Post Hearing Information Pack of

HOLLWIN URBAN OPERATION SERVICE GROUP CO., LTD
泓盈城市運營服務集團股份有限公司

(the "**Company**")

(A joint stock company incorporated in the People's Republic of China with limited liability)

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泓盈集团
HOLLWIN

HOLLWIN URBAN OPERATION SERVICE GROUP CO., LTD
泓盈城市運營服務集團股份有限公司

(A joint stock company incorporated in the People's Republic of China with limited liability)

[REDACTED]

Number of [REDACTED] under the [REDACTED]	**:**	**[REDACTED] H Shares (subject to the [REDACTED])**
Number of Hong Kong [REDACTED]	**:**	**[REDACTED] H Shares (subject to adjustment)**
Number of [REDACTED]	**:**	**[REDACTED] H Shares (subject to adjustment and the [REDACTED])**
Maximum [REDACTED]	**:**	**HK$[REDACTED] per H Share, plus brokerage of 1%, SFC transaction levy of 0.0027%, Hong Kong Stock Exchange trading fee of 0.00565% and AFRC transaction levy of 0.00015% (payable in full on [REDACTED] in Hong Kong dollars and subject to refund)**
Nominal value	**:**	**RMB1.00 per H Share**
[REDACTED]	**:**	**[REDACTED]**

Sole Sponsor, **[REDACTED], [REDACTED]**
and **[REDACTED]**

CICC 中金公司

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IMPORTANT

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CONTENTS

This summary aims to give you an overview of the information contained in this document and is qualified in its entirety by, and should be read in conjunction with, the more detailed information and financial information appearing elsewhere in this document. As this is a summary, it does not contain all the information that may be important to you and we urge you to read the entire document carefully before making your [**REDACTED**] *decision. There are risks associated with any* [**REDACTED**]. *Some of the particular risks in* [**REDACTED**] *in the* [**REDACTED**] *are set out in "Risk Factors" in this document. You should read that section carefully before you decide to* [**REDACTED**] *in the Hong Kong* [**REDACTED**].

OVERVIEW

We are a state-owned urban service and operation provider with business operations primarily based in Changsha, Hunan Province. We provide a wide spectrum of services to our customers, forming a cohesive business layout rooted in urban area. The services we provide can be divided into three categories depending on service characteristics and industry standards: (i) property management services, including different property management services and value-added services to public properties, commercial properties, and residential properties; (ii) urban services, including landscaping and engineering, lighting system operation, parking lot operation, and municipal sanitation services; and (iii) commercial operation services. We have built a reputation in the local market by serving a variety of property owners and developers, and our prospects are reliant on the relationships we have cultivated with these property owners and developers, particularly the local government and its affiliated entities, public institutions, and other SOEs in Changsha.

Our success and future growth are closely interrelated with CSUD Group. The holding company of CSUD Group, CSUDGCL, is wholly owned by Changsha Municipal SASAC. During the initial stage of our establishment, we primarily engaged in property management services, while CSUD Group's business was concentrated in urban construction and development. Influenced by CSUD Group, we leaned towards managing public urban spaces since our inception. Our property management services mainly catered to public and commercial properties, with residential properties playing a secondary role. As we continued to grow, we leveraged our experience in property management services and gradually strengthened our competitive edge in urban services. For instance, we acquired a landscaping company, enabling us to expand into landscaping and engineering services in 2016. Starting from 2017, we also took on the operation of night scenery illumination in Changsha, further establishing the foundation of our urban services business. In 2021, we officially began undertaking municipal sanitation projects. Over the past few years, our urban services business has generated steady revenue and profits, becoming the crucial driving force for our growth and the focal point of our business.

During the Track Record Period, the total aggregate number of projects for all of our business segments was 299, 355, and 360, including 44, 98, and 85 completed landscaping and engineering projects respectively. The total aggregate GFA under management of our property management services and commercial operation services was 11.2 million sq.m., 10.8 million sq.m., and 11.8 million sq.m., respectively. The decrease in the total aggregate GFA under management in 2022 was due to the termination of two temporary property management service projects, while the increase in the total aggregate GFA under management in 2023 was attributable to the new property management service projects as a result of our business expansion.

From 2021 to 2023, our revenue increased at a CAGR of 22.9% from RMB431.7 million in 2021 to RMB528.5 million in 2022, and further to RMB651.9 million in 2023. Our profit and total comprehensive income for the year amounted to RMB40.8 million, RMB53.6 million and RMB70.2 million in 2021, 2022 and 2023, respectively, which represented a CAGR of 31.1% from 2021 to 2023.

We maintain a well-established and ongoing business relationship with CSUD Group and its associates, the diverse property portfolio of which provides us with a large potential pipeline of quality projects. Going forward, CSUD Group will provide us with a large potential pipeline of quality projects on the basis that (i) CSUD Group had ten real estate projects under construction or development with a total GFA of 2.7 million sq.m. and a total land bank for future development of approximately 18.3 million sq.m. as of the Latest Practicable Date; and (ii) CSUD Group will continue awarding its projects to us as long as certain criteria are met. For details of the criteria, please refer to "Business – Our Strategic Business Relationship with CSUD Group". Our long-standing relationship with CSUD Group and its associates has driven our development since our inception and laid the solid foundation for our continuous growth. During the Track Record Period, the total revenue we generated from CSUD Group and its associates as our customer amounted to RMB182.9 million, RMB234.7 million, and RMB289.5 million respectively, accounting for 42.4%, 44.4%, and 44.4% of our total revenue, respectively. Going forward, our Directors believe that, given (a) the long-standing cooperation relationship between our Group and CSUD Group and its associates; (b) our knowledge of and familiarity with the requirements of CSUD Group and its associates and our priority position in satisfying CSUD Group and its associates' demand; (c) the mutual benefits for our Group and CSUD Group and its associates to maintain such reciprocal relationship; (d) various long-term cooperation agreements entered into between our Group and CSUD Group and its associates; and (e) CSUD Group and its associates and our Group are state-invested enterprises which have relatively stable controlling ownership, we expect that the mutually beneficial and complementary business relationship between our Group and CSUD Group and its associates will continue and in turn, is unlikely to be materially or adversely changed. For details, please refer to "Relationship with Our Controlling Shareholders – Mutual and Complementary Relationship with CSUD Group" in this document. During the Track Record Period, all of our revenue from commercial operation services projects were sourced from CSUD Group and its associates. Going forward, leveraging our capabilities and expertise demonstrated in cooperation with CSUD Group and its associates, we expect that commercial operation services revenue may be generated from projects sourced from Independent Third Parties since we have been actively sourcing projects from customers other than CSUD Group and its associates and we have also been making continuous efforts to expand our business to manage projects developed by third-party property developers and owners as well as our customer base by leveraging our increasingly enhanced brand awareness and market position. For details, please refer to "Business – Our Strategic Business Relationship with CSUD Group" in this document.

OUR BUSINESS MODEL

During the Track Record Period, we generated revenue primarily from three types of services: (i) property management services; (ii) urban services; and (iii) commercial operation services:

- *Property management services.* We mainly provide public property management services, commercial property management services and residential property management services, such as cleaning, security, and repair and maintenance services. Public properties include civic squares, parks and scenic spots, urban exhibition halls, government office buildings and schools; commercial properties include commercial office buildings, commercial complexes and sales centers; and residential properties mainly include residential communities and apartments. In addition, we also provide a wide range of value-added services to property developers, property owners, and tenants. During the Track Record Period, for public properties, our customers were mainly government institutions, whereas for commercial and residential properties, our customers were mainly private entities and individuals.

- *Urban services.* We assist local governments and public institutions in providing urban services to improve the living experience and environment of citizens. Our urban services mainly include (i) landscaping and engineering, including landscape construction and engineering construction; (ii) lighting system operation, including landscape lighting operation and functional lighting operation; (iii) parking lot operation including the operation and management of public parking spaces by self-operation and leasing; and (iv) municipal sanitation services including the cleaning of municipal infrastructures such as city roads, the external walls of buildings along the main road, street lamps, and bus platforms. During the Track Record Period, we primarily provided landscaping and engineering services to CSUD Group. For lighting system operation and municipal sanitation services, our customers were mainly government institutions, while for parking lot operation, our customers were mainly private entities and individuals.

- *Commercial operation services.* We manage various types of commercial projects, such as commercial office buildings, commercial districts, and industrial parks. We have established a comprehensive commercial asset management process, including preliminary business planning, commercial positioning, tenant recruitment, lease agreement formulation, marketing and promotion, and daily operation management and maintenance of commercial assets. During the Track Record Period, we primarily provided commercial operation services to CSUD Group and its associates.

The following table sets forth the relevant number of projects under management for the years indicated by type of services:

	For the year ended December 31,		
	2021	**2022**	**2023**
Property management services			
– Public properties	29	29	24
– Commercial properties	29	30	36
– Residential properties	3	4	8
Urban services			
– Landscaping and engineering[1]	44	98	85
– Lighting system operation	2	4	4
– Parking lot operation	146	144	150
– Municipal sanitation services	2	2	3
Commercial operation services	44	44	50
Total	299	355	360

Note:

(1) Landscaping and engineering projects are projects of a one-off nature, and the number listed here refers to the number of completed projects.

The following table sets forth the expiry schedule of the agreements of all our business segments as of December 31, 2023[1]:

	Property management services	**Urban services**			**Commercial operation services**
		Lighting system operation	**Parking lot operation**	**Municipal sanitation services**	
Agreements with no fixed term	14	–	2	–	–
– CSUD Group and its associates	13	–	–	–	–
– Independent Third Parties	1	–	2	–	–
Agreements with fixed terms expiring in the following years	51	4	143	3	50

	Property management services	Urban services			Commercial operation services
		Lighting system operation	Parking lot operation	Municipal sanitation services	
for the year ending December 31, 2024	32	–	–	3	1
– CSUD Group and its associates	21	–	–	–	1
– Independent Third Parties	11	–	–	3	–
for the year ending December 31, 2025	16	3	71	–	19
– CSUD Group and its associates	11	2	69	–	19
– Independent Third Parties	5	1	2	–	–
for the year ending December 31, 2026 and thereafter	3	1	72	–	30
– CSUD Group and its associates	2	–	72	–	30
– Independent Third Parties	1	1	–	–	–
Total	65	4	145	3	50

Note:

(1) Given the one-off nature of landscaping and engineering projects, there were generally no specific dates of commencement and completion in landscaping and engineering agreements.

The following table sets forth a breakdown of the retention rates of all our business segments for the years indicated by source of projects[1]:

	For the year ended December 31,		
	2021	**2022**	**2023**
Property management services			
Public properties	79.3%	82.8%	87.5%
– CSUD Group and its associates	81.3%	68.9%[2]	91.7%
– Independent Third Parties	76.9%	100.0%	83.3%
Commercial properties	90.3%	93.8%	91.9%
– CSUD Group and its associates	88.0%	92.3%	90.0%
– Independent Third Parties	100.0%	100.0%	100.0%
Residential properties	100.0%	100.0%	100.0%
– CSUD Group and its associates	100.0%	100.0%	100.0%
– Independent Third Parties	–	–	100.0%
Urban services			
Lighting system operation	100.0%	100.0%	100.0%
– CSUD Group and its associates	–	100.0%	100.0%
– Independent Third Parties	100.0%	100.0%	100.0%
Parking lot operation	95.9%	98.6%	96.7%
– CSUD Group and its associates	97.1%	98.6%	96.6%
– Independent Third Parties	66.7%[3]	100.0%	100.0%
Municipal sanitation services	100.0%	100.0%	100.0%
Commercial operation services	100.0%	100.0%	100.0%

Notes:

(1) The retention rate is not applicable to landscaping and engineering projects, as they are projects of a one-off nature.

(2) The low retention rate of public projects sourced from CSUD Group and its associates in 2022 was primarily due to three reasons: (i) reallocation of our resources to more profitable projects; (ii) expiration of several ad hoc projects; and (iii) expiration of a project not requiring property management services thereupon.

(3) The low retention rate of parking lot operation projects sourced from Independent Third Parties in 2021 was due to the expiration of two projects, as the designated land of the two projects was no longer available for continued use as parking lots.

Select Material Fluctuations in Our Revenue

By Type of Services

The following table sets forth a breakdown of our revenue by type of services for the years indicated:

	For the year ended December 31,					
	2021		2022		2023	
	(RMB'000)	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*
Property management services	**192,256**	**44.6**	**207,466**	**39.2**	**237,902**	**36.5**
– Public properties	69,894	16.2	72,458	13.7	74,015	11.4
– Commercial properties	95,191	22.1	105,798	20.0	114,563	17.6
– Residential properties	1,264	0.3	2,483	0.5	12,384	1.9
– Value-added services	25,907	6.0	26,727	5.0	36,940	5.6
Urban services	**185,352**	**42.9**	**274,720**	**52.0**	**353,290**	**54.2**
– Landscaping and engineering	83,482	19.3	125,847	23.8	186,347	28.6
– Lighting system operation	30,856	7.1	64,007	12.1	67,497	10.4
– Parking lot operation	42,089	9.8	40,633	7.7	46,733	7.2
– Municipal sanitation services	28,925	6.7	44,233	8.4	52,713	8.0
Commercial operation services	**54,045**	**12.5**	**46,337**	**8.8**	**60,683**	**9.3**
Total	**431,653**	**100.0**	**528,523**	**100.0**	**651,875**	**100.0**

Our revenue increased by 22.4% from RMB431.7 million in 2021 to RMB528.5 million in 2022, primarily driven by the business growth of our urban services and property management services due to (i) the incremental revenue of RMB10.1 million as compared with 2021 from the Xiangjiang Fortune Finance Center Project (湘江財富金融中心項目) in 2022; (ii) 13 sizeable landscaping and engineering projects we undertook in 2022 which contributed a total revenue of RMB41.1 million; and (iii) the incremental revenue of RMB31.2 million as compared with 2021 from the Changsha City Functional Street Lighting Operation and Maintenance Project (長沙市城市功能照明運維項目).

Our revenue increased by 23.3% from RMB528.5 million in 2022 to RMB651.9 million in 2023, primarily driven by (i) the business growth of urban services due to the revenue contributions of RMB61.1 million from the newly-engaged 11 sizable landscaping and engineering projects in 2023, and (ii) the business growth of property management services, mainly attributable to (a) the increased GFA under management, (b) the increased number of projects under management, and (c) the business expansion of value-added services.

By Source of Projects

The following table sets forth a breakdown of our revenue by source of projects for the years indicated:

	For the year ended December 31,					
	2021		2022		2023	
	(RMB'000)	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*
CSUD Group and its associates	303,196	70.2	348,766	66.0	419,843	64.4
Independent Third Parties	128,457	29.8	179,757	34.0	232,032	35.6
– Government/public institutions	117,869	27.4	161,618	30.6	167,048	25.6
– SOEs	4,437	1.0	9,646	1.8	57,774	8.9
– Others	6,151	1.4	8,493	1.6	7,210	1.1
Total	**431,653**	**100.0**	**528,523**	**100.0**	**651,875**	**100.0**

The following table sets forth a breakdown of our revenue by type of services and source of the projects for the years indicated:

	For the year ended December 31,					
	2021		2022		2023	
	(RMB'000)	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*
Property management services[(1)]	**192,256**	**44.6**	**207,466**	**39.2**	**237,902**	**36.5**
CSUD Group and its associates	131,991	30.6	150,576	28.5	171,634	26.3
Independent Third Parties	60,265	14.0	56,890	10.7	66,268	10.2
– Government/public institutions	57,674	13.4	55,084	10.4	47,787	7.3
– SOEs	1,380	0.3	1,806	0.3	12,661	1.9
– Others	1,211	0.3	–	–	5,820	1.0

	For the year ended December 31,					
	2021		2022		2023	
	(RMB'000)	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*
Urban services[1]	**185,352**	**42.9**	**274,720**	**52.0**	**353,290**	**54.2**
CSUD Group and its associates	117,160	27.1	151,853	28.7	187,526	28.8
Independent Third Parties	68,192	15.8	122,867	23.3	165,764	25.4
– Government/public institutions	60,195	14.0	106,534	20.2	119,261	18.3
– SOEs	3,057	0.7	7,840	1.5	45,113	6.9
– Others	4,940	1.1	8,493	1.6	1,390	0.2
Commercial operation services[1][2]	**54,045**	**12.5**	**46,337**	**8.8**	**60,683**	**9.3**
Total revenue	**431,653**	**100.0**	**528,523**	**100.0**	**651,875**	**100.0**

Notes:

(1) The classification of the sources of our Group's projects is determined by the initial sources where our Group obtained the projects and derived economic benefits (for example, property developers, property owners, lessors of the parking spaces and counterparties of the contracts for urban services other than parking lot operation) rather than by the ultimate users of our Group's services (i.e. customers). In particular, with regard to urban services other than parking lot operation, counterparties of the contracts are the ultimate users of our Group's services.

(2) During the Track Record Period, all of our commercial operation service projects were sourced from CSUD Group and its associates.

During the Track Record Period, revenue of projects sourced from CSUD Group and its associates continued to decrease, which accounted for 70.2%, 66.0% and 64.4%, respectively, of our total revenue in the respective years, primarily due to the increase in revenue derived from urban service projects sourced from Independent Third Parties.

During the Track Record Period, the revenue contribution of property management projects sourced from CSUD Group and its associates was higher than that from Independent Third Parties, primarily due to the growth in GFA under management and the number of projects sourced from CSUD Group and its associates.

During the Track Record Period, the revenue contribution of urban services projects sourced from Independent Third Parties accounted for 36.8%, 44.7% and 46.9%, respectively, of our revenue from urban services, primarily driven by the revenue contribution of lighting system operation and municipal sanitation services.

By Customers

The following table sets forth a breakdown of our revenue by type of services and by customers for the years indicated:

	For the years ended December 31,					
	2021		2022		2023	
	(RMB'000)	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*
Property management services	**192,256**	**44.6**	**207,466**	**39.2**	**237,902**	**36.5**
– CSUD Group and its associates	59,263	13.7	78,900	14.9	83,329	12.8
– Independent Third Parties	132,993	30.9	128,566	24.3	154,573	23.7
Urban services	**185,352**	**42.9**	**274,720**	**52.0**	**353,290**	**54.2**
Landscaping and engineering	***83,482***	***19.3***	***125,847***	***23.8***	***186,347***	***28.6***
– CSUD Group and its associates	75,596	17.5	109,677	20.7	141,202	21.7
– Independent Third Parties	7,886	1.8	16,170	3.1	45,145	6.9
Lighting system operation	***30,856***	***7.1***	***64,007***	***12.1***	***67,497***	***10.3***
– CSUD Group and its associates	–	–	1,938	0.4	5,944	0.9
– Independent Third Parties	30,856	7.1	62,069	11.7	61,553	9.4
Parking lot operation	***42,089***	***9.8***	***40,633***	***7.7***	***46,733***	***7.2***
– CSUD Group and its associates	1,037	0.2	1,096	0.2	1,651	0.3
– Independent Third Parties	41,052	9.6	39,537	7.5	45,082	6.9
Municipal sanitation services	***28,925***	***6.7***	***44,233***	***8.4***	***52,713***	***8.1***
– CSUD Group and its associates	–	–	–	–	–	–
– Independent Third Parties	28,925	6.7	44,233	8.4	52,713	8.1
Commercial operation services	**54,045**	**12.5**	**46,337**	**8.8**	**60,683**	**9.3**
– CSUD Group and its associates	47,020	10.9	43,115	8.2	57,366	8.8
– Independent Third Parties	7,025	1.6	3,222	0.6	3,317	0.5
Subtotal						
– CSUD Group and its associates	182,916	42.4	234,726	44.4	289,492	44.4
– Independent Third Parties	248,737	57.6	293,797	55.6	362,383	55.6
Total	**431,653**	**100.0**	**528,523**	**100.0**	**651,875**	**100.0**

For details of our revenue by type of services and source of projects during the Track Record Period, please refer to the section headed "Financial Information – Description of Selected Components of Consolidated Statements of Profit or Loss and Other Comprehensive Income – Revenue" in this document.

Select Material Fluctuations in Our Gross Profit and Gross Profit Margin

The following table sets forth a breakdown of our gross profit and gross profit margin by type of services and source of projects for the years indicated.

	For the year ended December 31,					
	2021		**2022**		**2023**	
	Gross profit (RMB'000)	*Gross profit margin* (%)	*Gross profit* (RMB'000)	*Gross profit margin* (%)	*Gross profit* (RMB'000)	*Gross profit margin* (%)
Property management services	**38,401**	**20.0**	**30,164**	**14.5**	**35,950**	**15.1**
– CSUD Group and its associates	26,711	20.2	22,145	14.7	24,273	14.1
– Independent Third Parties	11,690	19.4	8,019	14.1	11,677	17.6
Urban services	**39,992**	**21.6**	**66,433**	**24.2**	**78,009**	**22.1**
– CSUD Group and its associates	18,854	16.1	30,589	20.1	40,981	21.9
– Independent Third Parties	21,138	31.0	35,844	29.2	37,028	22.3
Commercial operation services[(1)]	**28,913**	**53.5**	**24,950**	**53.8**	**37,872**	**62.4**
Total	**107,306**	**24.9**	**121,547**	**23.0**	**151,831**	**23.3**

Note:

(1) During the Track Record Period, all of our commercial operation service projects were sourced from CSUD Group and its associates.

By Type of Services

During the Track Record Period, our overall gross profit exhibited an upward trend. In particular, the proportion of the gross profit of urban services increased from 37.3% in 2021 to 54.7% in 2022, and remained relatively stable at 51.4% in 2023, becoming the main source of our overall gross profit, primarily because we have capitalized on opportunities of marketization of urban services and the continuous growth of government investment in public utilities. The gross profit margin of our property management services decreased from 20.0% in 2021 to 14.5% in 2022, primarily due to the increase in labor costs (resulting from the increase in the average labor salary and the number of labor engaged) which was in line with our business expansion from 2021 to 2022, and the increase in unit price of electricity from 2021 to 2022. Labor and utility costs are major cost components of our property management services. As a result, increases in labor and utility costs have a greater impact on the gross profit margin of property management services, while their impact on urban services and commercial operation services is less significant. To maintain and improve the profitability of property management projects in the future, our Group is exploring cost-saving measures such as (i) reducing utility consumption by applying energy-efficient renovations in common areas, (ii) reducing the number of personnel in daily routine work during non-peak periods while flexibly supplementing additional personnel during peak periods to handle the increased workload, thereby resulting in a reduction in labor cost, and (iii) elevating labor efficiency by streamlining tasks, using automating processes, and optimizing workforce performance. Benefiting from the cost-saving measures, our gross profit margin of our property management services increased from 14.5% in 2022 to 15.1% in 2023. We believe that, with the implementation of the measures mentioned above, it is expected that our Group is able to maintain the profitability level of its property management projects going forward.

Our overall gross profit increased from RMB107.3 million in 2021 to RMB121.5 million in 2022 while the overall gross profit margin slid to 23.0% in 2022 from 24.9% in 2021, primarily due to the decrease in gross profit margin of our property management services to 14.5% in 2022 from 20.0% in 2021, primarily due to the increased unit price of electricity, combined with factors such as tightened pandemic prevention.

Our overall gross profit margin remained stable at 23.0% and 23.3% in 2022 and 2023, respectively.

By Source of Projects

In 2021 and 2022, our gross profit and gross profit margin of property management projects sourced from CSUD Group and its associates amounted to RMB26.7 million and RMB22.1 million, and 20.2% and 14.7%, respectively, while that from Independent Third Parties amounted to RMB11.7 million and RMB8.0 million, and 19.4% and 14.1%, respectively. Our gross profit margin of property management projects sourced from Independent Third Parties remained comparable with that from CSUD Group and its associates. In 2023, the gross profit and gross profit margin of our property management projects sourced from CSUD Group and its associates amounted to RMB24.3 million and 14.1% while that from Independent Third Parties amounted to RMB11.7 million, and 17.6%. The lower gross profit margin of property management projects awarded by CSUD Group and its associates was primarily due to our plan to develop three existing projects into benchmark projects to enhance our reputation and competitiveness, with an aim of attracting prospective customers and projects. Our Group selected three existing projects with diverse characteristics, being (i) the Xiangjiang Fortune Finance Center Property Management Service Project (湘江財富金融中心物業管理服務項目) as a mixed-use commercial and office complex; (ii) the Changsha West Center Project (長沙西中心項目) as a transportation hub; and (iii) the Xiangjiang Times Project (湘江時代項目) as an office building, all sourced from CSUD Group, to serve as the benchmark projects. This initiative allowed us to demonstrate our capabilities and services to potential customers. Additional resources and costs were incurred in executing these benchmark projects in terms of extra labor and budget, including additional headcount and higher average wages, as well as organizing various cultural activities to enhance customer engagement and loyalty. Our Directors confirm that our Group plans to focus on the existing benchmark projects in the near future, and does not plan to further pursue new benchmark projects in the near future to enhance cost efficiency.

In 2021, 2022 and 2023, our gross profit and gross profit margin of urban service projects sourced from CSUD Group and its associates amounted to RMB18.9 million, RMB30.6 million and RMB41.0 million and 16.1%, 20.1% and 21.9%, respectively, while that from Independent Third Parties amounted to RMB21.1 million, RMB35.8 million and RMB37.0 million, and 31.0%, 29.2% and 22.3%, respectively. The higher gross profit margin of urban services projects sourced from Independent Third Parties was primarily because we expanded lighting system operation services projects since 2021, which have a relatively high gross profit margin and were all sourced from Independent Third Parties. The gross profit margin of urban service projects sourced from Independent Third Parties decreased from 29.2% in 2022 to 22.3% in 2023, primarily due to the increased proportion of revenue from landscaping and engineering projects with relatively lower gross profit margin.

During the Track Record Period, all of our gross profit from commercial operation services projects were sourced from CSUD Group and its associates, which amounted to RMB28.9 million, RMB25.0 million and RMB37.9 million, respectively. Our gross profit margin of commercial operation services remained relatively stable at 53.5% and 53.8%, respectively, in 2021 and 2022, while it increased from 53.8% in 2022 to 62.4% in 2023 primarily due to (i) the expansion of business scale of commercial operation services and the enhanced cost efficiency through economies of scale. We increased the projects under operation and revenue generated from commercial operation services in 2023, mainly resulting from the new properties entrusted by Yuelushan Company. Meanwhile, the new projects and our existing projects under operation were in close proximity, which allowed us to enhance cost efficiency via the integration of management, staff, service plans, merchant recruitments and operational resources across multiple projects under operation. As a result, we were able to expand the business scale of commercial operation services without incurring proportional cost increases, thereby achieving an increase in the gross profit margin of this business segment in 2023; and (ii) an increase in average occupancy rate of the commercial properties from 73.4% as of December 31, 2022 to 93.2% as of December 31, 2023, mainly attributable to the mitigation of the pandemic and the government's easing of control measures.

For details of our gross profit and gross profit margin by type of services and source of projects during the Track Record Period, please refer to the section headed "Financial Information – Description of Selected Components of Consolidated Statements of Profit or Loss and Other Comprehensive Income – Gross Profit and Gross Profit Margin" in this document.

Key Components of the Cost Structure

During the Track Record Period, our cost of sales mainly included (i) labor costs, accounting for approximately 52.6% to 57.2% of our total cost of sales; (ii) material costs, accounting for approximately 14.3% to 23.0% of our total cost of sales; (iii) utility costs, including water, electricity and gas charges, etc, accounting for approximately 8.3% to 10.0% of our total cost of sales; and (iv) repair, maintenance and machinery utilization costs, accounting for approximately 9.0% to 10.1% of our total cost of sales. During the Track Record Period, we recorded cost of sales of RMB324.3 million, RMB407.0 million and RMB500.0 million, respectively. For details, please refer to the section headed "Financial information – Description of Selected Components of Consolidated Statements of Profit or Loss and Other Comprehensive Income – Cost of Sales" in this document.

SUPPLIERS AND CUSTOMERS

Revenue from our five largest customers in each year during the Track Record Period amounted to RMB259.3 million, RMB358.1 million and RMB432.8 million, representing 60.1%, 67.7%, and 66.4% of our total revenue in the respective year. Revenue from our largest customer in each year during the Track Record Period amounted to RMB182.9 million, RMB234.7 million, and RMB289.5 million, representing 42.4%, 44.4%, and 44.4% of our total revenue in the respective year. For each year ended December 31, 2021 and 2022, all of our five largest customers, except CSUD Group and its associates which are state-invested enterprises, are government or public institutions. For the year ended December 31, 2023, two of our five largest customers are state-invested enterprises, while the others are government or public institutions. In addition, all of our five largest customers in each year during the Track Record Period, except CSUD Group and its associates, are Independent Third Parties.

Purchases from our five largest suppliers in each year during the Track Record Period amounted to RMB102.8 million, RMB146.5 million, and RMB162.5 million, representing 36.2%, 39.8%, and 36.3% of our total purchases in the respective year. Purchases from our largest supplier in each year of the Track Record Period amounted to RMB47.0 million, RMB75.9 million, and RMB80.7 million, representing 16.6%, 20.6%, and 18.0% of our total purchases in the respective year. Among our five largest suppliers in each year during the Track Record Period, except CSUD Group and its associates and an electricity supplier which are state-invested enterprises, the others are private entities. In addition, all of our five largest suppliers in each year during the Track Record Period, except CSUD Group and its associates, are Independent Third Parties.

OUR STRENGTHS

We believe the following competitive strengths have contributed to our success and will help drive our growth in the future:

- given the highly fragmented property management market in Hunan Province, China, our presence and geographical focus on Hunan Province, and Changsha particularly, position us favorably to propel the growth of our overall business;
- underpinned by the brand recognition of CSUD Group, we have sustainable growth opportunities, supporting our expansion of businesses with Independent Third Parties;
- from property management services to urban services, our deep understanding and coverage of urban spaces guarantees us a competitive advantage;
- standardized and customized service processes and quality services help us build up a brand image; and
- an experienced and professional management team supported by an effective human resources management system.

For details, please refer to the section headed "Business – Competitive Strengths" in this document.

OUR STRATEGIES

To achieve our strategic goals more effectively, we intend to pursue the following strategies:

- consolidate our position in Changsha, Hunan Province and continue to expand our business scale through multiple channels;
- boost the service capacities and keep diversifying the service offerings;
- invest more for further technology development to bolster our technology and data capabilities; and
- adhere to talent-oriented management policy and continue to improve the human resource management system.

For details, please refer to the section headed "Business – Business Strategies" in this document.

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The following table sets forth summary of financial data from our historical financial information for the Track Record Period, extracted from the Accountants' Report set out in Appendix I to this document. The summary of financial data set forth below should be read together with, and is qualified in its entirety by reference to, the historical financial information in this document, including the related notes. Our historical financial information was prepared in accordance with IFRS Accounting Standards.

Summary of Consolidated Statements of Profit or Loss and Other Comprehensive Income

	For the year ended December 31,		
	2021	**2022**	**2023**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Revenue	**431,653**	**528,523**	**651,875**
Cost of sales	(324,347)	(406,976)	(500,044)
Gross profit	**107,306**	**121,547**	**151,831**
Other net income	8	3,790	2,184
Selling expenses	(4,717)	(4,454)	(4,742)
Administrative expenses	(42,324)	(43,744)	(53,391)
Expected credit loss	(11,920)	(10,758)	(7,266)
Profit from operations	**48,353**	**66,381**	**88,616**
Share of profits less losses of an associate and joint ventures	4,646	3,092	2,178
Finance income	1,180	1,221	2,212
Finance costs	(1)	(8)	(6)
Profit before taxation	**54,178**	**70,686**	**93,000**
Income tax	(13,337)	(17,090)	(22,822)
Profit and total comprehensive income for the year	**40,841**	**53,596**	**70,178**
Attributable to:			
Equity shareholders of the Company	40,400	53,095	70,178
Non-controlling interests	441	501	–
	40,841	53,596	70,178
Earnings per share (RMB)			
Basic and diluted	0.34	0.44	0.58

Our net profit amounted to RMB40.8 million, RMB53.6 million and RMB70.2 million in 2021, 2022 and 2023, respectively, exhibiting a consistent upward trend that was in line with the increasing trend of our revenue in our property management services and urban services.

Summary of Consolidated Statements of Financial Position

	As of December 31,		
	2021	**2022**	**2023**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Total non-current assets	62,884	45,750	53,834
Total current assets	393,689	493,715	596,260
Total assets	**456,573**	**539,465**	**650,094**
Total non-current liabilities	–	30	2,132
Total current liabilities	312,658	353,759	392,108
Total liabilities	**312,658**	**353,789**	**394,240**
Net current assets	**81,031**	**139,956**	**204,152**
Net assets	**143,915**	**185,676**	**255,854**
Paid-in capital/share capital	10,000	120,000	120,000
Reserves	132,312	65,676	135,854
Total equity attributable to equity shareholders of the Company	**142,312**	**185,676**	**255,854**
Non-controlling interests	**1,603**	**–**	**–**
Total equity	**143,915**	**185,676**	**255,854**

Our net assets increased by RMB41.8 million from RMB143.9 million as of December 31, 2021 to RMB185.7 million as of December 31, 2022, primarily due to the profit and total comprehensive income of RMB53.6 million we recorded in 2022, partially offset by the effect of Reorganization of RMB11.8 million, primarily in relation to (i) the deemed distribution relating to our gratuitous transfer of Dufu River Tower tourism operation business and related net assets to Yuelushan Company at nil consideration on December 31, 2021, which was mainly driven by our Group's strategy to focus on property management and urban services, while integrating Dufu River Tower tourism operation business with the culture and tourism business of CSUDGCL; and (ii) our acquisition consideration of approximately RMB9.8 million paid to Chengfa Smart Travel Company for 100.0% equity interest in the Parking Company on August 19, 2022, in order to integrate the parking lot management business into our urban services. See "Financial Information – Discussion of Certain Selected Items from Our Consolidated Statements of Financial Position." Our net assets increased by RMB70.2 million from RMB185.7 million as of December 31, 2022 to RMB255.9 million as of December 31, 2023, primarily due to the profit and total comprehensive income of RMB70.2 million we recorded in 2023 and nil dividends declared in the same year.

Our net current assets were RMB81.0 million, RMB140.0 million and RMB204.2 million as of December 31, 2021, 2022 and 2023, respectively. The overall growth of our net current assets outpaced the overall increase in our net assets, as we invested less in non-current assets (after accounting for depreciation, amortization, and related incomes) compared to the overall increase in our net assets at the end of each year during the Track Record Period. Specifically, as of December 31, 2023 (i) our cash and cash equivalents increased by RMB80.3 million as compared to December 31, 2021, primarily due to the retention of our net profits and the settlement of amounts due from and due to related parties; and (ii) our contract assets, prepayments, and trade receivables increased by RMB116.3 million as compared to December 31, 2021, mainly resulting from the increase in service fee from our customers and in our revenue as a result of the expansion of our landscaping and engineering services and lighting system operation services. Such increase was partially offset by an increase of RMB97.8 million in our trade payables and other payables, which was mainly attributable to our business expansion of landscaping and engineering services and reflected a minor fluctuation in our overall balances of amounts receivable and payable (both trade and non-trade in nature).

For details, please refer to the section headed "Financial Information – Discussion of Certain Selected Items from Our Consolidated Statements of Financial Position" in this document and the section headed "Accountants' Report – Consolidated Statement of Changes in Equity" set out in Appendix I to this document.

Summary of Consolidated Statements of Cash Flows

	For the year ended December 31,		
	2021	**2022**	**2023**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Operating cash flows before changes in working capital	70,090	86,213	102,987
Changes in working capital	(21,347)	(79,942)	19,174
Income tax paid	(5,370)	(14,387)	(44,467)

	For the year ended December 31,		
	2021	**2022**	**2023**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Net cash generated from/(used in) operating activities	43,373	(8,116)	77,694
Net cash (used in)/generated from investing activities	(41,057)	20,349	58,293
Net cash used in financing activities	(765)	(18,338)	(49,599)
Net increase/(decrease) in cash and cash equivalents	**1,551**	**(6,105)**	**86,388**
Cash and cash equivalents at the beginning of the year	128,376	129,927	123,822
Cash and cash equivalents at the end of the year	**129,927**	**123,822**	**210,210**

For the year ended December 31, 2022, we recorded net operating cash outflows of approximately RMB8.1 million, mainly due to (i) the changes in working capital, which primarily reflected (a) an increase in contract assets of RMB74.5 million, reflecting the relatively longer certification period for our lighting system operation services, and (b) an increase in prepayments, trade and other receivables of RMB46.0 million, partially offset by an increase in trade and other payables of RMB53.6 million, and (ii) the income tax paid of RMB14.4 million. For details, please refer to the section headed "Financial Information – Liquidity and Capital Resources – Cash Flow Analysis – Net Cash Generated from/(Used in) Operating Activities" in this document.

KEY FINANCIAL RATIOS

The following table sets forth certain of our key financial ratios for the years or as of the dates indicated.

	For the year ended/ As of December 31,		
	2021	**2022**	**2023**
Gross profit margin(1)	24.9%	23.0%	23.3%
Net profit margin(2)	9.5%	10.1%	10.8%
Return on equity(3)	33.0%	32.5%	31.8%
Return on total assets(4)	10.4%	10.8%	11.8%
Current ratio(5)	1.3	1.4	1.5
Quick ratio(6)	1.3	1.4	1.5
Gearing ratio(7)	217.3%	190.5%	154.1%

Notes:

(1) Gross profit margin is calculated using gross profit for the year by total revenue for the year and multiplied by 100%.

(2) Net profit margin is calculated using profit and total comprehensive income for the year divided by total revenue for the year and multiplied by 100%.

(3) Return on equity is calculated based on profit and total comprehensive income for the year divided by the average of the beginning and ending total equity for that year and multiplied by 100%.

(4) Return on total assets is calculated based on the profit and total comprehensive income for the year divided by the average of the beginning and ending total assets for that year and multiplied by 100%.

(5) Current ratio is calculated by dividing current assets by current liabilities.

(6) Quick ratio is calculated by dividing current assets less inventories by current liabilities.

(7) Gearing ratio is calculated based on our total liabilities divided by our total equity as of the respective dates and multiplied by 100%.

For details, please refer to the section headed "Financial Information – Key Financial Ratios" in this document.

RISK FACTORS

Our business and the [**REDACTED**] involve certain risks, including risks relating to (i) our business and industry; (ii) the location where we conduct business; and (iii) the [**REDACTED**]. Some of the major risks we face include, but are not limited to, the following:

- a significant portion of our operation is concentrated in Changsha, Hunan Province, and we are susceptible to unfavorable shifts in government policies or the business environment in this region;

- a substantial portion of our projects during the Track Record Period was generated from CSUD Group and its associates, as well as local government and its affiliated entities, public institutions, and other SOEs in Changsha;

- we may not be able to secure new service contracts or renew our existing service contracts;

- delays in receiving payment or failure to collect service fees from customers may result in the risk of impairment losses on our trade receivables and adversely impact our financial condition and liquidity;

- damage to the common areas of the properties we manage or operate and the public urban areas where we provide the lighting operation system services could adversely affect our business, financial condition and results of operations; and

- increase in labor costs may adversely affect our business and reduce our profitability.

These risks are not the only significant risks that may affect the value of our Shares. You should carefully consider all of the information set forth in this document and, in particular, should refer to the section headed "Risk Factors" in this document before you decide to [**REDACTED**] in the Hong Kong [**REDACTED**].

RECENT REGULATORY DEVELOPMENTS

The "Three Red Lines" Policy

In 2020, MOHURD, together with PBOC, formulated the "Three Red Lines" policy for real estate companies, with the intention to control the scale of interest-bearing debts of major property developers in China and facilitate the sustainable development of China's real estate industry. The "Three Red Lines" policy refers to: (i) the gearing ratio (excluding receipts in advance) of a real estate company shall not exceed 70%; (ii) the net gearing ratio of a real estate company shall not exceed 100%; and (iii) cash over short-term interest-bearing loans ratio shall not be lower than 1.0. As advised by our PRC Legal Advisors and the PRC legal advisors to the Sole Sponsor, our Directors believe and the Sole Sponsor concurs that the policy is not applicable to CSUD Group and would not have a material adverse impact on our relationship with CSUD Group and the business, results of operation and financial performance of our Group. For more details, please see "Business – Recent Regulatory Development" in this document.

Management Measures of Property Service Fees in Hunan Province

On April 1, 2022, Hunan Provincial Development and Reform Commission, Hunan Provincial Department of Housing, and Urban-Rural Development and Hunan Provincial Market Supervision Bureau promulgated the Management Measures of Property Service Fees in Hunan Province (2022)（《湖南省物業服務收費管理辦法(2022)》）which became effective on May 15, 2022. According to the Management and Measures of Property Service Fees in Hunan Province (2022), property service charges are subject to government guidance prices or market-regulated prices according to the nature and characteristics of different properties. The government guidance prices shall be implemented for the property service fees of ordinary residential properties (including property service fee for purchased parking spaces, renovation service fee and renovation waste removal fee) before the establishment of the general meeting of property owners, and the market-regulated prices shall be implemented for the property service fees of villas (referring to stand-alone large houses and townhouses with outdoor courtyards), other non-residential properties and ordinary residential properties (including property service fee for purchased parking spaces, renovation service fee and renovation waste removal fee) after the establishment of the general meeting of property owners. The Management Measures of Property Service Fees in Hunan Province (2022) further clarifies the scope of application of market-regulated prices and restricts the scope of application of government guidance prices, and it shall not have any material adverse impact on our Group.

Overseas Listing Trial Measures

On February 17, 2023, the CSRC promulgated six rules and regulations, including the Trial Administrative Measures of the Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) (the "**Overseas Listing Trial Measures**") and five supporting guidelines which became effective on March 31, 2023. According to the Overseas Listing Trial Measures, an issuer is deemed to be a domestic enterprise indirectly listed abroad if it also meets the following circumstances: (i) the domestic enterprise's operating revenue, total profit, total assets or net assets for the most recent fiscal year, any of which accounts for more than 50% of the relevant data in the issuer's audited consolidated financial statements for the same periods; and (ii) the majority of the senior management personnel responsible for business operation and management are Chinese citizens or have their habitual residence in the PRC, and the main part of the business activities are carried out in the territory or the main premises are located in the territory.

On the same day, in order to promote the orderly implementation of the Overseas Listing Trial Measures, the CSRC issued Notice on the Administrative Arrangements for the Filing of Overseas Listings of Domestic Enterprises (《關於境內企業境外發行上市備案管理安排的通知》), which stipulates that domestic enterprises falling within the scope of filing are existing enterprises if they meet the following conditions: (i) they have already been listed in an overseas offering; (ii) before the date when the Interim Measures for the Administration come into force, the applications for indirect overseas offering and listing have been approved by overseas regulatory institutions or overseas stock exchanges, and there is no need to undergo the regulatory procedures of overseas regulatory institutions or overseas stock exchanges for offering and listing, and overseas offering and listing have been completed before September 30, 2023. Stock companies are not required to file immediately, and subsequent filings should be filed as required if they are involved in refinancing and other filing matters.

On February 24, 2023, the Provisions on Strengthening the Confidentiality and Archives Administration Concerning the Overseas Securities Offering and Listing by Domestic Enterprises (《關於加強境內企業境外發行證券和上市相關保密和檔案管理工作的規定》) (the "**Confidentiality and Archives Administration Provisions**") was released, which became effective on March 31, 2023. According to the Confidentiality and Archives Administration Provisions, domestic joint-stock companies with direct overseas offerings and listed entities and domestic operating entities with indirect overseas offerings and listed entities provide or publicly disclose to relevant securities companies, securities service providers, overseas regulatory bodies and other entities and individuals, or provide or publicly disclose through their overseas listed entities, etc., documents or information involving state secrets or secrets of the work of state organs, or other documents or information that will adversely affect national security or public interest after disclosure, the corresponding procedures shall be strictly performed in accordance with the relevant state regulations.

Our PRC Legal Advisors are of the view that (i) the implementation of the [**REDACTED**] and [**REDACTED**] proposal is subject to the filing and approval procedures of domestic and offshore competent regulatory authorities, including, without limitation, CSRC, HKEX and SFC; and (ii) the Company shall submit filing documents to CSRC within three business days following the [**REDACTED**] at the HKEX. In compliance with the Overseas Listing Trial Measures, we submitted filing documents to CSRC, and CSRC received our filing documents on July 5, 2023. CSRC confirmed that our filing was completed on February 5, 2024. As advised by our PRC Legal Advisors, no other approvals from CSRC are required to be obtained for the [**REDACTED**] of the [**REDACTED**] on the Stock Exchange.

Effects of the COVID-19 Pandemic on Our Business Operation

The outbreak of COVID-19 resulted in an increase in the cost of purchasing pandemic protective materials and hiring pandemic prevention personnel, which had an impact on the short-term performance of our business. However, as of the Latest Practicable Date, we had not experienced any significant disruptions to the services supplied by our subcontractors and utilities service providers, or the supply of materials from our suppliers. The average occupancy rate of the commercial properties for which we provided commercial operation services decreased from 91.2% as of December 31, 2021 to 73.4% as of December 31, 2022. Our Directors are of the view that the decline in the average occupancy rate was primarily due to a decrease in the demand for commercial properties as a number of stores were temporarily closed under the government's pandemic prevention policies to combat the COVID-19 pandemic, but the rate subsequently increased to 93.2% as of December 31, 2023, partially attributed to the mitigation of the pandemic and the relaxation of governmental control.

Effects of the COVID-19 Pandemic on Our Financial Condition

Our revenue generated from commercial operation services decreased in 2022 due to the termination of leases by certain tenants as affected by the COVID-19 Pandemic and the COVID-19 Pandemic has inevitably increased our additional expenditure in 2022 for tackling the COVID-19 Pandemic, such as costs associated with enhanced hygienic and precautionary measures and engaging pandemic prevention personnel thus impinging on our revenue and profit. Our expenses on procuring protective equipment amounted to RMB0.2 million and RMB0.3 million in 2021 and 2022, respectively. Despite the impacts of the COVID-19 Pandemic on our financial condition as mentioned above, to the best of our Directors' knowledge, our Group did not experience any significant difficulty in collecting service fees. Following the subsiding of the COVID-19 Pandemic in early 2023, we did not incur any further expense on procuring protective equipment in 2023, and we achieved revenue growth in commercial operation services in the same year.

Our Directors are of the view that we had not experienced any material adverse impacts on our financial performance or results of operations as of the Latest Practicable Date and that the COVID-19 Pandemic is not expected to have any material adverse impact on our future development. For details, please refer to the section headed "Risk Factors – Risks Relating to Our Business and Industry – Our business, financial condition and results of operations have been and may continue to be affected by COVID-19" in this document.

COMPETITION

The property management service, urban service and commercial operation service markets in Changsha, Hunan Province, and China are highly competitive and fragmented. Our market share in terms of GFA under management and total revenue from all business segments in 2022 was approximately 0.66% and 0.94% of the property management market in Hunan Province; our market share in terms of revenue generated from urban services in 2022 was approximately 0.42% of the urban service market in Hunan Province; our market share in terms of GFA under management in 2022 was approximately 0.96% of the commercial operation services market in Hunan Province. Furthermore, our market share in terms of GFA under management and total revenue in 2022 was approximately 1.65% and 2.34% of the property management market in Changsha; our market share in terms of revenue generated from urban services in 2022 was approximately 1.05% of the urban service market in Changsha; our market share in terms of GFA under management in 2022 was approximately 3.21% of the commercial operation services market in Changsha. The top 100 property management service providers ranked in terms of GFA under management in China accounted for approximately 46.1% of the property management market in 2022, increasing from approximately 32.4% in 2017. According to CIA, the property management market in Changsha will become further concentrated in the future, which is in line with the national trend. In this regard, the corporate size, revenue and market share of major market players are expected to continue to grow more rapidly than other market participants.

Our Group benefits from factors such as favorable policies in the urban public services, diversified business structure, brand recognition, and business development capabilities. As of the Latest Practicable Date, CSUD Group was the largest urban investment and development enterprise in terms of total asset, revenue and net profit in both Changsha and Hunan Province. Our relationship with CSUD Group is expected to provide future opportunities for our property management and urban services operations. Based in Changsha, a city renowned for dynamic consumer market, we are expected to capture more opportunities in the market of commercial property management and to expand our commercial operation services. Our Directors are of the view that our diversified business structures would allow us to maintain a competitive edge over other market participants. For details, please refer to the section headed "Business – Competition" in this document.

RECENT DEVELOPMENT

Subsequent to December 31, 2023 and up to the Latest Practicable Date, we were successfully awarded four property management service projects, and as of the Latest Practicable Date, the total number of our contracted property management service projects was 70, with the total contracted GFA of 12.0 million sq.m. During the same periods, we entered into 19 landscaping and engineering agreements, and 16 parking lot operation agreements. As of the Latest Practicable Date, we had been managing 141 parking lot operation projects, four lighting system operation projects, and three municipal sanitation projects. In addition, the total number of our commercial operation projects under management was 53, with the total GFA under management of 804 thousand sq.m. as of the Latest Practicable Date.

NO MATERIAL ADVERSE CHANGE

Our Directors have confirmed that, up to the date of this document, there has been no material adverse change in our financial, operational or trading positions or prospects since December 31, 2023, being the end date of our latest audited financial statements, and there has been no event since December 31, 2023 that would materially affect the information shown in the Accountants' Report included in Appendix I to this document.

OUR SHAREHOLDING STRUCTURE AND RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

As of the Latest Practicable Date, CSUDGCL, a limited company incorporated in the PRC (which was wholly owned by Changsha Municipal SASAC) and a promoter of our Company, was directly interested in and entitled to exercise, 95% of the voting rights in our Company through 114,000,000 Unlisted Shares held by it. As of the Latest Practicable Date, CSUDGCL was indirectly interested in the remaining 5% of our total issued share capital through Yuelushan Company (the other promoter of our Company) and CUCID Group. Accordingly, CSUDGCL, CUCID Group and Yuelushan Company constitute a group of Controlling Shareholders under the Listing Rules. Immediately following the completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised), CSUDGCL, CUCID Group and Yuelushan Company will be able to exercise, in aggregate, approximately [**REDACTED**]% of the voting rights in our Company and therefore will remain as our Controlling Shareholders pursuant to the Listing Rules. For more details, please see "Relationship with Our Controlling Shareholders" in this document.

Our Directors are of the view that the businesses of our Group and CSUD Group are clearly delineated. CSUD Group principally assumes the roles of developer, owner and/or investor in respect of the properties and projects developed or invested by CSUD Group with the purpose of maximizing CSUD Group's investment interests and brand value in such self-developed properties and infrastructure construction projects; whereas our Group is principally a light-asset service provider without holding any ownership interest in our managed properties, with our property management services aimed at keeping the properties safe, clean and functional, our urban services aimed at improving the environment of property developments and addressing the lifestyle needs of existing residents, and our commercial operation services aimed at promoting and marketing the properties under management. Whilst there exist limited overlapping or similar businesses, our Directors are of the view that these will not materially affect the business delineation between our Group and CSUD Group, and the interests of CSUD Group in the existing limited overlapping or similar businesses do not, and will not, give rise to (i) any direct or indirect competition between our Group and CSUD Group in any material aspect; or (ii) any actual or potential conflict of interest between our Group and CSUD Group in any material aspect.

CSUDGCL and certain of its associates have entered into Deeds of Non-Competition in favor of our Group. For more details, please see "Relationship with Our Controlling Shareholders – Deeds of Non-Competition" in this document.

We have a well-established and ongoing business relationship with CSUD Group. We believe our long-term and close strategic relationship with CSUD Group lays a solid ground for our sustainable growth.

The following table indicates the number and percentage of projects awarded by CSUD Group and its associates to our Group for each business segment for the years indicated:

	For the year ended December 31,					
	2021		2022		2023	
	Number of projects	Percentage	Number of projects	Percentage	Number of projects	Percentage
		(%)		*(%)*		*(%)*
Property management services	47	77.1	51	75.0	52	88.0
Urban services	230	95.0	274	95.1	314	96.6
Commercial operation services	44	95.7	44	95.7	50	96.2

Leveraging our comprehensive capabilities and expertise showing in cooperation with CSUD Group, we are well-positioned and have been actively sourcing projects from Independent Third Parties. For the years ended December 31, 2021, 2022 and 2023, our revenue generated from Independent Third Parties as customers accounted for 57.6%, 55.6% and 55.6% of our total revenue, respectively. In particular, the revenue from Independent Third Parties as customer in the urban service sector accounted for 25.1%, 30.7% and 31.3% of our total revenue for the years ended December 31, 2021, 2022 and 2023, respectively, with an increasing trend year by year; we have been actively expanding our cooperation with other customers, including municipal authorities, public institutions, and private enterprises. For each year during the Track Record Period, the percentages of revenue generated from Independent Third Parties by source of projects were approximately 29.8%, 34.0% and 35.6%, respectively. The upward trend demonstrates our Group's decreasing reliance on CSUD Group and its associates in terms of project sourcing.

Our Group has entered into certain transactions with CSUDGCL (for itself and on behalf of its associates) and its associates which will constitute continuing connected transactions of our Company under chapter 14A of the Listing Rules upon the [**REDACTED**]. For further details, please see "Continuing Connected Transactions" in this document.

DIVIDENDS

For the years ended December 31, 2021, 2022 and 2023, dividends amounting to RMB20,000, nil and nil were declared by our Company, respectively. As of the Latest Practicable Date, the dividends were fully paid.

For the years ended December 31, 2021, 2022 and 2023, aggregated dividends amounting to RMB480,000, nil and nil were declared, by Chengtou Asset, Chengfa Commercial and Parking Company to their then shareholders prior to the Reorganization, respectively. As of the Latest Practicable Date, the dividends were fully paid.

After completion of the [**REDACTED**], our Shareholders will be entitled to receive dividends we declare. Currently, we do not have a formal dividend policy or a fixed dividend distribution ratio. Any dividends we pay will be determined at the absolute discretion of our Board, taking into account factors including our actual and expected results of operations, cash flow and financial position, general business conditions and business strategies, expected working capital requirements and future expansion plans, legal, regulatory and other contractual restrictions, and other factors that our Board deems to be appropriate. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents, including (where required) the approval of our Shareholders.

[REDACTED] STATISTICS[1]

	Based on the [REDACTED] of HK$[REDACTED]	Based on the [REDACTED] of HK$[REDACTED]
Market capitalization of our Shares[2]	HK$[**REDACTED**] million	HK$[**REDACTED**] million
Unaudited [**REDACTED**] adjusted consolidated net tangible assets attributable to equity shareholders of the Company per Share[3]	HK$[**REDACTED**]	HK$[**REDACTED**]

Notes:

(1) All statistics in this table are on the assumption that the [**REDACTED**] is not exercised.

(2) The calculation of market capitalization is based on [**REDACTED**] Shares expected to be in issue immediately upon completion of the [**REDACTED**].

(3) The unaudited [**REDACTED**] adjusted consolidated net tangible assets attributable to equity shareholders of the Company per Share is calculated after making the adjustments referred to "Appendix II – Unaudited [**REDACTED**] Financial Information" to this document.

[**REDACTED**]

We estimate that we will receive [**REDACTED**] of approximately HK$[**REDACTED**] million from the [**REDACTED**] after deducting the [**REDACTED**] and other estimated expenses in connection with the [**REDACTED**] payable by us, assuming no [**REDACTED**] is exercised and assuming an [**REDACTED**] of HK$[**REDACTED**] per Share (being the mid-point of the indicative [**REDACTED**] Range set forth on the cover page of this document).

We intend to use the [**REDACTED**] from the [**REDACTED**] for the following purposes:

- approximately [**REDACTED**]%, or HK$[**REDACTED**] million, will be used for pursuing potential strategic acquisition opportunities of property management service providers and urban service providers with a geographic focus on Hunan Province, Jiangxi Province and Guizhou Province, so as to maximize potential collaborative advantages with our existing business, enhance our geographic presence, and boost our business development;

- approximately [**REDACTED**]%, or HK$[**REDACTED**] million, will be used for the purchase of operational vehicles and equipment for municipal sanitation services and lighting system operation services, thereby progressively enhancing our service capacity;

- approximately [**REDACTED**]%, or HK$[**REDACTED**] million, will be used over the next four years for further technology development to bolster our technological capabilities;

- approximately [**REDACTED**]%, or HK$[**REDACTED**] million, will be used for recruiting talent and improving employee training to support sustainable business development; and

- approximately [**REDACTED**]%, or HK$[**REDACTED**] million, will be used for working capital and other general corporate purposes.

For details, please refer to the section headed "Future Plans and [**REDACTED**]" in this document.

[**REDACTED**]

Assuming an [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**] (being the mid-point of the indicative [**REDACTED**] range), and that [**REDACTED**] will not be exercised, we expect to incur estimated total [**REDACTED**] of approximately HK$[**REDACTED**] million (equivalent to approximately RMB[**REDACTED**] million), including [**REDACTED**] of approximately HK$[**REDACTED**] million (equivalent to approximately RMB[**REDACTED**] million) and [**REDACTED**] related expenses of approximately HK$[**REDACTED**] million (equivalent to approximately RMB[**REDACTED**] million), which consist of (i) fees paid and payable to legal advisors and Reporting Accountants of approximately HK$[**REDACTED**] million (equivalent to approximately RMB[**REDACTED**] million); and (ii) other fees and expenses, of approximately HK$[**REDACTED**] million (equivalent to approximately RMB[**REDACTED**] million). Among the estimated aggregate amount of our estimated [**REDACTED**], (i) approximately HK$[**REDACTED**] million (equivalent to approximately RMB[**REDACTED**] million) is expected to be charged to our consolidated statements of profit or loss, of which approximately HK$[**REDACTED**] million (equivalent to approximately RMB[**REDACTED**] million) was recognized as our profit or loss during the Track Record Period; and (ii) approximately HK$[**REDACTED**] million (equivalent to approximately RMB[**REDACTED**] million) is directly attributable to the [**REDACTED**] of the [**REDACTED**] in the [**REDACTED**] and is expected to be accounted for as a deduction from equity upon [**REDACTED**] in accordance with relevant accounting standards. Assuming an [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**] (being the mid-point of the indicative [**REDACTED**] range), the [**REDACTED**] as a percentage of gross [**REDACTED**] is approximately [**REDACTED**]%.

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

"Accountants' Report"	the report of the Reporting Accountants dated [●] 2024, the text of which is set out in Appendix I to this document
"affiliate(s)"	with respect to any specified person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
"AFRC"	the Accounting and Financial Reporting Council of Hong Kong
"Articles of Association"	the articles of association of our Company conditionally adopted on May 11, 2023 with effect from the [**REDACTED**], as amended from time to time, a summary of which is set out in Appendix V to this document
"associate(s)"	has the meaning ascribed to it under the Listing Rules, unless the context otherwise explicitly applies
"Board" or "Board of Directors"	the board of directors of our Company
"business day" or "Business Day"	any day on which banks in Hong Kong are generally open for business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
"CAGR"	compound annual growth rate

[**REDACTED**]

"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"Changsha Municipal SASAC"	State-owned Assets Supervision and Administration Commission of Changsha Municipal People's Government (長沙市人民政府國有資產監督管理委員會)

"Changsha Xingshui"	Changsha Xingshui Property Management Company Limited (長沙市興水物業管理有限公司), established in the PRC with limited liability on June 17, 1998, and a wholly-owned subsidiary of Shuiye Group (89.12% of equity interest of which was indirectly owned by CSUDGCL, one of our Controlling Shareholders) as of the Latest Practicable Date
"Changsha Zurbrueggen"	Changsha Hengde Zurbrueggen Business Management Company Limited (長沙恒德卓伯根商業管理有限公司), established in the PRC with limited liability on March 25, 2021, and 30% of equity interest of which was indirectly owned by Pilot Investment (a 90%-controlled company directly held by CSUDGCL, one of our Controlling Shareholders) as of the Latest Practicable Date
"China" or "PRC"	the People's Republic of China, excluding, for the purpose of this document only, Hong Kong, Macau and Taiwan
"Chengfa Commercial"	Changsha Chengfa Commercial Management Co., Ltd. (長沙城發商業管理有限公司) (previously known as Changsha Pilot Hengtong Commercial Management Co., Ltd. (長沙先導恒通商業管理有限公司) ("Hengtong Commercial Management")), a company established in the PRC with limited liability on April 5, 2017 and a direct wholly-owned subsidiary of our Company
"Chengfa Property"	Changsha Chengfa Property Management Co., Ltd. (長沙城發物業管理有限公司) (previously known as Ningxiang Yongjia Property Management Company Limited (寧鄉永佳物業管理有限公司) ("Ningxiang Yongjia Property")), a company established in the PRC with limited liability on November 11, 2005 and a direct wholly-owned subsidiary of our Company
"Chengfa Smart Travel Company"	Changsha Chengfa Smart Travel Investment and Operation Co., Ltd. (長沙城發智慧出行投資運營有限公司), a company established in the PRC with limited liability on November 30, 2016 and an indirect non-wholly owned subsidiary of CSUDGCL

"Chengfa Xingjia"	Changsha Chengfa Xingjia Apartment Operation and Management Co., Ltd. (長沙城發星家公寓運營管理有限公司) (previously known as Changsha Pilot Yanghu Commercial Operation Management Co., Ltd. (長沙先導洋湖商業經營管理有限公司) ("Pilot Yanghu")), a company established in the PRC with limited liability on February 20, 2017 and an indirect wholly-owned subsidiary of our Company
"Chengtou Asset"	Changsha Chengtou Asset Management Co., Ltd. (長沙城投資產經營有限責任公司), a company established in the PRC with limited liability on June 1, 2011 and a direct wholly-owned subsidiary of Chengfa Commercial
"Chengtou Property"	Changsha Chengtou Property Service Co., Ltd. (長沙城投物業服務有限公司), a company established in the PRC with limited liability on November 7, 2013 and a direct wholly-owned subsidiary of Chengfa Commercial
"CIA"	China Index Academy (中指研究院)
"close associate"	has the meaning ascribed to it under the Listing Rules
"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company", "our Company" or "Hollwin"	Hollwin Urban Operation Service Group Co., Ltd (泓盈城市運營服務集團股份有限公司) (previously known as Changsha Pilot Property Management Co., Ltd. (長沙先導物業管理有限公司) ("Pilot Property"))
"Company Law" or "PRC Company Law"	Company Law of the People's Republic of China (《中華人民共和國公司法》), as amended, supplemented or otherwise modified from time to time
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"connected transactions(s)"	has the meaning ascribed to it under the Listing Rules

"Controlling Shareholder(s)"	has the meaning ascribed to it under the Listing Rules and, with respect to the Company, refers to CSUDGCL, CUCID Group and Yuelushan Company, which constitute a group of Controlling Shareholders, and each a "Controlling Shareholder"
"COVID-19 (Pandemic)"	coronavirus disease 2019, a viral respiratory disease caused by the severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2 virus)
"CPC"	the Communist Party of China (中國共產黨)
"CSRC"	the China Securities Regulatory Commission (中國證券監督管理委員會), a regulatory body responsible for the supervision and regulation of the PRC national securities markets
"CSUD Group"	CSUDGCL and its subsidiaries, excluding our Group
"CSUDGCL"	Changsha Urban Development Group Co., Ltd. (長沙城市發展集團有限公司), which is one of our Controlling Shareholders, was established in the PRC with limited liability on September 20, 2019 and is wholly owned by Changsha Municipal SASAC as of the Latest Practicable Date
"CUCID Group"	Changsha Urban Construction Investment and Development Group Co., Ltd. (長沙市城市建設投資開發集團有限公司), one of our Controlling Shareholders, established in the PRC with limited liability on August 18, 1998, and a wholly-owned subsidiary of CSUDGCL as of the Latest Practicable Date
"Deeds of Non-Competition"	the deeds of non-competition given by CSUDGCL, CUCID Group, Yuelushan Company, Shuiye Group and Ranqi Group in favor of our Company (for itself and for benefit of each of the members of our Group) regarding the non-competition undertaking, particulars of which are set out in "Relationship with our Controlling Shareholders" in this document

"Director(s)" or "our Directors"	the director(s) of our Company
"EIT"	the PRC enterprise income tax
"EIT Law"	the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》), as amended, supplemented or otherwise modified from time to time
"electronic application instruction(s)"	instruction(s) given by a CCASS Participant electronically via CCASS to HKSCC, being one of the methods to apply for the [**REDACTED**]

[**REDACTED**]

"Extreme Conditions"	extreme conditions caused by a super typhoon as announced by the government of Hong Kong

[**REDACTED**]

"GB/T"	Chinese national standards issued by the Standardization Administration of China

[**REDACTED**]

"Group," "our Group," "we," "our" or "us"	our Company and, where appropriate, its subsidiaries or, in respect of the period before the Company became the holding company of its present subsidiaries, the businesses operated by such subsidiaries or their predecessors, as the case may be

DEFINITIONS

"Guiyang Hongcheng"	Guiyang Hongcheng Service Co., Ltd. (貴陽泓城服務有限公司), a company established in the PRC with limited liability on December 4, 2023 and a direct non-wholly owned subsidiary of our Company
"H Share(s)"	ordinary shares in the share capital of the Company with a nominal value of RMB1.00 each, which are to be subscribed for and traded in Hong Kong dollars and for which an [**REDACTED**] has been made for the granting of [**REDACTED**] and permission to [**REDACTED**] in on the Stock Exchange

[**REDACTED**]

"HK$" or "Hong Kong dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"HKSCC"	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited

[**REDACTED**]

"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"HKSCC Operational Procedures"	the operational procedures of HKSCC, containing the practices, procedures and administrative or other requirements relating to HKSCC's services and the operations and functions of CCASS, [**REDACTED**] or any other platform, facility or system established, operated and/or otherwise provided by or through HKSCC, as from time to time in force
"HKSCC Participant"	a participant admitted to participate in CCASS as a direct clearing participant, a general clearing participant or a custodian participant

"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC

[**REDACTED**]

"Hong Kong Stock Exchange" or "Stock Exchange"	The Stock Exchange of Hong Kong Limited

[**REDACTED**]

"Hongying Yunda"	Changsha Hongying Yunda Property Service Co., Ltd. (長沙泓盈運達物業服務有限公司), a company established in the PRC with limited liability on December 14, 2023 and a direct non-wholly owned subsidiary of Chengfa Property

DEFINITIONS

"Hunan Changran"	Hunan Changran Property Development Company Limited (湖南長燃物業發展有限公司), established in the PRC with limited liability on March 22, 2017, and a wholly-owned subsidiary of Ranqi Group, approximately 52.5% of equity interest of which was indirectly owned by CSUDGCL as of the Latest Practicable Date
"Hunan Huayujin"	Hunan Huayujin Commercial Management Company Limited (湖南華與錦商業管理有限公司), established in the PRC with limited liability on April 22, 2019, and approximately 49% of equity interest of which was indirectly owned by Shuiye Group (89.12% of equity interest of which was indirectly owned by CSUDGCL) as of the Latest Practicable Date
"Independent Third Party(ies)"	any entity or person which or who, to the best of our Directors' knowledge, information and belief, is not a connected person of our Company within the meaning ascribed to it under the Listing Rules

[**REDACTED**]

"Landscaping Company"	Hunan Pilot Modern Landscaping and Greening Co., Ltd. (湖南省先導現代園林綠化有限公司) (previously known as Hunan Modern Landscaping Greening Company Limited (湖南省現代園林綠化有限公司) ("Hunan Landscaping")), a company established in the PRC with limited liability on February 2, 2001 and a direct wholly-owned subsidiary of our Company
"Latest Practicable Date"	April 16, 2024, being the latest practicable date for the purpose of ascertaining certain information contained in this document prior to its publication
"Lighting Company"	Changsha Urban Lighting Operation and Development Co., Ltd. (長沙城市照明運營發展有限公司), a company established in the PRC with limited liability on March 29, 2022 and a direct wholly-owned subsidiary of our Company

[**REDACTED**]

"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
"Macau"	the Macau Special Administrative Region of the PRC
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with GEM of the Stock Exchange
"MOHURD"	the Ministry of Housing and Urban-Rural Development of the PRC (中華人民共和國住房和城鄉建設部) or its predecessor

"NDRC"	the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)

[**REDACTED**]

"Parking Company"	Changsha Parking Lot Investment Construction Operation Co., Ltd. (長沙市停車場投資建設經營有限公司), a company established in the PRC with limited liability on September 27, 2003 and a direct wholly-owned subsidiary of our Company
"PBOC"	People's Bank of China (中國人民銀行)

"Pilot Investment"	Changsha Pilot Investment Holding Group Company Limited (長沙先導投資控股集團有限公司), established in the PRC with limited liability on July 11, 2008, and approximately 90% of equity interest of which was directly owned by CSUDGCL as of the Latest Practicable Date
"PRC Government"	the central government of the PRC, including all government subdivisions (including provincial, municipal and other regional or local government entities) and its organs or, as the content requires, any of them
"PRC Legal Advisors"	Commerce & Finance Law Offices, our legal advisors as to the PRC laws

[**REDACTED**]

"Province" or "province"	each being a province or, where the context requires, a provincial level autonomous region or municipality under the direct supervision of the PRC Government
"R&D"	research and development
"Ranqi Group"	Changsha Ranqi Shiye Group Company Limited (長沙市燃氣實業有限公司), established in the PRC with limited liability on June 18, 1992, and approximately 52.5% of equity interest of which was indirectly owned by CSUDGCL as of the Latest Practicable Date
"Regulation S"	Regulation S under the U.S. Securities Act
"Renminbi" or "RMB"	Renminbi yuan, the lawful currency of the PRC

"Reorganization"	the reorganization of our Group in preparation of the [**REDACTED**], details of which are set out in "History, Reorganization and Corporate Structure – Reorganization" in this document
"SAFE"	State Administration of Foreign Exchange of the PRC (中華人民共和國外匯管理局)
"SASAC"	the State-owned Assets Supervision and Administration Commission of the State Council of the PRC (中華人民共和國國務院國有資產監督管理委員會)
"SCNPC"	the Standing Committee of the National People's Congress (全國人民代表大會常務委員會)
"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
"Share(s)"	share(s) in the share capital of the Company with a nominal value of RMB1.00 each, comprising the Unlisted Shares and H Shares
"Shareholder(s)"	holder(s) of the Share(s)
"Shuiye Group"	Changsha Water Industry Group Company Limited (長沙水業集團有限公司), established in the PRC with limited liability on December 7, 2004, and approximately 89.12% of equity interest of which was indirectly owned by CSUDGCL as of the Latest Practicable Date
"SOE(s)"	State-owned enterprise(s)

[**REDACTED**]

[**REDACTED**]

"State Council"	the State Council of the PRC (中華人民共和國國務院)
"subsidiary(ies)"	has the meaning ascribed to it under the Listing Rules
"substantial shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Takeovers Code"	the Codes on Takeovers and Mergers issued by the SFC, as amended, supplemented or otherwise modified from time to time
"Track Record Period"	the years ended December 31, 2021, 2022 and 2023
"U.S. Securities Act"	the U.S. Securities Act of 1933, as amended

[**REDACTED**]

"United States" or "U.S."	the United States of America, its territories and possessions, any State of the United States and the District of Columbia
"Unlisted Share(s)"	ordinary share(s) in the share capital of the Company with a nominal value of RMB1.00 each, which is/are not listed on any stock exchange
"USD", "U.S. dollars" or "US$"	United States dollars, the lawful currency of the United States
"Yuelushan Company"	Yuelushan Tourism Culture Development Co., Ltd. (岳麓山旅遊文化開發有限公司), one of our Controlling Shareholders, established in the PRC with limited liability on May 27, 2009, and a wholly-owned subsidiaries of CUCID Group as of the Latest Practicable Date

"Zhongnan Water"	Zhongnan Water Engineering Company Limited (中南水務工程有限公司), established in the PRC with limited liability on April 18, 2000, and a wholly-owned subsidiary of Shuiye Group, approximately 89.12% of equity interest of which was indirectly owned by CSUDGCL as of the Latest Practicable Date

Unless the content otherwise requires, references to "2021", "2022" and "2023" in this document refer to our financial year ended December 31 of such year.

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

The English translation of the PRC laws, regulations, governmental authorities, enterprises, natural persons or other entities in Chinese included in this document is for identification purposes only. To the extent there is any inconsistency between the Chinese language and the English translation of the foregoing, the Chinese language shall prevail.

GLOSSARY OF TECHNICAL TERMS

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

"AI"	artificial intelligence
"commission basis"	a revenue generating model for our property management business line whereby our fee income from property management consists only a specified percentage of the total management fees payable by the property owners or property developers while the rest of such fees is exclusively used for expenses agreed in the property management contract, and the property owners or developers enjoy the surplus or assume the loss
"common area(s)"	shared areas in properties such as lobbies, hallways, stairways, carparks, elevators and gardens, among others
"Contracted GFA"	relating to our property management services and commercial operation services, and representing GFA managed or to be managed by our Group under our property management service agreements and commercial operation service agreements, including both GFA under management and undelivered GFA
"GFA"	gross floor area
"GFA under management"	the portion of contracted GFA of (i) properties that have been delivered to us, for which we are already collecting property management fees in relation to contractual obligations to provide our property management services, or (ii) properties for which we are providing commercial operation services
"IT"	information technology
"ISO"	The International Organization of Standardization, world-wide federation of rational standard system
"ISO14001"	environmental management system requirements published by ISO used to prevent adverse effects on the environment

"ISO45001"	occupational health and safety management systems published by ISO, used to help organizations around the world ensure the health and safety of their workers
"ISO50001"	the energy management system published by ISO, used to achieve energy management guidelines and commitments and meet expected energy consumption or usage targets
"ISO9001"	quality management systems model published by ISO for quality assurance in design, development, production, installation and servicing
"lump-sum basis"	a revenue-generating model whereby we charge service fees which represent the "all-inclusive" fees for all of the residential property services or property and facility management services provided by our employees and subcontractors
"renewal rate"	the aggregate number of projects successfully renewed through the signing of new agreements during the entire period divided by the aggregate number of expired contracts during the same periods
"retention rate"	the aggregate number of contracted projects during the entire period minus the number of projects we ceased to manage during the same periods, and then divided by the aggregate number of contracted projects during the entire period
"sq.m."	the measurement unit of square meters
"Top 100 Property Management Companies"	an annual ranking of China-based property management companies by overall strength published by CIA solely or jointly with other institution(s) based on a number of key indicators, including management scale, operational performance, service quality, growth potential and social responsibility of such companies in the preceding year
"undelivered GFA"	the total GFA of properties which have not be delivered to us for management and we have not begun collecting property management fees in relation to contractual obligations to provide property management services

GLOSSARY OF TECHNICAL TERMS

"tender success rate"	the aggregate number of tenders we won in a period divided by the aggregate number of tenders we submitted in the same periods
"%"	per cent

FORWARD-LOOKING STATEMENTS

This document contains certain forward-looking statements and information relating to us and our subsidiaries that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this document, the words "aim", "anticipate", "believe", "could", "estimate", "expect", "going forward", "intend", "may," "ought to", "plan", "project", "seek", "should", "will", "would" and the negative of these words and other similar expressions, as they relate to us or our management, are intended to identify forward-looking statements. These forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Such statements reflect the current views of our management with respect to future events, operations, liquidity and capital resources, some of which may not materialize or may change. These statements are subject to certain risks, uncertainties and assumptions, including the risk factors as described in this document and other factors, some of which are beyond our control, which may cause our actual results, performance or achievements, or industry results to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing us which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- our business strategies and plans to achieve these strategies;
- our capital expenditure plans;
- our operation and business prospects;
- our financial condition;
- availability of bank loans and other forms of financing;
- our ability to control or reduce costs;
- our dividend policy;
- the actions of and developments affecting our major customers and suppliers;
- the ability to attract and retain our users;
- the ability of third parties to perform in accordance with contractual terms and specifications;
- the amount and nature of, and potential for, future development of our business;
- future developments, trends and conditions in the industries and markets in which we operate;

- changes to the regulatory environment, policies, operating conditions and general outlook in the industries and markets in which we operate;

- general economic, political and business conditions in the PRC; and

- certain statements included in the sections headed "Risk Factors", "Industry Overview", "Regulatory Overview", "Business", "Financial Information" and "Future Plans and [**REDACTED**]" in this document with respect to operations, margins, overall market trends, risk management and exchange rates.

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

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

You should carefully consider all of the information in this document, including the risks and uncertainties described below, before making an* [REDACTED] *in our H Shares. You should pay particular attention to the fact that we are incorporated in the PRC and that all of our Group's operations are conducted primarily in the PRC, the legal and regulatory environment of which may differ from that prevailing in other countries and regions. If any of the following situations or events occur, our business, financial condition, results of operations or prospect could be affected. In any of these circumstances, the* [REDACTED] *of our H Shares could decrease due to any of these risks, and you may lose all or part of your* [REDACTED]. *These factors are contingencies that may or may not occur, and we are not in a position to express a view on the likelihood of any such contingency occurring.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

A significant portion of our operation is concentrated in Changsha, Hunan Province, and we are susceptible to unfavorable shifts in government policies or the business environment in this region.

During the Track Record Period, we generated a significant portion of our revenue from operations in Changsha, Hunan Province. For the years ended December 31, 2021, 2022 and 2023, we derived RMB425.5 million, RMB523.3 million and RMB646.5 million from Changsha, respectively, which accounted for 98.6%, 99.0% and 99.2% of our total revenue of the respective year. As of December 31, 2021, 2022 and 2023, in the property management service sector, we managed an aggregate GFA of approximately 10.1 million sq.m., 9.7 million sq.m. and 10.5 million sq.m., respectively, in Changsha, which accounted for approximately 95.1%, 95.0% and 95.3%, respectively, of our total GFA under our management in the property management service sector as of such dates. Changsha will remain to account for a majority portion of our operations in the near future. As a result of this concentration, any changes in provincial government policies or the business environment could negatively impact our business, financial condition, and results of operations, and the above development may be influenced by multiple factors beyond our control, including:

- the economic conditions, the intensity of economic activity and the pace of city development;
- the prospects for future regional development;
- the government regulations and policies regarding the property management, urban services and real estate development industries; and
- the changes in regional real estate and urban service industries.

Additionally, some of our urban service contracts are contracted with local governments in Changsha. Any negative changes in our collaboration with the local governments could significant affect our ability to renew these service contracts or expand our business operations regarding municipal infrastructures and public facilities. The local governments' budgetary plans, satisfaction with our services, and potential changes in laws, regulations, and policies may all impact our collaboration with the local government and their willingness to continue contracting with us for urban services.

A substantial portion of our projects during the Track Record Period was sourced from CSUD Group and its associates, as well as local government and its affiliated entities, public institutions, and other SOEs in Changsha.

During the Track Record Period, a substantial portion of our projects was sourced from CSUD Group and its associates. For the years ended December 31, 2021, 2022 and 2023, our revenue generated from projects sourced from CSUD Group and its associates amounted to RMB303.2 million, RMB348.8 million and RMB419.8 million, respectively, representing 70.2%, 66.0% and 64.4% of our total revenue, respectively. For details, please refer to the section headed "Business – Our Strategic Business Relationship With CSUD Group" in this document.

We do not have control over the business strategies of CSUD Group and its associates, or the macroeconomic or other factors that may affect their business operations. Any adverse development in the operations of CSUD Group and its associates, or their ability to develop new projects may affect our ability to procure new service contracts. We cannot assure you that we will be able to diversify our customer base and procure service contracts from alternative sources to make up for the shortfall promptly or on favorable terms. Additionally, we cannot guarantee that we will be able to renew all of our service contracts with the CSUD Group and its associates, or enter into such agreements in relation to new properties developed by the CSUD Group and its associates. Should any of these events occur, it may have an adverse impact on our business, financial condition, results of operations and development prospects.

During the Track Record Period, a certain portion of our projects was sourced from local government and its affiliated entities, public institutions, and other SOEs in Changsha, and our revenue generated from projects sourced from government, public institutions, and SOEs amounted to RMB60.5 million, RMB56.9 million and RMB60.4 million, respectively, representing 13.7%, 10.7% and 9.2% of our total revenue, respectively. Our prospects are reliant on the relationships we have cultivated with these entities. However, for projects with significant government involvement, such as municipal sanitation service projects, competition tends to be intense. This can result in aggressive bidding and narrow profit margins, posing challenges for companies to obtain projects and maintain profitability. Additionally, given that public institutions and other SOEs operate within the framework of regulations and policies promulgated by government, projects sourced from public institutions and other SOEs are financed by fiscal funds and subject to fierce competition. Therefore, we cannot guarantee a steady flow of projects from government, public institutions, and other SOEs, and failure to secure projects form these entities may pose challenges to our revenue streams and future development.

We may not be able to secure new service contracts or renew our existing service contracts.

We believe that the ability to expand our service contracts portfolio is critical to sustaining our business growth. We obtained new service contracts mainly through tender and direct engagement during the Track Record Period. Customers consider various factors when selecting a service provider, including quality of services, pricing, and track record. Therefore, we cannot guarantee that we will be invited to participate in the tender process. Even if we are invited, we cannot guarantee that we will succeed in the tender process and we may not be able to maintain or increase our tender success rate. Factors beyond our control, such as changes in economic conditions, evolving regulations, and supply and demand dynamics, may hinder our procurement efforts.

During the Track Record Period, for our property management service, the retention rate reached 86.4%, 90.0% and 91.8%, respectively, while the renewal rate reached 52.6%, 75.0% and 71.4%, respectively; for our landscaping and engineering service, we entered into 77, 89 and 129 contracts as of the beginning of each year; for our parking lot operation service, the retention rate reached 95.9%, 98.6% and 96.7%, respectively, while the renewal rate maintained 100.0% during the Track Record Period, except only for a minor dent to 97.8% in 2022; for our lighting system operation service, municipal sanitation service and commercial operation service, the retention rates maintained 100.0%, so as the renewal rates during the Track Record Period. Some of the service contracts we entered into have fixed terms which shall be renewed upon expiry. Most expiring contracts were voluntarily terminated or not renewed under the circumstances including but not limited to (i) project handover from the developer to property owners who decided to choose other service providers; (ii) service termination caused by shift in property conditions, such as property renovations and cessation of operations; (iii) the customer becoming to provide services independently; and (iv) temporary needs for property management service coming to an end. Meanwhile, we may choose not to renew some projects due to their financial performance, and the renewal decision of the relevant contracts also lies with the customers. Competitors that offer lower prices may cause our customers to engage in their services. It is also possible that contracts may be terminated for other unexpected causes. In such cases, our business and results of operations may be adversely affected. In addition, either termination or non-renewal of contracts could potentially be detrimental to our reputation and diminish our competitiveness within the industry.

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

For commercial operation services, we may not be able to assist property owners in leasing all of their new properties to an appropriate mix of tenants. In addition, when leases for existing tenants expire, we may not be able to assist property owners in renewing such leases on terms commercially favorable to them, or at all. Even if we manage to assist them to renew the leases, the rent as agreed may decrease due to other factors such as unfavorable market conditions. If we are unable to assist property owners in leasing their properties to tenants at the expected rental rates, or at all, and if the commercial properties under our management fail to achieve the anticipated occupancy rates or maintain acceptable occupancy rates during their life cycle, our revenue may decrease, which could adversely affect our business, financial condition and results of operations.

Even if the leases are successfully renewed, the tenants' abilities to fulfill their lease obligations may change due to factors such as the market environment, which may lead to their rent arrear. Correspondingly, the collection of entrusted operation fees from the property owners may be affected.

We may suffer losses for charging services fees on a lump-sum basis.

We generated a substantial portion of our revenue on a lump-sum basis during the Track Record Period. On a lump-sum basis, we charge property management fees at predetermined fixed lump prices per sq.m. on a periodical basis, representing an "all-inclusive" fee for the property management services we provide. These management fees are fixed and do not fluctuate with the actual amount of costs we incur in the course of providing our services. We recognize as revenue the full amount of property management fees we charge to the property owners or property developers, and recognize as our cost of sales the actual costs we incur in connection with rendering our services. For details, please refer to the sections headed "Business – Property Management Services – Property Management Fees" and "Financial Information – Material Accounting Policy Information, Judgments and Estimates" in this document.

In the event that we fail to accurately anticipate our actual costs prior to negotiating and entering into our property management services contracts, and our fees are insufficient to sustain our profit margins, we would not be entitled to collect additional amounts from our customers to make up for the shortfalls. We also cannot assure you that we will be able to adequately control our costs in the course of providing property management services. As a result, such losses may have a material and adverse effect on our results of operations.

If we are unable to raise property management fee to fully cover the property management costs we incurred, we would seek to adopt certain cost-saving initiatives to reduce the loss. However, our cost-saving efforts may not be successful and may affect the quality of our property management services, thereby reducing the willingness of the property owners to pay management fees. Such losses may have a negative effect on our results of operations.

Our urban services business may not grow as planned.

Our urban services, including landscaping and engineering, lighting system operation, parking lot operation and municipal sanitation services, are an important part of our Group's business, generating revenue of RMB185.4 million, RMB274.7 million and RMB353.3 million for the years ended December 31, 2021, 2022 and 2023, contributing to 42.9%, 52.0% and 54.2% of the total revenue respectively, for the same years. The expansion of our urban service business may be limited due to the following factors:

- The expansion of our landscaping and engineering services, such as municipal maintenance, municipal road greening, as well as the interest concession made to expand new markets may lead to a decrease in the average level of profitability;

- Our parking lot operation service charges are subject to government guidance price and our charges had never gone beyond the upper limits of the local governments' guidance prices during the Track Record Period. However, we cannot guarantee that the adjustments of the government-imposed limits would not negatively affect our charges and revenue. Moreover, certain temporary parking lots and those authorized by the government are affected by land transfer and changes in government policy, which may result in a decrease in the scale and revenue of our parking lot operation;

- Our lighting system operation is subject to the fiscal appraisal of the local governments. The operation fees are typically paid from the fiscal budgets of local governments, which means that the fees may fluctuate according to the government's appraisal of our operational efficiency; and

- Compared to established sanitation companies, our entry into municipal sanitation operation was relatively recent. We are continuously enhancing our service offerings and accumulating experience. This might lead to increased susceptibility to competitive pressures from the broader market during our expansion phase.

We cannot assure you that we can expand our urban service business nationally as successfully as we have expected. If we fail to manage our future expansion, our business, financial condition, results of operations and prospects could be negatively affected.

Delays in receiving payment or failure to collect service fees from customers may result in the risk of impairment losses on our trade receivables and contract assets, and adversely impact our financial condition and liquidity.

We may encounter difficulties in receiving timely payments from customers for the services we have provided to them and in collecting service fees from customers, which is crucial to our profitability and cash flow. This includes challenges in collecting service fees from property owners, residents, developers, property owners and government agencies for property management services, urban services and commercial operation services. Any business relationship termination, scaling back, alteration, or any financial difficulties of these parties may affect our ability to recover outstanding trade receivables and contract assets, impacting our financial condition and liquidity. While we have adopted various collection measures in place to recover overdue service fees, we cannot guarantee the effectiveness of the measures.

As of December 31, 2021, 2022 and 2023, our contract assets amounted to RMB88.1 million, RMB157.3 million and RMB249.7 million, respectively. Contract assets shall be reclassified to trade receivables when we become entitled to collect payments unconditionally from such contracts. However, we cannot guarantee when the settlement period would trigger. The impairment allowance for contract assets amounted to RMB1.5 million, RMB6.8 million and RMB12.8 million as of December 31, 2021, 2022 and 2023, respectively. For details, please refer to the sections headed "Financial Information – Discussion of Certain Selected Items from Our Consolidated Statements of Financial Position – Contract Assets" in this document.

As of December 31, 2021, 2022 and 2023, our gross trade receivables with third parties amounted to RMB49.8 million, RMB66.9 million and RMB51.8 million, respectively, while our gross trade receivables with related parties amounted to RMB54.1 million, RMB72.5 million and RMB54.9 million. In 2021, 2022 and 2023, our trade receivable turnover days were 75 days, 84 days and 69 days, respectively. Particularly, our trade receivable turnover days of third parties were 63 days, 73 days and 60 days, respectively, during the Track Record Period. Our trade receivables turnover days of third parties decreased from 63 days in 2021 to 60 days in 2023, primarily due to our enhanced collection efforts. We have made provisions for loss allowance based on assessments of expected credit losses. Even after we have finished the work required, the settlement audit process and the internal process for our customers settling payments may take one or more years to complete. This is especially true for some government projects, which often require more complex approval processes and multiple negotiation rounds with various parties, thus leading to a longer payment cycle. We cannot control the business strategies of our counterparties or the macroeconomic conditions that may impact their financial situation, which could affect our ability to recover outstanding trade receivables. Failure to recover outstanding trade receivables could impact our liquidity and financial condition. However, we have not faced significant issues during the Track Record Period. Notably, CSUD Group and its associates, as our largest customer, contributing 42.4%, 44.4%, and 44.4% of our revenue in 2021, 2022 and 2023, respectively, represents a substantial portion of our total trade receivables. For details, please refer to the sections headed "Financial Information – Discussion of Certain Selected Items from Our Consolidated Statements of Financial Position – Prepayments, Trade and Other Receivables – Trade Receivables" and "Financial Information – Related Party Transactions" in this document.

As of December 31, 2021, 2022 and 2023, the loss allowance of trade receivables was RMB16.1 million, RMB21.3 million and RMB22.0 million, respectively. Although the estimate and the related assumptions made by our management are in accordance with the information available to us at the time the allowance was determined, such estimation or assumptions may need to be adjusted if new information becomes available. If the actual recoverability of trade receivables and contract assets is lower than anticipated or if our previous allowance for impairment of such receivables and contract assets is insufficient based on new information, we may need to increase our impairment allowance. This could have an adverse impact on our business, financial condition and results of operations.

We recorded negative operating cash flow in 2022.

We recorded net cash used in operating activities of approximately RMB8.1 million for the year ended December 31, 2022, which mainly arose from the income tax paid. For details, please refer to the section headed "Financial Information – Liquidity and Capital Resources – Cash Flow Analysis – Net Cash Generated from/(Used in) Operating Activities" in this document.

We cannot assure you that we will not experience negative operating cash flows in the future. Negative net operating cash flows might require us to acquire enough liquidity to cover our obligations and financial demands. If we are unable to achieve this, we risk falling behind on our payments or shortage of capital expenditures, thereby hindering our planned business development. Our business, financial condition, and results of operations might all be significantly and negatively impacted as a result.

If we are not able to fulfill our obligations under our contracts with customers, our financial condition and results of operations may be adversely affected.

As of December 31, 2021, 2022 and 2023, our contract liabilities amounted to RMB24.5 million, RMB13.6 million and RMB18.5 million, respectively. These liabilities primarily arise from the advance payments made by customers for services not yet provided. For details, please refer to the section headed "Financial Information – Discussion of Certain Selected Items from Our Consolidated Statements of Financial Position – Contract Liabilities" in this document. If we fail to fulfill our contractual obligations, we may not be able to convert the liabilities into revenue, and our customers may demand refunds of service fees we have received, which could adversely affect our cash flow and liquidity condition, our ability to meet our working capital requirements and our operational and financial outcomes. In addition, failure to fulfill our contractual obligations may adversely affect our relationship with such customers, damage our reputation, and thus impact on our future results of operations.

We are exposed to potential risks associated with engaging third-party subcontractors to perform certain property management services, urban services and commercial operation services.

In the course of our business, we delegate certain labor-intensive services such as cleaning and security, as well as professional services such as distribution transformer maintenance, steel structure construction works to third-party subcontractors in the course of our ordinary business. We select our subcontractors based on factors such as market reputation, qualifications, prices and track record. For the years ended December 31, 2021, 2022 and 2023, our subcontracting costs amounted to approximately RMB151.0 million, RMB200.7 million, and RMB216.7 million, representing approximately 46.6%, 49.3% and 43.3% of our total cost of sales, respectively. However, we cannot guarantee that they will always perform in accordance with our expectations and we may not be able to supervise subcontractors like we do our employees. They may act contrary to our or our customers' instructions or requests, or be unable or unwilling to fulfill their obligations or meet our required quality standards. As a result, we may have disputes with our subcontractors, or may receive complaints from our customers, or be held responsible for their actions, either of which could lead to damages to our reputation, additional expenses and business disruptions, and risk of litigation and damage claims. In addition, in the event that these subcontractors run into financial difficulties, fail to maintain a stable team of qualified labor or fail to perform their obligations properly or in a timely manner, their work process may be interrupted, potentially resulting in a breach of the contract that we entered into with our customers. Any of these events could adversely affect our service quality, reputation, as well as our business, financial condition and results of operations.

Damage to the common areas of the properties we manage or operate and the public urban areas where we provide the lighting operation system services could adversely affect our business, financial condition and results of operations.

The common areas of the properties we manage or operate may be subject to damage due to incidents beyond our control, such as natural disasters, accidents or intentional damage. Where the damage is caused by natural disasters such as earthquakes, floods or typhoons, or accidents or intentional harm such as fires, the damage caused may be material and extensive. Although according to the PRC laws, a special fund shall be set up for residential properties to pay for the repair and maintenance costs of common areas; we cannot guarantee that the relevant fund will be sufficient. As the property management service provider, we may be viewed as the responsible party for restoring the common areas. At times, we may need to allocate additional resources to assist the police and other governmental authorities in investigating criminal actions that may have caused damage to the common areas. If the special funds are insufficient to cover all costs, we may need to use our own resources to compensate for the shortfall and repair the damages before we attempt to collect the amount from the property owners, property developers and residents later on. Failure to recover these costs may result in adverse effects on our business, financial condition and results of operations. As we intend to continue to expand our business by managing more properties, the likelihood of any damage to the public areas of the properties we manage may increase in proportion, particularly if we may expand into markets in areas susceptible to natural disasters.

In addition, the landscape and functional lighting we operate are situated in public urban areas and are susceptible to both intentional and unintentional vandalism, including incidents such as vehicle collisions and deliberate damage. As a provider of urban services, we are contractually obliged to repair and maintain some of these lampposts and cables, which may result in additional operational costs for our Group. Although we did not experience any material adverse effects on our assets, business, results of operations and financial condition due to the incidents outlined above during the Track Record Period and up to the Latest Practicable Date, we remain to be exposed to such risks and failure to manage such risks may have an adverse effect on our business, financial condition and results of operations.

Increase in labor costs may adversely affect our business and reduce our profitability.

For the years ended December 31, 2021, 2022 and 2023, our labor costs amounted to approximately RMB185.2 million, RMB232.8 million, and RMB262.9 million, which accounted for approximately 57.1%, 57.2% and 52.6% of our total cost of sales, respectively. For the years ended December 31, 2021, 2022 and 2023, our subcontracting costs amounted to approximately RMB151.0 million, RMB200.7 million and RMB216.7 million, representing approximately 46.6%, 49.3% and 43.3% of our total cost of sales, respectively. Since our business model is labor-intensive, we believe that economizing our labor costs is essential to maintaining and improving our profit margins.

We face pressure from rising subcontracting costs due to various contributing factors, including, but not limited to, the following:

- *Potential labor shortage* – Affected by economic fluctuations, we have observed an overall tightening labor market, and the labor shortage problem is prominent. It may raise our labor costs, and we may also face seasonal labor shortages which even affect our daily operations.

- *Increases in minimum wages* – The minimum wages in regions we operate have increased substantially in recent years, directly affecting the fees we pay to our subcontractors.

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

We may not be able to complete the landscaping and engineering project or deliver the work on time.

Most of our landscaping and engineering projects are conducted outdoors, and certain outdoor projects may be suspended owing to (i) unexpected adverse weather conditions such as inclement weather, prolonged precipitation and extreme temperature; and (ii) unexpected natural disasters and other operating hazards such as earthquakes, floods, typhoons, landslides or fire, which may lead to project delays. Given the risk that these projects may not be completed as per the pre-set schedule, we may have to compensate our customers for losses or damage caused by the delay. For the projects undertaken by us, the landscaping and engineering contracts might contain a penalty clause for late delivery of work, which is generally calculated based on contract value. Any claim for the damages as a result of the delay in the completion of the projects will affect our profitability if no extension of time is granted by our customers.

Project delays in landscaping and engineering are not uncommon. While RMB10,000 was reduced from the payment by a customer due to project delays affecting our settlement in 2022, during the Track Record Period, we did not have any material dispute in relation to landscaping and engineering project delay. However, we can not assure you that we can complete every landscaping and engineering project on time in the future or receive an extension of time granted by our customers. Any failure on our part to complete a project promptly could harm our reputation in the industry and hinder our ability to win future contracts, which could materially and adversely affect our business, financial condition and results of operations.

In the event of a disagreement over the value of the works performed by us, we may not be able to charge the contracted price or recover the performance retention monies in full.

Disagreement may arise between us and our customers as to the value of work performed and the progress payments that we are entitled to in the relevant period. Generally, the value of our work done is ascertained regarding the scope of work and fees specified in the contracts or determined by the mechanism specified in the contracts. However, our opinions on the value of the work completed may differ from those of our customers. Any dispute regarding the value of the work performed may prolong our payment application, which may affect our liquidity and financial position.

There can be no assurance that progress payments or retention monies in respect of our projects will be paid on time and in full due to disagreement on the payment sum. If our customers fail to make such payments on time and in full, our future liquidity position and results of operation may be adversely affected.

We may fail to protect the personal information of our customers and comply with laws and regulations related to cybersecurity, privacy, data protection, and information security.

In the course of our daily operations, it is inevitable that we collect, process, and store the personal data of our customers, business partners, and employees. Although we have taken measures to protect the confidential information we obtain, we may not be able to identify the techniques used to damage or gain unauthorized access to our platforms, or adequately prevent employees' misconduct and malpractice, system errors, fraudulent inducement, defects, or similar events. Any intentional or accidental security vulnerabilities or unauthorized access to our platforms may result in confidential information leakage and unlawful use. We may be exposed to significant litigations, enforcement actions, legal sanctions (including but not limited to fines, suspension of our operations, and restrictions on our business activities), reputation damage, diversion of management's attention, and potential corporate criminal liabilities correspondingly.

Although we strive to comply with applicable laws, regulations, and policies related to cybersecurity, privacy, data protection, and information security, we cannot guarantee that our practices, products, services, or platforms will meet all the requirements imposed on us by such laws, regulations, or policies. Any non-compliance or perceived non-compliance with applicable laws, regulations, or policies may result in inquiries or other proceedings being instituted against, litigation, administrative decisions, or sanctions by government authorities, consumers, or other parties, including warnings, fines, directions for rectifications, suspension of relevant businesses, and termination of our applications, as well as in negative publicity on us and damage to our reputation, all of which could have a material adverse impact on our business, financial condition and results of operations.

Our historical performance may not be indicative of our future prospects, our future growth may not materialize as planned and failure to manage any future growth effectively may have a material adverse effect on our business, financial condition and results of operations.

Our profitability is partially dependent on the scale, complexity and specifications of the projects, our ability to control costs and operating expenses, the competitive conditions at the contract negotiation stage and the general market conditions, which may increase as our business expands. Our gross profit margin for the years ended December 31, 2021, 2022 and 2023 was approximately 24.9%, 23.0% and 23.3%, respectively. For details, please refer to the section headed "Financial Information – Description of Selected Components of Consolidated Statements of Profit or Loss and Other Comprehensive Income – Gross Profit and Gross Profit Margin" in this document.

However, as a company with limited operating history, we cannot guarantee that we will sustain our historical growth in the future. Our estimates and plans for future business growth are based on our predictions of market prospects, which may not always be accurate. Our expansion plans could be affected by factors beyond our control, including changes in the economic condition of the PRC in general, per capita annual disposable income of residents in the PRC, changes in the PRC real estate market and the property management market, changes in the PRC urban services and commercial operation services market, changes in government regulations, changes in supply and demand for our services, as well as the availability of suitable and proficient property managers and third-party service providers for our expansion efforts. Historical changes in these factors may not be indicative of their future developments, and therefore their historical impacts on our business operations may not serve as reliable indicators of our future business expansion and operations.

Besides, there is no guarantee that we will continue to increase the number of our property management service contracts or total GFA under management as we did during the Track Record Period, nor will we be able to succeed in our future business development efforts. We also face challenges related to rising subcontracting costs, as well as intense competition for employees and business opportunities. Factors beyond our control, such as changing regulations, economic conditions, or other developments, may also have a material adverse impact on our financial performance and business operations. And, if we expand beyond our current regions of operation, we may not be able to enjoy economies of scale from our future geographical expansion.

Our historical results of operation may not be indicative of our future prospects and results of operations. We cannot assure you that our future growth will materialize or that we will be able to manage our future growth effectively.

Our future acquisitions or investments in other companies may not achieve the desired benefits and we may face difficulties in integrating acquired operations with our existing operations.

We intend to continually evaluate the potential acquisitions, investments, and strategic alliances that could complement our existing business and be integrated into our operations. However, we can not guarantee that we will identify suitable opportunities, especially given the fierce competition we may face from other market players, including our peers listed on the Stock Exchange, who are also pursuing quality acquisition or investment targets to achieve their expansion goals. Furthermore, even if we are successful to identify appropriate opportunities, such acquisitions, investments and strategic alliances involve inherent uncertainties and risks, including the possibility of failing to achieve the intended objectives, diverting resources and management's attention, incurring ongoing financial obligations, encountering unforeseeable or hidden liabilities, facing challenges in enforcing performance guarantees (if any), non-compliance incidents, and legal disputes. In addition, we may encounter difficulties in integrating acquired operations with our existing business, which could disrupt our ongoing business, distract our management and employees or increase our expenses, any of which may materially and adversely impact our business, financial condition and results of operations and prospects.

Our expansion into new geographical markets presents certain risks and uncertainties.

In order to achieve sustainable growth, we may consider expanding our operations into regions in the PRC where we had no operations during the Track Record Period. Our expansion plan includes broadening our geographic coverage in Changsha and expanding into the other major cities in the PRC. For details, please refer to the section headed "Business – Business Strategies – Consolidate our position in Hunan Province and continue to expand our business scale through multiple channels" in this document. However, we acknowledge that our expansion plans may face intense competition from established market players with similar expansion plans, particularly in regions with sufficient growth potential. Due to a lack of local knowledge and experience, we may encounter challenges that we have not previously encountered. Accordingly, we may fail to recognize or properly assess risks or take full advantage of opportunities.

