allotted and issued upon the exercise of the Over-allotment Option or such Pre-IPO Share Options and any options which may be granted under the Share Option Scheme) and (ii) approximately 2.07% of the issued share capital of the Company immediately following completion of the Global Offering and the Capitalisation Issue and assuming that all the Pre-IPO Share Options are exercised at the same time (but does not take into account any

Shares which may fall to be allotted and issued upon the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme).

Any exercise of the options granted under the Pre-IPO Share Option Scheme or to be granted under the Share Option Scheme in the future and issuance of Shares thereunder would result in the reduction in the percentage ownership of the Shareholders and may result in a dilution in the earnings per Share and net asset value per Share, as a result of the increase in the number of Shares outstanding after the issuance. The Shares underlying the Pre-IPO Share Options represent about 2.07% of our enlarged share capital as of the Listing Date (assuming neither the Over-allotment Option nor any of the Pre-IPO Share Options have been exercised and no Shares have been issued upon the exercise of options granted under the Share Option Scheme).

If all the Pre-IPO Share Options are exercised in full, this would have a dilutive effect of approximately 2.12% on the percentage of shareholding of our Shares and a dilutive effect of approximately 2.07% on earnings per Share.

Under the HKFRS, the costs of share options granted to employees under the Pre-IPO Share Option Scheme and the Share Option Scheme will be charged to the Group's income statement over the vesting period by reference to the fair value at the date at which the share options are granted. As a result, the Group's profitability may be adversely affected.

A breakdown of the grant of the Pre-IPO Share Options by category of grantees is set out below:

Category of grantees	Number of grantees	Number of underlying Shares under the Pre-IPO Share Options
Directors (including executive and non-executive Directors)	5	15,000,000
Senior management of the Group and company secretary of the Company	5	4,000,000
Existing employees of the Group	17	2,175,000

Save as disclosed above, no options have been granted or will be granted under the Pre-IPO Share Option Scheme.

Under the Pre-IPO Share Option Scheme, the exercise price of all Pre-IPO Share Options shall be 90% of the final Offer Price, and shall be exercisable at any time during the period (i) commencing on the business day immediately after the expiry of the six-month period after the Listing Date and (ii) ending on the date falling five (5) years and six (6) months of the Listing Date.

The grantees who are connected persons of the Company (including all executive Directors) have undertaken to the Company, the Stock Exchange and the

Sole Sponsor that they will not exercise the Pre-IPO Share Options to such extent that the Shares held by the public Shareholders will fall below 25% of the issued share capital of our Company.

Application has been made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares to be allotted and issued pursuant to the exercise of the Pre-IPO Share Options.

(c) Outstanding Pre-IPO Share Options

Particulars of the outstanding Pre-IPO Share Options which have been granted under the Pre-IPO Share Option Scheme as at the Latest Practicable Date are set out below:

Name of grantee (Position within the Group) (Note 1)	Address	Number of Shares to be issued upon full exercise of the Pre-IPO Share Options	Percentage of enlarged issued share capital of our Company after full exercise of the Pre-IPO Share Options (Note 2)	Exercise price	Exercise period
<i>Grantees having the rights to subscribe for 1,000,000 Shares or more</i>					
Directors					
Ms. Wendy Man (Chairman and Executive Director)	House C, Stanley Crest 5 Stanley Beach Road Stanley Hong Kong	5,000,000	0.49	See Note 3	See Note 4
SUN Derek Wei Kong (孫偉剛) (Executive Director)	Flat A, 8/F, Block 3 369 Tai Po Road Villa Carlton Sham Shui Po Kowloon	2,500,000	0.24	See Note 3	See Note 4
LEONG Chew Kuan (梁昭坤) (Executive Director)	Flat D, 20/F, Block 1 Roca Centre 18 Shu Kuk Street North Point Hong Kong	2,500,000	0.24	See Note 3	See Note 4
LIANG Yuhua (梁玉華) (Executive Director)	3A28 Clifford Estates Panyu Guangzhou PRC	2,500,000	0.24	See Note 3	See Note 4

Name of grantee (Position within the Group) (Note 1)	Address	Number of Shares to be issued upon full exercise of the Pre-IPO Share Options	Percentage of enlarged issued share capital of our Company after full exercise of the Pre-IPO Share Options (Note 2)	Exercise price	Exercise period
LIU Xing (劉興) (Non-executive Director)	Room 1807, Block 11 Lakeside Tower Clifford Estates Panyu Guangzhou PRC	2,500,000	0.24	See Note 3	See Note 4

*Grantees having the rights to subscribe
for 1,000,000 Shares or more*

Senior Management

YU Ding Him, Anthony (余定謙) (Company secretary of the Company)	Flat A, 28/F, Block 6 Park Central Tseung Kwan O Hong Kong	1,500,000	0.15	See Note 3	See Note 4
CHEN Yuxiong (陳宇雄) (Chief operation officer of property management services)	Flat 302 33 Jinsha Road Haizhu District Guangzhou PRC	1,250,000	0.12	See Note 3	See Note 4

*Grantees having the rights to subscribe
for less than 1,000,000 Shares*

Senior Management

DENG Zhengchuan (鄧正川) (General manager of retail services)	Flat 604, 5 Yuandao Road Yuexiu District Guangzhou PRC	500,000	0.05	See Note 3	See Note 4
CEN Jiayin (岑家殷) (General manager of catering services)	49 Helong Estate Cunweihui, Shigou Town Sihui City Guangdong Province PRC	500,000	0.05	See Note 3	See Note 4

Name of grantee (Position within the Group) (Note 1)	Address	Number of Shares to be issued upon full exercise of the Pre-IPO Share Options	Percentage of enlarged issued share capital of our Company after full exercise of the Pre-IPO Share Options (Note 2)	Exercise price	Exercise period
CHEN Zhezhen (陳哲臻) (Human resources manager of the Group)	Flat 901 4 Baofeng Street Haizhu District Guangzhou PRC	250,000	0.02	See Note 3	See Note 4
Existing employees of the Group					
CHEN Yuan (陳淵) (Finance manager of property management services)	Flat 2503, Block 11 Yihuju, Yihu Street Clifford Estate Panyu Guangzhou PRC	250,000	0.02	See Note 3	See Note 4
SHAN Junyan (單進彥) (Supervisor of Ancillary Living Services)	Flat 907, Block 2 Clifford Coast South 8 Gaokoujuwei Road Gaoyao City South Guangdong Province PRC	250,000	0.02	See Note 3	See Note 4
PENG Guozhu (彭國柱) (Manager of catering services)	Flat 309 Port 2, 13 Binjiang Haizhu District Guangzhou PRC	250,000	0.02	See Note 3	See Note 4
LIANG Weiyao (梁衛堯) (Manager of Ancillary Living Services)	Flat 401 3 of 19 Jiangjunzhi Street Haizhu District Guangzhou PRC	250,000	0.02	See Note 3	See Note 4
HUANG Shaomei (黃少媚) (General manager of property management services)	Flat 202, Block 2 95 Desheng Road Panyu District Guangzhou PRC	250,000	0.02	See Note 3	See Note 4

Name of grantee (Position within the Group) (Note 1)	Address	Number of Shares to be issued upon full exercise of the Pre-IPO Share Options	Percentage of enlarged issued share capital of our Company after full exercise of the Pre-IPO Share Options (Note 2)	Exercise price	Exercise period
LIN Hui (林輝) (Deputy general manager of property management services)	Flat 604, 6/F Qiaojing Estate 163 Donghuan Road Panyu District Guangzhou PRC	250,000	0.02	See Note 3	See Note 4
DENG Shuying (鄧書英) (Shop manager of catering services)	135 Taiping Estate Villagers' Committee of Taiping Estate Longping Town Lianzhou City Guangdong Province PRC	125,000	0.01	See Note 3	See Note 4
GUO Yang (郭陽) (Regional manager of property management services)	Flat 907, Block C 5th Building Huamei Court 28 Jianshesan Road Duanzhou District Zhaoqing City Guangdong Province PRC	125,000	0.01	See Note 3	See Note 4
MAI Weisheng (麥偉生) (Manager of retail services)	Flat 2503, Block 6 Clifford Landmark Clifford Estates Panyu District Guangzhou PRC	50,000	0.005	See Note 3	See Note 4
LU Jielian (盧潔聯) (Manager of catering services)	16 Sanfangchang Lane Shizi Street Zhongcun Town Panyu District Guangzhou PRC	50,000	0.005	See Note 3	See Note 4

Name of grantee (Position within the Group) (Note 1)	Address	Number of Shares to be issued upon full exercise of the Pre-IPO Share Options	Percentage of enlarged issued share capital of our Company after full exercise of the Pre-IPO Share Options (Note 2)	Exercise price	Exercise period
JIANG Zhenye (蔣振業) (Deputy general manager of property management services)	26B, 1st Floor Luyi 15 Street Clifford Estate Zhongcun Street Panyu District Guangzhou PRC	50,000	0.005	See Note 3	See Note 4
SU Zhizhou (蘇志洲) (General manager of property management services)	Team 2, SengCha Village Chatan Estate Huילong Town Gaoyao City Guangdong Province PRC	50,000	0.005	See Note 3	See Note 4
YUAN Qiwei (袁奇偉) (Manager of property management services)	1 Baofengxia Road Wanqingsha Town Panyu District Guangzhou PRC	50,000	0.005	See Note 3	See Note 4
ZHONG Wenxiong (鐘文雄) (District manager of property management services)	Flat 402 137 Jiaohe Road Haizhu District Guangzhou PRC	50,000	0.005	See Note 3	See Note 4
LIU Zhugang (劉柱剛) (Manager of property management services)	No.15, Liu Team 2 Xiaoliqiao Estate Puliqiao Town Lengshutan District Yongzhou City Hunan Province PRC	50,000	0.005	See Note 3	See Note 4

Name of grantee (Position within the Group) (Note 1)	Address	Number of Shares to be issued upon full exercise of the Pre-IPO Share Options	Percentage of enlarged issued share capital of our Company after full exercise of the Pre-IPO Share Options (Note 2)	Exercise price	Exercise period
PAN Yaohui (潘耀輝) (Deputy manager of property management services)	Room 602, Block A Haijinghaoyuan Haiyue District 2 Nananfuqian Da Street Gaoyao City Guangdong Province PRC	50,000	0.005	See Note 3	See Note 4
YIN Yanfen (尹燕芬) (Shop manager of catering services)	No. 46 Zhonger Estate Henghedayouguanli Zone Qingcheng District Qingyuan Guangdong PRC	25,000	0.002	See Note 3	See Note 4

Notes:

- Each grantee, upon accepting the Pre-IPO Share Options, is deemed to have undertaken to the Company that he/she will comply with all applicable laws, legislation and regulations (including all applicable exchange control, fiscal and other laws to which he/she is subject) in connection with the acceptance of the grant of his/her option, the holding and exercise of his/her option in accordance with the rules of the Pre-IPO Share Option Scheme, the allotment and issue of Shares to him/her upon the exercise of his/her option and the holding of such Shares.
- These percentages are calculated on the basis of 1,021,175,000 Shares in issue immediately following completion of the Global Offering and the Capitalisation Issue and assuming that all Pre-IPO Share Options have been exercised in full but does not take into account any Shares which may fall to be allotted and issued upon the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme.
- Under the Pre-IPO Share Option Scheme, the exercise price per Share which is subject of all Pre-IPO Share Options shall be 90% of the final Offer Price.
- All Pre-IPO Share Options shall be exercisable at any time during the period (i) commencing on the business day immediately after the expiry of the six-month period after the Listing Date and (ii) ending on the date falling five (5) years and six (6) months of the Listing Date.