Moreover, our experience in existing markets and our business model may not be readily transferable to and replicated in new geographic regions. The markets in new geographic regions may differ from those in which we currently operate, in terms of the level of local economic and industrial development, local government policies and support, market demand and development cycles. As a result, we may lack familiarity with local governments, business practices, regulations and customer preferences as other local and more experienced service providers in such cities, which may put us in a disadvantageous position. We may also have limited ability to leverage our established reputation in new markets in the way we have done in our existing markets. Furthermore, the administrative, regulatory and tax environments in our target regions may be different and we may face additional tax and regulatory expenses in complying with new procedures there. We may also have to engage new local subcontractors and suppliers for our operations, the quality and credibility of which we are not familiar. We cannot guarantee that we will not experience issues such as capital constraints, construction delays and operational difficulties in new business locations. We may also experience difficulties in expanding our existing business and operations and training an increasing number of personnel to manage and operate the expanded business.

Our Group has a relatively short operating history.

Although some of the subsidiaries in our Group have a comparatively long operating history, our Company was established in 2015 and we may encounter, including, among others, risks and difficulties regarding our ability to:

- effectively develop and maintain internal personnel, systems, controls and procedures during the process of our integration of internal resources;
- retain customers;
- maintain effective control of our development as well as operating costs and expenses; and
- improve qualifications and performance to respond to competitive market conditions in the relevant industries.

Our failure to achieve any of the above may jeopardize our ability to provide our services in the manner we contemplate, which in turn may have an adverse effect on our business, financial condition, results of operations and prospects.

We are subject to the regulatory environment and measures affecting the property management and real estate industries, which may affect our business growth.

Our operations are subject to regulations and measures affecting the property management industry where we conduct business. In particular, the fees charged by property management companies for property management services are subject to regulation and supervision by relevant regulatory authorities. For example, the relevant price administration department and construction administration department of the State Council are jointly responsible for the supervision over and administration of fees charged in relation to property management services for preliminary property management service contracts and such fees may need to follow the PRC Government guidance prices. Pursuant to the Circular of the National Development and Reform Commission on Relaxing Price Controls in Certain Services (《國家發展改革委關於放開部分服務價格意見的通知》) (Fa Gai Jia Ge [2014] No. 2755) (發改價格[2014]2755號), which became effective on December 17, 2014, the property management fees we charge, such as those for preliminary property management service contracts, may still need to follow guidance prices imposed by local governments in different regions in the PRC. In addition, if the property management fees we charge are not ratified by the relevant PRC authorities or otherwise not in compliance with the relevant requirements for government guidance prices, we may be subject to applicable administrative penalties and our property management fees in excess of the guidance price may be confiscated by the relevant PRC authorities. For details, please refer to the section headed "Business – Property Management Services – Our Pricing Policy" in this document. Government-imposed limits and other regulatory requirements on property management fees could have a negative impact on our earnings. In addition, the government from time to time publishes notices to regulate the market orders and address the recent issues in the real estate and property management industries such as failure to deliver agreed-on and quality property management services and illegal use of common areas. For example, in July 2021, the MOHURD, along with other governmental agencies, jointly published the Notice on the Continuous Rectification and Regulation of the Real Estate Market (《住房和城鄉建設部等8部門關於持續整治規範房地產市場秩序的通知》). We cannot guarantee that the government regulations on property management fees and other matters concerning the property management industry will not have an effect on our business, financial condition, results of operations and prospects.

As we continue to expand our business operations into new geographic regions and broaden the range of services we offer, we are subject to a number of provincial and local rules and regulations standardizing various aspects of our business operations. Moreover, as the size and scope of our operations increased during the Track Record Period, the increasing difficulty of regulatory compliance may lead to additional costs resulting from non-compliance. Failure to comply with the related local regulations, especially in respect of new markets that we may be less familiar with, may result in penalties by the competent authorities. The laws and regulations applicable to our business, whether national, provincial, or local, may also change in ways that increase our costs of compliance to some extent, and restrict our ability to pass on such costs to our end customers. Any failure of compliance could result in significant financial penalties, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

Moreover, we may also be affected by the regulations on the real estate industry. The PRC Government has previously introduced measures to regulate speculation in the real estate market and has exerted direct and indirect influence on the development of the PRC real estate industry through industry policies and other economic measures, such as regulation of the supply of land for property development, management policy of the foreign exchange, real estate financing and taxation. These policies and measures may affect the expansion of property development activities, impose limitations on the ability of commercial banks to make loans to property purchasers, levy additional taxes and levies on property sales and affect the delivery schedule and occupancy rates of the properties we service. Any such governmental regulations and measures may affect the real estate industry, thus affecting our business growth and resulting in a material adverse effect on our business, financial condition and results of operations and prospects. In particular, the local authorities may introduce other initiatives or implement more stringent measures in the future, such as setting caps on certain debt ratios, to control the increase of debt levels in the real estate sector. Such potential initiatives or measures, once in place, may further limit property developers' access to capital and slow down the overall growth of the real estate sector and expansion of property developers, which may in turn negatively impact the growth of the property management industry and the supply of new properties for management by property management companies like us, especially with respect to the expansion of new contracts from Independent Third Party developers who may be more sensitive to the potential changes at least in the short term. As such, our business, financial condition and results of operations and prospects could be materially and adversely affected.

According to the symposium jointly held by the MOHURD and the PBOC in August 2020, the MOHURD and the PBOC formulated the "Three Red Lines" policy to limit the growth of real estate companies' interest-bearing debt and financing activities. The policy imposed restrictions on the gearing ratio (excluding receipts in advance), net gearing ratio and cash over short-term interest-bearing loans ratio applicable to property developers. For more details, please see "Business – Recent Regulatory Development" in this document. The policy may slow down the growth of the whole real estate sector, affecting the expansion of property developers and in turn imposing an adverse impact on our growth. As such, in the event that we or other property developer customers are unable to obtain sufficient financing to support their expansion of business which results in a delay in the delivery of new properties to be managed by us, the growth of our GFA under management, our business and financial condition may be materially and adversely affected.

We may experience intense competition and fail to compete effectively.

The property management services, urban services and commercial operation services markets in the PRC and Hunan Province are intensely competitive and highly fragmented. For details, please refer to the section headed "Industry Overview – Competition" in this document. Our major competitors include property management services, urban services and commercial operation services providers operating on national, regional and local scales. Competition may intensify as our competitors expand their service offerings or as new competitors enter our existing or new markets. We compete with our competitors on various factors, including operation scale, service quality and price, customer base, technical capabilities, brand recognition and financial resources. Our competitors may have better track records, longer operating histories and greater financial, technical, price, marketing and other resources, as well as greater brand recognition and larger customer bases. Consequently, these competitors may be able to dedicate more resources to the development, promotion, sale, and support of their services. Some of our competitors are also part of corporate group developers and, therefore, enjoy similar advantages in tendering for projects developed by their affiliates and limiting our ability to compete for such opportunities.

In addition to competition from established competitors, we may also face competition from emerging companies that may enter the property management industry in our existing or new markets offering terms that may be disruptive to the market. These emerging companies may have stronger capital resources and greater financial and technological resources compared to us. There can be no assurance that we will be able to continue to compete effectively or maintain or improve our market position, and such failure could have a material adverse effect on our business, financial condition and results of operations and prospects.

We are exposed to liability and reputational risks in relation to work safety and the occurrence of accidents.

Our business involves construction, repair and maintenance projects which carry inherent dangers and may place our employees and others in close proximity to construction equipment, electrical equipment, machinery, and moving motor vehicles. Despite our implementation of safety policies and standardized safety procedures, we cannot preclude hazards associated with equipment defects, accidents and geological catastrophes. Such hazards may result in personal injuries or casualties, and cause the destruction of property, equipment and machinery. During the Track Record Period and up to the Latest Practicable Date, we did not experience or involve any material strikes, work safety accidents, material labor disputes with our employees, or involvement in any material work safety accidents, nor did we receive any major complaints, notices or orders from relevant government authorities or third parties. Nevertheless, accidents outlined above are still possible to occur in the ordinary course of our business, exposing us to risks in relation to work safety, including but not limited to claims for injuries, fatalities or other damages sustained by our employees or subcontractors. Such accidents may also damage our reputation within the property management services, urban services and commercial operation services market. We may also experience business disruptions and be required to implement additional safety measures or modify our business model due to governmental or other investigations. To the extent that we incur additional costs, we may suffer material adverse effects on our business, financial condition, results of operations and brand value. In addition, we are exposed to claims that may arise due to employees' or third-party subcontractors' negligence or recklessness when performing repair and maintenance services. We may be held liable for the injuries or deaths of employees, subcontractors, residents or others. We may also experience interruptions to our business and may be required to change the manner in which we operate because of governmental investigations or the implementation of safety measures upon the occurrence of accidents. Any of these events could adversely affect our reputation, business, financial condition and results of operations.

We are exposed to interruptions and security risks in relation to our IT systems, failure to upgrade our management systems, and risks related to the use of third-party online payment platforms.

We use various platforms and systems in our business operations. For example, we rely on an intelligent management platform to control all lighting terminals in our night scenery illumination control projects. Moreover, we cannot guarantee that damages, delays or interruptions caused by power outages, computer viruses, hardware and software failures, telecommunication failures, fires, natural disasters, security breaches and other similar occurrences relating to our information technology systems will not occur going forward. We may incur significant costs in restoring any damaged information technology systems. If we fail to detect any system error or malfunction, continue to upgrade our information technology systems and network infrastructure, or take other measures to improve the efficiency of our information technology systems, system interruptions or delays could occur, which could adversely affect our operating results.

We accept payments via various methods, including, but not limited to, online payments through third-party platforms, such as WeChat Pay and Alipay. Transactions conducted through these platforms involve the transmission of confidential information, such as credit card numbers, personal information and billing addresses over public networks. While the use of third-party platforms in the PRC has grown significantly in recent years, we do not have control over the security measures taken by providers of these platforms. In the event that the security and integrity of these third-party platforms are compromised, we may experience material adverse effects on our ability to process property management fees. We may also be perceived as partially responsible for failures to secure personal information and be subjected to claims alleging possible liability brought by our customers. Such legal proceedings could damage our reputation and materially and adversely affect our business, financial condition and results of operations. In addition, the PRC Government may promulgate new laws and policies to regulate the use of third-party online payment platforms, which may increase our compliance and operational costs, for example, by requiring us to pay higher transaction fees.

There are uncertainties about the recoverability of our deferred tax assets, which could adversely affect our results of operations.

As of December 31, 2021, 2022 and 2023, we recorded deferred tax assets of approximately RMB5.2 million, RMB7.3 million and RMB10.2 million, respectively. Under our accounting policies, we periodically assess the probability of the realization of deferred tax assets, which involves significant judgments and estimates regarding historical operating results, expectations of future earnings, tax planning strategies and other related factors. We recognize deferred tax assets relating to certain temporary differences and tax losses when our management considers it is probable that future taxable profit will be available, and as a result, the temporary differences or tax losses can be utilized. However, there is no assurance that our judgments or estimates based on the expectation of future earnings will be accurate, as factors beyond our control, such as general economic conditions and negative development of the regulatory environment, may affect our ability to recover our deferred tax assets and thereby could have an adverse effect on our financial condition in the future.

We recorded losses from our associate and joint ventures during the Track Record Period because of initial cultivation challenges and market competition which may adversely affect our financial condition and results of operations.

We have been investing in an associate and joint ventures and will continue such arrangements with third parties, whose performance may affect our financial condition and the results of operations. As of December 31, 2021, 2022 and 2023, the carrying amount of our investments in an associate and joint ventures amounted to approximately RMB22.8 million, RMB22.3 million and RMB24.1 million, respectively. For the years ended December 31, 2021, 2022 and 2023, the share of profits less losses of an associate and joint ventures were RMB4.6 million, RMB3.1 million and RMB2.2 million, respectively. Given that our joint ventures are newly established in Changsha and Huaihua, the development and expansion process of whose businesses involves initial cultivation challenges and intense market competition. In 2021, we recorded share of losses from Changsha Wangcheng District New Hope Pilot Property Management Co., Ltd. (長沙市望城區新希望先導物業管理有限責任公司) ("**Wangcheng Property Management**") and Huaihua Hecheng Urban Investment Property Management Co., Ltd. (懷化市鶴城區城投物業管理有限公司) ("**Huaihua Property Management**") of RMB0.7 million, and we recorded share of losses from Huaihua Property Management of RMB0.4 million and RMB0.5 million in 2022 and 2023, respectively. For details, please refer to the section headed "Financial Information – Discussion of Certain Selected Items from Our Consolidated Statements of Financial Position – Investment in an Associate" and "Financial Information – Discussion of Certain Selected Items from Our Consolidated Statements of Financial Position – Investment in Joint Ventures" in this document. With the development and continuous operations of our business now and in the future, our losses have been gradually decreasing while our profitability is gradually being reflected.

A lot of variables, some of which are outside of our control, affect how successful associates and joint ventures would be. It is possible that we may not be able to compel our partners to fully fulfill their promises to us under our cooperation agreements. Hence we might not be able to get the anticipated economic and other advantages from our associate and joint ventures or even suffer losses. Additionally, our investment agreement, the articles of association of our associate and joint ventures and other certain matters require the mutual assent of all parties to the associate and joint ventures as per the PRC laws. The risks associated with such investment arrangements include (i) if a disagreement between us and our partners exists, we may not be able to pass important board resolutions that call for the unanimous approval of all of the directors of our associate and joint ventures; or (ii) our partners may have interests, objectives, or philosophies inconsistent with ours.

Due to the fact that our investments in an associate and joint ventures are less liquid than other investment products, they are also vulnerable to liquidity risks. Our capacity to sell our investment in an associate and joint ventures in response to unfavorable changes in economic, financial, and investing conditions may be considerably limited by the illiquidity of our investment in an associate and joint ventures. We are unable to foresee whether we will be able to dispose of our interests in an associate and joint ventures for a profit. Furthermore, we are unable to anticipate how long it will take to find a buyer and finish the pertinent transaction.

We cannot assure you that our invested associate and joint ventures will declare and/or pay any dividends even if we record the share of profits using the equity method because the declaration, payment, and amount of dividends are at the discretion of the directors of the invested associate and joint ventures and depend on a variety of factors, including their operations, earnings, cash flows, and financial condition, as well as constitutional documents and applicable laws. Therefore we cannot assure you investments in an associate and joint ventures are as liquid as other investment products. If the share of profits of these associate and joint ventures were to fluctuate, our results of operations may be adversely affected.

We cannot assure that there have been, or will be in strict compliance with all applicable laws and regulations due to lack of full control over our associate and joint ventures. We cannot assure you that we will not come across matters with respect to our associate and joint ventures or our associate and joint ventures will not violate the laws and regulations, which may adversely affect our business, financial condition and results of operations.

We may be subject to fines for failure to sufficiently contribute to social insurance and housing provident funds in according with the relevant PRC laws and regulations in relation.

In accordance with the applicable PRC laws and regulations, we are obliged to contribute to social insurance and housing provident funds for our employees. However, the social insurance fund and housing provident funds have covered all employees, but we failed to make full contributions to social insurance and housing provident funds for certain employees during the Track Record Period. As of the Latest Practicable Date, we had not received any notice from the local government authorities regarding any claim for the inadequate contribution of our current and former employees.

According to the Social Insurance Law of the PRC (《中華人民共和國社會保險法》), if we do not pay the full amount of social insurance contributions as required, the relevant authorities may demand us to pay the outstanding social insurance contributions within the deadline stipulated by them and we may be liable to a late payment fee equal to 0.05% of the outstanding amount for each day of delay. We may be liable to a fine from one to three times the amount of the outstanding contributions if we fail to make such payments. According to the Regulations on the Administration of Housing Provident Fund (《住房公積金管理條例》), in respect of outstanding housing provident fund contributions, we may be ordered to pay the outstanding housing provident fund contributions within the time period stipulated by relevant authorities. If payment is not made within such a stipulated time period, relevant authorities may apply to the PRC courts for compulsory enforcement. If the relevant government authorities exercise their enforcement options described above due to our failure to make a full contribution to social insurance and housing provident funds on behalf of our employees, our business, financial condition and results of operations may be materially and adversely affected. For details, please refer to the section headed "Business – Legal Proceedings and Compliance – Non-compliance – Social Insurance and Housing Provident Fund Contribution" in this document.

Some of our lease agreements have not been filed with the relevant PRC authorities and, as a result, we might be subject to administrative fines.

As of the Latest Practicable Date, we failed to file nine lease agreements for the properties we leased with the local housing administration authorities as required under the PRC laws and regulations. According to the applicable PRC regulations, the lessor and the lessee of a lease agreement are required to file the lease agreement with relevant governmental authorities within 30 days after the execution of the lease agreement. In the event that the lessor and the lessee fail to file, relevant governmental authorities shall order rectification within a time limit. If rectification is not made by an individual within the time limit, a fine of less than RMB1,000 shall be imposed. If rectification is not made by an entity within the time limit, a fine of more than RMB1,000 but less than RMB10,000 shall be imposed. According to the applicable PRC regulations, lessors of the related leases need to provide certain documents (such as their business licenses or identification information) in order to complete the administrative filing process. There can be no assurance that the lessors of our leased properties will cooperate in providing the necessary documents or completing the administrative filing. Failure to complete the administrative filings within the period required by the relevant governmental authorities may result in fines.

Some of our leased and operated properties have defective titles, and we may be required to cease occupation and use of such leased and operated properties if there is a valid claim for them.

As of the Latest Practicable Date, with respect to one leased property, we had not received valid property ownership certificates or relevant authorization documents from the lessors. The absence of these documents limits our ability to verify whether the lessors have the right to lease the properties to us. If our landlords are not rightful owners or not authorized by the real owners to lease the properties to us, we may need to seek alternative properties and incur additional costs relating to such relocation. Any dispute or claim in relation to the rights to use or lease the properties occupied by us, including any litigation involving allegations of illegal or unauthorized use of these properties, may require us to relocate our business premises. If any of our leases were terminated as a result of any challenge by third parties or any failures of our landlords to renew the leases or obtain their legal titles or the requisite government approval or consent to lease the relevant properties, we may need to seek alternative premises and incur additional costs for relocation.

In addition, as of the Latest Practicable Date, we had not received some valid property ownership certificates for some properties (including parking lots) entrusted to us to manage or operate which may have an adverse impact on our operation. However, for the above entrusted properties in issue, the entrusting parties have produced the commitment letters confirming the entrustment of their rights to manage or operate to us, undertaking to indemnify for our losses (if any) resulting from the legal defects in such property ownerships. According to our PRC Legal Advisors, the risk of losses resulting from the property ownership defects in issue is remote.

We failed to promptly process or update the operation and fee registrations of some parking lots.

During the Track Record Period, some of the parking lots actually operated by us have not been updated or filed for operation and fee registrations. According to the relevant PRC laws and regulations, parking lot operators or managers should register for operation within 15 days after the completion and inspection of the parking lot, and report and update the registration to the appropriate authorities ten days in advance when there are changes in operation and fee records. Violation of operation registration will result in a correction order by the Public Security Traffic Police Department, and a possible fine of RMB1,000. Operators or managers should also charge within the range of government-guided parking fees set by relevant departments, and file for charging with the competent authority.

As of the Latest Practicable Date, Parking Company operated a total of 141 parking lots, among which the registration for operating as public parking was completed for 126 lots, and the construction of four parking lots were uncompleted and thus not required to be registered. Confirmed by the traffic police department of Wangcheng District, Changsha, five parking lots located in this district are not required to be registered. As of the Latest Practicable Date, six parking lots were in the process of registration, and the reason for delay is the lack of cooperation from the owners of these parking lots in filing the registration. Currently, we are in communication with these owners. We believe that the number of parking lots awaiting registration is relatively small, and we will actively contact these owners for filing registration. According to our PRC Legal Advisors, the aforementioned situation will not have a material adverse impact on our operation.

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

Our business success is reliant on the services and efforts of our senior management team and other key employees. As they possess key connections and industry expertise, the loss of their services may have a material adverse effect on our business. If any or all members of our senior management team join or form a competing business using their expertise, connections and full knowledge of our business operations, we may not be able to estimate the extent of and compensate for such damage. Our potential inability to promptly hire and integrate a qualified replacement, in the event of any of our key employees leaving, may materially and adversely affect our business, financial condition and results of operations. In addition, the future growth of our business will depend, in part, on our ability to attract and retain qualified personnel in all aspects of our business, including corporate management and property management personnel. Our potential inability to attract and retain qualified personnel may limit our growth and materially and adversely affect our business, financial condition and operating results.

We are exposed to risks associated with failing to detect and prevent fraud, corruption, negligence or other misconduct (accidental or otherwise) committed by our employees, subcontractors or third parties.

We are exposed to fraud, negligence or other misconduct committed by our employees, subcontractors or other third parties that could subject us to financial losses and penalties imposed by governmental authorities as well as harm to our reputation. Such misconduct include criminal activities such as theft, vandalism, embezzlement and bribery. We have addressed past incidents of employee misconduct, including but not limited to misappropriation of dormitory rental fees, lax employee discipline and misappropriation of parking fees by the employees of our subcontractor. For example, a former executive director and authorized representative of our subsidiaries was sentenced in November 2022 for accepting bribes. For details, please refer to the section headed "Business – Employees – Employee Misconduct Incidents" in this document. We believe that, such misconduct did not materially and adversely impact our business operations and financial conditions, there has been no new misconduct to date, and there can be no assurance that we will not experience any new incidents in the future.

We have established risk management and internal control systems consisting of policies and procedures that are designed to identify, assess and manage risks arising from our operations and monitor our overall compliance. Details on risk categories identified by our management, internal and external reporting mechanisms, remedial measures and contingency management have been codified in our policies. Our risk control department is responsible for supervising compliance with our internal control and risk management policies and will timely conduct routine inspections and report for any non-compliance to ensure our compliance with relevant laws and regulations.

However, we cannot assure you that our risk management and internal control systems will always enable us to identify non-compliance and/or suspicious transactions in a timely manner, or at all, or that they will always enable us to detect, prevent and take remedial measures about fraud, negligence or other misconduct (accidental or otherwise) committed by our employees, subcontractors or other third parties in a timely manner. Moreover, although we may have limited control over the behavior of these parties, we may be deemed partially responsible for their conduct on contractual or tortious grounds or be targeted for litigations or proceedings for strategic reasons. We may become, or be joined as, a defendant in litigation or other administrative or investigative proceedings and be held accountable for injuries or damages sustained by our customers or other parties. To the extent that we cannot recover related costs from the employees, subcontractors or other third parties involved, we may experience material adverse effects on our business, financial condition and results of operations. We may also attract negative publicity, damaging our reputation and brand value or placing us in a position where we may be required to compensate the injured parties even in the absence of a legal requirement to do so.

We may be subject to natural disasters, acts of war or terrorism or other factors beyond our control.

Our operations may be under the threat of floods, earthquakes, sandstorms, snowstorms, fire or drought, power, water or fuel shortages, failures, malfunction and breakdown of information management systems, unexpected maintenance or technical problems, or may be susceptible to potential wars or terrorist attacks. Serious natural disasters may result in loss of lives, injury, destruction of assets and disruption of our business and operations. Acts of war or terrorism may also injure our employees, cause loss of lives, disrupt our business network and destroy our markets. Any of these factors and other factors beyond our control could have an adverse effect on the overall business sentiment and environment, cause uncertainties in the regions where we conduct business, cause our business to suffer in ways that we cannot predict and materially and adversely impact our business, financial conditions and results of operations.

Our business could be adversely affected by the effects of epidemics, including COVID-19, avian influenza, severe acute respiratory syndrome (SARS), influenza A (H1N1), Ebola or another epidemic. Any such occurrences could cause severe disruption to our daily operations For example, the COVID-19 pandemic and its recurrence have in the past caused temporary disruption to our certain aspects of our operations, which had a negative impact on our operations during the Track Record Period.

Negative publicity about us, our Shareholders and affiliates, our brand and management as well as services provided by us may have an adverse effect on our reputation, business, financial condition and results of operations.

Negative publicity related to us, our Shareholders and affiliates, the properties we manage, our brand, management and other aspects of our business operations may arise from time to time. They may appear, among other things, in the form of comments on internet postings and other media sources. We cannot assure you that other types of negative publicity will not arise in the future. For example, if our services fail to meet our customers' needs or expectations in any way, our customers may disseminate negative comments about our services on social media platforms, even if they may be frivolous or vexatious. Our subcontractors may also become the subject of negative publicity for various reasons, such as customer complaints about the quality of their services. In addition, third-party merchants we cooperate with in connection with the value-added services we provide may also be subject to negative publicity as a result of customers' complaints about the quality of their products and services. Any public relation incidents with respect to such business partners may adversely affect the provision of products or services for our value-added services and indirectly affect our reputation. Moreover, negative publicity about other service platforms for property management services or urban services in the PRC may arise from time to time and cause customers to lose confidence in the operations of our service platforms. Such occurrences, regardless of veracity, may damage our reputation and we may lose customer confidence. In the long term, this would affect our future ability to attract and retain new customers and employees. Negative publicity could result in material adverse effects on our business and brand, which could, in turn, reduce the trading price of our Shares and diminish our competitive position.

Discontinuation of any of the preferential tax treatments or government grants or imposition of any additional taxes and surcharges could adversely affect our financial condition and results of operations.

In 2019, certain PRC governmental authorities jointly issued the Public Announcement on Strengthening the VAT Reform Policies, pursuant to which, during the period from April 1, 2019 to December 31, 2022, a general VAT taxpayer engaging in the provision of living services, postal services, telecommunications services or modern services with sales revenue from the provision of such services accounting for more than 50% of its total sales revenue is allowed to deduct an extra 10% of the deductible input VAT for the above period from the VAT payable ("**super deduction of VAT**"). On January 19, 2023, the MOF and the STA jointly issued the Public Announcement on Clarification on VAT deduction and VAT exemption for Small-scale Tax Payers and Other Policies, pursuant to which the super deduction of VAT has been adjusted to 5% for the period from January 1, 2023 to December 31, 2023. In 2021, 2022 and 2023, our super deduction of VAT amounted to RMB1.4 million, RMB3.1 million, and RMB1.9 million, respectively.

Our government grants comprise subsidies and benefits received from local governments in China. There are no unfulfilled conditions or contingencies relating to these grants. In 2021, 2022 and 2023, our government grants amounted to RMB0.2 million, RMB0.4 million, and RMB0.4 million, respectively. We cannot assure you that we will continue to be eligible to receive such government grants or that the amount of such grants will not be reduced in the future. Our ability to continue to enjoy government grants is subject to changes in national or local policies, and may be affected by the termination of, or amendments to, such policies for any number of reasons, including those beyond our control. Any decrease in or termination of such government grants in the future may have an adverse effect on our financial condition, results of operations and prospects.

Certain entities of our Group have been filed as Small Low-profit Enterprises. The entitled subsidiaries were subject to two-tiered preferential effective tax rates from 2.5% to 10% for the years ended December 31, 2021, 2022 and 2023. Except for the preferential treatments available to certain subsidiaries, other subsidiaries established in China are subject to the PRC income tax of 25% during the Track Record Period.

Preferential tax treatments and incentives granted to us by PRC Governmental authorities are subject to review and renewal and may be adjusted or revoked at any time in the future. We cannot guarantee you that the preferential tax treatments and incentives to which our PRC subsidiaries are currently entitled would be kept valid or successfully renewed. There can be no assurance that the local tax authorities will not, in the future, change their position and discontinue any of our current tax treatments, potentially with retrospective effect. The discontinuation of any of our current tax treatments and imposition of any additional taxes and surcharges could increase our tax obligations and adversely impact our net income.

We may be involved in legal and other disputes and claims or subject to administrative actions from time to time arising from our operations.

From time to time, we may be involved in disputes with and subject to claims by various parties, such as property developers, property owners, or residents to whom we provide services. Disputes may also arise if they are dissatisfied with the quality of our services or perceive our services as inconsistent with the service standards prescribed in the service contracts. In addition, we may be involved in disputes with and subject to claims by other parties involved, including our employees and third-party subcontractors who sustain injuries or damages, in the ordinary course of our business. During the Track Record Period and up to the Latest Practicable Date, we were not aware of any litigation, arbitration proceeding, or administrative proceeding against us that may have a material adverse impact on our business, financial condition, or results of operations. However, we cannot guarantee that any disputes or claims will not lead to legal or other proceedings or cause negative publicity against us, damage to our reputation, substantial costs, diversion of resources and management's attention from our business activities. Any such dispute, claim, or proceeding may have a material adverse effect on our business, financial condition and results of operations.

We may be subject to administrative penalties if we fail to comply with applicable regulations and requirements such as on fire and safety systems at our managed properties. Any future failure of regulatory compliance may lead to administrative fines or other penalties which may have an adverse effect on our business and results of operations.

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

We may be exposed to liabilities that exceed our available insurance coverage or arise from claims outside the scope of our insurance coverage. Certain types of losses and liabilities, such as losses resulting from business interruptions, earthquakes, typhoons, or civil disorder, may not be covered by commercially practicable insurance policies in the PRC. Due to the potential insufficiency or unavailability of insurance, we may be unable to be indemnified and thereby liable for such damages or losses, which could materially and adversely affect our financial condition.

We may fail to protect our intellectual property rights, which could have a negative impact on our business and competitive position.

As of the Latest Practicable Date, we have registered three patents, seven trademarks, seven domain names, 31 software copyrights and one copyright of the work in the Mainland and registered three trademarks in Hong Kong. We consider these intellectual properties to be our crucial business assets and key to our business success and customer loyalty. The success of our business depends substantially upon our continued ability to use our software and trademarks to increase brand recognition and to further develop our brand. Unauthorized reproduction of our software or trademarks could diminish the value of our brand, our competitive advantages, and our market reputation. For details, please refer to the section headed "Business – Intellectual Property" in this document. We have formulated internal intellectual property management rules and will require employees to sign confidentiality agreements to protect intellectual property rights. However, our measures may provide limited protection, and policing the unauthorized use of proprietary information can be difficult and costly. Any potential failure to detect unauthorized use of, or take appropriate steps to enforce, our intellectual property rights could lead to a material adverse effect on our business, results of operations and financial condition.

We are currently developing the urban operation service platform whose source code is our property. Failure to successfully develop the platform may materially and adversely affect our business, financial condition, and results of operations.

Third parties may assert or claim that we have infringed their intellectual property rights, which may disrupt and affect our business.

We may be subject to claims from competitors or third parties alleging intellectual property infringement in our ordinary course of business from time to time. While we have not had any litigation or disputes over intellectual property right as of the Latest Practicable Date, we cannot guarantee that such incidents will not happen in the future. Any claims or legal proceedings brought against us in relation to such issues, with or without merit, could result in substantial costs and divert capital resources and management attention. In the event of an adverse determination, we may be compelled to pay substantial damages or seek licenses from third parties which may impose unfavorable terms requiring us to pay ongoing royalties. In addition, regardless of whether we prevail, intellectual property disputes may damage our brand value and reputation in the eyes of current and potential customers and within our industry. As a result, our business, financial condition and results of operations could be materially and adversely affected.

RISKS RELATING TO THE LOCATION WHERE WE CONDUCT BUSINESS

Changes in the economic, political and social conditions in China could affect our business and prospects.

During the Track Record Period, almost all of our operations are managed by our headquarters in Hunan Province. Consequently, our financial condition, results of operations, and prospects may be greatly influenced by the economic, political, social, and legal conditions in the PRC. Government engagement, economic development, investment regulation, resource allocation and foreign exchange management of the PRC economy may have an effect on our business.

While the economy of the PRC has experienced significant growth in recent years, this growth has been geographically different. Some of the measures could be beneficial to the general economy of China, but they may negatively impact our business, financial condition, and results of operations.

We may be affected by currency exchange regimes and exchange rate fluctuation.

While our revenue, liabilities, and assets are substantially all denominated in Renminbi, the PRC Government regulates the convertibility of the Renminbi into foreign currencies. For details, please refer to the section headed "Regulatory Overview – Laws and Regulations Relating to Foreign Exchange Control" in this document. The foreign exchange management policies could affect us in receiving sufficient foreign currency to meet our financial needs. Foreign currency shortages may limit our ability to pay dividends or other payments to our Shareholders or otherwise satisfy our foreign currency-denominated commitments.

In accordance with the present PRC foreign exchange laws, certain recurring expenses may be paid for in foreign currency without prior approval from the local branch of SAFE provided that certain procedural conditions are met. However, government approval is necessary when Renminbi is to be converted into foreign currency and transmitted outside China to pay capital expenses such as the repayment of foreign currency-denominated debt. The restrictions on foreign exchange transactions imposed by capital accounts could also affect our ability to access foreign currency through debt or equity financing, such as loans or capital contributions from us. Moreover, such foreign exchange control measures may change in the future, should such change relates to the foreign currency control over our trading account, we may not be able to pay dividends in foreign currencies to Shareholders.

Fluctuations in the value of the Renminbi may have an effect on our business.

The value of the Renminbi against the Hong Kong dollar, the U.S. dollar, and other currencies is subject to fluctuations and changes that result from various factors, including economic and political developments of the domestic and international societies, and supply and demand in the local market. With an increased floating range of the Renminbi's value against foreign currencies and a more market-oriented mechanism for determining the mid-point exchange rates, the Renminbi may further appreciate or depreciate gradually in value against the Hong Kong dollar, the U.S. dollar, or other foreign currencies in the long-term, depending on the fluctuation of the basket of currencies against which it is currently anchored. The Renminbi may also be allowed to be exchanged freely with U.S. dollar and/or other foreign currencies, which may also result in a significant appreciation or depreciation against the U.S. dollar or other foreign currencies. We cannot assure you that the Renminbi will not experience significant appreciation or depreciation against the U.S. dollar or other foreign currencies in the future.

Our revenues, liabilities, and assets are all denominated in Renminbi, whereas the [**REDACTED**] from our [**REDACTED**] will be denominated in Hong Kong dollars. As a result, material variations in the Renminbi-Hong Kong dollar exchange rate may have a negative impact on the value and amount of any dividends payable on our Shares. For instance, a considerable appreciation of the Renminbi versus the Hong Kong dollar could limit the amount of Renminbi received from converting the [**REDACTED**] of the [**REDACTED**] or future fundraising efforts into Renminbi to fund our operations. In contrast, a major depreciation of the Renminbi may increase the cost of translating our Renminbi-denominated cash flow into Hong Kong dollars, thereby decreasing our ability to pay dividends on our Shares or conduct other business operations. All of these factors could materially affect our business, financial condition, results of operations and prospects, and could reduce the value of, and dividends payable on, our Shares in foreign currency terms.

There may be changes regarding the interpretation and enforcement of laws, rules and regulations where we conduct business.

Our operations are in the PRC and are subject to the PRC laws and regulations. The Chinese legal system is a civil law system based on written statutes. Unlike the common law legal system, prior court decisions in a civil law system can only be used as a reference. Since the PRC Government started economic reforms, the PRC has promulgated laws and regulations in relation to economic matters such as foreign investment, corporate organization and governance, commercial transactions, taxation and trade. These laws and regulations are subject to changes in application and interpretation.

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

Substantially all of our assets and all of our Directors are located in the PRC. It may not be possible for [**REDACTED**] to serve those individuals or us in the PRC with legal documents. On July 14, 2006, the Supreme People's Court of the PRC and Hong Kong Special Administrative Region Government entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements Between Parties Concerned (《最高人民法院關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》) (the "**Arrangement**"), which was taken into effect on August 1, 2008. Pursuant to which a party with an enforceable final court judgment rendered by any designated Mainland court or any designated Hong Kong Special Administrative Region court requiring payment of money in a civil and commercial case according to a choice of court agreement in writing may apply for recognition and enforcement of the judgment in the relevant Mainland court or Hong Kong Special Administrative Region court. Similarly, a party with an enforceable final judgment rendered by a Mainland court requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing may apply for recognition and enforcement of such judgment in Hong Kong. A choice of court agreement in writing is defined as any agreement in writing entered into between parties after the effective date of the Arrangement in which a Hong Kong Special Administrative Region court or a Mainland court is expressly identified as the court having sole jurisdiction for the dispute. Therefore, it may not be possible to enforce a Hong Kong Special Administrative Region court's verdict in the PRC if the parties to the dispute did not agree to a written choice of court agreement. On January 18, 2019, the Supreme People's Court of the PRC and Hong Kong Department of Justice entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (《關於內地與香港特別行政區法院相互認可和執行民商案件判決的安排》) (the "**New Arrangement**"), which seeks to establish a bilateral legal mechanism that provides clarity and certainty for the recognition and enforcement of judgments in a wider range of civil and commercial matters between Hong Kong and mainland China, based on criteria other than a written choice of court agreement. The Arrangement was superseded upon the effectiveness of the New Arrangement on January 29, 2024 but remained applicable to a "written choice of court agreement" entered into before the Arrangement taking effect. However, we cannot assure you that all final judgments will be recognized and effectively enforced by the relevant PRC court.

Holders of our H Shares are subject to the PRC income tax.

Under applicable PRC tax laws, regulations and rules, non-PRC resident individuals and non-PRC resident enterprises who are holders of our H Shares are subject to different tax obligations.

According to the Individual Income Tax Law of the PRC (2018 Revision) (《中華人民共和國個人所得稅法(2018修訂)》) and its implementation regulations, non-PRC resident individuals are required to pay a 20% PRC individual income tax on dividends received from us and any gains realized upon the sale or other disposition of the H Shares held by them. We're required to withhold this tax from dividend payments, unless there are applicable tax treaties between China and the jurisdictions in which the foreign individuals reside that reduce or exempt the relevant tax obligations. Generally, a tax rate of 10% applies to the dividends paid by domestic non-foreign-invested enterprises issuing shares in Hong Kong to overseas resident individuals, as per the Circular of the State Administration of Taxation on Individual Income Tax Collection Issues upon Abolishment of Document Guoshuifa [1993] No. 045 (《國家稅務總局關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》). If the tax rate is not 10%, the withholding company should: (i) return the excessive tax amount if the applicable tax rate is below 10%; (ii) withhold the income tax payable by the foreign individual at the applicable tax rate if it is between 10% and 20%; and (iii) withhold the foreign individual income tax at a rate of 20% if no double tax treaty applies.

Under the EIT Law (《中華人民共和國企業所得稅法》), non-resident enterprises in China, which are established in accordance with the laws of overseas countries (regions), whose actual management institutions are located outside China, but have establishments or places in China, or have income derived from China without establishments or places therein, are required to pay Chinese corporate income tax at a rate of 20% on dividends paid by the Company and gains realized from the sale or other transactions of H shares. According to the Implementation Regulations of the Corporate Income Tax Law (《中華人民共和國企業所得稅法實施條例》) and the Notice on Issues Concerning the Withholding and Withholding of Corporate Income Tax for the Distribution of Dividends to Overseas H Share Non-resident Enterprise Shareholders (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》) issued by the State Administration of Taxation, the tax rate has been reduced to 10%, and further reductions may be obtained according to the applicable agreement or special arrangement between China and the jurisdiction where the relevant non-resident enterprise resides. On August 21, 2006, China and Hong Kong signed the Arrangement between the Mainland and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重稅收和防止偷漏稅的安排》). According to this, non-resident enterprises registered in Hong Kong and directly holding at least 25% of the shares of our company, under certain conditions, such as approval by the relevant Chinese tax authorities, are required to pay corporate income tax at a rate of 5% on the dividends we declare and distribute.

In addition, the PRC government makes amendments to its policies on VAT, EIT and other taxes, including whether the aforementioned reductions, exemptions and other beneficial tax treatments will be revoked in the future, requiring all non-resident individual holders of H shares to pay Chinese individual income tax at a unified rate of 20%. Any differences or changes related to applicable Chinese tax laws, regulations and rules, as well as the interpretation and enforcement of such tax laws, regulations and rules, could have a material adverse impact on your [**REDACTED**] value in our H shares.

Payment of dividends is subject to conditions under the PRC law.

According to the PRC law, dividends may only be paid from distributable profits. Distributable profits are our profits after taxes, minus any recoveries of accumulated losses and allocations to statutory and discretionary common reserve. Consequently, we may not have sufficient distributable profits, if any, to enable our firm to pay dividends to its shareholders in the future, including during years in which our financial statements indicate profitable operations. Any distributable profits that are not distributed in a particular year are maintained and made available for distribution in succeeding years.

RISKS RELATING TO THE [REDACTED]

[REDACTED] of our H Shares in the [REDACTED] will experience immediate dilution and may experience further dilution if we issue additional Shares in the future.

The [**REDACTED**] of our H Shares is expected to be higher than the net tangible book value per Share immediately prior to the [**REDACTED**]. Therefore, [**REDACTED**] of our H Shares in the [**REDACTED**] will experience an immediate dilution in net tangible asset value per Share. In addition, in order to expand our business, we may consider [**REDACTED**] and issuing additional Shares in the future. Purchasers of our H Shares in the [**REDACTED**] may experience further dilution in their shareholding percentage.

There has been no prior [REDACTED] for our H Shares, and the liquidity and [REDACTED] of our H Shares may be volatile.

Prior to the completion of the [**REDACTED**], there has been no [**REDACTED**] for our H Shares. There can be no assurance that an active [**REDACTED**] for our H Shares will develop or be sustained following the completion of the [**REDACTED**]. The initial [**REDACTED**] for our H shares was the result of negotiations among our Company and the [**REDACTED**] (for itself and on behalf of the [**REDACTED**]), which may not be indicative of the price at which our H Shares will be [**REDACTED**] following completion of the [**REDACTED**]. The market price of our H Shares may drop below the [**REDACTED**] at any time after the completion of the [**REDACTED**].

The liquidity and [REDACTED] of our H Shares may be volatile, which may result in substantial losses for [REDACTED] for or [REDACTED] our H Shares pursuant to the [REDACTED].

The price and [**REDACTED**] volume of our H Shares may be volatile. The [**REDACTED**] of our Shares may fluctuate materially and rapidly as a result of the following factors, among others, some of which are beyond our control:

- variations in our financial condition and/or results of operations;
- unexpected business interruptions resulting from, including but not limited to, natural disasters or power shortages;
- our inability to compete effectively in the market;
- major changes in our key personnel or senior management;
- loss of visibility in the markets due to lack of regular coverage of our business;
- strategic alliances or acquisitions;
- changes in laws and regulations in China;
- changes in securities analysts' estimates of our financial condition and/or results of operations, regardless of the accuracy of the information on which their estimates are based;
- changings in [**REDACTED**] perception of us and the investment environment generally;
- our inability to maintain regulatory approval for the operations of our business;
- fluctuations in stock market price and volume;
- announcement made by our competitors or us;
- changes in pricing adopted by our competitors;
- general economic, political and stock market conditions in Hong Kong, China and elsewhere in the world; and
- involvement in material litigation.

In addition, the securities markets have from time to time experienced material price and volume fluctuations that are not related or disproportionate to the operating performance of particular companies. These developments include a general global economic downturn, substantial volatility in equity securities markets, and volatility and tightening of liquidity in credit markets. While it is difficult to predict how long these conditions will last, they could continue to present risks for an extended period, in interest expense on our bank borrowings, or reduction of the number of banking facilities currently available to us. If we experience such fluctuations, the results of operations and financial condition could be materially and adversely affected. Moreover, market fluctuations may also materially and adversely affect the market price of our H Shares.

Future issues, [REDACTED] of our H Shares may adversely affect the prevailing [REDACTED] of our H Shares and our ability to raise additional capital in the future.

The [**REDACTED**] of our H Shares could decline as a result of substantial future [**REDACTED**] our H Shares or other securities relating to Shares in the [**REDACTED**]. Such a decline could also occur with the issuance of new H Shares or other securities relating to our H Shares, or the perception that such sales or issuances may occur. Moreover, future sales or perceived sales of a substantial amount of our H Shares or other securities relating to our H Shares in the [**REDACTED**] may cause a decrease in the market price of our H Shares, or adversely affect our ability to raise capital in the future at a time and at a price which we deem appropriate. Our Shareholders would experience a dilution in their holdings upon the issuance or sale of additional securities for any purpose.

Any possible conversion of our Unlisted Shares into H Shares in the future could increase the number of our H Shares in the market and negatively impact the [REDACTED] of our H Shares.

We may apply to the CSRC for the conversion of a portion of our Unlisted Shares into H Shares. Pursuant to Article 18 of the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies, which came into effect on March 31, 2023, for a domestic enterprise seeking direct overseas listing, shareholders holding such enterprise's domestic unlisted shares who apply for the conversion of its domestic unlisted shares into overseas listed shares shall comply with the relevant provisions of the CSRC and entrust such domestic enterprise to file with the CSRC. After domestic unlisted shares are listed and circulated on the Stock Exchange, they may not be transferred back to China. Our Unlisted Shares may be converted into H Shares from time to time in the future, and such converted shares may be [**REDACTED**] on an overseas stock exchange. Such future conversions could increase the number of our H Shares available in the market from time to time and may negatively impact the [**REDACTED**] of our H Shares.

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

Prior to and immediately following the completion of the [**REDACTED**], our Controlling Shareholders will remain to have substantial control over their interests in the share capital of our Company. Subject to the Articles of Association, the PRC Company Law, the Listing Rules and other applicable laws and regulations, our Controlling Shareholders by virtue of their controlling beneficial ownership of the share capital of our Company, will be able to exercise substantial control and exert substantial influence over our business or otherwise on matters of significance to other Shareholders and us by voting at the general meeting of the Shareholders. The interests of our Controlling Shareholders may differ from the interests of other Shareholders and the Shareholders are free to exercise their votes according to their interests. To the extent that the interests of our Controlling Shareholders conflict with the interests of other Shareholders, the interests of other Shareholders can be disadvantaged and harmed by the actions of our Controlling Shareholders.

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

During the Track Record Period, we declared dividends of RMB20,000, nil, and nil, respectively. The payment and amount of dividends (if any) will depend upon our earnings and financial condition, operating requirements, capital requirements and any other conditions that our Directors may deem relevant and will be subject to the approval of our Shareholders. For details, please refer to the section headed "Financial Information – Dividends" in this document. There can be no assurance that dividends of any amount will be declared or distributed in any year in the future. Our historical dividend policy should not be taken as indicative of our dividend policy in the future.

Certain facts, forecast and statistics contained in this document are derived from publicly available official government sources and they may not be reliable.

Certain facts, forecasts and statistics in this document relating to the PRC, the PRC economy and industries relevant to us have been derived from various official government publications, the CIA and publicly available sources. We have taken reasonable care in the reproduction or extraction of the official government publications for the purpose of disclosure in this document. However, the information from official government sources has not been prepared or independently verified by us, the Sole Sponsor, the [**REDACTED**], the [**REDACTED**], the [**REDACTED**], the [**REDACTED**], the [**REDACTED**] or any of their respective affiliates or advisors and, therefore, we make no representation as to the accuracy of such facts, forecast and statistics, which may not be consistent with other information compiled within or outside the PRC. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice, the statistics herein may be inaccurate or incomparable to statistics produced with respect to other economies. Further, there is no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as the case may be in other jurisdictions. In all cases, [**REDACTED**] should give consideration as to how much weight or importance they should attach to or place on such facts, forecast and statistics.

Our management has substantial discretion regarding how to use the [REDACTED] of the [REDACTED], and you may not necessarily agree with how we use them.

Our management may use the [**REDACTED**] from the [**REDACTED**] in ways that you may not agree with or that do not yield a favorable return to our Shareholders. By [**REDACTED**] in our H Shares, you are entrusting your funds to our management, upon whose judgment you must depend, for the specific uses we will make of the [**REDACTED**] from this [**REDACTED**]. For details, please refer to the section headed "Future Plans and [**REDACTED**]" in this document.

[REDACTED] should read this document carefully and should not consider any particular statements in published media reports without carefully considering the risks and other information contained in this document.

We strongly caution you not to rely on any information contained in press articles or other media regarding us and the [**REDACTED**]. Prior to or subsequent to the publication of this document, there has been or may be press and media coverage regarding us and the [**REDACTED**]. Such press and media coverage may include references to certain information that does not appear in this document or is inaccurate. We have not authorized the publication of any such information contained in the unauthorized press and media coverage. Therefore, we make no representation as to the appropriateness, accuracy, completeness or reliability of any information disseminated in the media and do not accept any responsibility for the accuracy or completeness of any financial information or forward-looking statements contained therein. To the extent that any of the information in the media is inconsistent or conflicts with the contents of this document, we expressly disclaim it. Accordingly, [**REDACTED**] should only rely on the information included in this document and not on any of the information in press articles or other media coverage in deciding whether or not to purchase the [**REDACTED**].

Forward-looking information is subject to risks and uncertainties.

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

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

In preparation for the [**REDACTED**], our Company has sought [and has been granted] the following waivers from strict compliance with the Listing Rules and the following exemption from compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

WAIVER IN RELATION TO MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 and Rule 19A.15 of the Listing Rules, we must have a sufficient management presence in Hong Kong. This normally means that at least two of our executive Directors must be ordinarily resident in Hong Kong.

Our management, business operations and assets are primarily located outside Hong Kong. The principal management headquarters of our Group are primarily based in the PRC. Our Company considers that our Group's management is best able to attend to its functions by being based in the PRC. Three of our executive Directors are not or will not be ordinarily resident in Hong Kong after the [**REDACTED**]. One of our executive Director, Mr. Wong Kwok Fu, is ordinarily resident in Hong Kong. Our Directors consider that relocation of an additional executive Director to Hong Kong will be burdensome and costly for our Company, and it may not be in the best interests of our Company and our Shareholders as a whole to appoint an additional executive Director who are ordinarily resident in Hong Kong. As such, we do not have, and for the foreseeable future will not have, sufficient management presence in Hong Kong for the purpose of satisfying the requirements under Rule 8.12 and Rule 19A.15 of the Listing Rules.

Accordingly, we have applied to the Stock Exchange for, [and the Stock Exchange has granted us,] a waiver from strict compliance with the requirements under Rule 8.12 and Rule 19A.15 of the Listing Rules, on the following conditions:

(a) we have appointed two authorized representatives pursuant to Rule 3.05 of the Listing Rules, who will act as our principal channel of communication with the Stock Exchange. The two authorized representatives appointed are Mr. Wong Kwok Fu (our executive Director) and Mr. Lam Kang Chi (a joint company secretary of our Company). Mr. Wong Kwok Fu and Mr. Lam Kang Chi are ordinarily residents in Hong Kong. Each of our authorized representatives will be available to meet with the Stock Exchange in Hong Kong within a reasonable time frame upon the request of the Stock Exchange and will be readily contactable by telephone, facsimile and email;

(b) our Company will implement a policy to provide the contact details of each Director (such as mobile phone numbers, office phone numbers and email addresses) to each of the authorized representatives and to the Stock Exchange. This will ensure that as and when the Stock Exchange wishes to contact our Directors on any matters, each of our authorized representatives has the means to contact all of our Directors (including the independent non-executive Directors) promptly at all times;

(c) although three of our executive Directors are not ordinarily resident in Hong Kong, each of our Directors possesses or can apply for valid travel documents to visit Hong Kong and is able to meet with the Stock Exchange within a reasonable period of time, when required;

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

(e) we have provided the Stock Exchange with the contact details of each Director (including their respective mobile phone number, office phone number and e-mail address).

Our Company will inform the Stock Exchange as soon as practicable in respect of any change in our authorized representatives, our Directors and/or our compliance advisor in accordance with the Listing Rules.

WAIVER IN RELATION TO JOINT COMPANY SECRETARIES

Pursuant to Rule 8.17 of the Listing Rules, an issuer must appoint a company secretary who satisfies the requirements under Rule 3.28 of the Listing Rules. According to Rule 3.28 of the Listing Rules, we must appoint an individual as the company secretary of our Company who, by virtue of his or her academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of company secretary.

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

(a) a member of The Hong Kong Chartered Governance Institute;

(b) a solicitor or barrister (as defined in the Legal Practitioners Ordinance); or

(c) a certified public accountant (as defined in the Professional Accountants Ordinance).

Note 2 to Rule 3.28 of the Listing Rules provides that in assessing "relevant experience", the Stock Exchange will consider the individual's:

(a) length of employment with the Company and other [**REDACTED**] companies and the roles he/she played;

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

(c) relevant training taken and/or to be taken in addition to the minimum requirement of taking not less than fifteen hours of relevant professional training in each financial year under Rule 3.29 of the Listing Rules; and

(d) professional qualifications in other jurisdictions.

We have appointed Mr. Wong Kwok Fu and Mr. Lam Kang Chi as the joint company secretaries of our Company.

Although Mr. Wong Kwok Fu does not possess the qualifications set out in Rule 3.28 of the Listing Rules, we appointed him as the joint company secretary of our Company due to his familiarity with the internal administration and communications, corporate governance and legal compliance issues of our Group. As the secretary of our Board, Mr. Wong Kwok Fu is primarily responsible for handling daily affairs and communications of our Board, assisting our Board in legal compliance and corporate governance matters, and handling external financing and public relations of our Group, including but not limited to liaising with our [**REDACTED**], relevant governmental authorities and the media. Through serving as the secretary of our Board, Mr. Wong Kwok Fu has also familiarized himself with the relevant PRC laws and regulations related to the property management, urban services and commercial operation services applicable to our Company. He is also an executive Director of our Company and has also developed a close nexus and solid working relationship with our Directors and senior management team. Accordingly, our Directors consider Mr. Wong Kwok Fu is a suitable candidate to act as the joint company secretary of our Company and believe that his appointment is in the interest of our Company and will facilitate our corporate governance and on-going compliance with the Listing Rules upon [**REDACTED**] given his relationship with our Board and familiarity with the matters of our Group.

On the other hand, Mr. Lam Kang Chi is a fellow member of the Hong Kong Chartered Governance Institute (HKCGI) (formerly known as the Hong Kong Institute of Chartered Secretaries) and the Chartered Governance Institute (CGI), and therefore meets the qualification requirements under Note 1 to Rule 3.28 of the Listing Rules. We have appointed Mr. Lam Kang Chi as one of the joint company secretaries of our Company so as to fully comply with the requirements set forth under Rule 8.17 of the Listing Rules. Apart from discharging his functions in his role as one of the joint company secretaries of our Company, Mr. Lam Kang Chi will work closely and assist Mr. Wong Kwok Fu in enabling him to acquire the relevant company secretary experience as required under Rule 3.28 of the Listing Rules and to become familiar with the requirements of the Listing Rules and other applicable Hong Kong laws and regulations. In addition, Mr. Wong Kwok Fu will attend relevant professional training during each financial year as required under Rule 3.29 of the Listing Rules. For more details of Mr. Wong Kwok Fu's and Mr. Lam Kang Chi's biographical information, see "Directors, Supervisors and Senior Management – Joint Company Secretaries" in this document.

Accordingly, we have applied to the Stock Exchange for, [and the Stock Exchange has granted us,] a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules on the basis of the following conditions:

(a) Mr. Wong Kwok Fu shall be assisted by Mr. Lam Kang Chi, who possesses the qualifications and experience required under Rule 3.28 of the Listing Rules and shall remain appointed as a joint company secretary of our Company throughout the three-year waiver period;

(b) the waiver is valid for a period of three years from the [**REDACTED**] and will be revoked immediately if and when Mr. Lam Kang Chi ceases to provide such assistance or if there are material breaches of the Listing Rules by our Company. Prior to the expiry of the three-year period, the qualifications and experience of Mr. Wong Kwok Fu and his need for on-going assistance will be further evaluated by us. We will liaise with the Stock Exchange before the end of the three-year period to enable it to assess whether Mr. Wong Kwok Fu, having benefited from the assistance of Mr. Lam Kang Chi for the preceding three years, will have acquired the skills necessary to carry out the duties of a company secretary and the relevant experience within the meaning of Note 2 to Rule 3.28 of the Listing Rules so that a further waiver will not be necessary;

(c) Mr. Lam Kang Chi will communicate regularly with Mr. Wong Kwok Fu on matters relating to corporate governance, the Listing Rules, as well as other laws and regulations which are relevant to our Company and our other affairs. Mr. Lam Kang Chi will work closely with, and provide assistance to, Mr. Wong Kwok Fu in discharge of his duties as company secretary and to acquire the relevant experience as required under Rule 3.28 of the Listing Rules;

(d) Mr. Wong Kwok Fu will also be assisted by our compliance advisor and our Hong Kong legal advisors, particularly in relation to Hong Kong corporate governance practices and regulatory compliance, on matters concerning our Company's ongoing compliance obligations under the Listing Rules and the applicable laws and regulations; and

(e) Mr. Wong Kwok Fu will attend relevant training and familiarize himself with the Listing Rules and duties required for a company secretary of an [**REDACTED**] on the Stock Exchange, including briefing on the latest changes to the applicable Hong Kong laws and regulations and the Listing Rules as may be organized by our Hong Kong legal advisors or other professional bodies and seminars as may be organized by the Stock Exchange for [**REDACTED**] from time to time.

WAIVER IN RELATION TO CONTINUING CONNECTED TRANSACTIONS

We [have entered into] certain transactions which will constitute continuing connected transactions for our Company under the Listing Rules after [**REDACTED**]. We have applied to the Stock Exchange for, [and the Stock Exchange has granted us,] waivers from strict compliance with the announcement, circular and the independent Shareholders' approval requirements under chapter 14A of the Listing Rules in respect of the continuing connected transactions as disclosed in the section headed "Continuing Connected Transactions" in this document. Further particulars about such transactions together with the application for a waiver from strict compliance with the relevant requirements under chapter 14A of the Listing Rules are set out in the section headed "Continuing Connected Transactions" in this document.

DIRECTORS

Name	Address	Nationality
Executive Directors		
Mr. Xie Yi (謝毅)	Room 603, Building 2 CITIC Culture Plaza No. 168 Zhongyi 2nd Road Tianxin District, Changsha Hunan Province PRC	Chinese
Mr. Yan Yongxiang (顏永翔)	Room 1803, Building 12 Phase II Yulong Tianxia Jiayuan No. 799 Youmutang Road Guanshaling Street, Yuelu District Changsha Hunan Province PRC	Chinese
Mr. Duan Wenming (段文明)	Room 1404, Building 16 Zhonghai International Community II Yuelu District, Changsha Hunan Province PRC	Chinese
Mr. Wong Kwok Fu (王國賦)	Flat D 32/F Billionnaire Royale 83 Sa Po Road, Kowloon City Kowloon Hong Kong	Chinese (Hong Kong)
Non-executive Director		
Mr. Yu Xiao (余效)	No. 1003, Unit 2, Building 02 Wanjing Waterfront Phase II Yuhua District, Changsha Hunan Province PRC	Chinese

Independent Non-executive Directors

Ms. Chan Ka Lai Vanessa (陳嘉麗)	2/F, No. 70 Tai Wan Village Sai Kung Hong Kong	Chinese (Hong Kong)
Dr. Dai Xiaofeng (戴曉鳳)	Room 504, Building 29 North Campus Shijiachong Hunan University Yuelu District, Changsha Hunan Province PRC	Chinese
Mr. Tse Chi Wai (謝志偉)	Flat 17C, 47 Broadway Mei Foo Sun Chuen Hong Kong	Chinese (Hong Kong)

SUPERVISORS

Name	Address	Nationality
Mr. Huang Guohui (黃國輝)	Huaya Garden Yuhua District, Changsha Hunan Province PRC	Chinese
Ms. Peng Juanjuan (彭娟鵑)	Feicuilinju Community Tianxin District, Changsha Hunan Province PRC	Chinese
Ms. Xiao Mingxi (肖名希)	Chuangjing Garden community Shuyuan Road Tianxin District, Changsha Hunan Province PRC	Chinese

For further information regarding our Directors and Supervisors, see "Directors, Supervisors and Senior Management".

PARTIES INVOLVED

Sole Sponsor, [REDACTED] and [REDACTED]	**China International Capital Corporation Hong Kong Securities Limited** 29/F, One International Finance Centre 1 Harbour View Street Central Hong Kong

[REDACTED]

Legal Advisors to our Company	*As to Hong Kong laws:* **Tian Yuan Law Firm LLP** Suites 3304-3309 33/F, Jardine House One Connaught Place Central Hong Kong *As to PRC law:* **Commerce & Finance Law Offices** 12-14/F, China World Office 2 No. 1 Jianguomenwai Avenue Beijing PRC

Legal Advisors to the [REDACTED] and the [REDACTED]	*As to Hong Kong law:* **King & Wood Mallesons** 13/F, Gloucester Tower The Landmark 15 Queen's Road Central Central Hong Kong *As to PRC Laws:* **DeHeng Law Offices** 12/F, Tower B, Focus Place 19 Finance Street Beijing PRC
Auditors and Reporting Accountants	**KPMG** *Certified Public Accountants* 8th Floor, Prince's Building 10 Chater Road Central Hong Kong
Industry Consultant	**China Index Academy** No. 20 Guogongzhuang Middle Street Tower A, Fengtai District Beijing PRC
Compliance Advisor	**Rainbow Capital (HK) Limited** Office No. 710, 7/F Wing On House No. 71 Des Voeux Road Central Hong Kong

[**REDACTED**]

CORPORATE INFORMATION

Registered Address and Address of Head Office	9/F, Building A1 Xiangjiang Times Square No. 179, Pilot Road Yuelu District, Changsha Hunan Province PRC
Principal Place of Business in Hong Kong	40/F, Dah Sing Financial Centre 248 Queen's Road East Wanchai Hong Kong
Website Address	www.hollwingroup.com (Information contained on this website does not form part of this document)
Joint Company Secretaries	Mr. Wong Kwok Fu (王國賦) Mr. Lam Kang Chi (林庚墀)
Authorized Representatives	Mr. Wong Kwok Fu (王國賦) Mr. Lam Kang Chi (林庚墀)
Board Committees	**Audit Committee** Ms. Chan Ka Lai Vanessa (Chairlady) Mr. Tse Chi Wai Mr. Yu Xiao **Nomination Committee** Mr. Xie Yi (Chairperson) Mr. Tse Chi Wai Dr. Dai Xiaofeng **Remuneration and Evaluation Committee** Dr. Dai Xiaofeng (Chairlady) Mr. Yan Yongxiang Ms. Chan Ka Lai Vanessa

[REDACTED]

Principal Banks	**Bank of Changsha** **Xiangjiang New Area Branch** No. 300 Jinxing South Road Yuelu District, Changsha Hunan Province PRC

The information and statistics set out in this section and other sections of this document were extracted from the industry report prepared by CIA, which was commissioned by us, and from various official government publications and other publicly available publications. We engaged CIA to prepare the CIA Report, an independent industry report, in connection with the* [REDACTED]. *The information from official government sources has not been independently verified by our Group, the Sole Sponsor, the* [REDACTED], *the* [REDACTED], *the* [REDACTED], *the* [REDACTED], *any of the* [REDACTED], *any of their respective directors and advisers, or any other persons or parties involved in the* [REDACTED], *and no representation is given as to its accuracy.

RESEARCH BACKGROUND, METHODOLOGIES AND ASSUMPTIONS OF CIA

We have commissioned CIA to prepare a market research report ("**CIA Report**") on the property management industry in China at a total sum of RMB0.8 million and supplemented these with data obtained from public sources where applicable. CIA has extensive experience in researching and tracking the PRC property management industry and has researched the Top 100 Property Management Companies since 2008.

CIA collects information from a variety of primary and secondary sources, including (i) published statistics, websites and marketing materials of property management companies; (ii) the satisfaction survey conducted by CIA on property owners; (iii) surveys and data from the China Real Estate Index System and the China Real Estate Statistics Yearbook; (iv) public data from governmental authorities; (v) data gathered for Top 100 Property Management Companies in China from 2008 to 2023; and (vi) data gathered for Property Management Companies by Brand Value from 2013 to 2022.

CIA ranks the overall strength of property management companies by evaluating the five primary indicators of management scale, operational performance, service quality, growth potential and social responsibility, and forms the research results of the Top 100 Property Management Companies in China. In this section, data analysis and research are mainly based on the research of the Top 100 Property Management Companies in China.

In the CIA Report, CIA assumed that: (i) the social, economic and political conditions in China and globally will remain relatively stable over the forecast period; (ii) government policies on the property management industry in China will remain unchanged during the forecast period; (iii) all published data from the relevant statistical departments is accurate; (iv) all information collected from the relevant local housing administrative bureaus authorities in relation to residential sales transactions is accurate; and (v) the Chinese economy as a whole was adversely affected in the short term by COVID-19 Pandemic and is gradually recovering from COVID-19.

THE PRC PROPERTY MANAGEMENT SERVICES MARKET

Introduction and Overview

The property management industry has gone through more than 40 years of development in China since 1981 when the first domestic management company was founded in Shenzhen. The development of the industry has experienced the early stage of development, the standardization period and a new period of diversified development. Along with the development of the Internet, the property management industry also has a window for growth. More and more property management companies are integrating across borders with new technologies. They are constantly accelerating the pace of building intelligent platforms and promoting the gradual transformation of the property management service model from an intensive labor output to an intensive modern service model.

The property management industry has undergone changes, with economic growth, also urbanization, consumption upgrades and rising income levels of residents, providing demand for the property service market; industry policies have gradually evolved from normative to supportive and encouraging; the application of the Internet has started from scratch, gradually moving from concept to reality, and the technological content of the industry has increased; in the capital market, from being left out to being noticed and then to being valued, the value of companies has been repositioned, and capital has become a booster for accelerating the development of companies. The series of policies, economic and technological environment and other favorable factors together promoted the development of the property management industry. The scale continues to grow, and its social status has improved. It has become a crucial sector for promoting economic and livelihood development, maintaining social harmony and stability, and fostering sustainable urban development.

Major Fee Models in Property Management Industry

Property management companies in China charge fees for property management services and value-added services. Property management services encompass tasks such as cleaning, gardening, security, and maintenance, while value-added services include community services and services provided to non-property owners. Property management fees may be charged either on a lump sum basis or a commission basis. The lump-sum fee model is widely used in residential properties, where owners pay a fixed and all-inclusive property management fees to property management service providers. The commission basis fee model, gaining popularity in non-residential properties, is common to adopt a fixed annual or monthly property management fee, which is determined based on number of staff deployed, multiplied by number of factors, such as service scope and standards, service quality requirements and profit margins. While the lump-sum fee model remains dominant in the property management industry in China, the commission basis fee model is gaining momentum, particularly in non-residential properties. The choice between the two models depends on factors such as convenience, efficiency, owner participation, and the specific characteristics of the property being managed.

Property management companies in China usually adopt two pricing methods for property management services: the area-based method and the personnel-based method. Under the personnel-based pricing method, property management companies charge customers a total packaged fees on a per project basis, and they typically do not calculate the unit fees and disclose them to the public. Under the area-based pricing method, property management companies set unit property management fees and charge clients based on the GFA under management.

The following table sets forth the unit property management fee ranges[1] of projects charged under the area-based pricing method by type of property in Changsha for the years indicated:

	For the year ended December 31,		
	2021	**2022**	**2023**
	(RMB per sq.m. per month)	*(RMB per sq.m. per month)*	*(RMB per sq.m. per month)*
Public property management services (urban area)	2.5-6	3-7	2.5-6
Public property management services (suburb)	1.5-4.5	2-5	1.5-4.5
Commercial property management services (urban area)	4-21	4-20	4-22
Commercial property management services (suburb)	2.5-9	3-11	3-11
Residential property management services (urban area)	1.5-3	1.5-3	1.5-3
Residential property management services (suburb)	1-2.5	1-2.5	1-2.5

Note:

(1) The unit property management fee range refers to the range of unit property management fees for projects meeting certain criteria according to the China Real Estate Information System (CREIS):

(i) located in Changsha (excluding subordinate counties and county-level cities);

(ii) completed and delivered after the year 2000, and the property relating to such project has been occupied for more than one year;

(iii) with a three-star rating or above (CIA rates property management services based on factors such as the standards and qualities of public order, entertainment facilities, landscaping, and sanitation. A five-star rating is considered the best, and a three-star rating is slightly better than average); and

(iv) with unit property management fees that are neither excessively high nor low (a sufficient number of projects are included, covering a minimum of 80% of all projects within CREIS).

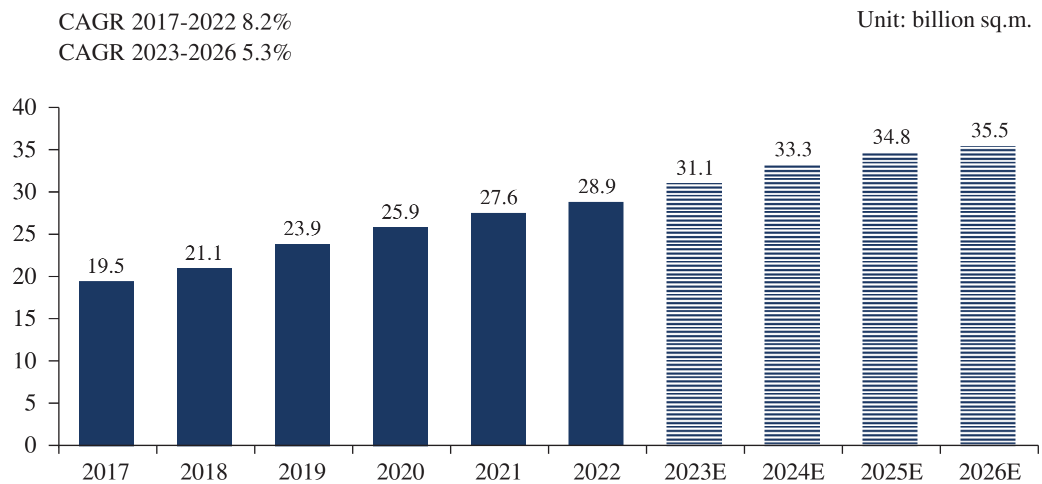
Property Management Governmental Policy Background

Over the years, with the continuous deepening of China's housing system reform, property management has shifted from a supplementary role in the real estate industry to an independent industry. The promulgations of the Regulations on Property Management (《物業管理條例》) in 2003, the Property Law of People's Republic of China (《中華人民共和國物權法》) in 2007 which is replaced by the Civil Code of the People's Republic of China (《中華人民共和國民法典》) in 2021, and Notice by the Ministry of Housing and Urban-rural Development and Other Departments of Strengthening and Improving the Administration of Residential Property (《關於加強和改進住宅物業管理工作的通知》) in 2021, gradually clarified the rights and obligations of property management companies, improved the property management legal system, standardized the operation of property management companies, and promoted the development of the property management industry.

Market Size

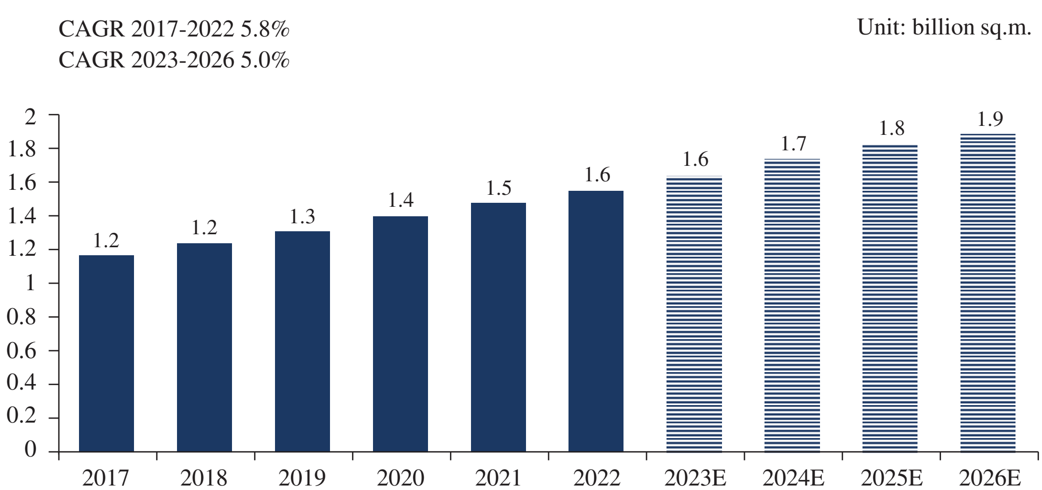
China's real estate market has seen expansion in recent years, resulting in an upsurge in the size of the existing property management market. This growth has opened up opportunities for the property management industry. From 2017 to 2022, the total area under the industry's management increased significantly, from 19.5 billion sq.m. to 28.9 billion sq.m., with an annual compound growth rate of 8.2%. Looking into the future, the growth trend is expected to continue. Between 2022 and 2026, the managed area is projected to grow from 28.9 billion sq.m. to 35.5 billion sq.m., showing an annual compound growth rate of 5.3%. In terms of financial performance, the Top 100 Property Management Companies in the sector achieved an average operating income of approximately RMB1.5 billion in 2022, marking a year-on-year increase of 10.6%. The property management market in Hunan Province is developing, accompanied by fierce competition. By the end of 2022, the total area under management amounted to approximately 1.6 billion sq.m., representing 5.4% of the total property management area nationwide. By 2026, the property management area of Hunan Province is projected to grow to 1.9 billion sq.m., with a compound growth rate of 5.0% from 2022 to 2026. From 2017 to 2022, the total property management area within Changsha increased from 440 million sq.m. to 623 million sq.m., with an annual compound growth rate of 7.2%. By 2026, the total property management area within Changsha is projected to grow to 757 million sq.m., with a compound growth rate of 5.0% from 2022 to 2026.

The following chart sets forth the historical and projected market size of the property management industry in the PRC in terms of GFA under management for the years indicated:



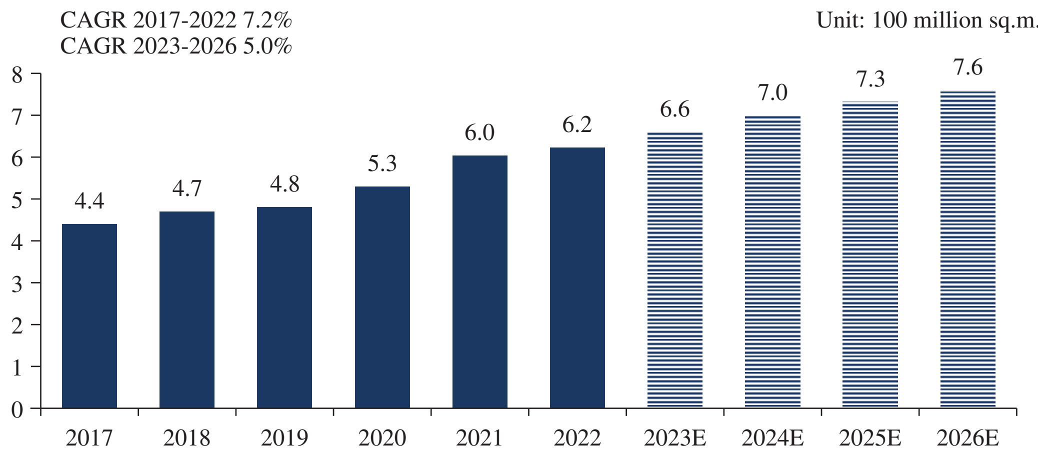
Source: National Bureau of Statistics of China; CIA

The following chart sets forth the historical and projected market size of the property management industry in Hunan Province for the years indicated:



Source: CIA

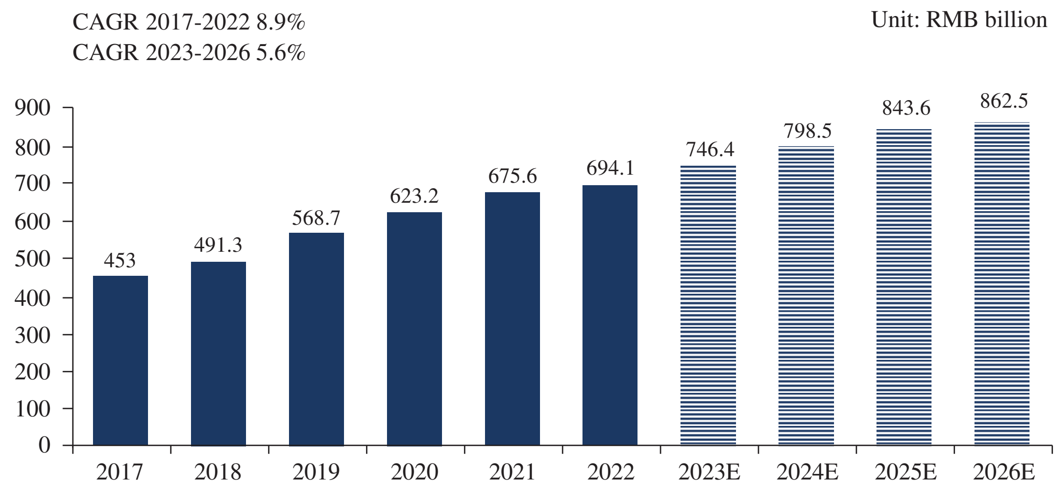
The following chart sets forth the historical and projected market size of the property management industry in Changsha for the years indicated:



Source: CIA

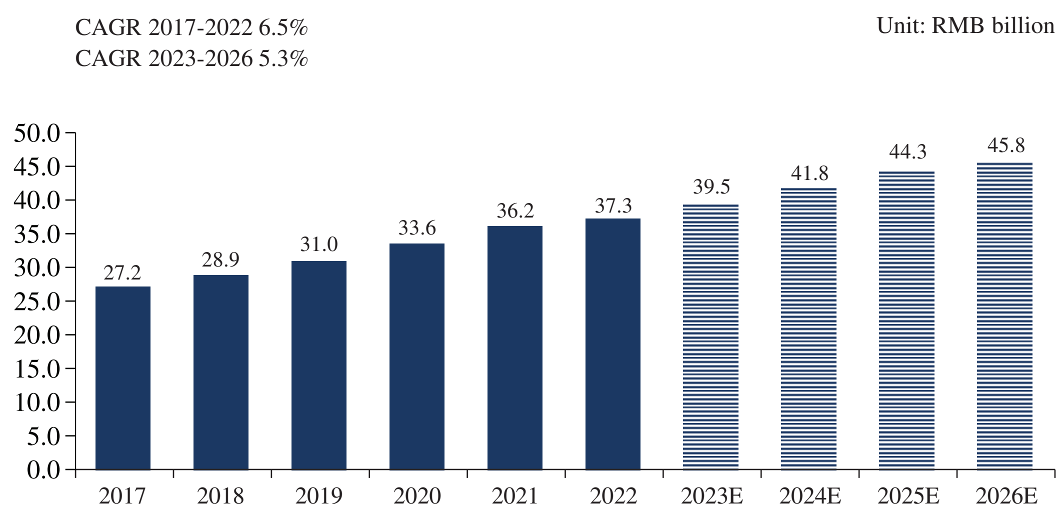
From 2017 to 2022, the total revenue of property management companies in China increased from RMB453.0 billion to RMB694.1 billion, with an annual compound growth rate of 8.9%. From 2022 to 2026, the total revenue of property management companies in China is expected to increase from RMB694.1 billion to RMB862.5 billion, with an annual compound growth rate of 5.6%. From 2017 to 2022, the total revenue of property management companies in Hunan Province increased from RMB27.2 billion to RMB37.3 billion, with an annual compound growth rate of 6.5%. From 2022 to 2026, the total revenue of property management companies in Hunan Province is expected to increase from RMB37.3 billion to RMB45.8 billion, with an annual compound growth rate of 5.3%. From 2017 to 2022, the total revenue of property management companies in Changsha increased from RMB10.2 billion to RMB15.0 billion, with an annual compound growth rate of 8.0%. From 2022 to 2026, the total revenue of property management companies in Changsha is expected to increase from RMB15.8 billion to RMB18.4 billion, with an annual compound growth rate of 5.3%.

The following chart sets forth the historical and projected market size of property management companies in China in terms of total revenue for the years indicated:



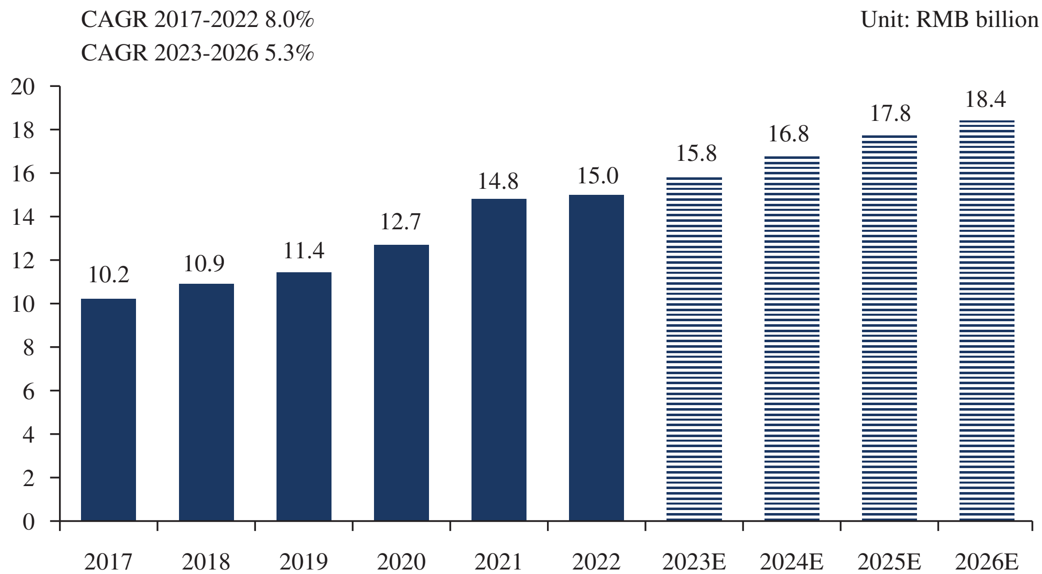
Source: CIA

The following chart sets forth the historical and projected market size of property management companies in Hunan Province in terms of total revenue for the years indicated:



Source: CIA

The following chart sets forth the historical and projected market size of property management companies in Changsha in terms of total revenue for the years indicated:



Source: CIA

Market Drivers

Favorable Government Policies: The publication of more and more guiding and favorable documents for the property management industry, like the Regulations on Property Management in Hunan Province (《湖南省物業管理條例》) and its subsequent amendments, shows that the industry is gradually attracting endorsement from the government, which in return promotes the property management industry. Additionally, on March 15, 2021, the Yuhua District Committee and the District Government of Changsha introduced the Ten Measures for Strengthening Community Property Management (Trial) (《關於加強小區物業管理的十條措施(試行)》). These measures aim to improve the quality of property management services, set service standards, conduct project assessments, manage and register people who work in the property management sector, and ensure minimum wage protection. They also encourage property management service companies to expand into areas like elderly care, childcare, housekeeping, culture, health, and parcel delivery to meet residents' diverse needs. These policies not only promote the integration of property management companies with smart cities, the Internet, community elderly care, and other related fields but also drive industry innovation and advancement. This helps elevate property management services as one of the contributing industries that foster economic growth and improve people's livelihood.

Growing Urbanization and Income: As urbanization rate continues to rise and the number of cities increases, with the urbanization rate in China rising from 37.7% in 2001 to 65.2% in 2022, such growth fosters demand for property management services and directly drives the development of the property management industry. Moreover, according to CIA, per capita disposable annual income of the urban population in the PRC has steadily increased to approximately RMB49,283 in 2022, representing a CAGR of 5.9% from 2018 to 2022, driving increasing demand for better living conditions and quality property management services, and creating growth opportunities for property management companies.

Broad Market Landscape of Merchandized Property: Merchandized property refers to property developed by real estate companies which can be sold and leased to the public, including but not limited to residential property and commercial property. According to the National Bureau of Statistics of China, the GFA of merchandized properties sold in China in 2022 reached approximately 1.4 billion sq.m., and the merchandized property sales market has consistently surpassed one billion sq.m. in terms of GFA for numerous years, indicating the expansive market space of the property management industry. Additionally, the evolving demand for merchandized property has provided favorable opportunities for the development of the property management industry. In 2022, the GFA of non-residential properties managed by the Top 100 Property Management Companies accounted for 35.3% of the total, marking an increase of 1.4% from 2021. This increase indicated that a growing number of companies are diversifying their business models and exploring the non-residential property management market. Compared to residential market, non-residential market represents more potential and opportunities, serving as a strategic focus for property management companies as they make external expansion efforts.

Entry Barriers

The property management industry in China has seen an increase in entry barriers as the industry has developed. There are four main entry thresholds for property management service companies.

Brand: With the improvement of consumers' consumption, the overall industry conditions and the intensification of competition, higher requirements for property management service quality have been put forward, and thus brand reputation has increasingly become a barrier to entry in this industry.

Capital Requirements: With the expansion of scale, property management companies focus more on deepening technological innovation characterized by automation and intelligence, improving management efficiency by purchasing machinery and equipment, building information management systems, etc., thus raising barriers in respect of capital availability.

Specialization of Management: As the competitiveness of the property management industry continues to strengthen, the management team and its management experience are becoming important factors of the core competitiveness of companies.

Professional Personnel and Technical: Property management depends on manual labor. It is the important factors to have all kinds of professional and technical personnel required in service projects, and establish a long-term and stable personnel training mechanism and human resource advantages.

Market Trends

The trends for the future development of the property management industry are as follows: (i) increasing use of intelligent technology is enhancing corporate technological depth and promoting efficiency and quality; (ii) opportunities remain for [**REDACTED**], offering state-owned enterprises strategic opportunities; (iii) greater potential for diverse business operations is enriching and broadening the scope of value-added services; (iv) standardization of services is providing a solid foundation for expansion and enabling efficient operational development; (v) it is becoming increasingly necessary for property management service companies to operate independently and align with market trends; (vi) the untapped potential in non-residential property markets is leading to better management strategies within businesses; (vii) continuous professional development of staff is driving ongoing improvement in service quality; and (viii) regular updates of industry policies are driving the transparency and integration of the section.

Potential Threats and Challenges to the Property Management Industry

In addition to the entry barriers discussed in the section above, property management companies in China might encounter various factors that can lead to unexpected losses.

Risk of Market Competition: At present, China's property management industry is highly competitive, with a large number of domestic property management companies and the concentration ratio increasing year by year. The number of property owners' choice of property management services will increase and the requirements for property management services will become more specialized and standardized, so there will still be certain competition risks in this industry.

Risk of Cost Control: At present, the property management industry mainly charges property service fees on a lump-sum basis, which means that if the fees collected by property management companies are not sufficient to make up for all the property management service costs incurred, property management companies will suffer losses.

Risk of Rising Labor Costs: The property management industry is a labor-intensive industry. Labor costs generally represent the largest component of cost of sales for property management companies. The daily operation of property management services, such as greening, security, repair and maintenance and customer services relies heavily on the manual labors. According to CIA, in recent years, the percentage of labor costs in total sales costs for the Top 100 Property Management Companies has fluctuated between 50% and 60%, but it has shown an overall upward trend. Over the past years, the increase in the minimum wage in various regions resulted in an increase in labor costs. In addition, the increase in the number of employees also increases other related costs, such as training costs and management costs.

THE PRC URBAN SERVICES MARKET

Overview of Urban Services Market

Urban services are a collective term for comprehensive services provided to the government, businesses, and residents on top of traditional property management. The sector, which includes areas such as urban space operation, municipal sanitation, infrastructure maintenance, and engineering constructions in urban spaces, operates on a large scale and in an integrated manner, enabled by digital and smart technologies. Essentially, it involves integrating urban spaces and resources in a city and managing them through professional institutions such as property companies and urban operation services companies. Urban service is a broad concept that includes many subdivided areas, encompassed landscaping and engineering, parking lot operation, lighting system operation, municipal sanitation services, and more. With the push from government to improve public services, a new model of "urban services" has emerged. This has opened up opportunities for property management companies to participate in public services and social governance, thereby creating a vast market for urban services. As "refined city management" is promoted, it is natural for property management companies to venture into the urban services market and property management companies have a natural advantage. This diversity implies a vast market space.

The Relationship Between Urban Services and Property Management Services

Urban service fundamentally involves treating public spaces and resources as a unit and managing the entire city in a professional, refined, and intelligent manner through the introduction of market forces.

In terms of service recipients: the business and service recipients of traditional property management align with urban services. In recent years, property management companies have actively expanded into non-residential projects. Their management portfolio now includes many public buildings, such as government offices, public venues, and parks, where the clients are local governments, aligning with the urban services.

In terms of business subdivisions: the subdivisions of traditional property management services and urban services are comparable. Apart from community property management services corresponding to the management of older residential complexes, other business subdivisions overlap, cleaning correspond to urban sanitation operations, security services correspond to urban order co-management, greening correspond to urban landscape maintenance, facility management correspond to urban facility management, and community space operations correspond to urban resource operations. Furthermore, the technology empowerment promoted by property management companies in recent years also correspond to urban intelligent services, enabling city management through mechanization and app-based approaches.

Therefore, in advancing the process of "refined city management", property management companies possess inherent advantages at the fundamental business level.

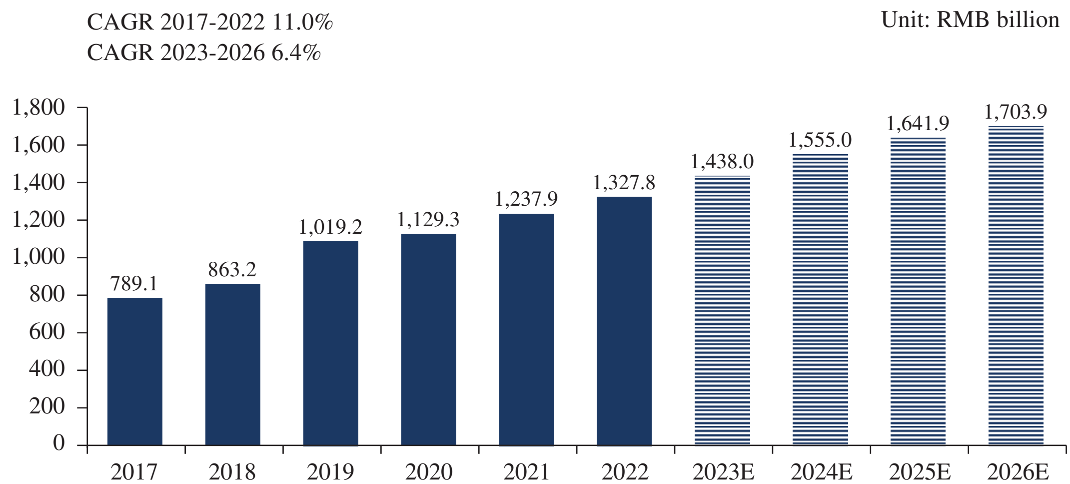
Urban Services Governmental Policy Background

Since the State Council General Office issued the Guiding Opinions on Government Purchase of Services from Social Forces (《關於政府向社會力量購買服務的指導意見》) in September 2013, there has been further promotion of government function transformation and public service improvement. During the National Two Sessions in 2017, General Secretary Xi Jinping proposed the overall requirement that "urban management should be as meticulous as embroidery". In March 2022, the National Development and Reform Commission (國家發展和改革委員會) issued a notice on the Key Tasks for New Urbanization and Urban-Rural Integration Development in 2022 (《2022年新型城鎮化和城鄉融合發展重點任務的通知》), further proposing to deepen the advancement of a people-centered new urbanization strategy, allowing more people to enjoy a higher-quality urban life. The introduction of this series of policies has opened up vast space for urban services, providing property service enterprises with good opportunities to participate in urban public services and social governance, thereby giving birth to a developing urban service market.

Market Size

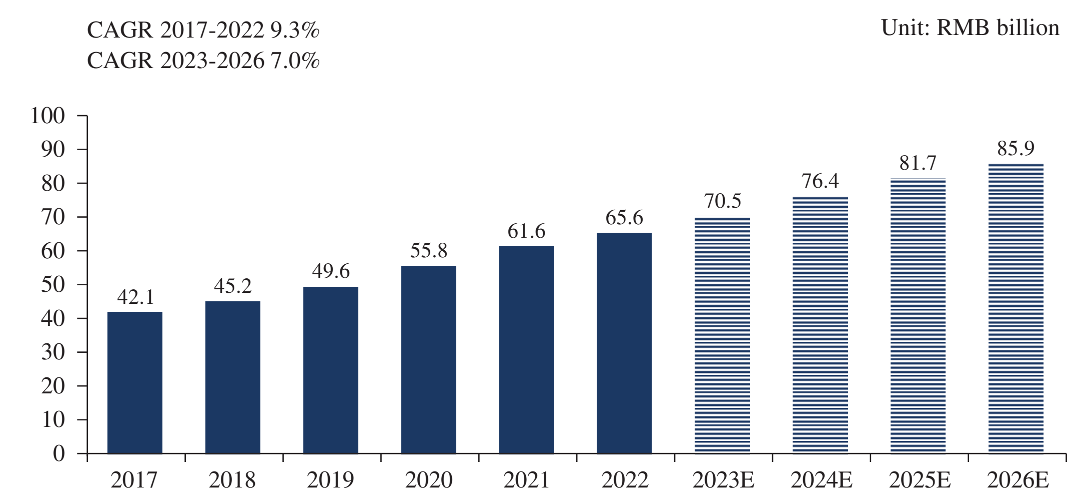
Under the new standard of refined city management and the continuous advancement of "streamline administration and delegate power, improve regulation, and upgrade services (放管服)" reforms, the market for urban services is continuously opening and growing. According to data provided by CIA, from 2017 to 2022, the PRC urban service market size grew from RMB0.8 trillion to RMB1.3 trillion, with an annual compound growth rate of 11.0%. It is expected that from 2022 to 2026, the PRC urban service market will grow from RMB1.3 trillion to RMB1.7 trillion with a compound growth rate of 6.4%. Within Hunan Province, from 2017 to 2022, the urban service market size grew from RMB42.1 billion to RMB65.6 billion, with an annual compound growth rate of 9.3%. It is expected that from 2022 to 2026, the Hunan urban service market size will grow from RMB65.6 billion to RMB85.9 billion with a compound growth rate of 7.0%. Within Changsha, from 2017 to 2022, the urban service market size grew from RMB15.8 billion to RMB26.3 billion, with an annual compound growth rate of 8.0%. It is expected that from 2022 to 2026, the Changsha urban service market size will grow from RMB26.3 billion to RMB34.5 billion with a compound growth rate of 5.3%.

The following chart sets forth the historical and projected market size of the urban service market in the PRC for the years indicated:



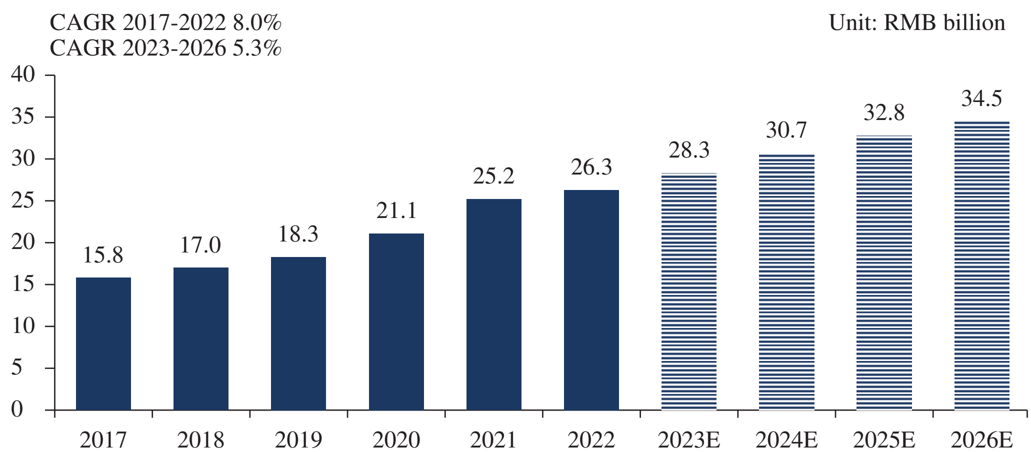
Source: National Bureau of Statistics of China; CIA

The following chart sets forth the historical and projected market size of the urban service market in Hunan Province for the years indicated:



Source: CIA

The following chart sets forth the historical and projected market size of the urban service market in Changsha for the years indicated:



Source: CIA

Market Drivers

Favorable Government Policies: The national focus on municipal environmental sanitation and ecological civilization construction is intensifying, consistently emphasizing the strengthening of environmental protection and the restoration of ecosystems, which positively impacts the comprehensive enhancement and development of the municipal ecological environment. Simultaneously, smart parking services are currently receiving substantial attention from national policies. To resolve the escalating urban parking issues, the nation has been continuously introducing related policies in recent years. For instance, in May 2021, the State Council released the Opinions on Promoting the Development of Urban Parking Facilities (《關於推動城市停車場設施發展的意見》). By 2025, cities of all sizes in the country will have established a city parking system primarily consisting of built parking facilities, supplemented by off-street public parking facilities and on-street parking. The system will see broad participation from social capital and a deep integration of information technology with the parking industry. These national policies have brought new development opportunities to the municipal services industry, and the release and implementation of these policies have stimulated market demand in the municipal services sector, accelerating the growth of the municipal services industry.

On December 17, 2020, the Hunan Provincial Department of Finance (湖南省財政廳) issued the Hunan Provincial Government Purchased Services Management Implementation Measures (《湖南省政府購買服務管理實施辦法》). This policy provides clearer guidelines for urban service procurement, outlining specifics on contract adherence, performance assessment, information transparency, and oversight. As a result, the urban services we provide under government contracts can operate in a more standardized and transparent manner.

Enhancement of Urbanization Level: Urbanization construction is one of the core drivers of China's modernization. Especially with the current promotion of a new type of urbanization by the state, sectors in cities are annually raising their demands for lighting, landscaping, environment, and sanitation. This trend provides new development opportunities for the expansion and upgrading of the urban services market. Urban lighting, a crucial component of smart cities, has received substantial attention from the Hunan Provincial and Changsha Municipal Governments. With the development of urban construction in recent years, cities are expanding, and the number of urban road lights is increasing. In 2021, the growth rate of urban road lighting in Hunan Province was 6%, indicating a gap between the growth of road lengths and a certain demand shortfall. Moreover, the lighting density per kilometer in Hunan Province is still below the national average, suggesting a vast potential for the urban lighting services market.

Increasing Intelligence Level: In recent years, with the advent of the smart city concept, attention to smart city construction from both government and enterprises has been intensifying. There is increased investment in intelligent construction, with technologies being introduced to build professional smart urban service platforms. This approach empowers industry development through technology, leading to further optimization of municipal governance. In these initiatives, municipal lighting, as an essential component of smart cities, has received substantial attention from Hunan Province and Changsha government.

Entry Barriers

Experience: There could potentially be an experience barrier. Urban services often demand vendors with extensive industry experience, with tender documents requiring bidders to provide proof of past performance and project participation. The industry requires the development of comprehensive solutions for the personalized needs of customers, including front-end design, mid-term project implementation, and subsequent operation and maintenance services. New entrants find it challenging to establish such comprehensive service capabilities quickly. Hence, project experience in the bidding process constitutes an experience barrier for newcomers.

Technology: There is high requirement and standard for technology. Urban services cover many service domains, each with distinct technical standards and requirements. For example, urban services involve maintenance for new facilities and equipment such as pipeline maintenance, river water quality, etc. These demand higher professional service and technical abilities from property management companies. Breaking through the key technologies in the research and development phase is challenging, requiring high innovation and product development capabilities and longer development cycles. New entrants may face the risk of project failure due to deviations in the research and development technology route, excessive research and development costs, and slow progress. Hence, this industry presents significant technological barriers.

Talent Specialization: There is also a talent barrier. The industry's various application fields require highly skilled personnel with comprehensive technical capabilities. In addition to professional technical skills, they must deeply understand the industry's business processes, management standards, related technologies, and application environments. They should also be able to reasonably plan and design according to the characteristics of different levels and regions. Only companies that have long served in the fields have the opportunity to cultivate talent with both industry knowledge and project construction experience and provide professional comprehensive solutions. Therefore, new entrants will struggle to occupy a favorable position in the market without a sufficient number of talents possessing both industry knowledge and project construction experience.

Market Trends

The market for urban services has great potential for development and has been growing steadily in recent years. The property management industry holds material importance for people's livelihood, and its public service attributes are increasingly prominent. Expanding urban services can help enhance the public's perception of the property management industry and align with policy guidance and market trends. Besides, urban services are still in the early stages of development, and the gross profit margin of this sector may improve as the business model matures gradually, and economies of scale come into play.

THE PRC COMMERCIAL OPERATION SERVICES MARKET

Major Fee Models of Commercial Operation Services Market

Commercial operation services involve businesses offering an array of consulting and operational services covering the entire lifecycle of commercial properties, including, but not limited to, positioning planning, design consulting, engineering consulting, investment consulting, planning promotion, and commercial operation services. The core value of commercial operation services lies in enhancing the value of commercial projects through continuous operational management, thereby attracting more customers, and achieving higher rental rates and rents. Currently, there are three main business models for commercial operation services providers:

- In the entrusted management service model, services providers offer comprehensive services for all essential stages of commercial projects. They typically provide entrusted management services to associated real estate development companies. This model is a common operational model in the market, widely accepted and adopted by market participants.

- In the brand and management output service model, services providers supervise commercial operation services through professional managers, providing management output services for commercial properties. Under this output service model, the scope of services is similar to that under the entrusted management service model. Well-known commercial operation services providers often cooperate with third-party development companies, using the output service model to tap into new markets.

- In the sublease service model, services providers can lease commercial properties from owners for operational management, sublease commercial spaces to tenants, and directly collect rental income. Under the sublease service model, commercial operation services providers manage commercial properties as the primary entity. They typically offer sublease services to commercial properties with material profit potential.