Assuming that the Over-allotment Option is not exercised, the shareholding structure of the Company before and after the full exercise of all the options granted under the Pre-IPO Share Option Scheme will be as follows:

	Shareholding structure immediately after completion of the Global Offering and the Capitalisation Issue (assuming the Over-allotment Option is not exercised and no option has been granted under the Share Option Scheme) but before the exercise of the options granted under the Pre-IPO Share Option Scheme		Shareholding structure immediately after completion of the Global Offering and the Capitalisation Issue (assuming the Over-allotment Option is not exercised and no option has been granted under the Share Option Scheme) and full exercise of the options granted under the Pre-IPO Share Option Scheme	
	<i>No. of Shares</i>	<i>Percentage shareholding</i>	<i>No. of Shares</i>	<i>Percentage shareholding</i>
Directors				
Ms. Wendy Man	5,000,000	0.500	5,000,000	0.490
SUN Derek Wei Kong (孫偉剛)	2,500,000	0.250	2,500,000	0.245
LEONG Chew Kuan (梁昭坤)	2,500,000	0.250	2,500,000	0.245
LIANG Yuhua (梁玉華)	2,500,000	0.250	2,500,000	0.245
LIU Xing (劉興)	2,500,000	0.250	2,500,000	0.245
Senior management				
YU Ding Him, Anthony (余定謙)	1,500,000	0.150	1,500,000	0.146
CHEN Yuxiong (陳宇雄)	1,250,000	0.125	1,250,000	0.122
DENG Zhengchuan (鄧正川)	500,000	0.050	500,000	0.049
CEN Jiayin (岑家殷)	500,000	0.050	500,000	0.049
CHEN Zhezhen (陳哲臻)	250,000	0.025	250,000	0.024
Existing employees of the Group				
CHEN Yuan (陳淵)	250,000	0.025	250,000	0.024
SHAN Junyan (單進彥)	250,000	0.025	250,000	0.024
PENG Guozhu (彭國柱)	250,000	0.025	250,000	0.024
LIANG Weiyao (梁衛堯)	250,000	0.025	250,000	0.024
HUANG Shaomei (黃少媚)	250,000	0.025	250,000	0.024
LIN Hui (林輝)	250,000	0.025	250,000	0.024
DENG Shuying (鄧書英)	125,000	0.013	125,000	0.012
GUO Yang (郭陽)	125,000	0.013	125,000	0.012
MAI Weisheng (麥偉生)	50,000	0.005	50,000	0.005
LU Jielian (盧潔聯)	50,000	0.005	50,000	0.005
JIANG Zhenye (蔣振業)	50,000	0.005	50,000	0.005
SU Zhizhou (蘇志洲)	50,000	0.005	50,000	0.005
YUAN Qiwei (袁奇偉)	50,000	0.005	50,000	0.005
ZHONG Wenxiong (鐘文雄)	50,000	0.005	50,000	0.005
LIU Zhugang (劉柱剛)	50,000	0.005	50,000	0.005
PAN Yaohui (潘耀輝)	50,000	0.005	50,000	0.005
YIN Yanfen (尹燕芬)	25,000	0.003	25,000	0.002
Total	<u>21,175,000</u>	<u>2.118</u>	<u>21,175,000</u>	<u>2.074</u>

Effect on the earnings per share as a result of the Pre-IPO Share Options

The Shares underlying the Pre-IPO Share Options represent about 2.12% of our enlarged share capital as of the Listing Date (assuming all Pre-IPO Share Options have not been exercised at all and no Shares have been issued upon the exercise of options granted under the Share Option Scheme). If all the Pre-IPO Share Options are exercised in full, this would have a dilutive effect on our Shareholders of approximately 2.07% and a dilutive effect of approximately 2.07% on earnings per Share.

4.2 Share Option Scheme*(a) Summary of terms*

The following is a summary of the principal terms of the Share Option Scheme conditionally adopted by a resolution in writing passed by our then sole Shareholder on 21 October 2016:

(i) Purpose of the scheme

The purpose of the Share Option Scheme is to enable our Group to grant options to selected participants as incentives or rewards for their contribution to our Group. The Directors consider the Share Option Scheme, with its broadened basis of participation, will enable our Group to reward the employees, the Directors and other selected participants for their contributions to our Group. Given that the Directors are entitled to determine any performance targets to be achieved as well as the minimum period that an option must be held before an option can be exercised on a case by case basis, and that the exercise price of an option cannot in any event fall below the price stipulated in the Listing Rules or such higher price as may be fixed by the Directors, it is expected that grantees of an option will make an effort to contribute to the development of our Group so as to bring about an increased market price of the Shares in order to capitalise on the benefits of the options granted.

(ii) Who may join

The Directors may, at its absolute discretion, invite any person belonging to any of the following classes of participants, to take up options to subscribe for Shares:

- (a) any employee (whether full-time or part-time including any executive director but excluding any non-executive director) of our Company, any of our subsidiaries or any entity (“**Invested Entity**”) in which any member of our Group holds an equity interest;
- (b) any non-executive directors (including INEDs) of our Company, any of our subsidiaries or any Invested Entity;
- (c) any supplier of goods or services to any member of our Group or any Invested Entity;

- (d) any customer of any member of our Group or any Invested Entity;
- (e) any person or entity that provides research, development or other technological support to any member of our Group or any Invested Entity;
- (f) any shareholder of any member of our Group or any Invested Entity or any holder of any securities issued by any member of our Group or any Invested Entity;
- (g) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of our Group or any Invested Entity;
- (h) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of our Group;

and, for the purposes of the Share Option Scheme, the offer for the grant of option may be made to any company wholly-owned by one or more persons belonging to any of the above classes of participants.