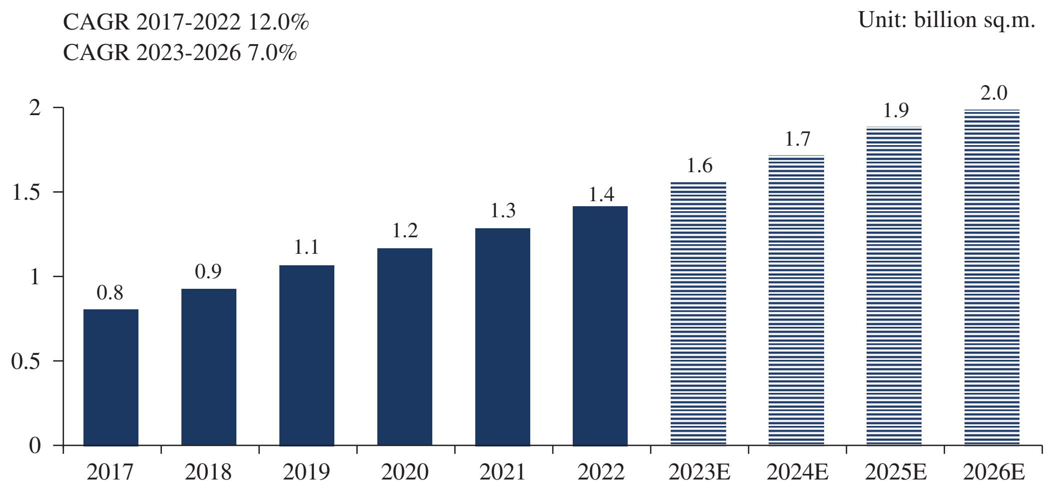
Commercial Operations Governmental Policy Background

Since 2020, the PRC has been committed to optimizing the consumer environment and promoting commercial prosperity and sustainable healthy development of the national economy at the policy level. Focused on expanding domestic demand and stimulating consumption, a variety of policies have been implemented across multiple fields, continually enhancing the consumption upgrade. This proposed to align with the trend of resident consumption upgrade, accelerate the improvement of consumer promotion mechanisms, further improve the consumption environment, bring into play the basic role of consumption, and help form a strong domestic market. In July 2020, a report from the PRC Central Politburo meeting proposed to accelerate the formation of a new development pattern with the domestic major cycle as the main body and domestic and international dual cycles mutually promoting each other; it continued to expand domestic demand and create conditions for the upgrade of resident consumption. Since 2023, the local governments have introduced a series of policies to promote consumption, pushing for the revival of the commercial market.

Market Size

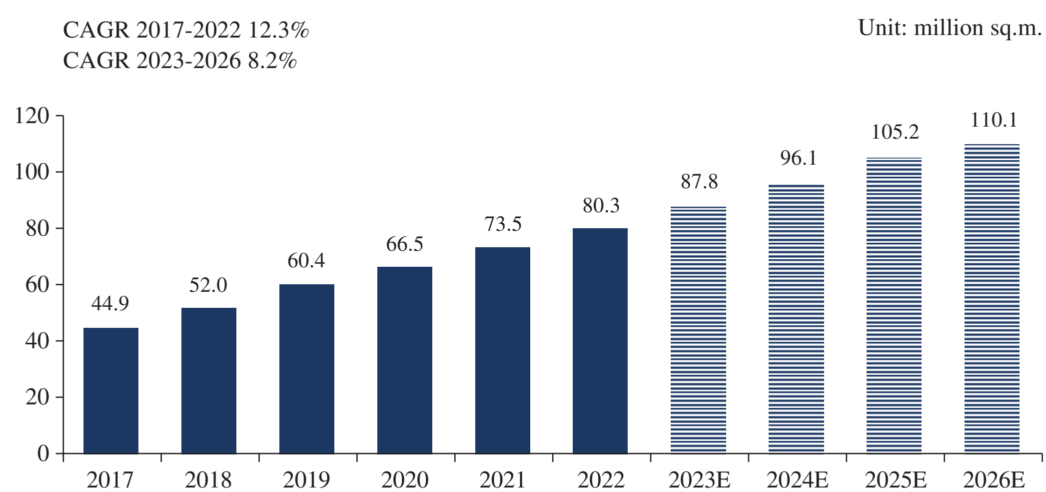
Although the size of the commercial operation services market is currently smaller than that of property management, it is growing at a much faster rate. On the one hand the commercial operation services market is not only growing naturally along with the growth of commercial properties as a whole, but on the other hand more and more commercial property holders are seeking professional commercial operation services. The area of commercial property operational services in China increased from 0.8 billion sq.m. in 2017 to 1.4 billion sq.m. in 2022, at a CAGR of 12.0%, and is expected to continue to increase to 2.0 billion sq.m. in 2026. The area of commercial property operational services in Hunan Province increased from 44.9 million sq.m. in 2017 to 80.3 million sq.m. in 2022, at a CAGR of 12.3%, and is expected to continue to increase to 110.1 million sq.m. in 2026. The area of commercial property operational services in Changsha increased from 13.5 million sq.m. in 2017 to 24.0 million sq.m. in 2022, at a CAGR of 12.2%, and is expected to continue to increase to 32.9 million sq.m. in 2026.

The following chart sets forth the historical and projected market size of the commercial operation services market in the PRC for the years indicated:



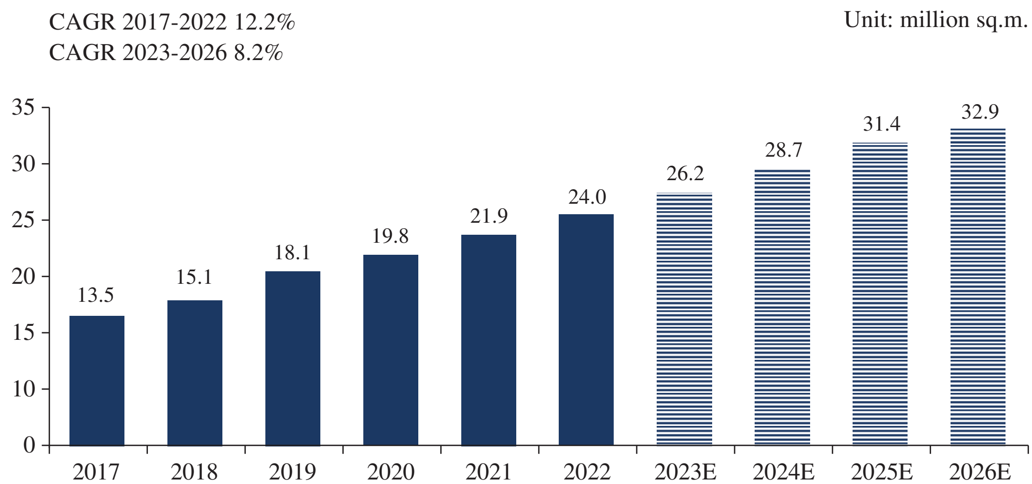
Source: CIA

The following chart sets forth the historical and projected market size of the commercial operation services market in Hunan Province for the years indicated:



Source: CIA

The following chart sets forth the historical and projected market size of the commercial operation services market in Changsha for the years indicated:



Source: CIA

Market Drivers

Favorable Government Policies: The nation is committed to optimizing the consumption environment at the policy level, promoting commercial prosperity, and ensuring the sustained and healthy development of the national economy. As stated in the Implementation Opinions on Promoting the Expansion and Quality Improvement of Consumption to Accelerate the Formation of a Strong Domestic Market (《關於促進消費擴容提質加快形成強大國內市場的實施意見》) jointly promulgated by the NDRC and other governmental authorities on February 28, 2020, there's an emphasis on aligning with the trend of consumer consumption upgrades, accelerating the improvement of consumption promotion mechanisms and systems, further enhancing the consumption environment, and leveraging the foundational role of consumption. The overall consumption rate has been promoted due to the above-mentioned policies, leading to an increased visiting rate to the shopping malls, increased willingness for the merchants to open shops, and subsequently increased demand for commercial operation services.

On August 31, 2023, the General Office of the People's Government of Hunan Province issued the Several Policy Measures to Stimulate and Expand Consumption in Hunan Province (《湖南省恢復和擴大消費的若干政策措施》). Such measures are anticipated to further elevate the market demand for commercial operation services in Hunan Province, providing a boost for our commercial operation projects.

Increasing Consumption Rate: Consumption continues to be a major driver of economic stability. China's retail industry has generally maintained steady growth, with quarterly growth rates steadily rising. The total retail sales of consumer goods in China increased from RMB5.8 trillion in 2004 to RMB44.0 trillion in 2022, with a compound annual growth rate of 3.9% from 2018 to 2022. With the deepening of reforms and the continuous advancement of supply-side structural reform, new business formats and models are booming, and the vitality of the domestic commercial market continues to be released. In this context, the commercial consumption market will grow, boosting the commercial real estate market. In addition, the continuous growth of income promotes consumers' pursuit of higher-quality commercial operation services, providing opportunities for the development of the commercial operation services market.

Robust Urban Commerce in Changsha: Changsha is not only a pivotal city in central China but also a popular city known for its rich culture, commerce, and cuisine. It holds a strategic advantage for commercial operations. The Wuyi Shopping District (五一商圈) remains one of the biggest municipal commercial centers in Changsha, gathering numerous popular shopping centers and department stores. It attracts both local and out-of-town visitors, possessing a substantial commercial attraction level.

THE MAIN COST TREND IN THE PROPERTY MANAGEMENT INDUSTRY, URBAN SERVICES, AND COMMERCIAL OPERATION SERVICES

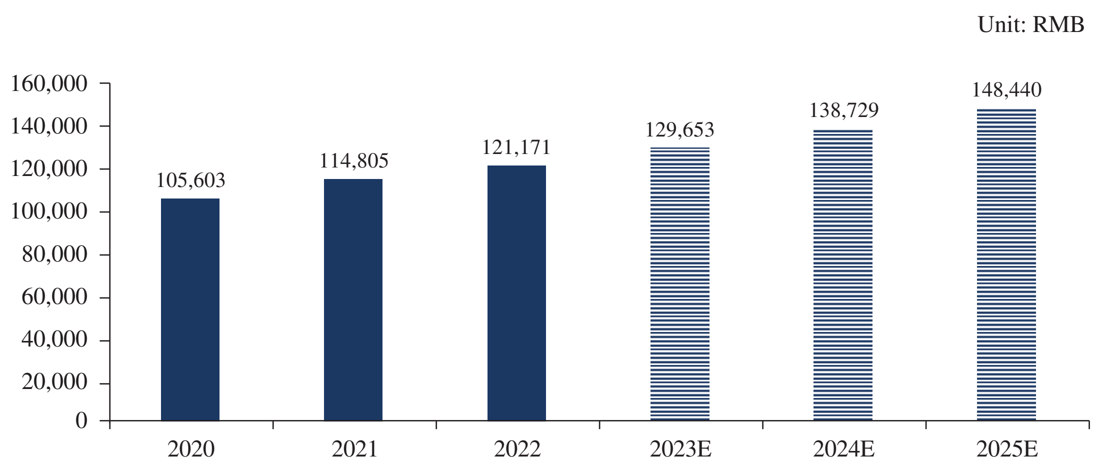
Labor cost is one of the main costs in property management services, urban services, and commercial operation services. According to statistics from the Changsha Bureau of Statistics, the average annual salary of urban non-private sector employees in Changsha has been steadily increasing at an average annual rate of about 7%, reaching RMB121,200 in 2022 and is expected to reach RMB148,400 in 2025. In recent years, there has been an increase in overall wages, allowance, social insurance, and other related labor costs. This has added additional pressure on companies that are committed to expanding their business, as they need to increase their labor force, especially those with specialized and diverse skills. For standardized workforces such as cleaning and order maintenance, subcontracting of labor is also a common practice in the property management industry so as to leverage the expertise of subcontractors to enhance operational efficiency and lower the overall labor costs.

However, companies can reduce cost of sales by adopting advanced technology and increasing subcontracting arrangements. In recent years, companies have been replacing some of their workforce with technology to lower costs. Additionally, they have been improving operational efficiency and service quality through automation. Subcontracting can lower the overall labor costs for companies and leverage the expertise of subcontracting partners in their respective fields to enhance operational efficiency.

In addition, as urban services expand to include landscaping and engineering, material costs also constitute a significant portion of the overall costs. The main materials include concrete and seedlings. According to the National Nursery and Flower Price Index Platform 國家苗木花卉價格指數平台, the price of seedlings has remained relatively stable from 2021 to 2023. Based on the price monitoring data from the Hunan Provincial Price Monitoring and Analysis Center (湖南省價格監測分析中心), the price of concrete, the main material for landscaping projects, has remained relatively stable from 2019 to 2021.

Therefore, as advised by CIA, the property management industry, being a weak cyclical industry, experiences relatively stable changes in labor and material costs, and it is expected that these costs will continue to rise in the future as a whole.

The following chart sets forth the historical and projected average annual wages of urban non-private employees in Changsha for the years indicated:



Source: Changsha Bureau of Statistics, sorted out by CIA

COMPETITION

Overview

The property management services, urban services and commercial operation services markets in the PRC is fragmented and highly competitive. There are more than 200,000 participants in the property management industry, as of December 31, 2022. In 2022, the Top 100 Property Management Companies in PRC accounted for approximately 49.1% of the market share in terms of GFA under management in the PRC property management market. We ranked the 49th among the Top 100 Property Management Companies in China in 2023.

The property management market, urban services market and commercial operation services market in Hunan Province are all highly fragmented, with a total of about 8,000 property management companies. There are about 3,600 major suppliers of urban services in Hunan Province which include property management companies and other types of companies.

The following tables set forth the ranking among the 2022 Top 100 Property Management Companies in China headquartered in Hunan Province in terms of total revenue from all business segments:

Ranking	Company	Revenue *(Million RMB)*	Market Share *(%)*
1	Company B	Over 640	More than 1.07
2	Company A	Over 530	More than 0.95
3	Our Group	529	0.94
4	Company D	Below 510	Less than 0.89
5	Company E	Below 330	Less than 0.54
6	Company C	Below 210	Less than 0.37
7	Company F	Below 200	Less than 0.36

The following tables set forth the ranking among the 2022 Top 100 Property Management Companies in China headquartered in Hunan Province in terms of GFA under management of property management services:

Ranking	Company	GFA under Management *(Million sq.m.)*	Market share *(%)*
1	Company A	Over 16.4	More than 1.05
2	Company B	Over 15.2	More than 0.98
3	Our Group	10.3	0.66
4	Company C	Below 10.2	Less than 0.65
5	Company D	Below 10.1	Less than 0.64
6	Company E	Below 6.2	Less than 0.40
7	Company F	Below 6.0	Less than 0.39

Many participants in the property management market typically focus on providing property management services, while only a few service providers successfully integrated property management services with urban services, and achieved a balanced service quality in each segment. We were honored as 2023 Leading Smart City Service Companies in China (2023中國智慧城市服務領先企業) and 2023 Leading Specialized Property Management Companies in China (2023中國特色物業服務領先企業) for our city lighting business and we were also honored as 2023 China Excellent Brand in City Service of Property Service Companies (2023中國城市服務優秀物業品牌企業), 2023 Property Brand Worthy of Attention in Capital Market (2023值得資本市場關注的物業品牌) and 2023 Brand of Property Service Companies in Central China (2023華中區域物業服務品牌企業). As a professional provider of urban services and operation, we have actively laid out three segments: property management services, urban services and commercial operation services. The increasingly diversified business portfolio will substantially strengthen our group's comprehensive advantages.

The following tables set forth the ranking among the Top 100 Property Management Companies in China headquartered in Hunan Province in terms of revenue generated from urban services in 2022:

Ranking	Company	Revenue from Urban Service *(Million RMB)*	Market share *(%)*
1	Our Group	274	0.42
2	Company B	Below 272	Less than 0.41
3	Company D	Below 220	Less than 0.34
4	Company E	Below 42	Less than 0.06
5	Company C	Below 40	Less than 0.06
6	Company F	Below 31	Less than 0.05
7	Company A	Below 29	Less than 0.05

Notes:

(1) Urban service projects are not measured by GFA (a measurement designated exclusively for property management services and commercial operation services).

(2) Company A is an SOE, established in 2006, registered in Changsha, Hunan Province, mainly located in Changsha, Jinan, Chongqing, Tianjin, Beijing and other cities, principally engaged in providing services for high rise residential buildings, office buildings, hotels, commercial complexes, public constructions, etc.

(3) Company B is an SOE, established in 1997, registered in Changsha, Hunan Province, principally engaged in providing services for administrative organs, enterprises and public institutions, industrial parks, residential property and municipal sanitation operations, urban order management, landscaping maintenance, conference and exhibition services, and other urban services, with business in more than 30 cities including Hunan Province, Jiangxi Province, and other places.

(4) Company C is a private company, established in 2018 without real estate background, registered in Changsha, Hunan Province, mainly located in Changsha, principally engaged in providing services for a wide range of industries such as residential properties, office properties, public constructions, commercial properties, industrial parks, etc.

(5) Company D is an SOE, established in 2016, registered in Changsha, Hunan Province, laid out cities in Hunan, Guangxi, Anhui, Hebei, Beijing and Xinjiang, providing urban operation services, city living services and city renewal services.

(6) Company E is a private company established in 2002, registered in Changsha, Hunan Province, principally engaged in providing services for a wide range of industries such as commercial complexes, premium residential buildings, premium office buildings, international airports, government agencies, financial and medical units, etc.

(7) Company F is a private company established in 1999, registered in Xiangtan, Hunan Province, principally engaged in property management, housing rental, housekeeping services, landscaping and other related industries, and providing services for ordinary residences, villas, premium commercial and residential buildings, office buildings and school districts.

(8) As of Latest Practicable Date, there are no property management and urban service listed companies headquartered in Hunan Province.

Source: Official website of the company; WeChat official account of the company; CIA

In the commercial operation market, our market share in terms of GFA under management in Hunan Province in 2022 was approximately 0.96% of the commercial operation services market in Hunan Province, and our market share in terms of GFA under management in Changsha in 2022 was approximately 3.21% of the commercial operation services market in Changsha.

The following table sets forth the ranking among commercial operation companies in terms of GFA under management in Hunan Province in 2022:

Ranking	**Company**	**GFA under Management in Hunan Province** *(Million sq.m.)*	**Market share** *(%)*
1	China Resources Mixc Lifestyle Limited (華潤萬象生活有限公司)	Over 1.19	More than 1.48
2	Company G	Over 1.18	More than 1.47
3	Company H	Over 1.08	More than 1.34
4	The Wharf (Holdings) Limited (九龍倉集團有限公司)	Over 1.00	More than 1.25
5	Company I	Over 0.90	More than 1.12
6	Our Group	0.77	Less than 0.96
7	Company J	Below 0.52	Less than 0.65

Notes:

(1) China Resources Mixc Lifestyle Limited (華潤萬象生活有限公司) is an SOE established in 2017 and listed on the Stock Exchange. It primarily provides residential property management, community value added services, commercial operational services, commercial subleasing services, and other services, with business layout of 68 cities.

(2) Company G is a private company established in 2007. Its businesses mainly include commercial operation services, property management services, and value-added services.

(3) Company H is a private company established in 1995 and headquartered in Changsha, Hunan Province. It primarily provides commercial operation services, business consulting services, and marketing planning services.

(4) The Wharf (Holdings) Limited (九龍倉集團有限公司) was established in 1886 and listed on the Stock Exchange. Its businesses currently comprise investment properties, hotels and development properties in Hong Kong and China, and its other businesses include logistics infrastructure through modern terminals and Hong Kong air cargo terminal.

(5) Company I is a private company established in 2016 and headquartered in Changsha, Hunan Province. Its businesses primarily include commercial operation services, industrial park investment, real estate development, and property management.

(6) Company J is a private company established in 2018, with its business focuses mainly on commercial property development, commercial operation services, commercial asset acquisition, and commercial investment management.

Source: Official website of the company; WeChat official account of the company; CIA

Our Competitive Strengths

For details, please refer to the section headed "Business – Our Strengths" in this document.

This section sets out a summary of the main PRC laws, regulations and policies to which we are subject.

LAWS AND REGULATIONS RELATING TO FOREIGN INVESTMENT

Company Law of the PRC (《中華人民共和國公司法》), which was issued by the Standing Committee of the National People's Congress on December 29, 1993, came into effect on July 1, 1994, and was subsequently amended on December 25, 1999, August 28, 2004, October 27, 2005, December 28, 2013, October 26, 2018 and December 29, 2023, respectively, provides for the establishment, corporate structure and corporate management of companies, which also applies to foreign-invested enterprises. Where the laws on foreign investment provide otherwise, such laws shall prevail.

On March 15, 2019, the National People's Congress promulgated the Foreign Investment Law of the PRC (《中華人民共和國外商投資法》) (the "**Foreign Investment Law**"), which came into effect on January 1, 2020 and replaced the Sino-Foreign Equity Joint Venture Enterprise Law of the PRC (《中華人民共和國中外合資經營企業法》), the Sino-Foreign Cooperative Joint Venture Enterprise Law of the PRC (《中華人民共和國中外合作經營企業法》) and the Wholly Foreign-Invested Enterprise Law of the PRC (《中華人民共和國外資企業法》), and became the legal foundation for foreign investment in the PRC. According to the Foreign Investment Law, the Chinese government implements a system of pre-entry national treatment with a negative list for foreign investments, pursuant to which (i) foreign natural persons, enterprises or other organizations (collectively, the "foreign investors") shall not invest in any sector forbidden by the negative list for access of foreign investment, (ii) for any sector restricted by the negative list, foreign investors shall conform to the investment conditions provided in the negative list, and (iii) sectors not included in the negative list shall be managed under the principle of treating domestic investments and foreign investments equally.

The Implementing Regulation for the Foreign Investment Law of the PRC (《中華人民共和國外商投資法實施條例》), which was promulgated by the State Council on December 26, 2019 and came into effect on January 1, 2020, provides implementing measures and detailed rules to ensure the effective implementation of the Foreign Investment Law.

Pursuant to the Measures on Reporting of Foreign Investment Information (《外商投資信息報告辦法》) which was promulgated on December 30, 2019 and came into effect on January 1, 2020, where a foreign investor carries out investment activities in the PRC directly or indirectly, the foreign investor or the foreign investment enterprise shall submit the investment information to the competent commerce department through the enterprise registration system and the National Enterprise Credit Information Publicity System.

According to Regulations on Foreign Investment Guidelines (《指導外商投資方向規定》) (No. 346 Order of the State Council), which were promulgated by the State Council on February 11, 2002 and came into effect on April 1, 2002, foreign investment projects shall be classified into four categories: encouraged, permitted, restricted and prohibited. Currently, foreign investment projects of the encouraged are listed in the Catalog of Encouraged Industries for Foreign Investment (Edition 2022) (《鼓勵外商投資產業目錄(2022年版)》) (the "**Encouraged Catalog**"), and foreign investment projects of the restricted and prohibited categories are listed in the Special Administrative Measures for the Access of Foreign Investment (Negative List) (Edition 2021) (《外商投資准入特別管理措施(負面清單)(2021年版)》) (the "Negative List"). Unless otherwise prescribed by the PRC laws, any industries not falling into any of the encouraged, restricted or prohibited industries set out in the Encouraged Catalog and the Negative List are generally deemed as permitted for foreign investment. The property management industry is not a restricted or prohibited foreign investment project.

LAWS AND REGULATIONS RELATING TO PROPERTY MANAGEMENT SERVICES

On May 28, 2020, the National People's Congress approved the Civil Code of the People's Republic of China (《中華人民共和國民法典》) (the "**Civil Code**"), which came into effect on January 1, 2021 and replaced the Property Law of the PRC (《中華人民共和國物權法》), the Contract Law of the PRC (《中華人民共和國合同法》) and several other basic civil laws in the PRC. The Civil Code, which basically follows the current regulatory principles of property management industry, forms the legal foundation for the property management services.

In order to regulate property management activities and protect the legitimate rights and interests of property owners and property service enterprises, the State Council promulgated the Regulations on Property Management (《物業管理條例》) on June 8, 2003, which were amended on August 26, 2007, February 6, 2016 and March 19, 2018, respectively. The Regulations on Property Management clarify the rights and obligations of property service enterprises to provide services from the aspects of preliminary property management, property management services, and the use and maintenance of properties.

On December 25, 2020, MOHURD and other nine competent government departments issued the Notice on Strengthening and Improving the Administration of Residential Properties (《關於加強和改進住宅物業管理工作的通知》), which aims to strengthen the administration of residential property in the following main aspects: (i) improving the governance structure of the property owners' committee and strengthening supervision thereof; (ii) exploring the possibility of establishing a property management committee composed of the neighborhood committees and property owners' representatives to temporarily act on behalf of the property owners' committee where the conditions for setting up a property owners' meeting are not satisfied; (iii) encouraging property service enterprises to establish smart property management service platforms and improve their services by applying technologies such as the Internet of Things, cloud computing, big data, block chain and artificial intelligence; (iv) strengthening the supervision of property management services, establishing unified credit rating criteria and building a national credit information management platform and (v) improving the regulation on the use and management of housing special maintenance funds.

On July 13, 2021, the MOHURD issued the Notice on Continuous Rectification and Regulation of Real Estate Market Order (《關於持續整治規範房地產市場秩序的通知》), requiring the implementation of policies to highlight the key rectification points and focus on the rectification of real estate development, housing sales, housing leasing and property management services. The key issues in relation to provision of property management services identified in the Regulatory Notice which require rectification and regulation include (i) failing to provide services pursuant to the contents and standards in the property services contract; (ii) failing to disclose the relevant information, such as fee rates for the property services, information in relation to business operation of the common area and the income generated therefrom and the usage of maintenance and repair funds; (iii) charging excessive fees than the fees set out in the contract or announced fee rates; (iv) carrying out business activities in the common area without authorization, encroaching or misappropriating income generating from the operation of the common area; and (v) refusing to exit the property services project after the property management agreement has legally expired or been terminated without justified reasons.

Qualification of Property Service Enterprises

According to the Regulations on Property Management promulgated on June 8, 2003, amended on August 26, 2007 and February 6, 2016, companies engaging in property management activities shall be subject to a qualification system.

According to the Decision of the State Council on Canceling the Third Batch of Administrative Licensing Items Designated by the Central Government for Implementation by Local Governments (《國務院關於第三批取消中央指定地方實施行政許可事項的決定》) issued by the State Council on January 12, 2017 and taking effect on the same day, Level Two or below property management company qualifications acknowledged by Provincial and municipal government departments of Housing and Urban-Rural Development were canceled.

According to the Decision of the State Council on Canceling a Group of Administrative Licensing Items (《國務院關於取消一批行政許可事項的決定》) issued by the State Council on September 22, 2017 which came into effect on the same day, qualification accreditation for property management enterprises of Level One was canceled.

According to the Notice of the General Office of MOHURD on Effectively Implementing the Work of Canceling the Qualification Accreditation for Property Management Enterprises (《住房城鄉建設部辦公廳關於做好取消物業服務企業資質核定相關工作的通知》) issued by the General Office of MOHURD on December 15, 2017 and taking effect on the same day, application, change, renewal or re-application of the qualifications of property management enterprises shall not be accepted, and the qualifications obtained already shall not be a requirement for property management enterprises to undertake new property management projects.

On March 19, 2018, the State Council issued Decision of the State Council to Amend and Repeal Certain Administrative Regulations (《國務院關於修改和廢止部分行政法規的決定》) (No. 698 Order of the State Council), according to which the Regulations on Property Management were amended. The Regulations on Property Management (2018 revision) have removed the qualification accreditation of the property management enterprises.

Regulations on Appointment of the Property Management Enterprises

According to the Civil Code, the property owners can either manage the buildings and the ancillary facilities by themselves, or engage a property service enterprise or other custodians. Property owners are entitled, according to the law, to replace the property service enterprise or other custodians engaged by the developer. Property management 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 Civil Code, selecting and dismissing the property service enterprise or any other administrator shall be voted by the owners whose exclusive parts account for two-thirds or more of the total areas and the number of which accounts for two-thirds or more of the total number of owners and shall have affirmative votes of property owners who participate in the voting and hold more than half of the exclusive area owned by the voting owners and who represent more than half of the total number of property owners participating in voting. In addition, the Civil Code clarifies that if property owners do not renew the property management contract or engage a new property service provider upon expiration of the term of property management services and the property service provider continues to provide property services, the original property service contract shall continue to be valid without a fixed term. Each party may rescind the contract by sixty days' advance written notice to the other parties.

According to the Regulations on Property Management (2018 revision), property owners' committee, on behalf of the general meeting, can sign the property service contract with the property service enterprise engaged at the general meeting. Before the engagement of a property service enterprise by property owners and a general meeting of the property owners, a written preliminary service contract should be entered into between the property developer and the selected and engaged property service enterprise. The preliminary property service contract may stipulate the contract duration. However, if the property service contract signed by the property owners' committee and the property service enterprise comes into force within the term of preliminary property service contract, the preliminary property service contract shall automatically terminate.

According to the Regulations on Property Management (2018 revision) and the Interim Measures for Bidding Management of Pre-property Management (《前期物業管理招標投標管理暫行辦法》) promulgated by the Ministry of Construction on June 26, 2003 and taking effect on September 1, 2003, developer of residential buildings and non-residential buildings in the same property management area shall engage property management enterprises by inviting bid. In case where there are less than three bidders or for small-scale properties, the developer can hire property management enterprises by signing an agreement with the approval of the real estate administrative department of the district and the county people's government where the property is located. Bid assessment shall be the responsibility of the bid assessment committee established by the bid inviter in accordance with relevant laws and regulations. The bid assessment committee shall be composed of the representative of the bid inviter and experts in the related property management fields and the number of members shall be an odd number at or above five. The experts in property management other than representatives of bid inviter shall represent at least two-thirds of the total members. Expert members in the bid assessment committee shall be determined by random select by bid inviter from the roster of experts established by the competent real estate administrative department. A person having an interest with a bidder shall not join the bid assessment committee of the related project. Where the developer of a residential realty fails to hire the property service enterprise through a tender and bidding process or hires the property service enterprise by signing agreement without the approval of relevant government authority, the competent real estate administrative department of the local government at the county level or above shall order the developer to make correction within a prescribed time limit, issue a warning and impose a penalty of no more than RMB100,000 on the developer.

According to the Government Procurement Law of the PRC (《中華人民共和國政府採購法》) (the "**Government Procurement Law**") which was latest amended on August 31, 2014, public invitation of bids shall be the principal method of government procurement, and the term "government procurement" means the use of fiscal funds by all levels of State authorities, institutions and social organizations to procure goods, projects and services that fall within the catalog for centralized procurement formulated in accordance with the law or that are above the procurement limits.

According to the Implementation Regulations for the Tenders and Bids Law of the PRC (《中華人民共和國招標投標法實施條例》) which were latest amended on March 2, 2019, and taking effect on the same day, where the tender invitation and bidding activities of a project required by law to call for tenders violate the provisions of the Tenders and Bids Law of the PRC and the Regulations, and have a substantive influence on the outcome of award of tender, if it is impossible to adopt remedial measures to rectify, the tender invitation, bidding, award of tender shall be void, the tender exercise or bid evaluation shall be organized anew pursuant to the law.

In addition, according to the Civil Code, the property service contract for the preparatory phase concluded by a construction entity and a real property service provider pursuant to law as well as the property service contract concluded by the Committee of Owners and the real property service provider selected by the Owners' Congress pursuant to law shall be legally binding on the owners.

Fees charged by Property Management Enterprises

According to the Measures on the Charges of Property Service Enterprise (《物業服務收費管理辦法》) (the "**Measures on the Charges**"), which were jointly promulgated by the NDRC and the Ministry of Construction on November 13, 2003 and came into effect on January 1, 2004, property management enterprises are permitted to charge fees from owners for the repair, maintenance and management of houses and ancillary facilities, equipment, venues and the sanitation and order in relevant regions according to the property service contract.

The competent price administration departments of the local people's governments at or above the county level and the competent property administration departments at the same level are responsible for supervising and regulating the fees charged by property management enterprises in their respective administrative regions. The property service fees can be either the government guidance price or market-based price depending on the nature and features of relevant properties. The specific pricing principles shall be determined by the competent price administration departments and the competent property administration departments of the people's governments of each province, autonomous region and municipality directly under the Central Government.

Where property service charges are subject to government guidance prices, the competent pricing department of the people's government with pricing authority shall, in conjunction with the competent real estate administrative department, formulate corresponding benchmark prices and the fluctuation ranges on the basis of factors such as property management service level standards, and publish them periodically. The specific charging standard shall be agreed upon by the owner and the property management enterprise in the property service contract according to the prescribed benchmark price and fluctuation range. Except the circumstance where the government guidance price shall be implemented, the market-based price applies to the property management fees. The standard of such fees is determined by the property management enterprise and the developer or property owners through negotiation.

In addition, according to the Measures on the Charges, as agreed between the property owners and property management enterprises, the fees for the property management services can be charged either as a lump sum basis or a commission basis. Fees charged on a lump sum basis represent a fixed amount of property management fees paid by the property owners, and the property management enterprise enjoys the profits and assumes the losses at its own risk. Fees charged on a commission basis represent an agreed percentage or amount of the property management fees collected by the property management enterprise paid to the property management enterprise as commissions, while the rest of such fees is exclusively used for expenses agreed in the property management contract, and the property owners enjoy the surplus or assume the loss.

Where the property service fees are charged on a lump sum basis, the components of the property service fees include the cost of property services, statutory taxes and the profit of the property management enterprise. Where the property service fees are charged on a commission basis, the funds charged in advance for property services include property services expenses and remuneration from property management enterprises. If a Property management enterprise violates price laws, regulations and rules, the competent government department may confiscate any illicit gains, impose a fine, and may order it to suspend operations in serious circumstances, in accordance with the relevant laws and regulations, such as the Price Law of the PRC (《中華人民共和國價格法》) and the Provisions on Administrative Penalties for Price Violations (《價格違法行為行政處罰規定》).

According to the Provisions on Clearly Marking the Prices of Property Services (《物業服務收費明碼標價規定》), which were jointly promulgated by the NDRC and the Ministry of Construction on July 19, 2004 and came into effect on October 1, 2004, property management enterprises shall clearly mark the price, as well as state service items and charging standards and relevant information on services (including the property management services as stipulated in the property management service agreement as well as other services requested by property owners) provided to the owners. If the charging standard changes, property management enterprises shall adjust all relevant information one month before implementing the new standard and indicate the date of implementing the new standard. Property management enterprises shall neither use any false or misleading price items or mark prices in a false or misleading manner to commit price fraud, nor charge any fees not clearly specified, other than those expressly marked. If a property management enterprise fails to clearly make the price in accordance with the provisions or commits price fraud, the competent government pricing department may confiscate any illicit gains, impose a fine, and may order it to suspend operations in serious circumstances, in accordance with the Price Law of the PRC, the Provisions on Administrative Penalties for Price Violations and other relevant laws and regulations.

According to the Property Management Pricing Cost Supervision and Examination Approaches (Trial) (《物業服務定價成本監審辦法(試行)》) which were jointly promulgated by the NDRC and the Ministry of Construction on September 10, 2007 and came into effect on October 1, 2007, the competent price administration department of people's government formulates or regulates property service charging standards, the pricing cost of property management services should be the social average cost of property services as verified by the competent price administration department of the people's government. With the assistance of competent real estate administrative department, competent pricing department is responsible to organize the implementation of the property service pricing cost supervision and examination work. Property management service pricing cost shall include staff costs, expenses for daily operation and maintenance on public facilities and equipment, green conservation costs, sanitation fee, order maintenance cost, public facilities and equipment as well as public liability insurance costs, office expenses, shared administration fee, fixed assets depreciation and other fees approved by property owners.

At present, no uniform standard for the government guidance price of fees for property management services has been established at the national level. In accordance with the Circular of the National Development and Reform Commission on Relaxing Price Controls in Certain Services (《國家發展和改革委員會關於放開部分服務價格意見的通知》), which was promulgated by NDRC on December 17, 2014 and became effective on the same day, competent pricing departments of each province, autonomous region and municipality directly under the Central Government shall promptly implement relevant procedures to cancel the price control on property services of non-affordable houses and parking service for residential community. The provincial price authorities shall, jointly with the housing and urban-rural development administrative authorities, decide to implement government guidance prices for property service fees for affordable houses, housing reform apartments, old residence communities and preliminary property management service in light of the actual situation. The benchmark and floating range of these government guidance prices vary from region to region.

For example, in Hunan, the Notice on the publication of the "Management Measures of Property Service Fees in Hunan Province" (《關於印發<湖南省物業服務收費管理辦法>的通知》) was promulgated on April 1, 2022 and implemented on May 15, 2022. The Development and Reform Commission of Hunan Province, together with the Department of Housing and Urban-Rural Development of Hunan Province and the Market Supervision Administration of Hunan Province, are responsible for formulating policies on property service charges, and guiding and coordinating the management and supervision of property service charges in Hunan. Government guidance prices or market-regulated prices shall be implemented for charges of property management in light of the nature and characteristics of different properties. The government guidance prices shall be implemented for the charges of property service of ordinary residential properties which are developed in accordance with local standards for general civilian habitation purposes (including property service fee for purchased parking spaces, renovation service fee and renovation waste removal fee) before the establishment of the general meeting of property owners and market-regulated prices shall be implemented for the service fees of villas (referring to stand-alone large houses and townhouses with outdoor courtyards), other non-residential properties and ordinary residential properties (including property service fee for purchased parking spaces, renovation service fee and renovation waste removal fee) after the establishment of the general meeting of property owners.

According to the Management Measures of Property Service Fees in Hunan Province, the charges standards of preliminary property service of ordinary residential properties that the government guidance prices are implemented for before the establishment of the owners' general meeting, shall be set within the government guidance prices and fluctuation ranges by the construction unit through selecting service items and service level before the pre-sale according to the characteristics of the property and service requirements, and shall be agreed upon in the residential properties purchase and sales contracts with purchaser. The property purchaser must be explicitly informed that and it must be stated in the contract for the sale and purchase of commercial property that the final standard of the property service charge shall be subject to the price standard that the property service provider has reported to and filed with the Development and Reform Department for examination and approval in accordance with laws, regulations and price management policies. In addition, as for the charges of preliminary property service of ordinary residential properties that the government guidance prices are implemented for, the specific property service charges standards shall be file by the property service provider and the construction unit with the municipal and county development and reform department for examination within 30 days after the completion of the property undertaking inspection and handover.

As for the market-based price, before the establishment of the owners' general meeting, the charges standards of property service that the market-based prices are implemented for shall be agreed upon between the construction unit and the property service provider in the preliminary property service contract, and the contract for the sale and purchase of commercial property signed by the construction unit and property purchaser shall contain the terms agreed in the preliminary property service contract. After the establishment of the owners' general meeting, the charges standards of property service that the marketbased prices are implemented for shall be determined by the owners' general meeting in accordance with the characteristics of the property and the service requirements, through the statutory procedures, the selection of the service items, the service quality level, the charges standards and the property service providers who meet the requirements, and the determination of the charges shall be carried out in accordance with the procedures as stipulated in the relevant laws and regulations, such as the Civil Code and the Regulations on Property Management in Hunan Province (《湖南省物業管理條例》), and shall be contractually agreed upon through the signing of the Property Service Contract.

In addition, according to the Management Measures of Property Service Fees in Hunan Province,where a property service provider commits any of the following acts, it shall be punished by market supervision administration department in accordance with the relevant laws, regulations and rules: violating the relevant provisions of the Measures, failing to comply with the government guidance price management to formulate or increase the charging standards and collect property service fees without authorization; charging fees exceeding the government guidance price standard; setting up compulsory charging items without authorization; failing to implement the clearly marked price or not specifying the price according to the regulations; violating other provisions of price laws, regulations.

The Interpretation of the Supreme People's Court on Several Issues Concerning the Application of Law in the Trial of Cases of Disputes over Property Management Service (《最高人民法院關於審理物業服務糾紛案件適用法律若干問題的解釋》), which was promulgated on May 15, 2009 and amended on December 29, 2020, stipulates the interpretation principles applied by the court when hearing disputes on specific matters between property owners and property management enterprises. According to the Interpretation, the People's Court shall support the following requests of the property owner: (i) the owner pleads against the property service enterprise for illegal charges where the property service enterprise has extended the range of charge, raised the charge standard or duplicated charges in violation of the property service contract or the laws, regulations and departmental rules without authorization; (ii) the property owner claims against the property service enterprise to refund the illegal charges charged; (iii) the property owner claims against the property service enterprise to refund the charges which have been charged in advance, but for the period when property services are not provided after the termination of the rights and obligations of the property service contract.

Collection of Outstanding Property Management Fees

According to Article 188 of the Civil Code, the limitation period for filing a petition with the People's Court for the protection of civil rights is three years. Where otherwise provided by law, the period shall be subject to the provisions thereof. The statute of limitation period is calculated from the date when the right holder knows or should know that the right has been damaged and the obligor. Where otherwise provided by law, the period shall be subject to the provisions thereof. However, the People's Court shall not protect the right if it exceeds 20 years from the date of damage. If there are special circumstances, the People's Court may decide to extend it upon the application of the right holder.

Property Management Service Outsourcing

In accordance with the Regulations on Property Management (2018 revision), a property service enterprise may outsource a specific service within the property management area to a specialized service enterprise, but it shall not outsource all the property management businesses within such area to third parties. Where any realty service enterprise, in violation of the Regulations, entrust to others all the realty management within the realty management area, the administrative department of real estate of the local people's government at the county level or above shall order that enterprise to rectify within a prescribed time limit, and impose on it a fine ranging from 30% to 50% of the price of the entrustment contract. The proceeds derived from the entrustment shall be used in the repair and maintenance of the common parts and common facilities of the realty with the realty management area, and the residual part shall be used according to the decision of the owners' committee; the offender shall be held liable for compensation according to law if any loss has been caused to the owners.

Parking Lot Filing Management

According to the Key Points of Recent Work and the Division of Labor for Speeding up the Construction of Urban Parking Facilities (Fa Gai Ji Chu [2016] No. 159) (《加快城市停車場建設近期工作要點與任務分工》(發改基礎[2016]159號)) promulgated by NDRC on January 25, 2016, the people's governments should deepen the reform of the administrative approval system, simplify the procedures for investment construction and operation, improve efficiency, and complete the examination (or approval) of parking lot construction projects proposed by the project owners or investment subjects in accordance with the prescribed processing time and procedures. For small parking lots or those constructed by the use of own land, the filing system is encouraged.

According to the Administrative Measures of Hunan Province for Parking Lots (《湖南省停車場管理辦法》) promulgated by the Hunan Provincial People's Government on July 19, 2013 and implemented on October 1, 2013, managers of public parking lots shall, twenty days prior to the opening of the parking lots, report and submit to the traffic management department of the public security organ of the local people's government at the county level such information as the parking lot's name, location, name of the owner or manager, number of parking spaces, and charging standards. In addition, according to the Measures for the Administration of Motor Vehicle Parking Lots in Changsha (《長沙市機動車停車場管理辦法》), whoever failing to perform the obligation to register with and report to the traffic management department of the public security organ, shall be ordered to make corrections by the traffic management department of the public security organ and may be fined RMB1,000.

According to the Notice on the Issuance of the "Implementation Rules of Changsha City Motor Vehicle Parking Service Charges (Chang Fa Gai Jia Fei [2021] No. 69) (《關於印發<長沙市機動車停放服務收費實施細則>的通知》(長發改價費[2021]69號)) jointly issued by four departments including Changsha Development and Reform Commission and Changsha Public Security Bureau on April 26, 2021, government guidance prices or market-regulated prices shall be implemented for the motor vehicle parking service charges according to different categories of the motor vehicle. Operators or managers of parking lots (parking spaces) that implement government guidance prices shall go to the development and reform department of the district (county or city) to which they belong to file the charges for motor vehicle parking services, and submit corresponding materials in accordance with regulations.

Parking Service Fees

According to the Guidance on the Planning, Construction and Management of Urban Parking Facilities (Jian Cheng [2010] No. 74) (《關於城市停車設施規劃建設及管理的指導意見》(建城[2010]74號)) jointly promulgated by the MOHURD, the Ministry of Public Security of the PRC (the "**Ministry of Public Security**") and the NDRC and came into effect on May 19, 2010, the government adopts for parking lot operators a licensed management system with market access and exit standards and the open, fair and equitable selection of urban parking lot operators.

According to the Circular of the National Development and Reform Commission on Relaxing Price Controls in Certain Services (《國家發展改革委關於放開部分服務價格意見的通知》) which was promulgated on December 17, 2014 and became effective on the same day, price control on parking services in residence communities was canceled.

Pursuant to Guidance on Further Improving Charging Policies for Motor Vehicle Parking Service (《關於進一步完善機動車停放服務收費政策的指導意見》) which was jointly promulgated by NDRC, Ministry of Transport and MOHURD on December 15, 2015 and came into effect on the same day, the government insists on market-oriented mechanism, opens up the service charges of parking facilities with competitive conditions in accordance with the law, gradually reduces the scope of government pricing management, encourages the construction of parking facilities by social capital, and encourages all localities to implement different charging for parking services in different regions, different locations, different models, and different period in light of actual conditions.

For example, in Hunan, according to the Measures for the Management of Motor Vehicle Parking Service Charges in Hunan Province (《湖南省機動車停放服務收費管理辦法》) issued by the Development and Reform Commission of Hunan on October 25, 2020 and effective on January 1, 2021, the management of motor vehicle parking service charges shall differentiate according to the nature and characteristics of different parking lots and implement market-regulated prices and government guidance prices, respectively, and shall follow the following principles: (i) playing a decisive role of the market in the allocation of resources and improving the mechanism of price determination mainly by the market; (ii) encouraging all kinds of capital investment in the construction of parking lots; (iii) being consistent with the traffic management policy, regulating the order of vehicles and promoting the diversion of traffic; (iv) protecting the legitimate rights and interests of motor vehicle parkers and parking facility operators or managers.

Security and Guarding Services

In accordance with Regulation on the Administration of Security and Guarding Services (《保安服務管理條例》) which was promulgated by the State Council on October 13, 2009 and became effective on January 1, 2010, and was amended on November 29, 2020 and March 29, 2022, an entity employing security guards by itself shall, within 30 days after the start of security and guarding services, go through the filing formalities in the public security organ of the people's government of the local districted city. The following materials shall be provided for filing: (i) proof of legal personality; (ii) the basic information of the legal representative (the main person in charge), the person in charge and the security guards; (iii) the basic information of the security service area; and (iv) the establishment of the security service management system, post responsibility system, security guard management system. Where a unit that recruits security guards on its own no longer recruits security guards to provide security services, it shall revoke the filing with the public security organ within 30 days from the date of cessation of security services.

Fire Protection

Pursuant to the Fire Protection Law of the PRC (《中華人民共和國消防法》), which was promulgated by the SCNPC on April 29, 1998, and last amended on April 29, 2021, property management enterprises of residential community shall carry out maintenance and administration of common firefighting facilities within the area under their management, and provide fire safety prevention services.

According to the Regulations on Fire Safety Management of Institutions, Organizations, Enterprises and Businesses (《機關、團體、企業、事業單位消防安全管理規定》) promulgated by the Ministry of Public Security on November 14, 2001, property management units in residential areas should perform the following fire safety duties within the scope of management: (i) developing fire safety systems, implementing fire safety responsibilities, and launching fire safety publicity and education; (ii) conducting fire prevention inspections and eliminating fire hazards; (iii) protecting the evacuation routes, safety exits, fire truck access; (iv) protecting public firefighting facilities, equipment and fire safety signs intact and effective. Other property management units should be responsible for the public fire safety management within the entrusted management area.

Estate Brokerage Business

According to the Urban Real Estate Administration Law of the PRC (《中華人民共和國城市房地產管理法》), which was promulgated by SCNPC on July 5, 1994, came into effect on January 1, 1995 and was revised on August 30, 2007, August 27, 2009 and August 26, 2019, real estate intermediate service agencies include real estate consultants, real estate evaluation agencies, real estate brokerage agencies, etc. Real estate intermediate agencies shall meet the following conditions: (1) having their own name and organization; (2) having a fixed business site; (3) having the necessary assets and funds; (4) having a sufficient number of professionals; and (5) having other conditions specified by laws and administrative regulations.

According to the Administrative Measures for Real Estate Brokerage (《房地產經紀管理辦法》), which were promulgated by MOHURD, the NDRC and the Ministry of Human Resources and Social Security (人力資源和社會保障部) on January 20, 2011, came into effect on April 1, 2011 and were revised on March 1, 2016, real estate brokerage refers to the acts of providing intermediary and agency services to and collecting commissions from clients by real estate brokerage institutions and real estate brokers for the purpose of promoting real estate transactions. Sufficient number of real estate brokerage personnel shall be equipped to establish real estate brokerage agencies and their branches. Real estate brokerage agencies and their branches shall go to the construction (real estate) authorities in the People's Government in their respective cities, counties or centrally-administered municipalities for handling the filing formalities within 30 days from the date of receiving business licenses.

Commercial Services of Clearing, Collection and Transport of Urban Living Garbage

Pursuant to the Administrative Measures for Urban Living Garbage (《城市生活垃圾管理辦法》), which were promulgated by the Ministry of Construction on April 28, 2007 and amended by MOHURD on May 4, 2015, an enterprise shall obtain a license for the commercial service of clearing, collection and transport of urban living garbage to engage in urban living garbage cleaning, collection and transportation businesses. An enterprise which fails to acquire a license to engage in aforesaid commercial services regarding urban living garbage may be confronted with a fine under RMB30,000.

LAWS AND REGULATIONS RELATING TO HOUSING LEASING

According to the Measures for the Administration of Merchandized Property Leasing (《商品房屋租賃管理辦法》) promulgated by MOHURD on December 1, 2010, within 30 days after the conclusion of a housing lease contract, the parties to the housing lease shall go to the department of construction (real estate) of the government of the municipality, city or county where the leased premises are located to apply for housing lease registration for the record. The housing lease registration certificate shall state the name of the lessor, the name of the lessee, the type and number of the valid identity document, the location of the leased premises, the purpose of the lease, the amount of rent, the term of the lease, etc. Violation of the above provisions may be subject to a fine of not less than RMB1,000 and not more than RMB10,000.

LAWS AND REGULATIONS RELATING TO REAL ESTATE MARKET

The "Three Red Lines" policy on real estate companies

In August 2020, MOHURD, together with PBOC, held the Real Estate Enterprises' Symposium, and formulated the Fund Monitoring and Financing Management Rules for Key Real Estate Companies (《重點房地產企業的資金監測和融資管理規則》) (the "Three Red Line" policy), with the intention to control the scale of interest-bearing debts of major property developers in China and facilitate the sustainable development of China's real estate industry. The "Three Red Lines" policy refers to: (i) the gearing ratio (excluding receipts in advance) of a real estate company shall not exceed 70%; (ii) the net gearing ratio of a real estate company shall not exceed 100%; and (iii) cash over short-term interest-bearing loans ratio shall not be lower than 1.0. In particular, if a real estate company complies with all of the above-mentioned three limits (also known as green real estate companies), its annual growth rate of interest-bearing liabilities will be capped at 15%; if a real estate company fails to comply with one of the above-mentioned three limits (also known as the yellow real estate companies), its annual growth rate of interest-bearing liabilities will be capped at 10%; if a real estate company fails to comply with two of the above-mentioned three limits (also known as the orange real estate companies), its annual growth rate of interest-bearing liabilities will be capped at 5%; and if a real estate company fails to comply with all of the above-mentioned three limits (also known as the red real estate companies), it will not be allowed to increase its interest-bearing liabilities.

According to the 2021 and 2022 annual reports and 2023 interim report of CSUD Group, the gearing ratio (excluding receipts in advance), the net gearing ratio and cash over short-term interest-bearing loans ratio of CSUD Group as of the dates indicated are set forth as below:

	As of December 31,		As of June 30,
	2021	2022	2023
Gearing ratio (excluding receipts in advance)	55.9%	55.6%	55.9%
Net gearing ratio	74.1%	77.4%	79.1%
Cash over short-term interest-bearing loans ratio	0.7	0.5	0.6

According to the online public search conducted by our PRC Legal advisors, no official written documents issued by relevant competent authorities with respect to the "Three Red Lines" policy has been identified as of the Latest Practicable Date. Based on the consultation made by our PRC Legal Advisors with the Hunan Branch of PBOC (中國人民銀行湖南省分行), the Hunan Branch of PBOC informed us that to the best of its knowledge, CSUD Group does not fall under the regulatory scope of the "Three Red Lines" policy. In accordance with the Real Estate Enterprises' Symposium jointly held by the PBOC and MOHURD and the "Three Red Line" policy, as well as the administrative duties released on the website of the PBOC, our PRC Legal Advisors are of the view that the Hunan Branch of PBOC is the relevant competent authority for the matters.

According to the consultation made by our PRC Legal Advisors with CSUD Group, the written confirmation of CSUD Group and the credit report issued by the Credit Information Center of PBOC (中國人民銀行徵信中心), as of the Latest Practicable Date, (i) CSUD Group had not been required by the competent authorities to submit its financial statements on a regular basis to ensure its compliance with the requirements set forth in the "Three Red Lines" policy; (ii) none of the controlling shareholder, directors and senior management of CSUD Group had attended any briefing held by the MOHURD, the PBOC, the China Banking and Insurance Regulatory Commission or other competent regulatory authorities that aims to regulate the financing activities of major real estate companies, or had been subject to any investigation relating to the "Three Red Lines" policy; (iii) CSUD Group's operation, financial performance and ability to obtain external financing had not been materially adversely affected since the "Three Red Lines" policy was proposed given that CSUD Group's growth rate of interest-bearing bank and other borrowings was less than 10% for each year ended December 31, 2021 and 2022; (iv) CSUD Group had not received any investigation, penalty or notice of potential investigation in connection with the "Three Red Lines" policy; (v) CSUD Group had not faced any difficulties in renewing or obtaining bank loans, nor is it involved in any dispute or litigation with any lending bank; and (vi) CSUD Group undertook that it will not request our Group to provide any financial assistance to real estate development matters, nor it will request our Group to invest the [**REDACTED**] from the [**REDACTED**] in the field of real estate development in any manner.

In light of the above, as advised by our PRC Legal Advisors and the PRC legal advisors to the Sole Sponsor, our Directors believe and the Sole Sponsor concurs that the "Three Red Lines" policy is not applicable to CSUD Group, a large-scale conglomerate providing comprehensive urban construction, urban operation and investment services. Our Directors confirm that, as of the Latest Practicable Date, (i) no material delay in payment or shortage of capital for projects sourced from CSUD Group and its associates had come to the attention of our Directors and (ii) our Company had no future plan to use the [**REDACTED**] from the [**REDACTED**] in the real estate development business. At the same time, our Group has formulated a series of internal control systems, including the connected transaction management system and the internal audit management system, aimed at ensuring compliance with relevant laws and regulations. In light of these considerations, our Directors believe and the Sole Sponsor concurs that the "Three Red Lines" policy would not have a material adverse impact on our relationship with CSUD Group and the operation and financial performance of our Group.

Rules on individual housing loans and tax refunds

On November 11, 2022, PBOC and China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會) (the former government institution of the State Administration of Financial Regulatory Commission) jointly issued the Notice on Properly Performing Work for Current Financial Support for the Stable and Healthy Development of the Real Estate Market (《關於做好當前金融支持房地產市場平穩健康發展工作的通知》), providing that government and financial institutions shall support the rational demand for individual housing loans.

On August 18, 2023, MOHURD, PBOC and the State Administration of Financial Regulatory Commission (國家金融監管總局) jointly promulgated the Circular on Optimizing the Standards for Determining the Number of Houses in Individual Housing Loans (《關於優化個人住房貸款中住房套數認定標準的通知》), clarifying that when a resident family (including a loan applicant, the spouse and minor children) applies for a loan to buy a merchandized property, if any of the family members does not own any merchandized property within the local area, the banking financial institutions shall implement the housing credit policies according to that for the first merchandized property regardless of whether they have used the loan for such purchase. On the same day, MOF, SAT and MOHURD released the Announcement on Continuing to Implement Relevant Individual Income Tax Policies in Support of Residents' Purchase of Housing (《關於延續實施支持居民換購住房有關個人所得稅政策的公告》), which provides that from January 1, 2024 to December 31, 2025, individual income tax paid by taxpayers for the sale of their existing merchandized properties shall be refunded if they sell their existing merchandized properties and re-purchase a new one within one year.

LAWS AND REGULATIONS RELATING TO CONSTRUCTION PROJECT

Construction Project

According to the Construction Law of the PRC (《中華人民共和國建築法》) promulgated by the Standing Committee of the National People's Congress on November 1, 1997 and amended on April 22, 2011 and April 23, 2019, construction enterprises, survey units, design units and project supervision units engaged in construction activities shall be divided into different qualification levels according to their registered capital, professional and technical personnel, technical equipment and completed construction project performance, and can only engage in construction activities within the scope of their qualification level license after passing the qualification examination and obtaining the qualification certificate of the corresponding level.

The Notice of the Ministry of Housing and Urban-Rural Development on Issuing the Qualification Standards for Construction Enterprises (《住房和城鄉建設部關於印發<建築業企業資質標準>的通知》), promulgated by MOHURD on November 6, 2014 and latest amended on October 14, 2016, stipulates the standards and contracting scope of construction enterprise qualifications. According to the Qualification Standards for Construction Enterprises, the general contracting qualification of municipal public engineering construction is divided into special grade, first level, second level and third level, and the evaluation standards include four aspects: enterprise assets, main personnel of the enterprise, project performance of the enterprise, and technical equipment. The professional contracting qualification of building decoration engineering is divided into first level and second level, and the evaluation standards include three aspects: enterprise assets, main personnel of the enterprise, and project performance of the enterprise. There is no classification of special engineering professional contracting qualifications and construction labor service sequences, and the evaluation standards include two aspects: enterprise assets and main personnel of enterprises.

According to the Regulations on the Quality Management of Construction Projects (《建設工程質量管理條例》), promulgated by the State Council on April 23, 2019, a quality warranty system shall be established for construction projects. Under the operating conditions, the minimum warranty period of a construction project shall be as follows: with regard to infrastructure projects, ground foundations projects and main structural projects for housing construction, the quality warranty period shall be the reasonable useful life as specified in the design documents; with regard to roof waterproof projects and the roofing waterproof, and projects for anti-leakage of toilets, rooms and outside walls that should be waterproofed, the quality warranty period shall be 5 years; with regard to heat supply and airconditioning systems, the quality warranty period shall be 2 heating periods and 2 air-conditioning periods; and with regard to the projects of electric wires, gas, water supply and drainage pipes, equipment installation and decoration, the quality warranty period shall be 2 years. The quality warranty period of other projects shall be agreed upon by the contract-issuing party and the contracting party. The quality warranty period of a construction project shall be calculated from the day when the project passes the acceptance inspection.

According to the Tenders and Bids Law of the PRC, which was latest amended and promulgated on December 28, 2017, bids shall be invited for the large-scale infrastructure or public utility projects and other projects relating to the public interest of society or public security, and for projects wholly or partly utilizing State-owned capital or State funds. However, if a project involves special circumstances that is unsuitable for invitation for bids, bids need not be invited pursuant to the relevant provisions.

Landscaping Engineering

According to the Regulations of Urban Landscape (《城市綠化條例》) promulgated by the State Council on June 22, 1992, latest amended and effective on March 1, 2017, the construction of urban landscape projects shall be undertaken by the units holding the corresponding qualification certificates.

On March 1, 2017, the State Council issued the Decision on Amending and Repealing Some Administrative Regulations (No. 676 Order of the State Council) (《關於修改和廢止部分行政法規的決定》(國務院令第676號)), which removed the provisions of the Regulations of Urban Landscape regarding the construction qualification of urban landscape projects. On April 13, 2017, the MOHURD issued the Notice of the Office of the Ministry of Housing and Urban-Rural Development on the Cancelation of Approved Administrative Permits for Urban Landscaping Enterprises (Jian Ban Cheng [2017] No. 27) (《住房和城鄉建設部辦公廳關於做好取消城市園林綠化企業資質核准行政許可事項相關工作的通知》(建辦城[2017]27號)), which clearly stipulates that the competent departments of housing and urban-rural construction (landscaping) at all levels shall no longer accept applications for approval of urban landscaping enterprises' qualifications, and the competent departments of housing and urban-rural construction (landscaping) at all levels shall not, in any way, mandatorily require the qualifications of urban landscaping enterprises or the qualifications of general contracting of municipal public works as a condition for contracting the construction of landscaping projects. On December 20, 2017, the MOHURD promulgated the Regulations on Construction Management of Landscaping Projects (Jian Cheng [2017] No. 251) (《園林綠化工程建設管理規定》(建城[2017]251號)), reiterating that the competent departments of housing and urban-rural construction (landscaping) at all levels and tenderers shall not make the possession of the original qualifications of urban landscaping enterprises or general contracting qualifications of municipal public works construction issued by the housing and urban-rural construction departments as a qualification condition for tenderers.

According to the Regulations on the Construction of Landscaping Projects (《園林綠化工程建設管理規定》), promulgated by MOHURD on December 20, 2017, a construction quality warranty period, generally not less than one year, should be stipulated in the construction contract for landscaping projects.

LAWS AND REGULATIONS RELATING TO URBAN MANAGEMENT

According to the Guiding Opinions of the Central Committee of the CPC and the State Council on the In-Depth Promotion of Urban Law Enforcement System Reform to Improve Urban Management (《中共中央國務院關於深入推進城市執法體制改革改進城市管理工作的指導意見》), the main responsibilities of urban management are municipal management, environmental management, traffic management, emergency management and urban planning and implementation management. The specific scope of implementation includes the operation and management of municipal public facilities, urban environmental and sanitation management, landscaping management and other aspects of all work. The Department of Housing and Urban-Rural Development of the State Council is responsible for the guidance on the national urban management, and actively promoting the legalization and standardization of local governments at all levels of urban management authority.

On May 27, 2017, in order to strengthen integrated urban management, the Standing Committee of the Hunan Provincial People's Congress promulgated the Hunan Urban Integrated Management Ordinance (《湖南省城市綜合管理條例》), which was amended and came into effect on November 30, 2023, regulates the province's municipal management such as urban environmental sanitation, landscaping, underground pipelines and urban lighting from the aspects of urban environmental sanitation management, landscaping management and municipal public facilities management. Individuals or organizations that violate the Hunan Urban Integrated Management Ordinance may be subject to a fine of not less than RMB500 and not more than RMB30,000, or be imposed a fine of not more than two times of the value of the flowers, plants and trees, and greening facilities damaged thereby.

LAWS AND REGULATIONS RELATING TO LABOR PROTECTION

According to Labor Law of the PRC (《中華人民共和國勞動法》), which was promulgated by the SCNPC on July 5, 1994, came into effect on January 1, 1995 and was amended on August 27, 2009 and December 29, 2018, employers shall develop and improve their rules and regulations in accordance with the law to ensure that workers enjoy their labor rights and perform their labor obligations. Employers shall develop and improve the system of labor safety and sanitation, strictly implement the national protocols and procedures on labor safety, guard against labor safety accidents and reduce occupational hazards. Labor safety and sanitation facilities shall meet the relevant national standards. Employers must provide workers with necessary labor protection equipment that meets the safety and hygiene conditions stipulated under national regulations by the State, and conduct regular health checks for workers who engage in operations with occupational hazards. Laborers engaged in special operations must have received specialized training and obtained qualifications for special operations. Employers shall establish a vocational training system, draw and use vocational training funds in accordance with national regulations, and conduct vocational training for workers in a planned manner according to the actual conditions of the unit.

According to Labor Contract Law of the PRC (《中華人民共和國勞動合同法》), which was promulgated by the SCNPC on June 29, 2007, came into effect on January 1, 2008, and was amended on December 28, 2012, and the Implementation Regulations on Labor Contract Law of the PRC (《中華人民共和國勞動合同法實施條例》), which was promulgated and became effective on September 18, 2008, employers and employees shall enter into written labor contracts to establish their employment relationship. The labor contracts shall set forth the terms, duties, remunerations, disciplinary rules of the employment and conditions to terminate the labor contracts. With respect to a circumstance where a labor relationship has already been established but no written contract has been made, a written labor contract shall be entered into within one month from the date when the employee begins to work. Meanwhile, it is stipulated that labor contracts must be concluded in a written form, upon reaching an agreement after due negotiation, an employer and an employee may enter into a fixed-term labor contract, a non-fixed-term labor contract or a labor contract that concludes upon completion of certain work assignments. After reaching an agreement upon due negotiation with employees or by fulfilling other circumstances in line with legal conditions, an employer may legally terminate a labor contract.

According to the Interim Provisions on Labor Dispatch (《勞務派遣暫行規定》), which were promulgated by the Ministry of Human Resources and Social Security (人力資源和社會保障部) on January 24, 2014 and came into effect on March 1, 2014, employers may use dispatched laborers only for temporary, auxiliary or substitutable positions. The employer shall strictly control the number of dispatched laborers which shall not exceed 10% of the total number of its workers. In addition, according to the Labor Contract Law, the employer violates the dispatched labor provisions shall be ordered by the labor administration department to make corrections within a certain period of time; if it fails to make corrections within the stipulated period, it shall be imposed a fine of not less than RMB5,000 but not more than RMB10,000 per person.

According to the Social Insurance Law of the PRC (《中華人民共和國社會保險法》), which was promulgated by the SCNPC on October 28, 2010, came into effect since July 1, 2011, and was amended on December 29, 2018, and other relevant PRC laws and regulations such as the Interim Regulations on the Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》), the Regulations on Work Injury Insurance (《工傷保險條例》), the Regulations on Unemployment Insurance (《失業保險條例》) and the Trial Measures on Employee Maternity Insurance of Enterprises (《企業職工生育保險試行辦法》), the employer shall register with the social insurance authorities and contribute to social insurance plans covering basic pensions insurance, basic medical insurance, maternity insurance, work injury insurance and unemployment insurance. Basic pension, medical and unemployment insurance contributions shall be paid by both employers and employees, while work injury insurance and maternity insurance contributions shall be paid only by employers. Employers who fail to promptly contribute social security premiums in full amount shall be ordered by the social security premium collection agency to make or supplement contributions within a stipulated period, and shall be subject to a late payment fine computed from the due date at the rate of 0.05% per day; where payment is not made within the stipulated period, the relevant administrative authorities shall impose a fine ranging from one to three times of the amount in arrears.

According to the Regulations on the Administration of Housing Provident Fund (《住房公積金管理條例》), which were promulgated by the State Council on April 3, 1999, and became effective on the same day, and were amended on March 24, 2002 and March 24, 2019, employers shall undertake registration at the competent administrative center of housing fund and then, upon the verification by such administrative center of housing fund, go to a commissioned bank to go through the formalities of opening housing provident fund accounts on behalf of its employees. The employer shall timely pay up and deposit housing provident fund contributions in full amount and late or insufficient payments shall be prohibited. The employer shall process housing provident fund payment and deposit registrations with the housing provident fund administration center. With respect to companies who fail to process housing provident fund registrations or open housing provident fund accounts for their employees according to the Regulations, such companies shall be ordered by the housing provident fund administration center to complete such procedures within a prescribed time limit; where failing to do so by the expiration of the time limit, a fine of not less than RMB10,000 nor more than RMB50,000 shall be imposed. In addition, employers who fail to promptly contribute housing provident fund contributions in full amount shall be ordered by the administrative center of housing fund to pay the outstanding housing provident fund contributions within the time period; where payment is not made within the stipulated period, the relevant administrative authorities may apply to the PRC courts for compulsory enforcement.

According to the Reform Plan of the State Tax and Local Tax Collection Administration System (《國稅地稅徵管體制改革方案》), which was promulgated by the General Office of the Central Committee of the Communist Party of China and the General Office of the State Council on July 20, 2018, from January 1, 2019, all the social insurance premiums, including the premiums of the basic pension insurance, unemployment insurance, maternity insurance, work injury insurance and basic medical insurance, are collected by the tax authorities.

According to the Notice by the General Office of the State Administration of Taxation (the "**SAT**") on Conducing the Relevant Work Concerning the Administration of Collection of Social Insurance Premiums in a Steady and Orderly Manner (《國家稅務總局辦公廳關於穩妥有序做好社會保險費徵管有關工作的通知》), which was promulgated on September 13, 2018, and the Urgent Notice of the General Office of the Ministry of Human Resources and Social Security on Implementing the Spirit of the Executive Meeting of the State Council in Stabilizing the Collection of Social Insurance Premiums (《人力資源社會保障部辦公廳關於貫徹落實國務院常務會議精神切實做好穩定社保費徵收工作的緊急通知》), which was promulgated on September 21, 2018, all the local authorities responsible for the collection and settlement of social insurance premiums are strictly forbidden to conduct self-collection of historical unpaid social insurance contributions from enterprises. The Notice on Implementing Measures on Further Support and Serve the Development of Private Economy (《關於實施進一步支持和服務民營經濟發展若干措施的通知》), which was promulgated by the SAT on November 16, 2018, repeats that tax authorities at all levels shall not organize self-collection of arrears of taxpayers including private enterprises in the previous years.

LAWS AND REGULATIONS RELATING TO PERSONAL INFORMATION AND DATA SECURITY

According to the Cyber Security Law of the PRC (《中華人民共和國網絡安全法》), which was promulgated by the SCNPC on November 7, 2016 and came into effect on June 1, 2017, network operators shall comply with laws and regulations and fulfill their obligations to ensure the security of the network when conducting business and providing services. Those who provide services through networks shall take technical measures and other necessary measures in accordance with laws, regulations and compulsory national requirements to safeguard the safe and stable operation of the networks, respond to network security incidents effectively, prevent illegal and criminal activities committed on the network, and maintain the integrity, confidentiality, and availability of network data. The network operators should follow the principles of legality, propriety and necessity in collecting and using citizens' personal information, express the purpose, manner and scope of collection and use of information, and obtain the consent of those collected. The network operators shall neither collect the personal information irrelevant to the services provided by them nor collect or use the personal information in violation of the provisions of any laws or administrative regulation or the agreement between both parties.

According to the Civil Code, personal information of a natural person shall be processed under the principles of lawfulness, justification and necessity, shall not be excessively processed, and shall meet the following conditions: (i) The consent of the natural person or his or her guardian is obtained, unless as otherwise prescribed by laws and administrative regulations; (ii) The rules for information processing are published; (iii) The purpose, method, and scope of information processing are explicit; (iv) The provisions of laws and administrative regulations and the agreement between both parties are not violated. It clarifies that a natural person has the right to access or reproduce his or her personal information from the information processor according to laws; and upon discovery of any error in the information, he or she has the right to raise an objection and request correction and other necessary measures to be taken in a timely manner. The Civil Code also stipulates that information processors shall take technical measures and other necessary measures to ensure the security of the personal information collected and stored thereby and prevent information leakage, tampering, and loss.

According to the Data Security Law of the PRC (《中華人民共和國數據安全法》) (the "**Data Security Law**") promulgated by the Standing Committee of the National People's Congress on June 10, 2021 and effective on September 1, 2021, "data" means any electronic or other means of recording information, and "data processing" is defined as including the collection, storage, use, processing, transmission, provision, and disclosure of data. The Data Security Law stipulates that the collection of data shall be done in a lawful and proper manner, and that data shall not be stolen or obtained in any other illegal manner. Data related to national security, the lifeblood of the national economy, important people's livelihood, major public interests, etc. are core data, and a more stringent management system should be implemented. Data processors should, in accordance with the provisions of laws and regulations, establish and improve the whole process of data security management system, organize data security education and training, take appropriate technical measures and other necessary measures to protect data security. In the event of a data security incident, relevant measures shall be taken immediately, and the incident shall be disclosed to the user in a timely manner and reported to the relevant competent authorities in accordance with the regulations.

According to the Network Product Security Vulnerability Management Regulations (《網絡產品安全漏洞管理規定》) issued by the Ministry of Industry and Information Technology, the State Internet Information Office and the Ministry of Public Security on July 12, 2021 and implemented on September 1, 2021, network product (including hardware and software) providers and network operators, as well as organizations or individuals engaged in network product security vulnerability discovery, collection and publication activities shall establish and improve network product security vulnerability information receiving channel and keep it open. After discovering or being informed of the existence of security vulnerabilities in its network, information system and its equipment, it shall immediately take measures to verify and complete the debug of the security vulnerabilities in a timely manner. Violations may be punished by the Ministry of Public Security in accordance with the Cyber Security Law of the PRC.

According to the Personal Information Protection Law of the PRC (《中華人民共和國個人信息保護法》) (the "**Personal Information Protection Law**") promulgated by the Standing Committee of the National People's Congress on August 20, 2021 and effective on November 1, 2021, "personal information" is all kinds of information relating to identified or identifiable natural persons recorded by electronic or other means, excluding information after anonymization. Personal information of natural persons is protected by law, and no organization or individual may infringe upon the rights and interests of personal information of natural persons. The processing of personal information shall have a clear and reasonable purpose, and shall be directly related to the purpose of processing, and adopt a way that has the least impact on the rights and interests of individuals. The collection of personal information shall be limited to the smallest extent to achieve the purpose of processing and shall not be excessive. The personal information processor shall be responsible for its personal information processing activities and take necessary measures to ensure the security of the personal information processed. Otherwise, the personal information processor may be ordered to correct or suspend or terminate the provision of services, or confiscate the illegal income, fines or other penalties.

According to the Measures for Cybersecurity Review (《網絡安全審查辦法》) promulgated by the Cyberspace Administration of China ("CAC") in conjunction with 13 departments such as the National Development and Reform Commission on December 28, 2021 and effective February 15, 2022, (i) operators of critical information infrastructures to procure network products and services should anticipate the national security risks that may arise after the products and services are put into use. If they affect or may affect national security, the operators should report the cyber security review to the Office of Cyber Security Review; (ii) the operators of network platforms holding personal information of more than one million users, must report cyber security review when they go public abroad.

According to the Regulations for the Administration of Cyber Data Security (Draft for Comments) (網絡數據安全管理條例(徵求意見稿)) issued by the CAC on November 14, 2021, data processors shall report to the cyber security review for the following activities: (i) mergers, reorganizations, or divisions of Internet platform operators that aggregate and hold a large amount of data resources related to national security, economic development, or public interest, which affect or may affect national security; (ii) the data processors that handle personal information of more than one million users going public abroad; (iii) listing of data processors in Hong Kong, which affect or may affect national security; and (iv) other data processing activities that affect or may affect national security.

LAWS AND REGULATIONS RELATING TO INTELLECTUAL PROPERTY RIGHTS

Trademark

The Trademark Law of the PRC (《中華人民共和國商標法》) promulgated by the SCNPC on August 23, 1982, taking effect on March 1, 1983 and amended on February 22, 1993, October 27, 2001, August 30, 2013 and April 23, 2019, and the Implementation of Trademark Law of the PRC (《中華人民共和國商標法實施條例》) which was adopted by the State Council on April 29, 2014, and went into effect on May 1, 2014 constitute the legal basis of trademark protection in China. The Trademark Office under the General Administration Department for Industry and Commerce handles trademark registration and grants registered trademarks for a validity period of 10 years. Trademarks may be renewable every ten years where a registered trademark needs to be used after the expiration of its validity period. Trademark registrants may license, authorize others to use their registered trademark by signing a trademark license contract. The trademark license agreements shall be submitted to the Trademark Office for recording. For trademarks, trademark law adopts the principle of "prior application" with respect to trademark registration. Where a trademark under registration application is identical with or similar to another trademark that has, in respect of the same or similar commodities or services, been registered or, after preliminary examination and approval, this application for such trademark registration may be rejected. Anyone applying for trademark registration shall not prejudice the existing right first obtained by anyone else, or forestall others by improper means in registering a trademark which others have already begun to use and enjoyed certain degree of influence.

Patent

According to the Patent Law of the PRC (《中華人民共和國專利法》) promulgated by the SCNPC on March 12, 1984, taking effect on April 1, 1985 and amended on September 4, 1992, August 25, 2000, December 27, 2008 and October 17, 2020, the patent administration departments of the people's governments of provinces, autonomous regions and municipalities directly under the Central Government are responsible for the patent administration within their respective administrative regions. The patent system adopts a first-to-file principle, which means that when more than two persons submit patent applications for the same invention, only the person who files the application first is entitled to obtain a patent of the invention. To be patentable, an invention or a utility model must meet the criteria of novelty, inventiveness and practicability. The protection period is twenty years for an invention patent and ten years for a utility model patent and fifteen years for a design patent. Other persons may use the patent with the permission or proper authorization of the patent holder, otherwise such acts will constitute patent infringement.

Copyright

According to the Copyright Law of the PRC (《中華人民共和國著作權法》), which was promulgated by the SCNPC on September 7, 1990, came into effect on June 1, 1991 and was amended on October 27, 2001, February 26, 2010 and November 11, 2020, the works of Chinese citizens, legal persons or other organizations, including literature, art, natural sciences, social sciences, engineering technologies and computer software created in writing or oral or other forms, whether published or not, shall enjoy the copyright. Copyright holder can enjoy multiple rights, including the right of publication, the right of authorship and the right of reproduction.

According to the Measures for the Registration of Computer Software Copyright (《計算機軟件著作權登記辦法》), which was promulgated by the National Copyright Administration on February 20, 2002, and came into effect on the same day, the National Copyright Administration is primarily responsible for the registration and management of national software copyright and recognizes the China Copyright Protection Center as the software registration organization. The China Copyright Protection Center will grant certificates of registration to computer software copyright applicants in compliance with the regulations of the Measures for the Registration of Computer Software Copyright and the Regulations on Protection of Computers Software (《計算機軟件保護條例》) which was promulgated by the State Council on June 4, 1991, came into effect on October 1, 1991 and was amended on December 20, 2001 and January 30, 2013.

Domain Name

According to the Administrative Measures for Internet Domain Names (《互聯網域名管理辦法》), which were promulgated by the MIIT on August 24, 2017 and came into effect on November 1, 2017, the MIIT is responsible for managing Internet network domain names of China. The principle of "first to-file" is adopted for domain name services. The applicant of domain name registration shall provide the agency of domain name registration with the true, accurate and complete information about the domain name holder's identity for the registration purpose, and sign the registration agreements. Upon the completion of the registration process, the applicant will become the holder of the relevant domain name.

LAWS AND REGULATIONS RELATING TO FOREIGN EXCHANGE CONTROL

The Regulations of the PRC for Foreign Exchange Control (中華人民共和國外匯管理條例), promulgated by the State Council on January 29, 1996, effective from April 1, 1996 and amended on January 14, 1997 and August 5, 2008, are the main foreign exchange control laws and regulations applicable to the foreign exchange receipts and payments or foreign exchange operation activities of domestic institutions and individuals in China, as well as the foreign exchange receipts and payments or foreign exchange operation activities of institutions and individuals outside of China. In addition, the Administrative Provisions on the Settlement, Sales and Payment of Foreign Exchange (結匯、售匯及付匯管理規定), promulgated by the PBOC on June 20, 1996 and effective from July 1, 1996, provide for the settlement, purchase and payment of foreign exchange, opening of foreign exchange accounts and foreign exchange payments by domestic institutions, resident individuals, institutions in China and personnel in China.

According to the Decision of the State Council on Canceling and Adjusting A Batch of Items Requiring Administrative Approval (《國務院關於取消和調整一批行政審批項目等事項的決定》) issued by the State Council on October 23, 2014, SAFE and its branches canceled the review and approval on the foreign exchange settlement for the repatriation of funds raised abroad under the overseas listed foreign capital stock account.

According to the Notice on Issues Concerning the Foreign Exchange Administration of Overseas Listing (《關於境外上市外匯管理有關問題的通知》) issued by the SAFE on December 26, 2014, the domestic companies shall register the overseas listed with the foreign exchange control bureau located at its registered address in 15 working days after the completion of the overseas listing and issuance. The funds raised by the domestic companies through overseas listing may be repatriated to China or deposited overseas, provided that the intended use of the fund shall be consistent with the contents of the document and other public disclosure documents.

According to the Notice on Policies for Reforming and Regulating the Control over Foreign Exchange Settlement of Capital Accounts (《關於改革和規範資本項目結匯管理政策的通知》) issued by SAFE on June 9, 2016, it has been specified clearly in the relevant policies that, for the capital account foreign exchange income subject to voluntary foreign exchange settlement (including the repatriation of the proceeds from overseas listing), the domestic institutions may conduct the foreign exchange settlement at the banks according to their operation needs. The proportion of the capital account foreign exchange income subject to voluntary foreign exchange settlement was tentatively set as 100%, provided that SAFE may adjust the aforesaid proportion according to the international payment balance status in good time.

LAWS AND REGULATIONS RELATING TO TAX

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》), which was promulgated by the National People's Congress on March 16, 2007 and came into effect on January 1, 2008 and was amended on February 24, 2017 and December 29, 2018, and the Implementation Regulations of the Corporate Income Tax Law (《中華人民共和國企業所得稅法實施條例》) which were issued by the State Council on December 6, 2007, came into effect on January 1, 2008, and were amended on April 23, 2019, the enterprise income tax rate is generally 25%. The enterprises are classified into as either resident enterprises or non-resident enterprises. A resident enterprise is an enterprise established in the PRC under the laws of the PRC, or an enterprise established under the laws of a foreign country (region) but with its "effective management organization" in the PRC. A resident enterprise is subject to EIT at a rate of 25% on its worldwide income. The Implementation Regulations on the EIT Law define "effective management organization" as "an organization that exercises substantial overall management and control over the production, operation, personnel, accounts and property of the enterprise". A non-resident enterprise is an enterprise that is established in accordance with the laws of a foreign country (region) and its "effective management organization" is not located in the PRC, but has set up an establishment or venue in the PRC, or has not set up an establishment or venue in the PRC, but has income derived from the PRC. According to the Implementation Regulations on the EIT Law, a non-resident enterprise that has not established an establishment or venue in the PRC, or that has established an establishment in the PRC but the income obtained is not physically connected with the establishment or venue, shall pay enterprise income tax at a lower rate of 10% on the income derived from its source in the PRC.

Income Tax Relating to Dividend Distribution

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》) promulgated by the SAT on 21 August 2006 and effective on 8 December 2006 and related protocols, dividends distributed by a Hong Kong enterprise should be taxed at the rate of 5% if the enterprise directly holds not less than 25% of the equity interest in a PRC company, otherwise it should be subject to withholding tax at the rate of 10% on withholding income.

In according with the Measures for Administration of Non-Resident Taxpayers' Enjoyment of the Treatment under Tax Treaties (《非居民納稅人享受協定待遇管理辦法》) which were promulgated by the State Administration of Taxation on October 14, 2019 and became effective on January 1, 2020, non-resident taxpayers are entitled to preferential treatment under tax treaties through self-determination, self-declaration and keeping and documenting relevant information for inspection. If non-resident taxpayers consider they are eligible for treatments under the tax treaties through self-assessment, they may, at the time of filing tax returns or making withholding tax filings through withholding agents, enjoy the treatments under the tax treaties, and shall concurrently collect and retain the relevant documents for inspection according to relevant regulations, and accept tax authorities' post-filing administration.

Value-added Tax

According to the Interim Regulations on Value-added Tax of the PRC (《中華人民共和國增值稅暫行條例》) which were promulgated by the State Council on December 13, 1993 and became effective on January 1, 1994, and amended on November 10, 2008, February 6, 2016 and November 19, 2017, any entities and individuals engaged in the sale of goods, supply of processing, repair and replacement services, sales services, intangible properties and real estate and import of goods within the territory of the PRC are taxpayers of VAT. Unless otherwise specified, taxpayers engaged in the selling services and intangible properties shall pay VAT at 6%.

In accordance with Circular on Comprehensively Promoting the Pilot Program of the Collection of Value-added Tax in Lieu of Business Tax (《關於全面推開營業稅改徵增值稅試點的通知》) (Cai Shui [2016] No. 36), which was promulgated by the MOF and the SAT on March 23, 2016, and came into effect on May 1, 2016, the pilot program of the collection of VAT in lieu of business tax shall be promoted nationwide in a comprehensive manner starting from May 1, 2016. All taxpayers of business tax in construction industry, real estate industry, financial industry and living service industry have been included in the scope of the pilot and should pay value-added tax instead of business tax.

According to the Announcement on Relevant Policies for Deepening the VAT Reform (《關於深化增值稅改革有關政策的公告》) which was promulgated by the MOF, the SAT and the General Administration of Customs on March 20, 2019, and came into effect on April 1, 2019, the VAT rates were further adjusted, including: the tax rate of 16% and 10% originally applicable to general VAT taxpayers' VAT taxable sales or goods import shall be adjusted to 13% and 9%, respectively. Furthermore, from April 1, 2019 to December 31, 2021, a taxpayer engaged in production or livelihood services is allowed to have a 10% weighted deduction of creditable input VAT in the current period from the tax amount payable.

Urban Maintenance and Construction Tax and Education Surcharge

According to the Notice on Unifying the System of Urban Maintenance and Construction Tax and Education Surcharge Paid by Domestic and Foreign-invested Enterprises and Individuals (《關於統一內外資企業和個人城市維護建設稅和教育費附加制度的通知》), issued by the State Council on October 18, 2010 and came into effect on December 1, 2010, since December 1, 2010, the Temporary Regulation on Urban Maintenance and Construction Tax of the PRC (《中華人民共和國城市維護建設稅暫行條例》) issued in 1985 and the Temporary Provisions on the Collection of Education Surcharge (《徵收教育費附加的暫行規定》) issued in 1986 by the State Council shall apply to foreign-invested enterprises, foreign enterprises and foreign individuals. The regulations, rules and policies on urban maintenance and construction tax and education surcharge issued by the State Council and other competent departments since 1985 and 1986 in charge of relevant financial and tax authorities shall also apply to foreign-invested enterprises, foreign enterprises and foreign individuals.

According to the Urban Maintenance and Construction Tax Law of the PRC (《中華人民共和國城市維護建設稅法》) promulgated by the Standing Committee of the National People's Congress on August 11, 2020 and effective on September 1, 2021, the units and individuals who pay value-added tax and consumption tax within the territory of the PRC are the taxpayers of urban maintenance and construction tax. According to the Law, urban maintenance and construction tax is calculated based on the actual amount of value-added tax and consumption tax paid by the taxpayer according to the law. If the taxpayer is located in an urban area, the tax rate is 7%; if the taxpayer is located in a county or town, the tax rate is 5%; if the taxpayer is located in all other areas, the tax rate is 1%.

According to the Provisional Regulations on the Collection of Education Surcharge (《徵收教育費附加的暫行規定》) promulgated by the State Council on April 28, 1986 and amended on June 7, 1990, August 20, 2005 and January 8, 2011, the education surcharge is calculated based on the actual amount of value-added tax, business tax and consumption tax paid by each unit and individual, and the education surcharge rate is 3%, which is paid at the same time as value-added tax, business tax and consumption tax, respectively.

LAWS AND REGULATIONS RELATING TO OVERSEAS LISTING

On February 17, 2023, the CSRC promulgated six rules and regulations, including the Trial Administrative Measures of the Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) (the "**Overseas Listing Trial Measures**") and five supporting guidelines, which became effective on March 31, 2023. The Overseas Listing Trial Measures adopt a filing and regulatory regime to regulate the direct and indirect overseas listing of securities of PRC enterprises. If a domestic enterprise fails to comply with the filing procedures as required, or if it is listed outside of China despite being prohibited from doing so, the CSRC shall order the domestic enterprise to rectify the situation, issue a warning and impose a fine of not less than RMB1,000,000 and not more than RMB10,000,000. A warning shall be given to the directly responsible officer and other directly responsible persons and a fine of not less than RMB500,000 and not more than RMB5,000,000 shall be imposed. A fine of not less than RMB500,000 and not more than RMB5,000,000 shall be imposed on the directly responsible officer and other directly responsible persons. If the controlling shareholder or the actual controller of the domestic enterprise organizes or instructs to engage in the above illegal acts, he shall be liable to a fine of not less than RMB1,000,000 and not more than RMB10,000,000.

According to the Overseas Listing Trial Measures, an issuer is considered to be a domestic enterprise for the purpose of indirect overseas listing if it meets the following conditions: (i) 50% or more of the issuer's operating revenue, total profit, total assets or net assets as documented in its audited consolidated financial statements for the most recent accounting year is accounted for by domestic companies; and; (ii) the main parts of the issuer's business activities are conducted in the Chinese Mainland, or its main places of business are located in the Chinese Mainland, or the senior managers in charge of its business operation and management are mostly Chinese citizens or domiciled in the Chinese Mainland. If an issuer makes an overseas initial public offering or listing, it should file a record with the CSRC within three working days after submitting the application documents for the issuance and listing outside of PRC. The Overseas Listing Trial Measures also stipulate that in the event of any material events such as change of control, investigation or punishment by the overseas securities supervisory authority or relevant authorities, termination of listing on its own initiative or compulsory termination of listing after the issuer's overseas listing, the issuer shall report the specific circumstances to the CSRC within three working days from the date of the announcement of the relevant event.

The Overseas Listing Trial Measures also stipulate that an overseas listing shall not be allowed if any of the following circumstances exist: (i) the listing of financing is expressly prohibited by law, administrative regulations or relevant state provisions; (ii) the relevant competent department of the State Council has examined and determined in accordance with the law that the issuance and listing abroad may endanger national security; (iii) the domestic enterprise or its controlling shareholder or actual controller has, within the last three years, committed criminal offences such as corruption, bribery, embezzlement, misappropriation of property or disruption of the socialist market economic order; (iv) the domestic enterprise suspected of committing a crime or a major violation of the law is under investigation and no definite conclusion has been reached; or (v) there is a major ownership dispute over the shareholdings held by the controlling shareholder or shareholders under the control of the controlling shareholder or/and actual controller.

On the same day, in order to promote the orderly implementation of the Overseas Listing Trial Measures, the CSRC issued the Notice on the Administrative Arrangements for the Filing of Overseas Listings of Domestic Enterprises (《關於境內企業境外發行上市備案管理安排的通知》), which stipulates that domestic enterprises falling within the scope of filing are existing enterprises if they meet the following conditions: (i) having been listed outside the PRC; (ii) the application for an indirect overseas listing has been approved by an overseas regulator or an overseas stock exchange (e.g. a hearing has been approved in the Hong Kong market, a registration has been granted in the US market, etc.) prior to the date of implementation of the Overseas Listing Trial Measures, and not having to comply with the issuance and listing regulatory procedures of the overseas regulator or overseas stock exchange (e.g. re-hearing in the Hong Kong market, etc.), and completing the overseas listing before September 30, 2023. Existing enterprises are not required to make immediate filings, but should be required to do so if they are involved in subsequent filings such as refinancing. On February 24, 2023, the CSRC, the Ministry of Finance, the National Administration of State Secrets Protection and the National Archives Administration of China jointly promulgated the Provisions on Strengthening the Confidentiality and Archives Administration Concerning the Overseas Securities Offering and Listing by Domestic Enterprises (《關於加強境內企業境外發行證券和上市相關保密和檔案管理工作的規定》) (the "**Confidentiality and Archives Administration Provisions**"), which became effective on March 31, 2023. According to the Confidentiality and Archives Administration Provisions, if a domestic joint stock company with a direct overseas listing or a domestic operating entity with an indirect overseas listing provides or publicly discloses, or provides or publicly discloses through its overseas listed entity, documents or information involving state secrets or secrets of the work of state organs, or other documents or information the disclosure of which would adversely affect national security or public interests, the corresponding procedures shall be strictly complied with in accordance with the relevant state regulations.

HISTORY AND DEVELOPMENT

Overview

We are a state-owned company established in September 2015, and through eight years of operations and development, grown into an urban service and operation provider, offering a wide range of services that encompass property management services, urban services and commercial operation services. For details on the business we are primarily engaged in, please refer to the section headed "Business" in this document. For the year ended December 31, 2023, the total number of our property management projects under management was 68, with a GFA under management of 11.1 million sq.m., and the total number of projects under management in the urban service sector was 157; the total number of projects under management in the commercial operation service sector was 50, with a GFA under management of 766 thousand sq.m. for the same period. We were ranked 49th among the top 100 property management service enterprises in China in 2023 according to CIA's research.

Business Development and Milestones

Set out below are the milestones of corporate and business development of our group companies:

Year	Event
2003	Parking Company, one of our major operating subsidiaries, was established as a company with limited liability in the PRC and started to engage in parking lot operation business
2013	Chengtou Property, one of our major operating subsidiaries undertook the public area property services of West Lake Cultural Park (西湖文化園) and started to engage in public property management services
2015	Our Company was established as a company with limited liability in the PRC under the name of Pilot Property, and continued providing property management services
2016	We commenced providing landscaping and engineering services since the acquisition of Landscaping Company

2017	We have a first-class property management qualification in property management (物業管理一級資質證書) after the acquisition of Ningxiang Yongjia Property (currently known as Chengfa Property)
	We were awarded quality management system certification (質量管理體系認證證書), environment management system certification (環境管理體系認證證書) and occupational health and safety management system certification (職業健康安全管理體系認證證書) by Beijing Ever Win Quality Certification Center (北京埃爾維質量認證中心)
	Chengfa Commercial, one of our major operating subsidiaries, was established as a company with limited liability in the PRC and started to engage in commercial operation services
	We started to undertake lighting system operation projects, which extended our scope of business
2018	The Changsha West Center Property Management Service Project (長沙西中心物業管理服務項目) we undertook was recognized as a "Five-star Property Management Service Project" (五星級物業服務項目) by the Hunan Real Estate Association (湖南省房地產業協會)
	We were recognized as a "China Service Model Enterprise" (中國服務示範企業) by China Golden Keys (中國金鑰匙). We were accredited 3A corporate credit rating certificate (3A級企業信用等級證書) by China Business Integrity Public Service Platform (中國商務誠信公共服務平台) and Huaxia Zhongcheng (Beijing) International Credit Evaluation Co., Ltd. (華夏眾誠(北京)國際信用評價有限公司). We were recognized as a "National Excellent Enterprise of Property Management Service" (全國物業管理服務優秀企業) by the China Cleaning Industry Standardization Association (中國清潔行業標準化協會)
2019	We were recognized as a "Safety Production Standardization Level 2 Enterprise (Trade)" (安全生產標準化二級企業(商貿)) by the Hunan Occupational Safety and Health Association (湖南省職業安全健康協會). We were recognized as a "2018 Changsha Scale Benchmark Property Service Enterprise" (2018年度長沙市規模標桿物業服務企業) by the Changsha Property Management Office (長沙市物業管理辦公室)

2020	We were accredited "2020 Top 500 Property Service Enterprises in Comprehensive Strength" (2020物業服務企業綜合實力500強) by China Real Estate Assessment Center of Shanghai E-House Real Estate Research Institute (上海易居房地產研究院中國房地產測評中心). We were awarded the "Eight-star Certificate of Competency in Domestic Waste Separation Services" (生活垃圾分類服務能力認證證書八星級) by China Inspection Excellence International Certification (Beijing) Co., Ltd. (中檢卓越國際認證(北京)有限公司)
2021	We were recognized as an "Excellent Property Enterprise" (優秀物業企業) by the Hunan Property Management Association (湖南省物業管理行業協會)
2022	Lighting Company, one of our major operating subsidiaries, was established as a company with limited liability in the PRC and started to engage specifically in lighting system operation
2023	We were ranked No. 49 among "Top 100 Property Service Enterprises in China 2023" (2023中國物業服務百強企業) by CIA
	We were recognized as a "Leading Smart Urban Services Enterprise in China 2023" (2023中國智慧城市服務領先企業), "Leading Enterprise of Characteristic Property Service in China 2023" (2023中國特色物業服務領先企業), "2023 China Excellent Brand in City Service of Property Service Companies" (2023中國城市服務優秀物業品牌企業), "2023 Property Brand Worthy of Attention in Capital Market" (2023值得資本市場關注的物業品牌), and "2023 Brand of Property Service Companies in Central China" (2023華中區域物業服務品牌企業) by CIA

MAJOR CORPORATE DEVELOPMENTS

The major corporate developments of our Company and our major operating subsidiaries which were material to our performance during the Track Record Period are set out below.

Our Company

Our Company was established in the PRC as a limited liability company under the name of Pilot Property on September 7, 2015 with an initial registered capital of RMB10.0 million which was paid up in cash by Changsha Pilot Investment Holdings Company Limited (長沙先導投資控股有限公司) (the predecessor of "Pilot Investment") ("**Pilot Holdings**") in October 2015 and March 2016, respectively. As of the date of its establishment, our Company was wholly-owned by Pilot Holdings, which became a subsidiary of the CSUDGCL on October 30, 2019.

In March 2019, the registered capital of our Company was increased from RMB10.0 million to RMB20.0 million through a capital injection by Pilot Holdings in the amount of RMB10.0 million, which will be paid up on September 7, 2025 pursuant to its articles of association.

In June 2020, CSUDGCL and Pilot Holdings entered into an equity transfer agreement pursuant to which Pilot Holdings gratuitously transferred 100% of our Company's equity interests to CSUDGCL. Upon legal completion of such transfer on June 29, 2020, our Company became directly wholly-owned by CSUDGCL. On August 21, 2020, we renamed as Changsha Urban Property Development Co., Ltd. (長沙城市物業發展有限公司).

On August 17, 2022, CSUDGCL and CUCID Group, a wholly-owned subsidiary of CSUDGCL, entered into an equity transfer agreement, pursuant to which CSUDGCL gratuitously transferred 5% of our Company's equity interests to CUCID Group. Upon legal completion of such transfer was legally completed on August 25, 2022. On August 26, 2022, CUCID Group and Yuelushan Company, a wholly-owned subsidiary of CUCID Group, entered into an equity transfer agreement pursuant to which CUCID Group gratuitously transferred 5% of our Company's equity interests to Yuelushan Company. Upon legal completion of the transfer on August 26, 2022, our Company was owned as to 95% and 5% by CSUDGCL and Yuelushan Company, respectively.

On November 14, 2022, our Company transferred its retained earnings of RMB10 million to its paid-in capital in the means of profits appropriative to its shareholders.

On December 22, 2022, our Company was converted from a limited liability company into a joint stock company with limited liability. Upon legal completion of the conversion, the share capital of our Company was RMB120.0 million divided into 120,000,000 Shares with a nominal value of RMB1.0 each, of which CSUDGCL and Yuelushan Company, as promoters of our Company, held 114,000,000 Shares and 6,000,000 Shares, representing 95% and 5% of our share capital, respectively. At the same time, the name of our Company was changed to Hunan Hollwin Urban Operation Service Group Co., Ltd (湖南泓盈城市運營服務集團股份有限公司).

On May 16, 2023, our Company was further renamed as Hollwin Urban Operation Service Group Co., Ltd (泓盈城市運營服務集團股份有限公司) with the approval of the Changsha Administration for Market Regulation (長沙市市場監督管理局).

Our Major Operating Subsidiaries

Chengfa Property

Ningxiang Yongjia Property, the predecessor of Chengfa Property, was established in the PRC on November 11, 2005 with an initial registered capital of RMB0.58 million which was fully paid up in cash. Upon its establishment, Ningxiang Yongjia Property was owned as to 51% and 49% by Ningxiang Economic and Technological Development Zone Construction Investment Co., Ltd. (寧鄉經濟技術開發區建設投資有限公司) and Labor Union of Ningxiang Economic and Technological Development Zone Management Committee (寧鄉經濟技術開發區管理委員會機關工會), respectively. From December 31, 2011 to December 28, 2015, Ningxiang Yongjia has undergone three rounds of equity transfers. Upon legal completion of the first round of equity transfer on December 31, 2011, Ningxiang Yongjia was wholly owned by an individual who was an Independent Third Party. Upon legal completion of the second round of equity transfer on March 13, 2012, Ningxiang Yongjia was wholly owned by two individuals who were Independent Third Parties. Upon legal completion of the third round of equity transfer on December 28, 2015, Ningxiang Yongjia was wholly owned by two individuals who were Independent Third Parties. In order to obtain first-class property management qualification, on September 28, 2016, our Company acquired 71% and 29% of Ningxiang Yongjia Property's equity interests from two natural persons for a consideration of approximately RMB2.4 million which was determined with reference to the valuation report with a valuation reference date of June 30, 2016. Such transfer was legally completed on March 21, 2017 and Ningxiang Yongjia Property was renamed as Changsha Pilot Jiayong Property Management Co., Ltd. (長沙先導佳永物業管理有限公司) ("**Pilot Jiayong Property**") on the same day. On February 9, 2023, Pilot Jiayong Property was further renamed as Chengfa Property. As of the Latest Practicable Date, Chengfa Property was a wholly-owned subsidiary of our Company. Chengfa Property is principally engaged in property management services.

Chengtou Property

Chengtou Property was established in the PRC on November 7, 2013, with an initial registered capital of RMB0.5 million which was fully paid up in cash. Upon its establishment to January 17, 2017, Chengtou Property was wholly-owned by Parking Company. On January 17, 2017, Parking Company transferred 100% of equity interests in Chengtou Property to Changsha Chengtou Hexi Investment and Development Co., Ltd. (長沙城投河西投資開發有限公司) ("**Chengtou Hexi**"), one of the subsidiaries of CUCID Group at nil consideration. Upon legal completion of such transfer on January 18, 2017, Chengtou Property became a wholly-owned subsidiary of Chengtou Hexi. On August 27, 2018, due to the merger of Yuelushan Company and Chengtou Hexi, Chengtou Property became a wholly-owned subsidiary of Yuelushan Company after the merger. On June 29, 2020, due to the internal reorganization of the CSUD Group, Yuelushan Company gratuitously transferred entire equity interests in Chengtou Property to our Company. Upon legal completion of such transfer on June 30, 2020, and as of the Latest Practicable Date, Chengtou Property was a wholly-owned subsidiary of our Company. Chengtou Property is mainly engaged in property management business.

Landscaping Company

Hunan Landscaping, the predecessor of Landscaping Company, was established in the PRC on February 2, 2001 with an initial registered capital of RMB2.46 million which was fully paid up in cash. Upon its establishment, Hunan Landscaping was owned approximately as to 8.13% and 91.87% by Hunan Agricultural Industry Development Center (湖南省農業產業發展中心) and 22 natural persons, respectively. From its establishment to March 31, 2016, Landscaping Company has undergone six rounds of equity transfers. Upon legal completion of the first round of equity transfer on June 2, 2003, Hunan Landscaping was wholly owned by 19 Independent Third Parties. Upon legal completion of the second round of equity transfer on October 23, 2006, Hunan Landscaping was wholly owned by 11 Independent Third Parties. Upon legal completion of the third round of equity transfer on October 24, 2007, Hunan Landscaping was wholly owned by 12 Independent Third Parties. Upon legal completion of the fourth round of equity transfer on May 14, 2009, Hunan Landscaping was wholly owned by nine Independent Third Parties. Upon legal completion of the fifth round of equity transfer on December 14, 2011, Hunan Landscaping was wholly owned by seven Independent third Parties. Upon legal completion of the sixth round of equity transfer on April 7, 2016, Hunan Landscaping was wholly owned a by two Independent Third Parties. In order to obtain landscaping-related qualifications, on June 21, 2016, our Company acquired 60% and 10% of Hunan Landscaping equity interests from two natural persons at a consideration of approximately RMB7.2 million which was determined with reference to the valuation report with a valuation reference date of April 30, 2016, and renamed Hunan Landscaping as Landscaping Company subsequently. Upon legal completion of the transfer on July 22, 2016, Landscaping Company was owned as to 70% and 30% by Pilot Property, the predecessor of our Company, and a natural person, respectively. On October 30, 2019, Changsha Pilot Urban Construction Investment Co., Ltd. (長沙先導城市建設投資有限公司) ("**Pilot Chengtou**"), one of the subsidiaries of CSUD Group, acquired 30% of Landscaping Company's equity interests at a consideration of RMB4.7 million. On December 18, 2020, our Company entered into an equity transfer agreement with Pilot Chengtou to acquire the remaining 30% of Landscaping Company's equity interests at the consideration of approximately RMB4.7 million which was determined with reference to the audit report as of October 31, 2020. Upon legal completion of such acquisition on December 24, 2020, and as of the Latest Practicable Date, Landscaping Company was wholly-owned by our Company. Landscaping Company is principally engaged in landscaping and engineering services.

Parking Company

Parking Company was established in the PRC on September 27, 2003, with an initial registered capital of RMB1.0 million which was fully paid up in cash. Upon its establishment, Parking Company was wholly-owned by CUCID Group. On January 5, 2013, the registered capital of Parking Company was increased from RMB1.0 million to RMB6.0 million through a capital injection by CUCID Group in the amount of RMB5.0 million, which was fully paid up on December 25, 2012. On June 28, 2020, due to the internal reorganization of the CSUD Group, CUCID Group gratuitously transferred 100% of the equity interest in Parking Company to Changsha Pilot Express Technology Development Co., Ltd. (長沙先導快線科技發展有限公司), a subsidiary of CSUD Group, which was subsequently renamed as Chengfa Smart Travel

Company. On August 19, 2022, as part of the Reorganization, Chengfa Smart Travel Company transferred the entire equity interests in Parking Company to our Company at a consideration of approximately RMB9.9 million which was determined based on the audited net assets as of May 25, 2022. Upon legal completion of such transfer on August 29, 2022, and as of the Latest Practicable Date, Parking Company was a wholly-owned subsidiary of our Company. Parking Company is mainly engaged in operation and management of parking lot services.

Lighting Company

Lighting Company was established in the PRC on March 29, 2022 with an initial registered capital of RMB10.0 million, half of which was paid up in cash on August 18, 2022. According to the articles of association of Lighting Company, the registered capital shall be fully paid up in cash by December 31, 2035. Upon its establishment, Lighting Company was wholly-owned by our Company. Lighting Company is mainly engaged in lighting system operation and maintenance services.

Chengfa Commercial

Hengtong Commercial Management, the predecessor of Chengfa Commercial, was established in the PRC on April 5, 2017 with an initial registered capital of RMB20.0 million which was fully paid up in cash. From its establishment to June 30, 2020, Hengtong Commercial Management was wholly-owned by Pilot Holdings. On June 28, 2020, CSUDGCL and Pilot Holdings entered into an equity transfer agreement, pursuant to which Pilot Holdings transferred 100% equity interests in Hengtong Commercial Management to CSUDGCL gratuitously. Upon legal completion of the transfer on June 30, 2020, Hengtong Commercial Management was wholly-owned by CSUDGCL. Hengtong Commercial Management was renamed as Chengfa Commercial on August 13, 2020. On August 19, 2022, as part of the Reorganization, CSUDGCL gratuitously transferred its entire equity interests of Chengfa Commercial to our Company for the purpose of integrating the operation and management of commercial assets. For details of the steps of the Reorganization, please refer to the paragraph headed "– Reorganization" in this section. Upon legal completion of such transfer on August 29, 2022, Chengfa Commercial became a wholly-owned subsidiary of our Company. Chengfa Commercial is principally engaged in commercial operation services.

Chengfa Xingjia

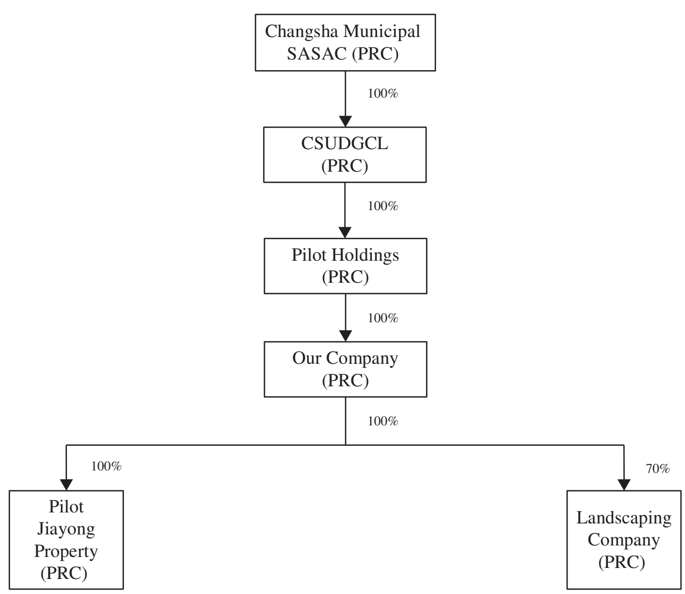
Pilot Yanghu, the predecessor of Chengfa Xingjia, was established in the PRC on February 20, 2017, with an initial registered capital of RMB10.0 million. Upon its establishment to May 27, 2019, Pilot Yanghu was wholly-owned by Changsha Pilot Yanghu Construction Investment Co., Ltd. (長沙先導洋湖建設投資有限公司) ("**Yanghu Construction**"). On May 15, 2019, Yanghu Construction transferred 100% of equity interests in Chengfa Xingjia to Hengtong Commercial Management for a consideration of approximately RMB0.96 million based on the net book value as of March 25, 2019. Upon legal completion of such transfer on May 27, 2019, Pilot Yanghu became a wholly-owned subsidiary of Hengtong Commercial Management. On June 4, 2021, Pilot Yanghu was renamed as Chengfa Xingjia. Chengfa Xingjia is mainly engaged in commercial operation services.

Chengtou Asset

Chengtou Asset was established in the PRC on June 1, 2011, with an initial registered capital of RMB3.0 million which was fully paid up in cash. Upon its establishment, Chengtou Asset was wholly-owned by CUCID Group. In order to optimize the asset structure of CUCID Group, on August 23, 2018, Chengtou Asset merged with Changsha Jiangge Operation Co., Ltd. (長沙市江閣經營有限責任公司), a company wholly-owned by CUCID Group. Upon legal completion of the merger, the registered capital of Chengtou Asset was increased from RMB3.0 million to RMB5.0 million, which was fully paid up in cash. On June 29, 2020, due to the internal reorganization of the CSUD Group, CUCID Group gratuitously transferred the entire equity interests in Chengtou Asset to Hengtong Commercial Management. Upon legal completion of such transfer on June 30, 2020, and as of the Latest Practicable Date, Chengtou Asset was a wholly-owned subsidiary of Chengfa Commercial. Chengtou Asset is mainly engaged in commercial operation services.

REORGANIZATION

The following diagram illustrates our simplified shareholding structure prior to the Reorganization:



In preparation for the [**REDACTED**], the following reorganization steps were implemented to form and streamline the corporate structure of our Group:

1. First equity transfer of our Company

For the overall management of property business, on June 28, 2020, Pilot Holdings gratuitously transferred its 100% equity interest in the Company to CSUDGCL. Upon legal completion of this equity on June 29, 2020, the Company became a wholly-owned subsidiary of CSUDGCL.

2. Reorganization of various subsidiaries

(a) Equity transfer of Chengtou Asset

For the overall management of commercial assets, on June 29, 2020, CUCID Group gratuitously transferred its 100% equity interest in Chengtou Asset to Chengfa Commercial. Upon legal completion of this equity transfer on June 30, 2020, Chengfa Commercial holds the entire equity interest in Chengtou Asset.

(b) Equity transfer of Chengtou Property

In order to coordinate the property service resources of CSUD group, on June 29, 2020, Yuelushan Company gratuitously transferred its 100% equity interest in Chengtou Property to our Company. Upon legal completion of this equity transfer, our Company holds the entire equity interest in Chengtou Property.

(c) Equity transfer of Landscaping Company

In order to merge the landscaping company into our Company, on December 18, 2020, Pilot Chengtou transferred its 30% equity interest in Landscaping Company to our Company at a consideration of approximately RMB4.7 million which was determined with reference to the audited report on October 31, 2020. Upon legal completion of this equity transfer, the Company holds 100% equity interest in Landscaping Company.

(d) Equity transfer of Changsha Pilot Yinxiang Culture and Media Co., Ltd. (長沙先導銀象文化傳媒有限公司) ("Pilot Yinxiang")

For the purpose of divesting non-main business investment, on June 24, 2020, Chengfa Commercial gratuitously transferred its 40% equity interest in Pilot Yinxiang to Changsha Damei Culture Communication Co., Ltd. (長沙達美文化傳播有限公司). Upon legal completion of such equity transfer, Chengfa Commercial ceased to hold any equity interest in Pilot Yinxiang.

3. Disposal of property

In order to focus on the principal business of our Company, on July 7, 2022, Chengtou Asset transferred its two real estate properties in Shanghai to CUCID Group at a consideration of approximately RMB5.67 million (exclusive of tax) and approximately RMB5.46 million (exclusive of tax) with reference to their fair value as of December 31, 2021; the relevant registration procedure with respect to such disposal of the real estate properties was completed on July 7, 2022.

4. Cancelation of a branch of a subsidiary of our Company

Dufu Jiangge branch of Chengtou Asset ("**Dufu Jiangge**") gratuitously transferred its right to operate the assets to Yuelushan Company with December 31, 2021 as the transfer base date, and Dufu Jiangge was subsequently canceled on April 19, 2022 after approval by the Changsha Tianxin district Administration for Market Regulation (長沙市天心區市場監督管理局).

5. Further equity transfer of our Company

Pursuant to the PRC Company Law, a joint stock company shall be incorporated by no less than two but no more than 200 promoters. In preparation of converting our Company into a joint stock company with limited liability and for tax saving consideration, CSUDGCL decided to transfer its equity interest in our Company to its promoters in two steps. On August 17, 2022, CSUDGCL gratuitously transferred 5% of our Company's equity interests to CUCID Group such transfer was legally completed on August 25, 2022. On August 26, 2022, CUCID Group gratuitously transferred 5% of our Company's equity interests to Yuelushan Company. Upon legal completion of such transfer on August 26, 2022, our Company was owned as to 95% and 5% by CSUDGCL and Yuelushan Company, respectively. For details, please refer to the paragraph headed "– Major Corporate Development – Our Company".

6. Acquisition of certain subsidiaries

As part of the Reorganization, our Company acquired the following companies for the purpose of eliminating the potential competition and achieving clear business delineation with CSUD Group upon [**REDACTED**].

(a) Chengfa Commercial

For the purpose of integrating the operation and management of commercial assets of CSUD Group, on August 19, 2022, CSUDGCL gratuitously transferred its entire equity interests in Chengfa Commercial to our Company. Upon legal completion of such transfer on August 29, 2022, Chengfa Commercial became a wholly-owned subsidiary of our Company. Chengfa Commercial is principally engaged in the provision of commercial operation and management services.

(b) Parking Company

In order to integrate the parking lot management business into our urban services, on August 19, 2022, Chengfa Smart Travel Company, a subsidiary of CSUD Group, transferred its entire equity interest in Parking Company to our Company at a consideration of approximately RMB9.8 million which was determined based on the audited net assets as of May 25, 2022 as the audit reference date. Upon legal completion of such transfer on August 29, 2022, Parking Company became a wholly-owned subsidiary of our Company. For details, please refer to the paragraph headed "– Major Corporate Development – Our major operating subsidiaries"

7. Conversion into a joint stock company with limited liability

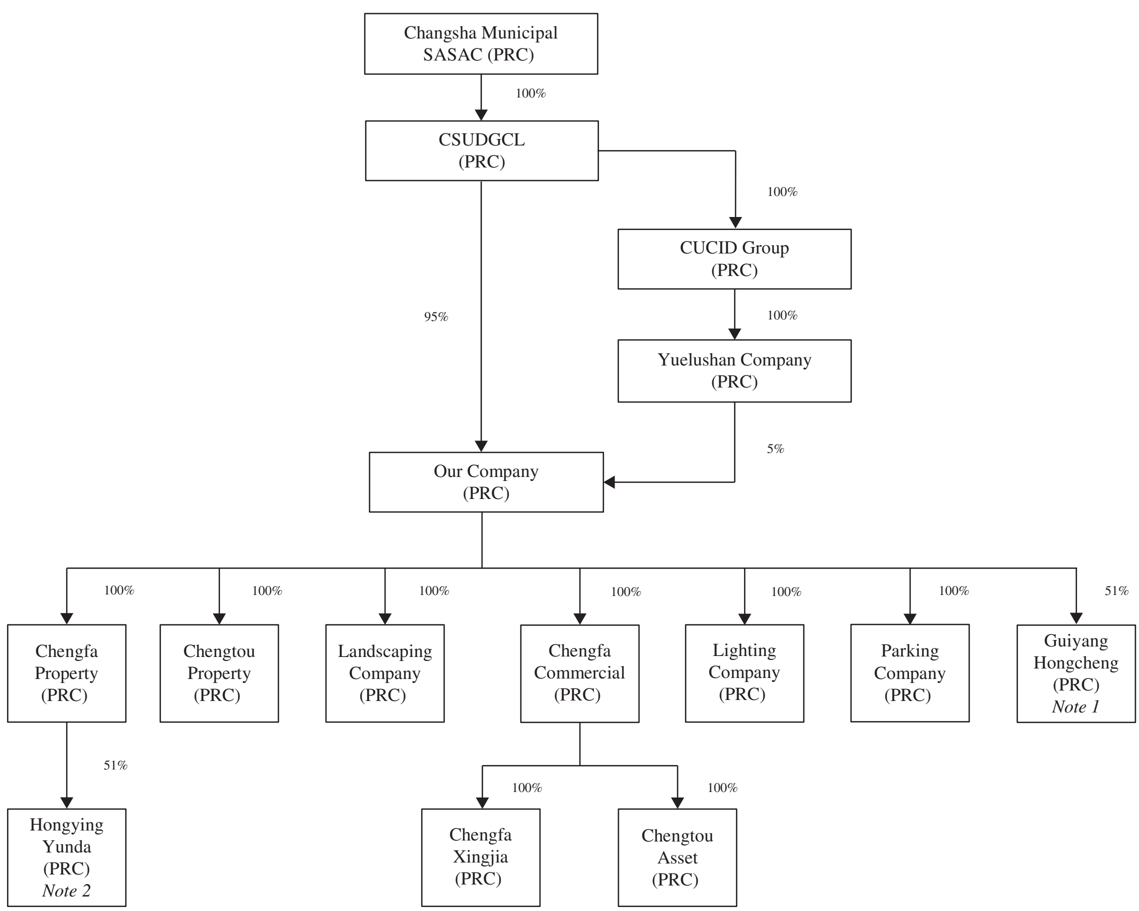
On December 22, 2022, our Company was converted from a limited liability company into a joint stock company with limited liability. For details, please refer to the paragraph headed "– Major Corporate Development – Our Company" in this section.

PRC REGULATORY REQUIREMENTS

Our PRC Legal Advisors have confirmed that, all the acquisitions and equity transfer as described in "Reorganization" were properly and legally completed and all necessary approvals, filings and registrations from the relevant and competent PRC authorities have been obtained and completed.

CORPORATE STRUCTURE FOLLOWING THE COMPLETION OF THE REORGANIZATION AND IMMEDIATELY BEFORE COMPLETION OF THE [REDACTED]

The following diagram illustrates our simplified shareholding and corporate structure following the completion of the Reorganization and immediately before completion of the [**REDACTED**]:



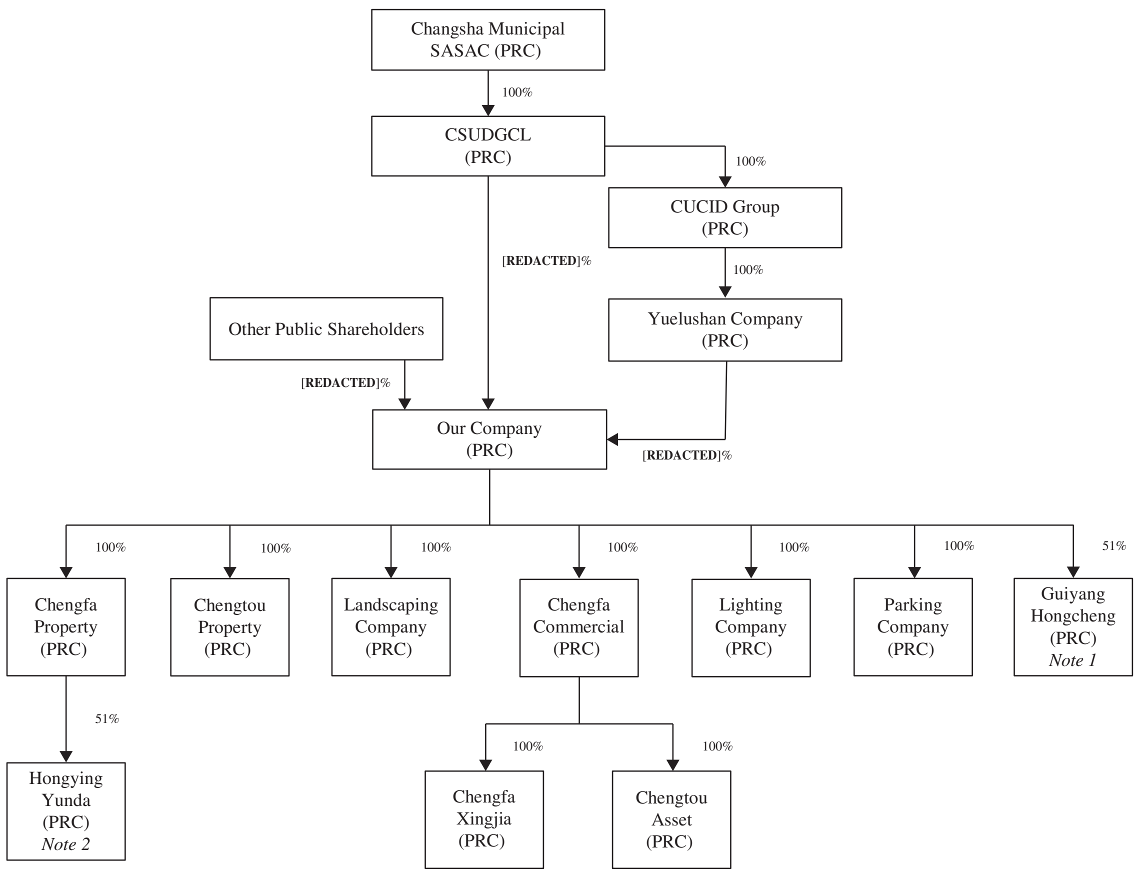
Notes:

1. The remaining 49% equity interest in Guiyang Hongcheng is held by Baiyun Urban Development, an Independent Third Party.

2. The remaining 49% equity interest in Hongying Yunda is held by Hunan Shuiqing Muhua, an Independent Third Party.

CORPORATE STRUCTURE UPON COMPLETION OF THE [REDACTED]

The following diagram illustrates our shareholding and corporate structure immediately upon legal completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised):



Notes:

1. The remaining 49% equity interest in Guiyang Hongcheng is held by Baiyun Urban Development, an Independent Third Party.

2. The remaining 49% equity interest in Hongying Yunda is held by Hunan Shuiqing Muhua, an Independent Third Party.

Except for the H Shares to be held by the [**REDACTED**] following the completion of the [**REDACTED**], the Unlisted Shares held by our Controlling Shareholders will not be considered as part of the [**REDACTED**] as the Shares are Unlisted Shares which did not apply for conversion into H Shares and will not be [**REDACTED**] immediately following the completion of the [**REDACTED**].

OVERVIEW

We are a state-owned urban service and operation provider with business operations primarily based in Changsha. The property management market in Hunan Province, China is highly competitive and fragmented. Our market share in terms of GFA under management and total revenue from all business segments in 2022 was approximately 0.66% and 0.94% of the property management market in Hunan Province. Our market share in terms of revenue generated from urban services in 2022 was approximately 0.42% of the urban service market in Hunan Province.

We provide a wide spectrum of services to our customers, forming a cohesive business layout rooted in urban area. The services we provide can be divided into three categories depending on service characteristics and industry standards: (i) property management services, including different property management services to public properties, commercial properties, and residential properties, and value-added services; (ii) urban services, including landscaping and engineering, lighting system operation, parking lot operation, and municipal sanitation services; and (iii) commercial operation services.

During the initial stage of our establishment, we primarily engaged in property management services, while CSUD Group's business was concentrated in urban construction and development. Influenced by CSUD Group, we leaned towards managing urban public spaces from the outset. Our property management services mainly catered to public and commercial properties, with residential properties playing a secondary role. As we continued to grow, we leveraged our experience in property management services and gradually strengthened our competitive edge in urban services. For instance, we acquired a landscaping company, enabling us to expand into landscaping and engineering services in 2016. Starting from 2017, we also took on the operation of the night scenery illumination in Changsha, further establishing the foundation of our urban services business. In 2021, we officially began undertaking municipal sanitation projects. Over the past few years, our urban services business has generated steady revenue and profits, becoming the crucial driving force for our growth and the focal point of our business.

The following table sets forth the breakdown of our revenue by type of services for the years indicated:

	For the year ended December 31,					
	2021		2022		2023	
	(RMB'000)	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*
Property management services	192,256	44.6	207,466	39.2	237,902	36.5
Urban services	185,352	42.9	274,720	52.0	353,290	54.2
Commercial operation services	54,045	12.5	46,337	8.8	60,683	9.3
Total	431,653	100.0	528,523	100.0	651,875	100.0

We provide diversified and quality services facing the ever-expanding urban spaces and the ever-rich urban life scenario, building a competitive edge. Our property portfolio includes public properties, commercial properties, and residential properties. During the Track Record Period, we have undertaken signature projects such as the Xiangjiang Fortune Finance Center Property Management Service Project (湘江財富金融中心物業管理服務項目), the Yanghu National Wetland Park Property Management Service Project (洋湖國家濕地公園物業管理服務項目), and the Changsha International Convention and Exhibition Center Property Management Service Project (長沙國際會展中心物業管理服務項目). Based on our experience in the property management industry, especially in the management of public properties, we have also actively developed in the urban service market and undertaken diverse projects, such as the Changsha City Night Scenery Illumination Control Center Operation and Maintenance Project (長沙市城市夜景亮化控制中心運維項目), the EPC Project of Near-zero Carbon Demonstration Zone in Yanghu Ecological New City (洋湖生態新城近零碳示範展示區項目設計施工總承包項目), the Fisherman's Wharf Parking Lot Project (漁人碼頭停車場項目), and the Binjiang District Municipal Sanitation Project (濱江片區市政環衛維護項目). Meanwhile, we also provide commercial operation services to various clients, covering several renowned attractions and commercial districts in Changsha, such as the Taiping Street (太平街) and the Tianxinge Antique City (天心閣古玩城).

Our business system and quality services ensured solid results of operations during the Track Record Period. Our revenue increased from RMB431.7 million in 2021 to RMB651.9 million in 2023, with a CAGR of approximately 22.9%. Meanwhile, our gross profit increased from RMB107.3 million to RMB151.8 million, with a CAGR of approximately 19.0%, for the same years.

For the year ended December 31, 2023, the total number of our property management projects under management was 68, with a GFA under management of 11.1 million sq.m., and the total number of projects under management in the urban service sector was 157 including four lighting system operation projects, 150 parking lot operation projects, and three municipal sanitation projects; we also completed 85 landscaping and engineering projects for the same periods, with 87 projects in progress as of December 31, 2023. The total number of projects under management in the commercial operation service sector was 50, with a GFA under management of 766 thousand sq.m. for the year ended December 31, 2023.

COMPETITIVE STRENGTHS

We believe the following competitive strengths differentiate us from our competitors, being the key to sustainable development.

Given the highly fragmented property management market in Hunan Province, China, our presence and geographical focus on Hunan Province position us favorably to propel the growth of our overall business

We have grown into an urban service and operation provider leveraging our accumulated experiences in the property management service sector over years with a competitive market position. We have always focused on strategic growth in Hunan Province, especially in Changsha, one of China's most vibrant cities, and we will continue to do so.

Hunan Province is one of China's most populous and economically prospective provinces, with an increasing urbanization rate. The urban service market in Hunan Province is imbued with continuous demand, and the scale of management of urban spaces and relevant properties will continue to grow. With a CAGR of 6.6%, Hunan Province's GDP climbed from RMB3.63 trillion in 2018 to RMB5.00 trillion in 2023. Moreover, the total revenue of the property management industry in Hunan Province increased from approximately RMB27.2 billion in 2017 to approximately RMB37.3 billion in 2022, representing a CAGR of 6.5%. Furthermore, Hunan Province is quickly urbanizing, with an urbanization rate from approximately 46.2% in 2012 to approximately 60.3% in 2022, according to Hunan Provincial Bureau of Statistics.

We have undertaken several signature projects such as Xiangjiang Fortune Finance Center Project (湘江財富金融中心項目), Changsha City Functional Street Lighting Operation and Maintenance Project (長沙市城市功能照明運維項目), and Taiping Street Commercial Operation Project (太平街商業運營項目) in Hunan Province.

We believe that our strategic focus on Hunan Province, particularly in Changsha, and our established market position for the provision of property management services and urban services in the same region will continue to support the expansion of our business scale and give us an advantage over competitors in China's market for these services.

Underpinned by the brand recognition of our Controlling Shareholders, we have sustainable growth opportunities, supporting our expansion of businesses with Independent Third Parties

CSUDGCL, one of our Controlling Shareholders, is an urban developer and operator in Hunan Province, affiliated with Changsha Municipal SASAC. Our parent group, CSUD Group, is mainly responsible for financing, investing, constructing, operating and managing urban public infrastructures and facilities, and is in charge of the management of state-owned assets within the authorized scope. CSUD Group has developed a diversified portfolio of quality properties, including but not limited to, public infrastructures and facilities such as bridges, avenues and tunnels, office buildings, culture parks, and exhibition centers. While maintaining its existing strengths in Changsha, CSUD Group actively expands its business into other cities in Hunan Province.

According to CIA, the market shares of CSUD Group were 22.53% and 4.29% in terms of urban infrastructure investment industry in Changsha and Hunan Province in 2022, respectively, which represent the proportions of its revenue to the total urban infrastructure investment in Changsha and Hunan Province. According to CIA, as of the Latest Practicable Date, CSUD Group was the largest urban investment and development enterprise in terms of total asset, revenue and net profit in both Changsha and Hunan Province. For details of the property and infrastructure portfolio of CSUD Group, please refer to "Relationship with Our Controlling Shareholders – Mutual and Complementary Relationship with CSUD Group" in this document.

Our long-standing relationship with CSUD Group has driven our development since our inception and laid the foundation for our continuous growth. During the Track Record Period, the total revenue we generated from CSUD Group and its associates by source of the projects amounted to RMB303.2 million, RMB348.8 million, and RMB419.8 million, respectively, accounting for 70.2%, 66.0%, and 64.4% of our total revenue, respectively. Our retention rate of the projects sourced from CSUD Group and its associates was 87.2%, 86.3%, and 92.3% in the property management service sector, respectively during the same years.

CSUD Group is the largest urban developer in Changsha. Its business scope covers the full life cycle of urban development and will generate new projects continuously. This ensures a considerable project pipeline which we capitalize as visible and sustainable growth opportunities in the long term based on our cooperative relationship with CSUD Group. After years of cooperation, we are familiar with the management system and quality requirements of the projects of CSUD Group and have established matching service capabilities by providing tailored services. These capabilities can be fully utilized to win the trust of customers. Besides, we share similar corporate culture and business philosophy with CSUD Group, with smooth communication mechanisms and low coordination costs. At the same time, CSUD Group also tends to rely on our services to guarantee smooth post-stage operation management.

In addition, our close and stable relationship with CSUD Group contributes to our brand recognition. According to CIA, as of the Latest Practicable Date, CSUD Group was the largest urban investment and development enterprise in terms of total asset, revenue and net profit in both Changsha and Hunan Province. CSUD Group invests, constructs and manages a wide range of municipal infrastructures and public facilities, leveraging its advantages in urban complex construction and district development in Changsha. The projects we cooperated with CSUD Group and its associates fulfill our project portfolio and could serve as representative precedents when we cooperate with independent third-party property developers. Also, the extensive and long-term cooperation relationship with CSUD Group provides endorsement for our service quality and market reputation. As a state-owned enterprise in Changsha, CSUD Group serves as the driving force and pioneer of the city's urban development. Our long-standing relationship with CSUD Group contributes to the brand recognition which serve as a competitive strength for our Group in the following aspects:

(i) The background of state-owned enterprises tightly connects us with local governments, among other customers, especially in urban service sectors. Due to the nature of urban services and public property management services, the majority of customers in these business lines are state-owned enterprises, which naturally prefer to collaborate with service providers sharing the same background;

(ii) CSUD Group's market position in the urban development segment in Changsha provides us with competitive advantages valued and recognized by the local market. CSUD Group serves as the driving force and pioneer of the city's urban development. It covers the entire lifecycle of urban development, construction, and operation, spanning major areas in Changsha. CSUDGCL was awarded the AAA credit rating by rating institutions in 2021, 2022 and 2023. CSUD Group was also awarded as the advanced entity in relation to urban management work (城市管理工作考核先進單位) by the Changsha Urban Management Committee (長沙市城市管理委員會) in 2022; and

(iii) Our signature projects sourced from CSUD Group demonstrate the quality services provided and serve as benchmarks of the performance of our Group. For example, we provided property management and commercial operation services in the Xiangjiang New Area Comprehensive Transportation Hub Project (湘江新區綜合交通樞紐) which was sourced from CSUD Group and its associates. Such project was recognized as a Five-Star Property Management Service Project (五星級物業服務項目) in Hunan Province. Such award not only affirmed the service provided by our Group but also serves as substantiation of our historical performance in the marketing or bidding process for independent third-party projects.

Leveraging CSUD Group's background, market position and projects, we believe we enjoy a competitive position in the regional market. Benefiting from resource support, management expertise, and brand empowerment from CSUD Group, our Directors are of the view that we have demonstrated commendable operational performance and gained recognition from local governments, urban investment companies, and other enterprises.

Leveraging our capabilities and expertise showing in cooperation with CSUD Group, we are well-positioned and have been actively sourcing projects from Independent Third Parties.

During the Track Record Period, in the property management sector, our GFA under management of projects sourced from CSUD Group and its associates accounted for 43.5%, 41.8%, and 39.1% of our total GFA under management, respectively, with the number of projects under management of 43, 45, and 48. For the same years, our GFA under management of projects sourced from Independent Third Parties accounted for 56.5%, 58.2%, and 60.9% of our total GFA under management, respectively, with the number of projects under management of 18, 18, and 20 for the provision of property management services, respectively. During the Track Record Period, all of our commercial operation services projects were sourced from CSUD Group and its associates.

Our business cooperation with CSUD Group has enhanced our visibility in Hunan Province and nationwide, allowing us to gain attention from the public; with our industry experience and attention accumulated over the years, we are able to develop businesses with Independent Third Parties. We think and anticipate that CSUD Group's land bank and continued growth will provide constant support for our development, future growth, and diversification of our property and service portfolio.

From property management services to urban services, our deep understanding and coverage of urban spaces guarantees us a competitive advantage

The combination of our property management expertise and urban operation capabilities allows us to offer comprehensive service types than traditional property management businesses, making it difficult for our competitors to emulate. We think that our expertise and successful track record grant us opportunities to interconnect these two distinct sectors, that our competitors who cannot adopt our business model, are unable to seize upon.

Wide range of property portfolio

We manage a wide range of properties, providing a diverse spectrum of quality services to a variety of businesses, and are committed to creating a comfortable and reassuring experience for participants in urban life and managers of public infrastructures and facilities. Our portfolio of properties under management or operation includes public, commercial, and residential properties, including (i) public properties, such as civic squares, parks and scenic spots, urban exhibition halls, government office buildings and schools; (ii) commercial properties, such as commercial office buildings, commercial complexes and sales offices; and (iii) residential properties, such as residential communities and apartments. Unlike traditional property management companies, we observe the ever-expanding urban spaces from the perspective of a city operator and explore various service scenarios in people's life, work, and entertainment.

Diversified service offerings

We can provide property management services including greening, security, and repair and maintenance. We can also provide professional operation services such as engineering and maintenance. During the Track Record Period, we provided the relevant business and earned significant revenue. We have obtained specialized qualifications including municipal domestic waste operation sweeping, collection, transportation and disposal service license (城市生活垃圾經營性清掃、收集、運輸、處置服務許可證), letting us have a higher standard of industry qualification and stronger competitiveness in relevant fields. We have built a one-stop service format based on our capabilities on providing diversified services to meet the needs of our customers. We can also offer other related services to that customer after one service has been provided, further differentiating us from our competitors. For example, in the Yanghu National Wetland Park Project (洋湖國家濕地公園項目), we provide services including garden construction, greenery maintenance, floral landscaping, and on-site property management services, which is a typical project under the business structure of "landscaping and engineering + property management."

Experience in urban services

Our business segment is organized around urban services, which is our main area of strength. The urban service sector has the following characteristics: a diverse range of business types, a large service audience and its high mobility, quality requirements, and high customer stickiness. The experiences, reputation and customer loyalty that we have accumulated over the years in providing public property management services in Changsha have helped us cut in the urban service market and continuously expand our business portfolio. One typical example is that we started to undertake the Night Scenery Illumination Control Center Operation and Maintenance Project (夜景亮化控制中心運維項目) in 2017 and have continued to make breakthroughs in the field of urban lighting, which has accumulated diverse service experience for us in the field of urban services and has directly driven the establishment of Lighting Company with the expansion of business scale.

Based on our understanding and practice of urban services, we have accumulated experience and applied it to new business scenarios. We engage in landscaping and engineering, lighting system operation, parking lot operation, and municipal sanitation services in Changsha. The owners of these municipal infrastructures are usually local governments or state-owned enterprises, whose service quality and effectiveness requirements are similar to those of public property management. Therefore, we have been able to make appropriate use of our accumulated management experience and have gradually formed a service model that connects property management services and urban services. As we expand our business layout, our increasingly diverse portfolio of businesses gives us an increasingly comprehensive advantage with more project opportunities.

Prospects of the urban service market

With the acceleration of urbanization, cities are facing complex challenges and demands. The urban services industry, through providing a wide range of services and solutions, aims to enhance urban efficiency, promote urban development, and ultimately meet the diverse needs of urban residents. This industry encompasses various fields, such as infrastructure construction, environment and sanitation, transportation, smart city solutions, and these fields offer opportunities for innovation and improvement, highlighting the vast prospects within the urban services industry. What's more, under the new standard of refined city management and the continuous advancement of reforms to "streamline administration and delegate power, improve regulation, and upgrade services (放管服)", the market for urban services is continuously growing. According to data provided by CIA, from 2017 to 2022, the national urban service market size grew from RMB0.8 trillion to RMB1.3 trillion, with an annual compound growth rate of 11.0%. It is expected that from 2022 to 2026, the national urban service market size will grow from RMB1.3 trillion to RMB1.7 trillion with an annual compound growth rate of 6.4%. Within the Hunan Province, from 2017 to 2022, the urban service market size grew from RMB42.1 billion to RMB65.6 billion, with an annual compound growth rate of 9.3%. It is expected that from 2022 to 2026, the Hunan urban service market size will grow from RMB65.6 billion to RMB85.9 billion with a compound growth rate of 7.0%.

In the process of promoting urban delicacy management, property management companies have natural advantages in undertaking urban service projects. In recent years, more and more leading companies in the property management service industry have strengthened the layout of urban services. However, the urban service market has strict barriers, namely certain requirements for experience, technology and talent. As for the experience barrier, urban services often demand vendors with extensive industry experience, with tender documents requiring bidders to provide proof of past performance and project participation. As for the technology barrier, urban services cover many service domains, each of which has standards and requirements. As for the talent barrier, the industry's various application fields require highly skilled personnel with comprehensive technical capabilities. In addition to professional technical skills, they must deeply understand the industry's business processes, management standards, related technologies, and application environments. They should also be able to reasonably plan and design according to the characteristics of different levels and regions.

Standardized and customized service processes and quality services help us build up a brand image

We have established and implemented strict quality norms and provide standardized services. During the Track Record Period, we successfully maintained (i) GB/T 19001-2016/ISO9001:2015 quality management system certification; (ii) GB/T 24001-2016/ISO 14001:2015 environment management system certification; (iii) GB/T 45001-2020/ISO 45001:2018 occupational health and safety management system certification; and (iv) GB/T 23331-2020/ISO 50001:2018 energy management system certification.

To monitor and maintain the quality of our services, we have a quality control team to supervise our employees and suppliers. We have also come up with a number of quality control methods and platforms to ensure service quality. To ensure any concerns presented by our customers are handled and resolved promptly, we have built a customer dispute resolution mechanism with a standardized method and compiled a service manual for dealing with client complaints. We believe with our standards and procedures we could scale up and expand our operation without compromising our service quality. We adopt service tools such as information systems, data analysis and processing, and intelligent devices to tailor our goal of efficient management.

We have been practicing locally for many years, leaving a deep impression on our customers. Our commitment to quality services has earned us numerous industry awards and recognitions. For example, our Xiangjiang Fund Town Project (湘江基金小鎮項目) and Nanjiao Complex Project (南郊綜合樓項目) were each recognized as a Five-star Property Management Service Project (五星級物業服務項目) by the Hunan Property Management Association (湖南省物業管理行業協會).

An experienced and professional management team supported by an effective human resources management system

Our management team, with extensive professional experience, profound industry insights, and rich technical expertise, contributes to our current achievements and future development. Our management team is led by Mr. Xie Yi, who has been engaged in the property management market for approximately 20 years. The core members of our management teams are highly educated and equipped with extensive professional experience and expertise. 72.7% of our management team members have bachelor's degrees or higher education and different professional qualifications.

We have put in place a solid human resource management system that involves competitive remuneration schemes, an effective internal assessment system, and a sophisticated training system to maintain talent competitiveness. The induction training is offered for newcomers to familiarize themselves with our Group. And we provide routine training for our employees to improve their professional skills in each business segment. Furthermore, we also provide quality development training for all employees in order to strengthen the awareness of teamwork, communication and safety production. In addition to the above internal training, we also actively participate in external training programs, including but not limited to financial-related training, office software training, writing training, etc. Through these training programs, we are able to replicate and pass on our experience to our new employees. We have also established a competitive compensation structure and a performance assessment system to incentivize personnel. We think that our established talent recruiting, training and assessment systems enable us to discover workers who share our essential values and individuals who can offer professional services to customers, allowing us to differentiate ourselves from competitors.

BUSINESS STRATEGIES

We have created the following business strategies to help us achieve our strategic goals more effectively.

Consolidate our position in Hunan Province and continue to expand our business scale through multiple channels

We plan to continue solidifying our market position in Hunan Province through organic growth and strategic cooperation, acquisitions, and investments.

First, utilizing our extensive operational experience and established business relationships with our customers and business partners in Hunan Province, we intend to optimize our service offerings such as property management services, landscaping and engineering, parking lot operation, etc., based on our deep cultivation of related industries and accumulated years of experience. We will continue to leverage the project reserves held by CSUD Group and its associates and plan to actively secure projects to be developed by CSUD Group and its associates in the future to expand our scale. In addition, we also intend to expand

and solidify our cooperation with the diversified business segments of CSUD Group to further grow our business operations and solidify our market position in Hunan Province. In addition to cooperation with CSUD Group, we also plan to strengthen our business development capabilities by obtaining business opportunities with independent third-party property developers and other customers leveraging our brand image and business know-hows accumulated through our successful business operation.

Second, we target to expand our business outside Hunan Province, including Jiangxi Province, Guizhou Province, and other regions, based on our existing business foundation, and combined with the future development positioning. We will actively improve our operational capability and accelerate the development of new businesses to achieve healthy development. With the depth of our industry knowledge and the breadth of our operating practices, we plan to explore business collaboration with local governments and public entities such as local city investment companies to facilitate the conduct of businesses.

To facilitate our expansion plan and maximize potential collaborative advantages with our existing business operation, we intend to explore strategic investment and acquisition opportunities with property management companies that either provide property management services or specialize in urban services. We are looking for suitable target companies to invest in or acquire and will utilize the results of our research, financial due diligence, preliminary evaluation and feasibility studies of the target companies to determine whether to ultimately invest in or acquire them.

Approximately [**REDACTED**]% of the net [**REDACTED**] or HK$[**REDACTED**] million will be used for pursuing potential strategic acquisition opportunities of property management service providers and urban service providers to maximize potential collaborative advantages with our existing business and boost our business development. For details, please refer to the section headed "Future Plans and [**REDACTED**]" in this document.

Boost the service capacities and keep diversifying the service offerings

We try to consolidate and strengthen current service capabilities and intend to expand the portfolio of properties under our management. Specifically, (i) approximately [**REDACTED**]% of the net [**REDACTED**] or HK$[**REDACTED**] million will be [**REDACTED**] to the procurement of operational vehicles for municipal sanitation services to cater to the technological and mechanization trend in the industry and improve our operation efficiency and service quality, thereby further enhancing our reputation and competitiveness in the market; and (ii) approximately [**REDACTED**]% of the net [**REDACTED**] or HK$[**REDACTED**] million will be [**REDACTED**] to the procurement of operational vehicles and equipment and for lighting system operation services to reduce our costs and strengthen vehicle management and further reinforce our market standing.

We believe that procuring new vehicles will enhance our operational efficiency and service quality. This investment aims to increase mechanization and reduce costs in the long run, with expected annual savings resulting from reduced rental expenses. This procurement will also bolster our responsiveness to emergencies, expand our service range, and improve our corporate image. Furthermore, investing in these vehicles positions us for future opportunities in the evolving urban services business, emphasizing both immediate operational benefits and long-term strategic growth.

We are committed to undertaking more urban service projects, and we will take advantage of our management experience and Shareholder background to obtain new project opportunities through contacts with property owners. Besides, we will actively participate in bidding and continuously attend to market trends and new areas where there will be new demands. Leveraging the advantages of CSUD Group, we will actively expand our business reach to undertake more projects. In addition, we will cooperate with local governments to take urban services as the entry point, and undertake relevant projects to increase our output value. We will also try to enrich our value-added services by adding different customized value-added services to the service value chain.

Approximately [**REDACTED**]% of the net [**REDACTED**] or HK$[**REDACTED**] million will be used for the purchase of operational vehicles and equipment for municipal sanitation services and lighting system operation services. For details, please refer to the section headed "Future Plans and [**REDACTED**]" in this document.

Invest more for further technology development to bolster our technology capabilities and promote our degrees of digitization and automation

Labor cost is one of our major costs in property management services, urban services, and commercial operation services. In light of our steady growth, we must not only create capabilities for managing our service system but also need to control expenses and enhance operational efficiency. That makes investment in technology necessary because it continues to be essential for the efficient operation of the property management business, urban service business and commercial operation business.

During the Track Record Period, we employed a series of operating systems and platforms developed by CSUD Group in our business operations, including office automation system for office file submission and process management, human resource system to efficiently manage our organization's workforce, covering aspects such as recruitment, training, and performance evaluation, accounting system that tracks and manages financial transactions, procurement system for supplier selection, etc.

We plan to develop and optimize the functionality of our internal management information system, which primarily focuses on the online management of various labor-intensive tasks, contracts, finance, and assets, to replace the current system.

Furthermore, we plan to develop and enhance various types of business operating systems to achieve functional development, data linking, and information resource sharing, including (a) a smart parking operation to improve functions such as payment management for carparks; (b) a vehicle operation system to monitor the sanitation trucks remotely; (c) a flexible staffing system for efficient allocation of workforces; and (d) a membership system for customers in malls, parking lots, and the other properties under our management.

Moreover, we plan to develop device connection systems to enable us to oversee the facilities and devices as a whole. These systems will also automate tasks such as energy consumption management, building interior environment surveillance, security surveillance, predictive maintenance, real-time data collections on buildings, prediction on future conditions of the buildings with the current available data, etc. In addition, we plan to employ software engineers to develop and maintain these systems.

Approximately [**REDACTED**]% of the net [**REDACTED**] or HK$[**REDACTED**] million will be used for technological investment. For details, please refer to the section headed "Future Plans and [**REDACTED**]" in this document.

Adhere to talent-oriented management policy and continue to improve the human resource management system

We plan to take various initiatives to attract and nurture talent in the industry with diverse backgrounds and skill sets to contribute to our growth and development, provide training programs and development opportunities, and offer competitive compensation, benefits and incentives to our employees. Specifically, approximately [**REDACTED**]% of the net [**REDACTED**] or HK$[**REDACTED**] million will be [**REDACTED**] to expand our dedicated team with diversified backgrounds in order to strengthen the competitiveness of our workforce.

Furthermore, we intend to provide talent training programs tailored to the skill sets required by employees at various levels, and approximately [**REDACTED**]% of the net [**REDACTED**] or HK$[**REDACTED**] million will be [**REDACTED**] to promote talent training programs.

Approximately [**REDACTED**]% of the net [**REDACTED**] or HK$[**REDACTED**] million will be used for talent recruitment and training. For details, please refer to the section headed "Future Plans and [**REDACTED**]" in this document.

OUR BUSINESS MODELS

During the Track Record Period, we generated revenue primarily from the following three business segments divided by types of services.

Property management services	We mainly provide public property management services, commercial property management services and residential property management services, such as cleaning, security, and repair and maintenance services. Public properties include civic squares, parks and scenic spots, urban exhibition halls, government office buildings, and schools; commercial properties include commercial office buildings, commercial complexes, and sales centers; and residential properties mainly include residential communities and apartments. In addition, we also provide a wide range of value-added services to property developers, property owners, and tenants. During the Track Record Period, for public properties, our customers were mainly government institutions, whereas for commercial and residential properties, our customers were mainly private entities and individuals.
Urban services	We assist local governments and public institutions in providing urban services to improve the living experience and environment of citizens. Our urban services mainly include (i) landscaping and engineering, including landscape construction and engineering construction; (ii) lighting system operation, including landscape lighting operation and functional lighting operation; (iii) parking lot operation including the operation and management of public parking spaces by self-operation and leasing; and (iv) municipal sanitation services including the cleaning of municipal infrastructures such as city roads, the external walls of buildings along the main road, street lamps, and bus platforms. During the Track Record Period, we primarily provided landscaping and engineering services to CSUD Group. For lighting system operation and municipal sanitation services, our customers were mainly government institutions, while for parking lot operation, our customers were mainly private entities and individuals.

Commercial operation services We manage various types of commercial projects, such as commercial office buildings, commercial districts, and industrial parks. We have established a comprehensive commercial asset management process, including preliminary business planning, commercial positioning, tenant recruitment, lease agreement formulation, marketing and promotion, and daily operation management and maintenance of commercial assets. During the Track Record Period, we primarily provided commercial operation services to CSUD Group and its associates.

The following table sets forth a breakdown of our revenue by type of services for the years indicated:

	For the year ended December 31,					
	2021		2022		2023	
	(RMB'000)	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*
Property management services	192,256	44.6	207,466	39.2	237,902	36.5
– Public properties	69,894	16.2	72,458	13.7	74,015	11.4
– Commercial properties	95,191	22.1	105,798	20.0	114,563	17.6
– Residential properties	1,264	0.3	2,483	0.5	12,384	1.9
– Value-added services	25,907	6.0	26,727	5.0	36,940	5.6
Urban services	185,352	42.9	274,720	52.0	353,290	54.2
– Landscaping and engineering	83,482	19.3	125,847	23.8	186,347	28.6
– Lighting system operation	30,856	7.1	64,007	12.1	67,497	10.4
– Parking lot operation	42,089	9.8	40,633	7.7	46,733	7.2
– Municipal sanitation services	28,925	6.7	44,233	8.4	52,713	8.0
Commercial operation services	54,045	12.5	46,337	8.8	60,683	9.3
Total	431,653	100.0	528,523	100.0	651,875	100.0

The following table sets forth a breakdown of our revenue generated by type of the services and source of the projects for the years indicated:

	For the year ended December 31,					
	2021		2022		2023	
	(RMB'000)	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*
Property management services[1][2]	192,256	44.6	207,466	39.2	237,902	36.5
CSUD Group and its associates	131,991	30.6	150,576	28.5	171,634	26.3
Independent Third Parties	60,265	14.0	56,890	10.7	66,268	10.2
– Government/public institutions	57,674	13.4	55,084	10.4	47,787	7.3
– SOEs	1,380	0.3	1,806	0.3	12,661	1.9
– Others	1,211	0.3	–	–	5,820	1.0
Urban services[1][3]	185,352	42.9	274,720	52.0	353,290	54.2
CSUD Group and its associates	117,160	27.1	151,853	28.7	187,526	28.8
Independent Third Parties	68,192	15.8	122,867	23.3	165,764	25.4
– Government/public institutions	60,195	14.0	106,534	20.2	119,261	18.3
– SOEs	3,057	0.7	7,840	1.5	45,113	6.9
– Others	4,940	1.1	8,493	1.6	1,390	0.2
Commercial operation services[1][2][4]	54,045	12.5	46,337	8.8	60,683	9.3
Total revenue	431,653	100.0	528,523	100.0	651,875	100.0

Notes:

(1) Our Group categorizes the source of projects by parties entitled to grant such projects.

(2) The parties entitled to grant projects of property management services and commercial operation services are developers or owners of the properties.

(3) The parties entitled to grant projects of parking lot operation are lessors of the parking spaces. The parties entitled to grant projects of other urban services are counter-parties of the contracts.

(4) During the Track Record Period, all of our commercial operation service projects were sourced from CSUD Group and its associates.

For details of our relationship with CSUD Group, please refer to the sections headed "Relationship with Our Controlling Shareholders" and "Business – Customers – Our Top Five Customers".

The following table sets forth the relevant number of projects under management for the years indicated by type of services:

	For the year ended December 31,		
	2021	**2022**	**2023**
Property management services			
– Public properties	29	29	24
– Commercial properties	29	30	36
– Residential properties	3	4	8
Urban services			
– Landscaping and engineering[(1)]	44	98	85
– Lighting system operation	2	4	4
– Parking lot operation	146	144	150
– Municipal sanitation services	2	2	3
Commercial operation services	44	44	50
Total	299	355	360

Note:

(1) Landscaping and engineering projects are projects of a one-off nature, and the number listed here refers to the number of completed projects.

PROPERTY MANAGEMENT SERVICES

Overview

We provide public property management services, commercial property management services and residential property management services. Public properties include civic squares, parks and scenic spots, urban exhibition halls, government office buildings and schools; commercial properties include commercial office buildings, commercial complexes and sales centers; and residential properties mainly include residences and apartments.

We also provide a wide range of value-added services for property owners, property developers, residents and tenants, including (a) air conditioner cleaning services; (b) affiliated carpark space management services; (c) decoration management services; (d) swipe card services; and (e) additional customized services.

The following table sets forth a breakdown of our revenue from property management services by type of properties for the years indicated:

	For the year ended December 31,					
	2021		2022		2023	
	(RMB'000)	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*
Property management services						
– Public properties	69,894	36.3	72,458	34.9	74,015	31.1
– Commercial properties	95,191	49.5	105,798	51.0	114,563	48.2
– Residential properties	1,264	0.7	2,483	1.2	12,384	5.2
– Value-added services	25,907	13.5	26,727	12.9	36,940	15.5
Total	192,256	100.0	207,466	100.0	237,902	100.0

During the Track Record Period, we secured several property management projects by participating in tenders, a process whereby local governments and public institutions evaluate and select from multiple relevant service providers, which is a standard tender process regulated by the applicable PRC laws and regulations and the same process we undergo with respect to property management service agreements. In the meantime, for projects sourced from CSUD Group and its associates, we were primarily awarded property management service contracts through direct engagement. For details, please refer to the paragraph headed "– Property Management Services – Tender Process" in this section.

During the Track Record Period, our revenue witnessed substantial growth. The revenue generated from property management services increased at a CAGR of 11.2% from RMB192.3 million in 2021 to RMB237.9 million in 2023. During the Track Record Period, our total GFA under management was approximately 10.6 million sq.m., 10.3 million sq.m., and 11.1 million sq.m., respectively.

The following table sets forth a breakdown of the retention rate of property management services for the years indicated by type of properties:

	For the year ended December 31,		
	2021	2022	2023
Number of effective projects[(1)]	57	63	67
– Public properties	23	24	21
– Commercial properties	28	30	34
– Residential properties	6	9	12
Number of contracted projects	66	70	73
– Public properties	29	29	24
– Commercial properties	31	32	37
– Residential properties	6	9	12
Retention rate	86.4%	90.0%	91.8%
– Public properties	79.3%	82.8%	87.5%
– Commercial properties	90.3%	93.8%	91.9%
– Residential properties	100.0%	100.0%	100.0%

Note:

(1) Number of effective projects refers to the aggregate number of contracted projects during the entire year minus the number of projects we ceased to manage during the same years.

The following table sets forth a breakdown of the retention rate of property management services for the years indicated by source of the projects:

	For the year ended December 31,		
	2021	2022	2023
Number of effective projects	57	63	67
– CSUD Group and its associates	41	44	48
– Independent Third Parties	16	19	19
Number of contracted projects	66	70	73
– CSUD Group and its associates	47	51	52
– Independent Third Parties	19	19	21
Retention rate	86.4%	90.0%	91.8%
– CSUD Group and its associates	87.2%	86.3%	92.3%
– Independent Third Parties	84.2%	100.0%	90.5%

The following table sets forth a breakdown of the renewal rate of property management services for the years indicated by type of properties:

	For the year ended December 31,		
	2021	**2022**	**2023**
Number of renewed projects	10	21	16
– Public properties	6	9	9
– Commercial properties	4	12	7
– Residential properties	–	–	–
Number of expired projects	19	28	22
– Public properties	12	14	12
– Commercial properties	7	14	10
– Residential properties	–	–	–
Renewal rate	52.6%	75.0%	72.7%
– Public properties	50.0%	64.3%	75.0%
– Commercial properties	57.1%	85.7%	70.0%
– Residential properties	–	–	–

The following table sets forth a breakdown of the renewal rate of property management services for the periods indicated by source of projects:

	For the year ended December 31,		
	2021	**2022**	**2023**
Number of renewed projects	10	21	16
– CSUD Group and its associates	7	13	8
– Independent Third Parties	3	8	8
Number of expired projects	19	28	22
– CSUD Group and its associates	13	20	12
– Independent Third Parties	6	8	10
Renewal rate	52.6%	75.0%	72.7%
– CSUD Group and its associates	53.9%	65.0%	66.7%
– Independent Third Parties	50.0%	100.0%	80.0%

The property management projects we undertake are developing steadily. During the Track Record Period, the renewal rate of our property management projects was 52.6%, 75.0%, and 72.7%, respectively. During the same years, the retention rate of our property management projects was 86.4%, 90.0%, and 91.8%, respectively. In 2021, the renewal rate and the retention rate were relatively low owing to the expiration of five ad hoc projects, which are of ancillary and transitional natures and are normally not repetitive. For example, some projects such as the Bus Shelter Maintenance and Relocation Service Project (公交候車亭維護遷移服務項目) did not need comprehensive property management services upon the completion of their relocation; some projects such as the Transitional Maintenance Project of Roads in Malanshan Area (馬欄山片區道路過渡期維護項目) only needed ancillary property management services during the transition period. Additionally, we voluntarily chose not to renew two projects which were not as profitable as expected, so as to reallocate our resources to more profitable ones in an effort to optimize our property management portfolio. During the Track Record Period, the renewal rate of projects sourced from CSUD Group and its associates remained at a modest level for two main reasons: (i) several ad-hoc projects, as stated above, expired and were primarily sourced from CSUD Group and its associates; and (ii) we decided not to renew certain projects and instead reallocated our resources to more profitable ones.

Our Geographical Presence

Since our inception, we have been deeply rooted in Hunan Province, especially in Changsha. We managed 66 properties with an aggregate GFA under management of around 10.6 million sq.m. as of December 31, 2023 in Hunan Province. Our long-term intensive cultivation in Hunan Province allows us to form a regional service network in the certain region, and we have become one of the property management service providers most deeply ingrained in the Changsha market.

The table below sets forth the regions and cities in which we had contracted projects and projects under management for the year ended December 31, 2023:

Region	Number of projects under management	GFA under management *(sq.m.'000)*	Number of contracted projects	Contracted GFA *(sq.m.'000)*	Revenue *(RMB'000)*
Hunan Province					
(Changsha)	66	10,557	71	10,643	232,526
Jiangxi Province					
(Pingxiang)	2	516	2	516	5,376
Total	68	11,073	73	11,159	237,902

Scope of Services

We provide the following major categories of property management services:

- *Cleaning and general greening services.* We provide general cleaning, pest control, fertilizing, greening and pruning services for a wide range of property portfolio. In order to provide citizens with a clean and orderly living environment, we use standardized cleaning techniques and cleaning equipment. We adopt automated cleaning equipment to increase the professionalism of our cleaning services.

- *Security services*. We seek to ensure that the properties we manage are safe and in good order. The security services we provide on a daily basis include, among others, patrolling, emergency response, entry control and fire safety management. Our primary objective is to ensure the safety and orderliness of properties under our management. To achieve this, we have a team of security personnel who conduct regular patrols, inspect surveillance systems in common areas, verify the identities of visitors and their vehicles, and respond to emergencies. To provide the best possible service, we utilize both in-house staff and external contractors for our security operations.

- *Repair and maintenance services.* We are generally responsible for the maintenance of common area facilities, construction structures and utility facilities, such as power supply and distribution, water supply and drainage system and pipeline dredging, oil fume pipeline cleaning, secondary maintenance of water supply system, maintenance of mud and wood facilities and weak current equipment.

Public Property Management Services

We offer public property management services, e.g., security, cleaning, as well as repair and maintenance services to parks, schools, hospitals, and large exhibition venues. We offer such services primarily through our own employees and subcontractors. We enter into property management service contracts with local governments and public institutions that are in charge of managing the relevant infrastructures and charge service fees on a lump-sum basis.

During the Track Record Period, our revenue generated from providing property management services to public properties was approximately RMB69.9 million, RMB72.5 million and RMB74.0 million, representing approximately 36.3%, 34.9%, and 31.1% of our total revenue from property management services, respectively. We provided property management services to 29, 29, and 24 public properties, with a total GFA under management of 8.5 million sq.m., 8.0 million sq.m., and 7.6 million sq.m., respectively, for the same years.

Commercial Property Management Services

We offer commercial property management services e.g., security, cleaning, as well as repair and maintenance services. Commercial properties include commercial office buildings, commercial assets and industrial parks. We offer such services primarily through our own employees and subcontractors. We enter into property management service contracts with property developers and property owners. We charge service fees on a lump-sum basis.

During the Track Record Period, our revenue generated from commercial property management services amounted to RMB95.2 million, RMB105.8 million, and RMB114.6 million, respectively, accounting for 49.5%, 51.0%, and 48.2% of our total revenue from property management services, respectively. We provided property management services to 29, 30, and 36 commercial properties, with a total GFA under management of 1.9 million sq.m., 1.9 million sq.m., and 2.1 million sq.m., respectively, for the same years.

Residential Property Management Services

During the Track Record Period, our revenue generated from residential property management services amounted to RMB1.3 million, RMB2.5 million, and RMB12.4 million, respectively, accounting for 0.7%, 1.2%, and 5.2% of our total revenue from property management services, respectively. For the same years, we provided property management services to three, four and 8 residential projects, with a total GFA under management of 267 thousand sq.m., 322 thousand sq.m., and 1,374 thousand sq.m., respectively.

Value-Added Services

We provide value-added services to address customers' needs and improve the living experience and environment of property owners and residents at our managed properties. Our value-added services include (a) air conditioner cleaning services; (b) affiliated carpark space management services; (c) decoration management services; (d) swipe card services; and (e) additional customized services.

- *Air conditioner cleaning services*. Our services mainly include filter cleaning, return air network cleaning, aluminum fin cleaning, condensate pipe inspection and dredging, heat sink cleaning and disinfection.

- *Affiliated Carpark space management services*. We manage the carpark space affiliated with commercial buildings and residential communities. We offer daily maintenance, surveillance, entry control, and parking fee collection services. We profit from our carpark space management services by charging owners periodic management fees or collecting a percentage of temporary parking fees.

- *Decoration management services*. In commercial property and residential property projects, if the property owner wants to carry out renovation, we provide security, inspection and specification service of the relevant public spaces.

- *Swipe card services.* We provide the management and production services of swipe cards for both commercial buildings and residential communities. This services include tasks such as card registration, issuance, programming, and ongoing management, ensuring the smooth functioning of the access control system.

- *Additional customized services.* We provide a wide range of additional customized services as may be required by our customers for their properties or in relation to particular areas or facilities of their properties. These services include concierge services, repair services, conference services, and garbage removal services.

During the Track Record Period, our revenue from value-added services was RMB25.9 million, RMB26.7 million and RMB36.9 million, accounting for 13.5%, 12.9% and 15.5% of our total revenue from property management services, respectively.

We strive to achieve efficient customer-focused service standards in our managed properties in order to provide on-site services, and dedicated care to property developers, property owners, residents and tenants. It is our standard practice to keep and update records of the property owners of the properties we managed and to respond to and record complaints and feedback on our services. For details, please refer to the paragraph headed "– Quality Control – Feedback and Complaint Management" in this section about our management relating to feedback and complaints received.

Portfolio of properties under management

During the Track Record Period, the GFA under management of projects sourced from CSUD Group and its associates accounted for approximately 43.5%, 41.8%, and 39.1% of our total GFA under management, respectively. While remaining focused on providing public property management services, we also sought to diversify our portfolio of managed properties. During the Track Record Period, we offer diversified services to a wide spectrum of properties such as government buildings, industrial parks, commercial complexes, and residential properties.

The following table sets out the expiry schedule of our property management service agreements for contracted GFA for the year ended December 31, 2023:

	Number of projects		**Contracted GFA**	
		%	*(sq.m.'000)*	%
Property management service agreements with no fixed term[1]	14	19.2%	2,722	22.6%
Property management service agreements with fixed terms expiring in the following years:				
– for the year ending December 31, 2024[2]	32	43.8%	1,304	10.8%
– for the year ending December 31, 2025	16	21.9%	3,989	33.1%
– for the year ending December 31, 2026 and thereafter	3	4.1%	21	0.2%
Property management service agreements expired				
– expired but continue to provide services[3]	2	2.7%	2,828	23.5%
– expired and stop providing services	6	8.2%	1,175	9.8%
Total	73	100.0%	12,039	100.0%

Notes:

(1) We provide preliminary property management services for these projects until the establishment of property owners' associations.

(2) As of the Latest Practicable Date, 12 of these property management service agreements had been renewed.

(3) We continue to provide services for two expired projects because as of the Latest Practicable Date, these projects were in the process of renewal, the agreements of which are expected to be renewed in June 2024.

The following table sets forth the number, the GFA, and the revenue from property management services by source of the projects for the years or as of the dates indicated:

	For the year ended or as of December 31,																							
	2021								2022								2023							
	Number of contracted projects	Contracted GFA		Number of projects under management	GFA under management		Revenue		Number of contracted projects	Contracted GFA		Number of projects under management	GFA under management		Revenue		Number of contracted projects	Contracted GFA		Number of projects under management	GFA under management		Revenue	
		(sq.m.'000)	*(%)*		*(sq.m.'000)*	*(%)*	*(RMB'000)*	*(%)*		*(sq.m.'000)*	*(%)*		*(sq.m.'000)*	*(%)*	*(RMB'000)*	*(%)*		*(sq.m.'000)*	*(%)*		*(sq.m.'000)*	*(%)*	*(RMB'000)*	*(%)*
CSUD Group and its associates	47	5,344	46.2	43	4,622	43.5	131,991	68.7	51	5,303	46.1	45	4,282	41.8	150,576	72.6	52	5,100	42.4	48	4,325	39.1	171,634	72.1
Independent Third Parties	19	6,224	53.8	18	5,996	56.5	60,265	31.3	19	6,200	53.9	18	5,972	58.2	56,890	27.4	21	6,938	57.6	20	6,748	60.9	66,268	27.9
Total	66	11,568	100.0	61	10,619	100.0	192,256	100.0	70	11,503	100.0	63	10,254	100.0	207,466	100.0	73	12,039	100.0	68	11,073	100.0	237,902	100.0

During the Track Record Period, there was apparent growth in the number of property projects that we managed, GFA under management and contracted GFA, which in turn our revenue increased as well. Such growth was due to (i) the adjustment of our Company's strategic development direction and the clarification of the development strategy, which further indicated the direction for our Company's development; (ii) our Company's increasing strength, regional brand and market influence, especially with the branding of Changsha's leading state-owned enterprise, CSUD Group, enabling our Company to gain more opportunities for external market cooperation.

The following table sets forth the number, the GFA, and the revenue from property management services by type of the properties for the years or as of the dates indicated:

	For the year ended or as of December 31,																							
	2021								2022								2023							
	Number of contracted projects	Contracted GFA		Number of projects under management	GFA under management		Revenue		Number of contracted projects	Contracted GFA		Number of projects under management	GFA under management		Revenue		Number of contracted projects	Contracted GFA		Number of projects under management	GFA under management		Revenue	
		(sq.m.'000)	*(%)*		*(sq.m.'000)*	*(%)*	*(RMB'000)*	*(%)*		*(sq.m.'000)*	*(%)*		*(sq.m.'000)*	*(%)*	*(RMB'000)*	*(%)*		*(sq.m.'000)*	*(%)*		*(sq.m.'000)*	*(%)*	*(RMB'000)*	*(%)*
Public properties	29	8,479	73.3	29	8,474	79.8	69,894	36.3	29	8.032	69.8	29	8,027	78.3	72,458	34.9	24	7,592	63.1	24	7,586	68.5	74,015	31.1
Commercial properties	31	2,247	19.4	29	1,878	17.7	95,191	49.5	32	2,275	19.8	30	1,905	18.6	105,798	51.0	37	2,303	19.1	36	2,113	19.1	114,563	48.2
Residential properties	6	842	7.3	3	267	2.5	1,264	0.7	9	1,196	10.4	4	322	3.1	2,483	1.2	12	2,144	17.8	8	1,374	12.4	12,384	5.2
Value-added services	–	–	–	–	–	–	25,907	13.5	–	–	–	–	–	–	26,727	12.9	–	–	–	–	–	–	36,940	15.5
Total	66	11,568	100.0	61	10,619	100.0	192,256	100.0	70	11,503	100.0	63	10,254	100.0	207,466	100.0	73	12,039	100.0	68	11,073	100.0	237,902	100.0

Note: Exclude the revenue generated from value-added services.

The following table indicates the movement of our effective projects by source of projects for the years or as of the dates indicated:

	For the year ended or as of December 31,					
	2021		2022		2023	
	Number of projects	GFA *(sq.m.'000)*	Number of projects	GFA *(sq.m.'000)*	Number of projects	GFA *(sq.m.'000)*
As of the beginning of the year	38	8,488	57	10,000[1]	63	9,827
– CSUD Group and its associates	23	2,907	41	4,187	44	3,855
– Independent Third Parties	15	5,581	16	5,813	19	5,972
New engagements	28	2,131	13	254	10	1,246
– CSUD Group and its associates	24	1,715	10	94	7	468
– Independent Third Parties	4	416	3	160	3	778
Terminations	9	634	7	427	6	1,175
– CSUD Group and its associates	6	450	7	427	4	505
– Independent Third Parties	3	184	–	–	2	669
As of the end of the year	57	9,985	63	9,827	67	9,898
– CSUD Group and its associates	41	4,172	44	3,855	48	3,817
– Independent Third Parties	16	5,813	19	5,972	19	6,081

Note:

(1) Include an increase in the GFA of one project at the beginning of 2022.

The following table indicates the movement of our effective projects by type of properties for the years or as of the dates indicated:

	For the year ended or as of December 31,					
	2021		2022		2023	
	Number of projects	GFA	Number of projects	GFA	Number of projects	GFA
		(sq.m.'000)		*(sq.m.'000)*		*(sq.m.'000)*
As of the beginning of the year	38	8,488	57	10,000[(1)]	63	9,827
– Public properties	18	6,917	23	7,841	24	7,617
– Commercial properties	18	1,455	28	1,892	30	1,889
– Residential properties	2	116	6	267	9	321
New engagements	28	2,131	13	254	10	1,246
– Public properties	11	1,558	6	187	1[(2)]	0
– Commercial properties	13	422	4	13	6	193
– Residential properties	4	151	3	54	3	1,053
Terminations	9	634	7	427	6	1,175
– Public properties	6	634	5	411	3	1,169
– Commercial properties	3	–	2	16	3	6
– Residential properties	–	–	–	–	–	–
As of the end of the year	57	9,985	63	9,827	67	9,898
– Public properties	23	7,841	24	7,617	22	6,448
– Commercial properties	28	1,877	30	1,889	33	2,076
– Residential properties	6	267	9	321	12	1,374

Notes:

(1) Include an increase in the GFA of one project at the beginning of 2022.

(2) For this specific project, GFA was not specified in its contract.

During the Track Record Period, our total GFA under management for public properties decreased from approximately 8.5 million sq.m. for the year ended December 31, 2021 to 8.0 million sq.m. for the year ended December 31, 2022 and further to 7.6 million sq.m. for the year ended December 31, 2023. The decreasing trend of the amount of contracted GFA and GFA under management could be mainly attributable to the termination of two projects, the Exhibition Landscape Spot Property Management Service Project (會展景觀帶物業管理服務項目) and Liuyang River Scenic Spot Property Management Service Project (瀏陽河風光帶物業管理服務項目), the contracted GFA and GFA under management of which amounted to 800 thousand sq.m. while their revenue contribution was relatively small. The two temporary public projects were sourced from CSUD Group and its associates by direct engagement, and we provided property management services for them, spanning from the completion of their construction to the final delivery to the government. We did not tender for these projects subsequently because we reallocated our resources to more profitable projects. According to CIA, there was a general decline in the GFA of new projects available for management since 2021. As a result, there was a reduction in the number of our new engagements.

During the Track Record Period, we have been contracted to manage commercial complexes, office buildings and residential properties. Our GFA under management of commercial properties was 1.9 million sq.m., 1.9 million sq.m., and 2.1 million sq.m., respectively. For the same years, our GFA under management of residential properties was 267 thousand sq.m., 322 thousand sq.m., and 1,374 thousand sq.m., respectively. We believe that as we accumulate experience and recognition for the quality of our property management services to public properties, commercial properties and residential properties, we will be able to continue to diversify our portfolio of properties under management and further enlarge our customer base.

The following table sets forth our five largest property management service projects in terms of the revenue of each year during the Track Record Period:

Project	Type of service	Location	Duration	For the year ended December 31, 2021	2022	2023
				(RMB'000)	*(RMB'000)*	*(RMB'000)*
Yanghu National Wetland Park Project (洋湖濕地公園項目)	Public	Changsha	January 2017- Present	25,229	24,537	28,155
Changsha West Center Project (長沙西中心項目)	Commercial	Changsha	October 2015- Present	32,097	30,464	27,278
Xiangjiang Times Project (湘江時代項目)	Commercial	Changsha	January 2017- Present	19,912	19,719	22,610
Xiangjiang Fortune Finance Center Project (湘江財富金融中心項目)	Commercial	Changsha	November 2017- Present	31,592	41,744	52,997
Xianjia Lake Scenic Area Project (咸嘉湖景區項目)	Public	Changsha	November 2016- Present	10,021	7,577	7,691

Property Management Fees

During the Track Record Period, all of our projects were subject to a lump-sum basis for charging fees.

Under the lump-sum fee model, we charge a fixed and "all-inclusive" fee for our property management services which we provide through our employees and subcontractors, and our property management fees are typically charged on an semi-annual, quarterly or monthly basis, depending on the terms of our property management service agreements. We are entitled to retain the full amount of property management fees collected from property developers, property owners and residents as revenue and bear the costs incurred in providing our property management services.

The lump-sum fee model challenges our operation management capabilities. Prior to negotiating and entering into our property management service agreements, we seek to prepare, as accurate as possible, an estimate of our cost of sales. Our cost of sales primarily includes employee wage and benefit expenses, energy expenses, maintenance costs, landscaping costs, office expenses, garbage removal and disposal expenses, parking costs, security maintenance costs, tax and surcharges, greening and cleaning expenses, depreciation and amortization expenses, among others. As we bear such expenses ourselves, our profit margins are affected by our ability to lower our cost of sales. In the event that our cost of sales is higher than anticipated, we may not be able to collect additional amounts from our customers to sustain our profit margins however we may have option to raise the property management fee through friendly negotiation while still maintaining our service standard, explore other value-added services for profit growth and increase the financial and operational efficiency by applying automated system. For details, please refer to the section headed "Risk Factors – Risks Relating to Our Business and Industry – We may suffer losses for charging services fees on a lump-sum basis" in this document.

Our Pricing Policy

We adopt two pricing methods for our property management business in accordance with market practice: the area-based pricing method and the personnel-based pricing method.

Generally, we price our property management services by considering factors such as (i) scope and quality of services; (ii) budget, estimated costs and profitability targets; and (iii) local government's guidelines/regulations on property management fees (where applicable). Under the area-based pricing method, we charge property management fees in the form of "RMB per sq.m. per month", considering key factors such as type of property, quality of service, with reference to unit fees of comparable projects. Under the personnel-based pricing method, we charge a total packaged property management fees on a per project basis, taking into consideration the required quantity and quality of staff (e.g. security guards, cleaners and receptionists) involved in carrying out the routine management work of the property.

During the Track Record Period, we charged all residential properties and some commercial properties which were office buildings with the area-based pricing method, while we charged all public properties and the other commercial properties such as sales centers with the personnel-based pricing method.

The following table sets out the number GFA and revenue from projects under management (excluding value-added services) during the Track Record Period based on the pricing method:

	For the year ended December 31,								
	2021			2022			2023		
	Number of projects	GFA under management	Revenue	Number of projects	GFA under management	Revenue	Number of projects	GFA under management	Revenue
		(sq,m.'000)	*(RMB'000)*		*(sq,m.'000)*	*(RMB'000)*		*(sq,m.'000)*	*(RMB'000)*
Personnel-based pricing method	52	9,119	90,800	53	8,700	96,144	53	8,326	100,296
– Public property	29	8,474	69,894	29	8,026	72,458	24	7,587	74,015
– Commercial property (personnel-based)	23	646	20,905	24	673	23,685	29	739	26,281
Area-based pricing method	9	1,499	75,549	10	1,554	84,595	15	2,748	100,668
– Commercial property (area-based)	6	1,232	74,285	6	1,232	82,113	7	1,374	88,283
– Residential property	3	267	1,264	4	322	2,483	8	1,374	12,384
Total	61	10,619	166,349	63	10,254	180,739	68	11,074	200,963

The following table sets forth the ranges of unit property management fees charged by our Group and our peers under the area-based pricing method for the years indicated[(1)]:

	For the year ended December 31,					
	2021		2022		2023	
	Our Group[(2)]	Peers	Our Group[(2)]	Peers	Our Group[(2)]	Peers
	(RMB per sq.m.)		*(RMB per sq.m.)*		*(RMB per sq.m.)*	
Commercial property management services	2.7-10.6	4-21	3.8-8.9	4-20	4.1-12.7	4-21
Residential property management services	2.0-2.9	1.5-3	2.0-2.9	1.5-3	2.0-2.9	1.5-3

Notes:

(1) Given that all of our Group's property management projects were situated in the urban area of Changsha, the unit property management fee ranges of our peers were calculated based on properties situated in the same area for comparison.

(2) All of our Group's property management projects charged under the area-based pricing method were sourced from CSUD Group and its associates.

During the Track Record Period, all of the projects charged by our Group under the area-based pricing method were charged within the price ranges of our peers except for a specific commercial property management service project in 2021 and 2022. The reasons why the unit property management fees for this project fell below the peer price ranges are as follows: (a) the vacancy rate of this project had remained high during the Track Record Period, and for vacant properties, the property management fees are usually charged at a discount of the standard rates; and (b) our Group offered discounts on property management fees to some of our major customers to maintain long-standing relationships.

According to the Regulations on Property Management (《物業管理條例》) promulgated by the State Council on March 19, 2018, for properties that have been constructed but remain unsold or have not yet been transferred to the purchaser, the responsibility for the payment of property management fees lies with the developer of such properties. After negotiating with our customers and in consistent with the industry practices, we charge property management fees at 70-90% of the standard rate to property developers with regard to property management services provided to vacant properties. As confirmed by CIA, our pricing standard for vacant properties is in line with the charging standard of our peers in Hunan Province.

There is typically no established practice in the property management industry for calculating unit property management fees of projects charged under the personnel-based pricing method. When pricing such projects, property management companies typically consider labor costs, material costs, and other costs incurred by specific requirements from clients. We charge our clients a total packaged property management fees on a cost-plus model, which primarily consist of the total costs stated above plus a markup (i.e. management expenses 管理費). The management expenses are set at a specific percentage of the total costs, and the percentage is determined at the discretion of property management companies. To be specific, the total packaged property management fees equal total costs (including labor costs, material costs, and other applicable costs) plus management expenses and any applicable taxes. As confirmed by the CIA, the aforementioned calculation method and the components of the total packaged fees are commonly applied for personnel-based projects in the industry.

The following table sets forth the management expense rate ranges of projects charged by our Group and our peers under the personnel-based pricing method as of December 31, 2023:

	Public property management service	**Commercial property management service**
Our Group	5%-12%	6%-12%
– CSUD Group and its associates	8%-12%	6%-12%
– Independent Third Parties	5%-10%	10%-12%
Our Peers(1)	5%-15%	5%-20%

Note:

(1) The ranges of our peers are provided by the CIA based on market research.

As of December 31, 2023, our management expense rate ranges of public and commercial projects charged under the personnel-based pricing method fell within industry ranges. The management expense rates of public projects sourced from CSUD Group and its associates were generally higher than those of projects sourced from Independent Third Parties. This is primarily because a majority of projects sourced from Independent Third Parties were government procurement projects, which were financed by fiscal funds and subject to fierce competition. Consequently, these projects are obtained at relatively low management expense rates. The lower limit of management expense rate range of commercial projects sourced from CSUD Group and its associates was lower than that of projects sourced from Independent Third Parties. This is primarily because we undertook several high-profile office buildings at relatively low management expense rates from CSUD Group and its associates, aiming to establish a strong reputation and pave the way for future opportunities.

As representative examples of properties charged under the personnel-based pricing method, sales centers refer to commercial properties where property developers showcase the properties to be sold and potential buyers can visit to learn about these properties, communicate with sales representatives and sign contracts. Sales centers typically have a small GFA under management while demanding a large amount of service personnel. The property management services provided to sales centers primarily include reception service, cleaning service, and order maintenance service. For example, in Hengwei Jinlong Sales Center Property Management Service Project (恆偉金瓏營銷案場物業管理服務項目), as required by the client, we allocated 17 service personnel, including one project manager, one repairman, six receptionists, four order maintenance personnel, and five cleaners. The Group also fulfilled the client's specific requirement regarding features of personnel (e.g. order maintenance personnel should be above 172cm in height). The following table sets forth our salary standard for two grades of different services as of December 31, 2023:

	Reception service *(RMB per person per month)*	**Cleaning service** *(RMB per person per month)*	**Order maintenance service** *(RMB per person per month)*
Grade A	6,600[1]	4,000	6,900
Grade B	6,200[1]	3,700	6,400

Note:

(1) Grade A represents the higher service standard followed by our Group. However, during the Track Record Period, we did not undertake any projects charged at this standard in light of the competitive market conditions, and all of our reception services provided were charged at the grade B standard.

According to CIA, within five kilometers in the vicinity of our sales centers, the labor costs of reception services ranged from RMB5,500 to RMB6,200 per person per month; the labor costs of cleaning services ranged from RMB3,500 to RMB4,000 per person per month; the labor costs of order maintenance services ranged from RMB6,000 to RMB7,000 per person per month. The salaries of our personnel fall within a reasonable range compared to the local standard.

The relevant departments responsible for price administration and construction administration under the State Council jointly oversee property management fees and issue relevant guidance, and we are also subject to pricing controls issued by the PRC Government. In December 2014, the NDRC issued the Circular of the NDRC on the Opinions for Decontrolling the Prices of Some Services (國家發展和改革委員會關於放開部分服務價格意見的通知) (the "**Circular**"), which required provincial-level price authorities to liberalize certain price control or guidance policies on certain types of properties that meet the specified conditions. According to PRC laws and regulations, property management fees charged shall be determined with references to the government guidance price or the market price, based on the nature and features of the relevant properties to which the property management services are provided. The specific pricing principles and implementation rules shall be determined by the competent price administration departments and property administration departments of the local governments of each province, autonomous region and municipality. For details, please refer to the section headed "Regulatory Overview – Fees Charged by Property Management Enterprises" in this document. During the Track Record Period and up to the Latest Practicable Date, according to CIA, our property management fees were generally in line with the relevant market trends with respect to property management fees charged by property management companies in the PRC. Our PRC Legal Advisors are of the view that, during the Track Record Period and up to the Latest practicable Date, considering (i) five of the property management service projects under our management were preliminary property management service projects, and the charging standards of the five projects had been filed with the relevant competent authorities; (ii) we had not been subjected to any investigations or penalties in accordance with written certifications issued by county-level authorities under MOHURD, online public search conducted by our PRC Legal Advisors, and confirmation from our Directors; and (iii) we had not been subject to any administrative penalties or credit restrictions in accordance with a written certification issued by Changsha Administration for Market Regulation, online public search conducted by our PRC Legal Advisors, and confirmation from our Directors, the property management fees charged by us had complied with the relevant PRC laws and regulations in relation to such pricing control. In accordance with the Regulations on Property Management in Hunan Province (《湖南省物業管理條例》) and the administrative duties of governmental authorities disclosed on the websites of governmental authorities, our PRC Legal Advisors are of the view that MOHURD is the competent authority that is responsible for supervising and managing the provision of property management services.

Tender Process

During the Track Record Period, we secured a small portion of property management projects by participating in tenders, a process whereby local governments and public institutions evaluate and select from multiple relevant service providers, which is a standard tender process regulated by the applicable PRC laws and regulations. Under the PRC laws and regulations, property management companies are typically required to obtain preliminary property management service agreements for residential properties through participation in the tender process. If there are fewer than three bidders or the scale of residences is relatively small, the property developer can select and hire qualified property management company by directly entering into an agreement with the approval of the real estate administrative department of the relevant district or county government where the property is located. In addition, pursuant to the Regulations on Property Management (《物業管理條例》), the non-residential property is not required to select a property management company through tender process. For details, please refer to the section headed "Regulatory Overview – Laws and Regulations Relating to Property Management Services" on the relevant legal requirements on tender processes.

The following flow chart illustrates each stage of our typical tender process for obtaining property management service agreements.

Receiving tender information

↓

Establishing the marketing development team responsible for making the bid

↓

Preparation and submission of documents required for pre-qualification

↓

Researching the characteristics of the property(ies) involved and calculating relevant costs

↓

Prepare and submit tender bids outlining, including but not limited, to our plans, quotations and qualifications

↓

Evaluation

↓

Award of contract or rejection

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Contract signing and filling with relevant local authority

For projects sourced from CSUD Group and its associates, we are primarily awarded property management service projects through direct engagement. According to Our PRC Legal Advisors, we derive property management service projects from CSUD Group through direct engagement, in accordance with relevant PRC laws and regulations because (i) CSUD Group is a state-owned enterprise, and the Government Procurement Law (《中華人民共和國政府採購法》) does not apply to it; (ii) the projects entrusted by CSUD Group are not preliminary residential projects regulated by the Interim Measures for Bidding Management of Pre-property Management (《前期物業管理招標投標管理暫行辦法》); and (iii) the projects entrusted by CSUD Group do not fall within the scope of projects that must be tendered under the Tenders and Bids Law of the PRC (《中華人民共和國招標投標法》) and the Implementation Regulations for the Tenders and Bids Law of the PRC (《中華人民共和國招標投標法實施條例》), and therefore, CSUD Group is entitled to directly entrust us with the contracts. For projects obtained through direct engagement from Independent Third Parties, according to our PRC Legal Advisors, we are also in compliance with relevant PRC laws and regulations because the Government Procurement Law (《中華人民共和國政府採購法》) does not apply to these Independent Third Parties. In addition, these projects awarded to us do not fall with the scope of projects that must be tendered according to the aforementioned laws and regulations. For details, please refer to the section headed "Regulatory Overview – Laws and Regulations Relating to Property Management Services – Regulations on Appointment of the Property Management Enterprises" in this document. Before accepting a new engagement, we conduct feasibility analyses and financial projections, taking into account a range of factors, including the profile, scope, term of services to be provided, estimated total costs, projected profitability, competitive landscape of the local market, any applicable regulatory requirement and relationship with our other business, such as value-added services.

The following table sets forth a breakdown of the revenue and the number of our contracted property management service projects secured through tendering and direct engagement during the Track Record Period:

	For the year ended or as of December 31,								
	2021			2022			2023		
	Number of projects	**Contracted GFA** *(sq.m.'000)*	**Revenue** *(RMB'000)*	**Number of projects**	**Contracted GFA** *(sq.m.'000)*	**Revenue** *(RMB'000)*	**Number of projects**	**Contracted GFA** *(sq.m.'000)*	**Revenue** *(RMB'000)*
Tendering	17	2735	47,423	20	4,645	75,389	23	4,000	89,288
– CSUD Group and its associates	9	1,614	33,457	12	1,969	52,316	13	2,136	70,656
– Independent Third Parties	8	1,121	13,966	8	2,676	23,073	10	1,864	18,633
Direct engagement	49	8,833	144,833	50	6,858	132,077	50	8,039	148,614
– CSUD Group and its associates	38	3,730	98,534	39	3,334	98,261	39	2,964	100,979
– Independent Third Parties	11	5,104	46,299	11	3,524	33,816	11	5,075	47,636
Total	66	11,568	192,256	70	11,503	207,466	73	12,039	237,902

The following table sets forth our tender success rate of entering into services contracts by source of the projects during the Track Record Period:

	For the year ended December 31,								
	2021			2022			2023		
	Number of bids submitted[1]	**Number of winning bids[1]**	**Tender success rate** *(%)*	**Number of bids submitted[1]**	**Number of winning bids[1]**	**Tender success rate** *(%)*	**Number of bids submitted[1]**	**Number of winning bids[1]**	**Tender success rate** *(%)*
CSUD Group and its associates	4	4	100.0	3	3	100.0	3	3	100.0
Independent Third Parties	12	3	25.0	14	4	28.6	17	5	29.4
Total	16	7	43.8	17	7	41.2	20	8	40.0

Note:

(1) Exclude the number of bids submitted and the number of winning bids made by joint bids.

Our ranking and reputation in Changsha and high customer satisfaction rating help us secure projects with CSUD Group and its associates and other customers. During the Track Record Period, our tender success rate for projects of CSUD Group and its associates remains 100%, while in the same years, our tender success rate for projects sourced from Independent Third Parties is 25.0%, 28.6%, and 29.4%, respectively. The higher tender success rates of projects sourced from CSUD Group and its associates during the Track Record Period was mainly due to (i) our abilities to meet the needs and expectation of CSUD Group as a result of the established track record of provision of property management services to CSUD Group; and (ii) our long-term cooperation with CSUD Group and its associates, which was grounded in the alignment of our service philosophies and principles.

Property Management Service Agreements

For non-residential properties including public properties and commercial properties, we enter into property management service agreements with property owners.

For residential property management services and commercial property management services, we enter into preliminary property management service agreements with property developers at the pre-delivery stage. In relation to residential properties and commercial properties for that have already been delivered but the property owners' associations have not been established, we enter into preliminary property management service agreements with property developers, property owners and tenants to provide preliminary property management services. In relation to residential properties and commercial properties that have already been delivered and property owners' associations have been established, we enter into property management service agreements with the property owners' associations on behalf of property owners. During the Track Record Period, all our residential property projects and commercial property projects have not formed property owners' associations. Therefore, we enter into preliminary property management service agreements with property developers, property owners and tenants to provide preliminary property management services.

Key Terms of Dealing with the Property Owners or Property Owners' Representatives

Our property management service agreements with property owners or property owners' representatives typically include the following key terms, which we believe are consistent with the industry customs.

- *Scope of services.* A typical property management service agreement with property owners or property owners' representatives sets out the required services, including cleaning services, security services, car park management services and reception services.

- *Rights and obligations of both parties.* We have the right to arrange various property management services according to relevant laws and regulations and provisions of contract. We also have the right to charge property management fees towards property owners. In addition, we are obligated to report the operation of property to customers timely. Customers have the right to use properties appropriately in accordance with relevant regulations and supervise the implementation of our property management services. Meanwhile, our customers are obligated to pay the property management fees timely and cooperate with our property management service, for instance, following the relevant management service manuals that we draw up for customers.

- *Terms.* For residential properties, our property management service agreements will generally terminate when the owners' association signs a new property management service agreement with the re-selected property service company on behalf of all owners. For public properties and commercial properties, our property management service agreements will automatically terminate at the expiration of the contract term, or if one party is in serious breach of contract, the other party can terminate by itself or by mutual agreement.

- *Liability for general breach of contract.* The maximum amount of compensation for general breach of the property management service agreement is limited to the actual damages caused by the other party.

- *Performance standard.* The agreement sets out the criteria that must be met, what services we are obligated to provide, and the timeframe and duration of those services and responses.

- *Dispute resolution.* Parties to the property management service agreement are typically required to resolve any contractual disputes through negotiations first before resorting to litigation or arbitration.

In addition, some other terms including the validity and service of agreements are also involved.

Key Terms of Dealing with the Property Developers

During the Track Record Period. Keys terms in our preliminary property management service contracts with property developers are as follows:

- *Scope of services.* A typical contract with a property developer sets out the scope of services by phase. Before the completion of construction, we mainly provide pre-delivery services. After the completion of construction, we usually provide property management services to common areas, common facilities and ancillary buildings, including cleaning, maintenance and repair, and public order services.

- *Performance standards.* The preliminary property management service contract sets out specific standards for the main services we provide. The agreement also specifies quality standards and the frequency of the service's implementation, such as the cleaning of public areas and the inspection of power supply and distribution systems, water supply and sewerage systems and septic tanks.

- *Property management fees.* The amount of property management fees, payable either on a lump-sum basis will be agreed in the contract. The property developer is responsible for paying the property management fees for unsold property units.

- *Term of service.* Usually the contracts automatically expire only when the relevant property owners' association enters into a new property management service agreement with the re-selected property management service company on behalf of all owners.

- *Dispute resolution.* Parties are typically required to resolve any contractual disputes through negotiations first, before going through legal proceedings.

Payment

We may charge property management fees on an semi-annual, quarterly or monthly basis, depending on the terms of our property management service agreements and relevant regulations. The fees for property management services are typically due for payment by property developers and property owners upon our issuance of a notice. We primarily accept payments for property management fees by cash, wire transfer, Alipay, WeChat and Cloud POS. The method, arrangement and process of payment are the same among different customers including public properties, commercial properties and residential properties.

We have formulated a collection management method applicable to all customers, which specified that corresponding subsidiaries have special personnel in charge of the tracking service of revenue items. If any customer fails to make payment for a prolonged period, we typically demand payment for our property management services by sending a demand note to them, which, according to CIA, is consistent with the property management industry norm in the PRC. To facilitate the timely collection of property management fees and other payments, we adopt different collection approaches, such as sending text messages and issuing legal collection letters. We can recover late fees from overdue customers according to the property management service agreements. In addition, if necessary, we will file in courts, or come to the relevant government authorities to deal with the collection of property management fees. For details, please refer to the sections headed "Financial Information – Discussion of Certain Selected Items from Our Consolidated Statements of Financial Position – Prepayments, Trade and Other Receivables" and "Risk Factors – Risks Relating to Our Business and Industry – Delays in receiving payment or failure to collect service fees from customers may result in the risk of impairment losses on our trade receivables and contract assets, and adversely impact our financial condition and liquidity" of our trade receivables and related risks thereof.

URBAN SERVICES

Overview

Founded on our established expertise, experience and track record of providing quality and tailor-made management services to various categories of properties, we have been extending our business capacities to become a state-owned professional urban service provider specializing in serving public spaces and municipal infrastructures. We are dedicated to propel the development of our urban services, which has become the primary focus and the key driver of future business growth.

Drawing on our extensive experience in property management services, we view urban spaces as a valuable opportunity and extend our business reach to the vast expanse of cityscapes. While maintaining and consummating the depth and width of our existing service offerings, we broaden the scope of our services in response to the nation's urbanization, modernization and people's pursuit of comfortable and tranquil living and workspaces. We believe urban services will allow us to further improve our market reputation and expand our sources of revenues and profitability, which in turn will contribute to our sustainable long-term growth and competitiveness. Property management services are the important ballast of our existing business, while the urban service sector has been becoming the core of our diversified and specialized services in urban areas with steady revenue and profit growths.

Our business is focused on riding on the trend of modernizing urban governance systems and capabilities. From the perspective of urban operations and facing the growing need for modernized and competent urban governance, the core of our services has been extending to urban operations, emphasizing two major functions: urban resource operation and urban space management. Starting from Changsha, our services are expected to gradually cover Hunan Province, participating in and undertaking specific businesses such as urban landscaping, urban lighting, urban parking, and urban sanitation in various cities. We will gradually build ourselves into a comprehensive urban service provider with developed characteristic industries, sound service chains, outstanding operational capabilities, and improved business models.

We closely assist local governments and public institutions in order to improve local residents' living experiences and environment. Our urban services mainly include (i) landscaping and engineering; (ii) lighting system operation (iii) parking lot operation; and (iv) municipal sanitation services. We set up diversified subsidiaries offering specialized services to guarantee us capabilities and competitive edges in a number of specialist areas over other local urban service companies.

The following table sets forth a breakdown of our revenue from urban services by business segments for the years indicated:

	For the year ended December 31,					
	2021		2022		2023	
	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)
Urban services						
– Landscaping and engineering	83,482	45.0	125,847	45.8	186,347	52.7
– Lighting system operation	30,856	16.7	64,007	23.3	67,497	19.1
– Parking lot operation	42,089	22.7	40,633	14.8	46,733	13.3
– Municipal sanitation services	28,925	15.6	44,233	16.1	52,713	14.9
Total	185,352	100.0	274,720	100.0	353,290	100.0

The projects of urban services are not measured by GFA under management, which is regarded as a measurement mainly for property management services and commercial operation services according to CIA. With regard to landscaping and engineering projects, the method of GFA under management to calculate revenue is not applicable to these projects because of their one-off nature. With regard to parking lot operation, the number of parking spaces more accurately reflects our business performance compared to GFA under management. With regard to municipal sanitation projects, our maintenance prices are determined in accordance with the grade and length of roads. Besides, regarding the lighting system operation, the method of GFA under management to calculate revenue is not applicable.

The following table sets forth the relevant number of projects of urban services for the years indicated by type of services:

	For the year ended December 31,		
	2021	2022	2023
Urban services			
– Landscaping and engineering[1]	44	98	85
– Lighting system operation	2	4	4
– Parking lot operation	146	144	150
– Municipal sanitation services	2	2	3
Total	194	248	242

Note:

(1) Landscaping and engineering projects are projects of a one-off nature, and the number listed refers to the number of completed projects, while the other projects of urban services are projects of a recurring nature.

During the Track Record Period, we secured a substantial portion of urban service projects by direct engagement. According to Our PRC Legal Advisors, we derived urban service projects from CSUD Group through direct engagement, in accordance with the Notice on Further Regulating Matters Related to the Supervision and Administration of Transactions of State-owned Assets of Municipal Enterprises (《關於進一步規範市屬企業國有資產交易監督管理有關事項的通知》) released by Changsha Municipal SASAC and Changsha Municipal Bureau of Finance because (i) CSUD Group is a state-owned enterprise, and the Government Procurement Law (《中華人民共和國政府採購法》) does not apply to it; and (ii) the projects entrusted by CSUD Group do not fall within the scope of projects that must be tendered under the Tenders and Bids Law of the PRC (《中華人民共和國招標投標法》), the Implementation Regulations for the Tenders and Bids Law of the PRC (《中華人民共和國招標投標法實施條例》), the Regulations for Engineering Projects that Must Be Tendered (《必須招標的工程項目規定》), and the Regulations for the Scope of Infrastructure and Public Utility Projects that Must Be Tendered (《必須招標的基礎設施和公用事業項目範圍規定》), and therefore, CSUD Group is entitled to directly entrust us with the agreements. For urban service projects obtained through direct engagement from Independent Third Parties, according to our PRC Legal Advisors, we are also in compliance with relevant PRC laws and regulations because these parties are not subject to the Government Procurement Law (《中華人民共和國政府採購法》), and these projects awarded to us do not fall with the scope of projects that must be tendered according to the aforementioned laws and regulations. For details, please refer to the section headed "Regulatory Overview – Laws and Regulations Relating to Construction Project – Construction Project" in this document. In addition, we obtain urban service agreements through participation in tenders. For specialized services, such as landscaping and engineering projects, our subsidiaries generally participate in bidding directly, while for complex projects with coordinated services, such as "landscaping + municipal sanitation" projects, we generally participates in bidding and then the relevant subsidiaries provide corresponding specialized services.

Scopes of services

Landscaping and engineering

Overview

Taking modern city landscaping and engineering as one of our focuses in urban services, we are a landscaping construction provider integrating (i) landscaping, mainly including landscape greening, scenery, garden water application, garden electricity application, garden road engineering, landscape structures, and rooftop greening; and (ii) engineering, mainly including garbage disposal, heat pipe engineering and hard paving of surface parking lots. When it comes to landscaping and engineering projects that we undertake directly, we will mainly determine our price based on the clients' demands, industry practice and our structure of costs. We maintain a fair and equitable approach to pricing, ensuring consistency in our dealings with all clients involved. We mainly undertake landscaping and engineering projects through our operating subsidiary, Landscaping Company. Our service scope include:

- Landscaping, including planting trees, shrubs, flowers, hedges, and ground cover plants; land preparation, earthwork balancing, slope shaping for green areas, fertilization, grass and flower seed sowing, erosion control with geotextile, construction fencing; construction of walkways, safety measures; garden water application, garden electricity application night scene lighting, garden road engineering, landscape structures, and rooftop greening.

- Engineering, including the construction of waste transfer stations, stormwater pipe networks, asphalt pavement construction and installation of traffic facilities, precast transformer foundation, handholes, telecommunication manholes, cable trench construction, secondary electromechanical (including fire protection, air conditioning, water heating, weak current), operational equipment, signage, and cleaning services.

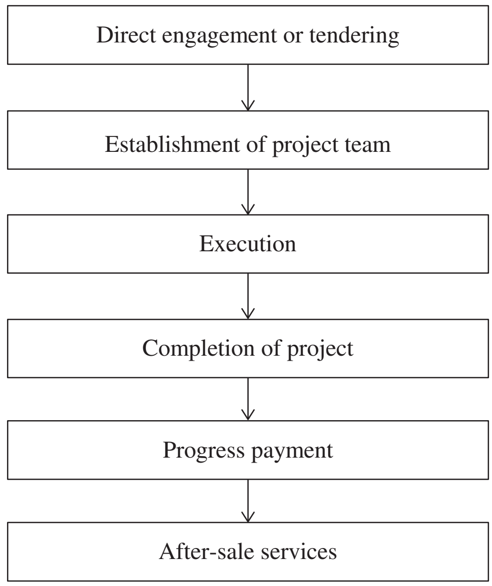
As of December 31, 2021, 2022, and 2023, we completed 44, 98 and 85 landscaping and engineering projects, respectively. During the Track Record Period, the revenue generated from providing landscaping and engineering services was approximately RMB83.5 million, RMB125.8 million, and RMB186.3 million, representing approximately 19.3%, 23.8%, and 28.6% of our total revenue, respectively. We have been enhancing our own strength and shaping brand influence to win market favor by obtaining new qualifications and expanding the scope of business actively. This contributes to increased external satisfaction and therefore we make steady progress in our business volume. As of December 31, 2021, 2022, and 2023, we newly signed 77, 89, and 129 contracts of landscaping and engineering respectively in the same years.

The following table sets forth the number of landscaping and engineering projects by the project progress as of the dates indicated:

	For the year ended or as of December 31,					
	2021		2022		2023	
	Number of projects	Contract amount *(RMB'000)*	Number of projects	Contract amount *(RMB'000)*	Number of projects	Contract amount *(RMB'000)*
Contracted but not completed as of the beginning of the year	19	29,592	52	100,853	43	125,321
– CSUD Group and its associates	15	25,281	46	82,586	40	87,837
– Independent Third Parties	4	4,311	6	18,267	3	37,484
Newly contracted	77	136,784	89	186,417	129	232,542
completed	31	42,782	51	74,794	55	49,233
– CSUD Group and its associates	31	42,782	50	69,784	55	49,233
– Independent Third Parties	–	–	1	5,010	–	–
not completed	46	94,001	38	111,623	74	183,309
– CSUD Group and its associates	44	80,045	36	79,119	71	132,431
– Independent Third Parties	2	13,956	2	32,504	3	50,878
Completed	44	65,523	98	161,949	85	111,057
– CSUD Group and its associates	44	65,523	92	143,652	83	101,537
– Independent Third Parties	–	–	6	18,297	2	9,520
Not completed	52	100,853	43	125,321	87	180,379
– CSUD Group and its associates	46	82,586	40	87,837	83	101,537
– Independent Third Parties	6	18,267	3	37,484	4	78,842

Operation Flow

The following diagram illustrates the operation flow of our landscaping and engineering services:



Direct engagement or tendering

We obtain landscaping and engineering projects through direct engagement and tendering. For projects sourced from CSUD Group and its associates, we are primarily awarded landscaping and engineering projects through direct engagement.