For avoidance of doubt, the grant of any options by our Company for the subscription of Shares or other securities of our Group to any person who falls within any of the above classes of participants shall not, by itself, unless the Directors otherwise determine, be construed as a grant of option under the Share Option Scheme.

The eligibility of any of the above class of participants to an offer for the grant of any option shall be determined by the Directors from time to time on the basis of the Directors' opinion as to his contribution to the development and growth of our Group.

(iii) Maximum number of the Shares

- (a) The maximum number of Shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme adopted by our Group must not in aggregate exceed 30% of the share capital of our Company in issue from time to time.
- (b) The total number of the Shares which may be allotted and issued upon the exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option scheme of our Group) to be granted under the Share Option Scheme and any other share option scheme of our Group must not in aggregate exceed 10% of the Shares in issue on the Listing Date, being 100,000,000 Shares (“**General Scheme Limit**”).

- (c) Subject to (a) above but without prejudice to (d) below, our Company may seek approval of the Shareholders in general meeting to refresh the General Scheme Limit provided that the total number of Shares which may be allotted and issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme of our Group must not exceed 10% of the Shares in issue as at the date of approval of the limit and, for the purpose of calculating the limit, options (including those outstanding, cancelled, lapsed or exercised in accordance with the Share Option Scheme and any other share option scheme of our Group) previously granted under the Share Option Scheme and any other share option scheme of our Group will not be counted. The circular sent by our Company to the Shareholders shall contain, among other information, the information required under Rule 17.02(2)(d) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules.
- (d) Subject to (a) above and without prejudice to (c) above, our Company may seek separate Shareholders' approval in general meeting to grant options beyond the General Scheme Limit or, if applicable, the extended limit referred to in (c) above to participants specifically identified by our Company before such approval is sought. In such event, our Company must send a circular to the Shareholders containing a generic description of the specified participants, the number and terms of options to be granted, the purpose of granting options to the specified participants with an explanation as to how the terms of the options serve such purpose and such other information required under Rule 17.02(2)(d) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules.

(iv) Maximum entitlement of each participant

The total number of Shares issued and which may fall to be issued upon the exercise of the options granted under the Share Option Scheme and any other share option scheme of our Group (including both exercised or outstanding options) to each grantee in any 12-month period shall not exceed 1% of the issued share capital of our Company for the time being (“**Individual Limit**”). Any further grant of options in excess of the Individual Limit in any 12-month period up to and including the date of such further grant must be separately approved by the Shareholders in general meeting of our Company with such grantee and his close associates (or his associates if the grantee is a connected person) abstaining from voting. The number and terms (including the exercise price) of options to be granted must be fixed before the approval of the Shareholders and the date of the Board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the exercise price under note (1) to Rule 17.03(9) of the Listing Rules.

(v) *Grant of options to the Directors, chief executive or substantial shareholders of our Company or their respective associates*

- (a) Any grant of options under the Share Option Scheme to a Director, chief executive or substantial shareholder of our Company or any of their respective associates must be approved by INEDs (excluding INED who is the proposed grantee of the options).
- (b) Where any grant of options to a substantial shareholder or an INED or any of their respective associates would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:
 - (i) representing in aggregate over 0.1% of the Shares in issue; and
 - (ii) having an aggregate value, based on the closing price of the Shares at the date of each offer for the grant, in excess of HK\$5 million;

such further grant of options must be approved by Shareholders in general meeting. Our Company must send a circular to the Shareholders. The grantee, his associates and all core connected persons of our Company must abstain from voting in favour at such general meeting, except that any connected person may vote against the relevant resolution at the general meeting provided that his intention to do so has been stated in the circular. Any vote taken at the meeting to approve the grant of such options must be taken on a poll. Any change in the terms of options granted to a substantial shareholder or an INED or any of their respective associates must be approved by the Shareholders in general meeting.

(vi) *Time of acceptance and exercise of option*

An option may be accepted by a participant within 21 days from the date of the offer of grant of the option.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by the Directors to each grantee, which period may commence from the date of the offer for the grant of options is made, but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions for early termination thereof. Unless otherwise determined by the Directors and stated in the offer for the grant of options to a grantee, there is no minimum period required under the Share Option Scheme for the holding of an option before it can be exercised.

(vii) Performance targets

Unless the Directors otherwise determined and stated in the offer for the grant of options to a grantee, a grantee is not required to achieve any performance targets before any options granted under the Share Option Scheme can be exercised.

(viii) Subscription price for the Shares and consideration for the option

The subscription price for the Shares under the Share Option Scheme shall be a price determined by the Directors, but shall not be less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet for trade in one or more board lots of the Shares on the date of the offer for the grant, which must be a business day; (ii) the average closing price of Shares as stated in the Stock Exchange's daily quotations for the five business days immediately preceding the date of the offer for the grant; and (iii) the nominal value of a Share.

A nominal consideration of HK\$1 is payable on acceptance of the grant of an option.

(ix) Ranking of the Shares

(aa) The Shares allotted and issued upon the exercise of an option will be subject to all the provisions of the articles of association of our Company for the time being in force and will rank *pari passu* in all respects with the fully paid Shares in issue on the date on which the option is duly exercised or, if that date falls on a day when the register of members of our Company is closed, the first day of the re-opening of the register of members (the “**Exercise Date**”) and accordingly will entitle the holders thereof to participate in all dividends or other distributions paid or made on or after the Exercise Date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the Exercise Date. A Share allotted and issued upon the exercise of an option shall not carry voting rights until the name of the grantee has been entered on the register of members of our Company as the holder thereof.

(bb) Unless the context otherwise requires, references to “Shares” in this paragraph include references to shares in the ordinary equity share capital of our Company of such nominal amount as shall result from a subdivision, consolidation, re-classification or re-construction of the share capital of our Company from time to time.