The following table sets forth a breakdown of the number of our landscaping and engineering projects and the contract amount secured through tendering and direct engagement during the Track Record Period:

	For the year ended December 31,					
	2021		2022		2023	
	Number of projects	Contract amount (RMB'000)	Number of projects	Contract amount (RMB'000)	Number of projects	Contract amount (RMB'000)
Tendering	–	–	3	45,994	3	50,878
– CSUD Group and its associates	–	–	2	18,030	–	–
– Independent Third Parties	–	–	1	27,964	3	50,878
Direct engagement	77	136,784	86	140,423	126	181,664
– CSUD Group and its associates	75	122,828	84	130,873	126	181,664
– Independent Third Parties	2	13,956	2	9,550	–	–
Total	77	136,784	89	186,417	129	232,542

The process of tendering involves several steps followed in order. Firstly, we must receive invitations to tender or notice of such opportunities. Once an opportunity is identified, the marketing development team is responsible for making the bid. The next step is to prepare and submit the documents required for pre-qualification. This ensures that the bidder meets the necessary criteria to be considered for the tender. After pre-qualification, the bidder must research the characteristics of the project involved and calculate relevant costs. Once the research is complete, the bidder can prepare and submit tender bids outlining, including but not limited to our plans, costs and qualifications. The tender bids must be comprehensive and detailed. And an evaluation process takes place. The award of the contract or rejection is then communicated to the bidder. If the contract is awarded, the next step is contract signing and filing with the relevant local authority.

After we secure one project, our professional team will communicate with customers in the early stage and offer some successful precedents. The next step is to determine how to execute the project, ensure operational control, reliable engineering quality, and a suitable project team.

During the Track Record Period, we tendered for two, five, and five projects, and we won one, two, and four projects, respectively.

Establishment of project team

We will push forward the implementation of the project by establishing a team. For projects that are entrusted by CSUD Group and its associates, we will directly commission the project to the relevant project department within the corresponding area after receiving the client's meeting minutes or correspondence. For projects that are tendered, if our bid is successful, a notice of award will be issued to us and a project management team will be formed strictly in accordance with the tender documents after winning the bid, and all team members will be required to hold relevant qualifications.

Execution and completion of project

A project department will be established by us, with professional technical personnel assigned to it. During the execution process, the project department organizes and strictly controls the project's progress, quality, safety, and cost in a scientific and reasonable manner. The department conducts systematic inspections and acceptance of various sub-projects to ensure that the engineering process meets the acceptance standards. After the project is completed, the project department applies for the final acceptance of the project from the contract issuing party. During the warranty period specified in the contract, the project department organizes and completes the necessary repairs and cooperates with the construction unit in the project handover.

Establishment of the project

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Construction with progress control

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Acceptance of sub-projects

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Acceptance of the overall project

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Post-construction warranty

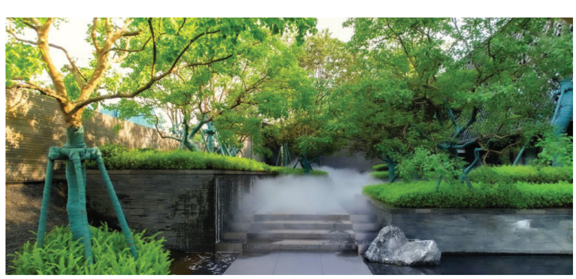
Several factors can affect the duration of a project's completion, such as the size of the project site, technical intricacies and complexity, the progress of the site construction, timelines specified by our clients, and the timing of approvals.

After-sale services

After the project is completed, we will provide after-sale service in accordance with the relevant provisions of the contract's warranty period, which is in line with industry practice. The warranty period is calculated from the date of completion and acceptance of the project. It shall be agreed by contracting parties, but it shall not be shorter than the statutory minimum warranty period. For details, please refer to the section headed "Regulatory Overview – Laws and Regulations Relating to Construction Project – Landscaping Engineering" in this document. The warranty period that we usually agree upon with our clients is typically one year, and sometimes two years. During this period, we shall assume warranty obligations and liability for damages for quality defects arising from us in accordance with legal provisions and contracts.

Our Signature Projects

Landscaping Construction Project of Tanzhou Garden Exhibition Area (潭州花園項目展示區園林綠化工程)



The project covers a low-density ecological residential area with a new Chinese-style landscape. We entered into the contract with our client, an Independent Third Party, in November 2021. The contract amount reached RMB9.0 million. Our work mainly includes all related landscaping works and construction related to the relevant drawing documents within the scope of safety and civilization construction, etc. We completed the project in December 2022 and subsequently completed the final inspection in accordance with relevant laws and regulations.

EPC Project of Near-zero Carbon Demonstration Zone in Yanghu Ecological New City (洋湖生態新城近零碳示範展示區項目設計施工總承包項目)

We derived this project from CSUD Group and its associates in September 2022, with the contract amount of RMB10.5 million. We were mainly responsible for the construction work. The main construction content of the project includes the wetland water circulation system display line, environmental remediation engineering, and the related exhibition hall decoration and equipment procurement. We completed the project in July 2023 and subsequently completed the final inspection in accordance with relevant laws and regulations.

Loss-making Projects

For the years ended December 31, 2021 and 2022, we had six and 14 loss-making projects, respectively, which were all landscaping and engineering projects. None of our projects incurred any loss for the year ended December 31, 2023. For the years ended December 31, 2021 and 2022, the loss-making projects had incurred losses amounting to RMB0.21 million and RMB5.05 million, respectively. In 2022, we experienced greater loss in comparison to 2021 because we actively expanded our landscaping and engineering business and offered substantial discounts to our customers if such discounts are likely to attract future project opportunities from the customers which may render greater profit to our Group. Set out below are the details of aforementioned projects with losses exceeding RMB0.15 million during the Track Record Period.

Project	Duration	Loss *(RMB'000)*	Reasons for loss
Landscaping Construction Project of Tanzhou Garden Sales Center (潭州花園售樓部園林工程)	September 2021 to December 2022	518	In order to establish a reputation and facilitate the future business endeavors within the Tanzhou Garden Area, we opted for elevated standards in material selection and construction, resulting in the higher labor and material costs, such as procurement of higher-priced plant and raw material, which went beyond our revenue.
Landscaping Construction Project of Changsha Hengwei Jinlong Marketing Center (長沙恆偉金壠營銷中心園林工程)	January 2021 to April 2021	902	With the purpose of fostering future collaboration with our customer, we prioritized the reputation for delivering quality projects that surpassed our customer's expectations, while this commitment came with the higher labor and material costs, such as procurement of higher-priced plant and raw material, leading to the loss.
Landscaping Construction Project of the New Construction Project on Xueyuan West Road (學園西路新建綠化工程項目)	November 2020 to February 2021	243	In preparation for future project engagements associated with the project, we adhered to the higher standard of shaping, crowning, and controlling the height of trees, incurring higher labor and material costs, such as procurement of higher-priced plant and raw material, and resulting in the loss.

Project	Duration	Loss *(RMB'000)*	Reasons for loss
Subcontracting Project of Landscaping Construction of Chengfa Hengwei Exhibition Garden (城發恒偉會展花園園林分包工程項目)	June 2022 to August 2022	710	Considering our aspirations to carry out more projects within the area, we strived to meet the stringent quality demands set by our client, which incurred the elevated labor and material costs, such as procurement of higher-priced plant and raw material, and led to the loss.
Landscaping Construction Project of Beicheng Shoufu Marketing and Exhibition Area (北城首府項目營銷展示風景區工程)	March 2021 to May 2021	1,514	With the purpose of fostering future collaboration with our customer, we prioritized the reputation for delivering a quality project that surpassed our customer's expectations, while this commitment came with higher labor and material costs, such as procurement of higher-priced plant and raw material, leading to a deficit.

For some projects such as Landscaping Construction Project of Tanzhou Garden Sales Center (潭州花園售樓部園林工程), although we could not make a turnaround, our reputation established through these projects paved the way for securing new landscaping and engineering projects, such as Landscaping Construction Project of Tanzhou Garden (Phase I) (潭州花園(一期)園林綠化工程) and Landscaping Construction Project of Tanzhou Garden (Phase II) (潭州花園(二期)園林綠化工程); as of December 31, 2023, we had recorded a profit of RMB2.0 million from the two follow-up new projects as mentioned above.

We believe that we could gradually reduce losses in the future by effectively organizing construction and implementing various cost-saving measures. In particular, with respect to cost-saving measures, we will enhance cost control and management at a granular level by implementing digitalization initiatives and further standardizing service processes to reduce costs.

Key Terms of Our Landscaping and Engineering Agreements

The key terms of our landscaping and engineering agreements are summarized as follows:

- ***Work specifications.*** The contract contains the basic background information of the project, work scope, quality standards and requirements, staffing requirements and the expected date of delivery of the works or service period.

- ***Contract price.*** The contract price may be established based on either the integrated unit price combined with the actual quantity of construction, or it may take the form of a fixed total amount, typically not subject to adjustment.

- ***Payment terms.*** Usually when the work we undertook is finished, examined, and accepted by our customers, our customer will pay a portion of the total contract amount. After the final settlement of the project, 97% of the total contract amount shall be paid. Once the defect liability period is over and we have fulfilled our warranty obligations, the customer shall settle the contract amount in full.

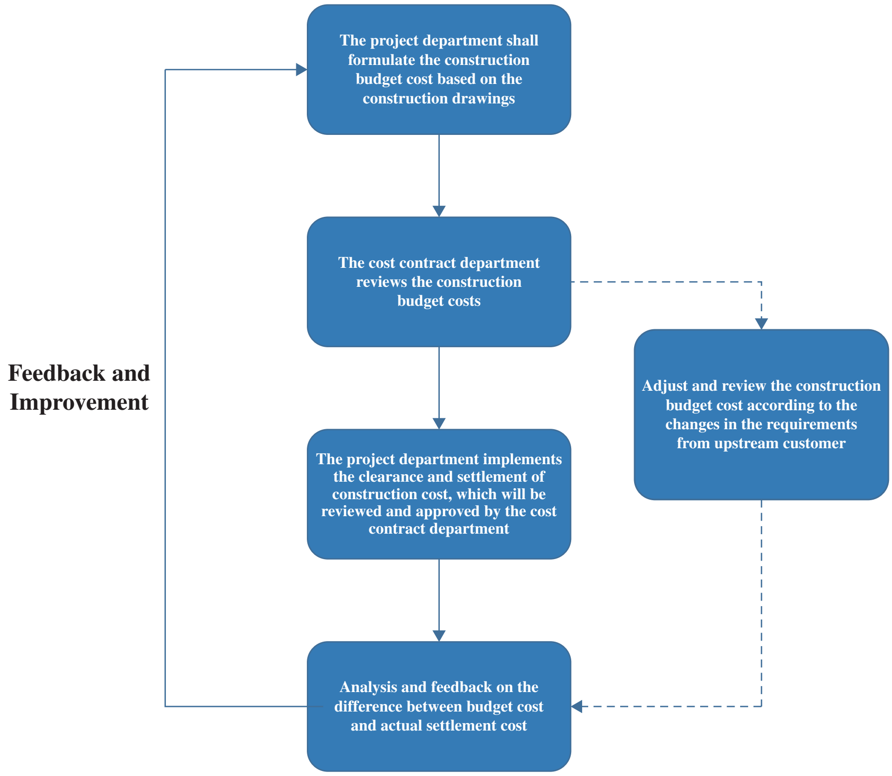
- ***Quality assurance deposits.*** The contract stipulates that our customer is usually entitled to quality assurance deposits equal to 3% of the total contract price, which will be released to us upon the end of the defect liability period.

- ***Quality assurance.*** We offer quality assurance regarding the work we do. The contract often stipulates a one-year defect liability period during which we are responsible for fixing any flaws we made and covering this part of costs.

- ***Liability for breach of contract.*** The contract contains a clause imposing the liability on the defaulting party in case of overdue payment of the price, project delay, sub-standard work quality, safety accident, and other events of breach of contract.

- ***Dispute resolution.*** All disputes arising out of or in connection with this contract shall be settled by mutual agreement, before going through the legal proceeding in the location of the project.

Our Budget Management Control



Our Pricing Policy

We primarily adopt the following pricing methods for landscaping and engineering projects, taking into account factors such as labor expenses, material expenses, machinery expenses, administrative expenses, and other relevant expenses.

Fixed total price method

We adopt the fixed price method for projects with relatively short contract terms and low total contract amounts. Generally, such total price remains fixed and is not subject to adjustment except for changes in expenses acknowledged by clients.

Integrated unit price method

We adopt integrated unit price method for some projects as required by our customers, the total price of which is primarily determined by the integrated unit price and the actual quantity of construction. The quantity of construction refers to the specific amount or volume of labor, materials, or other resources that are expected to be required to complete the project. The integrated unit price comprehensively considers various factors as stated above and may be subject to potential adjustments, including but not limited to fluctuations in material prices regulated by competent authorities, and other factors agreed-upon by both parties to the contract.

Lighting System Operation

Overview

We started operating the city lighting system in 2017 with the vision of becoming an competitive operator of city lighting services. Our driving force is the smart operation of city lighting, aiming to provide standardized, and convenient lighting services for the entire city.

Our lighting system operation is divided into two categories, landscape lighting operation and functional lighting operation. Landscape lighting mainly refers to the lighting of scenic spots, high-rise buildings, and other places within the urban planning area. Its main purpose is to enhance the cultural and artistic atmosphere of the city. Functional urban lighting mainly refers to the lighting of public areas such as roads, tunnels, bridges, and squares within the urban planning area. Its main purpose is to improve the safety and convenience of the city.

Our landscape lighting operation and maintenance enables the one-button opening, closing and real-time monitoring of landscape lighting control facilities. It covers important landmark buildings in the main urban areas of Changsha, including the Xiangjiang River on both sides and main roads of the city, involving a quantity of illuminated buildings or massifs, such as Kaifu Wanda Plaza (開福萬達廣場), Xiangjiang Fortune Financial Center (湘江財富金融中心), and Three Halls and One Lobby (三館一廳), Phoenix Mountain (鳳凰山), Orange Island Scenic Area (橘子洲景區) and river-crossing bridges, such as Sanchaji Bridge (三汊磯大橋) and Fuyuanlu Bridge (福元路大橋). Our landscape lighting operation and maintenance is equipped with excellent hardware and software facilities to ensure long-term stable service operations, including courtyard lights, floodlights, wall-washer lights, and point light sources.

Our functional lighting operation mainly involves the operation and maintenance of functional lighting facilities within the urban areas of Changsha, including Furong District, Tianxin District, Yuelu District, Kaifu District, Yuhua District, and High-tech District. Specifically, we maintain streetlight fixtures, box-type substations, distribution rooms, ground cabinets, energy-saving cabinets, and annular net cabinets. We also provide maintenance for the software and hardware of control platforms associated with the functional lighting system, wireless monitoring terminals, streetlight cables, and streetlight working wells.

During the Track Record Period, the revenue generated from lighting system operation was approximately RMB30.9 million, RMB64.0 million, and RMB67.5 million, representing approximately 7.1%, 12.1%, and 10.4% of our total revenue, respectively.

Project Portfolio

The following table indicates the movement of our projects for the years or as of the dates indicated:

	For the year ended or as of December 31,					
	2021		2022		2023	
	Number of projects	Contract amount *(RMB'000)*	Number of projects	Contract amount *(RMB'000)*	Number of projects	Contract amount *(RMB'000)*
As of the beginning of the year	1	5,888	2	55,235	4	70,983
– CSUD Group and its associates	–	–	–	–	2	12,993
– Independent Third Parties	1	5,888	2	55,235	2	57,990
New engagements	1	49,347	2	15,748	–	2,531[(2)]
– CSUD Group and its associates	–	–	2	12,993	–	2,531[(2)]
– Independent Third Parties	1	49,347	–	2,755[(1)]	–	–
Terminations	–	–	–	–	–	–
– CSUD Group and its associates	–	–	–	–	–	–
– Independent Third Parties	–	–	–	–	–	–
As of the end of the year	2	55,235	4	70,983	4	73,515
– CSUD Group and its associates	–	–	2	12,993	2	15,524
– Independent Third Parties	2	55,235	2	57,990	2	57,990

Notes:

(1) Refer to the increased contract amount due to the renewal of a project awarded to us in 2022.

(2) Refer to the increased contract amount due to the renewal of a project awarded to us in 2023.

In 2022, two projects sourced from Independent Third Parties had expired, and we successfully renewed them. In 2023, we successfully renewed one project sourced from CSUD Group and its associates.

The following table sets out the expiry schedule of our lighting system operation agreements as of December 31, 2023:

	Number of projects	Contract amount *(RMB'000)*
Lighting system operation agreements with fixed term		
– for the year ending December 31, 2024	–	–
– for the year ending December 31, 2025	3	24,167
– for the year ending December 31, 2026 and thereafter	1	49,347
Total	4	73,515

The following table sets forth a breakdown of the number of our lighting system operation projects and the revenue secured through tendering and direct engagement for the years indicated:

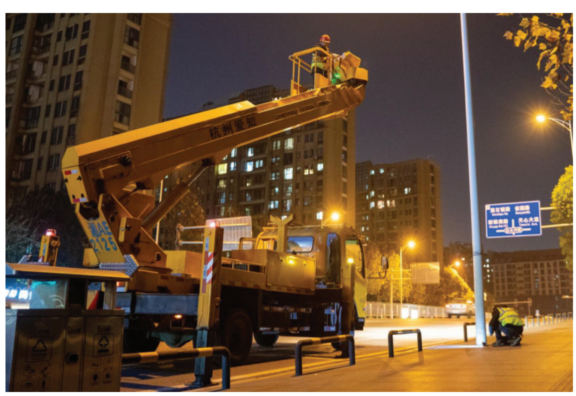
	For the year ended December 31,					
	2021		2022		2023	
	Number of projects	Revenue *(RMB'000)*	Number of projects	Revenue *(RMB'000)*	Number of projects	Revenue *(RMB'000)*
Tendering	–	–	1	8,135	1	8,107
– CSUD Group and its associates	–	–	–	–	–	–
– Independent Third Parties	–	–	1	8,135	1	8,107
Direct engagement	2	30,856	3	55,872	3	59,390
– CSUD Group and its associates	–	–	2	1,938	2	5,944
– Independent Third Parties	2	30,856	1	53,934	1	53,446
Total	2	30,856	4	64,007	4	67,497

Our Signature Projects

Changsha City Night Scenery Illumination Control Center Operation and Maintenance Project (長沙市城市夜景亮化控制中心運維項目)

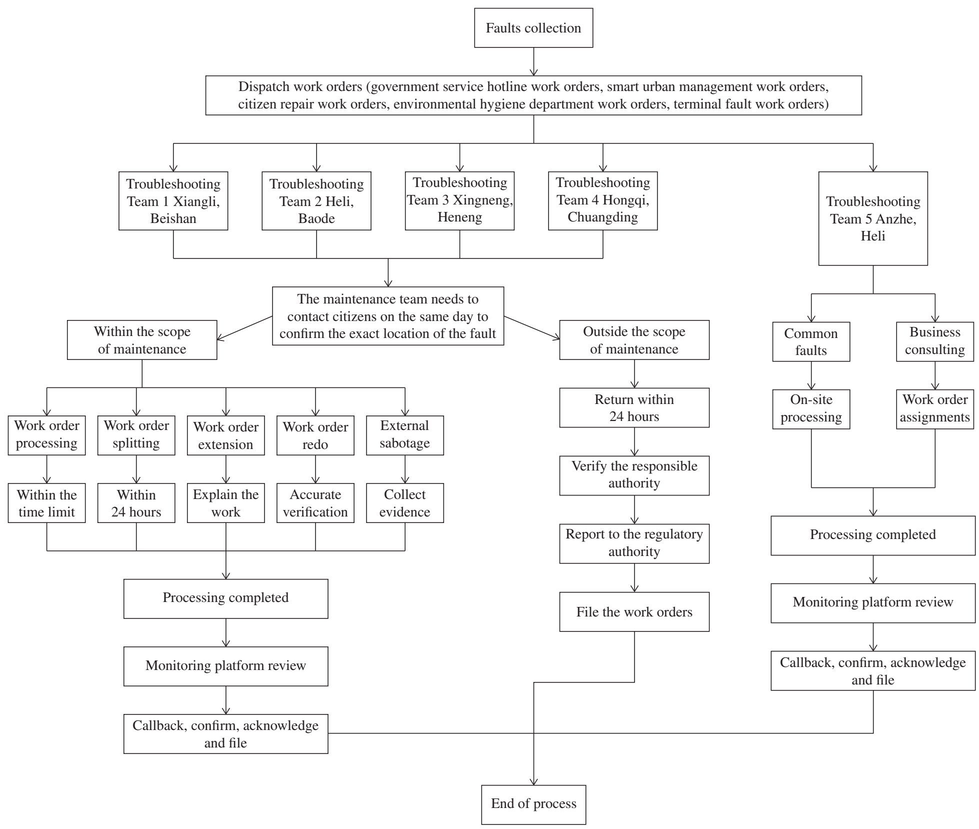
We have been operating it since 2017, with the contract expiring in 2025. This project revolves around the intelligent management platform. Through multiple phases of construction, this platform has encompassed a range of functions, such as one-click activation and deactivation, real-time monitoring, and management of fault feedback. With these functions, this platform is competent to centrally manage all lighting terminals distributed throughout our project sites, achieving precise control by subdividing terminals into categories such as roads, riverbanks, bridges, and mountains. During the Track Record Period, the revenue of this project was RMB8.2 million, RMB8.1 million, and RMB8.1 million, respectively.

Changsha City Functional Street Lighting Operation and Maintenance Project (長沙市城市功能照明運維項目)



We derived this project from an Independent Third Party and have been operating it since 2021, with the contract expiring in 2026. For this project, we have implemented a terminal remote control, which could detect malfunctions and other issues through channels such as citizen hotlines and external inspections. Our platform classifies these issues based on maintenance areas or types of malfunctions, then assigns them to relevant maintenance personnel and timely follows up with repair progress, and finally maintains archives for further analysis. With this intelligent management platform, we aim to achieve the orderly operation of urban functional street lighting. During the Track Record Period, the revenue generated from such project was RMB22.7 million, RMB53.9 million, and RMB53.5 million, respectively.

Flowchart for Fault Reporting on the Monitoring Platform



Note: This flowchart applies to the functional lighting operation.

Key Terms of Our Lighting System Operation Agreements

Taken our Changsha City Functional Street Lighting Operation and Maintenance Project (長沙市城市功能照明運維項目) as an example, the key terms are as follows:

- ***Service scope.*** The agreement typically includes various aspects of service, such as operation and maintenance of lighting facilities and equipment, maintenance and optimization of control platforms, fault reporting and repair, and emergency incident handling.

- ***Term.*** The service period is generally five years, and it is renewed annually. Through this approach, both parties can assess and adjust the agreement terms to accommodate project needs, market changes, or other factors.

- ***Location.*** Backed by CSUD Group and local resources, all our lighting system operation projects are in Changsha.

- ***Supervision and assessment.*** Our clients generally have the right to establish supervision and assessment methods based on relevant laws, regulations, and technical standards. This helps define the assessment targets and criteria and allows our clients to monitor and evaluate the services we provide.

- ***Price and payment.*** The agreement generally employs the charging method of a tentative total amount. Typically, our clients make payments to us quarterly, based on the results of their supervision and assessment.

Our Pricing Policy

We specify the service fee for our lighting system operation in the contract, depending on our actual workload and performance. Our pricing policy generally takes into account a variety of factors, including (i) government budgets; (ii) cost of materials and subcontracting; (iii) staffing required; and (iv) industry standards.

- **Government budgets.** Some projects, such as Night Scenery Illumination Control Center Operation and Maintenance Project, are government fiscal expenditure projects. Their pricing requires approval from Changsha City Financial Evaluation Center.

- **Cost of materials and subcontracting.** The cost of materials refers to the expenses of primary materials such as electrical equipment, as well as auxiliary and consumable materials incurred in the process. During the operation and maintenance process, certain electrical tasks may require specialized qualifications, such as high-voltage or high-altitude operations, which may necessitate professional subcontracting. The fluctuations in materials and subcontracting costs will consequently impact our pricing.

- **Staffing required.** Lighting system operation requires specialized personnel, such as inspectors, high-altitude repair workers, power distribution maintenance workers, and line inspection workers. Workers engaged in lighting system operation shall possess different levels of expertise and appropriate qualifications or certificates. Staffing requirements will directly affect our pricing.

- **Industry standards.** In addition to considering the aforementioned factors, our pricing also depends on industry standards such as the Technical Standard for City Road Lighting Facilities Operation and Maintenance (城市道路照明設施運行維護技術標準) T/CMEA21-2021 and the Maintenance Standard for City Lighting Facilities in Hunan Province (湖南省城市照明設施維護標準) J15987-2021. As industry standards increase, so does our pricing.

Parking Lot Operation

Overview

We are mainly engaged in the operation and management of stand-alone public parking lots on the ground, underground, and under bridge. According to our business operation, we divide the parking lot operation into two models: self-operation and leasing to other entities or individuals. By utilizing abundant site resources, including geographical advantages and economies of scale, we can meet the needs of different users and bring stable business opportunities. As a subsidiary of CSUD Group, we can internally consolidate and allocate the parking lots assigned to various projects of CSUD Group and obtain increasing parking lot resources year by year from property owners.

We use intelligent systems to manage and operate parking lots, with the goal of informatization, intelligence and standardization of parking lot operation to reduce costs, increase efficiency as well as guarantee our profit.

As of December 31, 2023, our parking lot operation included 145 projects under management, with 19,576 parking spaces, in which (i) 141 parking lots were sourced from CSUD Group, with 19,159 parking spaces; and (ii) four parking lots were sourced from Independent Third Parties, with 417 parking spaces. During the Track Record Period, our revenue generated from parking lot operation was RMB42.1 million, RMB40.6 million, and RMB46.7 million, representing approximately 9.8%, 7.7%, and 7.2% of our total revenue, respectively.

Portfolio of Projects

The following table indicates the movement of our projects for the years indicated:

	For the year ended December 31,					
	2021		2022		2023	
	Number of projects	Number of parking spaces	Number of projects	Number of parking spaces	Number of projects	Number of parking spaces
As of the beginning of the year	141	18,710	140	19,169	142	19,192
– CSUD Group and its associates	135	18,047	136	18,752	138	18,775
– Independent Third Parties	6	663	4	417	4	417
New engagements	5	1,367	4	773	8	1,055
– CSUD Group and its associates	5	1,367	4	773	8	1,055
– Independent Third Parties	–	–	–	–	–	–
Terminations	6	908	2	750	5	671
– CSUD Group and its associates	4	662	2	750	5	671
– Independent Third Parties	2	246	–	–	–	–
As of the end of the year	140	19,169	142	19,192	145	19,576
– CSUD Group and its associates	136	18,752	138	18,775	141	19,159
– Independent Third Parties	4	417	4	417	4	417

The following table sets out the expiry schedule of our parking lot operation agreements as of December 31, 2023:

	Number of projects		Number of parking spaces	
		(%)		*(%)*
Parking lot operation agreements with no fixed term	2	1.4	206	1.1
Parking lot operation agreements with fixed term:	143	98.6	19,370	98.9
– for the year ending December 31, 2024	–	–	–	–
– for the year ending December 31, 2025	71	49.0	11,457	58.5
– for the year ending December 31, 2026 and thereafter	72	49.6	7,913	40.4
Total	145	100.0	19,576	100.0

The following table sets forth a breakdown of the retention rate for the years indicated by source of the projects:

	For the year ended December 31,		
	2021	**2022**	**2023**
Number of effective projects	140	142	145
– CSUD Group and its associates	136	138	141
– Independent Third Parties	4	4	4
Number of contracted projects	146	144	150
–CSUD Group and its associates	140	140	146
–Independent Third Parties	6	4	4
Retention rate	95.9%	98.6%	96.7%
–CSUD Group and its associates	97.1%	98.6%	96.6%
–Independent Third Parties	66.7%(1)	100.0%	100.0%

Note:

(1) The retention rate of projects sourced from Independent Third Parties was low in 2021 due to the expiration of two projects, the land occupied by which was no longer utilized for offering parking services.

During the Track Record Period, only in the year 2022 were there 138 projects sourced from CSUD Group and its associates expiring, and we successfully renewed 135 of them, with the renewal rate of 97.8%.

Service Models

We provide parking lot operation services and have developed a sustainable business model. During the Track Record Period, we adopted two service models, namely, the self-operation model and the leasing model, and for the year ended December 31, 2023, 112 projects adopted the self-operation model, and 38 projects were leased to external entities or individuals.

- ***Self-operation model***. Under this model, we act as the actual operator of parking lots, possessing independent management rights. We directly obtain all operational revenue and assume corresponding costs and risks associated with the operation. These parking lots include open parking lots, which are manually charged by on-site attendants, and closed parking lots, which primarily utilize intelligent payment systems for scanning and charging. Our revenue comes from the parking fees, which are set by us and subject to government regulation. Our responsibilities include provision of parking space, vehicle guidance and inspection, on-site order maintenance, and safety management. Our costs mainly include management expenses, parking resource usage fees, and maintenance and repair fees. Due to the significant differences in the conditions and inputs of parking lots at different locations, their returns may vary.

- ***Leasing model***. Under this model, we lease parking lots to external entities or individuals. The lessee is the actual operator of parking lots and assumes the corresponding operational risks and costs associated with the operation. The lessee determines the parking fees, which are subject to government regulation. As the lessor, we are responsible for supervising the lessee's compliance with the site's operational requirements, proper fee collection, safety management, etc., but do not bear the operational-related risks and costs. Our revenue comes from rental fees, which are determined through negotiation. Our costs are mainly comprised of parking resource usage fees. The parking lots that are leased to other entities or individuals mainly target remote locations with relatively low demand for parking.

During the Track Record Period, all of our parking lot operation projects were obtained by direct engagement. The following table sets forth a breakdown of our revenue by source of the projects and service model for the years indicated:

	For the year ended December 31,								
	2021			2022			2023		
	Number of projects	**Number of parking spaces**	**Revenue** *(RMB'000)*	**Number of projects**	**Number of parking spaces**	**Revenue** *(RMB'000)*	**Number of projects**	**Number of parking spaces**	**Revenue** *(RMB'000)*
CSUD Group and its associates	140	19,414	41,564	140	19,525	40,237	146	19,830	46,327
– self-operation	102	16,409	37,753	99	15,883	36,638	109	16,509	42,300
– leasing	38	3,005	3,811	41	3,642	3,599	37	3,321	4,027
Independent Third Parties	6	663	525	4	417	396	4	417	406
– self-operation	6	663	525	3	276	327	3	276	332
– leasing	–	–	–	1	141	69	1	141	74
Total	146	20,077	42,089	144	19,942	40,633	150	20,247	46,733

The following table sets forth a breakdown of our revenue and gross profit by service model for the years indicated:

	For the year ended December 31,					
	2021		2022		2023	
	Revenue	Gross profit	Revenue	Gross profit	Revenue	Gross profit
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Self-operation	38,278	9,027	36,965	8,300	42,632	15,136
Leasing	3,811	3,105	3,668	2,811	4,101	3,234
Total	42,089	12,132	40,633	11,111	46,733	18,370

Intelligentization and informatization

During the Track Record Period, we invested in information construction such as upgrading of road gate equipment, platform construction, security monitoring, network communication guarantee, and talent training. During the Track Record Period, our informatization construction included the following four dimensions: (i) utilizing an intelligent control center to fully grasp the real-time status of parking under management; (ii) utilizing a parking operation management system to informatize the management of parking lots; (iii) improving the control capability of the acquired road gates; and (iv) building a call center to provide 24-hour customer service.

Our Signature Projects

During the Track Record Period, we operated a series of signature projects, each with its own characteristics and highlights, allowing us to have strengths in the tough market competition.

- ***The ecological parking lot at the old pier of the Great West Gate (大西門老碼頭生態停車場).***

  The parking lot is our ecological benchmark project, which was sourced from CSUD Group, and we have been operating it since 2015, with the contract expiring on December 31, 2025. The parking lot covers an area of more than 11,000 square meters, with more than 200 existing parking spaces and a ratio of green space of 50%, which represents the ratio of green space to total parking lot area. The parking lot with green belts is well integrated into the Xiangjiang River scenic belt and becomes a beautiful landscape in the city. During the Track Record Period, the revenue of this project was RMB1.9 million, RMB2.0 million, and RMB1.9 million, respectively.

- ***Jiefang Middle Road Viaduct (East) parking lot (解放中路高架橋(東)停車場).***

  The parking lot has a total area of more than 2,000 square meters, with more than 100 parking spaces, and is an open social public parking lot under the bridge. It was sourced from CSUD Group, and we have been operating it since 2003, with the contract expiring on December 31, 2027. We adopted an intelligent ground lock to lock the cars precisely, and the whole process of parking, locking, charging and releasing is completed automatically through an intelligent system, which reduces the labor cost and effectively solves the problems of manual charging. During the Track Record Period, the revenue of this project was RMB1.6 million, RMB1.2 million, and RMB1.2 million, respectively.

- ***The underground parking lot of Nanjiao Complex (南郊綜合樓地下停車場)***.

  The parking lot has an area of more than 20,000 square meters, with more than 300 parking spaces. It was sourced from CSUD Group, and we have been operating it since 2019, with the contract expiring on December 31, 2027. We provide reliable parking services for office workers and tourists on weekdays and holidays respectively, effectively improving the turnover rate of parking spaces. During the Track Record Period, the revenue of this project was RMB415.8 thousand, RMB509.7 thousand, and RMB813.4 thousand, respectively.

- ***Fisherman's Wharf parking lot (漁人碼頭(南)風光帶停車場).***

  This parking lot covers a total area of more than 7,000 square meters, with more than 200 parking spaces. It is located in the commercial scenic belt and adjacent to the Xiangjiang River, with high traffic flow and high turnover rate. This project was sourced from CSUD Group, and we have been operating it since 2019, with the contract expiring on December 31, 2025. During the Track Record Period, the revenue of this project was RMB185.9 thousand, RMB491.5 thousand, and RMB782.0 thousand, respectively.

Key Terms of Our Parking Lot Operation Services Agreements

The key terms of our parking lot operation services agreements are summarized as follows:

- ***Service scope.*** We are responsible for the operation, maintenance, and cleanliness of the parking lot. Our specific services include safety management, vehicle guidance, patrols, site cleanliness, daily maintenance of equipment, and routine repairs and maintenance.

- ***Terms.*** These types of agreements are commonly executed for a duration of three years. After expiration, if the contract needs to be renewed, the two parties shall re-sign the agreements.

- ***Operating model.*** The operation of the parking lot adopts a self-financing model. During the entrusted period, all expenses incurred due to our management and operation, including personnel salaries, benefits, office expenses, utilities, maintenance and repair of facilities and equipment, taxes and fees, will be paid by us.

- ***Production safety.*** We must establish a production safety management system and clarify the person in charge. We should also strictly implement the safety responsibilities and take effective measures to deal with the potential safety hazard.

Our Pricing Policy

Our parking lot operation service charges are subject to government guidance price, regardless of our service models. We follow the Rules for the Implementation Rules of Changsha City Motor Vehicle Parking Service Charges (Chang Fa Gai Jia Fei [2021] No. 69) (《關於印發<長沙市機動車停放服務收費實施細則>的通知》(長發改價費[2021]69號)). For details, please refer to the section headed "Regulatory Overview – Laws and Regulations Relating to Property Management Services – Parking Service Fees" in this document.

Based on regions, such as core regions, primary regions, secondary regions, and tertiary regions, the government guidance price has differentiated charging standards, and the division of regions is subject to timely dynamic adjustments and determined by Changsha Public Security Department depending on factors such as traffic congestion. Within the range of government guidance prices, we are entitled to independently determine specific implementation charging standards, and we shall then go to the Development and Reform Department of the district (county or city) to which our parking lots belong to file the charging standards for parking services and submit corresponding materials in accordance with regulations.

For the self-operated parking lots, the charging methods are based either on the number of times or the parking duration.

- When charged based on number of times, parking service fees range from RMB5 per time to RMB10 per time according to the pricing standards of different areas. Each parking session is limited to a maximum of 12 hours; for vehicles entering and exiting parking lot multiple times a day, the parking service fees are charged at most twice within a 24-hour period.

- When charged based on parking duration, according to the pricing standards of different areas, parking service fees range from RMB0.5 per half hour to RMB3.0 per half hour during the daytime (from 7:00 a.m. to 20:00 p.m.). During the night (from 20:00 p.m. to 7:00 a.m.), parking service fees are set as RMB1 per hour. Additionally, the fees are capped at RMB10 to RMB50 every 24 hours.

For the leased parking lots, the rent is determined through mutual agreement between us and our lessees. Additionally, for newly added parking lots or those that are not easily valued by the market, we would seek guidance from professional appraisal agencies to estimate the rent reasonably.

Municipal Sanitation Services

Overview

Leveraging our advantages built on providing traditional property management services, especially cleaning and greening, and facility and equipment upkeep to public infrastructures and facilities, we have been exploring, investigating and developing in the fields of municipal sanitation and environmental sanitation, forming a competitive urban operation service pattern.

We provide municipal sanitation services, primarily including road cleaning, sweeping and upkeep, and cleaning of vertical facades of walls, bus stops and public billboards. We also provide services of cleaning, collection and transportation of urban domestic waste.

With our quality service in Huangxing Town Sanitation Project and Binjiang Area project under our maintenance during the Track Record Period, we have been awarded as a Five-star Property Management Service Project (五星級物業服務項目) by Hunan Property Management Industry Association (湖南省物業管理行業協會).

As of December 31, 2021, 2022, and 2023, we provided cleaning, greening, inspection and maintenance services to city roads under our management with a total length of 106.8 km, 106.8 km, and 145.6 km respectively. For the same years, we generated RMB28.9 million, RMB44.2 million, and RMB52.7 million, respectively, from municipal sanitation services, accounting for 6.7%, 8.4%, and 8.0% of the total revenue respectively.

Portfolio of Projects

We have been providing municipal sanitation services for two projects since 2021, with the length of roads under management of 106.8 kilometers. For the year ended December 31, 2023, we entered into one new municipal sanitation service agreement, with the length of roads under management of 38.8 kilometers.

During the Track Record Period, all of our projects were obtained through tendering from Independent Third Parties. For the year ended December 31, 2021 and 2023, we submitted two tenders and one tender, respectively, with an 100.0% tender success rate. During the Track Record Period, our retention rate remained at 100.0%, so as our renewal rate. The contracts of the three projects will expire in 2024, and we are in the process of negotiating with our customers on the future renewal.

Our Signature Projects

Huangxing Town Sanitation Project (黃興鎮環衛項目)

We secured this project through competitive negotiations. The project spans from January 1, 2021, to December 31, 2024. The length of the road under our maintenance reaches 42.7 km. The revenue generated from such project amounted to RMB19.3 million, RMB24.3 million, and RMB28.1 million during the Track Record Period, respectively. We conducted satisfaction surveys through methods such as interviewing and distributing questionnaires, focusing on aspects such as the overall evaluation of the environment in the area, the hygiene of the garbage cans and fruit peel boxes, garbage removal, and service attitude. The survey result of this project indicated that interviewees were appreciative of our work. Furthermore, this project was recognized as a Five-Star Property Management Service Project (五星級物業服務項目) in 2022.

This project is situated in the International Convention and Exhibition Area (國際會展片區), an integral part of the China (Hunan) Pilot Free Trade Zone (中國(湖南)自由貿易區). Since taking over the project on January 1, 2021, we have purchased various operational facilities and equipment, including washers, sweeping vehicles, garbage trucks, guardrail cleaning vehicles, and road maintenance vehicles. Operating mainly with machinery and supplemented by manual labor, we have established a comprehensive on-site operational system covering the entire project, providing excellent support for the project's daily operations.

Over the service period, we have actively fulfilled social responsibilities, and participated in important environmental protection work for events such as, China-Africa Economic and Trade Expo (中非經貿博覽會), Boao Asia Forum (亞洲博鰲論壇), and International Engineering Machinery Exhibition (國際工程機械展覽會).

Binjiang District Municipal Sanitation Project (濱江片區環衛項目)

We secured this project through competitive negotiations. The service term for this project runs from July 1, 2021, to June 30, 2024. The length of the road under our maintenance extends to 64.1 km. This project's revenue amounted to RMB9.6 million, RMB19.9 million, and RMB20.6 million during the Track Record Period. We conduct satisfaction surveys through methods such as interviewing and distributing questionnaires, focusing on areas such as the overall evaluation of the environment in the area, the hygiene of the garbage cans and fruit peel boxes, garbage removal, and service attitude. The survey result of this project indicated that interviewees were appreciative of our work. This positive outcome signifies our commitment to delivering quality services and our capability to effectively meet the needs and expectations of the communities we serve. Additionally, this project was recognized as a Five-Star Property Management Service Project (五星級物業服務項目) in 2022.

This project is located in the core area of Changsha, designated as the only provincial-level financial center in Hunan Province. To ensure the operation and maintenance of Binjiang District Municipal Sanitation Project, we strive to offer premium urban sanitation services, creating a clean, tidy, and orderly urban environment. We have purchased operational facilities and equipment such as washers, sweeping vehicles, garbage trucks, and road maintenance vehicles, providing excellent equipment support for the daily operation of the project.

Key Terms of Our Municipal Sanitation Services Agreements

The key terms of our Municipal Sanitation Services agreements are summarized as follows:

- ***Terms.*** Service period is generally three to five years.

- ***Service scope.*** Our services primarily include road washing, road sweeping and cleaning, footbridge sweeping and cleaning, billboards cleaning and maintenance, trash cans cleaning and maintenance, etc.

- ***Our obligation.*** We develop the corresponding operation and maintenance program and management system and report to customers. We will be staffed to carry out the day-to-day management and operational maintenance, and we can not transfer the management of road to a third party without the consent of the customer.

Our Pricing Policy

In accordance with the Quota Standards for Urban Environmental Sanitation Expenses in Hunan Province (湖南省城市環境衛生工作費用定額標準), the maintenance prices are differentiated based on the grade of roads. The roads are divided into four grades: Grade A, Grade B, Grade C, and Grade D, with reference to the Urban Appearance and Environmental Sanitation Labor Quota (城鎮市容環境衛生勞動定額) issued by MOHURD, and the specific division of the level of roads is determined by local environment and health authorities according to factors listed below:

- Grade A: covered by concentrated commercial establishments, major transportation hubs, and large-scale cultural and entertainment venues, with an average footfall of 100 persons per minute.

- Grade B: covered by less concentrated commercial establishments, fixed bus lines, with an average footfall ranging from 50-100 persons per minute.

- Grade C: covered by fewer commercial establishments, situated in the main sections of suburban junctions, with a relatively low footfall.

- Grade D: covered by minimal commercial establishments, comprising suburban junction branch roads, with the lowest footfall.

The maintenance prices are determined on a case-by-case basis, with consideration of the grade, length or area of roads, which are subject to the supervision of the relevant urban management and administrative enforcement bureau and the finance bureau. For example, the following table sets forth the maintenance prices for different grades of roads in the Binjiang District Municipal Sanitation Project (濱江片區市政環衛維護項目):

	Grade A *(RMB per sq.m. per month)*	**Grade B** *(RMB per sq.m. per month)*	**Grade C** *(RMB per sq.m. per month)*
Walkway	20.0	18.0	13.0
Roadway	7.0	6.0	5.0
Green belt	1.5	1.4	1.3

COMMERCIAL OPERATION SERVICES

Overview

We have been providing commercial operation services to commercial projects in Changsha. We are positioned as a professional light-asset commercial operation company, and we manage, undertake and operate commercial assets mainly through entrusted operations. We offer a wide range of commercial property operation services to developers, owners, and tenants, including preliminary business planning, preliminary operation analysis, tenant recruitment, lease agreement formulation, opening guidance, and daily operation counseling. Preliminary planning involves the analysis of market trends and competitive landscapes, in combination with tenants' requirements, which enables us to advise them on pricing or sales. Preliminary operation analysis is to help tenants make informed investment decisions by assessing the resources required for commercial operations and forecasting potential returns on their operations. Furthermore, we prepare lease agreements and define key operation terms for property owners and tenants. Tenant recruitment is to help property owners attract potential tenants primarily through media promotion and by organizing open-day activities. Prior to tenants officially commencing their operations, we provide them with pre-decoration and customer reception services. Subsequently, we offer guidance on addressing problems that may arise during their daily operations, such as supply chain management and employee training.

Our core competencies are anchored in two aspects. The first is our large portfolio of operation assets. The majority of our existing assets under management came from years of involvement in urban construction and redevelopment in Changsha, such as historical and cultural blocks, sports venues, antique markets and other specialized markets, etc. These commercial assets would provide us with the basis for revenue growth in the long run. The second is our team of professionals. Our professionals are equipped with experience in business development and adept in managing commercial assets. Through continual improvement of our team's capabilities, we aim to bolster the reputation of our projects and efficiency of our operation and management.

Leveraging our close and long-lasting cooperation relationships with a variety of tenants, including trading companies, technology companies, and catering companies, we have built a reputation in commercial operation. Some local brands started their businesses in the properties under our operation, and we have since then developed long-term relationships with them. For instance, we maintain a stable cooperation relationship with a local tea brand in Changsha in our Taiping Street Commercial Operation Project (太平街商業運營項目), which has been running several stores under our operation since 2019.

During the Track Record Period, all of our commercial operation projects were sourced from CSUD Group through direct engagement, and our revenue from commercial operation services was RMB54.0 million, RMB46.3 million, and RMB60.7 million, respectively, representing 12.5%, 8.8%, and 9.3% of our total revenue in the same years, respectively. When compared to the revenue for the year ended December 31, 2021, the decrease in our revenue for the years ended December 31, 2022 was attributed to the switch of our service model, as well as the decline in demand for commercial properties as a result of COVID-19 pandemic. During the Track Record Period, we provided commercial operation services to 44, 44, and 50 commercial assets with a GFA under management of 534 thousand sq.m., 534 thousand sq.m., and 766 thousand sq.m., respectively.

Service Models

We provide comprehensive operation and management services to commercial assets with respect to units located within traditional shopping malls, antique cities, shopping streets, office buildings and other scattered commercial areas. Distinct from the commercial property management services, such as security, cleaning, and repair and maintenance, that we provide to property users to ensure their normal business operations, we provide commercial operation services, such as preliminary business planning, preliminary operation analysis, and tenant recruitment, and daily operation counseling, primarily to property owners to increase the occupancy rate of their commercial properties. We provided our services under two different operational models in 2021 and 2022, namely, the sublease service model and entrusted management service model. In 2023, all of the commercial properties were operated by us under the entrusted management service model.

- ***Sublease service model***. Under this model, we lease commercial properties from property owners and sublease commercial spaces within these commercial properties to tenants. We are responsible for tenant recruitment, pricing, and the rental payments collected from tenants constitute our revenue. Meantime, we bear the fixed rental payments made to the property owners. If the market is favorable, with high occupancy rates and rental prices, we may achieve higher revenue and profits. However, in the event of an economic downturn, commercial properties may experience decreased occupancy rates or even prolonged periods of being unoccupied, which could result in insufficient revenue to cover our fixed costs.

- ***Entrusted management service model***. Under this model, property owners entrust us with the authority to manage their commercial properties while we, in turn, collect management fees from property owners as our revenue. We have a professional management team to provide operation management services for these property owners. Other than tenant recruitment, we also provide services such as preliminary business planning, preliminary operation analysis, and daily operation counseling. Compared to the sublease service model, we have less discretion in pricing and tenant sourcing because we have to follow the tenant selection criteria and the minimum rent set by property owners. However, this model aligns better with our positioning as a professional light-asset commercial operation company because we are not burdened by fixed rent. This approach helps mitigate the impact of major market fluctuations on our revenue and profits.

The following table sets forth the number of projects, the GFA under management, and the revenue from commercial operation services by service model for the years or as of the dates indicated:

	For the year ended or as of December 31,								
	2021			2022			2023		
	Number of projects	GFA under management *(sq.m.'000)*	Revenue *(RMB'000)*	Number of projects	GFA under management *(sq.m.'000)*	Revenue *(RMB'000)*	Number of projects	GFA under management *(sq.m.'000)*	Revenue *(RMB'000)*
Sublease service[(1)]	–	–	887	–	–	573	–	–	–
Entrusted management service	43	534	52,332	43	534	45,420	49	766	60,683
Other[(2)]	1	–	826	1	–	344	1	–	–
Total	44	534	54,045	44	534	46,337	50	766	60,683

Notes:

(1) Though we had switched majority of our projects from the sublease service model to the entrusted management service model in 2021, a small portion of certain projects was still leased to others during the Track Record Period, the revenue generated from which should be categorized into the sublease revenue.

(2) The other revenue comprised the rental income from our investment properties, of which the GFA under management was less than 1,000 sq.m.

In 2021, we switched majority of our projects from the sublease service model to the entrusted management service model. This transition occurred because, under the sublease service model, we were still obliged to pay fixed rent to property owners even if their commercial properties were not subleased, which exposed us to increased operational risks and financial pressures, particularly during economic downturns. The average occupancy rate of the commercial properties decreased from 91.2% as of December 31, 2021 to 73.4% as of December 31, 2022, primarily due to a decrease in the demand for commercial properties as a number of stores were temporarily closed under the government's pandemic prevention policies, and our revenue declined during the year accordingly. To mitigate these risks and alleviate the associated pressures, we opted for the entrusted management service model.

Under the sublease service model, our revenue comprises all the rent collected from our tenants. In contrast, under the entrusted management service model, our revenue comprises only a fixed percentage of the rent. Distinct from the sublease service model, the entrusted management service model enables property owners to receive a substantial portion of the total rent after deducting our management fees. This model affords them the opportunity to benefit from higher rent, contingent upon our operational performance. Consequently, property owners exhibited increased interest in entrusting the management of their commercial properties to us, especially when they perceived the potential for future growth, as well as our performance in commercial operations. During the Track Record Period, the gross profit margin of commercial operation services was 53.5%, 53.8%, and 62.4%, respectively.

Portfolio of Projects

During the Track Record Period, all of our projects were sourced from CSUD Group through direct engagement. The following table indicates the movement of our commercial operation service projects for the year or as of the dates indicated:

	For the year ended or as of December 31,					
	2021		2022		2023	
	Number of projects	GFA under management (sq.m.'000)	Number of projects	GFA under management (sq.m.'000)	Number of projects	GFA under management (sq.m.'000)
As of the beginning of the year	18	381	44	534	44	534
New engagements	26	153	–	–	6	232
Terminations	–	–	–	–	–	–
As of the end of the year	44	534	44	534	50	766

Our retention rate and renewal rate maintained 100% during the Track Record Period which demonstrated the level of property owners' satisfaction with our quality services.

The following table sets out the expiry schedule of our commercial operation service agreements as of December 31, 2023:

	Number of projects		GFA under management	
		(%)	*(sq.m.'000)*	*(%)*
Commercial operation service agreements with fixed term				
– for the year ending December 31, 2024	1	2.0	54	7.0
– for the year ending December 31, 2025	19	38.0	339	44.0
– for the year ending December 31, 2026 and thereafter	30	60.0	373	49.0
Total	50	100.0	766	100.0

Our Signature Projects

The following provides details of the different features and strengths of our signature projects.

Taiping Street Commercial Operation Project (太平街商業運營項目)

Taiping Street, with a contracted GFA of approximately 16,000 sq.m., is one of the best-preserved neighborhoods in the urban area of Changsha that retains the street and alley layout and characteristics from the Ming dynasties to the Republic of China period. It is also a representative public place that integrates antique architectural culture, folk culture, and tasty snacks with high occupancy rate and rent collection rate. In January 2022, the Ministry of Culture and Tourism and the National Development and Reform Commission identified Taiping Street as one of the first "National Leisure Tourism District (國家級休閒旅遊街區)". We have been operating this project since 2007, with the agreement expiring on December 31, 2027. During the Track Record Period, the revenue of this project was RMB9.0 million, RMB7.3 million, and RMB8.5 million, respectively.

Tianxinge Antique City Commercial Operation Project (天心閣古玩城商業運營項目)

Tianxinge Antique City is an art collection market in Hunan Province with a contracted GFA of more than 5,000 sq.m. It takes boutique antiques and artworks as its orientation and holds regular antique art exchange meetings and various thematic exhibitions every year, such as the spring and autumn exchange meetings and the ground stall festival. We have been operating this project since 2011, with the agreement expiring on December 31, 2027. During the Track Record Period, the revenue of this project was RMB2.8 million, RMB2.4 million, and RMB2.1 million, respectively.

Nanjiao Living Mall Commercial Project (南郊生活廣場商業項目)

Nanjiao Living Mall has opened since 2019 with a contracted GFA of more than 37,000 sq.m. It is positioned to serve the surrounding community residents and park visitors. It has gradually developed into a community shopping center characterized by family-friendly features, combining leisure, dining, shopping, and entertainment. The agreement of this project expires on December 31, 2027. During the Track Record Period, the revenue of this project was RMB5.5 million, RMB5.7 million, and RMB4.1 million, respectively.

Commercial Operation Services Agreements

For the provision of our commercial operation services, we generally enter into entrustment agreements with property owners and lease agreements with tenants and property owners.

Key Terms of Dealing with Tenants and property owners

Our lease agreements with tenants typically include the following key terms:

- ***Location and use.*** Our agreements set forth the location, Contracted GFA and specifies the use of the rental properties;

- ***Fees and payment.*** Our agreements set forth the rent payable to property owners by the tenants, and also set forth the terms for other payments such as, among others, commercial operation fees, security deposits and utility fees. The aforementioned fees are typically due in advance on a annual, semi-annual, or quarterly basis;

- ***Term of service.*** The term is generally a fixed period of three years to ten years. Without any material breach of contract, the tenants normally have the priority of renting and may renew their lease with our consent by giving us a notice 45 to 90 days prior to the expiration of the lease term; and

- ***Termination.*** The agreements usually terminates automatically upon its expiry. All parties may terminate the agreement in advance with mutual assent. If the agreement is due to reasons attributable to the tenant, we are entitled to retain the tenant's security deposit and any pre-paid fees as liquidated damages and demand compensation for all losses we incurred.

Key Terms of Dealings with Property Owners

Our entrusted operational service agreements with property owners typically include the following key terms:

- ***Scope of property.*** Our agreements set forth the location, scope, GFA and other information of properties to be entrusted by us.

- ***Service scope.*** We are responsible for providing commercial operation services, such as market commercial positioning, tenant sourcing services, safety management and daily maintenance.

- ***Payment terms.*** We receive service fees from property owners on an annual basis. The property owners will normally complete payment within 5 days of receiving our settlement payment request.

- ***Duration.*** Our agreement with property owners typically has a term of one to five years, and property owners shall not unilaterally terminate the agreement in the absence of a legal or contractual basis.

- ***Responsibility of default.*** The agreement contains clauses imposing the liability for breach of the agreements on the defaulting party in case of termination without negotiation, assignment of rights and obligations to third parties without consent and overdue payment of service fees.

- ***Termination.*** The agreement may be terminated by: (i) force majeure (ii) expiration, or (iii) mutual consent.

Our Pricing Policy

Under the sublease service model, the rent we collect from tenants may be affected by factors such as the geographic location, the size and layout of a commercial property, as well as the lease term.

- **Geographic location.** The geographic location plays a critical role in determining the rent for commercial properties. Properties located in bustling areas, commercial centers, or high-traffic zones usually command higher rents.

- **Size and layout.** The size and layout of a commercial property also impact the rent. Properties with well-designed layouts generally attract higher rents.

- **Lease term.** The lease term is another factor that influences the rent. Longer lease often comes with rent incentives or discounts.

Under the entrusted management service model, we initiate the lease resolution, which is then presented for the property owners' approval. This document outlines the fundamental operation terms and the tenant selection criteria. The former encompasses aspects such as the minimum rent and the lease-free period, while the latter focuses on the tenant's business positioning and business format. In our practical operation and management, we adhere to the criteria laid out in the document while selecting tenants, and the actual rent is collaboratively determined by both the tenants and us, using the initially proposed minimum rent as the foundational benchmark. When minimum rent cannot be reached, additional approval from property owners is required.

We collect management fees from property owners based upon the entrusted management service agreements, in which we stipulate the management rates. The management rates fall into two categories: for projects where we provide services such as preliminary business planning and tenant recruitment, the management fees are set at 15% of the actual rent; for projects where we provide a complete set of services, which includes not only the services mentioned above but also opening guidance and daily operation counseling, the management fees are set at 30% of the actual rent. Sometimes, we also set annual rent targets with property owners. If we fail to meet or exceed the target, the property owners would reduce or increase the management rates accordingly. During the Track Record Period, there were no instances of termination attributed to the failure to meet targets, nor were there any circumstances leading to the non-renewal of agreements.

OUR STRATEGIC BUSINESS RELATIONSHIP WITH CSUD GROUP

We believe our long-term and close strategic relationship with CSUD Group lays a solid ground for our sustainable growth. CSUDGCL is one of our Controlling Shareholders under the Listing Rules upon [**REDACTED**]. CSUDGCL is a city developer and operator, as well as an industrial investor with a leading market share in Hunan Province. As of the Latest Practicable Date, CSUD Group had developed a diversified portfolio of properties, including but not limited to, municipal infrastructures, public facilities, office buildings, and industrial parks, etc.

We see a mutually advantageous and complementary strategic business relationship between us and CSUD Group. We have been cooperating with CSUD Group since the cooperation between Chengtou Asset, one of our subsidiaries, and CSUD Group in 2012. After years of cooperation, we are familiar with the management system and quality requirements of the projects of CSUD Group and its associates and have established matching service capabilities by providing tailored services. Besides, we share similar corporate culture and business philosophy with CSUD Group, with smooth communication mechanisms and low coordination costs. In addition, our close and stable relationship with CSUD Group contributes to our brand recognition. CSUD Group operates a wide range of infrastructures and public facilities with its leading position in the urban development and operation market in Changsha. The projects we cooperated with CSUD Group and its associates fulfilled our project lists and could serve as representative precedents when we cooperate with other market participants. At the same time, CSUD Group also tends to rely on our services to guarantee smooth post-stage operation management, so as to better meet its strategic plan of "integrated investment, construction and operation."

During the Track Record Period, for each of our business segments, our revenue attributable to projects sourced from CSUD Group and its associates, were as follows:

- *Property management services.* During the Track Record Period, our revenue generated from projects sourced from CSUD Group and its associates in the property management service sector amounted to RMB132.0 million, RMB150.6 million, and RMB171.6 million, respectively, accounting for 30.6%, 28.5%, and 26.3% of our total revenue, respectively.

- *Urban services.* During the Track Record Period, our revenue generated from projects sourced from CSUD Group and its associates in the urban service sector amounted to RMB117.2 million, RMB151.9 million, and RMB187.5 million, respectively, accounting for 27.1%, 28.7%, and 28.8% of our total revenue, respectively.

- *Commercial operation services.* During the Track Record Period, all of our revenue was generated from projects sourced from CSUD Group and its associates in the commercial operation service sector, which amounted to RMB54.0 million, RMB46.3 million, and RMB60.7 million, respectively.

Leveraging our comprehensive capabilities and expertise showing in cooperation with CSUD Group, we are well-positioned and have been actively sourcing projects from Independent Third Parties. During the Track Record Period, our revenue generated from Independent Third Parties as customers amounted to RMB248.7 million, RMB293.8 million and RMB362.4 million, respectively, showing an upward trend.

During the Track Record Period, our revenue generated from projects sourced from Independent Third Parties in the property management service sector amounted to RMB60.3 million, RMB56.9 million, and RMB66.3 million, accounting for 14.0%, 10.7%, and 10.2% of our total revenue, respectively, showing a stable trend from the perspective of revenue. During the same years, our revenue generated from projects sourced from Independent Third Parties in the urban service sector amounted to RMB68.2 million, RMB122.9 million, and RMB165.8 million, accounting for 15.8%, 23.3%, and 25.4% of our total revenue, respectively, with an increasing trend year by year, primarily due to the revenue contribution of lighting system operation and municipal sanitation services projects sourced from Independent Third Parties; we have been actively expanding our cooperation with other customers, including municipal authorities, public institutions, and private enterprises.

Considering our long-standing cooperation with CSUD Group and relying on our years of cooperation experience with CSUD Group, we are familiar with the quality control and service standards of CSUD Group and are able to establish a linkage mechanism between the urban development segment and urban resources operation to provide the government with services throughout the whole process and cycle of urban construction and management. As a result, we are able to further strengthen and consolidate our competitiveness and continue our long-term cooperation with CSUD Group.

The following table indicates the number and percentage of projects awarded by CSUD Group and its associates to our Group for each business segment for the years indicated:

	For the year ended December 31,					
	2021		2022		2023	
	Number of projects	Percentage	Number of projects	Percentage	Number of projects	Percentage
		(%)		(%)		(%)
Property management services	47	77.1	51	75.0	52	88.0
Urban services	230	95.0	274	95.1	314	96.6
Commercial operation services	44	95.7	44	95.7	50	96.2

The following table indicates the amount and percentage in terms of contracted GFA of projects awarded by CSUD Group and its associates to our Group for property management services and commercial operation services for the years indicated[(1)]:

	For the year ended December 31,					
	2021		2022		2023	
	Contracted GFA	Percentage	Contracted GFA	Percentage	Contracted GFA	Percentage
	(million sq.m.)	*(%)*	*(million sq.m.)*	*(%)*	*(million sq.m.)*	*(%)*
Property management services	5.3	92.3	5.3	92.7	5.1	99.8
Commercial operation services	0.5	79.4	0.5	79.4	0.8	84.7

Note:

(1) Urban services are not included as urban services projects are not measured by GFA under management.

CSUD Group has provided a written statement to our Company to the effect that going forward, subject to the compliance with relevant laws, rules, and regulations, CSUD Group will award its projects to our Group through direct engagement or in priority under equivalent commercial terms and conditions as long as the following criteria are met: (i) in terms of property management service, property management project invested or developed by CSUD Group; (ii) in terms of commercial operation service, commercial property which is held by CSUD Group in the long term for the purpose of leasing; (iii) in terms of landscaping and engineering service, municipal infrastructure project and landscaping project invested or developed by CSUD Group which are not required to go through tender process under relevant laws and regulations, provided our Group possesses the relevant qualifications to undertake such project; (iv) in terms of parking lot operation service, public parking lot owned by CSUD Group or which CSUD Group has the right to manage and operate; and (v) in terms of lighting system operation service, lighting system maintenance project invested and developed, or improved and transformed by CSUD Group.

Going forward, we expect that the mutually beneficial and complementary business relationship between our Company and CSUD Group will continue and in turn, is unlikely to be materially or adversely changed. For details, please refer to the section headed "Relationship with Our Controlling Shareholders – Mutual and Complementary Relationship with CSUD Group". While maintaining our business cooperation with CSUD Group, with a view to diversifying our customer base, we have also been making continuous efforts to expand our business to manage projects sourced from third-party property developers as well as our customer base by leveraging our increasingly enhanced brand awareness and market position.

Specifically, we have been actively engaging in bidding and tendering processes of Independent Third Parties. During the Track Record Period, revenue generated from projects sourced from Independent Third Parties had been steadily rising which amounted to RMB128.5 million, RMB179.8 million, and RMB232.0 million, respectively. The upward trend in the revenue generated from Independent Third Parties demonstrates our ongoing efforts to foster stronger partnerships with Independent Third Parties. We have been strengthening our relationship with existing customers who are Independent Third Parties during the Track Record Period. Our renewal rate of property management services for Independent Third Parties increased from 50% for the year ended December 31, 2021 to 80% for the year ended December 31, 2023. Moreover, we have been and will be diligently working towards establishing business collaborations with Independent Third Parties within Hunan Province and nationwide which involve forming joint ventures to jointly develop local urban services, property management, and commercial operation resources. We believe the collaborations with Independent Third Parties will enable us to expand our customer base and reduce our reliance on CSUD Group. We have formed joint ventures with three companies which are Independent Third Parties in different cities within Hunan Province and Jiangxi Province.

Going forward, our strategic approach involves acquiring third-party companies to enhance the scope and growth of our business operations. These acquisitions are expected to yield an increased number of projects from external sources, thus diversifying our business acquisition channels and reducing reliance on CSUD Group. We will continue to seek attractive opportunities for acquisitions, and target to approach reputable companies that have a sizable business with diversified management portfolio and regional competitiveness. Furthermore, we will continue to (i) participate in tenders for projects of property developers other than CSUD Group, (ii) strengthen our relationship with existing independent customers, (iii) explore and establish new relationship with independent customers, and (iv) seek out and attract competent marketing talents to join our Group in order to expand our customer base.

Our Directors are of the view that with a combination of the aforementioned approaches, we are well-positioned to expand our project portfolio by sourcing projects from Independent Third Parties.

SALES AND MARKETING

The primary responsibilities of our market development department include collecting market information, developing marketing budget proposals, managing and maintaining client relationships, conducting business innovation and sales, technological development and implementing our annual business and expansion plan.

The majority of our revenue during the Track Record Period came from CSUD Group and its associates. In the near future, we anticipate that the initiatives created by CSUD Group and its associates will continue to be a reliable source of revenue. Together with continuing our strong, long-term partnership with CSUD Group, we also work to expand our service offering by increasing our exposure to outside projects. For the goals of market research and commercial development, our sales and marketing teams are expected to investigate and establish information channels in their particular communities. Such information channels may include, among other things, websites or other platforms where real estate developers or property owners' associations announce tender and bidding opportunities, discovering business opportunities through referrals or regular communication with customers, governmental departments and other industry participants, and organizing promotional events to showcase our service offerings.

We actively strive to establish new and maintain existing business relationships with potential customers, especially property developers. We have contacted potential and significant customers via brochure distribution, phone conversations or in-person meetings.

We manage our service brand through both online and offline communication channels. Our internet promotion infrastructure is made up of a matrix of official websites and WeChat official accounts, which we use to promote our business model and present the latest advancements and promotional activities of the projects under our management. From time to time we will also organize events to advertise or showcase our service offerings during holidays or other special occasions as we see suitable with a view to boosting customer stickiness.

STANDARDIZED OPERATION, DIGITALIZATION AND INFORMATION TECHNOLOGY

We place a strong emphasis on innovation and the use of standardized operations, digitalization, and strengthen our development of information technology in order to increase our competitiveness, improve customer happiness and stickiness, and decrease our dependency on manual labor and costs. We assess our property management services and formulate procedures to deliver them in a way that is meant to increase operational effectiveness, guarantee consistent service quality, help the development of a scalable business model, and ease the burden of rising labor costs.

We have standardized our operations in critical service areas like energy management, environmental management, and occupational health and safety management. We have increased the capacity of our headquarters and subsidiaries to handle our projects by standardizing and optimizing our service procedures based on the GB/T 19001-2016/ISO9001:2015 quality management system certification, GB/T 24001-2016/ISO14001:2015 environment management system, GB/T 45001-2020/ISO45001:2018 occupational health and safety management system certification and GB/T 23331-2020/ISO 50001:2018 energy management system certification. During the Track Record Period, we received a Good Standardizing Practice Certificate (標準化良好行為證書) awarded by Administration for Market Regulation of Hunan Province in 2021.

Currently, our parking business uses the internal management platform to manage the data of the parking lot in the background and applies for monthly passes through a WeChat public account. The corresponding income is directly entered into our official account. On the information construction of the parking lot, we have carried out corresponding technical transformations according to the actual business requirements in order to reduce equipment procurement costs and platform operation and maintenance costs.

DATA SECURITY AND PRIVACY

We have developed comprehensive internal control measures in place to protect data stored in our internal database from unauthorized access and ensure the availability, confidentiality and reliability of the data.

Firstly, with the consent of the data subjects, we only collect personal data necessary for our business in a lawful and fair manner. During the course of our business, we may collect sensitive personal data in the following circumstances: (i) under our commercial operation business and property management business, in order to enter into contracts with tenants, we may collect the name and identity information of individuals or the names and identity information of legal representatives and authorized representatives of tenants, and (ii) under our parking lot operation business, we may collect the name, mobile phone number and licence plate number of individual customers who apply for monthly parking passes, and we may obtain the time slot if the customer's vehicle enters and leaves the parking lot operated by us. The combination of such information may constitute the customer's tracking information. After obtaining their personal information, we will store and process the data in accordance with our internal policies regarding the security and protection of personal information. As long as they continue to be our users and tenants of the projects we manage, we will properly storage their personal information. Our server resources and online system, where the personal information is housed, both have strong access controls. Personal information kept in the office, monitoring center, and reception area as needed, shall not be disclosed to the public unless otherwise authorized by the subject of the personal information or otherwise provided for by law or regulation, we shall not disclose to the public.

Secondly, we have strictly monitored and managed our employees in handling customer information. We only grant access to employees with internal approval or at the appropriate level. For the electronic version of customer information, only approved employees with their employee identity document and password can access the online system. We classify our employees according to their positions and responsibilities and grant them different access rights. We use technological tools for information technology systems including password management and operation security logs, so that only necessary personnel can access certain confidential information after receiving internal approval.

Thirdly, we have established customer management policies pertaining to the collection and management of customer data, clarified employees' confidentiality obligations in the employee handbook, and would train employees to ensure that they are aware of our internal policies pertaining to the protection of customer data.

During the Track Record Period and up to the Latest Practicable Date, we are not involved in any significant lawsuits or proceedings related to the infringement of personal information protection. Additionally, there are no pending major claims related to personal information protection that pose a threat to us. Based on the Provisions on Administrative Law Enforcement Procedures for Cyberspace Administration Office (《網信部門行政執法程序規定》) issued by the CAC on February 3, 2023, as confirmed by our PRC Legal Advisors, the Internet Information Office of Changsha constitutes a competent authority in relation to cyber security, data security and protection of personal information. Based on the fact that the Internet Information Office of Changsha constitutes a competent authority and the Certificate issued by the Internet Information Office of Changsha (長沙市互聯網信息辦公室), as well as the confirmation from our Company, we had not been subject to any administrative penalties or may not be subject to any administrative penalties for violation of the laws and regulations in respect of cyber security, data security and protection of personal information during the Track Record Period and up to the Latest Practicable Date, our PRC Legal Advisors are of the view that we have complied with the relevant laws and regulations related to cyber security, data security, personal information protection, and have not been subject to any administrative penalties for violating these relevant laws and regulations during the Track Record Period and up to the Latest Practicable Date.

CUSTOMERS

Revenue from our five largest customers in each year during the Track Record Period amounted to RMB259.3 million, RMB358.1 million, and RMB432.8 million, representing 60.1%, 67.7%, and 66.4% of our total revenue in the respective year. Revenue from our largest customer in each year during the Track Record Period amounted to RMB182.9 million, RMB234.7 million, and RMB289.5 million, representing 42.4%, 44.4%, and 44.4% of our total revenue in the respective year. For each year ended December 31, 2021 and 2022, all of our five largest customers, except CSUD Group and its associates which are state-invested enterprises, are government or public institutions. For the year ended December 31, 2023, two of our five largest customers are state-invested enterprises, while the others are government or public institutions. In addition, all of our five largest customers in each year during the Track Record Period, except CSUD Group and its associates, are Independent Third Parties. We granted our five largest customers in each year during the Track Record Period a credit term within 60 days.

Our Top Five Customers

The following tables set forth certain details of our five largest customers in each year during the Track Record Period:

For the year ended December 31, 2021

Rank	Customer	Principal business	Length of business relationship with us	Products/services provided by us	Revenue	Percentage of total revenue	Relationship with us
			Year		*RMB'000*	*%*	
1.	CSUD Group and its associates	Urban public infrastructure projects investment, construction, operation and management	8	Property management services, urban services and commercial operation services	182,916	42.4	Related party
2.	Customer A[(1)]	Handle administrative, economic and social affairs within its jurisdiction on behalf of the Changsha Municipal Government	7	Property management services	25,229	5.8	Independent Third Party
3.	Changsha City Maintenance Quality Supervisory Center[(2)]	Evaluation and definition of sanitation, municipal, greening, lighting and other urban management infrastructure quality condition maintenance level	3	Urban services and property management services	21,216	4.9	Independent Third Party
4.	Customer B[(3)]	Exercise of government management and service functions	3	Urban services	19,348	4.5	Independent Third Party
5.	Changsha Urban Management and Comprehensive Law Enforcement Bureau[(4)]	Implementation of national, provincial and municipal guidelines, policies and laws, regulations and rules related to urban management and comprehensive law enforcement	7	Property management services and urban services	10,615	2.5	Independent Third Party
	Total				259,324	60.1	

For the year ended December 31, 2022

Rank	Customer	Principal business	Length of business relationship with us *Year*	Products/services provided by us	Revenue *RMB'000*	Percentage of total revenue *%*	Relationship with us
1.	CSUD Group and its associates	Urban public infrastructure projects investment, construction, operation and management	8	Property management services, urban services and commercial operation services	234,726	44.4	Related party
2.	Changsha City Maintenance Quality Supervisory Center	Evaluation and definition of sanitation, municipal, greening, lighting and other urban management infrastructure quality condition maintenance level	3	Urban services and property management service	54,619	10.3	Independent Third Party
3.	Customer A	Handle administrative, economic and social affairs within its jurisdiction on behalf of the Changsha Municipal Government	7	Property management services	24,537	4.6	Independent Third Party
4.	Customer B	Exercise of government management and service functions	3	Urban services	24,330	4.6	Independent Third Party
5.	Changsha Yuelu District City Appearance and Environmental Sanitation Maintenance Center[5]	Provide management protection for the maintenance of urban environmental sanitation in the district	3	Urban services	19,903	3.8	Independent Third Party
	Total				358,115	67.7	

For the year ended December 31, 2023

Rank	Customer	Principal business	Length of business relationship with us	Products/services provided by us	Revenue	Percentage of total revenue	Relationship with us
			Year		*RMB'000*	*%*	
1.	CSUD Group and its associates	Urban public infrastructure projects investment, construction, operation and management	8	Property management services, urban services and commercial operation services	289,492	44.4	Related party
2.	Changsha City Maintenance Quality Supervisory Center	Evaluation and definition of sanitation, municipal, greening, lighting and other urban management infrastructure quality condition maintenance level	3	Urban services and property management service	58,623	9.0	Independent Third Party
3.	Hunan Xiangjiang New Area Management Committee Administrative Law Enforcement Bureau(6)	Research, formulation, and implementation of urban management assessment methods, administration of urban infrastructure	7	Property management services	29,450	4.5	Independent Third Party
4.	Customer B	Exercise of government management and service functions	3	Urban services	28,077	4.3	Independent Third Party
5.	Customer C(7)	Construction and design for construction project, construction labor subcontracting	2	Urban services	27,147	4.2	Independent Third Party
					432,789	66.4	

Notes:

(1) Customer A is a government institution, an agency dispatched by the Hunan Provincial Government, located in the Xiangjiang New District.

(2) Changsha City Maintenance Quality Supervisory Center is a public institution responsible for urban management infrastructure quality condition maintenance, located in Yuhua District.

(3) Customer B is a government institution, located in Huangxing Town, Changsha County.

(4) Changsha Urban Management and Comprehensive Law Enforcement Bureau is a government institution responsible for the management of urban city appearance, environmental hygiene, municipal roads, public green spaces and road greening, etc., located in Yuelu District.

(5) Changsha Yuelu District City Appearance and Environmental Sanitation Maintenance Center is a public institution, located in Yuelu District.

(6) Hunan Xiangjiang New Area Management Committee Administrative Law Enforcement Bureau is a subordinate agency of Hunan Xiangjiang New Area Management Committee, located in Yuelu District.

(7) Customer C is a state-owned enterprise established in the PRC. Its business activities include construction and design for building project, and development and operation of real estate.

SUPPLIERS

Purchases from our five largest suppliers in each year during the Track Record Period amounted to RMB102.8 million, RMB146.5 million, and RMB162.5 million, representing 36.2%, 39.8%, and 36.3% of our total purchases in the respective year. Purchases from our largest supplier in each year during the Track Record Period amounted to RMB47.0 million, RMB75.9 million, and RMB80.7 million, representing 16.6%, 20.6%, and 18.0% of our total purchases in the respective year. Among our five largest suppliers in each year during the Track Record Period, except CSUD Group and its associates and an electricity supplier which are state-invested enterprises, the others are private entities. In addition, all of our five largest suppliers in each year during the Track Record Period, except CSUD Group and its associates, are Independent Third Parties. We were granted a settlement term ranging from 30 to 90 days by our five largest suppliers in each year during the Track Record Period.

Our Top Five Suppliers

The following tables set forth certain details of our five largest suppliers in each year during the Track Record Period:

For the year ended December 31, 2021

Rank	Supplier	Major services purchased	Length of business relationship with us	Purchase amount	Percentage of total purchase amount for the year	Relationship with us
			Year	*RMB'000*	*%*	
1.	Hunan Ico Human Resource Services Co., Ltd.(1)	Human resource services	6	47,034	16.6	Independent Third Party
2.	CSUD Group and its associates	Fuel oil, water resources, and rental services	8	25,408	8.9	Related party
3.	Changsha Taiqi Enterprise Management Consulting Co., Ltd.(2)	Human resource services	6	11,531	4.1	Independent Third Party
4.	Supplier A(3)	Electricity	8	10,574	3.7	Independent Third Party
5.	Zhongbao Hengjie Security Service Group Co., Ltd.(4)	Security services	4	8,273	2.9	Independent Third Party
	Total			102,820	36.2	

For the year ended December 31, 2022

Rank	Supplier	Major services purchased	Length of business relationship with us	Purchase amount	Percentage of total purchase amount for the year	Relationship with us
			Year	*RMB'000*	*%*	
1.	Hunan Ico Human Resource Services Co., Ltd.	Human resource services	6	75,909	20.6	Independent Third Party
2.	CSUD Group and its associates	Fuel oil, water resources, and rental services	8	29,099	7.9	Related party
3.	Supplier A	Electricity	8	19,235	5.2	Independent Third Party
4.	Zhongbao Hengjie Security Service Group Co., Ltd.	Security services	4	11,656	3.2	Independent Third Party
5.	Changsha Xinli Human Resources Service Co., Ltd.(5)	Human resource services	2	10,619	2.9	Independent Third Party
	Total			146,518	39.8	

For the year ended December 31, 2023

Rank	Supplier	Major services purchased	Length of business relationship with us	Purchase amount	Percentage of total purchase amount for the year	Relationship with us
			Year	*RMB'000*	*%*	
1.	Hunan Ico Human Resource Services Co., Ltd.	Human resource services	6	80,677	18.0	Independent Third Party
2.	CSUD Group and its associates	Fuel oil, water resources, and rental services	8	35,770	8.0	Related party
3.	Supplier A	Electricity	8	20,275	4.5	Independent Third Party
4.	Hunan Xinhongyang Power Construction Co., Ltd.(6)	Construction services	2	13,333	3.0	Independent Third Party
5.	Changsha Xinli Human Resources Service Co., Ltd.	Human resource services	2	12,454	2.8	Independent Third Party
				162,509	36.3	

Notes:

(1) Hunan Ico Human Resource Services Co., Ltd. is a private entity established in the PRC. Its business activities include labor dispatch services, occupational intermediary activities, urban domestic waste management services, and human resources services.

(2) Changsha Taiqi Enterprise Management Consulting Co., Ltd. is a private entity established in the PRC. Its business activities include enterprise management consulting services, enterprise management services, labor dispatch business operations, human resources service outsourcing, occupational intermediary services, and labor outsourcing services.

(3) Supplier A is a state-owned enterprise established in the PRC. Its business activities include power transmission, power supply, dispatching labor personnel for overseas projects that match their strength, scale, and performance, industrial investment and management, scientific research related to power supply, technology development, power production scheduling information communication, and consulting services.

(4) Zhongbao Hengjie Security Service Group Co., Ltd. is a private entity established in the PRC. Its business activities include gatekeeping, patrol, guarding, personal protection, property management services and consulting, advisory services, parking lot management, and labor dispatch.

(5) Changsha Xinli Human Resources Service Co., Ltd. is a private entity established in the PRC. Its business activities include labor dispatch services and occupational intermediary activities and human resources services.

(6) Hunan Xinhongyang Power Construction Co., Ltd. is a private entity established in the PRC. Its business activities include contracting, technique development, and program design for construction projects.

Overlapping customers and suppliers

In each year during the Track Record Period, among our top five customers and suppliers, we had one overlapping customer and supplier, CSUD Group and its associates. The following table sets out (i) our revenue; (ii) the percentage of our total revenue; (iii) purchase amount; and (iv) the percentage of our total purchases amount attributable to CSUD Group and its associates during the Track Record Period:

	For the year ended December 31,		
	2021	**2022**	**2023**
Sales to CSUD Group and its associates			
Revenue *(RMB'000)*	182,916	234,726	289,492
As a percentage of our total revenue (%)	42.4	44.4	44.4
Purchase from CSUD Group and its associates			
Purchase amount *(RMB'000)*	25,408	29,099	35,770
As a percentage of our total purchases amount (%)	8.9	7.9	8.0

During the Track Record Period, we provided CSUD Group and its associates with urban services, property management services, and commercial operation services; we also purchased fuel oil, water resources, and rental services from CSUD Group and its associates. Such arrangement was in place mainly due to the reasons that (i) we were a major player in Changsha in the supply of urban services and property management services, and (ii) CSUD Group and its associates provided resources such as fuel oil, water, and rental services for individuals and entities in Changsha, and it was common for companies based in Changsha to purchase from it. For details, please refer to the section headed "Continuing Connected Transactions" in this document.

We purchased resources from CSUD Group and its associates for our own daily use and operation and for the convenience of the property owners or tenants of the properties under our management. The prices of resources such as fuel oil and water were subject to government-guided standards, and the prices charged by CSUD Group and its associates were set in accordance with these standards. Our Directors confirm that negotiations of the terms of our sales to and purchases from CSUD Group and its associates were conducted on an individual basis and the sales and purchases were neither inter-connected nor inter-conditional with each other. Furthermore, as confirmed by our Directors, all of our sales to and purchases from CSUD Group and its associates were entered into after due consideration taking into account the prevailing purchase and selling prices at the relevant times, conducted in the ordinary course of business under normal commercial terms and on arm's length basis. According to CIA, the resources and services we purchased from and sold to CSUD Group and its associates during the Track Record Period were at normal commercial terms and comparable to market standards in Hunan Province.

Subcontracting

We outsource certain services, mainly including labor services and specialized services subcontracting. Such arrangements, we believe, enable us to take advantage of the technical expertise and human resources of the subcontractors and improve our overall profitability and efficiency.

Selection and Management of Subcontractors

We try to develop and maintain a complete and efficient system for managing subcontractors. We continually assess the subcontractors' capacity to fulfill our needs. We keep a list of qualified subcontractors based on our series of evaluation requirements, including the period of existence, the scope of overall activities, industry credentials, and technical capabilities, in order to assure the general quality of our subcontractors. Following the first evaluation of subcontractors, we periodically assess and grade their performance.

Key Terms of Our Subcontracting Agreements

Our subcontracting agreements typically include the following terms:

- ***Terms.*** These types of agreements are commonly executed for a duration of one to two years and have the option of being extended upon mutual agreement and sign the relevant agreements about extension. The subcontractors' service quality will be taken into account when evaluating the possibility of rehiring them.

- ***Service scope.*** The subcontractor is in charge of delivering the services outlined in the agreement, which may include security, cleaning, greening management and maintenance, and facilities and equipment maintenance services, as well as providing any necessary materials, facilities and equipment.

- ***Our responsibilities.*** It is our duty to furnish the subcontractors with the required workspace, amenities, and pertinent documents and data, while also working in tandem with them during their tasks. Moreover, we are responsible for monitoring their work and promptly notifying them in cases where complaints have been lodged.

- ***Our rights and obligations.*** Generally, we have both the right and obligation to supervise and evaluate our subcontractors. It is also our responsibility to provide them with the necessary support to complete their services. In the event that our subcontractors fail to adhere to our performance standards, we reserve the right to claim the rescission right, impose liquidated damages or deduct subcontracting fees.

- ***Rights and obligations of subcontractors.*** The subcontractors we work with are accountable for acquiring all the licenses, permits, and certificates needed to carry out their business activities in compliance with the relevant laws and regulations. Additionally, they commit to delivering their services as per the defined scope, frequency, and quality standards outlined in the applicable subcontracting agreements.

- ***Risk allocation.*** The subcontractors are obligated to manage their own employees, with whom we have no employment relationship and bear responsibility for any wage and welfare, social insurance, housing fund and other expenses. In addition, they are responsible for any safety incidents, personal injury accidents or financial losses caused by themselves or third parties during the provision of the services.

- ***Subcontracting fee.*** The payment for subcontracting is usually made on a monthly or quarterly basis according to the agreements. It covers expenses related to the acquisition of raw materials, labor, equipment maintenance, taxes and other incidental costs that are incurred by the subcontractor.

- ***Termination.*** We conduct regular monitoring and evaluation of our subcontractors' performance. In general, we retain the right to terminate the contract if our subcontractors fail to comply with their obligations, demonstrate a pattern of mistakes, or receive multiple complaints from our customers regarding their services. The proposal to renew the contract is usually notified in writing 30 days before the contract expires and agreed upon by both parties.

EFFECTS OF COVID-19 PANDEMIC

The global spread of an outbreak of respiratory sickness brought on by new coronavirus COVID-19 was first noted in December 2019. As of the Latest Practicable Date, COVID-19 Pandemic had been effectively controlled in China as a result of the strict measures implemented to contain the COVID-19 Pandemic spread and the regions where our managed properties are located are relatively less affected by the spread of COVID-19 Pandemic.

The PRC property management market faced pressure during the outbreak of COVID-19 Pandemic, as a result of the need for property management companies to halt some services and incur more expenses in order to comply with new laws and regulations. COVID-19 Pandemic has had specific short-term effects on the following services in particular. As of December 31, 2021, 2022 and 2023, the average occupancy rate of the commercial properties for which we provided commercial operation services was 91.2%, 73.4% and 93.2%, respectively. Our Directors are of the view that the decline in the average occupancy rate as of December 31, 2022 was primarily due to a decrease in the demand for commercial properties as a number of stores were temporarily closed under the government's pandemic prevention policies to combat the COVID-19 pandemic, but the rate subsequently increased to 93.2% as of December 31, 2023 as a result of the mitigation of the pandemic and the government's easing of control measures.

In terms of the effect on our operation, we deployed extra personnel and incurred more expenses for protective materials in order to comply with government rules and steps to battle COVID-19 Pandemic, leading to an increase of the cost of purchasing pandemic protective materials and hiring pandemic prevention personnel, which had an impact on the short-term performance of our business. However, as of the Latest Practicable Date, we had not experienced any significant disruptions to the services supplied by our subcontractors and utilities service providers, or the supply of materials from our suppliers. To the best of our Directors' knowledge, as of the Latest Practicable Date, since the outbreak of the pandemic, there had been no major breaches or other incidents. We have full confidence in the future operation and development of the business.

Since January 2020, we have implemented the following hygiene and preventative measures at all properties we are in charge of because of COVID-19 Pandemic, including (i) regularly cleaning and disinfecting the common areas of the properties under our management; (ii) conducting temperature check of the residents and visitors at the entrance gates; (iii) requiring our staff to wear suitable protective gears such as plastic gloves and surgical masks and to report their health condition regularly; (iv) providing pandemic control personal hygiene tips for our staff to improve their health awareness; and (v) following the policies and requirements implemented by the government from time to time.

Given that the PRC government has significantly relaxed the COVID-19 Pandemic prevention and control policy, our Directors believe that the COVID-19 Pandemic will have no major adverse effect on our operations or financial performance. For details, please refer to the section headed "Risk Factors – Risks Relating to Our Business and Industry – Our business, financial condition and results of operations have been and may continue to be affected by COVID-19" in this document.

RECENT REGULATORY DEVELOPMENT

The "Three Red Lines" Policy

In 2020, MOHURD, together with PBOC, formulated the "Three Red Lines" policy for real estate companies, with the intention to control the scale of interest-bearing debts of major property developers in China and facilitate the sustainable development of China's real estate industry.

According to the 2021 and 2022 annual reports and 2023 interim report of CSUD Group, the gearing ratio (excluding receipts in advance), the net gearing ratio and cash over short-term interest-bearing loans ratio of CSUD Group as of the dates indicated are set forth as below:

	As of December 31,		As of June 30,
	2021	2022	2023
Gearing ratio (excluding receipts in advance)	55.9%	55.6%	55.9%
Net gearing ratio	74.1%	77.4%	79.1%
Cash over short-term interest-bearing loans ratio	0.7	0.5	0.6

CSUD Group is a large-scale conglomerate providing comprehensive urban construction, urban operation and investment services. According to the 2021 and 2022 annual reports and the 2023 interim report of CSUD Group, the revenue from real estate sales business only contributed to 6.9%, 8.1% and 9.3% of the total revenue of CSUD Group for the years ended December 31, 2021 and 2022 and the six months ended 30 June, 2023, respectively. As advised by our PRC Legal Advisors and the PRC legal advisors to the Sole Sponsor, the "Three Red Lines" policy is a restrictive rule with the intention to regulate the financing activities of real estate companies. Accordingly, it is unlikely to impose legal restrictions for those companies with diversified business segments. As advised by our PRC Legal Advisors and the PRC legal advisors to the Sole Sponsor, our Directors believe and the Sole Sponsor concurs that the "Three Red Lines" policy is not applicable to CSUD Group, which is under strict supervision of Changsha Municipal SASAC, and is subject to a rigid requirement on liquidity. Our Group has formulated a series of internal control systems, including the connected transaction management system and the internal audit management system, aimed at ensuring compliance with relevant laws and regulations. Based on the above, our Directors believe and the Sole Sponsor concurs that the "Three Red Lines" policy would not have a material adverse impact on our relationship with CSUD Group and the business, results of operation and financial performance of our Group. For details of the "Three Red Lines" policy, please refer to the section headed "Regulatory Overview – Laws and Regulations Relating to Real Estate Market" in this document.

Recent Changes in Property Management Service Regulations

On December 25, 2020, MOHURD and other nine competent government departments issued Notice on Strengthening and Improving the Administration of Residential Properties (《關於加強和改進住宅物業管理工作的通知》) (the "**Administration Notice**") aiming to strengthen residential property management in the following main areas: (i) refining the requirements for owners' associates to perform their duties and strengthen the supervision of owners' associates; (ii) exploring the formation of property management committees with the participation of neighborhood committees and property owners' representatives to temporarily replace owners' associates in the absence of conditions for the establishment of owners' associates; (iii) encouraging property service companies to use the Internet of Things, cloud computing, big data and other technologies to enhance the level of intelligent property management services; (iv) strengthening the supervision and management of property services and developing a unified credit evaluation standards and a public platform; and (v) improving the use and management system of housing maintenance funds.

On June 13, 2021, the MOHURD and other seven departments jointly promulgated the Notice on Continuous Rectification and Regulation of Real Estate Market Order (《關於持續整治規範房地產市場秩序的通知》) (the "**Regulatory Notice**"), requiring the implementation of policies to highlight the key rectification points and focus on the rectification of real estate development, housing sales, housing leasing and property services. The main issues mentioned in the regulatory notice regarding the need to regulate the provision of property management services include: (i) failure to provide services in accordance with the agreed contents and standards of the property service contract; (ii) failure to publicize the standards of property service charges, the operation and revenue of the common areas, the use of maintenance funds and other relevant information as required; (iii) charging fees in excess of the contractual agreement or the standards of the publicized fee items; (iv) unauthorized use of the common areas to carry out business activities; and (v) refusing to withdraw from the property service project without any due reason after the property service contract is terminated or dissolved.

On April 1, 2022, Hunan Provincial Development and Reform Commission, Hunan Provincial Department of Housing, and Urban-Rural Development and Hunan Provincial Market Supervision Bureau promulgated the Management Measures of Property Service Fees in Hunan Province (《湖南省物業服務收費管理辦法(2022)》) which became effective on May 15, 2022. According to the Management and Measures of Property Service Fees in Hunan Province, property service charges are subject to government guidance prices or market-regulated prices according to the nature and characteristics of different properties. The government guidance prices shall be implemented for the property service fees of ordinary residential properties (including property service fee for purchased parking spaces, renovation service fee and renovation waste removal fee) before the establishment of the general meeting of property owners, and the market-regulated prices shall be implemented for the property service fees of villas (referring to stand-alone large houses and townhouses with outdoor courtyards), other non-residential properties and ordinary residential properties (including property service fee for purchased parking spaces, renovation service fee and renovation waste removal fee) after the establishment of the general meeting of property owners. The Management Measures of Property Service Fees in Hunan Province (2022) further clarifies the scope of application of market-regulated prices and restricts the scope of application of government guidance prices, and it shall not have any material adverse impact on our Group.

With respect to the Regulatory Notice and the Administration Notice, according to our PRC Legal Advisors, the Regulatory Notice and the Administration Notice primarily refine or reiterate certain general requirements but do not impose new compliance requirements, on the property development and property management service industries. Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date (i) we had complied in all material respects with the requirements of the Regulatory Notice in relation to property management services since the implementation of the Regulatory Notice; and (ii) we had not been subject to any material legal action or arbitration against us in connection with the services provided in the course of our business.

For details, please refer to the section headed "Regulatory Overview – Laws and Regulations Relating to Property Management Services" in this document.

Recent Changes in Cybersecurity Regulations

On August 20, 2021,the Personal Information Protection Law of the People's Republic of China(《《中華人民共和國個人信息保護法》) (the "**Personal Information Protection Law**"), which came into effect on November 1, 2021. The Personal Information Protection Law requires that personal information of natural persons shall be protected by law, and no organization or individual shall infringe upon the personal information rights and interests of natural persons. The processing of personal information shall have a clear and reasonable purpose, and shall be directly related to the purpose of processing, and take the way that has the least impact on the rights and interests of individuals. The collection of personal information shall be limited to the smallest extent to achieve the purpose of processing, and shall not collect personal information excessively. The personal information processor shall be responsible for its personal information processing activities and take necessary measures to safeguard the safety of the personal information processed. Otherwise, the personal information processor may be ordered to make corrections or suspend or terminate the provision of services, or confiscate the illegal income, fine or other penalties.

On December 28, 2021, the CAC and twelve other PRC regulatory authorities jointly revised and promulgated the Measures for Cybersecurity Review (《網絡安全審查辦法》) (the "**Cybersecurity Review Measures**"), which came into effect on February 15, 2022. The Cybersecurity Review Measures requires that when critical information infrastructure operators purchase network products and services which affect or may affect national security, they should anticipate the national security risks that may result from the use of those products and services. A cybersecurity review shall be filed with the CAC if it affects or may affect national security. In addition, operators of online platforms possessing personal information of more than one million users that seek public listing in a foreign country shall apply for a cybersecurity review.

Given the nature of our business, we do not operate any online platforms or provide any online services to individual users. The number of users with personal information we have in our operations is less than one million. We have not been recognized by any authoritative institutions as an operator of critical information infrastructure, nor have we been involved in any investigations initiated by the Cyberspace Administration of China or received any inquiries, notifications, warnings, or sanctions regarding this matter. Therefore, during the Tracking Record Period and as of the Latest Practicable Date, our Directors confirm that the aforementioned provisions would not have any material adverse impacts on our operations or financial condition.

The Proposed Real Estate Tax Reform

On October 23, 2021, the SCNPC passed the Decision to Conduct the Pilot Program of Real Estate Tax Reform in Certain Areas (《全國人民代表大會常務委員會關於授權國務院在部分地區開展房地產稅改革試點工作的決定》) (the "**Decision**"). The Decision grants authority to the State Council to execute a trial program of real estate tax reform in designated regions for the purposes of advancing in a proactive and prudent manner the legislation on and the reform of real estate tax, guiding reasonable housing consumption and economical and intensive utilization of land resources, and promoting the stable and healthy development of the real estate market.

According to the Decision, the State Council formulates specific measures for the pilot real estate tax, and the governments of the pilot areas formulate specific implementation rules. The pilot period is five years from the date of issuance of the pilot measures by the State Council. The taxation objects in the pilot areas are all kinds of real estate for residential and non-residential purposes, excluding rural residential bases and their residences owned by law, and the land-use rights holders and house owners are the taxpayers of real estate tax. The Decision requires that the State Council shall, under the principle of being proactive and prudent, determine pilot areas by taking into overall consideration the needs for deepening the pilot program, unifying legislation, and promoting the stable and healthy development of the real estate market, and report them to the Standing Committee of the National People's Congress for recordation.

As of the Latest Practicable Date, the pilot cities of real estate tax were Shanghai and Chongqing, so the Decision is not expected to affect cities where we and our related parties operate. Therefore, our Directors confirm that (i) as of the Latest Practicable Date, neither we nor our related parties had been subject to any regulatory investigations concerning real estate tax; (ii)we will monitor and comply with the relevant real estate tax regulations and requirements they come into effect; and (iii) the Decision will not have any material adverse impact on our operation or financial conditions.

PRC Laws and Regulations Relating to Overseas Listing

On February 17, 2023, the CSRC passed the Trial Administrative Measures of the Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) (the "**Overseas Listing Trial Measures**") and relevant five guidelines, which became effective on March 31, 2023.

According to the Overseas Listing Trial Measures, an issuer is deemed to be a domestic enterprise indirectly listed abroad if it also meets the following circumstances: (i) the domestic enterprise's operating revenue, total profit, total assets or net assets for the most recent fiscal year, any of which accounts for more than 50% of the relevant data in the issuer's audited consolidated financial statements for the same periods, and (ii) the majority of the senior management personnel responsible for business operation and management are Chinese citizens or have their habitual residence in the PRC, and the main part of the business activities are carried out in the territory or the main premises are located in the territory. If an issuer makes an initial public offering or listing outside of China, it shall file with the CSRC within three business days after the issuance and listing application documents are submitted outside of China. The Overseas Listing Trial Measures also stipulates that if there are significant matters such as change of control, investigation or punishment by overseas securities regulatory authorities or relevant competent authorities, active termination of listing or mandatory termination of listing after the issuer's overseas issuance and listing, it shall report the details to CSRC within three business days from the date of occurrence and announcement of the relevant matters.

On the same day, in order to promote the orderly implementation of the management pilot scheme, the CSRC issued Notice on the Arrangements for the Recordation-Based Administration of Overseas Offering and Listing by Domestic Enterprises(《關於境內企業境外發行上市備案管理安排的通知》), which stipulates that from the date when the Overseas Listing Trial Measures come into force, domestic enterprises falling within the scope of recordation are stock enterprises if (i) they have already been listed in an overseas offering; (ii) before the date when the Overseas Listing Trial Measures come into force, the applications for indirect overseas offering and listing have been approved by overseas regulatory institutions or overseas stock exchanges (for example, the hearing has been passed in the Hong Kong market or the registration has been permitted to become effective in the US market), and there is no need to undergo the regulatory procedures of overseas regulatory institutions or overseas stock exchanges for offering and listing (such as rehearing for the Hong Kong market, etc.), and overseas offering and listing have been completed before September 30, 2023. Stock companies are not required to file immediately, and subsequent filings should be filed as required if they are involved in refinancing and other filing matters.

On 24 February, 2023, the Provisions on Strengthening the Confidentiality and Archives Administration Concerning the Overseas Securities Offering and Listing by Domestic Enterprises(《關於加強境內企業境外發行證券和上市相關保密和檔案管理工作的規定》) (the "**Confidentiality and Archives Administration Provisions**") was released, which became effective on March 31, 2023. According to the Confidentiality and Archives Administration

Provisions, domestic joint-stock companies with direct overseas offerings and listed entities and domestic operating entities with indirect overseas offerings and listed entities provide or publicly disclose to relevant securities companies, securities service providers, overseas regulatory bodies and other entities and individuals, or provide or publicly disclose through their overseas listed entities, etc., documents or information involving state secrets or secrets of the work of state organs, or other documents or information that will adversely affect national security or public interest after disclosure, the corresponding procedures shall be strictly performed in accordance with the relevant state regulations.

Our PRC Legal Advisors are of the view that (i) the implementation of the [**REDACTED**] and [**REDACTED**] proposal is subject to the filing and approval procedures of domestic and offshore competent regulatory authorities, including, without limitation, CSRC, HKEX and SFC; and (ii) the Company shall submit filing documents to CSRC within three business days following the [**REDACTED**] at the HKEX. In compliance with the Overseas Listing Trial Measures, we submitted filing documents to CSRC, and CSRC received our filing documents on July 5, 2023. CSRC confirmed that our filing was completed on February 5, 2024. No other approvals from CSRC are required to be obtained for the [**REDACTED**] of the H Shares on the Stock Exchange.

Recent Changes for the Individual Housing Loans

On August 18, 2023, MOHURD, PBOC, and the State Administration of Financial Regulatory Commission jointly promulgated the Circular on Optimizing the Standards for Determining the Number of Houses in Individual Housing Loans (《關於優化個人住房貸款中住房套數認定標準的通知》) (the "**Circular**"). On the same day, MOF, SAT, and MOHURD released the Announcement on Continuing to Implement Relevant Individual Income Tax Policies in Support of Residents' Purchase of Housing (《關於延續實施支持居民換購住房有關個人所得税政策的公告》) (the "**Announcement**"). For details, please refer to the section headed "Regulatory Overview – Laws and Regulations Relating to Real Estate Market" in this document.

Our Directors and our PRC Legal Advisors are of the view that the Circular and the Announcement relax restrictions on housing loans for merchandized property purchasers, extend the tax refund period for housing purchases, and release some demand for housing purchases, without any material adverse impacts on our Group's existing and future projects from CSUD Group and its associates, and our Group's operational and financial performance. On the basis of the above, particularly in light of the view of our Directors and our PRC Legal Advisors, the Sole Sponsor concurs that the Circular and the Announcement do not have any material adverse impacts on our Group's existing and future projects from CSUD Group and its associates, and our Group's operational and financial performance.

QUALITY CONTROL

We believe quality control is essential to the long-term success of our Company. With the help of a qualified quality control team, we are able to uphold service standards, standardize service practices, and monitor service quality across all of our operating operations. We have established a comprehensive quality control procedure, which includes, (i) internal quality control standards and guidelines to improve and maintain the conditions of the sites or premises where the project is located, construction work, customer service, safety control and environment protection; (ii) specific quality standards and supervision in subcontracting agreements; and (iii) standardized mechanism based on a call center for dealing with customer complaints.

Quality Control over Property Management Services

We obtained GB/T 19001-2016/ISO9001:2015 quality management certification from Beijing Elvey Quality Certification Center (北京埃爾維質量認證中心) for the first time in 2017. Since obtaining the certification, we have been operating in accordance with this standard. We have developed a project management standardization manual to guide and monitor the quality of services of each subsidiary and project, which includes several sets of internal standards and guidelines. For example, after each round of regular inspections, we require feedback from our subsidiaries and projects on the rectification of problems and timely follow-up on the entire situation of the problem. In addition, we have technique instruction manuals on how to conduct specific business operations, such as how to clean building lobbies, how to build stone upkeep, and how to maintain and operate fire-suppression systems. To ensure the quality of work is up to standard, supervisors of our branches and projects regularly check their subordinates' attendance records, work execution status, and work standards. Furthermore, we have established a general quality management guideline, and each of our subsidiaries has developed individual implementation details by refining and adapting the guideline to their specific operations and customization requirement from our Company and the customers' demand. All of our property management initiatives are required to comply with these internal standards and guidelines. We are constantly optimizing new internal standards to meet the changing requirements of our clients.

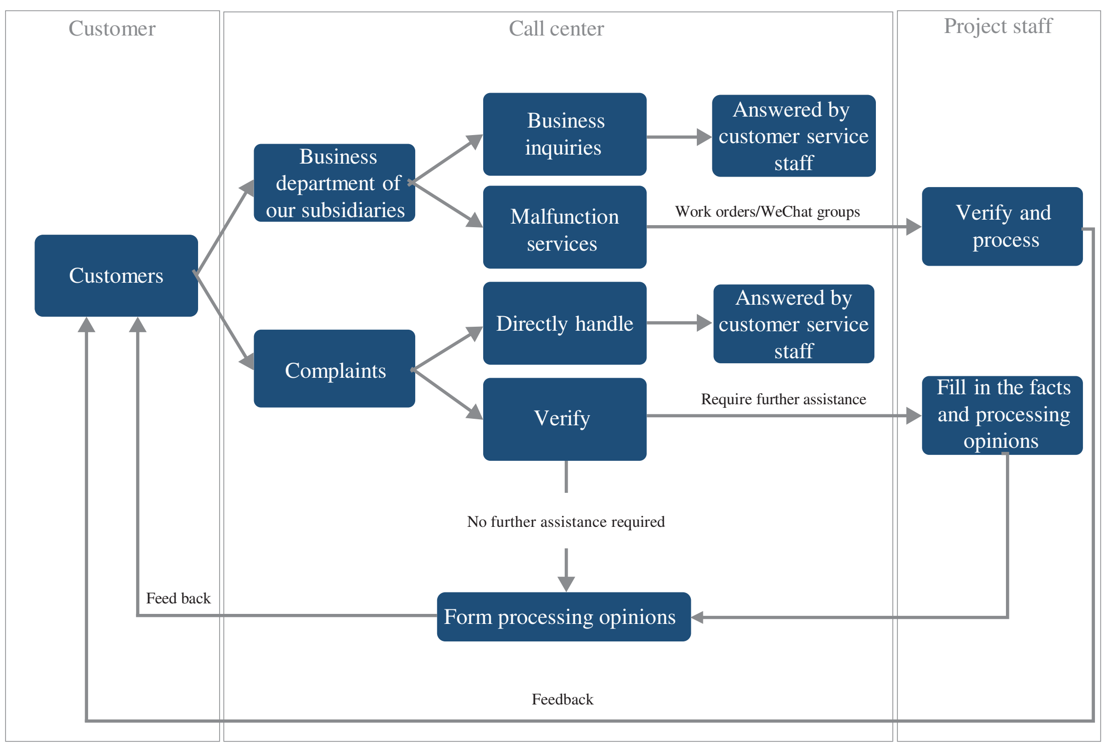
During the Track Record Period and up to the Latest Practicable Date, as advised by our PRC Legal Advisors, there were no material claims or complaints arising from service liabilities or incidents.

Feedback and Complaint Management

In the regular course of business, we ask for and get feedback and complaints from customers about our services. Consumers can contact us with comments and complaints by calling our service hotline or communicating with employees who are working on our property management projects. Inadequate services provided by our subcontractors and property loss or damage are just a few examples of how customer comments and complaints may be related.

We have created a standardized mechanism for attending to customer feedback and complaints in our parking lot operation sector, documenting those cases, and following up with customers to get their feedback on our replies. Our customers can use the call center to ask for business inquiries and malfunction services relevant to the business sections of our subsidiaries. In addition, they can also submit complaints through the call center. Our customer service staff will answer inquiries and those complaints that can be handled directly through the call center. Complaints that need to be verified but do not require further assistance can also be handled directly through the call center. In addition, malfunction services and complaints that require verification and further assistance will be handled by our project staff and corresponding answers will be sent back to customers. All interactions with customers must be documented and stored in textual and visual form. Until the issue has been handled, the staff members handling the case must maintain positive communication with the client. We believe such series of standards and procedures enable us to efficiently scale up and consistently replicate our operations without compromising our service quality. After [**REDACTED**], we will promote this system to all business segments.

The following flow chart illustrates each stage of our standardized mechanism for attending to customer feedback and complaints:



The Lighting Company's procedure for handling feedback and complaints is as follows. Our monitoring system gathers complaints through the citizen hotline 12345, mass repair reports, and intelligent city management, categorizes them based on maintenance areas and fault types, dispatches maintenance tasks, promptly monitors the progress of work orders, and responds or returns orders within the allotted time.

During the Track Record Period and up to the Latest Practicable Date, there were no customer complaints about our services that could have a material negative impact on our business operations or financial condition.

INTELLECTUAL PROPERTY

We consider that maintaining our intellectual property rights is essential to the success of our business. To protect our intellectual property rights, we mainly rely on laws and regulations governing trademarks and copyrights as well as the contractual obligations of our employees and third parties to maintain confidentiality and avoid competition.

As of the Latest Practicable Date, we registered three patents, seven trademarks, seven domain names and 31 software copyrights and one copyright of the work in the PRC and registered three trademarks in Hong Kong which are important to our business. As of the Latest Practicable Date, our above trademarks and other intellectual property rights had not been pledged and we had not had any material disputes with third parties in relation to the above trademarks and other intellectual property rights. According to our PRC Legal Advisors, we legally own the above intellectual property rights, and we have the right to use, license to third parties or transfer to third parties the above intellectual property rights during the term of the above intellectual property rights. For details of our registered intellectual property rights, please refer to the section headed "Appendix VI – Statutory and General Information – B. Further Information about Our Business – 2. Intellectual Property of Our Group" to this document.

AWARDS AND RECOGNITIONS

The following table sets forth some of our awards and recognitions received during the Track Record Period and as of the Latest Practicable Date:

Award/Recognition	Awarding year	Awarding entity
Ranked 49th among the 2023 Top 100 Property Management Companies in China (2023中國物業服務百強企業(第49位))	2023	CIA
Ranked 23rd among the 2023 Excellent State-owned Property Management Companies in China (2023中國國有物業服務優秀企業(第23位))	2023	CIA
2023 Leading Smart City Service Companies in China (2023中國智慧城市服務領先企業)	2023	CIA

Award/Recognition	Awarding year	Awarding entity
2023 Leading Specialized Property Management Companies in China (2023中國特色物業服務領先企業)	2023	CIA
2023 China Excellent Brand in City Service of Property Service Companies (2023中國城市服務優秀物業品牌企業)	2023	CIA
2023 Property Brand Worthy of Attention in Capital Market (2023值得資本市場關注的物業品牌)	2023	CIA
2023 Brand of Property Service Companies in Central China (2023華中區域物業服務品牌企業)	2023	CIA
The 2022 Excellent Property Enterprise in Property Industry in Hunan (2022年度湖南省物業行業優秀物業企業)	2023	Hunan Property Management Industry Association (湖南省物業管理行業協會)
Star Property Service Unit (星級物業服務項目)	2022	Hunan Property Management Industry Association (湖南省物業管理行業協會)
Green Property Management Evaluation Sign (綠色物業管理評價標識)	2022	China Enterprise Quality Certification Supervision Center (中國企業質量認證監督中心) and China Enterprise Credit Evaluation and Certification Center (中國企業信用評估認證中心)
Ranked 75th among the 2022 Top 100 Property Management Companies in China (2022中國物業服務百強企業(第75位))	2022	CIA

Award/Recognition	Awarding year	Awarding entity
Ranked 35th among the 2022 China Excellent State-owned Property Management Companies (2022中國國有物業服務優秀企業(第35位))	2022	CIA
The 2021 Top 100 among Service Industry Revenue in Hunan Xiangjiang New District (湖南湘江新區2021年度服務業營收百強企業)	2022	The CPC Committee of Hunan Xiangjiang New District (中共湖南湘江新區工作委員會) and the Management Committee of Hunan Xiangjiang New District (湖南湘江新區管理委員會)
Hunan Contract-keeping and Creditworthy Enterprise (湖南省守合同重信用企業)	2022	Hunan Contract-keeping and Creditworthy Enterprise Association (湖南省守合同重信用企業協會)
Ranked 117th among the 2021 Top 500 China Property Management Companies (2021物業服務企業綜合實力500強(第117位))	2021	Shanghai E-house Real Estate Research Institute (上海易居房地產研究院) and China Real Estate Evaluation Center (中國房地產測評中心)
The 2021 Excellent Property Enterprise in Property Industry in Hunan (2021年度湖南省物業行業優秀物業企業)	2021	Hunan Property Management Industry Association (湖南省物業管理行業協會)
Hunan Contract-keeping and Creditworthy Enterprise (湖南省守合同重信用企業)	2021	Hunan Contract-keeping and Creditworthy Enterprise Association (湖南省守合同重信用企業協會)

COMPETITION

The property management services, urban services and commercial operation services market in Changsha and Hunan Province, as well as in China are highly competitive and fragmented. For more details of the industry and markets that we operate in, please refer to the section headed "Industry Overview" in this document.

Property Management Services

Our market share in terms of GFA under management and total revenue from all business segments in 2022 was approximately 0.66% and 0.94% of the property management market in Hunan Province. The property management market size of Changsha was approximately 40% of that of Hunan Province, with a total GFA under management of approximately 623 million sq.m. There were approximately 800 property management companies in Changsha, including about 20 companies headquartered in Changsha with an annual revenue exceeding RMB100 million in 2022. According to CIA, SOEs have advantages at the forefront of the industry, with four out of the top five companies in terms of revenue being SOEs, and nearly half of the top 100 companies being SOEs. In terms of GFA under management in 2022, our Group accounted for approximately 1.65% of the property management market in Changsha. In terms of total revenue in 2022, our Group had a market share of approximately 2.34% of the property management market in Changsha.

The top 100 property management service providers ranked in terms of GFA under management in China accounted for approximately 46.1% of the property management market in 2022, increasing from approximately 32.4% in 2017. According to CIA, the property management market in Changsha will become further concentrated in the future, which is in line with the national trend. In this regard, the corporate size, revenue and market share of major market players are expected to continue to grow more rapidly than other market participants. SOEs may occupy a more advantageous position in the property management service market, because they commonly possess good credit ratings and resource advantages. In addition, due to the compliance standards adhered to by SOEs, they normally have better risk prevention capabilities, and are expected to build up a higher degree of trust with property owners and developers. Our Group, relying on the resource advantages of CSUD Group in Changsha, will also be more competitive in the future property management service market. Our Directors believe we are competitive in our target market, mid-range to high-end property management service market. China's economic development has led to increased urbanization and continuous growth in per capita disposable income for urban citizens. As a result, we anticipate with the improvement of people's living standard, people will be more willing to pay a premium for quality property management services.

Urban Services

According to CIA, there were approximately 350 urban service providers in Changsha in 2022, with the vast majority being small-scale private enterprises. In terms of revenue, our Group accounted for approximately 1.05% and 0.42% of the urban service market in Changsha and Hunan Province, respectively.

Our Group benefits from factors such as favorable policies in the urban public services, diversified business structure, brand recognition, and business development capabilities. For example, the Hunan Provincial Department of Finance (湖南省財政廳) issued the Hunan Provincial Government Purchased Services Management Implementation Measures (《湖南省政府購買服務管理實施辦法》), which provides us with a standardized and transparent guideline on urban service operation. In addition, as of the Latest Practicable Date, CSUD Group was the largest urban investment and development enterprise in terms of total asset, revenue and net profit in both Changsha and Hunan Province. Our relationship with CSUD Group is expected to provide future opportunities for our public property management and urban services operations. Our Directors are of the view that, as an emerging growth point, the urban service business of our Group has development potential, and our market share in Changsha is expected to further increase in the future.

Commercial Operation Services

Our market share in terms of GFA under management in Hunan Province in 2022 was approximately 0.96% of the commercial operation services market in Hunan Province, and our market share in terms of GFA under management in Changsha in 2022 was approximately 3.21% of the commercial operation services market in Changsha. Based in Changsha, a city renowned for dynamic consumer market, in view of the prosperous commercial activities within the city we are expected to expand our commercial operation services.

We believe that our diversified business structure allows us to maintain a competitive edge over other market participants.

SOCIAL, HEALTH, SAFETY AND ENVIRONMENTAL MATTERS

We are subject to the PRC laws in relation to labor, safety and environment protection matters. During the Track Record Period, we operated in compliance with the standards reflected by our GB/T 45001-2020/ISO45001:2018 occupational health and safety management system certification, which we acquired for the first time in 2017 from Ever Win Quality Certification Center (北京埃爾維質量認證中心), an independent third-party certification agency authorized by the China National Accreditation Service for Conformity Assessment (CNAS). Our current certification is valid to July 20, 2026. During the Track Record Period and up to the Latest Practicable Date, we did not encounter any material accidents that caused harm to individuals or property damage. Our Directors confirm that we did not face any material legal actions or labor disputes during the Track Record Period. We hire employees based on their qualifications and provide equal opportunities to all, regardless of their gender, age, color, religion, or any other social or personal characteristics. We have fully complied with the relevant PRC legislation concerning workplace safety during the Track Record Period and have not experienced any accidents that had a material adverse impact on our operations.

We are dedicated to protecting the environment, and we have taken and put into practice steps to make sure that we adhere to the criteria set forth by GB/T 24001-2016/ISO14001:2015 environmental management certificate and GB/T 23331-2020/ISO50001:2018 energy management certificate, which we initially received from Ever Win Quality Certification Center (北京埃爾維質量認證中心) in 2017 and 2018, respectively. Such certifications we currently hold are valid to July 20, 2026 and to July 4, 2024, respectively, and we have initiated a recertification process for ISO50001 certification to ensure that we can maintain it. We follow the requirements of the International Accreditation Guidelines (issued by the International Accreditation Forum, a worldwide association of accreditation body) and the relevant PRC laws and regulations. We are also subject to regular reviews during the certification period to ensure the validity of our Group's certificates. We are confident that our operations do not pose any significant environmental hazards. During the Track Record Period and up to the Latest Practicable Date, we were not subject to any material administrative penalties for violating environmental laws or laws related to energy, nor were we subject to any material fines or penalties for violating environmental laws or laws related to energy.

OUR GOVERNANCE AND POLICIES REGARDING ENVIRONMENTAL, SOCIAL AND GOVERNANCE AND CLIMATE-RELATED RISKS AND OPPORTUNITIES

The relevant internal control policy, "Environmental and Social Responsibility Management System" (《環境與社會責任管理制度》), has been formulated in conjunction with the actual situation of our Company in order to practice corporate social responsibility, effectively protect our fundamental interests and achieve the sustainable development.

Our Board recognizes the importance of establishing and implementing sound environmental, social, and governance (ESG) principles and practices to increase our investment value and provide long-term returns to our stakeholders. To ensure the effectiveness of our ESG measures, our Board is responsible for overseeing our ESG governance, including developing our overall ESG vision, direction, and strategy, formulating explicit procedures for ESG and climate-related risks management, and reviewing our ESG performance to ensure alignment with our initiatives. To further strengthen the management of our environmental protection and safety construction, we have also established a corporate environmental protection and safety construction committee in August 2023, which comprises key members of our management team, including the chairman and executive Directors of our Board. The committee is responsible for resolving critical ESG matters. It will convene at least one specialized meeting annually and provide our Board with reports on our progress and achievements in environmental protection and safety construction. The committee has reviewed our Group's work reports on safety work and environmental protection in 2023 and the environmental protection and safety work plan for 2024. Our Board will then compile an environmental and social responsibility report, which includes ESG aspects such as resource utilization policies and specific implementations of the social responsibility system, and we will disclose all these reports to the public.

Social Responsibility

We are committed to serving the communities in which we operate and have taken the following steps to fulfill our social responsibility.

Social Welfare

We are actively involved in social welfare and contribute to disaster relief, poverty alleviation and child care. For example, in 2023, we organized a series of activities regarding rural revitalization and fund-raising for charity. Furthermore, our employee volunteers actively participated in community environmental clean-ups and promoted health education initiatives.

Environmental Protection and Resource Conservation

Our Company formulated environmental protection policies in accordance with national regulations on environmental protection and resource conservation, taking into account the actual situation of our Company, which requires our Company to: (i) comply with all relevant laws, rules, regulations and listing rules about environmental protection; (ii) reduce the consumption of various resources such as water, electricity and paper; (iii) avoiding the generation of waste that pollutes the environment as much as possible; (iv) use eco-friendly materials and designs, technologies and raw materials that can save energy and reduce waste; (v) minimize the negative impact on the environment caused by the development of our Company; (vi) provide training to employees on environmental protection; and (vii) create a sustainable environment. For energy management, our Group has formulated management measures to conduct energy conservation management for projects in terms of organization management, selection of measuring instruments, analysis of energy consumption data, operation of facilities and equipment, daily management and assessment. We actively respond to the eight "100% requirements" of the government's Blue Sky Protection Campaign (an action plan for continuous improvement of air quality) for environmental protection and formulate relevant management methods to actively respond to the implementation of the work requirements. In addition, our Group has formulated Commercial Decoration Management Measures and clearly proposed the installation requirements of grease traps and oil smoke purifiers for tenants in commercial properties we have been managing.

Our current ESG policies and targets include guidance on resource consumption, environment protection and burden of the social responsibilities. Our Board may evaluate our ESG risks and review our existing strategy, targets, and internal controls, and make necessary improvements to mitigate risks.

Our Company has engaged a third-party safety consulting organization to improve the Company's emergency management system, prepare comprehensive emergency plans, special emergency plans and on-site disposal programs, and establish a secondary production safety standardization management system. The third-party experts are responsible for identifying safety risks and hidden dangers, carrying out special management of various hidden dangers, grading and controlling risks, and striving to minimize the impact of various emergency contingencies, including extreme weather warnings and disposal processes.

Identification, Assessment and Management of Environmental, Social and Climate-related Risks and Opportunities

We have identified significant environmental, social, and climate-related issues that are closely related to our business through the judgment of our management, including: (i) environmental, social, and climate-related issues could somewhat affect our operational efficiency and financial success. If our business or individual customers experience environmental, social and climate-related issues that reduce their capacity to consume, this would directly impact our operating income and profits; and (ii) environmental, social and climate change risks could expose our business operations to various external pressures from regulators at all levels, investors and public opinion. As a result, we may face a wide range of hazards and opportunities as a result of these environmental, socioeconomic, and climate-related challenges.

We have identified specific material ESG issues and their potential impacts in the following table:

Material issues	Potential risks, opportunities, and impacts
Impact of Extreme Weather	Extreme weather conditions like floods and droughts will probably become more frequent as a result of climate change. These extreme weather conditions could potentially result in risks and physical effects like damage to facilities and equipment like vehicles and lifts, difficulty with transportation, and extended project lead times, which could ultimately increase operational costs across all types of services. In addition, our landscaping and engineering and greening services could be substantially influenced by extreme weather conditions. Extreme weather conditions may also put our employees' health and safety at risk. However, extreme weather conditions can also give us a chance to improve our capacity for damage control and emergency response.

Material issues	Potential risks, opportunities, and impacts
Transition to green building	As a property management service provider, we are vastly aware of the opportunities brought by the development of green building. In the future, we will continue to introduce more energy-efficient and environment-friendly equipment and facilities. While this is likely to incur the purchase cost and increase operational cost in the short term, our environmental performance may be improved in the long term.
Human capital development	Due to the nature of the industry we are in, our ability to continue to operate depends heavily on our workforce. In order to enhance our human capital, we must be able to recruit, retain, and develop a highly competent staff. Employees with insufficient experience or training run a risk of breaking contracts or failing to comply with applicable rules and regulations, which could increase our compliance expenses and fines. Strong human capital may result in a more stable workforce and a lower turnover rate, which reduces recruiting expenses and boosts employee productivity.
Product design and lifecycle management	Products which require frequent repair may lead to a risk of increasing our costs and a lower reputation. We intent to standardize our operation and enhance our quality control method to better serve the properties we manage, which have a positive effect on the environment and the living standard of the communities.
Protection of employees' rights	If we are unable to protect our employees' rights and interests adequately, or if there is any discrimination or unfair treatment against our employees, it could result in the loss of talents and a decrease in our business effectiveness. By offering realistic career development paths and equitably evaluating employee performance, we work to attract, promote, and retain talents. We believe that keeping strong relations with our staff will increase the effectiveness of our operations and our capacity for service.

Material issues	**Potential risks, opportunities, and impacts**
Business ethics	Regulatory risks arising from failure of maintaining a good business ethic may lead to legal risks and loss of our credibility. Conversely, adherence to sound business ethics not only aids in mitigating interest loss and fostering trust with stakeholders but also serves to protect both our employees and the public.

We have put in place various mitigation and measures to prevent the risks from causing unnecessary impact on our operations. For example, in order to reduce environmental pollution and emissions, we have created the quality and environmental handbook, which includes numerous procedures such as pollution control procedures, hazardous chemical management procedures, and environmental performance monitoring and control procedures. Our guiding principle for pollution control is to implement clean production techniques and use eco-friendly raw materials or chemicals as much as we can. We have also implemented measures to follow the regulation on garbage classification and the regulation on waste water disposal on properties under our management. To mitigate potential climate-related risks such as more frequent extreme weather conditions, we have put in place emergency plans against extreme weather conditions where employees and other personnel are notified promptly with any related measures.

Metrics and Targets on Environmental, Social and Climate-related Risks

As an urban service and operation provider, the statistical scope of our environmental performance indicators includes two components, the operations of our Group and the consumption of our customers. The former mainly represents the resource consumption and carbon emissions incurred by us in the operation of our offices and the common areas of our managed properties; the latter mainly represents the resource consumption incurred by our customers in our managed properties. During the Track Record Period, we acted as the intermediary responsible for the bookkeeping and collection of the utility expenses from the majority of our tenants. The table below sets out the details of the total consumption of energy, water, diesel, and gasoline during the Track Record Period:

Metric	**For the year ended December 31,**		
	2021	**2022**	**2023**
Total energy consumption(1) (MWh)	67,033.2	75,177.6	83,118.41
Total water consumption(1) (thousands of cubic meters)	868.9	1,303.5	1,604.1
Diesel consumption (liter)	327,066.2	472,272.8	474,300.1
Gasoline consumption (liter)	9,545.5	12,500.7	16,995.0

Note:

1. The total energy consumption and the total water consumption refer to the amounts used in the operations of our Group and the consumption of our customers.

Metrics of our own operations

During the Track Record Period, our energy consumption intensity and greenhouse gas emission intensity per million RMB revenue, had shown a downward trend measured on a per unit of operating revenue basis. The metrics listed below, such as energy consumption intensity, water consumption per unit of GFA under management, and GHG emissions per unit of GFA under management, were used for comparison with our peers. During the Track Record Period, the metrics of our own operations were comparable to those of our peers. Specifically, both our water consumption per unit of GFA under management and GHG emissions per unit of GFA under management in 2022 fell within the range of our peers, displaying no significant differences. The table below sets out the details of the metrics of our own offices and business operations during the Track Record Period:

Metric	**For the year ended December 31,**		
	2021	**2022**	**2023**
Comprehensive energy consumption (MWh)	18,210.2	21,015.6	24,597.8
Energy consumption intensity (MWh/million RMB of revenue)	42.2	39.8	37.7
Water consumption (thousands of cubic meters)	648.7	855.1	1,046.9
Water consumption intensity (cubic meters/million RMB of revenue)	1,502.9	1,617.8	1,606.0
GHG emissions (Scope 1 and Scope 2) (tons of CO_2e)	9,509.3	10,667.5	12,519.5
GHG emissions intensity (tons of CO_2e/million RMB of revenue)	22.0	20.2	19.2
Water consumption per unit of GFA under management (cubic meters/thousand square meters of GFA under management)(1)	58.2(2)	79.3	88.4
GHG emissions per unit of GFA under management (tons of CO_2e/thousand square meters of GFA under management)(1)	0.9	1.0	1.1

Notes:

1. The area of our urban service projects is not included in the calculation since urban service projects are not measured by GFA under management (a measurement designated exclusively for property management services and commercial operation services).

2. Although there were fluctuations due to change of weather and season, our water consumption per unit of GFA under management and greenhouse gas emissions per unit of GFA under management showed an increasing trend in general due to the increase in the occupancy rate of our managed properties.

According to the Corporate Value Chain (Scope 3) Accounting and Reporting Standard (《企業價值鏈(範圍三)核算與報告標準》) issued by the World Resources Institute (WRI), we have Scope 3 – Other Indirect GHG Emissions (the "**Scope 3 Emissions**") from emissions from downstream tenants, business travel, employee commuting, waste disposal, transport, and distribution (upstream and downstream), etc. We are aware that Scope 3 accounting involves our value chain, and that its categories are broad and complex to calculate. In this regard, we plan to gradually improve and monitor the Scope 3 emissions in accordance with the Environmental, Social and Governance Reporting Guide in Appendix C2 of the Listing Rules, and the Guidance on Climate Disclosures released by on the Stock Exchange, and expand the disclosure of Scope 3 emissions over time. The table below sets out our major indirect GHG emissions (Scope 3) during the Track Record Period(1), which are actually generated by our customers in our managed properties and are generally considered as Scope 3 Emissions – Category 13: downstream leased assets, in accordance with the guidelines referred above.

	For the year ended December 31		
	2021	**2022**	**2023**
Indirect GHG emissions (Scope 3) – downstream leased assets (tons of CO_2e)	28,366.16	31,468.12	33,374.30

Note:

1. Emissions from downstream leased assets were calculated based on the total electricity consumption data withheld and paid by us on behalf of the tenants multiplied by the national grid average emission factor. With reference to the Notice on Priorities Related to the Management of Corporate Greenhouse Gas Emission Reporting in 2022 (《關於做好2022年企業溫室氣體排放報告管理相關重點工作的通知》) and The notice on the Report and Verification of Greenhouse Gas Emissions for Key Industries in 2023-2025 (《關於做好2023-2025年部分重點行業企業溫室氣體排放報告與核查工作的通知》) issued by the Ministry of Ecology and Environment of the PRC, the national grid average emission factor that we have adopted are 0.5810 tons of carbon dioxide equivalent per MWh (2021 and 2022), and 0.5703 tons CO_2 equivalent per MWh (for use in 2023), respectively.

Metrics of the consumption of our customers

During the Track Record Period, we acted as the intermediary responsible for the bookkeeping and collection of electricity and water expenses from the majority of the tenants of our properties under management. The table below sets out the details of electricity and water consumption incurred by our customers in property management service projects and commercial operation service projects during the Track Record Period[(1)]:

	For the year ended December 31		
	2021	**2022**	**2023**
Electricity consumption by external tenants (GWh)	48.82	54.16	58.52
External tenants' electricity intensity (MWh/thousand square meters of GFA under management)	4.38	5.02	4.94
Water consumption by external tenants (thousands of cubic meters)[(2)]	220.19	448.40	557.17
Average water intensity of external tenants (cubic meters/square meter of GFA under management))	0.02	0.04	0.05

Notes:

1. The external tenants' electricity intensity fluctuated during the Track Record Period due to factors such as weather and seasonal variations.

2. The total water consumption by external tenants is on an upward trend due to the increase in the occupancy rate of our managed properties.

Targets on environmental and climate

We are committed to the continuous improvement of energy efficiency and reduction of emissions. As of the Latest Practicable Date, We had formulated energy consumption and water consumption management norms and standards, compiled statistics and analyzed the energy consumption management situation of each project, and set several reasonable management targets but except for total quantitative emission reduction targets in terms of energy consumption and greenhouse gas emissions, as the total amount of energy consumption and greenhouse gas emissions will increase as our business expands, and the intensity targets will allow us to set emission reduction targets in tandem with business growth. Specifically:

- In terms of energy consumption, we plan to reduce our energy intensity (energy consumption per unit of revenue) by 3% by the year 2025, using 2022 as the base year. This target aims to enhance our energy efficiency in support of our national "dual-carbon" strategy and climate change resilience. From 2022 to 2023, our energy intensity per unit of revenue has shown a downward trend.

- In terms of carbon emissions, we plan to reduce the greenhouse gas emissions intensity (per unit revenue) of our operations by 3% by 2025, using 2022 as the base year. From 2022 to 2023, our GHG emissions intensity has shown a downward trend.

- In terms of water consumption, we plan to reduce our water consumption intensity (per unit revenue) by 5% by 2025, using 2022 as the base year. This target aims to facilitate our efforts to improve the efficiency of water resources utilization to promote conservation and protection of water resources.

Our Directors are of the view that we are on track to achieve the targets set out above as we strengthen our energy efficiency management, implement energy conservation and emission reduction strategies across our project portfolio, and roll out environmental and green office initiatives to our tenants. At the same time, we will closely monitor the energy saving and emission reduction practices of our peers and the level of our target setting, and review and adjust our targets as appropriate.

EMPLOYEES

We appreciate that talent is one of the core competencies for the sustainable development of an enterprise. As of December 31, 2021, 2022, and 2023, the number of our contract employees was 365, 354 and 578, respectively. The number of employees in the operation, maintenance, and repair function increased from 12 as of December 31, 2022 to 181 as of December 31, 2023 primarily because we converted dispatched workers to our contract employees in order to comply with relevant laws and regulations. As of the Latest Practicable Date, our employees, with an average age of 38.6, were well-educated and over 67% of them had earned a college degree or higher.

We believe that our experienced management team and employees are crucial to our success. Our senior management team, accounting for about 5.0% of the workforce, has extensive experience and shares the strategic vision in property management, commercial operation and other related industries. We believe their expertise and knowledge in the property management industry, and abilities in execution and resource coordination had contributed to our steady and continuous growth during the Track Record Period.

The following table sets forth a breakdown of our employees by function as of the dates indicated:

	As of December 31,		
	2021	2022	2023
Off-site position	87	93	142
– Senior management	18	21	22
– Administrative management (including human resource, legal compliance and emergency management)	69	72	120
On-site position	278	261	436
– Project management	131	130	97
– Security	21	18	23
– Cleaning	6	6	19
– Construction	36	35	33
– Operation, maintenance and repair	23	12	181
– Customer service	30	38	59
– Others	31	22	24
Total	365	354	578

During the Track Record Period, the majority of our employees are located in Changsha, Hunan Province. We still have a few employees located in Pingxiang, Jiangxi Province, the number of whom is four, four, and three, respectively.

During the Track Record Period, we engaged dispatched staff by signing labor dispatch service agreements with third-party dispatch agencies. These dispatched staff were mainly hired for positions with a supporting nature. These dispatched staff entered into labor contracts with the dispatch agencies and not with us, and the relevant costs of social insurance and housing funds for the dispatched staff were not borne by us. There were certain non-compliance incidents associated with this arrangement, for details, please refer to the paragraph headed "– Legal Proceedings and Compliance – Non-compliance – Number of Dispatched Staff Engaged Exceeding Regulatory Threshold" in this section.

Social Insurance and Housing Provident Fund Contributions

According to the relevant PRC laws and regulations, we are required to make contributions to social insurance fund (including pension fund, medicine insurance, unemployment insurance, work-related injury insurance, and maternity insurance) and housing provident fund for the benefit of our employees.

During the Track Record Period, as confirmed by our Directors, the social insurance fund and housing provident fund has covered all employees, but we have not fully paid the contributions to social insurance and housing provident fund as required under the PRC law. We failed to make full payments as required because some of our employees requested us not to pay social insurance and housing provident funds for them because they had purchased new rural insurance, a type of social insurance for rural residents, or for other personal reasons.

According to the Social Insurance Law of the PRC (《中華人民共和國社會保險法》), if we were ordered by the social insurance premium collection agency to pay or make up the social insurance premiums within a stipulated period while still failed to do so, the maximum potential penalty would be a late payment fine of 0.05% per day from the date of default with a fine of three times the amount owed.

According to the Regulations on the Administration of Housing Provident Fund (《住房公積金管理條例》), if we were ordered by the housing provident fund administrative center to pay or make up the housing provident fund contributions within a stipulated period while still failed to do so, the maximum potential penalty would be the compulsory enforcement applied by the housing provident fund administrative center to the PRC court for the non-payment or underpayment of the housing provident fund.

We have consulted and obtained written confirmations from competent governmental authorities that during the Track Record Period, we had not been subject to any administrative penalties relating to social insurance and housing provident fund, and our PRC Legal Advisors are of the view that the risk of any action to be taken by relevant authorities demanding us to make up for our historical arrears of social insurance and housing provident fund is remote.

The competent authorities for our payment of social insurance and the changes of which are set out in the table below:

Entity	Competent Authority	Confirmation Timing
	Before November 1, 2020	
Our Group (except for Lighting Company which was established in March 2022)	The Changsha Municipal Bureau of Human Resources and Social Security (長沙市人力資源和社會保障局)	April, 2023
	After November 1, 2020	
Parking Company and Chengtou Asset	The Tianxin District Tax Bureau of Changsha of the State Administration of Taxation (國家稅務總局長沙市天心區稅務)	May, 2023 August, 2023 January, 2024

Entity	Competent Authority	Confirmation Timing
Our Company	The Third Taxation Agency of Xiangjiang New District Tax Bureau of Hunan of the State Administration of Taxation (國家稅務總局湖南省湘江新區稅務局第三稅務所)	February, 2023 August, 2023 January, 2024
Chengfa Property and Landscaping Company	The Pingtang Taxation Agency of Xiangjiang New District Tax Bureau of Hunan of the State Administration of Taxation (國家稅務總局湖南省湘江新區稅務局坪塘稅務所)	February, 2023 August, 2023 January, 2024
Chengfa Commercial and Lighting Company	The Wangchengpo Taxation Agency of Xiangjiang New District Tax Bureau of Hunan of the State Administration of Taxation (國家稅務總局湖南省湘江新區稅務局望城坡稅務所)	February, 2023 August, 2023 January, 2024
Chengtou Property	The Juzhou Taxation Agency of Xiangjiang New District Tax Bureau of Hunan of the State Administration of Taxation (國家稅務總局湖南省湘江新區稅務局桔洲稅務所)	February, 2023 August, 2023
	After August 16, 2023	
Chengfa Property, Chengfa Commercial and Chengtou Property	The Second Taxation Agency of Xiangjiang New District Tax Bureau of Hunan of the State Administration of Taxation (國家稅務總局湖南省湘江新區稅務局第二稅務所)	January, 2024

In accordance with the relevant provisions of the Social Insurance Law of the PRC (《中華人民共和國社會保險法》) and the Announcement Regarding the Taxation Department Collecting Enterprise Social Insurance Premiums and Occupational Annuity of Government Departments and Public Institutions (《關於企業社會保險費和機關事業單位職業年金交由稅務部門徵收的公告》), as well as the administrative duties released on websites of governmental authorities, our PRC Legal Advisors are of the view that the aforementioned authorities are the competent authorities in respect of payment of social insurance.

The competent authorities for our payment of housing provident fund are shown in the table below:

Entity	Competent Authority	Confirmation Timing
Our Company, Chengfa Commercial, and Lighting Company	The Hunan Housing Provident Fund Administrative Center for Units Directly under Provincial Jurisdiction (湖南省直單位住房公積金管理中心)	February and August, 2023 January, 2024
Chengfa Property		April and August, 2023 January, 2024
Landscaping Company		March and August, 2023 January, 2024
Parking Company	The Changsha Housing Provident Fund Administrative Center (長沙市住房公積金管理中心)	January and August, 2023 January, 2024
Chengtou Asset and Chengtou Property		March and August, 2023 January, 2024

In accordance with the relevant provisions of the Regulations on the Administration of Housing Provident Fund (《住房公積金管理條例》) in respect of the duties of the management center of housing provident fund, the administrative duties released on websites of governmental authorities, and the consultation with the aforementioned authorities, our PRC Legal Advisors are of the view that the aforementioned authorities are the competent authorities in respect of housing provident fund.

We adjusted the social insurance contribution base and contribution ratio in March 2024 and completed the rectification by the end of March 2024. In addition, we adjusted the housing provident fund contribution base and contribution ratio in July 2023 and completed the rectification by the end of July 2023. We have also formulated and issued the Management Measures for Employee Insurance (《員工保險管理辦法》), which stipulates that the human resources department will regularly check the latest regulations and policies issued by the relevant government authorities each year. We will pay social insurance and housing provident fund contributions for employees, and ensure that the calculation and payment methods are in compliance with the relevant laws and regulations.

During the Track Record Period, the amount of shortfall of social insurance contribution was RMB6.1 million, RMB6.4 million, and RMB6.5 million, respectively. Accordingly, based on the unpaid social insurance contribution of RMB19.0 million for the Track Record Period, if we fail to make required payments within the prescribed period as required by the competent authorities, the potential maximum penalty could be RMB57.0 million, three times the outstanding amount of our social insurance contribution.

We have obtained written confirmations from competent authorities as stated above. According to the confirmations from competent authorities and our Directors, as well as the online public search conducted by our PRC Legal Advisors, during the Track Record Period, (i) no fines, recoveries, late payment fees, or any other administrative penalties, enforcement measures, or investigations by the competent authorities had been or would be imposed on us; (ii) there were no disputes or litigations regarding social insurance between the competent authorities and us; and (iii) the competent authorities had not received any employee complaints or arbitration cases indicating our violation of labor and social insurance laws, rules, and regulations.

During the Track Record Period, the amount of shortfall of housing provident fund contribution was RMB246 thousand, RMB180 thousand, and RMB49 thousand, respectively. Therefore, in respect of the unpaid amount of our housing provident fund contribution of RMB474 thousand for the Track Record Period, if we fail to make required payments within the prescribed period as required by the competent authorities, the potential maximum penalty could be an order from the PRC court to make full payment on the outstanding amount of RMB474 thousand.

We have obtained written confirmations from the CHPFAC and also consulted the HHPFAC on June 9, 2023. According to the confirmations and consultation, during the Track Record Period, we had not been subject to any administrative penalties relating to housing provident fund issues.

Our PRC Legal Advisors are of the view that the risk of any action to be taken by relevant government authorities demanding us to make up for our historical arrears of social insurance and housing provident fund is remote, based on the following reasons: as of the Latest Practicable Date, (i) there were no relevant regulatory policies requiring us to settle the unpaid social insurance and housing provident fund during the Track Record Period; (ii) we had not received any notice from relevant governmental authorities requesting the payment of any shortfall in social insurance and housing provident fund or the payment of fines; (iii) we had not engaged in any major employee complaints or any major labor disputes regarding social insurance and housing provident fund matters; and (iv) we had obtained confirmations from the local government authorities that we did not received any penalties related to social insurance and housing provident fund, which was also verified through online public search conducted by our PRC Legal Advisors and confirmed by our Directors. Our Directors believe that the risk of incurring material administrative penalties issued by the relevant government authorities in relation to social insurance and housing provident fund payments is remote. In addition, if any notice related to the payment of social insurance and housing provident fund is received from competent governmental authorities in the future, CSUDGCL undertakes that it will make up the required amount within the stipulated period.

Therefore, our Directors believe that our failure to fully pay social insurance and housing provident fund payments will not have an adverse impact on our financial condition and business operations.

Recruiting

We are dedicated to filling our talent pool with talented and well-suited employees. We have also built thorough sets of internal policies and procedures to direct each stage of our efforts as part of our attempts to hire the best in our industry.

We routinely review both our hiring practices and job descriptions. While we have identified the skills and qualities prospective candidates should possess for various management levels and positions, we also make an effort to hire applicants who share our work ethic and corporate culture. The following steps make up our basic hiring process:

- *Application for recruitment.* Departments in need will apply to recruit to fill job vacancies.

- *Issue job posting.* Our human resources department will then issue job postings with descriptions of our required qualifications on our own website and online job banks.

- *Screen and selection.* Our screening and selection processes primarily include (i) review and screening of resumes by the human resources department and the relevant recruiting department; (ii) video interviews or face-to-face interviews by the human resources department and the relevant recruiting department; and (iii) after the interviews, we will conduct a background check and qualification verification, such as educational background and credentials, working experience for the qualified candidates.

- *Offer.* Once the salary is set and the medical examination is completed, we will initiate the employment approval process.

Training and Development

We consider our staff to be crucial to the caliber of our services and the satisfaction of our clients. We provide our employees with opportunities for career growth and training in the technical skills essential to our business as part of our ongoing efforts to keep and inspire talent.

The training programs are primarily classified into the following categories:

- *Induction training for newcomers:* An orientation training is offered to newcomers for them to familiarize themselves with general skills with respect to our business operation, introducing them to our corporate culture, coaching them on our teamwork model, and teaching them our service standards and procedures.

- *Routine trainings:* All employees are required to attend continuing skill trainings. We provide them with trainings tailored to the needs of their position and duties. We provide training for employees of the Company and Lighting Company in order to improve their skills in market development, legal compliance and quality management. For our employees of professional expertise, we have a training plan covering engineering management, tools operation, and lighting-related skills such as electricity, street lighting engineering construction and control system operation. Management skill training including project operation management, housing lease management, asset management, engineering management and contract management, will be provided for employees of Chengfa Commercial. In addition, we also provide training for employees of Parking Company to improve their standardized management skills and information technology skills.

- *Trainings for all employees:* We offer quality development training to strengthen teamwork and communication. We will also provide training in financial management, general management, product safety management and fire drills.

We also plan to participate in training sponsored by external organizations. For the financial personnel and project leaders of the Company, we will provide financial-related training and property industry-specific training respectively. For relevant employees of Chengfa Commercial, we have a training plan covering financial management and asset management. In addition, we will provide office software training, writing training, negotiation and management training for relevant employees.

We have also established a competitive compensation structure and a performance assessment system for motivating our employees to contribute to our growth. Our compensation structure comprises salary (including basic salary and performance-based salary), allowance, and welfare. We assess performance-based salaries with respect to key performance indicators including business, key tasks, routine work, attitude, and ability. According to the performance appraisal management measures, the performance coefficient and assessment cycle of different appraisal levels are distinct. Special incentives are given to organizations and individuals with excellent performance and teams that achieve better work performance. The results of the annual appraisal of employees can be used as a reference basis for promotion but are not decisive. Employee promotion needs to be comprehensively evaluated from the dimensions of morality, ability, diligence, performance, and incorruptibility, carried out through a dual-channel development mechanism comprising competitive recruitment and professional position grade evaluation.

We have adopted market-oriented talent retention mechanisms, including a multi-dimensional talent development system that caters to employees of different positions and at different stages of development, to foster their continuous growth and enable them to address the evolving needs of our developing business. We believe that our effective human resource system will enable us to retain competent employees who are essential to our ability to provide quality and diversified services, enhance our market position and achieve sustainable growth.

Employee Misconduct Incidents

We face risks from potential fraudulent activities, negligence, or other wrongdoings by our employees, subcontractors, or other external parties. These risks could lead to financial losses, penalties from government bodies, and damage to our reputation. For details, please refer to the section headed "Risk Factors – Risks Relating to Our Business and Industry – We are exposed to risks associated with failing to detect and prevent fraud, corruption, negligence or other misconduct (accidental or otherwise) committed by our employees, subcontractors or third parties" in this document.

Set out below are incidents involving misconduct of our employees. In each of these incidents, we have adopted rectification measures to address the operational or internal control-related deficiencies. We believe that, such misconduct did not materially and adversely impact on our business operations and financial conditions.

Li Fang incident

On May 27, 2021 the executive director and authorized representative of Chengfa Commercial (previously known as Hengtong Commercial Management) and Chengtou Asset, Ms. Li Fang ("**Ms. Li**") was subject to an investigation by the Changsha Kaifu District Discipline Inspection Commission (開福區紀律檢查委員會) and the Kaifu District Supervisory Commission (開福區監察委員會) for suspected violation of relevant laws and regulations (the "**Investigation**"). Ms. Li was removed from her directorship and management positions of the aforesaid subsidiaries of our Group in November 2021 and was dismissed from her employment with our Group in May 2022.

According to the judgment of the People's Court of Kaifu District, Ms. Li was convicted of accepting bribes and sentenced to prison for four years with a fine of RMB300,000. She illegally accepted or demanded a total of approximately RMB1.4 million in cash and goods from 2018 to 2021, taking advantage of her positions within our Group and other state-owned enterprises, among which, the amount of illegal gains out of holding positions within our Group is approximately RMB0.7 million.

Two employees of our Group were involved in the Investigation. One of them violated the Bidding Law of the People's Republic of China (《中華人民共和國招標投標法》) and relevant regulations by instructing the relevant agency to replace the documents of a bidder. With Ms. Li's consent, such employee informed the bidder to reproduce its tender documents to supplement its past performance records, and the employee also instructed a tender agency to replace the bidder's original tender documents, ultimately resulting in the bidder winning the tender. However, no evidence was found of this employee transferring benefits to the winning bidder throughout the investigation. According to the People's Republic of China Public Officials Administrative Sanctions Law (《中華人民共和國公職人員政務處分法》) and the Regulations on Supervisory Authorities' Oversight and Law Enforcement (《監察機關監督執法工作規定》), this employee was given an administrative warning and removed from the previous position as a manager of security and risk management department, and was later appointed as a manager of financial management department. In addition, in the early stages of the Investigation, another employee acted under the instructions of Ms. Li not to truthfully admit to the Party Committee of CSUD Group in assisting Ms. Li in returning gifts and cash to one of our customers, under the instructions of Ms. Li. This employee's actions violated the Chinese Communist Party Disciplinary Regulations (《中國共產黨紀律處分條例》). Considering that this employee was cooperative during the investigation and clearly explained the facts in relation to the incident. Based on the Rules for the Supervision and Discipline Work of the Chinese Communist Party's Disciplinary Inspection Organs (《中國共產黨紀律檢查機關監督執紀工作規則》), the Party Committee of CSUD Group gave this employee a reprimand and advice. Such employee served as an operation specialist before the incident and the employee's position was not affected by the incident. Considering that the above-mentioned employees' misconducts did not have any material adverse effect on our business operations and appropriate penalties had been imposed on them, our Directors decided to retain the two employees in our Group.

As of the Latest Practicable Date, none of our Directors or senior management has been involved in the above-mentioned incident, or was subject to any litigation or investigation in relation to the incident. As of the Latest Practicable Date, our Group had not been subject to any litigation or penalty in relation to this incident.

We believe that the following underlying factors led to the incident mentioned above:

- insufficient internal control policies to guide the identification, complaint and countermeasures against corruption, bribery, fraud, and other employee misconduct;
- inadequate measures against the directors' conflict of interest behaviors, inadequate principles and procedures for identifying, disclosing, preventing, and restraining conflict of interest;
- insufficient policies and procedures for interest claims, and insufficient trainings to the directors, senior management, and staff;
- our previous risk management operation guidelines were inadequate; and
- we did not establish an independent internal audit system, specify responsibilities and authority of relevant personnel, formulate an internal audit policy, or conduct internal audit work.

After the occurrence of this case, our Group has implemented the following policies and procedures to address potential bribery and corruption incidents:

- implementation of role separation in key areas and the establishment of internal controls for fund payment approval, project approval, personnel arrangement, and material procurement to reduce the risk of fraud;
- the party community working department (黨群工作部) is responsible for the anti-corruption work of our Group, including receiving whistle-blowing reports, conducting case investigations, drafting investigation reports, proposing opinions, and following up;
- established a whistle-blowing and complaint-handling process through written or email submissions, and our Group will conduct investigations for any suspected cases of bribery, corruption or other related misconduct or fraudulent activities. If misconduct is confirmed, our Group may take disciplinary actions as appropriate, report to the relevant regulatory authorities, and legal actions may be initiated to recover any losses incurred as a result of such misconduct;
- employees signed the integrity pledge and declared their conflicts of interest they may have;

- formulated the Anti-fraud and Reporting and Complaint Management Measures (《反舞弊及舉報投訴管理辦法》), which stipulates the procedures for preventing, identifying, reporting, monitoring, handling procedures of fraud, bribery, money-laundering, corruption, irregularities and other misbehavior;

- formulated the Conflict of Interest Management System (《利益衝突管理制度》), which stipulates the processes and handling principles of the identification, disclosure, prevention and restraint of conflicts of interest, as well as the policies and procedures for the declaration of interests;

- conducted training to educate the director, senior management, and staff on conflict of interest;

- formulated the Risk Management Basic System (《風險管理基本制度》), which stipulates the identification, assessment, monitoring and control activities of risks in the operation and management process; and

- formulated the Internal Audit Management System (《內部審計管理制度》), which stipulates the principles, scope, personnel and working procedures of internal audit, stipulates that internal audit department put forward correction and handling opinions on illegal and misbehavior in operational activities, and give suggestions on improving management and perfecting governance of operational activities.

Other employee misconduct incidents

During the Track Record Period and up to the Latest Practicable Date, we had detected misconduct and negligent acts committed by our employees, including misconduct in relation to misappropriation of dormitory rental fees, lax employee discipline and misappropriation of parking fees by the employees of our subcontractor. After the occurrence of these cases, we have identified the liabilities of relevant responsible persons and imposed penalties accordingly. We conducted an internal review and have implemented internal control measures to control the risks and prevent the recurrence of similar incidents, including strengthening human resource management, improving business procedures and enhancing training and supervision on compliance. According to our PRC Legal Advisors, the relevant incidents do not constitute criminal activity and/or do not violate mandatory legal regulations. The mentioned misconduct had not caused any material adverse impact on our Group's operations.

We believe that the following underlying factors led to the incidents mentioned above:

- we did not have an independent internal audit system in place with oversight responsibilities and authorities delineated, whilst we also did not formulate an internal audit policy and conduct any internal audit work;

- we did not circulate any employee handbook to regulate staff's behaviors and conduct; and

- we did not set adequate policies and procedures to oversee payment collections by third parties.

We also believe that the underlying factors leading to the incidents mentioned above are the lack of awareness of discipline and rules of the relevant employees, as well as the inadequate design of previous systems and processes, resulting in incomplete supervision. In preparation for the [**REDACTED**], we have engaged an independent internal control consultant to review our internal control environment based on an agreed scope covering controls and procedures in the aspects of company level and business process according to AATB1 issued by the HKICPA. Based on the recommendation of our internal control consultant, we have taken the following rectification measures in respect of the aforesaid incidents:

- we have formulated the Internal Audit Management System (《內部審計管理制度》). For details, please refer to the section headed "Business – EMPLOYEES – Employee Misconduct Incidents – Li Fang incident" in this document;

- we have circulated the employee handbook to regulate staff's behaviors and conducts; and

- we have issued the Cash Receipt Management Implementation Rules (《現金收款管理實施細則》), which standardizes the principles, methods, accounting timing, and registration requirements when receiving cash from customers. Except for channels where individual customers can only pay in cash, all others should settle payments through our Group's bank accounts or third-party payment platforms (such as WeChat, Alipay) registered under our Group's name. Personal retention of cash from customers is strictly prohibited.

There is no further recommendation in relation to the internal controls of the above processes provided by the internal control consultant after the follow-up review. We believe we have taken the appropriate steps to prevent the occurrence of similar incidents through the measures described above.

To ensure that compliance is embedded into our everyday workflow and expectations for individual compliant behaviors are established across our organizations, we will regularly conduct internal compliance checks and inspections, adopt strict accountability internally, practice compliance matters with necessary counseling and conduct compliance training.

Our Directors are of the view, to which the Sole Sponsor concurs, that the employee misconduct incidents mentioned above do not affect the suitability of our Directors to act as directors of a listed issuer under Rules 3.08 and 3.09 of the Listing Rules based on the following: (i) according to our PRC Legal Advisors, in light of the criminal judgment of the People's Court of Kaifu District, none of our Directors was involved in Ms. Li's incident, or was subject to any litigation or criminal penalties in relation to the incident; (ii) according to the background checks and litigation searches conducted in respect of each of our Directors, there was no record showing that any of our Directors was involved in the other employee misconduct incidents mentioned above; (iii) each of our Directors had rendered a confirmation in writing confirming that he/ she was not involved in Ms. Li's incident and the other employee misconduct incidents mentioned above; and (iv) remedial internal control protocol and measures have been adopted in preventing the recurrence of similar incidents going forward.

Taking into account the factors that (i) none of the competent governmental authorities or regulatory authorities have imposed punishments or penalties on us as a result of such misconduct; (ii) no dispute or litigation has arisen between the relevant employees or any other third party and our Group due to such misconduct; (iii) no claim for indemnification or compensation has been made against our Group due to such misconduct; (iv) no dispute or litigation regarding the execution and performance of any contracts was involved in such misconduct; (v) the internal control consultant does not have a further recommendation in the internal controls after its follow-up review; and (vi) CSUDGCL will fully indemnify our Group for any relevant losses arising from the incidents mentioned above. As advised by the PRC Legal Advisors, our Directors are of the view that these incidents had not caused, and would not cause any material adverse impact on our Group's operational and financial performance or compliance status during and subsequent to the Track Record Period, and that our Group's enhanced internal control measures are effective in preventing the recurrence of similar incidents. On the basis of the above, particularly in light of the view of our Directors and the advice of our PRC Legal Advisors, the Sole Sponsor concurs that these incidents had not caused, and would not cause any material adverse impact on our Group's operational and financial performance or compliance status during and subsequent to the Track Record Period, and that our Group's enhanced internal control measures are effective in preventing the recurrence of similar incidents.

OUR CASH MANAGEMENT POLICY

We have a bank account and cash management policies in place to handle our cash inflows and outflows that is applicable to all of our subsidiaries and branches in the normal course of business. To reduce the risks associated with keeping cash, we often encourage our subsidiaries and branches to settle their transactions using bank transfers. Our employees are explicitly prohibited from taking and/or utilizing our funds for personal or other uses that are outside the scope of our normal business operations.

Cash flow transactions	Cash handling policies and internal control measures
Receipt of property management fees or other service fees from our customers	We typically have designated cashiers or customer service personnel for cash collection who verify the correctness of cash amount collected before issuing receipts. Each transaction must be accurately documented and be up for review by the appropriate supervisors. We require that all cash collections be recorded within 24 hours.

Cash flow transactions	Cash handling policies and internal control measures
Opening and managing bank accounts of our subsidiaries and branches	Our subsidiaries and branches shall adhere to our internal procedures in relation to the opening of bank accounts. Generally, they are required to complete an application form before opening any bank accounts. Our subsidiaries and branches usually need to reconcile and check their bank balances on a monthly basis.
Cash transfers to our bank account or the bank accounts of our subsidiaries and branches	We receive cash through methods such as electronic payment, smart POS payment, bank transfers, etc., and cash collected from these methods are directly deposited into the bank accounts of our subsidiaries. Our employees are typically required to timely file all proofs of payment.
Payments made to suppliers, service providers and third-party subcontractors of our subsidiaries and branches	Payments by our subsidiaries and branches to suppliers, service providers and subcontractors must be pre-approved by the responsible supervising personnel at a higher level. Once approved, such payments must be made straight from our subsidiaries' and branches bank accounts.
Cash inventories and bank deposits	Normally, we do not enable our subsidiaries and branches to hold more than RMB2,000 in cash on hand. We require to deposit cash into the bank accounts of our subsidiaries and branches within the day excess amounts are received. We also assign accounting personnel to check cash balances and relevant records from time to time at unexpected moments.

INSURANCE

During the Track Record Period, we covered our operating employees with third-party employer liability insurance and employee accident insurance. Our subcontractors are responsible for compensating their own employees who sustain injuries to person or property while performing their services, and we expressly expect them to establish employment agreements with their own employees.

We maintain insurance policies against major risks and liabilities arising from our business operations, primarily including (i) property insurance for damages to property owned by us or in our custody; (ii) facility and equipment insurance (e.g. vehicles); (iii) liability accident insurance; (iv) natural disasters insurance; (v) professional liability insurance; (vi) employee compensation insurance; and (vii) third-party liability insurance, etc. In addition, our executives have supplementary medical insurance, our subsidiaries have supplementary endowment insurance. Our social insurance is fully covered according to the PRC labor law.

We expressly require our third-party subcontractors to purchase insurance for their employees who provide services to our Group, including but not limited to social insurance, work-related injury insurance, and third-party liability insurance. As of the Latest Practicable Date, there was no unresolved insurance claim arising from workplace injury.

Our Directors believe that our existing insurance coverage is consistent with the industry norm and sufficient for our present operations. However, our insurance coverage may not adequately protect us against certain operating risks and other hazards, which may result in adverse effects on our business. For details, please refer to the section headed "Risk Factors – Risks Relating to Our Business and Industry – Our insurance may not sufficiently cover, or may not cover at all, losses and liabilities we may encounter" in this document.

CERTIFICATES, LICENSES AND PERMITS

We are required to obtain and maintain various certificates, licenses and permits in relation to our operations. As advised by our PRC Legal Advisors, we obtained material certificates, licenses and permits from relevant authorities for our main business segments throughout the entire Track Record Period and as of Latest Practicable Date.

The following table sets forth the key licenses and permits required to operate our business during the Track Record Period:

Type of license or permit	Holder	Effective date/year	Expiration date/year
Filing certificate for security guard self-recruiting entity (自行招用保安員單位備證)	the Company	October 11, 2023	October 11, 2025
Filing certificate for security guard self-recruiting entity (自行招用保安員單位備證)	Chengfa Property	October 11, 2023	October 11, 2025

Type of license or permit	Holder	Effective date/year	Expiration date/year
Municipal domestic waste operation sweeping, collection, transportation and disposal service license (城市生活垃圾經營性清掃、收集、運輸、處置服務許可證)	the Company	November 24, 2023	November 23, 2024
Refrigeration and air conditioning installation and maintenance enterprise certificate (制冷空調安裝維修企業資質證書)	the Company	2018	2028
General contracting on municipal public utility construction engineering certificate (Level 3) (市政公用工程施工總承包資質(叁級))	Landscaping Company	November 18, 2022	July 6, 2026
Construction labor qualification (施工勞務資質)	Landscaping Company	November 18, 2022	July 6, 2026
Professional contracting on architectural decorate project certificate (Level 2) (建築裝修裝飾工程專業承包資質(貳級))	Landscaping Company	November 15, 2022	June 22, 2026
Professional contracting on special engineering (structural reinforcement) certificate (特種工程(結構補強)專業承包資質)	Landscaping Company	November 15, 2022	June 22, 2026
Safety Production Permit (安全生產許可證)	Landscaping Company	August 25, 2021	August 25, 2024

PROPERTIES

As of the Latest Practicable Date, we did not possess properties in China, and we leased 15 properties in various locations with an aggregated GFA of approximately 3.4 thousand sq.m. for use as staff accommodation and office premises, among which all properties were leased from Independent Third Parties as of the Latest Practicable Date.

As of the Latest Practicable Date, one leased property had not obtained title certificate, and a total of nine of the properties leased by us had not been registered for recordation of the lease. According to our PRC Legal Advisors, in the PRC law, the lack of registration of relevant property lease agreements does not affect the validity of such agreements or the rights of the domestic subsidiaries of the issuer under the lease agreements. However, the real estate regulatory authority may order the registration of such agreements within a specified time frame, and failure to register on time may result in the risk of fines, which will not cause material adverse effects. Our Directors confirm that neither our Company nor its subsidiaries were penalized by relevant authorities during the Track Record Period for failing to register leased properties.

LEGAL PROCEEDINGS AND COMPLIANCE

Legal Proceedings

We might occasionally be involved in legal, arbitral, or administrative actions in the regular course of our business. During the Track Record Period and up to the Latest Practicable Date, there were no legal, arbitration, or administrative proceedings pending or threatened against us or any of our Directors which could have a material adverse effect on our financial condition or results of operations.

Non-compliance

According to our PRC Legal Advisors we had not been subject to fines or legal action involving non-compliance with any PRC laws or regulations relating to our business which could have a material adverse effect on our business, and our Directors confirmed that we had complied with all relevant laws and regulations in the PRC in all material respects during the Track Record Period and up to the Latest Practicable Date.

Social Insurance and Housing Provident Fund Contribution

According to the relevant PRC laws and regulations, we are required to make contributions to social insurance fund (including pension fund, medicine insurance, unemployment insurance, work-related injury insurance, and maternity insurance) and housing provident fund for the benefit of our employees. For details, please refer to the paragraph headed "– Employees – Social Insurance and Housing Provident Fund Contributions" on contributions to housing provident funds in this section above.

Number of Dispatched Staff Engaged Exceeding Regulatory Threshold

According to Article 4 of the Interim Provisions on Labor Dispatch (《勞務派遣暫行規定》), the employer shall strictly control the number of dispatched workers which shall not exceed 10% of the total number of its workers. During the Track Record Period, due to inadequate knowledge of the relevant policies, we did not fully comply with the Interim

Provisions on Labor Dispatch (《勞務派遣暫行規定》). Furthermore, concerning the personnel needed for our Group's business, as these positions of dispatched labor had relatively low technical requirements and high turnover, engaging them was the straightforward approach to fulfill our demand.

We have consulted the competent governmental authority regarding the circumstances under which employers would not be subject to fines or any other penalties relating to dispatched staff, and our PRC Legal Advisors are of the view that the risks of our Group being penalized by the labor administration department for the situation where the number of dispatched labor used in the past exceeded 10% of their total employment is remote, and the risk of being required by the labor administration department to pay social insurance for the dispatched labor is remote.

After figuring out the relevant laws and regulations, our Company, Landscaping Company, and Lighting Company immediately commenced rectification in respect of the dispatched labor issue, with the main rectification measure being to change our Group's labor employment model based on business employment to a business cooperation model based on business attributes, i.e. business outsourcing. Our Company, Landscaping Company and Lighting Company signed the Business Outsourcing Contracts with the business outsourcing contractors in June 2023, and these contracts expressly outline that our Company, Landscaping Company, and Lighting Company will pay the service fees according to the completion of the outsourcing projects. The business outsourcing contractors will be responsible for independent supervision and management of the work of the relevant workers and bear the associated employment risk.

The CMBHRSS is the competent labor administration department of our Group and is empowered to supervise and manage their dispatched labor. In accordance with the relevant provisions of the Labor Law of the PRC (《中華人民共和國勞動法》) and the Labor Contract Law (《勞動合同法》) in respect of the duties of the administrative departments of labor and labor dispatch, as well as the administrative duties released on websites of governmental authorities, our PRC Legal Advisors are of the view that the aforementioned authority is the competent authority in respect of labor dispatch.

As of the end of May 2023, the number of dispatched labor of our Group exceeding the statutory ratio was as follows: the total number of workers of our Company was 1,268, of which 156 were employees and 1,112 were dispatched workers, with the ratio of dispatched labor being 87.7%; the total number of workers of Landscaping Company was 57, of which 25 were employees and 32 were dispatched workers, with the ratio of dispatched labor being 56.14%; the total number of workers of Lighting Company was 102, of which 11 were employees and 91 were dispatched workers, with the ratio of dispatched labor being 89.22%.

According to the Labor Contract Law (《勞動合同法》), if we were ordered by the labor administration department to make corrections for violating the dispatched labor provisions but failed to do so within the prescribed period, the maximum potential penalty would be a fine of

RMB10,000 per person. Therefore, with 1,094 dispatched workers in our Group exceeding the statutory labor dispatch ratio, not making corrections within the prescribed period could lead to a potential maximum penalty of RMB10,000 per person based on this number.

We consulted the CMBHRSS on May 29, 2023 and obtained the confirmation that, (i) if the number of dispatched workers employed by an employer exceeds 10% of its total workforce, but the employer has either completed rectification or is in the process of rectification, with no instances of overdue non-compliance, the labor administration department will not impose fines or any other penalties on the employer; and (ii) the entity responsible for paying social insurance premiums is the party that enters into the labor contract with the employee. If a labor dispatch unit enters into a labor contract with an employee and covers the employee's social insurance payment, and the employee files a complaint with the CMBHRSS demanding full payment of social insurance premiums, the CMBHRSS will only request the labor dispatch unit, a party to the labor contract with the employee, to make the supplementary payment.

As of the Latest Practicable Date, as confirmed by our Directors, (i) our Company, Landscaping Company, and Lighting Company had completed the rectification of the situation where the number of dispatched laborers used in the past exceeded 10% of their total employment, and there was no overdue non-compliance; and (ii) our Company, Landscaping Company, and Lighting Company had not entered into labor contracts with dispatched workers.

Based on the above, according to our PRC Legal Advisors, the risk of our Company, Landscaping Company, and Lighting Company being penalized by the labor administration department for the situation where the number of dispatched labor used in the past exceeded 10% of their total employment is remote, and the risk of being required by the labor administration department to pay social insurance for the dispatched labor is remote.

To prevent recurrence of similar non-compliance, we have formulated and issued the Regulations on the Administration of Labor Dispatch (《勞務派遣用工管理規定》), which specifies that the number of dispatched labor shall not exceed 10% of the total number of workers, and also stipulates the duties, using process and management of dispatched labor. In addition, we supervise the management of dispatched labor by means of a monthly report on personnel matters.

Failure to Register Certain Lease Agreements

As of the Latest Practicable Date, our Group leased a total of 15 properties, out of which nine were not registered. Given the nature of our business and the presence of a well-established property leasing market in the vicinity, we could easily transition to new properties within a short period when necessary, without incurring significant costs or losses. Our failure to file the lease agreements for these leased properties with the local housing administration authorities as required was largely due to the lack of cooperation from the landlords in registering the relevant lease agreements, a circumstance that was beyond our control.

According to the Measures for the Administration of Merchandized Property Leasing (《商品房屋租賃管理辦法》), if we were ordered by the department of construction (real estate) of the government to rectify for failing to complete property leasing registration while failed to do so within a stipulate period, we would be fined ranging from RMB1,000 to RMB10,000. Accordingly, the maximum potential fine to be imposed on us would be RMB90,000. During the Track Record Period, we did not receive any notification from any department.

We plan to take all reasonable steps to facilitate the registration of lease agreements, and we are proactively engaging in the communication with lessors of unregistered properties to facilitate the registration of these lease agreements. After the expiry of the relevant agreements, we intend not to continue leasing unregistered properties. Our Directors do not foresee any practical difficulty in identifying alternative premises for the lease agreements that have not been filed. We have formulated and issued the Measures for the Management of Housing Lease (Trial Implementation) (《房屋租賃管理辦法(試行)》), which stipulates that when leasing properties, we shall communicate with the lessor in advance about the registration of the leased property and stipulate the registration requirement in the contract. After entering into the contract, the parties shall complete the registration in accordance with the requirements of the relevant laws and regulations and the agreement of the contract. We have also established a regular reminder mechanism and updates the management records monthly. Our Directors believe that such non-filing will not have a material impact on our business operations.

Failure to File for Operation and Fee Registrations

As of the Latest Practicable Date, Parking Company operated a total of 141 parking lots, 126 among which completed the registration of operating public parking lots, and the construction of four of the parking lots was uncompleted and did not need to be registered. We will complete the registration of operating public parking lots after the completion and acceptance of these four parking lots. For the other unregistered 11 parking lots, the Traffic Police Department in Wangcheng district of Changsha confirmed that registration was not necessary for parking lots located in Wangcheng district, thereby exempting the registration for five parking lots, while the other six were in the process of registration. The reason for delay is the lack of cooperation from the owners of these six parking lots in filing the registration.

According to the Measures for the Administration of Motor Vehicle Parking Lots in Changsha (《長沙市機動車停車場管理辦法》), if a unit fails to register with and report to the traffic management department of the public security organ for public parking lots, it shall be ordered to make corrections by the traffic management department of the public security organ and may be fined RMB1,000. Accordingly, the maximum potential fine to be imposed on Parking Company would be RMB6,000.

We have committed to liaise with the property owners and actively communicate with them regarding the unregistered parking lots, in order to collaboratively complete the registration process. We have formulated and issued the Operation Management System (Trial Implementation) (《運營管理制度(試行)》), which stipulates that we shall communicate with the owner and conduct prior research for the parking lots registration and complete registrations in accordance with the relevant laws and regulations. We have also established an recording system to manage registrations.

RISK MANAGEMENT AND INTERNAL CONTROL

Our future performance of operation may be impacted by the risks related to our business, some of which are diversifiable risks, while the others are systematic risks. Please refer to the section headed "Risk Factors – Risks Relating to Our Business and Industry" for more details of the major risks identified by our management in this document. We have implemented various risk management policies and measures to identify, assess, manage and monitor risks arising from our operations. Risks identified by our management team, internal and external reporting mechanism, remedial measures and contingency management have been codified in our policies. These policies and procedures are essential to the achievement of sound governance and the healthy growth of our business performance. In particular, we have adopted, among other things, the following risk management measures:

- our Directors and senior management attended a training session on February 8, 2023 in relation to the relevant requirements of the Listing Rules and duties of directors of companies [**REDACTED**] in Hong Kong;

- establishing an audit committee under the Board to monitor the integrity of our financial statements and review financial reporting judgments contained in our annual and interim reports. Our audit committee consists of three Directors, namely Ms. Chan Ka Lai Vanessa, Mr. Tse Chi Wai and Mr. Yu Xiao. Ms. Chan Ka Lai Vanessa is the chairlady of the audit committee and the independent non-executive Director with appropriate professional qualifications. For details of the qualifications and experiences of these members, please refer to the section headed "Directors, Supervisors and Senior Management";

- adopting adequate internal control policies to ensure the continuing compliance with the Listing Rules, including but not limited to the detection and administration of notifiable and connected transactions, horizontal competition and other disclosure matters;

- providing regular anti-corruption and anti-bribery compliance training for senior management and employees in order to cultivate a good compliance culture, such as to carry out clean and anti-corruption propaganda when new employees entered, and to hold regular lectures. At the same time, we require all senior management, middle-level management to sign the letter of commitment for integrity; and

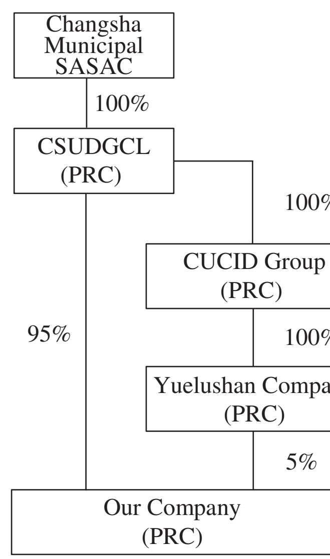
- our human resources department is responsible for monitoring compliance with our internal rules and procedures by our employees to ensure that we comply with the relevant regulatory requirements and the applicable laws so as to reduce our legal risks.

In preparation for the [**REDACTED**], we engaged an independent internal control consultant to review our internal control system, based on an agreed scope covering controls and procedures in the aspects of company level and business process, such as environmental control, information and communication, sales and collection management, procurement and payment management, financial reporting and disclosure controls, cash and treasury management, human resources management, tax management, and purchase of insurance policies. We have adopted the recommendations made by the internal control consultant, who has also completed the follow-up review on our internal control system with regard to those actions taken by us. Taking into consideration of the above, our Directors are of the view that our enhanced internal control measures are adequate and effective for our current business environment.

OVERVIEW

As of the Latest Practicable Date, CSUDGCL, a limited company incorporated in the PRC (which was wholly owned by Changsha Municipal SASAC) and a promoter of our Company, was directly interested in and entitled to exercise, 95% of the voting rights in our Company through 114,000,000 Unlisted Shares held by it. As of Latest Practicable Date, CSUDGCL was indirectly interested in the remaining 5% of our total issued share capital through CUCID Group and Yuelushan Company (the other promoter of our Company). Accordingly, CSUDGCL, CUCID Group and Yuelushan Company constitute a group of Controlling Shareholders. Immediately following the completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised), our Controlling Shareholders will be able to exercise, in aggregate, [**REDACTED**]% of the voting rights in our Company and therefore will remain as our Controlling Shareholders pursuant to the Listing Rules.

The following diagram illustrates the shareholding structure of our Company as of the Latest Practicable Date:



DELINEATION OF BUSINESS

Overview

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

	Principal Business
Our Group	provision of property management services, urban services (including landscaping and engineering, parking lot operation, lighting system operation and municipal sanitation services), and commercial operation services
CSUD Group	urban construction, development, operation and investment business; property development and investment business

One of our Controlling Shareholders, CSUDGCL, is a city developer and operator, as well as an urban public infrastructure and property investor with a significant market share in Hunan Province. With its core business in urban development, construction, operation and investment, and property development and investment, CSUD Group has developed a diversified portfolio of properties and infrastructures, including but not limited to public infrastructures and facilities such as bridges, avenues and tunnels, office buildings, culture parks, and exhibition centers. During the Track Record Period, the total revenue of CSUD Group (including our Group) were approximately RMB34,087.7 million, RMB38,415.9 million and RMB43,264.3 million, respectively, and the net profit of which in the corresponding periods were approximately RMB1,624.7 million, RMB1,338.0 million and RMB1,536.0 million respectively. The revenue of our Group generated from CSUD Group and its associates as customer represented approximately 42.4%, 44.4% and 44.4% of the total revenue of our Group for the years ended December 31, 2021, 2022 and 2023, respectively.

Business delineation between our Group and CSUD Group

Our Directors are of the view that the businesses of our Group and CSUD Group are clearly delineated. CSUD Group principally assumes the roles of developer, owner and/or investor in respect of the properties and projects developed or invested by CSUD Group with the purpose of maximizing CSUD Group's investment interests and brand value in such self-developed properties and infrastructure construction projects; whereas our Group is principally a light-asset service provider without holding any ownership interest in its managed properties, with our property management services aimed at keeping the properties under management safe, clean and functional, our urban services aimed at improving the environment of property developments and addressing the lifestyle needs of existing residents, and our commercial operation services aimed at promoting and marketing the properties under management.

Notwithstanding our Group and CSUD Group are both engaged in the property industry, they are engaged in different segments of the property industry chain with only limited overlapping or similar businesses as described below, and the nature of their operations complements, and does not compete with, each other. Whilst there exist limited overlapping or similar businesses our Directors are of the view, based on the reasons and detailed analysis below, that it will not materially affect the business delineation between our Group and CSUD Group, and the interests of CSUD Group in the existing limited overlapping or similar businesses do not, and will not, give rise to (i) any direct or indirect competition between our Group and CSUD Group in any material aspect; or (ii) any actual or potential conflict of interest between our Group and CSUD Group in any material aspect.

The table below sets forth the limited overlapping or similar businesses among our Group and certain subsidiaries of CSUD Group as of the Latest Practicable Date:

	Overlapping or similar businesses	Principal business	Scale of overlapping or similar businesses
Our Group	Provision of property management services, urban services (including landscaping and engineering and parking lot operation), and commercial operation services	Provision of property management services, urban services (including landscaping and engineering, lighting system operation, parking lot operation and municipal sanitation services), and commercial operation services	
Changsha Xingshui (an indirect non-wholly owned subsidiary of CSUDGCL)	Provision of property management services and landscape engineering and construction services	Provision of property management services and landscape engineering and construction services	As of December 31, 2021, 2022 and 2023, a total of approximately 30,094 sq.m., 30,094 sq.m. and nil GFA under management in relation to property management services provided to external third parties which were not subsidiaries of Shuiye Group (an indirect non-wholly owned subsidiary of CSUDGCL mainly engages in the provision of water supply and drainage services) was covered by Changsha Xingshui, respectively, amounted to less than 0.3%, 0.3% and nil of our Group's total GFA under management for the same dates. Changsha Xingshui only had one project with respect to such services as of December 31, 2022 and such project was later terminated in 2023. During the Track Record Period, revenue generated from providing property management services to external third parties which were not subsidiaries of Shuiye Group by Changsha Xingshui amounted to approximately RMB3.7 million, RMB4.5 million and RMB3.3 million, respectively, representing less than 1.0%, 1.0% and 1.0% of the total revenue of our Group for the same years, respectively. For the years ended December 31, 2021, 2022 and 2023, revenue generated by Changsha Xingshui from its provision of landscape engineering and construction services to external third parties which were not subsidiaries of Shuiye Group amounted to approximately RMB28.0 million, RMB68.4 million and RMB27.3 million, respectively, representing approximately 6.5%, 12.9% and 4.2% of our total revenue for the same years, respectively. There was no overlapping customer between Changsha Xingshui and our Group during the Track Record Period.

	Overlapping or similar businesses	Principal business	Scale of overlapping or similar businesses
Hunan Changran (an indirect non-wholly owned subsidiary of CSUDGCL)	Provision of property management services including cleaning, security, landscaping maintenance and ancillary parking services	Provision of property management services	As of December 31, 2021, 2022 and 2023, a total of approximately 246,000 sq.m., 246,000 sq.m. and 227,200 sq.m. GFA under management in relation to property management services was covered by Hunan Changran, respectively, amounted to less than 2.5%, 2.5% and 2.1% of our Group's total GFA under management for the same dates. During the Track Record Period, revenue generated by Hunan Changran from its provision of property management services to external parties which were not subsidiaries of Ranqi Group (an indirect non-wholly owned subsidiary of CSUDGCL mainly engages in the provision of gas related services) amounted to approximately RMB4.4 million, RMB3.1 million and RMB2.3 million, respectively, representing less than 2.0%, 1.5% and 1.0% of the total revenue of our Group for the same years, respectively. There was no overlapping customer between Hunan Changran and our Group during the Track Record Period.
Changsha Zurbrueggen (a 30%-controlled company directly held by Pilot Investment, a subsidiary of CSUDGCL)	Provision of property management services including cleaning, security, gardening and other ancillary services	Provision of property management services and property rental services	As of December 31, 2021, 2022 and 2023, a total of approximately 1,441 sq.m., 1,441 sq.m. and 1,441 sq.m. GFA under management in relation to property management services was covered by Changsha Zurbrueggen, respectively, amounted to less than 0.02%, 0.02% and 0.02% of our Group's total GFA under management for the same dates. During the Track Record Period, revenue generated by Changsha Zurbrueggen from its provision of property management services amounted to approximately nil, RMB0.07 million and RMB0.07 million, respectively, representing approximately nil, 0.03% and 0.01% of our total revenue generated from the property management services for the same years, respectively. There was no overlapping customer between Changsha Zurbrueggen and our Group during the Track Record Period.

	Overlapping or similar businesses	Principal business	Scale of overlapping or similar businesses
Hunan Huayujin (a 49%-controlled company indirectly held by Shuiye Group)	Provision of commercial management services including marketing, investment attraction and management services	Provision of commercial management services	As of December 31, 2021, 2022 and 2023, a total of approximately 20,554 sq.m., 1,855 sq.m. and nil GFA under management in relation to commercial operation services was covered by Hunan Huayujin, respectively, amounted to less than 4.0%, 0.4% and nil of our Group's total GFA under management in relation to commercial operation services for the same dates. During the Track Record Period, revenue generated by Hunan Huayujin from its provision of commercial operation services amounted to approximately RMB6.9 million, RMB3.6 million and RMB3.6 million, respectively, representing approximately 1.6%, 0.7% and 0.6% of our total revenue for the same years, respectively. There was no overlapping customer between Hunan Huayujin and our Group during the Track Record Period.
Zhongnan Water (an indirect non-wholly owned subsidiary of CSUDGCL)	Provision of municipal infrastructure construction services including network construction and pipeline construction with respect to water supply and drainage and water plant reconstruction and expansion, and other construction services by Zhongnan Water is similar to the landscaping and engineering services provided by our Group	Provision of municipal infrastructure construction services which mainly include network and pipeline construction with respect to water supply and drainage, and water plant reconstruction and expansion	(i) The overlapping businesses between Zhongnan Water and our Group include pipeline construction, interior renovation and earth work construction services. Other similar construction service businesses were not overlapped between Zhongnan Water and our Group since we were not qualified to engage in such construction services which Zhongnan Water was otherwise qualified for during the Track Record Period and up to the Latest Practicable Date. There was no overlapping customer between Zhongnan Water and our Group during the Track Record Period.

Overlapping or similar businesses	Principal business	Scale of overlapping or similar businesses
		(ii) Our revenue generated from the overlapping businesses with Zhongnan Water merely constitutes an immaterial portion of our total revenue during the Track Record Period: • In terms of pipeline construction, for the year ended December 31, 2022, our revenue generated from pipeline construction projects in relation to energy supply was approximately RMB3.5 million, representing approximately 0.66% of our total revenue for the same year. No revenue was generated from pipeline construction projects in relation to energy supply for the years ended December 31, 2021 and 2023; • In terms of interior renovation, for the years ended December 31, 2022 and 2023, our revenue generated from interior renovation projects was approximately RMB3.6 million and RMB3.2 million, respectively, representing approximately 0.68% and 0.49% of our total revenue for the same years. No revenue was generated from interior renovation projects for the year ended December 31, 2021; and • In terms of earth work construction, for the year ended December 31, 2022, our revenue generated from earth work construction projects was approximately RMB3.3 million, representing approximately 0.6% of our total revenue. No revenue was generated from earth work construction projects for the years ended December 31, 2021 and 2023. (iii) To focus on our main business and avoid any future competition that may arise between our Group and Zhongnan Water, as of the Latest Practicable Date, our Group had ceased to undertake pipeline construction projects in relation to energy supply, construction projects in relation to interior renovation, and earth work construction projects.

Property management services and landscape engineering and construction services by Changsha Xingshui

As of the Latest Practicable Date, CSUDGCL, one of our Controlling Shareholders, indirectly owned 89.12% equity interest in Shuiye Group, which in turn indirectly owned the entire equity interest in Changsha Xingshui. Changsha Xingshui is engaged in property management services and landscape engineering and construction services. Being mainly an in-house property management and landscape engineering and construction service provider of Shuiye Group, whose principal business is to provide water supply and drainage services, Changsha Xingshui mainly provides property management services and landscape engineering and construction services to properties operated by the Shuiye Group and rarely participates in public bidding for property services provider initiated by external third parties since it focuses on its main role as an in-house service provider of Shuiye Group. Changsha Xingshui only had 4, 4 and 1 projects to provide services to parties which were not subsidiaries of Shuiye Group for the years ended December 31, 2021, 2022 and 2023, respectively.

Notwithstanding that Changsha Xingshui is engaged in property management services and landscape engineering and construction services, which is to a certain extent overlapping with our principal business, we consider that the competition between our Group and Changsha Xingshui is limited primarily due to the following reasons:

(a) Changsha Xingshui serves mainly as an internal function of the Shuiye Group and provides property services such as cleaning, security, landscaping engineering and water utility construction services to properties such as water plants, office buildings and residential properties owned or operated by subsidiaries of Shuiye Group, whose principal business is to provide water supply and drainage services. In contrast, our Group provides property management services to substantially more diversified types of properties operated and managed by various Independent Third Party customers. Our Group also provides urban services and commercial operation services, which we believe to have a clear delineation with Changsha Xingshui in terms of business scope and customer base and coverage.

(b) The property management and landscape engineering and construction services needed by the Shuiye Group are mainly provided by Changsha Xingshui; and we did not participate in any public tenders initiated by Shuiye Group or provide any services to Shuiye Group during the Track Record Period as far as our Directors are aware. Changsha Xingshui, as of the Latest Practicable Date, intended to continue focusing its role as an in-house service provider to provide property management and landscape engineering and construction services to properties owned or operated by the Shuiye Group.

(c) We have entered into an equity entrustment agreement (the "**Changsha Xingshui Equity Entrustment Agreement**") with the sole shareholder of Changsha Xingshui, Zhongnan Huayun Development Co., Ltd. (中南華韻發展有限公司, "**Zhongnan Huayun**"), pursuant to which, Zhongnan Huayun entrusted us with the management and operation of Changsha Xingshui by way of equity entrustment. Meanwhile, pursuant to the Changsha Xingshui Equity Entrustment Agreement, Zhongnan Huayun undertook to resolve the competition between Changsha Xingshui and our Group through (i) disposal of its equity interests in Changsha Xingshui or (ii) other approaches within three years after the execution of such agreement. Although it is legally impracticable to include the overlapping businesses in our Group through entrustment, transfer or assignment of property management agreements which remain in effect due to the Transfer Restriction under the relevant PRC laws and regulations as disclosed in this section below, as advised by our PRC Legal Advisors, there is no legal impediment to execute the undertakings by Zhongnan Huayun in respect of the disposal of its equity interests in Changsha Xingshui through equity transfer subject to the fulfillment of the relevant regulatory process regarding the transfer of state-owned equity interests and approval from competent administrative authorities pursuant to the relevant PRC laws and regulations. Our Directors believe that the three-year period under the Changsha Xingshui Equity Entrustment Agreement was reasonably determined given (i) the complexity regarding the disposal of equity interests in Changsha Xingshui through equity transfer, and (ii) the PRC legal restrictions on direct engagement, transfer or assignment of individual property management agreements.

For details of the entrustment, please refer to "Continuing Connected Transactions" in this document. Pursuant to the Changsha Xingshui Equity Entrustment Agreement, we are entitled to conduct operation management over Changsha Xingshui by way of:

(i) exercising shareholder's right of Zhongnan Huayun to a certain extent, including but not limited to deciding on matters with respect to the existing overlapping businesses between Changsha Xingshui and our Group, adjusting or terminating relevant business operations, business policies and investment plans of Changsha Xingshui, transferring, leasing or granting existing overlapping businesses to any third party; and

(ii) deciding on the expansion and acquisition plans of the existing or potential overlapping businesses between Changsha Xingshui and our Group.

By entering into the Changsha Xingshui Equity Entrustment Agreement, we would be placed in a better position to monitor the operation and management of Changsha Xingshui in light of the equity entrustment and exercise the rights and powers associated therewith in order to avoid any future competition between Changsha Xingshui and our Group. The entrustment arrangement would also provide us with a sound opportunity to integrate the businesses of Changsha Xingshui and our Group, and facilitate a smooth transfer of CSUDGCL's equity interests in Changsha Xingshui to our Group when an appropriate opportunity emerges.

Pursuant to the Changsha Xingshui Equity Entrustment Agreement, our Company would receive an annual service fee of RMB1,000,000 for each year, and would not share any profits generated or loss derived from Changsha Xingshui and the assets and liabilities of Changsha Xingshui would not be consolidated with the financial statements of our Group.

As advised by our PRC Legal Advisors, the arrangement under Changsha Xingshui Equity Entrustment Agreement does not violate any PRC laws and regulations.

In order to further regulate the business delineation between our Group and Changsha Xingshui after [**REDACTED**], CSUDGCL and Shuiye Group have entered into Deeds of Non-Competition in favor of us and such deeds stipulate that we have options to acquire the overlapping businesses. For details, please see "– Deeds of Non-Competition" below.

(d) Changsha Xingshui and our Group are operated and managed independently. None of the directors or senior management of Changsha Xingshui or Zhongnan Huayun overlapped with our Directors and senior management or was otherwise involved in the day-to-day operations of our Group.

(e) The tender process of our Group is independent from that of Changsha Xingshui, and the negotiations of the terms of our projects and those of Changsha Xingshui during the Track Record Period were conducted on a case-by-case basis and were neither interconnected nor inter-conditional with each other. There was also no overlapping of suppliers, nor cost or resources sharing between our Group and Changsha Xingshui during the Track Record Period.

For the following reasons, the property management services offered by Changsha Xingshui have not been included in our Group as part of the Reorganization:

(a) Not feasible for entrustment, transfer or assignment of the business service itself. As advised by our PRC Legal Advisors, the Regulation on Property Management (《物業管理條例》) of the PRC forbids the transfer, assignment or entrustment of all the property management service within the entire area to other parties. The Regulation on Property Management provides that a property management service provider may transfer, entrust or assign special parts of its services within the property management area to another professional service provider but shall not transfer, entrust or assign all the property management services in its entirety within that area to another professional service provider (collectively referred to as the "**Transfer Restriction**"). The agreements between Changsha Xingshui and its clients are made on an all-inclusive basis in respect of the property management services, which include cleaning, security, gardening and other ancillary services. Therefore, we were unable to include the existing property management business of Changsha Xingshui in our Group through entrustment, transfer or assignment of property management agreements in its entirety;

(b) No control over the change of property management service provider. Pursuant to the Civil Code (《民法典》) of the PRC, for residential properties, the change of property management service provider shall be determined by the property owners at a general meeting. A quorum for the general meeting of the property owners shall consist of the property owners who hold more than two-thirds of the total GFA of the exclusive area of the property and who represent more than two-thirds of the total number of property owners. The general meeting of the property owners can change a property management service provider with affirmative votes of property owners who hold more than half of the total GFA of the exclusive area owned by the property owners participating in the voting and who represent more than half of the total number of property owners participating in the voting (collectively referred to as the "**Replacement Restriction**"). The holding of, and outcome of any voting at, the general meeting of property owners is independent of Changsha Xingshui as well as our Group. Neither Changsha Xingshui nor our Group has any power to convene the general meeting of the property owners, or procure the holding of the general meeting within any specific period of time; nor is Changsha Xingshui or our Group able to exert any control over the voting results of the general meeting of the property owners.

Based on the foregoing, we believe that (i) the potential competition between the property management services, landscape engineering and construction services provided by Changsha Xingshui and the property management services and urban services provided by us is limited in all material aspects; and (ii) sufficient arrangements are, or will be in place, to ensure minimal potential competition between Changsha Xingshui and our Group.

Property management services by Hunan Changran

As of the Latest Practicable Date, CSUDGCL, one of our Controlling Shareholders, indirectly owned 52.5% equity interest in Ranqi Group, which in turn directly owned the entire equity interest in Hunan Changran. Hunan Changran is engaged in property management services which include cleaning, security, landscaping maintenance and ancillary parking services. Hunan Changran, being an in-house property management service provider of the Ranqi Group, mainly provides property management services such as cleaning, security, landscaping maintenance and parking services to properties owned or operated by the Ranqi Group.

Notwithstanding that Hunan Changran is engaged in property management services, which is to a certain extent overlapping with our principal business, we consider that the competition between our Group and Hunan Changran is limited primarily due to the following reasons:

(a) Hunan Changran mainly provides property management services such as cleaning, security, landscaping maintenance and parking services to properties owned or operated by Ranqi Group. Hunan Changran mainly provides property management services to clients that are engaged in warehousing, logistics and other industrial businesses. In contrast, our Group provides property management services to substantially more diversified types of properties operated and managed by various Independent Third Party customers. Our Group also provides urban services and commercial operation services, which we believe to have a clear delineation with Hunan Changran in terms of business scope and customer coverage.

(b) The property management services needed by the Ranqi Group were only provided by Hunan Changran and we did not participate in any public tenders initiated by Ranqi Group during the Track Record Period as far as our Directors are aware. Hunan Changran, as of the Latest Practicable Date, intended to continue focusing its role as an in-house service provider to provide property management services to properties operated by the Ranqi Group as far as our Directors are aware.

(c) We have entered into an equity entrustment agreement (the "**Hunan Changran Equity Entrustment Agreement**") with Ranqi Group, the terms of which are similar to the Changsha Xingshui Equity Entrustment Agreement. For details of the Changsha Xingshui Equity Entrustment Agreement, please refer to the paragraph headed "– Delineation of Business – Business Delineation between Our Group and CSUD Group – Property Management Services and Landscape Engineering and Construction Services by Changsha Xingshui" in this section above.

Pursuant to the Hunan Changran Equity Entrustment Agreement, our Company would receive an annual service fee of RMB50,000 for each year, and would not share any profits generated or loss derived from Hunan Changran and the assets and liabilities of Hunan Changran would not be consolidated with the financial statements of our Group.

As advised by our PRC Legal Advisors, the arrangement under Hunan Changran Equity Entrustment Agreement does not violate any PRC laws and regulations.

In order to further regulate the business delineation between our Group and Hunan Changran after [**REDACTED**], CSUDGCL and Ranqi Group have entered into Deeds of Non-Competition in favor of us. For details of Deeds of Non-Competition, please see "– Deeds of Non-Competition" in this section below.

(d) Hunan Changran and our Group are operated and managed independently. None of the directors or senior management of Hunan Changran or Ranqi Group overlapped with our Directors and senior management or was otherwise involved in the day-to-day operations of our Group.

(e) The tender process of our Group is independent from that of Hunan Changran, and the negotiations of the terms of our projects and those of Hunan Changran during the Track Record Period were conducted on a case-by-case basis and were neither interconnected nor inter-conditional with each other. There was also no overlapping of suppliers, nor cost or resources sharing between our Group and Hunan Changran during the Track Record Period.

For the following reasons, the property management services offered by Hunan Changran have not been included in our Group as part of the Reorganization:

(a) Not feasible for entrustment, transfer or assignment of the business service itself. It would be legally impracticable to include the overlapping businesses in our Group through entrustment, transfer or assignment of property management agreements. The agreements between Hunan Changran and its clients are made on an all-inclusive basis in respect of the property management services, which include cleaning, security, gardening and other ancillary services. Due to the Transfer Restriction, we were unable to include the existing property management services of Hunan Changran in our Group through entrustment, transfer or assignment of property management agreements.

(b) No control over the change of property management service provider. The holding of, and outcome of any voting at, the general meeting of property owners is independent of Hunan Changran as well as our Group. Pursuant to the Replacement Restriction, neither Hunan Changran nor our Group has any power to convene the general meeting of the property owners, or procure the holding of the general meeting within any specific period of time, nor is Hunan Changran or our Group able to exert any control over the voting results of the general meeting of the property owners.

Based on the foregoing, we believe that (i) the potential competition between the property management services provided by Hunan Changran and the property management services and urban services provided by us is limited in all material aspects; and (ii) sufficient arrangements are or will be in place to ensure minimal potential competition between Hunan Changran and our Group.

Property management services by Changsha Zurbrueggen

As of the Latest Practicable Date, CSUDGCL, one of our Controlling Shareholders, indirectly owned 90% equity interest in Pilot Investment, which in turn owned 30% equity interest in Changsha Zurbrueggen. The remaining 70% equity interest in Changsha Zurbrueggen is held by an Independent Third Party. Changsha Zurbrueggen is engaged in property management services which include cleaning, security, gardening and other ancillary services.

Notwithstanding that Changsha Zurbrueggen is engaged in property management services, which is to a certain extent overlapping with our principal business, we consider that the competition between our Group and Changsha Zurbrueggen is limited primarily due to the following reasons:

(a) The volume of property management services provided by Changsha Zurbrueggen is substantially smaller comparing to ours. Changsha Zurbrueggen is only engaged in one property management project during the Track Record Period, the GFA of which amounted to 1,441 sq.m.

(b) Changsha Zurbrueggen and our Group are operated and managed independently. None of the directors or senior management of Changsha Zurbrueggen overlapped with our Directors and senior management or was otherwise involved in the day-to-day operations of our Group.

(c) The tender process of our Group is independent from that of Changsha Zurbrueggen, and the negotiations of the terms of our projects and those of Changsha Zurbrueggen during the Track Record Period were conducted on a case-by-case basis and were neither interconnected nor inter-conditional with each other. There was also no overlapping of suppliers, nor cost or resources sharing between our Group and Changsha Zurbrueggen during the Track Record Period.

Based on the above, we consider the competition between the property management services provided by Changsha Zurbrueggen and our Group is limited in all material aspects.

For the following reasons, the property management services offered by Changsha Zurbrueggen have not been included in our Group as part of the Reorganization:

(a) Not feasible for entrustment, transfer or assignment of the business service itself. It would be legally impracticable to include the overlapping businesses in our Group through entrustment, transfer or assignment of property management agreements. The agreements between Changsha Zurbrueggen and its clients are made on an all-inclusive basis in respect of the property management services, which include cleaning, security, gardening and other ancillary services. Due to the Transfer Restriction, we were unable to include the existing property management services of Changsha Zurbrueggen in our Group through entrustment, transfer or assignment of property management agreements.

(b) No control over the change of property management service provider. The holding of, and outcome of any voting at, the general meeting of property owners is independent of Changsha Zurbrueggen as well as our Group. Pursuant to the Replacement Restriction, neither Changsha Zurbrueggen nor our Group has any power to call the general meeting of the property owners, or procure the holding of the general meeting within any specific period of time, nor is Changsha Zurbrueggen or our Group able to exert any control over the voting results of the general meeting of the property owners.

(c) No statutory or board control by CSUD Group. As of the Latest Practicable Date, CSUDGCL, one of our Controlling shareholders, indirectly owned 90% equity interest in Pilot Investment, which in turn owned 30% equity interest in Changsha Zurbrueggen. The remaining 70% equity interest in Changsha Zurbrueggen is held by an Independent Third Party, therefore, CSUD Group does not exercise statutory or board control over Changsha Zurbrueggen. Changsha Hengde Zurbrueggen Investment Company Limited ("**Zurbrueggen Investment**", 長沙恒德卓伯根投資有限公司), as the sole shareholder directly interested in the equity interest in Changsha Zurbrueggen, owned as to 70% and 30% by an Independent Third Party and Pilot Investment, respectively, is entitled to exercise statutory and board control over Changsha Zurbrueggen. Pilot Investment is owned as to 90% by CSUDGCL. As a controlling shareholder of Zurbrueggen Investment, the Independent Third Party is entitled to exercise a right of first refusal to the equity interest transfer in Zurbrueggen Investment under the articles of association of Changsha Zurbrueggen and the PRC Company Law.

Pursuant to the PRC Company Law, a shareholder of a limited liability company who proposes to transfer its equity interests in the company to a non-shareholder shall obtain the consent of more than half of the other shareholders of the company before such equity transfer. The non-consenting shareholders shall acquire such equity interests if more than half of the other shareholders refused to consent to the proposed transfer (the "**Restrictions on Equity Transfer under PRC Law**"). The other shareholders shall have the right of first refusal if more than half of the other shareholders consented such equity transfer.

Transfer of Pilot Investment's interest in Zurbrueggen Investment to our Group will be subject to Restrictions on Equity Transfer under PRC Law, including the right of first refusal and the consent requirement for the controlling shareholder of Zurbrueggen Investment to purchase the interests from Pilot Investment. We believe it is time-consuming to negotiate with and seek the consent of the controlling shareholder of Zurbrueggen Investment and there is very little chance that it would waive its right of first refusal if Pilot Investment intends to transfer its equity interest in Zurbrueggen Investment to our Group. Considering its relatively small business scale and to avoid incurring additional time and costs in our Reorganization, after arm's length negotiations among the parties, it was agreed that it is in the interests of our Group that Zurbrueggen Investment would not be transferred to our Group as part of the Reorganization.

Commercial operation services by Hunan Huayujin

CSUDGCL, one of our Controlling Shareholders, indirectly owned approximately 89% equity interest in Zhongnan Huayun, which in turn owned approximately 49% equity interest in Hunan Huayujin. The remaining 51% equity interest in Hunan Huayujin is held by an Independent Third Party. Hunan Huayujin is engaged in commercial operation services. Hunan Huayujin mainly provides commercial operation services which include marketing, sales, investment attraction and management services.

Our Directors consider the competition between the commercial operation services of our Group and Hunan Huayujin is limited for the following reasons:

(a) The commercial operation services provided by our Group and Hunan Huayujin are different in business scopes and types of customers. We provide property leasing services and operation and management services to commercial assets for property developers, owners, and renters. By contrast, to the knowledge of our Group, Hunan Huayujin mainly provides marketing, sales, investment attraction and management services for property owners who intend to sell their properties, whereas our Group only provide commercial operation services to property developers, owners, and renters who intend to rent out their properties.

(b) Hunan Huayujin and our Group are operated and managed independently. None of the directors or senior management of Hunan Huayujin overlapped with our Directors and senior management or was otherwise involved in the day-to-day operations of our Group.

(c) The volume of commercial operation services provided by Hunan Huayujin is substantially smaller compared to ours.

(d) The tender process of our Group is independent from that of Hunan Huayujin, and the negotiations of the terms of our projects and those of Hunan Huayujin during the Track Record Period were conducted on a case-by-case basis and were neither interconnected nor inter-conditional with each other. There was also no overlapping of suppliers, nor cost or resources sharing between our Group and Hunan Huayujin during the Track Record Period.

Based on the above, we consider the potential competition between the commercial operation services provided by Hunan Huayujin and our Group is limited in all material aspects.

For the following reason, the commercial operation services offered by Hunan Huayujin have not been included in our Group as part of the Reorganization:

No statutory or board control by CSUD Group. As of the Latest Practicable Date, CSUDGCL, one of our Controlling Shareholders, indirectly owned approximately 89% equity interest in Zhongnan Huayun, which in turn owned approximately 49% equity interest in Hunan Huayujin. The remaining 51% equity interest in Hunan Huayujin is held by an Independent Third Party, therefore, CSUD Group does not exercise statutory or board control over Hunan Huayujin. As a controlling shareholder of Hunan Huayujin, the Independent Third Party is entitled to exercise a right of first refusal to the equity interest transfer in Hunan Huayujin under the articles of association of Hunan Huayujin and the PRC Company Law.

As of the Latest Practicable Date, Zhongnan Huayun, indirectly owned as to approximately 89% by CSUDGCL, owned 49% equity interest in Hunan Huayujin. Transfer of Zhongnan Huayun's interest in Hunan Huayujin to our Group will be subject to Restrictions on Equity Transfer under PRC Law, including the right of first refusal and the consent requirement for the controlling shareholder of Hunan Huayujin to purchase the interests from Zhongnan Huayun. We believe it is time-consuming to negotiate with and seek the consent of the controlling shareholder of Hunan Huayujin and there is very little chance that it would waive its right of first refusal if Zhongnan Huayun intends to transfer its equity interest in Hunan Huayujin to our Group. Considering its relatively small business scale and to avoid incurring additional time and costs in our Reorganization, after arm's length negotiations among the parties, it was agreed that it is in the interests of our Group that Hunan Huayujin would not be transferred to our Group as part of the Reorganization.

Based on the foregoing, we believe that (i) there is clear delineation between our business and the business of Hunan Huayujin; and (ii) there will be no direct or material competition between our Group and Hunan Huayujin.