(x) Restrictions on the time of the offer for the grant of options

No offer for grant of options shall be made after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision until such

price sensitive information has been published. In particular, during the period commencing one month immediately preceding the earlier of (aa) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules), and (bb) the deadline for our Company to publish an announcement of its results for any year, half-year, or quarterly or any other interim period (whether or not required under the Listing Rules) and ending on the date of the results announcement, no option for the grant of options may be made.

The Directors may not make any offer for the grant of option to a participant who is a Director during the periods or times in which Directors are prohibited from dealing in shares pursuant to Securities Dealing Model Code prescribed by the Listing Rules or any corresponding code or securities dealing restrictions adopted by our Company.

(xi) Period of the Share Option Scheme

The Share Option Scheme will remain in force for a period of 10 years commencing on the date on which the Share Option Scheme is adopted.

(xii) Rights on ceasing employment

If the grantee of an option is an Eligible Employee and ceases to be an Eligible Employee for any reason other than death, ill-health or retirement in accordance with his contract of employment or the termination of his employment on one or more of the grounds referred to in sub-paragraph (xiv) below before exercising his option in full, the option (to the extent not already exercised) will lapse on the date falling 30 days following the date of such cessation and shall not be exercisable unless the Directors otherwise determine in which event the grantee may exercise the option (to the extent not already exercised) in whole or in part within such period as the Directors may determine following the expiry of the 30-day period from the date of such cessation, which will be taken to be the last day on which the grantee was at work with our Group or the Invested Entity whether salary is paid in lieu of notice or not.

Eligible Employee means any employee (whether full time or part time employee, including any executive director but not any non-executive director) of our Company, any of our subsidiaries or any Invested Entity.

(xiii) Rights on death, ill-health or retirement

If the grantee of an option is an Eligible Employee and ceases to be an Eligible Employee by reason of his death, ill-health or retirement in accordance with his contract of employment before exercising the option in full, his personal representative(s), or, as appropriate, the grantee may exercise the option (to the extent not already exercised) in whole or in part within a

period of 12 months following the date of cessation of employment which date shall be the last day on which the grantee was at work with our Group or the Invested Entity whether salary is paid in lieu of notice or not or such longer period as the Directors may determine.

(xiv) Rights on dismissal

If the grantee of an option is an Eligible Employee and ceases to be an Eligible Employee by reason of a termination of his employment on the grounds that he has been guilty of persistent or serious misconduct, or has committed any act of bankruptcy or has become insolvent or has made any arrangements or composition with his creditors generally, or has been convicted of any criminal offence (other than an offence which in the opinion of the Directors does not bring the grantee or our Group or the Invested Entity into disrepute), his option (to the extent not already exercised) will lapse automatically on the date of cessation to be an Eligible Employee.

(xv) Rights on breach of contract

If the Directors shall at their absolute discretion determine that (a)(1) the grantee of any option (other than an Eligible Employee) or his associate has committed any breach of any contract entered into between the grantee or his associate on the one part and our Group or any Invested Entity on the other part; or (2) that the grantee has committed any act of bankruptcy or has become insolvent or is subject to any winding-up, liquidation or analogous proceedings or has made any arrangement or composition with his creditors generally; or (3) the grantee could no longer make any contribution to the growth and development of our Group by reason of the cessation of its relations with our Group or by other reason whatsoever; and (b) the option granted to the grantee under the Share Option Scheme shall lapse as a result of any event specified in (1), (2) or (3) above, his option will lapse automatically on the date on which the Directors have so determined.

(xvi) Rights on a general offer, a compromise or arrangement

If a general or partial offer, whether by way of take-over offer, share re-purchase offer, or scheme of arrangement or otherwise in like manner is made to all the holders of Shares, or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror, our Company shall use all reasonable endeavours to procure that such offer is extended to all the grantees on the same terms, mutatis mutandis, and assuming that they will become, by the exercise in full of the options granted to them, Shareholders. If such offer becomes or is declared unconditional, a grantee shall be entitled to exercise his option (to the extent not already exercised) to its full extent or to the extent specified in the grantee's notice to our Company in exercise of his option at any time thereafter and up to the close of such offer (or any revised offer) or the record date for entitlements under such scheme of arrangement, as the case may be. Subject to the above, an option will lapse automatically (to the extent

not exercised) on the date which such offer (or, as the case may be, revised offer) closed or the relevant date for entitlements under such scheme of arrangement, as the case may be.

(xvii) Rights on winding up

In the event of a resolution being proposed for the voluntary winding-up of our Company during the option period, the grantee may, subject to the provisions of all applicable laws, by notice in writing to our Company at any time not less than two business days before the date on which such resolution is to be considered and/or passed, exercise his option (to the extent not already exercised) either to its full extent or to the extent specified in such notice in accordance with the provisions of the Share Option Scheme and our Company shall allot and issue to the grantee the Shares in respect of which such grantee has exercised his option not less than one business day before the date on which such resolutions to be considered and/or passed whereupon he shall accordingly be entitled, in respect of the Shares allotted and issued to him in the aforesaid manner, to participate in the distribution of the assets of our Company available in liquidation *pari passu* with the holders of the Shares in issue on the day prior to the date of such resolution. Subject thereto, all options then outstanding shall lapse and determine on the commencement of the winding-up of our Company.

(xviii) Grantee being a company wholly-owned by eligible participants

If the grantee is a company wholly-owned by one or more eligible participants:

- (a) sub-paragraphs (xii), (xiii), (xiv) and (xv) shall apply to the grantee and to the options to such grantee, *mutatis mutandis*, as if such options had been granted to the relevant eligible participant, and such options shall accordingly lapse or fall to be exercisable after the event(s) referred to in sub-paragraphs (xii), (xiii), (xiv) and (xv) shall occur with respect to the relevant eligible participant; and
- (b) the options granted to the grantee shall lapse and determine on the date the grantee ceases to be wholly-owned by the relevant eligible participant provided that the Directors may in their absolute discretion decide that such options or any part thereof shall not so lapse or determine subject to such conditions or limitations as they may impose.