Municipal infrastructure construction services and other construction services by Zhongnan Water

As of the Latest Practicable Date, CSUDGCL, one of our Controlling Shareholders, indirectly owned approximately 89% equity interest in Shuiye Group, which in turn directly owned the entire equity interest in Zhongnan Water. Zhongnan Water is mainly engaged in municipal infrastructure construction services in respect of water supply and drainage. Zhongnan Water, being a construction services provider of the Shuiye Group, mainly provides municipal infrastructure construction services which include network construction and pipeline construction with respect to water supply and drainage and water plant reconstruction and expansion. Zhongnan Water also provides other construction services in relation to interior renovation and earthwork. For the years ended December 31, 2021, 2022 and 2023, revenue generated by Zhongnan Water from its provision of municipal infrastructure construction services were approximately RMB1,183.7 million, RMB1,051.0 million and RMB1,082.7 million, respectively; and revenue generated by Zhongnan Water from its provision of other construction services were approximately nil, RMB45.9 million and RMB41.0 million, respectively. Zhongnan Water possesses Class-1 qualification of general contracting for construction of municipal utilities (市政公用工程施工總承包壹級資質), Grade III qualification of general contracting of water conservancy and hydropower engineering construction (水利水電工程施工總承包三級資質) and Grade I qualification of building decoration and construction professional contracting (建築裝修裝飾施工專業承包壹級資質).

Our Directors consider the potential competition between the landscaping construction and engineering construction of our Group and municipal infrastructure construction services and other construction services of Zhongnan Water is limited for the following reasons:

(a) Zhongnan Water mainly provides municipal infrastructure construction services which include network and pipeline construction with respect to water supply and drainage, water plant reconstruction and expansion to clients engaged in water supply and drainage and other related industrial businesses. In contrast, our Group provides landscaping and engineering services ranging from (i) landscaping construction, which includes landscape greening, scenery, water facilities construction, electrical installations construction, night scene lighting engineering, garden road engineering, landscape structures and rooftop greening; to (ii) engineering construction, which includes construction of sewage treatment, thermal pipeline, and ground parking lot hard pavement, to substantially more diversified types of public properties, commercial properties and residential properties operated and managed by property developers and property owners across different industries, which we believe to have a clear delineation in terms of business focus and customer coverage. For further details of our landscaping construction and engineering construction services, see "Business – Our Business Models" in this document. The overlapping businesses between Zhongnan Water and our Group include pipeline construction, interior renovation and earth work construction services.

(b) The landscaping construction and engineering construction services provided by our Group and the municipal infrastructure construction services and other construction services provided by Zhongnan Water are different in the type of customers. Potential customers of our construction business are mainly public property, commercial property and residential property owners, whereas the target customers of Zhongnan Water are mainly municipal infrastructure construction project owners.

(c) A major portion of the municipal infrastructure construction services provided by Zhongnan Water require specific qualifications, such as Grade III qualification of general contracting of water conservancy and hydropower engineering construction (水利水電工程施工總承包三級資質) and Grade I qualification of general contracting for construction of municipal utilities (市政公用工程施工總承包一級資質), whereas our Group only possesses Grade III qualification of general contracting for construction of municipal utilities (市政公用工程施工總承包三級資質); therefore, we are not qualified to engage in most of infrastructure construction services provided by Zhongnan Water.

(d) Our thermal pipeline construction service was related only to energy supply which constitutes a relatively small part of our business during the Track Record Period. For the years ended December 31, 2021, 2022 and 2023, the contract amount of the thermal pipeline construction services provided by our Group amounted to nil, RMB3.8 million and nil, respectively. Zhongnan Water mainly provides pipeline construction services in relation to water supply and drainage and it was engaged in two material pipeline construction projects in relation to energy supply during the Track Record Period, details of which are set out as below:

Nature of project	Contract sum *(RMB'000)*	Contract Time of commencement	Contract Time of completion	Qualification requirement
Pipeline construction in relation to energy supply	62,762.8	December 2021	January 2022	Grade II qualification of general contracting for construction of municipal utilities[Note]
Pipeline construction in relation to energy supply	16,635.7	November 2022	–	Grade II qualification of general contracting for construction of municipal utilities[Note]

Note: We do not possess the qualification to undertake such projects since we only possess Grade III qualification of general contracting for construction of municipal utilities.

The invitation to tender for projects of pipeline construction in relation to energy supply generally specifies qualification requirements for such projects. Therefore, we are not able to compete with Zhongnan Water in projects which require Grade II qualification of general contracting for construction of municipal utilities. Moreover, to focus on our main business and avoid any future competition that may arise between our Group and our Controlling Shareholders from pipeline construction projects, as of the Latest Practicable Date, our Group had ceased to undertake pipeline construction projects in relation to energy supply since the revenue generated merely constitutes an immaterial portion of our total revenue. For the year ended December 31, 2022, revenue generated from pipeline construction projects in relation to energy supply was approximately RMB3.5 million, representing 0.66% of our total revenue for the same year. No revenue was generated from pipeline construction projects in relation to energy supply for the years ended December 31, 2021 and 2023. Our Directors are of the view that the cessation of pipeline construction projects in relation to energy supply undertaking will not have any material adverse impact on our business operation and performance, and shall enable us to fully eliminate any future competition which may arise in this respect.

(e) Our provision of interior renovation construction services only constitutes a relatively small part of our business. Our Group commenced to provide interior renovation construction services in 2022. For the years ended December 31, 2022 and 2023, the contract amount of the interior renovation construction services provided by our Group amounted to RMB3.9 million and RMB3.6 million, respectively. Our Group possesses Grade II qualification of building decoration and construction professional contracting (建築裝修裝飾施工專業承包貳級資質), whereas Zhongnan Water possesses Grade I qualification of building decoration and construction professional contracting (建築裝修裝飾施工專業承包壹級資質); therefore, our Group is currently not qualified to engage in certain interior renovation construction services which Zhongnan Water is otherwise qualified for. Zhongnan Water was engaged in two material interior renovation projects during the Track Record Period, details of which are set out below:

Nature of project	**Contract sum** *(RMB'000)*	**Contract time of commencement**	**Contract time of completion**	**Qualification requirement**
Interior renovation	8,186.8	November 2022	April 2023	Grade II qualification of building decoration and construction professional contracting*Note (1)*

Nature of project	Contract sum *(RMB'000)*	Contract time of commencement	Contract time of completion	Qualification requirement
Interior renovation	34,287.7	November 2022	December 2023	Grade I qualification of building decoration and construction professional contracting[Note (2)]

Notes:

(1) We possess the qualification to undertake such project since we possess Grade II qualification of building decoration and construction professional contracting.

(2) We do not possess the qualification to undertake such project since we only possess Grade II qualification of building decoration and construction professional contracting.

During the Track Record Period, the revenue generated by the interior renovation project of Zhongnan Water which our Group possesses required qualification to undertake represented relatively small proportion of our Group's total revenue for the corresponding years. Moreover, to focus on our main business and avoid any future competition that may arise between our Group and our Controlling Shareholders, as of the Latest Practicable Date, our Group had ceased to undertake interior renovation construction projects since the revenue generated merely constitutes an immaterial portion of our total revenue. For the years ended December 31, 2022 and 2023, revenue generated from interior renovation construction projects was approximately RMB3.6 million and RMB3.2 million, respectively, representing 0.68% and 0.49% of our total revenue for the same years. Our Directors are of the view that the cessation of interior renovation construction projects undertaking will not have any material adverse impact on our business operation and performance, and shall enable us to fully eliminate any future competition which may arise in this respect.

(f) Our provision of construction services in relation to earth work is ancillary to our provision of municipal public facilities construction services. We only entered into one agreement with our customer pursuant to which earth work services serve as the main scope of services in 2021. The construction services in relation to earth work provided by our Group during the Track Record Period only constitute a minor part of the municipal public facilities construction services and most of which served as an ancillary function to our provision of municipal public facilities construction services, whereas construction services in relation to earth work are separately set out in the agreement entered into by Zhongnan Water and its customer as stand-alone services which are not ancillary to other services provided by Zhongnan Water. Zhongnan Water was engaged in one material construction project in relation to earth work during the Track Record Period, details of which are set out below:

Nature of project	**Contract sum** *(RMB'000)*	**Contract time of commencement**	**Contract time of completion**	**Qualification requirement**
Construction in relation to earth work	72,909.7	August 2022	–	Grade I qualification of general contracting for construction of municipal utilities[Note]

Note: We do not possess the qualification to undertake such projects since we only possess Grade III qualification of general contracting for construction of municipal utilities.

The invitation to tender for construction projects in relation to earth work generally specifies qualification requirements for such projects. Therefore, we are not able to compete with Zhongnan Water in projects which require Grade I qualification of general contracting for construction of municipal utilities. Moreover, to focus on our main business and avoid any future competition that may arise between our Group and our Controlling Shareholders from earth work construction projects, as of the Latest Practicable Date, our Group had ceased to undertake earth work construction projects which are not ancillary to our provision of municipal public facilities construction services since revenue generated from such construction projects merely constitutes an immaterial portion of our total revenue. For the year ended December 31, 2022, revenue generated from earth work construction projects which are not ancillary to our provision of municipal public facilities construction services was approximately RMB3.3 million, representing 0.6% of our total revenue. No revenue was generated from such earth work construction projects for the years ended December 31, 2021 and 2023. Our Directors are of the view that the cessation of earth work construction projects which are not ancillary to our provision of municipal public facilities construction services will not have any material adverse impact on our business operation and performance, and shall enable us to fully eliminate any future competition which may arise in this respect.

(g) Zhongnan Water and our Group are operated and managed independently. None of the directors or senior management of Zhongnan Water overlapped with our Directors and senior management or was otherwise involved in the day-to-day operations of our Group.

(h) The tender process of our Group is independent from that of Zhongnan Water, and the negotiations of the terms of our projects and those of Zhongnan Water during the Track Record Period were conducted on a case-by-case basis and were neither interconnected nor inter-conditional with each other. There was also no overlapping of suppliers, nor cost or resources sharing between our Group and Zhongnan Water during the Track Record Period.

For the following reasons, the municipal infrastructure construction services and other construction services provided by Zhongnan Water have not been included in our Group as part of the Reorganization:

(a) The business focus of our Group is substantially different from that of Zhongnan Water. Our Group is a property management service, urban service and commercial operation service provider. Zhongnan Water mainly provides municipal infrastructure construction services which mainly include network construction and pipeline construction with respect to water supply and drainage, and water plant reconstruction and expansion to clients engaged in water supply and drainage and other related industrial businesses. As confirmed by our Directors, during the Track Record Period, there was no major demand for network construction and pipeline construction with respect to water supply and drainage, water plant reconstruction and expansion services from our major customers.

(b) Some of the municipal infrastructure construction services provided by Zhongnan Water require specific qualifications in relation to water conservancy and hydropower engineering and Class-1 qualification of general contracting for construction of municipal utilities (市政公用工程施工總承包壹級資質). Our Group only possesses Class-3 qualification of general contracting for construction of municipal utilities (市政公用工程施工總承包三級資質); therefore, we are not qualified to participate in a significant proportion of the infrastructure construction services in respect of water supply and drainage and other construction services which are the main business focus of Zhongnan Water.

Based on the foregoing, we believe that (i) there is clear delineation between our business and the business of Zhongnan Water; and (ii) there will be no direct or material competition between our Group and Zhongnan Water.

MUTUAL AND COMPLEMENTARY RELATIONSHIP WITH CSUD GROUP

We have a well-established and ongoing business relationship with CSUD Group. We believe our long-term and close strategic relationship with CSUD Group lays a solid ground for our sustainable growth. CSUDGCL will remain one of our Controlling Shareholders under the Listing Rules upon [**REDACTED**]. CSUD Group is mainly responsible for financing, investing, constructing, operating and managing urban public infrastructures and facilities, with the first-level land consolidation and reserve, and is in charge of the management of state-owned assets within the authorized scope. CSUD Group has developed a diversified portfolio of properties, including but not limited to, public infrastructures and facilities such as bridges, avenues and tunnels, office buildings, culture parks and exhibition centers. While maintaining its existing strengths in Changsha, CSUD Group actively expands its business line into other cities in Hunan Province. According to the 2022 annual report of CSUD Group, in 2022, CSUD Group's revenue, gross profit and net profit amounted to approximately RMB37,887.4 million, RMB1,596.6 million and RMB1,284.5 million, respectively. As of the Latest Practicable Date, CSUD Group had ten real estate projects under construction or development with a total GFA of 2.7 million sq.m., we had entered into preliminary property management service contracts with CSUDGCL and its associates with respect to six real estate projects under construction with a total GFA of approximately 2.4 million sq.m.; and as of the same date, CSUD Group had a total land bank for future development of approximately 18.3 million sq.m. According to CIA, the market shares of CSUD Group were 22.53% and 4.29% in terms of urban infrastructure investment industry in Changsha and Hunan Province in 2022, respectively, which represent the proportions of its revenue to the total urban infrastructure investment in Changsha and Hunan Province. According to CIA, as of the Latest Practicable Date, CSUD Group was the largest urban investment and development company in terms of total asset, revenue and net profit in both Changsha and Hunan Province.

CSUD Group has invested and developed a vast amount of properties and infrastructure projects since the establishment of its major subsidiaries, namely CUCID Group and Pilot Holdings. The following table sets forth the property and infrastructure portfolio of CSUD Group as of the Latest Practicable Date.

	Location[(1)]	**Number of projects under development**	**GFA under development** *(sq.m.'000)*
Residential properties	Changsha	7	2,597
Commercial properties	Changsha	3	113
Urban infrastructure	Changsha, Hengyang, Loudi	over 700	N/A[(2)]

Notes:

(1) All residential properties, commercial properties, and urban infrastructure projects developed or operated by CSUD Group were located in Hunan Province.

(2) Urban infrastructures projects developed or operated by CSUD Group include but not limited to constructions or modifications of bridges, avenues and tunnels, culture parks, exhibition centers, industrial factories, and other public facilities, most of which were not measured by GFA.

As a state-owned enterprise in Changsha, CSUD Group serves as the driving force and pioneer of the city's urban development. Our long-standing relationship with CSUD Group contributes to the brand recognition which serve as a competitive strength for our Group in the following aspects:

(i) The background of state-owned enterprises tightly connects us with local governments, among other customers, especially in urban service sectors. Due to the nature of urban services and public property management services, the majority of customers in these business lines are state-owned enterprises, which naturally prefer to collaborate with service providers sharing the same background;

(ii) CSUD Group's market position in the urban development segment in Changsha provides us with competitive advantages valued and recognized by the local market. It covers the entire lifecycle of urban development, construction, and operation, spanning major areas in Changsha. CSUDGCL was awarded the AAA credit rating by rating institutions in 2021, 2022 and 2023. CSUD Group was also awarded as the advanced entity in relation to urban management work (城市管理工作考核先進單位) by Changsha Urban Management Committee (長沙市城市管理委員會) in 2022; and

(iii) Our signature projects sourced from CSUD Group demonstrate the quality services provided and serve as benchmarks of the performance of our Group. For example, we provided property management and commercial operation services in the Xiangjiang New Area Comprehensive Transportation Hub Project (湘江新區綜合交通樞紐) which was sourced from CSUD Group and its associates. Such project was recognized as a Five-Star Property Management Service Project (五星級物業服務項目) in Hunan Province. Such award not only validated the service provided by our Group but also substantiated our historical performance in the marketing or bidding process, being crucial for us to secure independent third-party projects.

Leveraging CSUD Group's background, market position and projects, we believe we enjoy a competitive position in the regional market. Benefiting from resource support, management expertise, and brand empowerment from CSUD Group, our Directors are of the view that we have demonstrated commendable operational performance and gained recognition from local governments, urban investment companies, and other enterprises.

We see a mutually advantageous and complementary strategic business relationship between our company and the CSUD Group. As confirmed by CIA, the mutually beneficial and complementary business relationship between CSUD Group and us is common among PRC property management and urban services providers and their parent group companies. In addition, according to CIA, quality property management services and urban services enhance the satisfaction of property owners and residents and the market reputation of property developers for their developed properties. Thus, property developers tend to select and work closely with well-resourced property management and urban services providers that provide a wide range of services. Benefiting from such a long-standing relationship, we are familiar with the management system and quality requirements of the projects of CSUD Group and have established matching service capabilities to provide services. These capabilities can be fully utilized and reused to win the trust of other customers. Besides, we share similar corporate culture and business philosophy with CSUD Group, with smooth communication mechanisms and low coordination costs. In addition, our close and stable relationship with CSUD Group contributes to our brand recognition. CSUD Group operates a wide range of infrastructures and public facilities with its leading position in the city development and operation industry in Changsha. The projects we cooperated with CSUD Group have enriched our project lists and could serve as representative precedents when we cooperate with Independent Third Party property developers. The business relationship between our Group and CSUD Group has been mutually beneficial and complementary, and our Directors consider that it is unlikely that the relationship will materially adversely change or terminate in the foreseeable future on the following grounds:

(i) CSUD Group's principal businesses of infrastructure and property development and operation require property management services, urban services and commercial operation services in its business development and daily operations from time to time. To CSUD Group, as an urban developer, it is critical to ensure the satisfaction of its customers, and it is beneficial for CSUD Group to cooperate with a property management service provider that is consistent with its own branding, marketing positioning and service quality. The long-standing business relationship between our Group and CSUD Group started from the cooperation between Chengtou Asset, one of our subsidiaries, and CSUD Group in 2012. The long-standing relationship with CSUD Group, service quality, brand recognition and historical experience of our Group are recognized in the market and make us a regular service provider for CSUD Group. In particular, our historical experience in providing various services to satisfy CSUD Group's business need will nurture the mutual growth of CSUD Group and our Group since it would be easier for us to understand and address the demands of CSUD Group by virtue of our long-term cooperative relationship and close interactions with CSUD Group;

(ii) It is beneficial to our Group to tender and accept direct engagement of service contracts from CSUD Group. CSUD Group has sizeable development in Hunan Province and is able to provide substantial ongoing business opportunities to our Group to continue scaling up our operations and gain greater market recognition. It is a common trend that other listed property management companies receive a large number of new contracts from their affiliated developers on an ongoing basis;

(iii) Considering our Group's knowledge of and familiarity with the specific characteristics, requirements and considerations of the properties and infrastructures developed by CSUD Group, our Directors believe that our Group is in a priority position in satisfying CSUD Group's demand. In terms of GFA under management, we served as the largest supplier of CSUD Group and its associates with respect to property management services and commercial operation services during the Track Record Period. In terms of number of projects, we served as the largest supplier of CSUD Group and its associates with respect to urban services during the Track Record Period. Based on information available to us after consulting CSUD Group, for the years ended December 31, 2021, 2022 and 2023, in terms of GFA under management, we provided property management services to properties owned or developed by CSUD Group and its associates with an aggregate GFA of approximately 5.3 million, 5.3 million and 5.1 million sq.m., representing approximately 92.3%, 92.7% and 99.8% of the total GFA of property management services needed by CSUD Group and its associates for the same years, respectively. In terms of commercial operation services, 44, 44, and 50 commercial operation projects were awarded to our Group by CSUD Group and its associates, representing approximately 95.7%, 95.7%, and 96.2% of the number of total commercial operation projects needed by CSUD Group and its associates for the years ended December 31, 2021, 2022 and 2023, respectively. In terms of urban services, 230, 274 and 314 urban services projects were awarded to our Group by CSUD Group and its associates, representing approximately 95.0%, 95.1% and 96.6% of the number of total urban service projects needed by CSUD Group and its associates for the years ended December 31, 2021, 2022 and 2023, respectively;

(iv) Our Group has also entered into various long-term cooperation agreements with a contract term exceeding three years with CSUD Group for the provision of a wide range of services, including but not limited to property management services, commercial operation services and parking lot operation services, etc. It is unlikely that CSUD Group will terminate these long-term agreements without cause, as there may be administrative cost in finding other suppliers in the market to provide such services and may cause disruption to CSUD Group's operation; and

(v) CSUD Group and our Group are state-owned enterprises which have relatively stable controlling ownership, and our Company is expected to remain as a subsidiary of CSUDGCL upon completion of the [**REDACTED**].

Our long-standing relationship with CSUD Group and its associates has driven our development since our inception and laid the solid foundation for our continuous growth. For the years ended December 31, 2021, 2022 and 2023, the total revenue we generated from CSUD Group and its associates as customer amounted to RMB182.9 million, RMB234.7 million and RMB289.5 million, respectively, accounting for 42.4%, 44.4% and 44.4% of our total revenue, respectively. Our retention rate of the projects sourced from CSUD Group and its associates was 87.2%, 86.3% and 92.3% in the property management service sector, respectively, during the Track Record Period.

During the Track Record Period, for each of our business segments, our revenue attributable to projects sourced from CSUD Group and its associates, were as follows:

- *Property management services.* For the years ended December 31, 2021, 2022 and 2023, our revenue generated from projects sourced from CSUD Group and its associates in the property management service sector were RMB132.0 million, RMB150.6 million and RMB171.6 million, respectively, accounting for 30.6%, 28.5% and 26.3% of our total revenue, respectively.

- *Urban services.* For the years ended December 31, 2021, 2022 and 2023 our revenue generated from projects sourced from CSUD Group and its associates in the urban service sector amounted to RMB117.2 million, RMB151.9 million and RMB187.5 million, respectively, accounting for 27.1%, 28.7% and 28.8% of our total revenue, respectively.

- *Commercial operation services.* For the years ended December 31, 2021, 2022 and 2023, all of our revenue was generated from projects sourced from CSUD Group and its associates in the commercial operation service sector, which amounted to RMB54.0 million, RMB46.3 million and RMB60.7 million, respectively.

Leveraging our capabilities and expertise showing in cooperation with CSUD Group, we are well-positioned and have been actively sourcing projects from Independent Third Parties. For the years ended December 31, 2021, 2022 and 2023, our revenue generated from projects sourced from Independent Third Parties in the property management service sector amounted to RMB60.3 million, RMB56.9 million and RMB66.3 million, accounting for 14.0%, 10.7% and 10.2% of our total revenue, respectively, showing a stable trend from the perspective of revenue. During the same years, our revenue generated from projects sourced from Independent Third Parties in the urban service sector amounted to RMB68.2 million, RMB122.9 million and RMB165.8 million, accounting for 15.8%, 23.3% and 25.4% of our total revenue, respectively, with an increasing trend year by year. The increase in 2022 was primarily due to the revenue contribution of lighting system operation and municipal sanitation services projects sourced from Independent Third Parties and the increase in 2023 was primarily due to the revenue contribution of landscaping and engineering projects sourced from Independent Third Parties; we have been actively expanding our cooperation with other customers, including municipal authorities, public institutions, and private enterprises.

Our business cooperation with CSUD Group has enhanced our visibility in the province and nationwide, allowing us to gain attention from Independent Third Parties; with our industry experience and attention accumulated over the years, we are able to develop businesses with Independent Third Parties. We believe and anticipate that CSUD Group's land bank and continued growth will provide constant support for our development, future growth, and diversification of our service portfolio.

Considering our long-standing cooperation with CSUD Group and the amount of time and efforts required to identify and engage a new service provider with comparable experience and ability to provide services of comparable standard and scope, our Directors are of the view that our mutually beneficial and complementary relationship with CSUD Group will continue to enable us to secure future engagements from CSUD Group, while we endeavor to continue diversifying our customer base and exploring business opportunities, and increasing our revenue accordingly, from Independent Third Parties.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

We believe that we are capable of carrying on our business independently of our Controlling Shareholders and their respective close associates (other than our Group) after the [**REDACTED**] for the following reasons:

Management Independence

Our management and operational decisions are made by our Board and senior management. Our Board comprises four executive Directors, one non-executive Director and three independent non-executive Directors and our board of supervisors consists of three Supervisors. Our Directors and members of the senior management possess relevant management and/or industry-related experience to act as Directors or senior management of our Company. For further details, please see the section headed "Directors, Supervisors and Senior Management" in this document. As of the Latest Practicable Date, no executive Director had any business which competed or was likely to compete, either directly or indirectly, with our business. It is expected that our non-executive Director will take up a strategic role in formulating our development plans and in particular, the development of possible further cooperations between our Group and our Controlling Shareholders and their respective close associates.

The day-to-day management and daily operations of our Group will be the responsibility of all our experienced senior management team. As of the Latest Practicable Date, none of our Directors held any position in our Controlling Shareholders and our Controlling Shareholders' respective close associates except that Mr. Yu Xiao, our non-executive Director, was the deputy general manager of the financial management department of CSUDGCL. Mr. Yu also served as the supervisor of Hunan Huaboyuan Investment and Development Co., Ltd. (湖南花博園投資發展有限公司), Changsha Pilot Industry Investment Co., Ltd. (長沙先導產業投資有限公司) and Hunan Urban Countryside Tourism Development Co., Ltd. (湖南都市鄉村旅遊發展有限公司) which were close associates of CSUDGCL as of the Latest Practicable Date. We have the capabilities and personnel to perform all essential administrative functions, including financial and accounting, human resources, business operations and management and technical support on a standalone basis.

Each of our Directors is aware of his/her fiduciary duties as a director which require, among other things, that he/she acts for the benefit and in the best interests of our Company and does not allow any conflict between his or her duties as a Director and his or her interest to exist. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective close associates, the interested Director(s) shall abstain from voting at the relevant meeting of the Board in respect of such transaction and shall not be counted in the quorum.

In view of the above, our Directors are satisfied that our Company has sufficient and effective control mechanisms to ensure that our Directors will perform their duties properly and safeguard the interests of our Company and our Shareholder as a whole.

Operational Independence

The business operations of our Group are carried out separately from the business operated by our Controlling Shareholders. We have full rights, hold and enjoy the benefit of all relevant licenses, have sufficient capital and employees necessary to make all decisions on, and to carry out, our own business operation independently from our Controlling Shareholders and their respective close associates and will continue to be the case after the [**REDACTED**].

Pursuant to the Regulation on Property Management (《物業管理條例》), Interim Measures for Bidding Management of Pre-property Management (《前期物業管理招標投標管理暫行辦法》) and other relevant regulations, property developers in the PRC typically enter into preliminary property management service contracts (the "**Preliminary Contracts**") with property management service providers before sale and delivery of the newly developed properties. Under the PRC laws and regulations, residential property developers are required to engage property management service providers through a tender and bidding process unless otherwise approved by the competent PRC authorities. According to CIA, such tender and bidding process is well-established and the selection of the winning bidder is based on merits of the bidders' profiles and proposals. Under the PRC laws, a bid evaluation committee shall be formed to consider and make tender decision. The committee shall consist of an odd number of members. Further, the committee shall consist of no less than five members, one of whom is the property developer's representative, and the number of the independent experts in property management shall not be less than two-thirds of the total number of members of the committee. The experts are selected from a random list compiled by the local real estate administrative department.

In addition, at the pre-sale and pre-delivery stage, our Preliminary Contracts for projects developed by CSUD Group, its joint ventures and/or associates were secured primarily through a standard tender and bidding process, in which tender bids would be evaluated by a tender evaluation committee. The tendering process is a well-established, competitive and fairly structured process where neither CSUD Group, its joint ventures and/or associates nor our Group is able to exert influence on the selection process. Our Group will not be automatically awarded property management service agreements simply due to our relationship with CSUD Group, its joint ventures and/or associates, and our tender bids are considered on the same basis with the tender bids submitted by other property management service providers during the tender process. A number of factors were considered in the selection process of the property management service provider for a specific project, including the property management fee, quality and scope of services, relevant experience and capability to meet the service requirements and standards. The fees to be charged by us for the provision of property management services were determined on an arm's length basis and were tailored and reviewed by our market development department taking into account the factors such as the size and location of the projects, the scope and requirements of the services, the anticipated operation costs, the reasonable profit margin and the service fees we charged for similar projects which are developed by independent third party property developers. For details in relation to the tender process, see "Business – Property Management Services – Tender Process" in this document. Prior to the execution of the property management service agreements, our general manager, market development department and internal control department will review the terms of the property management service agreements and ensure the respective terms provided in the agreements are on normal commercial terms and are fair and reasonable.

The following table sets forth a breakdown of our revenue generated by type of services and source of projects for the years indicated:

	For the years ended December 31,					
	2021		**2022**		**2023**	
	(RMB'000)	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*
Property management services[1]	192,256	44.6	207,466	39.2	237,902	36.5
CSUD Group and its associates	131,991	30.6	150,576	28.5	171,634	26.3
Independent Third Parties	60,265	14.0	56,890	10.7	66,268	10.2
Urban services[2]	185,352	42.9	274,720	52.0	353,290	54.2
CSUD Group and its associates	117,160	27.1	151,853	28.7	187,526	28.8
Independent Third Parties	68,192	15.8	122,867	23.3	165,764	25.4
Commercial operation services[1][3]	54,045	12.5	46,337	8.8	60,683	9.3
Total revenue	431,653	100.0	528,523	100.0	651,875	100.0

Notes:

(1) The revenue from property management services and commercial operation services by source of projects is categorized by developer or owner of the properties.

(2) Except that the revenue from parking lot operation by source of projects is categorized by lessor of the parking spaces, the revenue from other urban services is categorized by counterparty of the contracts.

(3) During the Track Record Period, all of our commercial operation service projects were sourced from CSUD Group and its associates.

We believe that, with our business development capabilities and market reputation as a property management service, urban service and commercial operation service provider, the revenue contribution attributable to governments and public authorities as well as independent third-party property owners and/or residents and independent third-party property developers as compared to our total revenue will continue to increase due to the increment in revenue derived from (i) governments and public authorities resulting from our Group's continued efforts in exploring business opportunities with them; (ii) independent third-party property owners of the projects currently under development by CSUD Group which we have been engaged for providing property management services; and (iii) independent third party property developers as a result of our Group's increased efforts in participating in the selection or tender process conducted by other property developers and potential customers which are Independent Third Parties and acquisitions of property management and urban service projects.

Licenses required for operation

We hold and enjoy the benefit of all relevant licenses and permits material to the operation of our business.

Access to customers/suppliers/business partners

We have a large and diversified base of customers that are unrelated to our Controlling Shareholders and/or their respective close associates. The majority of the customers of our Group are local government, public authorities, developers, as well as property owners and residents who are independent from the companies controlled by our Controlling Shareholders. See "Business – Customers" for details. We have independent access to such customers, our suppliers and our other business partners as well.

Operational facilities

All the properties, facilities and equipment necessary to our business operations are independent from our Controlling Shareholders and their respective close associates.

Employees

We have our own employee headcount for our operations and our own management of human resources, accounting and financing matters. As of the Latest Practicable Date, all of our full-time employees were recruited independently and primarily through market and public sources.

Connected transactions with our Controlling Shareholders

The section headed "Continuing Connected Transactions" in this document sets out the continuing connected transactions between our Group and our Controlling Shareholders or their respective associates which will continue after [**REDACTED**]. All such transactions are determined after arm's-length negotiations and on normal commercial terms. In determining the fees for services between our Group and our Controlling Shareholders or their respective associates, factors such as location and condition of the project, service scope, labor and other costs are taken into consideration where applicable. The fees are then determined with reference to prevailing market rates.

We have been providing property management services, urban services and commercial operation services to CSUD Group for nearly eight years, and both have developed a mutual and deep understanding of each other's business operations. Accordingly, we consider that we are familiar with the specific requirements and expected deliverables of CSUD Group, which helps reduce communication costs, accumulate tacit knowledge of service provisions and establish mutual trust so as to have enabled us to provide services that could satisfy their specific requirements. As a result, we have the competitive advantage which distinguishes us from our competitors, and it is expected that CSUD Group will continue to engage us for provision of property management services, urban services and commercial operation services.

As such, we expect that we will be able to maintain the aggregate amounts of the continuing connected transactions with our Controlling Shareholders and their respective associates at a reasonable level compared to our total revenue after [**REDACTED**]. Accordingly, such continuing connected transactions are not expected to affect our operational independence as a whole.

Financial Independence

We have established our own internal control and financial system and make financial decisions according to our own business needs. Our own accounting department is capable of discharging the treasury functions for cash receipts and payments, accounting, reporting and internal control independently of our Controlling Shareholders and their respective close associates.

As of the Latest Practicable Date, none of our Controlling Shareholders or their respective close associates had provided any loans, guarantees, pledges or advances of a non-trade nature to our Group, nor did our Group provide any loans, guarantees, pledges or advances of a non-trade nature to our Controlling Shareholders or their respective close associates.

Taking into account the above factors, our Directors believe that our Company will continue to be capable of obtaining finance from independent external sources for our business operations on normal commercial terms without reliance on our Controlling Shareholders and their respective close associates.

DEEDS OF NON-COMPETITION

Our Controlling Shareholders, CSUDGCL, CUCID Group and Yuelushan Company, have entered into a deed of non-competition (the "**Controlling Shareholders Deed of Non-competition**") in favor of our Company, pursuant to which they have unconditionally and irrevocably undertaken to our Company that it will not, and will procure their close associates (save for members of our Group) not to directly or indirectly be involved in, interested in or undertake any business that directly or indirectly competes, or may compete, with our business which includes the provision of property management services, urban services (including landscaping and engineering, parking lot operation, lighting system operation), and commercial operation services (collectively referred to as the "**Restricted Businesses**"), or hold shares or interest in any company or business that competes or may compete directly or indirectly with the business engaged by us from time to time, or conduct any Restricted Businesses, except where the Controlling Shareholders and their close associates hold less than 10% of interest of such company, which is engaged in any business that is or may be in competition with any business engaged by any member of our Group and they do not possess the right to control the board of directors of such company.

CSUDGCL, CUCID Group and Yuelushan Company, have also undertaken in the Controlling Shareholders Deed of Non-Competition that if it or any of its associates (save for members of our Group) becomes aware of any business opportunity to own, invest in, participate in, develop, operate or engage in any Restricted Business (the "**Business Opportunity**"), they shall and shall procure their associates (save for members of our Group) first refer the Business Opportunity to our Company in writing immediately upon becoming aware of it by identifying the target company or business, the nature of the Business Opportunity, the investment or acquisition costs and all other details reasonably necessary for our Company to consider whether to pursue such Business Opportunity. Any decision on whether to take up the Business Opportunity shall be decided by our independent non-executive Directors. CSUDGCL, CUCID Group and Yuelushan Company or any of their associates (save for members of our Group) may only take up the Business Opportunity after our Company has issued a written confirmation signed by the independent non-executive Directors confirming that our Company has decided not to take up the Business Opportunity or our Company fails to respond within 20 business days.

If there is any material change in the nature, terms or conditions of such Business Opportunity pursued by CSUDGCL, CUCID Group and Yuelushan Company or their associates, they shall, and shall procure its associates to, refer such Business Opportunity as so revised to our Company as if it were a new Business Opportunity.

CSUDGCL, CUCID Group and Yuelushan Company, have undertaken in the Controlling Shareholders Deed of Non-Competition that if it or any of its associates (save for members of our Group) intends to transfer, sell, lease or license loyalties to a third party, any Restricted Business (collectively, the "**Disposals**"), it shall and shall procure its associates (save for members of our Group) to offer our Group the right of first refusal in terms of such businesses and interest with the equal terms subject to relevant laws and regulations or contractual arrangements with third parties.

CSUDGCL, CUCID Group and Yuelushan Company, have undertaken in the Controlling Shareholders Deed of Non-Competition that provided that no applicable laws or regulations are breached and agreements with third parties are complied with, our Group is entitled to acquire any businesses operated by CSUDGCL, CUCID Group and Yuelushan Company or any of its associates (save for members of our Group) which fall within the Restricted Businesses or any businesses or interests which are gained through the above-said Business Opportunities (the "**Option for Purchase**"). Our Group is entitled to exercise the Option for Purchase at any time, and CSUDGCL, CUCID Group and Yuelushan Company or any of its associates (save for members of our Group) shall offer the Option for Purchase to our Group based on the conditions as follows: the commercial terms of the acquisition shall be formed solely by the committee consisting of our independent non-executive Directors after consulting the views of independent experts and such commercial terms shall be based on negotiation between the parties in line with normal commercial practice of our Group which is fair, reasonable and in the interests of our Group as a whole, as in accordance with the negotiations with CSUDGCL, CUCID Group and Yuelushan Company and its associates. However, if a third party has the right of first refusal in accordance with applicable laws and regulations and/or a prior legally binding document (including, but not limited to, articles of association and shareholders' agreements), the Option for Purchase of our Group shall be subject to such third-party rights. In such a case, CSUDGCL, CUCID Group and Yuelushan Company shall use, and shall procure that their associates (save for members of our Group) will use, its/their best efforts to persuade the third party to waive its right of first refusal.

In addition, Shuiye Group and Ranqi Group have entered into deeds of non-competition (the "**Shuiye and Ranqi Deeds of Non-Competition**", together with Controlling Shareholders Deed of Non-competition, the "**Deeds of Non-Competition**") in favor of our Company, pursuant to which each of them has unconditionally and irrevocably undertaken to our Company that it will not, and will procure its subsidiaries not to, directly or indirectly be involved in, interested in or undertake any business that directly or indirectly competes, or may compete, with the Restricted Businesses, or hold shares or interest in any company or business that competes or may compete directly or indirectly with the business engaged by us from time to time, or conduct any Restricted Businesses.

Shuiye Group and Ranqi Group have also undertaken in the Shuiye and Ranqi Deeds of Non-Competition that if they became aware of any Business Opportunity, they shall and shall procure its associates (save for members of our Group) first refer the Business Opportunity to our Company in writing immediately upon becoming aware of it by identifying the target company or business, the nature of the Business Opportunity, the investment or acquisition costs and all other details reasonably necessary for our Company to consider whether to pursue such Business Opportunity. Any decision on whether to take up the Business Opportunity shall be decided by our independent non-executive Directors. Shuiye Group and Ranqi Group (save for members of our Group) may only take up the Business Opportunity after our Company has issued a written confirmation signed by the independent non-executive Directors confirming that our Company has decided not to take up the Business Opportunity or our Company fails to respond within 20 business days.

If there is any material change in the nature, terms or conditions of such Business Opportunity pursued by Shuiye Group and Ranqi Group, they shall refer such Business Opportunity as so revised to our Company as if it were a new Business Opportunity.

CORPORATE GOVERNANCE MEASURES

Our Directors believe that there are adequate corporate governance measures in place to manage existing and potential conflicts of interest. In order to further avoid potential conflicts of interest, we have implemented the following measures:

(i) our independent non-executive Directors will review the Deeds of Non-Competition and its compliance situation on an annual basis;

(ii) our Controlling Shareholders have undertaken to provide all information necessary to our Company for the annual review by our independent non-executive Directors on the enforcement of and compliance with the Deeds of Non-Competition;

(iii) Zhongnan Huayun and Ranqi Group have undertaken to provide all information necessary to our Company for the annual review by our independent non-executive Directors on the enforcement of and compliance with the Changsha Xingshui Equity Entrustment Agreement and Hunan Changran Equity Entrustment Agreement;

(iv) if our Board is required to make a decision on whether to accept a business opportunity under the Deeds of Non-Competition, such decision shall be made by those Directors who do not have any material interest in such business opportunity and/or who do not assume any ongoing senior managerial or directorship role in the Controlling Shareholders having any material interest in the resolution;

(v) our Company will disclose any updates relating to the status of fulfilling the undertakings, the decision made and/or matter reviewed by our independent non-executive Directors relating to compliance with and enforcement of the Deeds of Non-Competition, the Changsha Xingshui Equity Entrustment Agreement and Hunan Changran Equity Entrustment Agreement in our annual reports and/or by way of an announcement;

(vi) we are committed that our Board should include a balanced composition of executive Directors, non-executive Director and independent non-executive Directors. We have appointed independent non-executive Directors who possess sufficient experience and are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgment and will be able to provide an impartial, external opinion to protect the interests of our public Shareholders. For further details of our independent non-executive Directors, please refer to the section headed "Directors, Supervisors and Senior Management" in this document;

(vii) our Directors will (a) report any conflict or potential conflict of interest involving our Controlling Shareholders and their associates to our independent non-executive Directors as soon as practicable upon becoming aware of such conflict; (b) convene a Board meeting to review and evaluate the implications and risk exposure of such conflict; and (c) monitor any material irregular business activities. The conflicted Directors will be required to abstain from participating in the Board meetings where resolutions with material potential conflicts of interest are discussed, unless specifically requested by the majority of independent non-executive Directors;

(viii) our Directors will comply with the Articles of Association which require the interested Director not to vote (nor be counted in the quorum) on any Board resolution approving any contract or arrangement or other proposal in which he/she or any of his/her close associate is materially interested;

(ix) our Directors, including our independent non-executive Directors, will be entitled to seek independent professional advice from external parties in appropriate circumstances;

(x) our Company will monitor potential or proposed transaction between our Group and our connected persons, and ensure compliance with chapter 14A of the Listing Rules including, where applicable, the announcement, reporting, annual review and independent Shareholders' approval requirements;

(xi) as required by the Listing Rules, our independent non-executive Directors shall review any connected transactions (including continuing connected transactions) annually and confirm in our annual report that such transactions have been entered into in our ordinary and usual course of business, are either on normal commercial terms or on terms no less favorable to us than those available to or from independent third parties and on terms that are fair and reasonable and in the interests of our Company and our Shareholders as a whole;

(xii) we have appointed Rainbow Capital (HK) Limited as our compliance advisor to provide advice and guidance to our Group in respect of compliance with the applicable laws and Listing Rules including various requirements relating to directors' duties and internal control;

(xiii) our Audit Committee will conduct a review on the effectiveness of the above internal control measures on an annual basis; and

(xiv) our Nomination Committee will from time to time review the independence of our Directors in terms of performing their duties as our Directors to ensure effective management of conflict of interest.

Our Directors (including our independent non-executive Directors) consider that the above corporate governance measures are adequate and sufficient to manage any potential conflict of interests between our Controlling Shareholders and our Group, and to protect the interests of our Shareholders, in particular, the minority Shareholders.

OVERVIEW

We have entered into a number of agreements with our connected persons, the details of which are set out below. The transactions disclosed in this section will constitute our continuing connected transactions under chapter 14A of the Listing Rules upon [**REDACTED**].

OUR CONNECTED PERSONS

Upon [**REDACTED**], the following entities will become our connected persons:

CSUDGCL and its associates — CSUDGCL is one of our Controlling Shareholders, thus CSUDGCL and its associates are connected persons of our Company under chapter 14A of the Listing Rules.

SUMMARY OF CONTINUING CONNECTED TRANSACTIONS

	Nature of Transaction	Counterparty	Applicable Listing Rules	Waiver Sought
(A)	**Continuing connected transactions fully exempt from the reporting, annual review, announcement and independent Shareholders' approval requirements**			
1	Trademark Licensing	CSUDGCL and its associates	Rules 14A.76(1)(a) and 14A.105 of the Listing Rules	N/A
	Revenue in nature transaction(s)			
2	Hunan Changran Equity Entrustment	Ranqi Group (an associate of CSUDGCL)	Rules 14A.76(1)(c) and 14A.105 of the Listing Rules	N/A
3	Changsha Xingsui Equity Entrustment	Zhongnan Huayun (an associate of CSUDGCL)	Rules 14A.76(1)(c) and 14A.105 of the Listing Rules	N/A
	Expense in nature transaction(s)			
4	Car Leasing	CSUDGCL and its associates	Rules 14A.76(1)(a) and 14A.105 of the Listing Rules	N/A
5	Surveying and Advertising Service	CSUDGCL and its associates	Rules 14A.76(1)(c) and 14A.105 of the Listing Rules	N/A

	Nature of Transaction	Counterparty	Applicable Listing Rules	Waiver Sought
(B)	**Continuing connected transactions subject to the reporting, annual review and announcement requirements but exempt from the circular and independent Shareholders' approval requirements**			
	Expense in nature transaction(s)			
1	Entrusted Parking Lot Operation	CSUDGCL and its associates	Rules 14A.76(2)(a) and 14A.105 of the Listing Rules	Announcement requirements
2	Technology System and Equipment Usage and Maintenance Service	CSUDGCL and its associates	Rules 14A.76(2)(a) and 14A.105 of the Listing Rules	Announcement requirements
3	Resources Purchase	CSUDGCL and its associates	Rules 14A.76(2)(a) and 14A.105 of the Listing Rules	Announcement requirements
4	Property Leasing	CSUDGCL and its associates	Rules 14A.76(2)(a) and 14A.105 of the Listing Rules	Announcement requirements
(C)	**Continuing connected transactions subject to the reporting, annual review, announcement, circular and independent Shareholders' approval requirements**			
	Revenue in nature transaction(s)			
1	Property Management Service	CSUDGCL and its associates	Rule 14A.105 of the Listing Rules	Announcement, circular and independent Shareholders' approval requirements
2	Commercial Operation Service	CSUDGCL and its associates	Rule 14A.105 of the Listing Rules	Announcement, circular and independent Shareholders' approval requirements

	Nature of Transaction	Counterparty	Applicable Listing Rules	Waiver Sought
3	Landscaping and Engineering Service	CSUDGCL and its associates	Rule 14A.105 of the Listing Rules	Announcement, circular and independent Shareholders' approval requirements
4	Parking Service	CSUDGCL and its associates	Rule 14A.105 of the Listing Rules	Announcement, circular and independent Shareholders' approval requirements
5	Lighting System Operation Service	CSUDGCL and its associates	Rule 14A.105 of the Listing Rules	Announcement, circular and independent Shareholders' approval requirements

OUR CONTINUING CONNECTED TRANSACTIONS

(A) Continuing Connected Transactions Fully Exempt from the Reporting, Annual Review, Announcement, Circular and Independent Shareholders' Approval Requirements

1. Trademark Licensing

On 20 July, 2023, our Company (for ourselves and on behalf of our subsidiaries) entered into a trademark licensing agreement with CSUDGCL (the "**Trademark Licensing Agreement**"), pursuant to which CSUDGCL agreed to irrevocably grant to our Group non-transferable and non-exclusive license to use certain trademarks registered in the PRC (the "**Licensed Trademarks**") on a royalty-free basis, for a term of ten years commencing from the date of the [**REDACTED**]. For details of the Licensed Trademarks, please refer to "Appendix VI – Statutory and General Information – B. Further Information about Our Group – 2. Intellectual Property Rights of Our Group" to this document. CSUDGCL has undertaken to renew and maintain the registration of the Licensed Trademarks for so long as the Trademark Licensing Agreement is in effect.

We consider that entering into the Trademark Licensing Agreement will enable the brand of CSUD Group to be further promoted when our Group markets its business by using the Licensed Trademarks, and the use of Licensed Trademarks is expected to further facilitate the market and business expansion of our Group and is mutually beneficial to both our Group and our Shareholders and CSUD Group as a whole.

We believe that entering into the Trademark Licensing Agreement with a term of more than three years can ensure the stability of our operations and is beneficial to us and the Shareholders as a whole. The Sole Sponsor is of the view that it is not uncommon for agreements of this type to be of such duration.

As the right to use the Licensed Trademarks is granted to us on a royalty-free basis, the transactions under the Trademark License Agreement fall within the *de minimis* threshold under Rule 14A.76 of the Listing Rules and is exempt from the reporting, annual review and announcement requirements, circular and independent Shareholders' approval requirements under chapter 14A of the Listing Rules.

2. Hunan Changran Equity Entrustment Agreement

On June 8, 2023, our Company entered into the Hunan Changran Equity Entrustment Agreement with Ranqi Group (an associate of CSUDGCL) and Hunan Changran, pursuant to which, Ranqi Group entrusted us with certain management and operation of its wholly-owned subsidiary, Hunan Changran, by way of equity entrustment. Hunan Changran is mainly engaged in property management services and landscape engineering and construction businesses, which also form part of the principal business of our Group. For details, please see "Relationship with Our Controlling Shareholders" in this document. Such management and operation services primarily include deciding on matters with respect to the existing overlapping businesses, adjusting or terminating relevant business operations, business policies and investment plans, and entrustment of equity interest in Hunan Changran (the "**Hunan Changran Equity Entrustment Service**"). Pursuant to the Hunan Changran Equity Entrustment Agreement, our Company will receive an annual service fee of RMB50,000 for each year and would not share any profits generated or loss derived from Hunan Changran. The Hunan Changran Equity Entrustment Agreement is valid for a term of three years commencing from May 30, 2023 and will be renewable upon its expiration by mutual consent and negotiation among the parties.

Pricing terms

The service fees that our Group will charge under the Hunan Changran Equity Entrustment Agreement are set at RMB50,000 per year and have been determined after arm's length negotiations and taking into account, among other factors, (i) the expected operational costs (including labor costs and administrative costs) in relation to the provision of the Hunan Changran Equity Entrustment Service; (ii) the relatively smaller scale of the entrusted target, for details, please refer to the section headed "Relationship with Our Controlling Shareholders – Delineation of Business" in this document; and (iii) the fees charged by other service providers for similar services in the market.

Reasons for the transaction

Hunan Changran retains certain property management services and landscape engineering and construction businesses. For details, please see "Relationship with our Controlling Shareholders" in this document. In order to avoid potential competition from CSUD Group and safeguard the interests of our Group and Shareholders, our Group would be placed in a better position to monitor the operation and management of Hunan Changran through Hunan Changran Equity Entrustment Service and the exercise of rights and powers associated therewith. In addition, Ranqi Group has undertaken to resolve the competition between Hunan Changran and our Group through disposal of its equity interests in Hunan Changran or other approaches within three years after the execution of Hunan Changran Equity Entrustment Agreement. Therefore, our Directors are of the view that the entrustment arrangement would provide our Group with a sound opportunity to integrate the businesses of Hunan Changran and our Group, and facilitate a smooth transfer of CSUDGCL's equity interests in Hunan Changran to our Group when an appropriate opportunity emerges.

Proposed annual caps and basis for determination

Our Directors estimate that the maximum annual service fee receivable by our Group under the Hunan Changran Equity Entrustment Agreement for each of the three years ending December 31, 2026 will not exceed the annual caps set out as below:

	Year ending December 31,		
	2024	**2025**	**2026**
	RMB'000	*RMB'000*	*RMB'000*
Total service fees receivable by our Group	50	50	50

Pursuant to the Hunan Changran Equity Entrustment Agreement, our Company will receive an annual service fee of RMB50,000. In arriving at the above proposed annual caps, our Directors have considered, among others, the following factors:

- the expected operational costs (including labor costs and administrative costs) in relation to the provision of the Hunan Changran Equity Entrustment Service;
- the scale of the entrusted target; and
- the fees charged by other service providers for similar services in the market.

Implications under the Listing Rules

As (i) all subject matters, in respect of the transactions contemplated under the Hunan Changran Equity Entrustment Agreement and Changsha Xingshui Equity Entrustment Agreement, cover equity entrustment services to be provided by us to CSUDGCL and its associates, and (ii) the agreements are entered into within the same 12-month period, the transactions under such agreements shall be aggregated pursuant to Rules 14A.81 to 14A.83 of the Listing Rules. Upon aggregation with the transactions contemplated under the Hunan Changran Equity Entrustment Agreement and Changsha Xingshui Equity Entrustment Agreement pursuant to Rule 14A.81 of the Listing Rules, the transactions under such agreements fall within the *de minimis* threshold under Rule 14A.76 of the Listing Rules and is exempt from the reporting, annual review and announcement requirements, circular and independent Shareholders' approval requirements under chapter 14A of the Listing Rules.

3. Changsha Xingshui Equity Entrustment Agreement

On June 19, 2023, our Company (for itself and on behalf of its subsidiaries) entered into the Changsha Xingshui Equity Entrustment Agreement with Zhongnan Huayun (an associate of CSUDGCL) and Changsha Xingshui, pursuant to which Zhongnan Huayun entrusted us with certain management and operation rights of its wholly-owned subsidiary, Changsha Xingshui, by way of equity entrustment. Such management and operation services primarily include deciding on matters with respect to the existing overlapping businesses, adjusting or terminating relevant business operations, business policies and investment plans (the "**Changsha Xingshui Equity Entrustment Service**"). Pursuant to the Changsha Xingshui Equity Entrustment Agreement, our Company will receive an annual service fee of RMB1,000,000 for each year and would not share any profits generated or loss derived from the entrusted target. The Changsha Xingshui Equity Entrustment Agreement is valid for a term of three years commencing from the execution of the agreement and will be renewable upon its expiration by mutual consent and negotiation among the parties.

Pricing terms

The service fees that our Group will charge under the Changsha Xingshui Equity Entrustment Agreement are set at RMB1,000,000 per year and have been determined after arm's length negotiations and taking into account, among other factors, (i) the expected operational costs (including labor costs and administrative costs) in relation to the provision of the Changsha Xingshui Equity Entrustment Service; (ii) the relatively larger scale of the entrusted target comparing to that of Hunan Changran, for details, please refer to the section headed "Relationship with Our Controlling Shareholders – Delineation of Business" in this document; and (iii) the fees charged by other service providers for similar services in the market.

Reasons for the transaction

Changsha Xingshui retains certain property management services and landscape engineering and construction businesses. For details, please see "Relationship with Our Controlling Shareholders" in this document. In order to avoid potential competition from CSUD Group and safeguard the interests of our Group and Shareholders, our Group would be placed in a better position to monitor the operation and management of Changsha Xingshui through the Changsha Xingshui Equity Entrustment Service and the exercise of rights and powers associated therewith. In addition, Zhongnan Huayun has undertaken to resolve the competition between Changsha Xingshui and our Group through disposal of its equity interests in Changsha Xingshui or other approaches within three years after the execution of Changsha Xingshui Equity Entrustment Agreement. Therefore, our Directors are of the view that the entrustment arrangement would provide our Group with a sound opportunity to integrate the businesses of the entrusted target and our Group, and facilitate a smooth transfer of CSUDGCL's equity interests in the entrusted target to our Group when an appropriate opportunity emerges.

Proposed annual caps and basis for determination

Our Directors estimate that the maximum annual service fee receivable by our Group under Changsha Xingshui Equity Entrustment Agreement for each of the three years ending December 31, 2026 will not exceed the annual caps set out as below:

	Year ending December 31,		
	2024	**2025**	**2026**
	RMB'000	*RMB'000*	*RMB'000*
Total service fees receivable by our Group	1,000	1,000	1,000

Pursuant to the Changsha Xingshui Equity Entrustment Agreement, our Company will receive an annual service fee of RMB1,000,000. In arriving at the above proposed annual caps, our Directors have considered, among others, the following factors:

- the expected operational costs (including labor costs and administrative costs) in relation to the provision of the Changsha Xingshui Equity Entrustment Service;
- the scale of the entrusted target; and
- the fees charged by other service providers for similar services in the market.

Implications under the Listing Rules

As (i) all subject matters, in respect of the transactions contemplated under the Changsha Xingshui Equity Entrustment Agreement and Hunan Changran Equity Entrustment Agreement, cover equity entrustment services to be provided by us to CSUDGCL and its associates, and (ii) the agreements are entered into within the same 12-month period, the transactions under such agreements shall be aggregated pursuant to Rules 14A.81 to 14A.83 of the Listing Rules. Upon aggregation with the transactions contemplated under the Changsha Xingshui Equity Entrustment Agreement and Hunan Changran Equity Entrustment Agreement pursuant to Rule 14A.81 of the Listing Rules, the transactions under such agreements fall within the *de minimis* threshold under Rule 14A.76 of the Listing Rules and is exempt from the reporting, annual review and announcement requirements, circular and independent Shareholders' approval requirements under chapter 14A of the Listing Rules.

4. Car Leasing

On [●], our Company (for ourselves and on behalf of our subsidiaries) entered into a car leasing framework agreement (the "**Car Leasing Framework Agreement**") with CSUDGCL (for itself and on behalf of its associates), pursuant to which CSUDGCL and its associates agreed to lease to our Group vehicles owned by CSUDGCL and its associates for a term commencing from the [**REDACTED**] up to and including December 31, 2026.

During the Track Record Period, our Group has leased certain vehicles from CSUDGCL and its associates for our own use (the "**Existing Car Leases**"). The Existing Car Leases are exempt from recognition as right-of-use assets on our statements of financial position under IFRS 16 because they are considered as short-term leases (i.e. leases of 12 months or less). Pursuant to the Car Leasing Framework Agreement, the terms of the definitive car leases to be entered into between our Company and CSUDGCL and its associates shall be 12 months or less. Therefore, the rental payment under the Existing Car Leases was and will be recorded as expenses over the term of the Existing Car Leases in our statements of profit or loss and other comprehensive income.

To avoid disruption to the continuous operations of our Group, we will, after the [**REDACTED**], continue to lease the vehicles from CSUDGCL and its associates. The definitive car leases to be entered into between our Company and CSUDGCL and its associates shall only contain provisions which are, in all material aspects, consistent with the binding principles, guidelines, terms and conditions set out in the Car Leasing Framework Agreement.

Historical transaction amounts

During the Track Record Period, the total amounts of rent paid by our Group to CSUDGCL and its associates for the vehicles were set out as below:

	Year ended December 31,		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Total rent paid by our Group	–	68	87

Pricing terms

We conducted the transactions in accordance with our pricing policy and guidelines, which apply to transactions with Independent Third Parties as well as connected persons. We have solicited at least three other third-party service providers for vehicles of similar brand, condition and quantity to determine if the price and terms offered by CSUDGCL and its associates are fair and reasonable and comparable to those offered by Independent Third Parties. The rent that CSUDGCL and its associates charge under the Car Leasing Framework Agreement has been determined after arm's length negotiations, taking into account, among other factors, (i) the nature, brand and condition of the vehicles; (ii) the scope of the services; (iii) the rent charged by CSUDGCL and its associates to Independent Third Parties for similar rental services; and (iv) the rent charged by other car rental providers in respect of similar types of vehicles in the market. The terms offered by CSUDGCL and its associates to us shall not be less favorable to our Group than terms offered by CSUDGCL and its associates to Independent Third Parties for the same or similar type of rental services.

Reasons for the transaction

We have historically leased vehicles from CSUDGCL and its associates for use during our business operations, for example, our employees drive to different locations to inspect and oversee our projects using such vehicles. We had leased four vehicles from an associate of CSUDGCL which engaged in the car leasing business and entered into two leases which shall be valid for a term of one year as of the Latest Practicable Date. In light of the satisfactory performance and reasonable terms and price provided by CSUDGCL and its associates, we intend to continue to lease vehicles from CSUDGCL and its associates following the [**REDACTED**]. We believe continuing to lease vehicles from CSUDGCL and its associates would save our costs in sourcing new lessor and avoid any unnecessary incidental expenses for leasing new vehicles and avoid causing unnecessary disruption to our operations, as well as enhance the stability of business operations of our Group. Our Directors believe that the entering into of the Car Leasing Framework Agreement and the terms thereof are fair and reasonable, and are in the interests of our Company and our Shareholders as a whole.

Proposed annual caps and basis for determination

Our Directors estimate that the maximum annual rent to be paid by our Group under the Car Leasing Framework Agreement for each of the three years ending December 31, 2026 will not exceed the annual caps set out as below:

	Year ending December 31,		
	2024	**2025**	**2026**
	RMB'000	*RMB'000*	*RMB'000*
Total rent to be paid by our Group *(Note 1)*	200	200	200

Note:

(1) The annual caps refer to estimated rental payment as the leases are expected to be short term leases and are exempt from recognition as right-of-use assets on our statement of financial position under IFRS 16.

In arriving at the above proposed annual caps, our Directors have considered, among others, the following factors:

- the historical transaction amounts during the Track Record Period. In particular, we leased one additional vehicle from CSUDGCL and its associates in 2023 for our own use due to the business expansion of our Group; and

- the number of vehicles needed and terms (including rent) of existing leases as of the Latest Practicable Date.

Implications under the Listing Rules

The transactions under the Car Leasing Framework Agreement fall within the *de minimis* threshold under Rule 14A.76 of the Listing Rules and is exempt from the reporting, annual review and announcement requirements, circular and independent Shareholders' approval requirements under chapter 14A of the Listing Rules.

5. Surveying and Advertising Service

On [●], our Company (for itself and on behalf of its subsidiaries) entered into a surveying and advertising services framework agreement (the "**Surveying and Advertising Service Framework Agreement**") with CSUDGCL (for itself and on behalf of its associates), pursuant to which CSUDGCL and its associates agreed to provide to our Group surveying and advertising services, including but not limited to (i) surveying and advertising services (surveying services include but not limited to underwater topographic surveying, municipal engineering surveying, and field topographic data acquisition and mapping, and advertising services include asset operation promotion services); and (ii) other value-added services (collectively, the "**Surveying and Advertising Services**") for a term commencing from the [**REDACTED**] up to and including December 31, 2026. The definitive service agreement to be entered into between our Company and CSUDGCL and its associates shall only contain provisions which are, in all material aspects, consistent with the binding principles, guidelines, terms and conditions set out in the Surveying and Advertising Service Framework Agreement.

Historical transaction amounts

During the Track Record Period, the total service fees paid by our Group to CSUDGCL and its associates for the Surveying and Advertising Services were set out as below:

	Year ended December 31,		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Total service fees paid by our Group	823	1,589	190

The substantial decrease in the total service fees paid by our Group to CSUDGCL and its associates in 2023 was primarily due to the fact that one of the service providers ceased to provide Surveying and Advertising Services in the same year. Going forward, we will seek for other surveying and advertising service providers and the business operation of our Group will not be adversely affected.

Pricing terms

We conducted the transactions in accordance with our pricing policy and guidelines, which apply to transactions with Independent Third Parties as well as connected persons. We have solicited at least three other third-party service providers for surveying and advertising services of similar quality and scope of services to determine if the price and terms offered by CSUDGCL and its associates are fair and reasonable and comparable to those offered by Independent Third Parties. The service fees that CSUDGCL and its associates charge under the Surveying and Advertising Service Framework Agreement shall be determined after arm's length negotiations, taking into account, among other factors, (i) the scope of the services; (ii) the expected operational costs (including labour costs, materials costs and administrative costs) in relation to the provision of the surveying and advertising services; (iii) the fees charged by CSUDGCL and its associates to Independent Third Parties for similar services; and (iv) the fees charged by other service providers for similar services in the market. The fees charged by CSUDGCL and its associates shall not be higher than the standard fees designated by the relevant regulatory authorities (if applicable), and the terms offered by CSUDGCL and its associates to our Group shall not be less favourable to our Group than terms offered by CSUDGCL and its associates to Independent Third Parties for the same or similar type and scope of services.

Reasons for the transaction

We have entered into two and one surveying and advertising services agreements with CSUDGCL and its associates for the years ended December 31, 2021 and 2022, respectively. During the course of our provision of commercial operation services, we have the need to carry out surveys of the area of our managed properties and advertise our managed properties. Entering into such transactions enables us to utilize the surveying and advertising resources and professional support from CSUDGCL and its associates in order to enhance our marketing capacities and efficiency of our business operation. In addition, the capacity of CSUDGCL and its associates allows it to meet our increase in demand in the case that we plan to expand our operation and we have established a stable relationship with CSUDGCL and its associates during the course of which we consider it had provided us steady and reliable supply of quality surveying and advertising service in accordance with our specifications. Our Directors believe that the entering into of the Surveying and Advertising Service Framework Agreement and the terms thereof are fair and reasonable, and are in the interests of our Company and our Shareholders as a whole.

Proposed annual caps and basis for determination

Our Directors estimate that the maximum annual service fee to be paid by our Group under the Surveying and Advertising Service Framework Agreement for each of the three years ending December 31, 2026 will not exceed the annual caps set out as below:

	Year ending December 31,		
	2024	**2025**	**2026**
	RMB'000	*RMB'000*	*RMB'000*
Total service fees to be paid by our Group	300	300	300

In arriving at the above proposed annual caps, our Directors have considered, among others, the following factors:

- the historical transaction amounts during the Track Record Period; and
- the service agreement entered into between our Group and CSUDGCL and its associates in 2022 had expired as of the Latest Practicable Date and we will renew such agreement in 2024.

Implications under the Listing Rules

The transactions under Surveying And Advertising Service Framework Agreement fall within the *de minimis* threshold under Rule 14A.76 of the Listing Rules and are exempt from the reporting, annual review and announcement requirements, circular and independent Shareholders' approval requirements under chapter 14A of the Listing Rules.

(B) Continuing Connected Transactions Subject to the Reporting, Annual Review and Announcement Requirements but Exempted from the Circular and Independent Shareholders' Approval Requirements

1. Entrusted Parking Lot Operation

On [●], our Company (for ourselves and on behalf of our subsidiaries) entered into an entrusted parking lot operation framework agreement (the "**Entrusted Parking Lot Operation Framework Agreement**") with CSUDGCL (for itself and on behalf of its associates), pursuant to which CSUDGCL and its associates convey the right to use the respective parking lots to our Group for a term commencing from the [**REDACTED**] up to and including December 31, 2026. The Entrusted Parking Lot Operation Framework Agreement is, in substance, a lease as defined in IFRS 16. We provide parking services to the end users of the parking lots (i.e. the general public). To obtain the right to use and manage parking lots owned or developed by CSUDGCL and its associates, a fixed percentage of the revenue (i.e. parking service fee paid by the end users) generated from our provision of parking services shall be paid by our Group to CSUDGCL and its associates as parking resource usage fees (i.e. variable lease payments). The parking resource usage fees will not be recognised as right-of-use asset in our statement of financial position under IFRS 16 as the Entrusted Parking Lot Operation Framework Agreement only includes variable lease payment clause with no minimum lease payment. The revenue generated from our provision of parking services will be attributable to our Group. The definitive service agreement to be entered into between our Company and CSUDGCL and its associates shall only contain provisions which are, in all material aspects, consistent with the binding principles, guidelines, terms and conditions set out in the Entrusted Parking Lot Operation Service Framework Agreement.

Historical transaction amounts

During the Track Record Period, the total amounts of parking resource usage fees paid by our Group to CSUDGCL and its associates for the entrusted parking lot operation were set out as below:

	Year ended December 31,		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Total parking resource usage fees paid by our Group	9,677	10,695	11,243

The above historical transaction amounts represent approximately 3.0%, 2.6% and 2.2% of the cost of sales of our Group for the years ended December 31, 2021, 2022 and 2023, respectively.

Pricing terms

The parking resource usage fee charged by CSUDGCL and its associates fell into different categories based on the location of the parking lot. The parking resource usage fees were typically set at a fixed percentage of the revenue generated from our provision of parking services to end users (i.e. the general public). The parking resource usage fees that CSUDGCL and its associates charge under the Entrusted Parking Lot Operation Framework Agreement have been determined after arm's length negotiations and taking into account, among other factors, (i) the nature, size and location of the parking lot and the number of parking lot spaces; (ii) the parking resource usage fees charged by CSUDGCL and its associates to Independent Third Parties for parking lots with similar location and size; and (iii) the parking resource usage fees charged by other parking lot owners for parking lots with similar location and size. For the years ended December 31, 2021, 2022 and 2023, the number of parking lot spaces contracted under the agreements entered into between CSUDGCL and its associates and our Group amounted to 19,414, 19,525 and 19,830, respectively. The parking resource usage fees charged by CSUDGCL and its associates shall not be higher than the standard fees designated by the relevant regulatory authorities (if applicable), and the terms offered by CSUDGCL and its associates to our Group shall not be less favorable to our Group than terms offered by CSUDGCL and its associates to Independent Third Parties for the same or similar parking lots.

Reasons for the transaction

Given considerable amount of parking lots owned by CSUDGCL and its associates in Changsha, by entering into the Entrusted Parking Lot Operation Framework Agreement, our Group can secure a substantial amount of parking lots, which enables us to maintain our parking lot resources in order to provide parking services to our customers as one of our principal business operations. Our Directors believe that entering into of the Entrusted Parking Lot Operation Framework Agreement and the terms thereof are fair and reasonable, and are in the interests of our Company and our Shareholders as a whole.

Proposed annual caps and basis for determination

Our Directors estimate that the maximum annual parking resource usage fee payable by our Group under the Entrusted Parking Lot Operation Service Framework Agreement for each of the three years ending December 31, 2026 will not exceed the annual caps set out as below:

	Year ending December 31,		
	2024	**2025**	**2026**
	RMB'000	*RMB'000*	*RMB'000*
Total parking resource usage fees to be paid by our Group	12,000	12,600	13,700

In arriving at the above proposed annual caps, our Directors have considered, among others, the following factors:

- the historical transaction amounts during the Track Record Period;
- the number and terms (including parking resource usage fee) of existing contracts as of the Latest Practicable Date. As of the Latest Practicable Date, we had 16 ongoing contracts entered into with CSUDGCL and its associates with 19,314 parking lot spaces. We expect that we will renew such contract when it is expired in order to secure our parking lot resources; and
- the expected increase in the demand of our Group for the entrusted parking lots with reference to the estimated increase in the number of parking lot owned, used or developed by CSUDGCL and its associates which might be entrusted to us. As of the Latest Practicable Date, to the best knowledge of our Directors after consulting the CSUD Group, it was estimated that one parking lot with approximately 2,600 parking lot spaces would be developed by CSUDGCL and its associates. We anticipate that we may be further engaged to be entrusted for such parking lot in 2024.

Implications under the Listing Rules

Since the highest of all applicable percentage ratios in respect of the Entrusted Parking Lot Operation Framework Agreement will be more than 0.1% but less than 5% on an annual basis, the Entrusted Parking Lot Operation Framework Agreement will be subject to the announcement, reporting and annual review requirements under chapter 14A of the Listing Rules but will be exempted from the circular and independent Shareholders' approval requirement under chapter 14A of the Listing Rules.

2. Technology System and Equipment Usage and Maintenance Service

On [●], our Company (for itself and on behalf of its subsidiaries) entered into a technology system and equipment usage and maintenance services framework agreement (the "**Technology System and Equipment Usage and Maintenance Service Framework Agreement**") with CSUDGCL (for itself and on behalf of its associates), pursuant to which CSUDGCL and its associates agreed to provide to our Group technology system and equipment usage and maintenance services, including but not limited to (i) the purchase and development of online platform, software and electronic equipment resources; and (ii) the provision of maintenance services relating to equipment, software and other resources (collectively, the "**Technology System and Equipment Usage and Maintenance Services**") for a term commencing from the [**REDACTED**] up to and including December 31, 2026. The definitive service agreements to be entered into between our Company and CSUDGCL and its associates shall only contain provisions which are, in all material aspects, consistent with the binding principles, guidelines, terms and conditions set out in the Technology System and Equipment Usage and Maintenance Service Framework Agreement.

Historical transaction amounts

During the Track Record Period, the total amounts of service fees paid by our Group to CSUDGCL and its associates for the technology system and equipment usage and maintenance services were set out as below:

	Year ended December 31,		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Total service fees paid by our Group	734	798	3,512

The substantial increase in 2023 was primarily due to the launch of a lighting system operation project in November 2022. CSUDGCL and its associates provided network system maintenance and improvement services to such project and the total service fees paid by our Group amounted to approximately RMB3.2 million for the year ended December 31, 2023.

Pricing terms

We conducted the transactions in accordance with our pricing policy and guidelines, which apply to transactions with Independent Third Parties as well as connected persons. We have solicited three other third-party service providers for technology system and equipment usage and maintenance service in similar quality and scope of services to determine if the price and terms offered by CSUDGCL and its associates are fair and reasonable and comparable to those offered by Independent Third Parties. The service fees that CSUDGCL and its associates will charge under the Technology System and Equipment Usage and Maintenance Service Framework Agreement shall be determined after arm's length negotiations and taking into account (i) the scope of the services; (ii) the expected operational costs (including labor costs, materials costs and administrative costs) in relation to the provision of the Technology System and Equipment Usage and Maintenance Services; (iii) the fees charged by CSUDGCL and its associates to Independent Third Parties for similar services; and (iv) the fees charged by other service providers for similar services in respect of similar types of properties in the market. The terms offered by CSUDGCL and its associates to our Group shall not be less favorable to our Group than terms offered by CSUDGCL and its associates to Independent Third Parties for the same or similar type and scope of services.

Reasons for the transaction

We have been engaged with CSUDGCL and its associates and utilized their technology system and equipment since our establishment. The entering into of such transactions enables us to utilize the network infrastructure resources and information technology support from CSUDGCL and its associates as supplement to our existing information technology system and software in order to enhance the efficiency of our business operation, as well as technology research and development. We believe continuing to utilize the technology system and equipment of CSUDGCL and its associates would save our costs in sourcing new service provider and avoid changing our information and technology software, as well as enhancing the stability of business operations of our Group. Our Directors believe that the entering into of the Technology System and Equipment Usage and Maintenance Services Framework Agreement and the terms thereof are fair and reasonable, and are in the interests of our Company and our Shareholders as a whole.

Proposed annual caps and basis for determination

Our Directors estimate that the maximum annual service fee to be paid by our Group under the Technology System and Equipment Usage and Maintenance Service Framework Agreement for each of the three years ending December 31, 2026 will not exceed the annual caps set out as below:

	Year ending December 31,		
	2024	**2025**	**2026**
	RMB'000	*RMB'000*	*RMB'000*
Total service fees to be paid by our Group	10,500	5,600	5,000

In arriving at the above proposed annual caps, our Directors have considered, among others, the following factors:

- the historical transaction amounts during the Track Record Period; and

- the number and terms (including service fee) of existing projects/service contracts as of the Latest Practicable Date. As of the Latest Practicable Date, we had two ongoing service contracts with regard to two major technology system development projects in relation to parking operational management and overall operation management entered into with CSUDGCL and its associates since we have been developing our network platform and information system to streamline our management process, enhance system functionalities pertaining to contract management and financial operation, and facilitate the consistency and integration of operational data. As of the Latest Practicable Date, the projects had not been completed as expected due to the delay of the projects which were expected to be completed by the end of 2023. We estimate that the projects will be completed by the end of 2024 and the total service fees of the projects to be paid by our Group will be approximately RMB6.0 million for the year ending December 31, 2024.

Implications under the Listing Rules

Since the highest of all applicable percentage ratios in respect of the Technology System and Equipment Usage and Maintenance Service Framework Agreement will be more than 0.1% but less than 5% on an annual basis, the Technology System and Equipment Usage and Maintenance Service Framework Agreement will be subject to the announcement, reporting and annual review requirements under chapter 14A of the Listing Rules but will be exempted from the circular and independent Shareholders' approval requirement under chapter 14A of the Listing Rules.

3. Resources Purchase

On [●], our Company (for itself and on behalf of its subsidiaries) entered into a resources purchase framework agreement (the "**Resources Purchase Framework Agreement**") with CSUDGCL (for itself and on behalf of its associates), pursuant to which CSUDGCL and its associates agreed to provide to our Group resources provision services, including but not limited to the provision of fuel oil, gas, asphalt, heating and cooling, and water resources (collectively, the "**Resources Provision Services**") for a term commencing from the [**REDACTED**] up to and including December 31, 2026. The definitive agreement to be entered into between our Company and CSUDGCL and its associates shall only contain provisions which are, in all material aspects, consistent with the binding principles, guidelines, terms and conditions set out in the Resources Purchase Framework Agreement.

Historical transaction amounts

During the Track Record Period, the total amounts of service fees paid by our Group to CSUDGCL and its associates for the Resources Provision Services were set out as below:

	Year ended December 31,		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Total service fees paid by our Group	11,951	15,145	19,371

The above historical transaction amounts represent approximately 3.7%, 3.7% and 3.9% of the total cost of sales of our Group for the years ended December 31, 2021, 2022 and 2023, respectively.

Pricing terms

The price for the provision of resources, such as fuel oil and water resources, is subject to government-guided standard for different types of users published by relevant department of the municipal government from time to time at fixed unit price. The service fees that CSUDGCL and its associates charge under the Resources Purchase Framework Agreement have been determined after arm's length negotiations and taking into account, among other factors, (i) the types of the resources; (ii) the expected operational costs (including labor costs, materials costs and administrative costs) in relation to the provision of the related resources; (iii) the fees charged by CSUDGCL and its associates to Independent Third Parties for similar services; (iv) the fees charged by other resources providers for similar services in respect of similar types of resources in the market; and (v) the standard fees designated by the relevant regulatory authorities (if applicable). The fees charged by CSUDGCL and its associates shall not be higher than the government-guided standard fees designated by relevant department of the municipal government, and the terms offered by CSUDGCL and its associates to our Group shall not be less favorable to our Group than terms offered by CSUDGCL and its associates to Independent Third Parties for the same or similar type and scope of services.

Reasons for the transaction

Several associates of CSUDGCL are state-owned resources supply companies which provide resources such as water and fuel oil, to individuals and businesses in Changsha and it is common for companies based in Changsha to procure resources from these companies. We have been purchasing resources (such as fuel oil for our vehicles and equipment, asphalt for our provision of landscaping and engineering services, and gas for our provision of property management services) from CSUDGCL and its associates since our establishment. The vast majority of resources we purchased from CSUDGCL and its associates were used during the course of our provision of services. Our Directors believe that the entering into of the Resources Purchase Framework Agreement and the terms thereof are fair and reasonable, and are in the interests of our Company and our Shareholders as a whole.

Proposed annual caps and basis for determination

Our Directors estimate that the maximum annual service fee payable by our Group under the Resources Purchase Framework Agreement for each of the three years ending December 31, 2026 will not exceed the annual caps set out as below:

	Year ending December 31,		
	2024	**2025**	**2026**
	RMB'000	*RMB'000*	*RMB'000*
Total service fees to be paid by our Group	22,300	22,700	23,300

In arriving at the above proposed annual caps, our Directors have considered, among others, the following factors:

- the historical transaction amounts during the Track Record Period. The substantial increase in 2023 was primarily due to the increase of resources consumptions of our Group in the course of provision of services to our customer as a result of our business growth and expansion;

- the number and terms (including service fee) of existing service contracts as of the Latest Practicable Date. As of the Latest Practicable Date, we entered into 16 service contracts with regard to water resources procurement, two service contract with regard to fuel oil resources procurement, one service contract with regard to asphalt resources procurement, two service contracts with regard to gas resources procurement, and three service contracts with regard to heating and cooling resources procurement;

- for the years ending December 31, 2024, 2025 and 2026, based on our historical consumption and demand, it is estimated that: (i) the water resources demand of our Group will be approximately 1.6 million tons, 1.7 million tons and 1.8 million tons, respectively; (ii) the fuel oil resources demand of our Group will be approximately 0.3 million liters each year; (iii) the asphalt resources demand of our Group will be approximately 200.0 million tons each year; (iv) the gas resources demand of our Group will be approximately 2.8 million liters each year; and (v) the heating and cooling resources demand of our Group will be 10.5 million unit each year; and

- the expected increase in the operation scale and the demand of our Group for Resources Provision Services to be provided by CSUDGCL and its associates for the years ending December 31, 2024, 2025 and 2026.

Implications under the Listing Rules

Since the highest of all applicable percentage ratios in respect of the Resources Purchase Framework Agreement will be more than 0.1% but less than 5% on an annual basis, the Resources Purchase Framework Agreement will be subject to the announcement, reporting and annual review requirements under chapter 14A of the Listing Rules but will be exempted from the circular and independent Shareholders' approval requirement under chapter 14A of the Listing Rules.

4. Property Leasing

On [●], our Company (for ourselves and on behalf of our subsidiaries) entered into a property leasing framework agreement with CSUDGCL (for itself and on behalf of its associates) (the "**Property Leasing Framework Agreement**"), pursuant to which our Group agreed to lease certain properties including office buildings and dormitories for employees from CSUDGCL and its associates, for a term commencing from the [**REDACTED**] up to and including December 31, 2026. The definitive property leasing agreements to be entered into between our Company and CSUDGCL (for itself and on behalf of its associates) shall only contain provisions which are, in all material aspects, consistent with the binding principles, guidelines, terms and conditions set out in the Property Leasing Framework Agreement.

As of the Latest Practicable Date, our Group leased two properties from CSUDGCL and its associates with an aggregate GFA of approximately 840 sq.m. as offices for our own use (the "**Existing Property Leases**"). The Existing Property Leases are exempt from recognition as right-of-use assets on our statements of financial position under IFRS 16 because they are considered as short-term leases (i.e. leases of 12 months or less). Pursuant to the Property Leasing Framework Agreement, the definitive property leases to be entered into between our Company and CSUDGCL and its associates shall be 12 months or less. Therefore, the rental payments under the Existing Property Leases were and will be recorded as expenses over the term of the Existing Property Leases in our statements of profit or loss and other comprehensive income.

To avoid disruption to the continued operations of our Group, we will, after the [**REDACTED**], continue to lease the properties from CSUDGCL and its associates in addition to the properties under the Existing Property Leases. The definitive leases to be entered into between our Company and CSUDGCL and its associates shall only contain provisions which are, in all material aspects, consistent with the binding principles, guidelines, terms and conditions set out in the Property Leasing Framework Agreement.

Historical transaction amounts

During the Track Record Period, the total amounts of rent paid by our Group to lease properties from CSUDGCL and its associates was set out as below:

	Year ended December 31,		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Total rent paid by our Group	2,079	642	576

The significant decrease in the historical transaction amounts from 2021 to 2022 was primarily due to the decrease in the size of our office space since we started the process to reorganize and integrate our office spaces at different locations into one centralized office space and the Parking Company terminated a lease agreement entered into with CSUDGCL and its associates in 2022.

Pricing terms

We conducted the transactions in accordance with our pricing policy and guidelines, which apply to transactions with Independent Third Parties as well as connected persons. We have compared the rent and terms of at least three other tenants in the same office building to determine if the rent and terms offered by CSUDGCL and its associates are fair and reasonable and comparable to those offered by Independent Third Parties. The respective rental payable by our Group to CSUDGCL and its associates shall be determined after arm's length negotiations and taking into account, among other factors, (i) the location, quality, size and area of the properties; (ii) the rental charged by CSUDGCL and its associates (as the case may be) to Independent Third Parties for similar types of properties; and (iii) the rental charged by other Independent Third Parties for similar types of properties located in similar regions in the market. The rental charged by CSUDGCL and its associates shall not be higher than the standard fees designated by the relevant regulatory authorities (if applicable), and the terms offered by CSUDGCL and its associates to our Group shall not be less favorable to our Group than terms offered by CSUDGCL and its associates to Independent Third Parties for the same or similar type and scope of leasing. As of the Latest Practicable Date, the rent of the Existing Property Leases for our main office space was set at the price of RMB53 per square meter for one month. The rent under leases to be entered into between our Company and CSUDGCL and its associates shall be further negotiated based on the market price of similar types of properties located in similar regions.

Reasons for the transaction

To avoid disruption to the continued operations of our Group, we will, after the [**REDACTED**], continue to lease the properties from CSUDGCL and its associates. In light of the prime locations, reasonable rent, the satisfactory building condition, quality maintenance work and stable lease term provided by CSUDGCL and its associates to us, we believe continuing to lease properties from CSUDGCL and its associates would save our costs in sourcing new locations and avoid any incidental expenses for renting new offices, as well as enhancing the stability of business operations of our Group. Our Directors believe that the entering into of the Property Leasing Framework Agreement and the terms thereof are fair and reasonable, and are in the interests of our Company and our Shareholders as a whole.

Proposed annual caps and basis for determination

Our Directors estimate that the maximum annual amounts under the Property Leasing Framework Agreement for each of the three years ending December 31, 2026 will not exceed the annual caps set out as below:

	Year ending December 31,		
	2024	**2025**	**2026**
	RMB'000	*RMB'000*	*RMB'000*
Total rent to be paid by our Group*(Note 1)*	3,100	3,600	3,600

Note:

(1) The annual caps refer to estimated rental payment as the leases are expected to be short term leases and are exempt from recognition as right-of-use assets on our balance sheet under IFRS 16.

In arriving at the above proposed annual caps, our Directors have considered, among others, the following factors:

- the historical rental amounts in respect of the property lease during the Track Record Period;
- the terms and conditions, such as the size of leasing area and the rentals, under the existing lease agreements;
- it is expected that upon the expiration of the leasing term with an Independent Third Party in 2024, our Group will lease properties from CSUDGCL and its associates as dormitory for our employees with the aggregate GFA of approximately 2,000 sq.m., the estimated rents to be paid by our Group amount to approximately RMB0.5 million, RMB1.0 million and RMB1.0 million for the three years ending December 31, 2026, respectively. Entering into lease

agreements with CSUDGCL and its associates would reduce our Group's rental costs. It is estimated that the rental costs will be approximately RMB6,900 per year per person under the Property Leasing Framework Agreement, with a decrease of RMB600 per year per person as compared to the rental costs incurred from leasing properties from such Independent Third Party;

- the expected increase in the size of our Group's office space renting from CSUDGCL and its associates for the year ending December 31, 2024 with the GFA of approximately 2,000 sq.m. since we started the process to reorganize and integrate our office spaces at different locations into one centralized office space to better improve the efficiency of and ease communication among our employees. The average office space per employee decreased from 36.2 sq.m. per person as of December 31, 2021 to 17.5 sq.m. per person as of the Latest Practicable Date due to the decrease in the total GFA of our office spaces. It is estimated that the average office space per employee will be 14.4 sq.m. per person after we finish integrating our office spaces. The estimated rents to be paid by our Group to CSUDGCL and its associates amount to approximately RMB2.0 million for each of the three years ending December 31, 2026, respectively; and

- the expected increase in the rental to be charged by CSUDGCL and its associates considering the expected inflation and the increase in the market price for similar rental properties.

As of the Latest Practicable Date, our Group leased two properties from CSUDGCL and its associates with an aggregate GFA of approximately 840 sq.m. as offices for our own use. The increases in the proposed annual caps under the Property Leasing Framework Agreement for the years ending December 31, 2024 and 2025 are primarily due to the leasing of additional properties from CSUDGCL and its associates as dormitories for our employees, and the expected expansion or change of location of our offices resulting from our increasing demand for office space having considered the expected expansion of our business scale for the three years ending December 31, 2026.

Implications under the Listing Rules

Since the highest of all applicable percentage ratios in respect of the Property Leasing Framework Agreement will be more than 0.1% but less than 5% on an annual basis, the Leasing Framework Agreement will be subject to the announcement, reporting and annual review requirements under chapter 14A of the Listing Rules but will be exempted from the circular and independent Shareholders' approval requirement under chapter 14A of the Listing Rules.

(C) Continuing Connected Transactions Subject to the Reporting, Annual Review, Announcement and the Circular and Independent Shareholders' Approval Requirements

1. Property Management Service

On [●], our Company (for ourselves and on behalf of our subsidiaries) entered into a property management services framework agreement with CSUDGCL (for itself and on behalf of its associates) (the "**Property Management Service Framework Agreement**"), pursuant to which our Group agreed to provide to CSUDGCL and its associates property management services, including but not limited to cleaning and general greening services, security services, repair and maintenance services and customer services in respect of (i) property units developed by CSUDGCL and its associates which have been completed and are either unsold or sold but not yet delivered to the buyers; and (ii) residential communities, office buildings and other properties owned, used or operated by CSUDGCL and its associates, for a term commencing from the [**REDACTED**] up to and including December 31, 2026. The definitive service agreement to be entered into between our Company and CSUDGCL and its associates shall only contain provisions which are, in all material aspects, consistent with the binding principles, guidelines, terms and conditions set out in the Property Management Service Framework Agreement.

Historical transaction amounts

During the Track Record Period, the total amounts of service fees paid by CSUDGCL and its associates to our Group for the property management services was set out as below:

	Year ended December 31,		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Total service fees paid by CSUDGCL and its associates	59,263	78,900	83,329

The above historical transaction amounts represent approximately 13.7%, 14.9% and 12.8% of the revenue of our Group for the years ended December 31, 2021, 2022 and 2023, respectively.

Pricing terms

The service fees that we charge under the Property Management Service Framework Agreement have been determined after arm's length negotiations and taking into account, among other factors, (i) the nature, size and location of the properties; (ii) the scope of the services; (iii) the expected operational costs (including labor costs, materials costs and administrative costs) in relation to the provision of the property management services; (iv) the fees charged by us to Independent Third Parties for similar services; and (v) the fees charged by other service providers for similar services in respect of similar types of properties in the market. For details of the pricing method of our property management services, please refer to the section headed "Business – Landscaping and Engineering – Our Pricing Policy". The fees charged by our Group shall not be higher than the standard fees designated by the relevant regulatory authorities (if applicable), and the terms offered by our Group to CSUDGCL and its associates shall not be less favorable to our Group than terms offered by our Group to Independent Third Parties for the same or similar type and scope of services.

Reasons for the transaction

Given the considerable amount of municipal, commercial and residential properties owned or developed by CSUDGCL and its associates, by entering into the Property Management Service Framework Agreement, our Group can maintain a strategic cooperation relationship with CSUDGCL and its associates, providing quality property management services to them. We provide such services to CSUDGCL and its associates during the ordinary course of our business and on normal commercial terms. It enables us to ensure a stable source of income and also improve our competitiveness in providing consistent and quality property management services to other customers of our Group. In addition, during the Track Record Period and up to the Latest Practicable Date, CSUDGCL and its associates selected us to provide Property Management Service through tender bidding and/or by obtaining quotations in accordance with the relevant PRC laws and regulations, taking into account our credentials, fee quote and quality of services. Through our past history of cooperation, we developed mutual trust and understanding with CSUDGCL and its associates, allowing CSUDGCL and its associates to reduce communication and related supervision costs in our daily business dealings. Our Directors believe that entering into of the Property Management Service Framework Agreement and the terms thereof are fair and reasonable, and are in the interests of our Company and our Shareholders as a whole.

Proposed annual caps and basis for determination

Our Directors estimate that the maximum annual service fee to be paid by CSUDGCL and its associates under the Property Management Service Framework Agreement for each of the three years ending December 31, 2026 will not exceed the annual caps set out as below:

	Year ending December 31,		
	2024	**2025**	**2026**
	RMB'000	*RMB'000*	*RMB'000*
Total service fees to be paid by CSUDGCL and its associates	101,500	95,600	90,900

In arriving at the above proposed annual caps, our Directors have considered, among others, the following factors:

- the historical transaction amounts during the Track Record Period;
- our tender success rate for property management projects of CSUDGCL and its associates was 100% throughout the Track Record Period, and our retention rates for property management service contracts in respect of property projects of CSUDGCL and its associates was 87.2%, 86.3% and 92.3% for the three years ended December 31, 2021, 2022 and 2023, respectively;
- the estimated GFA in respect of the public, residential and commercial properties developed by CSUDGCL and its associates and the expected increase in the demand for our services with reference to the expected increase in the GFA of properties developed by CSUDGCL and its associates as a result of its business growth and expansion. As of December 31, 2023, we had 48 property management projects sourced from CSUDGCL and its associates with a total of approximately 4.3 million sq.m. GFA under management. Based on CSUD Group's future development plan and their respective delivery schedule of property projects, we expect to have and to maintain at least 54 property management projects sourced from CSUDGCL and its associates for the year ending December 31, 2024 with a total of approximately 5.4 million sq.m. GFA under management;
- the increase in the annual cap of the Property Management Service Framework Agreement in 2024 taking into account (i) the increase in the service fees of approximately RMB3.3 million expected to be generated from the Moon Island Property Management Project (月亮島物業管理項目) in 2024 as we will offer supplementary services and increase manpower, such as security guard and cleaning staff, as necessitated by the expanding scope of services which was resulted from the more area available for the public within the project as compared the project in 2023; (ii) the increase in the service fees of approximately RMB3.5 million expected to be generated from the High Speed Service Area Property Management Project (高速服務區物業管理項目) in 2024 since such project started in June 2023 (the project is expected to generate higher service fees for provision of services for the whole year of 2024 as compared to the shorter service period in 2023); and (iii) the estimated service fees of approximately RMB3.0 million expected to be generated from the Junyue Yanghu Property Management Project (君越洋湖物業管理項目) which was newly awarded to us in 2024;

- the decreases in the annual caps of the Property Management Service Framework Agreement in 2025 and 2026, considering that for property management projects in relation to sales centers (the owners/developers of which are mainly CSUDGCL and its associates), it will be unnecessary to maintain the operation of sales centers after the properties in relation to such projects being sold out, thereby obviating the demand for our property management services;

- the estimated new service demand of CSUDGCL and its associates for our property management services provided to their construction sites during the three years ending December 31, 2026 taking into account CSUD Group's considerable amount of land bank and projects under construction. As of the Latest Practicable Date, to the best knowledge of our Directors after consulting the CSUD Group, CSUD Group had approximately 18.3 million sq.m. of land bank and ten real estate projects under construction or development with a total GFA of 2.7 million sq.m.; and

- the expected increase in the service fees to be charged by us considering the expected inflation and increment in the operational costs as incurred by us, especially labor costs.

Implications under the Listing Rules

As the highest of the applicable percentage ratios under the Listing Rules in respect of the annual caps is expected to be more than 5%, the transactions under the Property Management Service Framework Agreement are subject to the reporting, annual review, announcement, circular and independent Shareholders' approval requirements under chapter 14A of the Listing Rules.

2. Commercial Operation Service

On [●], our Company (for ourselves and on behalf of our subsidiaries) entered into a commercial operation service framework agreement (the "**Commercial Operation Service Framework Agreement**") with CSUDGCL (for itself and on behalf of its associates), pursuant to which our Group agreed to provide to CSUDGCL and its associates commercial operation services, including but not limited to (i) property leasing services; and (ii) comprehensive operation and management services, such as market commercial positioning, consultancy, tenant sourcing services, safety management and daily maintenance for a term commencing from the [**REDACTED**] up to and including December 31, 2026. The definitive service agreement to be entered into between our Company and CSUDGCL and its associates shall only contain provisions which are, in all material aspects, consistent with the binding principles, guidelines, terms and conditions set out in the Commercial Operation Service Framework Agreement.

Historical transaction amounts

During the Track Record Period, the total amount of service fees paid by CSUDGCL and its associates to our Group for the commercial operation services was set out as below:

	Year ended December 31,		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Total service fees paid by CSUDGCL and its associates	47,020	43,115	57,366

The above historical transaction amounts represent approximately 10.9%, 8.2% and 8.8% of the revenue of our Group for the years ended December 31, 2021, 2022 and 2023, respectively. The decrease in the historical transaction amount in 2022 was primarily due to a decrease in the number of properties entrusted to us. The increase in the historical transaction amount in 2023 was primarily due to the launch of certain new commercial operation projects in 2023. The service fees of such projects paid by CSUDGCL and its associates amounted to RMB10.8 million for the same year.

Pricing terms

Under the entrusted management service model, the service fees encompass our management team's salaries, promotion expenses, security expenses, and other relevant expenses incurred during the management process. For details of the pricing terms of our commercial operation management services, please refer to the section headed "Business – Commercial Operation Services – Our Pricing Policy". The service fees that we charge under the Commercial Operation Service Framework Agreement have been determined after arm's length negotiations and taking into account, among other factors, (i) the nature, size and location of the properties; (ii) the scope of the services; (iii) the expected operational costs (including labor costs, materials costs and administrative costs) in relation to the provision of the commercial operation services; and (iv) the fees charged by other service providers for similar services in respect of similar types of properties in the market. The fees charged by our Group shall not be higher than the standard fees designated by the relevant regulatory authorities (if applicable), and the terms offered by our Group to CSUDGCL and its associates shall not be less favorable to our Group than terms offered by our Group to Independent Third Parties for the same or similar type and scope of services.

Reasons for the transaction

Given the considerable amount of commercial and residential properties owned or developed by CSUDGCL and its associates, by entering into the Commercial Operation Service Framework Agreement, our Group can maintain a strategic cooperation relationship with CSUDGCL and its associates, providing quality commercial operation services to them and securing a considerable market share in the commercial operation market in Changsha. It enables us to ensure a stable source of income and also improve our competitiveness and market image in providing consistent and quality commercial operation services to other customers of our Group. Through our past history of cooperation, we developed mutual trust and understanding with CSUDGCL and its associates, allowing CSUDGCL and its associates to reduce communication and related supervision costs in our daily business dealings. Our Directors believe that entering into of the Commercial Operation Services Framework Agreement and the terms thereof are fair and reasonable, and are in the interests of our Company and our Shareholders as a whole.

Proposed annual caps and basis for determination

Our Directors estimate that the maximum annual service fee payable by CSUDGCL and its associates under the Commercial Operation Service Framework Agreement for each of the three years ending December 31, 2026 will not exceed the annual caps set out as below:

	Year ending December 31,		
	2024	**2025**	**2026**
	RMB'000	*RMB'000*	*RMB'000*
Total service fees to be paid by CSUDGCL and its associates	68,500	71,700	74,000

In arriving at the above proposed annual caps, our Directors have considered, among others, the following factors:

- the historical transaction amounts during the Track Record Period;
- the number, GFA under management and terms (including service fee) of existing projects/service contracts as of the Latest Practicable Date. As of the Latest Practicable Date, we had 45 commercial operation projects with a total GFA of approximately 0.8 million sq.m.;
- our renewal rate in connection with our commercial operation service contracts and our retention rates for commercial operation service contracts in respect of property projects developed or owned by CSUDGCL and its associates were 100% throughout the Track Record Period;

- the expected increase in the proposed annual cap in 2024 as compared to the historical amount in 2023 taking into account (i) the service fees expected to be generated from two additional commercial operation projects of approximately RMB0.8 million in 2024; (ii) the estimated increase in the service fees of approximately RMB2.7 million due to the increase in the number of new tenants as a result of rental discount granted to new tenants (we generally offer rental discount to new tenants for a certain period in order to provide buffers for them to complete interior renovation) after the termination or expiry of existing leases in 2023 with regard to certain properties under management; and (iii) the estimated increase in the service fees of approximately RMB1.7 million as a result of our increasing efforts in promoting and advertising for ten of our existing commercial operation projects since such efforts are expected to decrease the vacancy rate of our managed properties;

- the expected increase in the demand of CSUDGCL and its associates for our services with reference to the estimated increase in the number of commercial and other properties owned, used or operated by CSUDGCL and its associates which might require commercial operation services to be provided by us. Based on CSUD Group's future development plan and their respective delivery schedule of property projects, we expect to have and to maintain at least 47 commercial operation projects from CSUDGCL and its associates as customers for each year ending December 31, 2024, 2025 and 2026, respectively, with a total of approximately 0.8 million sq.m. GFA under management for each of the respective years. Meanwhile, the high vacancy rate of certain new commercial operation projects launched in 2023 is expected to decrease gradually in the following years, thereby increasing the service fees generated from such projects; and

- the estimated cost to be incurred by us considering the expected inflation and increment in the operational costs as incurred by us during the Track Record Period, especially labor costs.

Implications under the Listing Rules

As the highest of the applicable percentage ratios under the Listing Rules in respect of the annual caps is expected to be more than 5%, the transactions under the Commercial Operation Service Framework Agreement are subject to the reporting, annual review, announcement, circular and independent Shareholders' approval requirements under chapter 14A of the Listing Rules.

3. Landscaping and Engineering Service

On [●], our Company (for ourselves and on behalf of our subsidiaries) entered into a landscaping and engineering services framework agreement with CSUDGCL (for itself and on behalf of its associates) (the "**Landscaping and Engineering Service Framework Agreement**"), pursuant to which our Group agreed to provide to CSUDGCL and its associates landscaping and engineering services, including but not limited to (i) landscaping and engineering services, mainly including environmental improvement, green land remodeling and maintenance, tree, grass and flower planting and the tree shaping and sculpting, and (ii) property engineering construction services, mainly including construction, installment and maintenance services for building components and systems, interior renovation and architectural decoration, for a term commencing from the [**REDACTED**] up to and including December 31, 2026. The definitive service agreement to be entered into between our Company and CSUDGCL and its associates shall only contain provisions which are, in all material aspects, consistent with the binding principles, guidelines, terms and conditions set out in the Landscaping and Engineering Service Framework Agreement.

Historical transaction amounts

During the Track Record Period, the total amounts of service fees paid by CSUDGCL and its associates to our Group for the landscaping and engineering services were set out as below:

	Year ended December 31,		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Total service fees paid by CSUDGCL and its associates	75,596	109,677	141,202

The above historical transaction amounts represent approximately 17.5%, 20.7% and 21.7% of the revenue of our Group for the years ended December 31, 2021, 2022 and 2023, respectively. The substantial increase in the historical transaction amount in 2022 was primarily because we made major breakthrough in the expansion of landscaping and engineering following the acquisition of relevant credentials, and we greatly enhanced our ability to better provide landscaping and engineering services to our customers and, as such, we successfully undertook considerable amount of landscaping projects in 2022 and 2023.

Pricing terms

The service fees that we charge under the Landscaping and Engineering Service Framework Agreement have been determined after arm's length negotiations and taking into account, among other factors, (i) the nature, size and location of the projects; (ii) the scope of the services; (iii) the expected operational costs (including labor costs, materials costs and administrative costs) in relation to the provision of the landscaping and engineering services; (iv) the fees charged by us to Independent Third Parties for similar services; and (v) the fees charged by other service providers for similar services in respect of similar types of properties in the market. The service fees under a specific service agreement to be entered into between our Company and CSUDGCL and its associates will be determined on a case-by-case basis taking into the factors set out above. The pricing policy for landscaping and engineering services including fixed unit price and fluctuating unit price. For details, please refer to the section headed "Business – Urban Services – Scope of Services – Landscaping and Engineering – Our Pricing Policy". The fees charged by our Group shall not be higher than the standard fees designated by the relevant regulatory authorities (if applicable), and the terms offered by our Group to CSUDGCL and its associates shall not be less favorable to our Group than terms offered by our Group to Independent Third Parties for the same or similar type and scope of services.

Reasons for the transaction

Given considerable amount of municipal, commercial and residential properties owned or developed by CSUDGCL and its associates, demand of landscaping and engineering services of CSUDGCL and its associates will be sizable. By entering into the Landscaping and Engineering Service Framework Agreement, our Group can maintain a strategic cooperation relationship with CSUDGCL and its associates, providing quality landscaping and engineering services to them. It enables us to ensure a stable source of income and also improve our skill set and enhance our brand image, which may lead to broader customer base of our Group. Our Directors believe that entering into of the Landscaping and Engineering Service Framework Agreement and the terms thereof are fair and reasonable, and are in the interests of our Company and our Shareholders as a whole.

Proposed annual caps and basis for determination

Our Directors estimate that the maximum annual service fee payable by CSUDGCL and its associates under the Landscaping and Engineering Service Framework Agreement for each of the three years ending December 31, 2026 will not exceed the annual caps set out as below:

	Year ending December 31,		
	2024	**2025**	**2026**
	RMB'000	*RMB'000*	*RMB'000*
Total service fees to be paid by CSUDGCL and its associates	171,900	199,800	264,400

In arriving at the above proposed annual caps, our Directors have considered, among others, the following factors:

- the historical transaction amounts during the Track Record Period;

- the number and terms (including service fee) of existing projects/service contracts as of the Latest Practicable Date;

- the expected increase in the demand of CSUDGCL and its associates for our services with reference to the estimated increase in the number of municipal, residential and commercial properties owned or developed by CSUDGCL and its associates which might require landscaping and engineering services to be provided by us. Based on CSUD Group's future development plan and their respective delivery schedule of property projects, we expect to have additional 30, 7, and 13 material landscaping and engineering projects from CSUDGCL and its associates for the years ending December 31, 2024, 2025 and 2026 respectively, the estimated service fees of which to be paid by CSUDGCL and its associates amount to RMB130.5 million, RMB82.6 million and RMB151.0 million for the same years, respectively; and

- the estimated cost to be incurred by us considering the expected inflation and increment in the operational costs as incurred by us during the Track Record Period, especially labor costs.