(xix) Adjustments to the subscription price

In the event of a capitalisation issue, rights issue, subdivision or consolidation of Shares or reduction of capital of our Company whilst an option remains exercisable, such corresponding alterations (if any) certified by the auditors for the time being or an independent financial adviser to our Company as fair and reasonable will be made to the number or nominal amount

of Shares, the subject matter of the Share Option Scheme and the options so far as unexercised and/or the option price of the option concerned, provided that (a) any adjustments shall give a grantee the same proportion of the issued share capital to which he was entitled prior to such alteration; (b) the issue of Shares or other securities of our Group as consideration in a transaction may not be regarded as a circumstance requiring adjustment; (c) no alteration shall be made the effect of which would be to enable a Share to be issued at less than its nominal value; and (d) any adjustment must be made in compliance with the Listing Rules and such rules, codes and guidance notes of the Stock Exchange from time to time (including without limitation those set out in the Stock Exchange's letter dated 5 September 2005 concerning guidance on the adjustments as a result of an issue of securities with a price-dilutive element). In addition, in respect of any such adjustments, other than any adjustment made on a capitalisation issue, such auditors or independent financial adviser must confirm to the Directors in writing that the adjustments satisfy the requirements of the relevant provision of the Listing Rules.

(xx) Cancellation of options

Any cancellation of options granted but not exercised must be subject to the prior written consent of the relevant grantee and the approval of the Directors.

When our Company cancels any option granted to a grantee but not exercised and issues new option(s) to the same grantee, the issue of such new option(s) may only be made with available unissued options (excluding the options so cancelled) within the General Scheme Limit or the new limits approved by the Shareholders pursuant sub-paragraphs (iii)(c) and (d) above.

(xxi) Termination of the Share Option Scheme

Our Company may by resolution in general meeting at any time terminate the Share Option Scheme and in such event no further options shall be offered but in all other respects the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any options (to the extent not already exercised) granted prior to the termination or otherwise as may be required in accordance with the provisions of the Share Option Scheme. Options (to the extent not already exercised) granted prior to such termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

(xxii) Rights are personal to the grantee

An option is personal to the grantee and shall not be transferable or assignable.

(xxiii) Lapse of option

An option shall lapse automatically (to the extent not already exercised) on the earliest of:

- (aa) the expiry of the option period in respect of such option;
- (bb) the expiry of the periods or dates referred to in paragraph (xii), (xiii), (xiv), (xv), (xvi), (xvii) and (xviii); and
- (cc) the date on which the Directors exercise our Company's right to cancel the option by reason of a breach of paragraph (xxii) above by the grantee.

(xxiv) Miscellaneous

- (a) The Share Option Scheme is conditional on the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, such number of Shares to be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, such number being not less than that of the General Scheme Limit.
- (b) The terms and conditions of the Share Option Scheme relating to the matters set out in Rule 17.03 of the Listing Rules shall not be altered to the advantage of grantees of the options except with the approval of the Shareholders in general meeting.
- (c) Any alterations to the terms and conditions of the Share Option Scheme which are of a material nature or any change to the terms of options granted must be approved by the Shareholders in general meeting, except where the alterations take effect automatically under the existing terms of the Share Option Scheme.
- (d) The amended terms of the Share Option Scheme or the options shall comply with the relevant requirements of Chapter 17 of the Listing Rules.
- (e) Any change to the authority of the Directors or the scheme administrators in relation to any alteration to the terms of the Share Option Scheme shall be approved by the shareholders of our Company in general meeting.

(b) Present status of the Share Option Scheme*(i) Approval of the Listing Committee required*

The Share Option Scheme is conditional on the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, such number

of Shares to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, such number being not less than that of the General Scheme Limit.

(ii) Application for approval

Application has been made to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Shares to be issued within the General Scheme Limit pursuant to the exercise of any options which may be granted under the Share Option Scheme.

(iii) Grant of option

As at the date of this prospectus, no options have been granted or agreed to be granted under the Share Option Scheme.

(iv) Value of options

The Directors consider it inappropriate to disclose the value of options which may be granted under the Share Option scheme as if they had been granted as at the Latest Practicable Date. Any such valuation will have to be made on the basis of certain option pricing model or other methodology, which depends on various assumptions including, the exercise price, the exercise period, interest rate, expected volatility and other variables. As no options have been granted, certain variables are not available for calculating the value of options. The Directors believe that any calculation of the value of options as at the Latest Practicable Date based on a number of speculative assumptions would not be meaningful and would be misleading to investors.

(v) Compliance with Listing Rules

The Share Option Scheme complies with Chapter 17 of the Listing Rules.

5. ESTATE DUTY, TAX AND OTHER INDEMNITIES

Our Controlling Shareholders (the “**Indemnifiers**”) have entered into the Deed of Indemnity with and in favour of our Company (for itself and as trustee for each of its present subsidiaries) (being the material contract (g) referred to in paragraph 2.1 above of this appendix) to provide indemnities on a joint and several basis, in respect of, among other matters:

- (a) any liability for Hong Kong estate duty which might be incurred by any member of our Group by reason of any relevant transfer of property (within the meaning of sections 35 and 43 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) or the equivalent thereof under the laws of any jurisdiction outside Hong Kong) to any member of our Group at any time on or before the Listing; and
- (b) tax liabilities (including all reasonable fines, penalties, costs, charges, expenses and interest relation to taxation) which might be payable by any member of our Group in

respect of any income, profits, gains, transactions, events, matters or things earned, accrued, received, entered into or occurring on or before the Listing Date, whether alone or in conjunction with any other circumstances whenever occurring and whether or not the tax liabilities are chargeable against or attributable to any other person, firm, company or corporation.

The Indemnifiers are under no liability under the Deed of Indemnity in respect of any taxation:

- (a) to the extent that provision or reserve has been made for such taxation in the audited accounts of any member of our Group for any accounting period up to 31 May 2016 (“**Accounts Date**”);
- (b) to the extent that such taxation or liability falling on any of the members of our Group in respect of any accounting period commencing on the calendar day immediately after the Accounts Date and ending on the Listing Date, where such taxation or liability would not have arisen but for some act or omission of, or transaction voluntarily entered into by any member of our Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) without the prior written consent or agreement of the Indemnifiers, otherwise than any such act, omission or transaction carried out, made or entered into pursuant to a legally binding commitment created on or before the Accounts Date or pursuant to any statement of intention made in the prospectus; or
- (c) to the extent that such taxation liabilities or claim arise or are incurred as a result of the imposition of taxation as a consequence of any retrospective change in the law, rules and regulations or the interpretation or practise thereof by the Hong Kong Inland Revenue Department or the taxation authority of the PRC, or any other relevant authority (whether in Hong Kong or the PRC or any other part of the world) coming into force after the date of the Deed of Indemnity or to the extent such claim arises or is increased by an increase in rates of taxation or claim after the date of the Deed of Indemnity with retrospective effect; or
- (d) to the extent that any provision or reserve made for taxation in the audited accounts of any member of our Group up to the Accounts Date which is finally established to be an over-provision or an excessive reserve in which case the Indemnifiers’ liability (if any) in respect of taxation shall be reduced by an amount not exceeding such provision or reserve, provided that the amount of any such provision or reserve applied referred to in this paragraph to reduce the Indemnifiers’ liability in respect of taxation shall not be available in respect of any such liability arising thereafter.

Under the Deed of Indemnity, each of the Indemnifiers has also undertaken to us that she/it will indemnify and at all times keeps us fully indemnified, on a joint and several basis, from any depletion in or reduction in value of its assets or any loss (including all legal costs and suspension of operation), cost, expenses, damages or other liabilities which any member of our Group may incur or suffer arising from or in connection with the implementation of the Reorganisation.

Pursuant to the Deed of Indemnity, the Indemnifiers have on a joint and several basis undertaken to indemnify each member of our Group, among other indemnities against: (a) any

costs, claims, damages, expenses, losses, penalties, liabilities, actions and proceedings (“**Damages and Costs**”) which such member may incur, suffer, accrue, directly or indirectly, from any act of such member arising from or in connection with any non-compliance of such member on or before the Listing Date, including not having obtained all relevant approvals, permits, licences and/or certificates for conducting its businesses, including but not limited to the non-compliances as disclosed in this prospectus or all litigation, arbitration, claims, counter-claims; actions, complaints, demands, judgements and/or legal proceedings by or against any of the companies which was issued, accrued and/or arising from any act of any of such members at any time on or before the date of Listing; and (b) any Damages and Costs arising from the relocation by such member arising from or in connection with the lessors’ lack of relevant title certificates or documents or the lessors’ registration default in relation to the lease agreements to the extent that damages, if any, recovered from the relevant lessor are inadequate to cover the related costs of such member, provided that the Indemnifiers are under no liability under the Deed of Indemnity in respect of any such Damages and Costs to the extent that (i) provision or reserve has been made in such respect by any members of our Group in its financial statements for any accounting period up to the Account Date, or (ii) any provision or reserve made in the audited accounts of any of our Group members for any accounting period up to the Accounts Date which is finally established to be over-provision or an excess reserve, in which case the Indemnifiers’ liability (if any) shall be reduced by an amount not exceeding such provision or reserve.

The provisions contained in the Deed of Indemnity are conditional on the conditions stated in “Structure of the Global Offering — Conditions of the Global Offering” in this prospectus being fulfilled or, to the extent permitted, waived by the relevant party. If such conditions are not fulfilled or, to the extent permitted, waived on or before the date falling 30 days from the date of this prospectus, or such later date as the parties under the Deed of Indemnity may agree, the Deed of Indemnity shall become null and void and cease to have effect.

Our Directors have been advised that no material liability for estate duty under the laws of Cayman Islands or BVI is likely to fall on our Group members.

6. OTHER INFORMATION

6.1 Sole Sponsor

The Sole Sponsor has made an application on behalf of our Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering, any Shares which may be issued upon the exercise of the Over-allotment Option and any Shares which may be issued upon the exercise of any options which have been or may be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme. All necessary arrangements have been made to enable such Shares to be admitted into CCASS.

The Sole Sponsor is independent from our Company pursuant to Rule 3A.07 of the Listing Rules. The sponsor’s fees payable by us in respect of the Sole Sponsor’s services as sole sponsor for the Listing is HK\$5,880,000 (excluding any disbursements).

6.2 Litigation

As at the Latest Practicable Date, no member of our Group is engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or

claim of material importance is known to our Directors to be pending or threatened by or against our Group member, that would have a material adverse effect on our results of operations or financial condition of our Group.

6.3 Preliminary expenses

The preliminary expenses of our Company are estimated to be approximately US\$8,538 and are payable by our Company.

6.4 Promoters

Our Company has no promoter for the purpose of the Listing Rules. Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the Global Offering and the related transactions described in this prospectus.

6.5 Agency fees or commissions received

Except as disclosed in the section headed “Underwriting — Undertakings pursuant to the Hong Kong Underwriting Agreement — Commission” in this prospectus, no commissions, discounts, brokerages or other special terms have been 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.

6.6 Qualifications of experts

The qualifications of the experts who have given opinions and/or whose names are included in this prospectus are as follows:

Name	Qualification
Guotai Junan Capital Limited	a licenced corporation under the SFO to carry out Type 6 (advising on corporate finance) regulated activity (as defined in the SFO)
PricewaterhouseCoopers	Certified Public Accountants, Hong Kong
Conyers Dill & Pearman	Legal advisers to our Company as to Cayman Islands law
GFE Law Office	Qualified PRC lawyers
Jones Lang LaSalle Corporate Appraisal and Advisory Limited	Property valuer

6.7 Consents of experts

Each of the experts referred to in paragraph 6.6 above has given and has not withdrawn its 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.

None of the experts named above has any shareholding interests in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company or any of our subsidiaries.

6.8 Binding effect

This prospectus shall have the effect, if an application is made in pursuance of this prospectus, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of Sections 44A and 44B of the COWUMPO insofar as applicable.

6.9 Taxation of holders of Shares

(a) Hong Kong

Dealings in Shares registered on our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty. The sale, purchase and transfer of Shares are subject to Hong Kong stamp duty, the current rate of which is 0.2% of the consideration or, if higher, the 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 advisers

Intending holders of Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in Shares or exercising any rights attaching to them. It is emphasised that none of our Company, the 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 subscription for, purchase, holding or disposal of or dealing in Shares or exercising any rights attaching to them.

6.10 Miscellaneous

- (a) Save as disclosed in the section headed “History, Development and Reorganisation — Reorganisation” in this prospectus and paragraph 1.6 of this appendix to this prospectus, within the two years immediately preceding the date of this prospectus:
- (i) 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 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) neither our Company nor any of our subsidiaries have issued or agreed to issue any founder shares, management shares or deferred shares;
 - (iv) no commissions, discounts, brokerage or other special terms have been granted in connection with the issue or sale of any shares or loan capital of any member of the Group;
 - (v) no commission has been paid or payable (except commissions to the Underwriters) for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any Shares;
 - (vi) none of the equity and debt securities of our Company is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought; and
 - (vii) our Company has no outstanding debentures convertible debt securities.
- (b) Our principal register of members will be maintained by our principal registrar, Codan Trust Company (Cayman) Limited, in the Cayman Islands and our Hong Kong register of members will be maintained by our Hong Kong Share Registrar in Hong Kong, Tricor Investor Services Limited. Unless our Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by the Hong Kong Share Registrar and may not be lodged in the Cayman Islands.
- (c) The Directors confirm that up to the date of this prospectus, there has been no material adverse change in the financial or trading position or prospects of our Group since 31 May 2016 (being the date to which the latest audited consolidated financial statements of our Group were made up).
- (d) No company within our Group is presently listed on any stock exchange or traded on any trading system.

- (e) Our Directors have been advised that, under the Companies Law, the use of a Chinese name by our Company does not contravene the Companies Law.
- (f) There has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this prospectus.

6.11 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).

**APPENDIX V DOCUMENTS DELIVERED TO THE REGISTRAR OF
COMPANIES AND AVAILABLE FOR INSPECTION**

1. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to a copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were:

- (a) copies of each of the **WHITE** and **YELLOW** and **GREEN** Application Forms;
- (b) a copy of each of the material contracts referred to in the paragraph headed “2.1 Summary of material contracts” of “Appendix IV — Statutory and General Information” to this prospectus; and
- (c) the written consents referred to in the paragraph headed “6.7 Consents of experts” of “Appendix IV — Statutory and General Information” to this prospectus.

2. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Chiu & Partners at 40/F, Jardine House, 1 Connaught Place, Hong Kong, during normal business hours from 9:00 a.m. up to 5:00 p.m. up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum of Association and Articles of Association;
- (b) the accountant’s report from PricewaterhouseCoopers in respect of the historical financial information of our Group for the years ended 31 December 2013, 2014 and 2015 and the five months ended 31 May 2016, the text of which is set out in Appendix I to this prospectus;
- (c) the report on the unaudited pro forma financial information of our Group from PricewaterhouseCoopers, the text of which is set out in Appendix II to this prospectus;
- (d) the audited consolidated financial statements of our Group for the years ended 31 December 2013, 2014 and 2015 and the five months ended 31 May 2016;
- (e) the PRC legal opinions prepared by GFE Law Office, our legal adviser as to PRC law, in respect of certain aspects of our Group and the property interests of our Group in the PRC and summary of PRC laws and regulations relating to our business;
- (f) the letter of advice prepared by Conyers Dill & Pearman, our legal adviser as to Cayman Islands law, summarising certain aspects of the Companies Law referred to in Appendix III to this prospectus;
- (g) the letter on fair market rentals relating to the properties leased by our Group from the Private Group prepared by Jone Lang LaSalle Corporate Appraisal and Advisory Limited;

**APPENDIX V DOCUMENTS DELIVERED TO THE REGISTRAR OF
COMPANIES AND AVAILABLE FOR INSPECTION**

- (h) the material contracts in the paragraph headed “2.1 Summary of material contracts” of “Appendix IV — Statutory and General Information” to this prospectus;
- (i) the written consents referred to in the paragraph headed “6.7 Consents of experts” of “Appendix IV — Statutory and General Information” to this prospectus;
- (j) the service contracts and appointment letters referred to in the paragraph headed “3.2 Directors’ service contracts and letters of appointment” of “Appendix IV — Statutory and General Information” to this prospectus;
- (k) the Companies Law;
- (l) the rules of our Share Option Scheme;
- (m) the rules of our Pre-IPO Share Option Scheme; and
- (n) the full list of grantees who have been granted Pre-IPO Share Options to subscribe for Shares under the Pre-IPO Share Option Scheme, containing all the particulars required under paragraph 10 of Part 1 of the Third Schedule to the COWUMPO and Rule 17.02(1)(b) and paragraph 27 of Appendix 1A of the Listing Rules.



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