Implications under the Listing Rules

As (i) all subject matters, in respect of the transactions contemplated under the Parking Service Framework Agreement, Lighting System Operation Service Framework Agreement and Landscaping and Engineering Service Framework Agreement, cover urban services to be provided by us to CSUDGCL and its associates, and (ii) the agreements are entered into within the same 12-month period, the transactions under such agreements shall be aggregated pursuant to Rules 14A.81 to 14A.83 of the Listing Rules. Upon aggregation with the transactions contemplated under the Parking Service Framework Agreement, Lighting System Operation Service Framework Agreement and Landscaping and Engineering Service Framework Agreement pursuant to Rule 14A.81 of the Listing Rules, the highest of the applicable percentage ratios under the Listing Rules in respect of the aggregated annual caps is expected to be more than 5%, the transactions under the aforementioned agreements are subject to the reporting, annual review, announcement, circular and independent Shareholders' approval requirements under chapter 14A of the Listing Rules.

4. Parking Service

On [●], our Company (for ourselves and on behalf of our subsidiaries) entered into a parking service framework agreement (the "**Parking Service Framework Agreement**") with CSUDGCL (for itself and on behalf of its associates), pursuant to which, our Group agreed to provide to CSUDGCL and its associates parking services for the use of their employees, including but not limited to the provision of parking services, parking lot leasing and other related value-added services, for a term commencing from the [**REDACTED**] up to and including December 31, 2026. The definitive service agreement to be entered into between our Company and CSUDGCL and its associates shall only contain provisions which are, in all material aspects, consistent with the binding principles, guidelines, terms and conditions set out in the Parking Service Framework Agreement.

Historical transaction amounts

During the Track Record Period, the total amounts of service fees paid by CSUDGCL and its associates to our Group for the parking services were set out as below:

	Year ended December 31,		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Total service fees paid by CSUDGCL and its associates	1,037	1,096	1,651

The above historical transaction amounts represent approximately 0.2%, 0.2% and 0.3% of the revenue of our Group for the years ended December 31, 2021, 2022 and 2023, respectively. The increase in the historical transaction amount in 2023 was primarily due to the increase in the service fees of approximately RMB0.3 million paid by CSUDGCL and its associates generated from two of our existing parking lots.

Pricing terms

Our parking service charges are subject to government guidance price, regardless of our service models. We follow the Rules for the Implementation of Vehicle Parking Service Charge in Changsha (Chang Fa Gai Jia Fei [2021] No. 69) (《長沙市機動車停放服務收費實施細則》). For details, please refer to the section headed "Business – Urban Services – Scope of Services – Parking Lot Operation – Our Pricing Policy". The service fees that we charge under the Parking Service Framework Agreement have been determined after arm's length negotiations and taking into account, among other factors, (i) the nature, size and location of the parking lot; (ii) the scope of the services; (iii) the expected operational costs (including labor costs, materials costs and administrative costs) in relation to the provision of the parking services; (iv) the fees charged by us to Independent Third Parties for similar services; and (v) the fees charged by other service providers for similar services in respect of similar types of parking lot in the market. The fees charged by our Group shall not be higher than the standard fees designated by the relevant regulatory authorities (if applicable), and the terms offered by our Group to CSUDGCL and its associates shall not be less favorable to our Group than terms offered by our Group to Independent Third Parties for the same or similar type and scope of services.

Reasons for the transaction

Given the considerable parking services needed by CSUDGCL and its associates based on the scale of CSUD Group, by entering into the Parking Service Framework Agreement, our Group is able to maintain a strategic cooperation relationship with CSUDGCL and its associates, providing quality parking services to them. In addition, we have sourced large amount of parking lots from CSUDGCL and its associates to obtain the right to use and manage parking lots owned or developed by CSUDGCL and its associates since we started engaging in parking services, through our past history of cooperation, we developed mutual trust and understanding with CSUDGCL and its associates, allowing CSUDGCL and its associates to reduce communication and related supervision costs in our daily business dealings and enabling us to secure a stable source of income and also increase our market share in the competitive market. Our Directors believe that entering into of the Parking Service Framework Agreement and the terms thereof are fair and reasonable, and are in the interests of our Company and our Shareholders as a whole.

Proposed annual caps and basis for determination

Our Directors estimate that the maximum annual service fee payable by CSUDGCL and its associates under the Parking Service Framework Agreement for each of the three years ending December 31, 2026 will not exceed the annual caps set out as below:

	Year ending December 31,		
	2024	**2025**	**2026**
	RMB'000	*RMB'000*	*RMB'000*
Total service fees to be paid by CSUDGCL and its associates	1,600	1,600	1,600

In arriving at the above proposed annual caps, our Directors have considered, among others, the following factors:

- the historical transaction amounts during the Track Record Period;
- the projected transaction amounts pursuant to existing service agreements with CSUDGCL and its associates; and
- the number of parking lot spaces under management and the projected transaction amounts of existing lease/service agreements as of the Latest Practicable Date. It is expected that for the years ending December 31, 2024, 2025 and 2026, the number of parking lot spaces contracted under the Parking Service Framework Agreement will be at least 513, 513 and 597, respectively. As of the Latest Practicable Date, we had entered into four parking service agreements with CSUDGCL and its associates with 513 contracted parking lot spaces and we expect to renew such agreements when expired;

Implications under the Listing Rules

As (i) all subject matters, in respect of the transactions contemplated under the Parking Service Framework Agreement, Lighting System Operation Service Framework Agreement and Landscaping and Engineering Service Framework Agreement, cover urban services to be provided by us to CSUDGCL and its associates, and (ii) the agreements are entered into within the same 12-month period, the transactions under such agreements shall be aggregated pursuant to Rules 14A.81 to 14A.83 of the Listing Rules. Upon aggregation with the transactions contemplated under the Landscaping and Engineering Service Framework Agreement, Lighting System Operation Service Framework Agreement and Parking Service Framework Agreement pursuant to Rule 14A.81 of the Listing Rules, the highest of the applicable percentage ratios under the Listing Rules in respect of the aggregated annual caps is expected to be more than 5%, the transactions under the aforementioned agreements are subject to the reporting, annual review, announcement, circular and independent Shareholders' approval requirements under chapter 14A of the Listing Rules.

5. Lighting System Operation Service

On [●], our Company (for itself and on behalf of its subsidiaries) entered into a lighting system operation services framework agreement (the "**Lighting System Operation Service Framework Agreement**") with CSUDGCL (for itself and on behalf of its associates), pursuant to which our Group agreed to provide to CSUDGCL and its associates landscape lighting operation and functional lighting operation services, including but not limited to (i) operation and maintenance management of night lighting control system; and (ii) operation and maintenance of street lights and auxiliary facilities and equipment (collectively, the "**Lighting System Operation Services**") for a term commencing from the [**REDACTED**] up to and including December 31, 2026. The definitive service agreement to be entered into between our Company and CSUDGCL and its associates shall only contain provisions which are, in all material aspects, consistent with the binding principles, guidelines, terms and conditions set out in the Lighting System Operation Service Framework Agreement.

Historical transaction amounts

During the Track Record Period, the total amounts of service fees paid by CSUDGCL and its associates to our Group for the lighting system operation services were set out as below:

	Year ended December 31,		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Total service fees paid by CSUDGCL and its associates	–	1,938	5,944

The above historical transaction amounts represent approximately nil, 0.4% and 0.9% of the total revenue of our Group for the years ended December 31, 2021, 2022 and 2023, respectively. The substantial increase in the historical transaction amount in 2023 was primarily due to our launch of a lighting system operation project in November 2022, the service fees of which amounted to approximately RMB1.9 million and RMB4.8 million for the years ended December 31, 2022 and 2023, respectively.

Pricing terms

The service fees that our Group charge under the Lighting System Operation Service Framework Agreement have been determined after arm's length negotiations and taking into account, among other factors, (i) the scope of the services; (ii) the expected operational costs (including labor costs, materials costs and administrative costs) in relation to the provision of the Lighting System Operation Services; (iii) the fees charged by us to Independent Third Parties for similar services; and (iv) the fees charged by other service providers for similar services in the market. The service fees under a specific service agreement to be entered into between our Company and CSUDGCL and its associates will be determined on a case-by-case basis taking into the factors set out above. For details, please refer to the section headed "Business – Urban Services – Scope of Services – Lighting System Operation – Our Pricing Policy". The fees charged by our Group shall not be higher than the standard fees designated by the relevant regulatory authorities (if applicable), and the terms offered by our Group to CSUDGCL and its associates shall not be less favorable to our Group than terms offered by our Group to Independent Third Parties for the same or similar type and scope of services.

Reasons for the transaction

We have entered into two lighting system operation services agreements with CSUDGCL and its associates for the year ended December 31, 2023. As of Latest Practicable Date, CSUDGCL and its associates owned and managed a considerable amount of real-estate properties and urban infrastructure properties, which led to a demand for our lighting system operation services. Entering into the Lighting System Operation Services Framework Agreement enables us to secure quality lighting system operation projects and also improve our competitiveness in providing quality lighting system operation services to third-party customers. Our Directors believe that entering into of the Lighting System Operation Service Framework Agreement and the terms thereof are fair and reasonable, and are in the interests of our Company and our Shareholders as a whole.

Proposed annual caps and basis for determination

Our Directors estimate that the maximum annual service fee to be paid by CSUDGCL and its associates under the Lighting System Operation Service Framework Agreement for each of the three years ending December 31, 2026 will not exceed the annual caps set out as below:

	Year ending December 31,		
	2024	**2025**	**2026**
	RMB'000	*RMB'000*	*RMB'000*
Total service fees to be paid by CSUDGCL and its associates	14,700	14,700	14,700

In arriving at the above proposed annual caps, our Directors have considered, among others, the following factors:

- the historical transaction amounts during the Track Record Period; and
- the number and terms of existing projects/service contracts and the projected transaction amounts pursuant to existing service contracts with CSUDGCL and its associates as of the Latest Practicable Date. As of the Latest Practicable Date, we had two ongoing service contract entered into with CSUDGCL and its associates with existing project, the estimated service fees of which to be paid by CSUDGCL and its associates amount to RMB13.9 million for each of the three years ending December 31, 2026, respectively. Such service contracts will be valid for three years.

Implications under the Listing Rules

As (i) all subject matters, in respect of the transactions contemplated under the Parking Service Framework Agreement, Lighting System Operation Service Framework Agreement and Landscaping and Engineering Service Framework Agreement, cover urban services to be provided by us to CSUDGCL and its associates, and (ii) the agreements are entered into within the same 12-month period, the transactions under such agreements shall be aggregated pursuant to Rules 14A.81 to 14A.83 of the Listing Rules. Upon aggregation with the transactions contemplated under the Parking Service Framework Agreement, Landscaping and Engineering Service Framework Agreement and Lighting System Operation Service Framework Agreement pursuant to Rule 14A.81 of the Listing Rules, the highest of the applicable percentage ratios under the Listing Rules in respect of the aggregated annual caps is expected to be more than 5%, the transactions under the aforementioned agreements are subject to the reporting, annual review, announcement, circular and independent Shareholders' approval requirements under chapter 14A of the Listing Rules.

INTERNAL CONTROL MEASURES

We have adopted the following internal control and corporate governance measures to ensure that the terms of our transactions with CSUDGCL and its associates are fair and reasonable and not prejudicial to the interests of our Company and the minority Shareholders:

(i) our Board (including our independent non-executive Directors) will be responsible for reviewing and evaluating the terms of the framework agreements for the continuing connected transactions (including any renewal thereof), in particular the pricing principles and annual caps, to ensure that such terms are fair and reasonable to our Group and compliant with relevant laws and regulations, our Group's internal policies and the Listing Rules;

(ii) various internal departments of our Company (including but not limited to our finance department and legal department) will regularly monitor the implementation of the continuing connected transactions and keep track of the aggregate transaction amounts under the relevant framework agreements to ensure that the pricing principles and annual caps contained therein are complied with;

(iii) our Group will independently evaluate the projects developed by the CSUDGCL and its associates, including the size and location of the relevant projects, the scope and standards of the services required and our expected operational costs for providing such services, before taking on any particular project;

(iv) when determining the fees payable by the CSUDGCL and its associates to our Group under the framework agreements, our Group will regularly research into prevailing market conditions and practices and make reference to the pricing and terms offered by our Group to Independent Third Parties for similar transactions, to ensure that the terms and conditions offered to the CSUDGCL and its associates are fair and reasonable and are no less favorable to our Group than those offered to other comparable Independent Third Parties; and

(v) our independent non-executive Directors and auditors will conduct annual review of the continuing connected transactions under the framework agreements and provide annual confirmations in accordance with Rules 14A.55 and 14A.56 of the Listing Rules.

APPLICATION FOR WAIVER

The transactions described in "– (B) Continuing connected transactions subject to the reporting, annual review and announcement requirements but exempt from the circular and independent Shareholders' approval requirements" in this section constitute our continuing connected transactions under the Listing Rules, which are exempt from the circular and independent Shareholders' approval requirements but subject to the reporting, annual review and announcement requirements under the Listing Rules.

The transactions described in "– (C) Continuing connected transactions subject to the reporting, annual review, announcement and the circular and independent shareholders' approval requirements" constitute our continuing connected transactions under the Listing Rules, which are subject to the reporting, annual review, announcement and the circular and independent Shareholders' approval requirements under chapter 14A of the Listing Rules.

In respect of these continuing connected transactions, pursuant to Rule 14A.105 of the Listing Rules, we have applied to the Stock Exchange for, [and the Stock Exchange has granted,] waivers exempting us from strict compliance with the announcement requirements under chapter 14A of the Listing Rules in respect of the continuing connected transactions as disclosed in "– (B) Continuing connected transactions subject to the reporting, annual review and announcement requirements but exempt from the circular and independent Shareholders' approval requirements"; and the announcement, circular and independent Shareholders' approval requirements under chapter 14A of the Listing Rules in respect of the continuing connected transactions as disclosed in "– (C) Continuing connected transactions subject to the reporting, annual review, announcement and the circular and independent shareholders' approval requirements", subject to the condition that the aggregate amounts of the continuing connected transactions for each financial year shall not exceed the relevant amounts set forth in the respective annual caps (as stated above). Apart from the above waivers sought on the strict compliance of the announcement, circular and independent Shareholders' approval requirements, we will comply with the relevant requirements under chapter 14A of the Listing Rules.

If any terms of the transactions contemplated under the agreements mentioned above are altered or if our Company enters into any new agreements with any connected person in the future, we will fully comply with the relevant requirements under chapter 14A of the Listing Rules unless we apply for and obtain a separate waiver from the Stock Exchange.

DIRECTORS' VIEWS

Our Directors (including our independent non-executive Directors) consider that all the continuing connected transactions as disclosed in "– (A) Continuing connected transactions fully exempt from the reporting, annual review, announcement and independent Shareholders' approval requirements", "– (B) Continuing connected transactions subject to the reporting, annual review and announcement requirements but exempt from the circular and independent Shareholders' approval requirements" and "– (C) Continuing connected transactions subject to the reporting, annual review, announcement and the circular and independent shareholders' approval requirements" have been and will be carried out (i) in the ordinary and usual course of our business; (ii) on normal commercial terms or better; and (iii) in accordance with the respective terms that are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

Although our trade receivables turnover days for CSUDGCL and its associates were generally longer than that for Independent Third Parties during the Track Record Period, we did not grant longer credit terms to CSUDGCL and its associates than to Independent Third

Parties. The credit terms under the agreements entered into between CSUDGCL and its associates and our Group were typically 30 days, whereas the credit terms for Independent Third Parties were generally within 60 days. During the Track Record Period, our trade receivables turnover days for CSUDGCL and its associates were longer than that for Independent Third Parties, primarily due to the fact that our enlarged landscaping and engineering projects were mainly obtained by direct engagement from CSUD Group. Such projects pertain to the governmental fiscal land development projects of the CSUD Group, which were financed by fiscal funds and typically have relatively longer internal review and approval procedures. We considered that the credit risk of our related parties was low, having taken into account our long-standing and close business relationships with our related parties and their credit worthiness. Despite the receivables due from CSUD Group and its associates, we also had payables due to CSUD Group and its associates. Therefore, there was no apparent risk in collecting the receivables from CSUD Group and its associates and we used less efforts to collect such receivables in 2021, 2022 and 2023, which resulted in longer trade receivables turnover days of our related parties than that of third parties. Nevertheless, our trade receivables turnover days of related parties decreased to 80 days for the year ended December 31, 2023 mainly due to our enhanced efforts to collect trade receivables due from CSUD Group and its associates.

Taking into account factors set out in the above, our Directors (including our independent non-executive Directors) are of the view that the continuing connected transactions have been and will be carried out on normal commercial terms.

Our Directors (including our independent non-executive Directors) are also of the view that the annual caps of the continuing connected transactions as disclosed in "– (A) Continuing connected transactions fully exempt from the reporting, annual review, announcement and independent Shareholders' approval requirements", "– (B) Continuing connected transactions subject to the reporting, annual review and announcement requirements but exempt from the circular and independent Shareholders' approval requirements" and "– (C) Continuing connected transaction subject to the reporting, annual review, announcement and the circular and independent shareholders' approval requirements" in this section are fair and reasonable and are in the interests of our Company and Shareholders as a whole.

SOLE SPONSOR'S VIEW

The Sole Sponsor, after discussions with our management on the proposed annual caps and reasons for entering into each of the continuing connected transactions described in this section, is of the view that (i) the continuing connected transactions have been and will be entered into in the ordinary and usual course of our business, on normal commercial terms or better, are fair and reasonable and in the interests of our Company and our Shareholders as a whole; and (ii) the proposed annual caps of the continuing connected transactions are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

BOARD OF DIRECTORS

The Board currently consists of eight Directors, comprising four executive Directors, one non-executive Director and three independent non-executive Directors. The Board is responsible, and has the general authority for, the management and operation of our Company. Our Directors shall serve for a term of three years, subject to re-election upon retirement. Our independent non-executive Directors shall not hold office for more than six consecutive years in accordance with relevant PRC laws and regulations.

The following table sets forth certain information of our Directors:

Name	Age	Position(s)	Major Responsibilities	Time of joining our Company	Time of appointment as Director	Time of joining our Group	Relationships with other Directors, Supervisors and Senior Management
Executive Directors							
Mr. Xie Yi (謝毅)	45	Executive Director and Chairman of the Board	Responsible for the daily operations, formulation of the overall strategy, business planning and operation decisions of our Group	November 2018	November 2018	July 2017	None
Mr. Yan Yongxiang (顏永翔)	46	Executive Director and General Manager	Responsible for the overall management, commercial operations and providing guidance for the overall development of our Group	July 2022	July 2022	July 2022	None
Mr. Duan Wenming (段文明)	39	Executive Director and Chief Financial Officer	Responsible for the overall financial and cost management, internal audit, tax planning and capital market-related matters of our Group	August 2021	August 2021	August 2021	None

Name	Age	Position(s)	Major Responsibilities	Time of joining our Company	Time of appointment as Director	Time of joining our Group	Relationships with other Directors, Supervisors and Senior Management
Mr. Wong Kwok Fu (王國賦)	50	Executive Director and Secretary of the Board	Responsible for formulation of business strategies and providing guidance for the overall development of our Group	November 2020	November 2020	November 2020	None
Non-executive Director							
Mr. Yu Xiao (余效)	46	Non-executive Director	Responsible for formulation of business strategies and providing guidance for the overall development of our Group	November 2020	November 2020	November 2020	None
Independent non-executive Directors							
Ms. Chan Ka Lai Vanessa (陳嘉麗)	50	Independent non-executive Director	Responsible for providing independent advice on the finance, internal control and risk management of our Group	May 2023	May 2023	May 2023	None
Dr. Dai Xiaofeng (戴曉鳳)	63	Independent non-executive Director	Responsible for providing independent advice on the operation and management of our Group	May 2023	May 2023	May 2023	None
Mr. Tse Chi Wai (謝志偉)	56	Independent non-executive Director	Responsible for providing independent advice on the operation and management of our Group	May 2023	May 2023	May 2023	None

Executive Directors

Mr. Xie Yi (謝毅), aged 45, has been executive Director and the Chairman of the Board of our Company since November 2018. Mr. Xie is primarily responsible for the daily operations, formulation of the overall strategy, business planning and operation decisions of our Group.

Mr. Xie currently holds the following positions in the subsidiaries of our Company as set out below:

Name of entity	**Position**
Chengfa Property	Executive Director
Chengtou Property	Executive Director and General Manager
Chentou Asset	Executive Director
Lighting Company	Executive Director

Mr. Xie has over 12 years' experience in overall strategic planning and corporate operations, investment and financial decisions and financial management relating to property and business management industry.

From September 2003 to October 2005, Mr. Xie served in Guangzhou Lantian Wanguo Commerce Co., Ltd. (廣州藍田萬國商業有限公司), a company principally engaged in commercial asset operations and property management business. From June 2006 to September 2006, Mr. Xie served in Beida Property Management Co., Ltd. (廣州北達物業管理有限公司), a company principally engaged in property management business. From April 2007 to March 2011, Mr. Xie served in Guangzhou Riyu Real Estate Agent Co., Ltd. (廣州市日裕房地產置業有限公司), a company principally engaged in real estate management, commercial asset operation and property management business. From April 2011 to June 2015, Mr. Xie successively served as the deputy general manager of Xiangyang Wanda Plaza Commercial Management Co., Ltd. (襄陽萬達廣場商業管理有限公司) and general manager of Jiyuqiao Wanda Plaza in Wuhan Branch of Dalian Wanda Property Management Co., Ltd. (大連萬達物業管理有限公司武漢分公司) (currently known as Wuhan Branch of Shenzhen Wanxiangmei Property Management Co., Ltd. (深圳市萬象美物業管理有限公司武漢分公司)), companies principally engaged in commercial asset operations and property management matters, where he was primarily responsible for handling commercial asset operations and property management matters. From June 2015 to July 2016, Mr. Xie served as the general manager of Hangzhou Xiasha Commercial Branch (杭州下沙商業公司) of Shanghai Shangsheng Investment Management Consulting Co., Ltd., (上海商盛投資管理諮詢有限公司). Shanghai Shangsheng Investment Management Consulting Co., Ltd. is an indirect wholly-owned subsidiary of Powerlong Commercial Management Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code: 9909), a company principally engaged in commercial and property management business, where he was primarily responsible for handling commercial asset operations and property management matters. From July 2016 to January 2017, Mr. Xie served as the general manager of Changsha branch company of Beijing Jiahua Liyuan Commercial Management Co., Ltd. (北京嘉華利遠商業管理有限公司), a subsidiary of HuaYuan

Property Co., Ltd. (華遠地產股份有限公司) and principally engaged in commercial and property management business, where he was primarily responsible for handling commercial asset operations and property management matters. From March 2017 to June 2017, Mr. Xie served as the general manager of commercial management department of Zhongshan Lihe Real Estate Co., Ltd. (中山市利和置業有限公司), a company principally engaged in real estate and property management business, where he was primarily responsible for handling commercial asset operations and property management matters.

Mr. Xie subsequently served as a general manager of Changsha Pilot Hengtong Commercial Management Co., Ltd. (長沙先導恆通商業管理有限公司) from July 2017 to February 2019. From November 2018 to March 2019, he also served as the executive director and general manager of Yanghu Wetland Development and Management Co., Ltd. (洋湖濕地開發管理有限公司), a subsidiary of CSUD Group.

Mr. Xie graduated from Hunan Public Security College (湖南公安高等專科學校) in the PRC in December 2002, and obtained an MBA degree from Hong Kong Asian Business School (香港亞洲商學院) in Hong Kong in May 2012.

In September 2005, Mr. Xie obtained the national property management enterprise manager certificate (全國物業管理企業經理崗位證書) from Personnel Education Department of the Ministry of Construction (建設部人事教育司) and Housing and Real Estate Department of the Ministry of Construction (建設部住宅與房地產業司). In December 2008, Mr. Xie obtained the property manager certificate (物業管理師證) from Occupational Skills Testing Authority of the Ministry of Labor and Social Security (勞動和社會保障部職業技能鑒定中心). In December 2021, Mr. Xie was accredited as an intermediate political engineer (中級政工師) by Changsha Title Reform Leading Group (長沙市職稱改革工作領導小組).

Mr. Yan Yongxiang (顏永翔), aged 46, has been an executive Director and the general manager of our Company since July 2022, and is primarily responsible for the overall management, commercial operations and providing guidance for the overall development of our Group.

Mr. Yan currently holds the following position in the subsidiary of our Company as set out below:

Name of entity	**Position**
Chengfa Commercial	Executive Director

From February 2002 to March 2003, Mr. Yan served as an assistant of finance manager of the financial department at Changsha Carrefour Supermarket Co., Ltd. (長沙家樂福超市有限責任公司), where he was primarily responsible for handling financial management matters. From March 2003 to June 2005, Mr. Yan served as a finance manager of the finance department at Shanghai Shenyi Construction Decorations Co., Ltd. (上海申繹建築裝潢有限公司), where he was primarily responsible for handling financial management matters.

Mr. Yan successively served as an accountant of planning and finance department, a deputy manager of second marketing department, a minister of asset operation department, the head supervisor of land development department and a minister of asset management department of Changsha Urban Construction Investment and Development Group Company Limited (長沙市城市建設投資開發集團有限責任公司), a subsidiary of CSUD Group, from October 2005 to March 2020. He also successively served as the head of the asset management department and the general manager of strategic development department of CSUDGCL from October 2019 to July 2022, and was responsible for the management of business strategies of our Group. Mr. Yan also served as the chairman of the board of directors of Hunan Pilot International Trade Company Limited (湖南先導國際貿易有限公司), a subsidiary of CSUD Group, from April 2021 to July 2022.

Moreover, Mr. Yan was a supervisor of the following company which was dissolved. The details are as follow:

Name of company	**Place of incorporation**	**Nature of business**	**Date of dissolution**	**The reason for dissolution**
Chengtou Hexi	PRC	Investment, development and construction of urban infrastructure projects	August 30, 2018	Due to the merger of Yuelushan Company and Chengtou Hexi

Mr. Yan graduated with a major in accounting from Hunan University (湖南大學) in the PRC in December 2007 and obtained a postgraduate degree in economics from the Party School of Hunan Provincial Committee of the Chinese Communist Party (中共湖南省委黨校) in the PRC in June 2019.

In September 2003, Mr. Yan obtained the registered tax agent qualification (註冊稅務師) from Hunan Provincial Office of Human Resource (湖南省人事廳), China's State Taxation Administration (國家稅務總局) and Ministry of Human Resources of the PRC (中華人民共和國人事部). In May 2005, Mr. Yan obtained the qualification of certified public accountant (註冊會計師) from Ministry of Finance of the PRC (中華人民共和國財政部). In December 2014, Mr. Yan obtained the senior accountant certificate (高級會計師) issued by the Human Resources and Social Security Department of Hunan Province (湖南省人力資源和社會保障廳).

Mr. Duan Wenming (段文明), aged 39, has been an executive Director of our Company since August 2021 and has been the Chief Financial Officer of our Company since September 2022. He is primarily responsible for the overall financial and cost management, tax planning and capital market-related matters of our Group.

Mr. Duan successively served in multiple positions in the subsidiaries of CSUD Group, including an accountant and head of finance department of Changsha Pilot Yanghu Construction Investment Company Limited (長沙先導洋湖建設投資有限公司) from February 2010 to October 2013, a manager of finance department of Changsha Xiangjiang New City Investment Company Limited (長沙湘江新城投資有限公司) from November 2013 to December 2016, the chief financial officer of Changsha Yueliangdao Cultural and Tourism New City Investment Company Limited (長沙月亮島文旅遊新城投資有限公司) from December 2016 to January 2019. Mr. Duan also served as the general manager assistant of finance management department of Pilot Investment since January 2019, previously the controlling shareholder of our Company. Mr. Duan successively served as a general manager assistant of asset management department and a deputy general manager of asset management department of CSUDGCL since March 2020 to September 2022, during which period Mr. Duan was responsible for the overall financial management and capital market matters of our Group.

Mr. Duan obtained a bachelor's degree in management from Heilongjiang University of Science and Technology (黑龍江科技大學) (formerly known as Heilongjiang Institute of Science and Technology (黑龍江科技學院)) in the PRC in June 2007.

In April 2009, Mr. Duan obtained the qualification of certified public accountant (註冊會計師) from Ministry of Finance of the PRC (中華人民共和國財政部). In September 2023, Mr. Duan obtained the qualification of public valuer (資產評估師) from China Appraisal Society (中國資產評估協會).

Mr. Wong Kwok Fu (王國賦), aged 50, has been an executive Director of our Company since November 2020 and has been the Secretary of the Board since July 2022 and is primarily responsible for formulation of business strategies and providing guidance for the overall development of our Group.

Mr. Wong successively served as a research assistant of City University of Hong Kong (香港城市大學) from November 1998 to November 1999, the senior director for conservation of the Conservancy Association (長春社) from August 2000 to June 2005, the deputy general manager of Starlight Optoelectronics Technology Co. (星磊光電科技有限公司) since June 2005, a vice president of USA NIVS International Investment Group Limited (美國納偉仕國際投資集團有限公司) from October 2008 to March 2012 and the partner of Silver Bear Capital (盛天資本) until June 2014.

Mr. Wong then served as the general manager of the financial development department of Pilot Investment from October 2014 to April 2020, previously the controlling shareholder of our Company. Mr. Wong subsequently served as a deputy general manager of strategic development department of CSUDGCL from March 2020 to July 2022, during which period

Mr. Wong was responsible for the overall management and formulation of business strategies of our Group. He also served as a director of Hunan Pilot International Trading Company (湖南先導國際貿易公司), a subsidiary of CSUD Group, from November 2020 to April 2021. From November 2020 to September 2022 and from March 2022 to September 2022, Mr. Wong successively served as a director of Changsha Pilot Industry Investment Co., Ltd. (長沙先導產業投資有限公司) and a director of Changsha Chengfa Energy Co., Ltd. (長沙城發能源有限公司).

Mr. Wong obtained his bachelor's degree in applied biology and his master of science degree from City University of Hong Kong (香港城市大學) in Hong Kong in November 1998 and November 2005, respectively.

Non-executive Director

Mr. Yu Xiao (余效), aged 46, had been a Director of our Company from November 2020 and was re-designated as a non-executive Director since May 11, 2023. Mr. Yu is primarily responsible for formulation of business strategies and providing guidance for the overall development of our Group.

From December 2006 to July 2009, Mr. Yu worked at Hunan branch of Pan-China Certified Public Accountants Firm (Special General Partnership) (天健會計師事務所(特殊普通合夥)湖南分所).

Mr. Yu successively served as an accountant of finance management department, a business manager of finance management department and the general manager assistant of finance management department of Pilot Investment from July 2009 to February 2015, the chief financial officer of Changsha Pilot Yanghu Construction Investment Company Limited (長沙先導洋湖建設投資有限公司) from February 2015 to February 2019 and a deputy general manager of audit and legal department of Pilot Investment from February 2019 to April 2020, the deputy general manager of financial management department of CSUD Group since March 2020. Besides, Mr. Yu also served as a supervisor of Changsha Pilot Industry Investment Co., Ltd. (長沙先導產業投資有限公司), Hunan Huaboyuan Investment and Development Co., Ltd. (湖南花博園投資發展有限公司) and Hunan Urban Countryside Tourism Development Co., Ltd. (湖南都市鄉村旅遊發展有限公司) since November 2020, July 2023 and July 2023.

Mr. Yu graduated with a major in finance (correspondence program) from Hunan University (湖南大學) in the PRC in July 2012.

In January 2007, Mr. Yu obtained the certified public accountant certificate (註冊會計師) issued by the Ministry of Finance of the PRC (中華人民共和國財政部). In October 2008, Mr. Yu obtained the certificate of securities professional from the Securities Association of China (中國證券業協會證券從業資格證書).

Independent Non-executive Directors

Ms. Chan Ka Lai Vanessa (陳嘉麗), aged 50, has been appointed as an independent non-executive Director effective from May 2023. She is mainly responsible for providing independent advice on the finance, internal control and risk management of our Group.

Ms. Chan is a professional accountant with over 25 years of experience in auditing, accounting and financial management. Currently, Ms. Chan is the operating director of WA C&E Limited which specializing in providing professional accounting, company secretarial and business advisory services in Hong Kong. She also serves as the independent non-executive directors of Innovax Holdings Limited (創升控股有限公司) (stock code: 2680), Tycoon Group Holdings Limited (滿貫集團控股有限公司) (stock code: 3390) and Lepu ScienTech Medical Technology (Shanghai) Co., Ltd. (樂普心泰醫療科技(上海)股份有限公司) (stock code: 2291), companies all listed on the Main Board of the Stock Exchange. Ms. Chan worked in China Agri-Industries Holdings Limited (中國糧油控股有限公司), a state-owned enterprise previously listed on the Main Board of the Stock Exchange, from November 2009 to December 2018 with the last position as a financial controller. Prior to joining China Agri-Industries Holdings Limited, she worked as an accounting manager of The Kowloon Motor Bus Co. (1933) Ltd. (九龍巴士(一九三三)有限公司) (Stock Code: 0062), a company listed on the Main Board of the Stock Exchange from August 2005 to February 2008 and worked in KPMG Hong Kong from July 1995 to August 2005 with the last position as a senior manager.

Ms. Chan obtained a bachelor's degree in accounting from Hong Kong Polytechnic University (香港理工大學) in Hong Kong in October 1995.

Ms. Chan has been a fellow member of the Hong Kong Institute of Certified Public Accountants since March 2006 and also a member of the Association of Chartered Certified Accountants since October 2006. She is also an associate member of The Chartered Governance Institute since September 2020 and the Hong Kong Institute of Directors since January 2018.

Dr. Dai Xiaofeng (戴曉鳳), aged 63, has been appointed as an independent non-executive Director effective from May 2023. She is mainly responsible for providing independent advice on the operation and management of our Group.

Dr. Dai has been a professor of the School of Finance and Statistics of Hunan University (湖南大學金融與統計學院) since 2001. Dr. Dai served as an independent non-executive director of Hunan Mengjie Home Textile Company Limited (湖南夢潔家紡股份有限公司) (a company listed on the Shenzhen Stock Exchange, stock code: 002397) from February 2023 to May 2023, an independent non-executive director in the following listed companies: Hunan Huatian Great Hotel Co., Ltd. (湖南華天大酒店股份有限公司) (currently known as Huatian Hotel Group Company Limited (華天酒店集團股份有限公司)) (a company listed on the Shenzhen Stock Exchange, Stock Code: 000428) from June 2008 to June 2014, Kingray New Materials Science and Technology Co., Ltd. (金瑞新材料科技股份有限公司) (a company listed on the Shanghai Stock Exchange, Stock Code: 600390) (currently known as Minmetals Capital Company Limited (五礦資本股份有限公司)) from May 2014 to May 2017, Jinjian Rice Company Limited (金健米業股份有限公司) (a company listed on the Shanghai Stock Exchange, Stock Code: 600127) from April 2014 to August 2020, BBK Commercial Chain Company Limited (步步高商業連鎖股份有限公司) (a company listed on the Shenzhen Stock Exchange, Stock Code: 002251) from May 2016 to May 2022, Hunan Nanling Civilian Explosives Equipment Company Limited (湖南南嶺民用爆破器材股份有限公司) (a company listed on Shenzhen Stock Exchange, stock code: 002096) from July 2018 to March 2023. Dr. Dai was also an independent non-executive director of the following non-listed companies: Hunan Trust Co., Ltd. (湖南省信託有限責任公司) (currently known as Hunan Caixin Trust Co., Ltd. (湖南省財信信託有限責任公司)) from October 2016 to October 2019 and Hunan Leiyang Rural Commercial Bank Company Limited (湖南耒陽農村商業銀行股份有限公司) from August 2013 to June 2020.

Dr. Dai is currently serving as an independent non-executive director of the following listed companies: Yuan Longping Agricultural High-Tech Company Limited (袁隆平農業高科技股份有限公司) (a company listed on Shenzhen Stock Exchange, stock code: 000998) since July 2020.

Dr. Dai received her bachelor's degree in finance from Hunan Finance and Economics College (湖南財經學院) in the PRC in July 1983. She completed monetary banking program from Hunan Finance and Economics College (湖南財經學院) in the PRC in 1996. Dr. Dai obtained her doctorate degree in economics in Fudan University (復旦大學) in the PRC in July 2001.

In September 2008, Dr. Dai obtained an independent director qualification certificate (獨立董事資格證) issued by Shanghai Stock Exchange (上海證券交易所). In July 2014, Dr. Dai obtained the training certificate for the Second Continuing Professional Training for Independent Directors of Listed Companies (第2期上市公司獨立董事後續培訓證) from Enterprise Training Center of Shanghai Stock Exchange (上海證券交易所企業培訓中心).

Mr. Tse Chi Wai (謝志偉), aged 56, has been appointed as an independent non-executive Director effective from May 2023. He is mainly responsible for providing independent advice on the operation and management of our Group.

Mr. Tse joined Arthur Andersen & Co. and became a qualified accountant after his graduation. He left the firm as an audit manager in 1999. Mr. Tse had been an executive director, the company secretary and the chief financial officer of China Information Technology Development Limited (中國信息技術發展有限公司) from June 2010 to June 2019, a company listed on the GEM Board of the Stock Exchange (Stock Code: 8178) specializing in the development and implementation of IT related services in Mainland China. Mr. Tse was an executive director of Jihsun Financial Holding Company Limited (日盛金融控股股份有限公司) for ten years until September 2021, a Taiwan listed company that operates bank, securities brokerage and other financial services in Taiwan. Currently, Mr. Tse serves as an independent non-executive director of China Environmental Technology Holdings Limited (中

國環保科技控股有限公司) (Stock Code: 0646) and China TianYF Holdings Group Limited (中國天億福控股集團有限公司) (Stock Code: 8196), companies listed on the Main Board and GEM Board of the Stock Exchange, respectively, both specializing in the provision of waste management services in Mainland China.

Mr. Tse graduated from the University of Hong Kong in Hong Kong in 1989 with the degree of bachelor of social sciences.

Mr. Tse has extensive experiences in handling audit related matters, provision of financial advisories and compliance matters as well as market developments. He is an associate of the Hong Kong Society of Accountants and an associate of the Institute of Charted Accountants in England and Wales.

Rule 3.09D of the Listing Rules

Each of our Directors confirms that he or she (i) has obtained the legal advice referred to under Rule 3.09D of the Listing Rules in February 2023 or June 2023 (as applicable), and (ii) understands his or her obligations as a director of a listed issuer under the Listing Rules.

Rule 3.13 of the Listing Rules

Each of our independent non-executive Directors has confirmed (i) his/her independence as regards each of the factors referred to in Rules 3.13(1) to (8) of the Listing Rules, (ii) he/she has no past or present financial or other interest in the business of the Company or its subsidiaries or any connection with any core connected person of the Company under the Listing Rules as of the Latest Practicable Date, and (iii) that there are no other factors that may affect his/her independence at the time of his/her appointments.

BOARD OF SUPERVISORS

In accordance with the Company Law of the PRC, all joint stock companies are required to establish a supervisory committee, responsible for supervising the board of directors and senior management on fulfilling their respective duties, financial performance, internal control management and risk management of the corporation. Our board of supervisors currently consists of three supervisors. Pursuant to our Articles of Association, at least one-third of our supervisors must be employee representatives elected by our employees. We have one employee representative supervisor elected by our employees and two shareholder representative supervisors elected and appointed by our Shareholders at the Shareholders' meeting. Each of the supervisors is appointed for a term of three years which is renewable upon re-election and re-appointment.

Pursuant to the Articles of Association, the functions and powers of the board of supervisors include, among other things, reviewing the financial management of our Company, supervising the performance of our Directors and senior management members, monitoring as to whether they comply with the law, administrative stipulations and Articles of Association when performing their duties, and requesting Directors and senior management members to rectify actions detrimental to our Company's interests. In addition, our board of supervisors is responsible for exercising other powers, functions and duties in accordance with the Articles of Association and applicable laws and regulations.

The following table sets forth certain information of our supervisors:

Name	Age	Position(s)	Major Responsibilities	Time of joining our Company	Time of appointment as Supervisor	Relationships with other Directors, Supervisors and Senior Management
Mr. Huang Guohui (黃國輝)	46	Chairman of the Board of Supervisors and representative of the shareholders	Supervising the performance of the Directors and senior management of our Company	November 2015	December 2022	None
Ms. Peng Juanjuan (彭娟鵑)	43	Supervisor and representative of the shareholders	Supervising the performance of the Directors and senior management of our Company	December 2022	December 2022	None
Ms. Xiao Mingxi (肖名希)	41	Supervisor and representative of the employees of the company	Supervising the performance of the Directors and senior management of our Company	July 2020	December 2022	None

Supervisors

Mr. Huang Guohui (黃國輝), aged 46, has served as the Chairman of our board of supervisors and a representative of the shareholders since December 2022. He is primarily responsible for supervising the performance of the Directors and senior management of our Company. Mr. Huang has also served as a general manager, an executive director and the legal representative of Parking Company and general manager of Chengfa Property since September 2022.

From December 2004 to November 2009, Mr. Huang served as a marketing director of Hunan Shangge Property Co., Ltd. (湖南尚格置業有限公司), a company principally engaged in real estate business, where he was primarily responsible for handling marketing matters. From January 2012 to February 2014, Mr. Huang served as a general manager of Hunan Shangge Property Co., Ltd. (湖南尚格置業有限公司), a company principally engaged in real estate business, where he was primarily responsible for general management. From March 2014 to November 2015, Mr. Huang served as the chairman at Changsha branch of Jinbi Real Estate Co., Ltd. (金碧物業有限公司), a company principally engaged in property management business, where he was primarily responsible for management and decision-making matter.

Mr. Huang served successively as a general manager and a director of our Company from November 2015 to July 2022. Mr. Huang has served as the chairman and the legal representative of Huaihua Hecheng District Chengtou Property Management Co., Ltd. (懷化市鶴城區城投物業管理有限公司), a joint venture of our Company, from September 2018 to April 2024. Mr. Huang has served as the chairman and the legal representative of Guiyang Hongcheng since December 2023.

Mr. Huang obtained his bachelor's degree of management from Hunan Normal University (湖南師範大學) in the PRC in June 2000.

In February 2003, Mr. Huang obtained the qualification of certified land valuer (註冊土地估價師) issued by the Ministry of Land and Resources of the PRC (中華人民共和國國土資源部). In December 2012, Mr. Huang obtained the qualification of senior economist (高級經濟師) issued by the 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). In May 2013, Mr. Huang obtained the property manager certificate (物業管理師證) from Human Resources and Social Security Department of Hunan Province (湖南省人力資源與社會保障廳).

Ms. Peng Juanjuan (彭娟鵑), aged 43, has served as a Supervisor of our Company and a representative of the shareholders since December 2022. She is primarily responsible for supervising the performance of the Directors and senior management of our Company.

From June 2010 to April 2013, Ms. Peng served as a lawyer at Beijing Yingke Law Firm (北京市盈科律師事務所), where she was primarily responsible for providing legal services in investment and financing matters. From April 2013 to April 2014, Ms. Peng served in Hunan Hongde Investment Management Co., Ltd. (湖南省弘德投資管理有限公司), a company principally engaged in investment business, where she was primarily responsible for handling risk control and compliance matters.

From April 2014 to April 2021, Ms. Peng has successively served as a supervisor of risk control, a deputy manager and a manager in the risk control department in Changsha Pilot Venture Capital Co., Ltd. (長沙先導創業投資有限公司) (currently known as Changsha Pilot Industry Investment Company Limited (長沙先導產業投資有限公司)) where she was primarily responsible for investment risk management and compliance management matters and the assistant of general manager of the corporate management department of CSUDGCL since April 2021, where she was primarily responsible for investment management matters. Ms. Peng has served as a director of Hunan Pilot International Trade Co., Ltd. (湖南先導國際貿易有限公司) since April 2021 and she has also served as a supervisor of Changsha Chengfa Energy Co., Ltd. (長沙城發能源有限公司), Hunan Pilot Energy Co., Ltd. (湖南先導能源有限公司), Changsha Pilot Urban Resources Investment Co., Ltd. (長沙先導城市能源投資有限公司) since March 2022 and Chengfa Smart Travel Company since June 2023.

Ms. Peng graduated from Central South University (中南大學) in the PRC in November 2004 and obtained her master's degree in law from Hunan University (湖南大學) in the PRC in June 2010.

In February 2009, Ms. Peng obtained the qualification certificate for legal professions (法律職業資格證書) accredited by the Ministry of Justice of the PRC (中華人民共和國司法部).

Ms. Xiao Mingxi (肖名希), aged 41, has served as a Supervisor of our Company and a representative of the employees of our company since December 2022. She is primarily responsible for supervising the performance of the Directors and senior management of our Company.

From December 2005 to December 2009, Ms. Xiao successively served in Hunan Kaiyuan Limited Liability Accountants Firm (湖南開元有限責任會計師事務所) and Kaiyuan Xinde Accountants Firm Co., Ltd. (開元信德會計師事務所有限公司). From January 2010 to July 2015, Ms. Xiao served as a senior auditor and project manager of Hunan branch of Pan-China Certified Public Accountants (Special General Partnership) (天健會計師事務所(特殊普通合夥)湖南分所).

Ms. Xiao has successively served as an internal audit commissioner, the supervisor of audit and supervision department and business manager from July 2015 to July 2020 in Pilot Investment before joining our Company in July 2020 as the deputy manager of the risk control and contract department. Ms. Xiao also served as a supervisor of our Company from July 2018 to November 2020.

Ms. Xiao obtained her bachelor's degree in management from Hunan Business School (湖南商學院) in the PRC in June 2005.

In December 2008, Mr. Xiao obtained the qualification of accountant (會計師資格證) jointly issued by the Ministry of Finance of the PRC (中華人民共和國財政部) and the 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). In April 2019, Mr. Xiao obtained the certified public accountant certificate (註冊會計師資格證) issued by the Chinese Institute of Certified Public Accountants (中國註冊會計師協會).

Save as disclosed above, each of our Directors and Supervisors confirms with respect to himself or herself that he or she (1) did not hold other long positions or short positions in the Shares, underlying Shares, debentures of our Company or any associated corporation (within the meaning of Part XV of the SFO) as of the Latest Practicable Date; (2) had no other relationship with any Directors, Supervisors, senior management, substantial shareholders or Controlling Shareholders of our Company as of the Latest Practicable Date; (3) did not hold any other directorships in the three years prior to the Latest Practicable Date in any public companies of which the securities are listed on any securities market in Hong Kong and/or overseas; and (4) there are no other matters concerning our Director's and Supervisor's appointment that need to be brought to the attention of our Shareholders and the Stock Exchange or shall be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules.

SENIOR MANAGEMENT

Our senior management is responsible for the day-to-day management and operations of our Group. For the biographical details of Mr. Yan, Mr. Duan and Mr. Wong please see the paragraph headed "– Board of Directors" in this section. A description of the background and business experience of each senior management member is set out below.

Name	Age	Position(s)	Major Responsibilities	Time of joining our Company	Time of appointment as senior management	Time of joining our Group	Relationships with other Directors, Supervisors and Senior Management
Mr. Shen Zhouyuan (沈洲沅)	49	Deputy general manager	Responsible for the marketing of our Group	November 2015	December 2017	October 2015	None
Mr. Liu Aiguo (劉愛國)	40	Deputy general manager	Responsible for commercial operation business of our Group	September 2022	September 2022	March 2018	None
Mr. Liu Wei (劉溈)	39	Deputy general manager	Responsible for landscaping business of our Group	September 2022	September 2022	April 2021	None
Ms. Fu Yan (傅妍)	53	Assistant to the general manager	Responsible for assisting the general manager in management of the business of our Group	November 2018	September 2022	November 2018	None

Name	Age	Position(s)	Major Responsibilities	Time of joining our Company	Time of appointment as senior management	Time of joining our Group	Relationships with other Directors, Supervisors and Senior Management
Mr. Xie Ju (謝炬)	43	Assistant to the general manager	Responsible for assisting the general manager in management of the business of our Group	December 2015	September 2022	December 2015	None
Mr. Xiong Hao (熊浩)	37	Assistant to the general manager	Responsible for assisting the general manager in management of the business of our Group	April 2021	April 2021	April 2021	None

Mr. Shen Zhouyuan (沈洲沅), aged 49, has served as a deputy general manager of our Company since December 2017 and served as the chairman of Pingxiang Huiheng Pilot Property Management Co., Ltd. (萍鄉市匯恒先導物業管理有限公司) since May 2019.

From July 2003 to August 2011, Mr. Shen served successively as the manager of quality management department, the project manager of New Youth Square (新青年廣場), and the general manager of a branch company of Zhejiang New South-North Property Management Group Co., Ltd. (浙江新南北物業管理集團有限公司) (formerly known as Zhejiang New South-North Property Management Co., Ltd. (浙江新南北物業有限公司)), where he was primarily responsible for handling property management matters. From August 2011 to March 2014, Mr. Shen served as a manager of Guangdong Huaxin Service Co., Ltd (廣東華信服務集團), where he was primarily responsible for handling property management matters.

From July 2015 to October 2015, Mr. Shen served as a property project director in Changsha Comprehensive Transportation Hub Construction Investment Company Limited (長沙綜合交通樞紐建設投資有限公司). From October 2015 to December 2017, Mr. Shen also served as an assistant to general manager of our Company.

Mr. Shen obtained his bachelor's degree in management from Shanghai Cosmos College (上海大同學院) in the PRC in July 1998. Mr. Shen obtained undergraduate diploma (online education) in civil engineering from Northwestern Polytechnic University (西北工業大學) in the PRC in January 2023.

In April 2004, Mr. Shen obtained the national property management enterprise manager certificate (全國物業管理企業經理崗位證書) from the Personnel Education Department of the Ministry of Construction (建設部人事教育司) and the Housing and Real Estate Department of the Ministry of Construction (建設部住宅與房地產業司). In August 2016, Mr. Shen obtained the qualification of top level economic engineer (高級經濟師) issued by the National Vocational Qualification Examination Certification Center (全國職業資格考試認證中心). In May 2017, Mr. Shen obtained the qualification of national project managers in sanitation operations (全國環衛作業項目經理資格) issued by Housing and Urban-Rural Development Job Training Center (住房和城鄉建設崗位培訓中心). In December 2021, Mr. Shen was accredited as engineer for power systems and automation from the Human Resources and Social Security Department of Hunan Province (湖南省人力資源和社會保障廳).

Mr. Liu Aiguo (劉愛國), aged 40, has served as a deputy general manager of our Company since September 2022. From March 2018 to September 2022, Mr. Liu served as a deputy general manager of Changsha Pilot Hengtong Commercial Management Co., Ltd. (長沙先導恆通商業管理有限公司) (currently known as Chengfa Commercial) and was promoted to general manager since September 2022.

From October 2017 to March 2018, Mr. Liu served as the deputy general manager in Changsha Pilot Yinxiang Culture Media Company Limited (長沙先導銀象文化傳媒有限公司).

Mr. Liu completed an undergraduate program from Guilin Air Force Academy of the Chinese People's Liberation Army (中國人民解放軍桂林空軍學院) in the PRC in June 2009, majoring in economic management engineering.

Mr. Liu Wei (劉溈), aged 39, has served as a deputy general manager of our Company since September 2022. From April 2021 to September 2022, Mr. Liu has successively served as the general manager assistant of Landscaping Company and was promoted to executive director, general manager and the legal representative since September 2022.

From December 2014 to August 2020, Mr. Liu served as an engineering supervisor of engineering and construction department, a deputy manager, a manager of the engineering management department and a director of chief engineer's office in Changsha Chengtou International Convention and Exhibition Center Investment and Development Company Limited (長沙城投國際會展中心投資開發有限責任公司). Mr. Liu also served as the assistant general manager of the construction management department of CSUDGCL from August 2020 to April 2021.

Mr. Liu obtained both his bachelor's degree in engineering and his master's degree in engineering from Hunan University (湖南大學) in the PRC in June 2006 and 2009, respectively.

In December 2012 and December 2021, Mr. Liu obtained the qualification of intermediate engineer (中級工程師資格) and the qualification of senior engineer (高級工程師資格) issued by the Human Resources and Social Security Department of Hunan Province (湖南省人力資源和社會保障廳).

Ms. Fu Yan (傅妍), aged 53, was appointed as a general director (綜合總監) of our Company in November 2018, and was further appointed as an assistant to the general manager of our company in September 2022.

From March 2010 to May 2010, Ms. Fu served as an assistant to the chairman of the board in Hunan Jiaotai Building Materials Co., Ltd. (湖南交泰建材有限公司), a company primarily engaged in civil engineering and construction business, where she was mainly responsible for assisting the chairman of the board in handling daily business.

From July 2010 to March 2017, Ms. Fu served as the deputy manager and manager of the general management department and assistant to the general manager of Changsha Comprehensive Transportation Hub Construction Investment Co., Ltd. (長沙綜合交通樞紐建設投資有限公司). From July 2016 to March 2017, Ms. Fu served as an assistant to the general manager of Changsha Pilot Asset Management Co., Ltd. (長沙先導資產經營管理有限公司). From March 2017 to November 2018, Ms. Fu served as a general director (綜合總監) of Changsha Moon Island Cultural Tourism New City Investment Co., Ltd. (長沙月亮島文旅新城投資有限公司).

Ms. Fu obtained her bachelor of arts degree from Central South University (中南大學) in the PRC in July 1992.

Mr. Xie Ju (謝炬), aged 43, was appointed as a project director of our Company in August 2019. Mr. Xie was further appointed as an assistant to the general manager of out company and a deputy general manager of Chengfa Property in September 2022.

From August 2010 to December 2015, Mr. Xie served as a deputy manager of the department of station services in Changsha Comprehensive Transportation Hub Construction Investment Co., Ltd. (長沙綜合交通樞紐建設投資有限公司). From December 2015 to August 2019, Mr. Xie successively served as a deputy project director of the project management center, a project director of the Changsha West Center Property Management Service Project (長沙西中心物業管理服務項目) and a project director of our Company. Mr. Xie served as the chairman of Wangcheng Property Management since December 2018.

Mr. Xie graduated from Hunan Taxation College (湖南稅務高等專科學校) (currently known as the National Tax Institute of State Taxation Administration Changsha (國家稅務總局稅務幹部學院(長沙))) in the PRC in June 2002, majoring in property management. In January 2015, Mr. Xie graduated from Xidian University (西安電子科技大學) with a major in business administration through online education.

In September 2004, Mr. Xie obtained the national property management enterprise manager certificate (全國物業管理企業經理崗位證書) from Personnel Education Department of the Ministry of Construction (建設部人事教育司) and Housing and Real Estate Department of the Ministry of Construction (建設部住宅與房地產業司). In March 2010, Mr. Xie obtained the qualification of economist (經濟師) issued by Shenzhen Examinations Authority (深圳市考試院). In December 2013, Mr. Xie obtained the property manager certificate (物業管理師證) from Human Resources and Social Security Department of Hunan Province (湖南省人力資源與社會保障廳).

Mr. Xiong Hao (熊浩), aged 37, was appointed as an assistant to the general manager of our Company in April 2021. Mr. Xiong served as the general manager of the Lighting Company in March 2022.

From June 2009 to July 2010, Mr. Xiong successively served as a water and electricity supervisor of Yanglin Service Area (楊林服務區), a water professional supervising engineer and a water and electricity professional supervising engineer of Hengyan management office in the sixth supervision office of Hengyang-Yanling expressway (楊林服務區) in Hunan Province.

From July 2010 to September 2014, Mr. Xiong served as a site representative in the engineering department of Changsha Rail Transit Group Supporting Project Construction Co., Ltd. (長沙市軌道交通集團配套項目建設有限公司), a company mainly engaged in civil engineering and construction business. From September 2014 to May 2021, Mr. Xiong successively served as a deputy manager and manager of engineering management department in Changsha Changdong Investment Development Co., Ltd. (長沙市長東投資發展有限公司).

Mr. Xiong obtained his bachelor's degree in engineering from University of South China (南華大學) in the PRC in July 2009.

In August 2015, Mr. Xiong obtained the qualification of engineer issued by Human Resources and Social Security Department of Hunan Province (湖南省人力資源與社會保障廳). In December 2020, Mr. Xiong obtained the qualification of senior engineer issued by Human Resources and Social Security Department of Hunan Province (湖南省人力資源與社會保障廳).

JOINT COMPANY SECRETARIES

Mr. Wong Kwok Fu (王國賦), aged 50, was appointed as our joint company secretary in September 2023. For details of his biography, see "– Board of Directors" in this section.

Mr. Lam Kang Chi (林庚墀), aged 44, was appointed as our joint company secretary in September 2023. Mr. Lam is an assistant manager of SWCS Corporate Services Group (Hong Kong) Limited (方圓企業服務集團(香港)有限公司). He holds a bachelor degree in business management from University of Bradford and a master degree in corporate governance from the Hong Kong Metropolitan University (香港都會大學) in Hong Kong, and is a fellow member of the Hong Kong Chartered Governance Institute since April 2023.

BOARD COMMITTEES

Our Company has established three board committees in accordance with the relevant PRC laws and regulations and the corporate governance practice under the Listing Rules, namely the Audit Committee, the Remuneration and Evaluation Committee and the Nomination Committee.

Audit Committee

The Audit Committee of our Company consists of three Directors, namely Ms. Chan Ka Lai Vanessa, Mr. Tse Chi Wai and Mr. Yu Xiao. Ms. Chan Ka Lai Vanessa is the chairlady of the audit committee and the independent non-executive Director with appropriate professional qualifications. The primary duties of the Audit Committee are as follows:

(i) to review financial policies of our Company and their implementation, and supervise the financial activities of our Company;

(ii) to review the financial information and relevant disclosures of our Company;

(iii) to consider and approve the risk management and internal control evaluation proposal of our Company, and supervise and evaluate the risk management and internal control of our Company;

(iv) to consider and approve the audit budget, remuneration of staff and appointment and dismissal of major officers of our Company, supervise and evaluate the work of internal audit of our Company and formulate the medium-to-long-term audit plan, annual working plan and internal audit system setting a plan of our Company as authorized by the Board, and report to the Board;

(v) to propose the appointment or dismissal of an external accounting firm, supervise the work of the external accounting firm, and evaluate the report of the external accounting firm to ensure that the external accounting firm undertakes its audit responsibilities;

(vi) to facilitate communications and monitor the relationship between the internal audit department and the external accounting firm;

(vii) to monitor the non-compliance of our Company in respect of the financial reports and the risk management and internal control; and

(viii) other matters required by laws, regulations, regulatory documents, rules of securities regulatory authority of the place where our Company was incorporated and the Shares of our Company are [**REDACTED**], as well as the requirements of the Articles of Association, and matters as authorized by the Board.

Nomination Committee

The Nomination Committee of our Company consists of three Directors, namely Mr. Xie Yi, Mr. Tse Chi Wai and Dr. Dai Xiaofeng. Mr. Xie Yi is the chairperson of the nomination Committee. The primary duties of the Nomination Committee are as follows:

(i) to formulate procedures and standards for the election of Directors and senior management and make recommendations to the Board on the proposed procedures and standards;

(ii) to make recommendations to the Board on the nomination of candidates for Directors, Presidents and secretary of the Board;

(iii) to preliminarily examine the eligibility of candidates for Directors and senior management;

(iv) to make recommendations to the Board on the nomination of candidates for chairmen and members of the Board committees; and

(v) other matters required by laws, regulations, regulatory documents, rules of securities regulatory authority of the place where our Company was incorporated and the Shares of our Company are [**REDACTED**], as well as the requirements of the Articles of Association, and matters as authorized by the Board.

Remuneration and Evaluation Committee

Remuneration and Evaluation Committee of our Company consists of three Directors, namely Dr. Dai Xiaofeng, Mr. Yan Yongxiang and Ms. Chan Ka Lai Vanessa. Dr. Dai Xiaofeng, being the independent non-executive Director, is the chairlady of the Remuneration and Evaluation Committee. The primary duties of the Remuneration and Evaluation Committee are as follows:

(i) to organize and formulate the remuneration policy and plan of Directors and senior management and submit to the Board for approval, and propose the remuneration distribution plan according to the performance evaluation of Directors and senior management and submit to the Board for approval; and

(ii) other matters required by laws, regulations, regulatory documents, rules of securities regulatory authority of the place where our Company was incorporated and the Shares of our Company are [**REDACTED**], as well as the requirements of the Articles of Association, and matters as authorized by the Board.

THE PARTY COMMITTEE

In accordance with the Constitution of CPC (《中國共產黨章程》) and the Working Rules for the Grassroot Organizations of the State-owned Enterprises of CPC (Trial) (《中國共產黨國有企業基層組織工作條例(試行)》), our Company has established several branch committees of CPC (the "**Branch Committees**"). The main role and scope of authority for the Branch Committees include the following:

i. to study and implement theories, routes, principles, resolutions and policies promulgated by CPC;

ii. to participate in the decision-making process of our Company;

iii. to educate, manage, supervise, and support the members of CPC within our Group and assist the personal development of such members;

iv. to lead and support mass organizations such as the labor union, the Communist Youth League and the women's organization in accordance with their internal policies;

v. to supervise the members of CPC and other employees of our Group to be compliant with relevant laws and regulations, and internal control policies of our Company; and

vi. to provide constructive advice on the development of CPC.

REMUNERATION AND COMPENSATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Our Directors, Supervisors and senior management receive compensation in the form of salaries, allowances, discretionary bonuses, retirement benefit scheme and other benefits in kind with reference to those paid by comparable companies, their time commitment and the performance of our Company.

For each of the years ended December 31, 2021, 2022, and 2023, the aggregate amount of salaries, allowances, discretionary bonuses, retirement benefit scheme and other benefits in kind (where applicable) of our Directors and Supervisors were approximately RMB1.5 million, RMB2.2 million, and RMB4.0 million respectively. Our Directors' and Supervisors' remuneration is determined based on their experience, responsibilities, performance, and compensation paid by comparable companies.

The fees, salaries, allowances, discretionary bonuses, retirement benefit scheme and other benefits in kind (where applicable) of the top five highest paid individuals (including Directors and Supervisors) for each of the years ended December 31, 2021, 2022 and 2023, were approximately RMB2.9 million, RMB2.6 million, and RMB3.5 million, respectively. During the Track Record Period, no remuneration was paid by our Company to, or receivable by, our Directors, Supervisors or the five highest-paid individuals as an inducement to join or upon joining our Company. No compensation was paid by us to, or receivable by, our Directors, past Directors, our Supervisors, past Supervisors or the five highest-paid individuals for the Track Record Period for the loss of any office in connection with the management of the affairs of any subsidiary of our Company.

None of our Directors or Supervisors has waived any remuneration during the Track Record Period. As disclosed above, no other payments have been paid, or are payable, by our Company or any of our subsidiaries to our Directors, Supervisors or the five highest-paid individuals during the Track Record Period.

It is estimated that under the current arrangements, the aggregate amount of compensation (including salaries but excluding discretionary bonuses and benefits in kind) payable to our Directors and Supervisors for the year ending December 31, 2024, will be approximately RMB3.4 million.

We regularly review and determine the remuneration and compensation packages (including incentive plans) of our Directors, Supervisors and senior management, by reference to, among other things, the market rate of remuneration and compensation paid by comparable companies, the respective responsibilities of our Directors, Supervisors and senior management and the performance of our Company.

CORPORATE GOVERNANCE

Our Directors recognize the importance of incorporating elements of good corporate governance in the management structures and internal procedures of our Group so as to achieve effective accountability and are committed to ensure the lawful, ethical and responsible operation of our Group's businesses. Our Company has adopted the core provisions stated in the Corporate Governance Code, with internal compliance policies in place which set out our compliance requirements so as to ensure consistency with the code provisions stated in the Corporate Governance Code.

In addition, our Company provides regular and ad hoc trainings to our employees to familiarize them with our internal compliance policies and equip them with the necessary knowledge for effective and consistent implementation of our internal compliance policies. Our Company is also committed to the view that our Board should include a balanced composition of executive Directors and independent non-executive Directors to ensure a strong independent element on our Board, which allows for effective exercise of independent judgement.

In addition, pursuant to the Corporate Governance Code as set out in Appendix C1 to the Listing Rules, our Board will regularly review whether each of our Directors is devoting sufficient time and attention to the affairs of our Group including but not limited to the review of the attendance record of Board meetings or Board committee meetings. Should there be concerns on the time commitments by the relevant Director(s) to our Group, our Board may request the relevant Director(s) to provide an update to our Board in relation to any changes with respect to his significant commitments.

As at the Latest Practicable Date, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, our Directors were not aware of any deviation from the code provisions of the Corporate Governance Code as set out in Appendix C1 to the Listing Rules.

BOARD DIVERSITY POLICY

Our Company has adopted a board diversity policy which sets out how our Board can achieve a higher level of diversity. Emphasis is placed on ensuring a balanced composition of skills and experience at the Board level in order to provide a range of perspectives, insights and challenges that enable the Board to discharge its duties and responsibilities effectively, support good decision-making in view of the core business and strategy of our Company. Our Company has considered board diversity from a wide range of aspects, including but not limited to the skills, knowledge, professional experience and qualifications, cultural and educational background, age, gender and diversity of a candidate. The board would also consider the potential contributions that selected candidates will bring to the Board to better serve the needs and development of our Company. Our company also recognizes the importance that a diversity policy can bring in attracting, motivating, and retaining talent. For achieving an optimal Board, additional measurable objectives/specific diversity targets may be set and reviewed from time to time to ensure their appropriateness.

The Board currently consists of six male and two female members, with four executive Directors, one non-executive Directors and three independent non-executive Directors, of ages ranging from 39 to 63 with diversified backgrounds and experience. We consider that our Board has a balanced mix of skill-set, experience, expertise, and diversity which enhances decision-making capability and the overall effectiveness of the Board in achieving sustainable business operation and enhancing shareholder value. In recognition of the importance of gender diversity, the Company has taken, and will continue to take steps to promote gender diversity in the Board. The Company will continue to consider increasing the proportion of female Board members over time when selecting suitable new or additional candidates for appointments to the Board so as to ensure that appropriate gender diversity is achieved.

Upon the [**REDACTED**], the Nomination Committee will from time to time (i) discuss and agree on expected goals to ensure board diversity, and (ii) review and, where necessary, update the board diversity policy to ensure that the policy remains effective. The Company will (i) disclose the biographical details of each Director and (ii) report on the implementation of the board diversity policy (including whether the Company has achieved board diversity) in its annual corporate governance report.

COMPLIANCE ADVISOR

We have appointed Rainbow Capital (HK) Limited (浤博資本有限公司) (the "**Compliance Advisor**") as the Compliance Advisor of our Company upon [**REDACTED**] in compliance with Rules 3A.19 of the Hong Kong Listing Rules.

We expect to enter into a compliance advisor agreement with the Compliance Advisor, the material terms of which we expect to be as follows:

(a) we have appointed the Compliance Advisor as the company's compliance advisor for the purpose of Rule 3A.19 of the Listing Rules for the period commencing on the date of the [**REDACTED**] of our H Shares on the Hong Kong Stock Exchange and ending on the date on which our Company distributes the annual report in respect of the financial results for the first full financial year commencing after the date of the [**REDACTED**], or until the agreement is terminated, whichever is earlier.

(b) the Compliance Advisor shall provide our Company with certain services, including guidance and advice as to compliance with requirements under the Hong Kong Listing Rules and applicable laws, rules, codes and guidelines and, where appropriate act as one of the principal channels of communication between our Company and the Hong Kong Stock Exchange.

(c) the Compliance Advisor shall, in a timely manner, inform us of any amendment or supplement to the Listing Rules that are announced by the Hong Kong Stock Exchange. The Compliance Advisor shall also inform us of any amendment or supplement to applicable laws and guidelines in Hong Kong.

So far as our Directors are aware, as of the Latest Practicable Date and immediately following completion of the [**REDACTED**] (but without taking into account H Shares to be [**REDACTED**] pursuant to the exercise of the [**REDACTED**]), the following persons will have an interest or short position in the Shares and the underlying Shares which would fall to be disclosed to our Company under 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 nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of members of our Group:

INTEREST IN OUR COMPANY

Name of Shareholder	Nature of interest	Class of Shares	Shares held as of the Latest Practicable Date and immediately prior to the completion of the [REDACTED][(1)]		Shares held in the total share capital of our Company immediately following the completion of the [REDACTED][(1)]	
			Number	*Approximate Percentage*	*Number*	*Approximate Percentage*
CSUDGCL	Beneficial Owner	Unlisted Shares	[REDACTED] Shares (L)	95%	[REDACTED] Shares (L)	[REDACTED]%
	Interest held by a controlled corporation[(2)]	Unlisted Shares	[REDACTED] Shares (L)	5%	[REDACTED] Shares (L)	[REDACTED]%

Notes:

(1) The letter "L" denotes a long position in our Shares.

(2) Yuelushan Company is indirectly wholly-owned by CSUDGCL. By virtue of the SFO, CSUDGCL is deemed to be interested in the Shares held by Yuelushan Company.

If the [**REDACTED**] is fully exercised, the interest of CSUDGCL in our Shares will be approximately [**REDACTED**]%.

Save as disclosed in the paragraph headed "Substantial Shareholders – Interest in our Company" in this section above, our Directors are not aware of any other persons who will, immediately following completion of the [**REDACTED**] (assuming [**REDACTED**] is not exercised), have interests or short positions in our Shares or underlying Shares which would be required to be disclosed to us and the Stock Exchange (as the case may be) 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 nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any of our subsidiaries.

This section presents certain information regarding the share capital of our Company following the completion of the [**REDACTED**].

As of the Latest Practicable Date, the registered share capital of our Company was RMB120,000,000, divided into 120,000,000 Unlisted Shares with a nominal value of RMB1.00 each.

Assuming the [**REDACTED**] is not exercised, the share capital of our Company immediately after the [**REDACTED**] will be as follows:

Description of Shares	Number of Shares	Percentage of total share capital
Unlisted Shares	[**REDACTED**]	[**REDACTED**]%
H Shares to be [**REDACTED**] under the [**REDACTED**]	[**REDACTED**]	[**REDACTED**]%
Total Share Capital	[**REDACTED**]	100%

Assuming the [**REDACTED**] is exercised in full, the share capital of the Company immediately after the [**REDACTED**] will be as follows:

Description of Shares	Number of Shares	Percentage of total share capital
Unlisted Shares	[**REDACTED**]	[**REDACTED**]%
H Shares to be [**REDACTED**] under the [**REDACTED**]	[**REDACTED**]	[**REDACTED**]%
Total Share Capital	[**REDACTED**]	100%

ASSUMPTIONS

The above tables assume that the [**REDACTED**] becomes unconditional and Shares are issued pursuant to the [**REDACTED**]. It takes no account of any Share that may be issued or repurchased by our Company pursuant to the general mandates granted to our Directors to issue or repurchase Shares.

PUBLIC FLOAT REQUIREMENTS

Rule 8.08 of the Listing Rules requires there to be an open market in the securities for which listing is sought and for a sufficient public float of an issuer's listed securities to be maintained. This normally means that (i) at least 25% of the issuer's total issued shares must at all times be held by public; and (ii) where an issuer has one class of securities or more apart from the class of securities for which listing is sought, the total securities of the issuer held by the public (on all regulated market(s) including the Stock Exchange) at the time of listing must be at least 25% of the issuer's total issued shares. However, the class of securities for which listing is sought must not be less than 15% of the issuer's total issued shares and must have an expected market capitalization at the time of listing of not less than HK$125 million.

Based on the information in the above tables, our Company will meet the [**REDACTED**] requirement under the Listing Rules upon the completion of the [**REDACTED**] (whether or not the [**REDACTED**] is exercised in full). We will make appropriate disclosure of our [**REDACTED**] and confirm the sufficiency of our [**REDACTED**] in successive annual reports after [**REDACTED**].

OUR SHARES

The H Shares in issue following the completion of the [**REDACTED**] and the Unlisted Shares are ordinary Shares in the share capital of our Company, and are considered as one class of Shares. However, apart from certain qualified domestic institutional [**REDACTED**] in the PRC, qualified PRC [**REDACTED**] under the Shanghai-Hong Kong stock exchanges connectivity mechanism (Shanghai-Hong Kong Stock Connect) and the Shenzhen-Hong Kong stock exchanges connectivity mechanism (Shenzhen-Hong Kong Stock Connect) and other persons entitled to hold H Shares pursuant to the relevant PRC laws and regulations or upon approval by any competent authorities, H Shares generally may not be [**REDACTED**] for by, or [**REDACTED**] between, legal or natural persons of the PRC. H Shares may only be [**REDACTED**] for and [**REDACTED**] in Hong Kong dollars.

RANKING

Unlisted Shares and H Shares shall rank pari passu with each other in all other respects and, in particular, will rank equally for dividends or distributions declared, paid or made after the date of this document. All dividends in respect of our Shares will be paid in Hong Kong dollars or Renminbi, as the case may be. Other than cash, dividends could also be paid in the form of shares. In addition to cash, dividends may be distributed in the form of Shares.

CONVERSION OF OUR UNLISTED SHARES INTO H SHARES

According to the regulations prescribed by the securities regulatory authorities of the State Council, the Unlisted Shares may be converted into shares that are [**REDACTED**] and [**REDACTED**] on an overseas stock exchange subject to compliance with the requirements and procedures under the relevant laws and regulations in the PRC. In addition, such conversion, [**REDACTED**] and [**REDACTED**] shall also comply with the regulations, requirements and procedures prescribed by the relevant overseas stock exchange.

In accordance with the Overseas Listing Trial Measures and five relevant guidelines announced by the CSRC, for a domestic company directly [**REDACTED**] and [**REDACTED**] overseas, shareholders of its domestic unlisted shares applying to convert such shares into shares [**REDACTED**] and [**REDACTED**] on an overseas [**REDACTED**] venue shall conform to relevant regulations promulgated by the CSRC, and authorize the domestic company to file with the CSRC on their behalf.

If any of the Unlisted Shares are to be converted, [**REDACTED**] and [**REDACTED**] as H Shares on the Hong Kong Stock Exchange, such conversion, [**REDACTED**] and [**REDACTED**] will require the approval of the relevant PRC regulatory authorities, including the CSRC, and the approval of the Hong Kong Stock Exchange.

As of the Latest Practicable Date, the Directors were not aware of any intention of any holder of Unlisted Shares to convert all or part of their Unlisted Shares into H Shares.

TRANSFER OF SHARES ISSUED PRIOR TO THE [REDACTED]

The PRC Company Law provides that in relation to the [**REDACTED**] of a company, the shares issued prior to the [**REDACTED**] shall not be transferred within a period of one year from the date on which the [**REDACTED**] shares are [**REDACTED**] on any stock exchange. Accordingly, Shares issued by our Company prior to the [**REDACTED**] shall be subject to this statutory restriction and not be transferred within a period of one year from the [**REDACTED**].

CIRCUMSTANCES UNDER WHICH GENERAL MEETING IS REQUIRED

For details of circumstances under which our Shareholders' general meeting is required, please refer to the section headed "Summary of Articles of Association" in Appendix V to this document.

You should read the following discussion and analysis with our consolidated financial information, including the notes thereto, included in the Accountants' Report in Appendix I to this document. Our consolidated financial information has been prepared in accordance with IFRS Accounting Standards.

The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on our assumptions and analysis in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties. In evaluating our business, you should carefully consider the information provided in this document, including but not limited to the sections headed "Risk Factors" and "Business."

For the purposes of this section, unless the context otherwise requires, references to the years of 2021, 2022 and 2023 refer to the year ended December 31 of such respective years.

OVERVIEW

We are a state-owned urban service and operation provider with business operations primarily based in Changsha. The property management services, urban services and commercial operation services markets in Hunan Province, China are highly competitive and fragmented. Our market share in terms of GFA under management and total revenue from all business segments in 2022 was approximately 0.66% and 0.94% of the property management market in Hunan Province. Our market share in terms of revenue generated from the urban services in 2022 was approximately 0.42% of the urban service market in Hunan Province. Our market share in terms of GFA under management in 2022 was approximately 0.96% of the commercial operation services market in Hunan Province.

We provide a wide spectrum of services to our customers, forming a cohesive business layout rooted in urban area. The services we provide can be divided into three categories depending on service characteristics and industry standards, namely, (i) property management services, (ii) urban services, and (iii) commercial operation services. Through years of development and diversification of our service portfolio, we have formed advantages, creating support for our service offerings.

During the Track Record Period, we have achieved business and financial growths. For the year ended December 31, 2023, the total number of our property management projects under management was 68, with a GFA under management of 11.1 million sq.m., and the total number of urban service projects under management was 157, including four lighting system operation projects, 150 parking lot operation projects, and three municipal sanitation projects; we also completed 85 landscaping and engineering projects in 2023, with 87 projects in progress as of December 31, 2023. The total number of projects under management in the commercial operation service sector was 50, with a GFA under management of 711 thousand sq.m. for the year ended December 31, 2023. In 2021, 2022 and 2023, our total revenue reached RMB431.7 million, RMB528.5 million and RMB651.9 million, respectively. Our profit and total comprehensive income for the year amounted to RMB40.8 million, RMB53.6 million and RMB70.2 million in 2021, 2022 and 2023, respectively. We believe that, such financial performance is primarily driven by, (i) our business scale continued to grow at a solid pace; (ii) our capability and dedication to developing and offering a comprehensive service portfolio; (iii) our evolving professional service capabilities; and (iv) our ability to attract new and retain existing customers as we continue to ramp up our business presence and enhance our brand awareness.

BASIS OF PREPARATION

The historical financial information has been prepared in accordance with all applicable IFRS Accounting Standards issued by the International Accounting Standards Board.

The preparation of the historical financial information in conformity with IFRS Accounting Standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, equity, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of IFRSs that have significant effect on the historical financial information and major sources of estimation uncertainty are discussed in Note 3 to the Accountants' Report included in Appendix I to this document.

MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations have been, and are expected to continue to be, materially affected by a number of factors, many of which are outside of our control. These factors include but are not limited to the following:

Our Ability to Respond to Macro Environment and Regulatory Changes of the Real Estate, Property Management and Urban Services Industries

Our business and results of operations are subject to the macroeconomy and the changes in the macro environment of the real estate industry, as well as the regulatory environment and measures affecting the property management industry and the urban service sector. The number of new property development projects is dependent on the performance of the real estate market, which is subject to the overall economic growth, the rate of urbanization, the demographic transition and, consequently, the demand for properties. The number of urban services projects is also subject to the government's city planning, ability to make fiscal expenditures and market conditions. Any economic downturn, particularly in the regions where we operate, could adversely affect our business and results of operations.

In 2022, factors such as recurrent outbreaks of the COVID-19 Pandemic and profound adjustments in the real estate market, the overall weak economy have posed more challenges to property management and urban services companies. Under the direction of development of the PRC national economy, the property management industry, as a fundamental service-oriented industry, is undergoing accelerated transformation into a modern service industry. Under the new standard of refined city management and the continuous advancement of reforms to "streamline administration and delegate power, improve regulation, and upgrade services (放管服)", the market for urban services is expected to embrace emerging opportunities. Property management companies have capitalized on prevailing industry tailwind, accelerating their integration into the field of social grassroots governance and expanding multi-business industrial layout, such as urban services market so that the whole industry is steadily progressing towards wider diversity, intelligence and quality services. For details, please refer to the section headed "Risk Factors – Risks Relating to Our Business and Industry – We are subject to the regulatory environment and measures affecting the property management and real estate industries, which may affect our business growth" and "Risk Factors – Risks Relating to the Location Where We Conduct Business" in this document.

Our Ability to Expand Business Scale

Our future success is dependent on our ability to maintain and increase the number of projects and GFA under our management and our ability to further penetrate the market by expanding the scope of our service offerings and improving the quality and efficiency of our existing services. The total aggregate number of projects for all our business segments increased from 299 in 2021 to 360 in 2023, and the total aggregate GFA under our management of our property management services and commercial operation services increased from 11.2 million sq.m. in 2021 to 11.8 million sq.m. in 2023, driving revenue growth and providing an essential foundation and assurance for sustainable development of our Group in the long run. Accordingly, our business and results of operations are affected by our ability to maintain and increase our number of projects and scale of GFA under management, which in turn is affected by our abilities to renew existing and to secure new service engagements. Besides, we have grasped more opportunities following the pandemic subsides of increasingly market-oriented urban services, and have steadily gained the first-mover advantage leveraging our strengths of experience, resources, long-term operations and regional advantages in our services to public properties. We insist on our strategy of pursuing development through multiple business momenta, our property management and urban services continued their growth collaboratively.

Our parent group, CSUD Group, has and is expected to continue to contribute to our long-term sustainable growth, providing us with strong confidence in our development. During and following the Track Record Period, we have been making continuous efforts to expand our business from Independent Third Parties, aiming to broaden our revenue sources and diversify our customer portfolio. In the future, we will further strengthen independent business development, enhance our expansion capabilities and competitive edges in the market, and reduce our reliance on related parties.

Our Brand Positioning and Pricing Ability

Brand competitiveness has always been regarded by us as the key to future success, while brand reputation has become the core element for customers choosing to transact with us. With a diversified service portfolio and a state-owned background deeply rooted in Hunan Province, we believe we have established a reputation amongst the locations of our business operation, facilitating our service engagements with Independent Third Parties and bringing about more cooperation opportunities for new projects. As we derived the majority of our revenue from property management and urban services, our results of operations and financial position are affected by our pricing ability for the provision of such services, which is, in part, affected by our brand recognition and positioning in China's property management and urban service industry.

We generally price our services by taking into account various factors that affect our competitiveness in the market, such as the characteristics and geographical presence of the properties, the sizes and scopes of the services, our estimated expenses and target profit margins, customer profiles, the pricing of comparable properties and the local government guidance prices on property management fees and public parking lots (where applicable). Our contracts with government authorities might also be affected by the requirements of government bidding, government guidelines, government budgets, industry standards, etc. We also balance multiple considerations, including our competitiveness, profitability and our ability to shape and preserve our image as a quality property management and urban service provider. Failure to effectively balance various factors in determining our pricing could materially and adversely affect our financial position and results of operations.

Our Ability to Optimize Business Mix

Our ability to optimize our business mix is crucial to our business and results of operations. Property management services are the important ballast for our existing business; urban services have been becoming the core of our diversified and specialized services in urban areas with steady revenue and profit growths; while commercial operation services are another important business segment that had resulted from our business diversification in the value chain of our industry. We strive to make the most of our strengths in order to tamp the foundation of our services and build a brand ecology, and further pave the way for our continuously steady growth. During the Track Record Period, our business and results of operations were affected by our ability in consolidating our resources and strengths in providing related services, which typically resulted in gross profit margin profiles. Any change in our revenue and cost structures or in the gross profit margin of any of our business segments may have a corresponding impact on our overall gross profit margin.

For details of our gross profit margins, please refer to the paragraph headed "– Description of Selected Components of Consolidated Statements of Profit or Loss and Other Comprehensive Income – Gross Profit and Gross Profit Margin" in this section. As we continue to optimize our business mix and revenue and cost structures, we seek to continue to scale up our business and improve our long-term profitability.

Our Ability to Manage Costs and Improve Operational Efficiency

Our ability to maintain or improve our current level of profitability depends on our ability to effectively control costs, particularly labor costs and material costs. To cope with the rising labor costs while maintaining and improving our service quality, we intend to optimize our labor costs as our business continues to grow, including standardized and automated smart office and management, improving the efficiency of our business executive capabilities by leveraging technological advancement to mitigate our reliance on manual labor.

We incurred labor costs of RMB185.2 million, RMB232.8 million and RMB262.9 million in 2021, 2022 and 2023, representing 57.1%, 57.2% and 52.6%, respectively, of our total cost of sales in the respective year. In addition, we incurred material costs of RMB46.5 million, RMB59.5 million and RMB115.2 million in 2021, 2022 and 2023, representing 14.3%, 14.6% and 23.0%, respectively, of our total cost of sales in the respective year. Therefore, any material adverse change in our labor costs and/ or material costs may negatively affect our gross profit margin and impair our profitability.

For illustrative purposes only, the following table sets forth a sensitivity analysis of our profit before taxation for the year with references to hypothetical fluctuations in our labor costs and material costs in 2021, 2022 and 2023, respectively, with all other factors remaining constant.

	Increase/decrease in labor costs		
	+/-3%	**+/-5%**	**+/-10%**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Decrease/increase in profit before taxation			
For the year of 2021	5,556	9,259	18,519
For the year of 2022	6,985	11,642	23,283
For the year of 2023	7,886	13,144	26,288

	Increase/decrease in material costs		
	+/-3%	**+/-5%**	**+/-10%**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Decrease/increase in profit before taxation			
For the year of 2021	1,395	2,325	4,650
For the year of 2022	1,784	2,973	5,947
For the year of 2023	3,455	5,759	11,517

Our Ability to Compete Against Other Market Participants

The property management services, urban services and commercial operation services markets in Changsha and Hunan Province, as well as in the PRC are highly competitive. We primarily compete with other large national, regional and local property management service providers on a number of aspects, including business scale, brand recognition, price and quality of services, quality of management, and talent and technical expertise. According to CIA, the concentration of China's property management, urban and commercial operation services market is expected to increase in the future, and the market players will further extend their service portfolios and increase brand awareness. The continued development and application of new technologies will further drive the development of the comprehensive property management, urban and commercial operation services market in China. For details, please refer to the sections headed "Business – Competition" and "Industry Overview – Competition" in this document.

Our ability to compete against our competitors and maintain or improve our market position depends on our ability to improve our competitive strengths. Benefiting from our experience in cooperation with the CSUD Group and its associates and/or joint ventures, government entities and other third parties in providing diversified services, we believe we are able to enjoy the support of the CSUD Group and its associates and/or joint ventures, while we are also capable of pursuing and seizing market opportunities independently and continue our business growth. If we are unable to effectively compete with other market players and maintain or increase our market share, our revenue and profitability may be adversely impacted.

IMPACT OF THE COVID-19 PANDEMIC

Since the end of December 2019, the outbreak of the COVID-19 Pandemic has materially and adversely affected the Chinese and global economies, resulting in numerous governments declaring emergencies and implementing prevention and control measures, such as mandatory quarantines, closures of workplaces and facilities, travel restrictions and other related measures.

The COVID-19 Pandemic has, to a limited extent, affected our financial performance. Our revenue generated from commercial operation services decreased in 2022 due to the termination of leases by certain tenants as affected by the COVID-19 Pandemic and the pandemic had inevitably increased our additional expenditure in 2022 for tackling the pandemic, such as costs and expenses associated with enhanced hygienic and precautionary measures and engaging pandemic prevention personnel, and thus impinging on our revenue and profit. Our total expenses on procuring protective equipment amounted to RMB0.2 million and RMB0.3 million in 2021 and 2022, respectively. Despite the impacts of the COVID-19 Pandemic on our financial condition as mentioned above, to the best of our Directors' knowledge, our Group did not experience any material difficulty in collecting service fees. Following the subsiding of the COVID-19 Pandemic in early 2023, we did not incur any further expense on procuring protective equipment in 2023, and we achieved revenue growth in commercial operation services in the same year.

Our Directors are of the view that we had not experienced material adverse impacts on our financial performance or results of operations as of the Latest Practicable Date, on the basis that we were able to continue to grow our diversified services and sustain our growth momentum with a steady revenue growth during the Track Record Period. As of February 29, 2024, we had cash and cash equivalents of RMB179.6 million. We believe that our current level of liquidity is sufficient for us to successfully navigate an extended period of uncertainty. While the COVID-19 Pandemic has come under control in China in early 2023, the future development of COVID-19, and its long-term effects on our industry and business remain uncertain. For details, please refer to the section headed "Risk Factors – Risks Relating to Our Business and Industry – Our business, financial condition and results of operations have been and may continue to be affected by COVID-19" in this document.

MATERIAL ACCOUNTING POLICY INFORMATION, JUDGMENTS AND ESTIMATES

Some of our accounting policies require us to apply estimates and assumptions as well as complex judgments related to accounting items. The estimates and assumptions we use and the judgments we make in applying our accounting policies have a significant impact on our financial position and operational results. Our management continuously evaluates such estimates, assumptions and judgments based on past experience and other factors, including industry practices and expectations of future events which are deemed to be reasonable under the circumstances. There has not been any material deviation of our management's estimates or assumptions from actual results, and we have not made any material changes to these estimates or assumptions during the Track Record Period. We do not expect any material changes to these estimates and assumptions in the foreseeable future.

Set forth below are accounting policies that we believe are of critical importance to us or involve the most significant estimates, assumptions and judgments used in the preparation of our financial statements. Further details are set forth in Notes 2 and 3 to the Accountants' Report included in Appendix I to this document.

Revenue Recognition

Revenue from Contracts with Customers

Revenue is recognized when control over a product or service is transferred to a customer, at the amount of promised consideration to which our Group is expected to be entitled, excluding those amounts collected on behalf of third parties such as value added tax or other sales taxes.

Our Group principally generates its revenue from the provision of property management services, lighting system operation services, municipal sanitation services, landscaping and engineering services, commercial operation services and parking lot operation services. Our Group's revenue is derived from the following sources:–

– *Provision of property management services, lighting system operation services, and municipal sanitation services*

  For property management services, lighting system operation and municipal sanitation services income from properties and public facilities managed under lump sum basis, where our Group acts as principal and is primary responsible for providing certain services to the property owners or users, our Group bills a fixed amount for services provided on a periodical basis and recognizes as revenue in the amount to which our Group has a right to invoice and that corresponds directly with the value of performance completed.

– *Provision of commercial operation services*

  Commercial operation services to owners of the shopping malls mainly include tenant sourcing services, tenant management and rent collection services, for which the service fee is calculated at a percentage of rental fees and revenue is recognized monthly when such services are provided.

– *Provision of landscaping and engineering services*

Revenue from the provision of landscaping and engineering services is recognized over time, using an input method to measure progress towards complete satisfaction of the service, because our Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced. The input method recognizes revenue based on the proportion of the actual costs incurred relative to the estimated total costs for satisfaction of the engineering services.

– *Provision of parking lot operation services*

Revenue from the provision of parking lot operation services consists of fees from users for the access of parking lot space provided by our Group. The price of the parking fee is based on a per use, duration, monthly or contractual basis.

Revenue from Other Sources and Other Income

– *Interest income*

Interest income is recognized as it accrues under the effective interest method.

– *Government grants*

Government grants are recognized in the statements of financial position initially when there is reasonable assurance that they will be received and that our Group will comply with the conditions attaching to them. Grants that compensate our Group for expenses incurred are recognized as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate our Group for the cost of an asset are recognized as deferred income in the consolidated statements of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

– *Rental income from operating leases*

Rental income receivable under operating leases is recognized in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognized in profit or loss as an integral part of the aggregate net lease payments receivable. Variable lease payments that do not depend on an index or a rate are recognized as income in the accounting period in which they are earned.

– *Dividends*

Dividend income from unlisted investments is recognized when the shareholder's right to receive payment is established.

Contract Asset and Contract Liabilities

A contract asset is recognized when our Group recognizes revenue before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for expected credit losses (ECLs) in accordance with the policy set out in Note 2(i)*(i)* to the Accountants' Report included in Appendix I to this document and are reclassified to receivables when the right to the consideration has become unconditional.

A contract liability is recognized when the customer pays non-refundable consideration before our Group recognizes the related revenue. A contract liability would also be recognized if our Group has an unconditional right to receive non-refundable consideration before our Group recognizes the related revenue. In such cases, a corresponding receivable would also be recognized.

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method.

Credit Losses and Impairment of Assets

(i) Credit Losses from Financial Instruments and Contract Assets.

Our Group recognizes a loss allowance for ECLs on the financial assets measured at amortized cost (including cash and cash equivalents, restricted bank deposits, trade receivables and other receivables), and contract assets as defined in IFRS 15.

Other financial assets measured at fair value, including financial assets measured at fair value through profit and loss, are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to our Group in accordance with the contract and the cash flows that our Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

– Cash and cash equivalents, restricted bank deposits, trade and other receivables and contract assets: effective interest rate determined at initial recognition or an approximation thereof.

The maximum period considered when estimating ECLs is the maximum contractual period over which our Group is exposed to credit risk.

In measuring ECLs, our Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on our Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, our Group recognizes a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, our Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, our Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to our Group in full, without recourse by our Group to actions such as realizing security (if any is held); or (ii) the financial asset is 90 days past due. Our Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

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

– failure to make payments of principal or interest on their contractually due dates;

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

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

– existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to our Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognized as an impairment gain or loss in profit or loss. Our Group recognizes an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Basis of calculation of interest income

Interest income recognized in accordance with Note 2(r)(ii)(a) to the Accountants' Report included in Appendix I to this document is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortized cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, our Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

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

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or past due event;

– it becoming probable that the borrower will enter into bankruptcy or other financial reorganization;

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

– the disappearance of an active market for a security because of financial difficulties of the [**REDACTED**].

Write-off policy

The gross carrying amount of a financial asset or contract asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when our Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognized as a reversal of impairment in profit or loss in the period in which the recovery occurs.

Expected Credit Losses for Receivables

Our Group makes allowances on receivables based on assumptions about risk of default and expected loss rates. Our Group used judgment in making these assumptions and selecting the inputs to the impairment calculation, based on our Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

Where the expectation is different from the original estimate, such difference will impact the carrying amount of trade and other receivables, contract assets, and the related loss allowances in the period in which such estimate is changed. For details of the key assumptions and inputs used, please refer to Note 26 to the Accountants' Report included in Appendix I to this document.

DESCRIPTION OF SELECTED COMPONENTS OF CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

The following table sets forth a summary of our consolidated statements of profit or loss and other comprehensive income for the years indicated.

	For the year ended December 31,		
	2021	**2022**	**2023**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Revenue	431,653	528,523	651,875
Cost of sales	(324,347)	(406,976)	(500,044)
Gross profit	107,306	121,547	151,831
Other net income	8	3,790	2,184
Selling expenses	(4,717)	(4,454)	(4,742)
Administrative expenses	(42,324)	(43,744)	(53,391)
Expected credit loss	(11,920)	(10,758)	(7,266)
Profit from operations	48,353	66,381	88,616
Share of profits less losses of an associate and joint ventures	4,646	3,092	2,178
Finance income	1,180	1,221	2,212
Finance costs	(1)	(8)	(6)
Profit before taxation	54,178	70,686	93,000
Income tax	(13,337)	(17,090)	(22,822)
Profit and total comprehensive income for the year	40,841	53,596	70,178
Attributable to:			
Equity shareholders of the Company	40,400	53,095	70,178
Non-controlling interests	441	501	–
	40,841	53,596	70,178
Earnings per share (RMB)			
Basic and diluted	0.34	0.44	0.58

Revenue

We generated revenue from the provision of three business segments, namely (i) property management services; (ii) urban services; and (iii) commercial operation services. We recorded total revenue of RMB431.7 million, RMB528.5 million and RMB651.9 million in 2021, 2022 and 2023, respectively.

The following table sets forth a breakdown of our revenue by business segments for the years indicated.

	For the year ended December 31,					
	2021		**2022**		**2023**	
	(RMB'000)	*(%)*	*(RMB'000)*	*(%)*	*(RMB' 000)*	*(%)*
Property management services	192,256	44.6	207,466	39.2	237,902	36.5
Urban services	185,352	42.9	274,720	52.0	353,290	54.2
Commercial operation services	54,045	12.5	46,337	8.8	60,683	9.3
Total	**431,653**	**100.0**	**528,523**	**100.0**	**651,875**	**100.0**

We continued deepening our presence in property management services and actively developed our urban services strengths. Revenue contribution of our property management and urban services experienced steady growth as we continued to optimize our service portfolio to drive long-term growth and profitability, leading to a continual increase in our total revenue. In line with the continuous increase in total revenue, the proportion of revenue related to urban services continued to increase, which accounted for 42.9%, 52.0% and 54.2%, respectively, of our total revenue in 2021, 2022 and 2023, while the proportion of revenue related to property management services decreased accordingly during the respective years, as we pursued business endeavors and revenue streams in urban services and promoted market expansion by implemented projects in Hunan Province, further building up our comprehensive capabilities in urban services and striving to become the customer-preferred urban service brand, and establish a solid foundation for sustainable growth. For details, please refer to the section headed "Business – Business Strategies" in this document.

Revenue from Property Management Services

We recorded revenue from property management services of RMB192.3 million, RMB207.5 million and RMB237.9 million, respectively, accounting for 44.6%, 39.2% and 36.5%, of our total revenue in 2021, 2022 and 2023, respectively. For the same years, all property management fees were charged on a lump sum basis. Under the lump-sum basis, we charge a fixed and "all-inclusive" fee for our property management services which we provide through our employees and subcontractors. For details, please refer to the section headed "Business – Property Management Services – Property Management Fees" in this document.

The following table sets forth a breakdown of our revenue from property management services by type of properties for the years indicated.

	For the year ended December 31,					
	2021		2022		2023	
	(RMB'000)	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*
Public properties	69,894	36.3	72,458	34.9	74,015	31.1
Commercial properties	95,191	49.5	105,798	51.0	114,563	48.2
Residential properties	1,264	0.7	2,483	1.2	12,384	5.2
Value-added services	25,907	13.5	26,727	12.9	36,940	15.5
Total	**192,256**	**100.0**	**207,466**	**100.0**	**237,902**	**100.0**

The majority of our revenue derived from property management services was through our provision of property management services for public and commercial properties, which accounted for 36.3%, 34.9% and 31.1%, respectively, and 49.5%, 51.0% and 48.2%, respectively, of our revenue from property management services in 2021, 2022 and 2023.

The following table sets forth a breakdown of our revenue from property management services by source of projects for the years indicated.

	For the year ended December 31,					
	2021		2022		2023	
	(RMB'000)	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*
CSUD Group and its associates	**131,991**	**68.7**	**150,576**	**72.6**	**171,634**	**72.1**
Independent Third Parties	**60,265**	**31.3**	**56,890**	**27.4**	**66,268**	**27.9**
– Government/public institutions	57,674	30.0	55,084	26.5	47,787	20.1
– SOEs	1,380	0.7	1,806	0.9	12,661	5.3
– Others	1,211	0.6	–	–	5,820	2.5
Total	**192,256**	**100.0**	**207,466**	**100.0**	**237,902**	**100.0**

Note: The classification of the sources of our Group's projects is determined by the initial sources where our Group obtained the projects and derived economic benefits rather than by the ultimate users of our Group's services (i.e. customers). For property management services, the sources of projects are categorized by developer or owner of the properties.

The revenue derived from property management projects sourced from CSUD Group and its associates increased as a percentage of our revenue from property management services from 68.7% in 2021 to 72.6% 2022, primarily due to the growth in GFA under management and the number of projects sourced from CSUD Group and its associates. The revenue derived from property management projects sourced from CSUD Group and its associates remained relatively stable as a percentage of our revenue from property management services at 72.6% and 72.1% in 2022 and 2023, respectively.

Revenue from Urban Services

We recorded revenue from urban services of RMB185.4 million, RMB274.7 million and RMB353.3 million, respectively, accounting for 42.9%, 52.0% and 54.2%, respectively, of our total revenue in 2021, 2022 and 2023.

The following table sets forth a breakdown of our revenue from urban services by type of services for the years indicated.

	For the year ended December 31,					
	2021		**2022**		**2023**	
	(RMB'000)	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*
Landscaping and engineering	83,482	45.0	125,847	45.8	186,347	52.8
Lighting system operation	30,856	16.7	64,007	23.3	67,497	19.1
Parking lot operation	42,089	22.7	40,633	14.8	46,733	13.2
Municipal sanitation	28,925	15.6	44,233	16.1	52,713	14.9
Total	**185,352**	**100.0**	**274,720**	**100.0**	**353,290**	**100.0**

During each year of the Track Record Period, we made breakthroughs in the expansion of landscaping and engineering following the acquisition of relevant credentials, maturity of our business and ability enhancement and successfully undertook 77, 89 and 129 landscaping and engineering projects.

Our lighting system operation and municipal sanitation services also experienced steady growth benefiting from our exploration in versatility and distinctiveness urban service sector and the brand status gained from our extensive operations in urban service sector in Hunan Province, which underpins our promising growth potential.

The following table sets forth a breakdown of our revenue from urban services by source of projects for the years indicated.

	For the year ended December 31,					
	2021		2022		2023	
	(RMB'000)	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*
CSUD Group and its associates	**117,160**	**63.2**	**151,853**	**55.3**	**187,526**	**53.1**
Independent Third Parties	**68,192**	**36.8**	**122,867**	**44.7**	**165,764**	**46.9**
– Government/public institutions	60,195	32.5	106,534	38.8	119,261	33.7
– SOEs	3,057	1.6	7,840	2.8	45,113	12.8
– Others	4,940	2.7	8,493	3.1	1,390	0.4
Total	**185,352**	**100.0**	**274,720**	**100.0**	**353,290**	**100.0**

Note: The classification of the sources of our Group's projects is determined by the initial sources where our Group obtained the projects and derived economic benefits rather than by the ultimate users of our Group's services (i.e. customers). For parking lot operation, the sources of projects are categorized by lessors of the parking spaces; for other urban services, the sources of projects are categorized by counter-parties of the contracts.

The revenue derived from urban service projects sourced from Independent Third Parties increased as a percentage of our revenue from urban services from 36.8% in 2021 to 44.7% in 2022, primarily driven by the revenue contribution of lighting system operation and municipal sanitation services, all of which were from Independent Third Parties. The revenue derived from urban service projects sourced from Independent Third Parties increased as a percentage of our revenue from urban services from 44.7% in 2022 to 46.9% in 2023, primarily driven by the revenue contribution of landscaping and engineering services, municipal sanitation services and lighting system operation services.

Revenue from Commercial Operation Services

During the Track Record Period, we switched properties that were previously managed under the sublease management model to the asset-light entrusted management model in 2021 to help us obtain the operation rights in an efficient manner, and enable us to continually expand our business scale. Under the sublease management model, our revenue primarily consists of rental income from tenants. Under the entrusted management model, our revenue primarily consists of operational management service fees, which is primarily calculated at a percentage of rental fees. For details, please refer to the section headed "Business – Commercial Operation Services – Commercial Operation Services Agreements" in this document.

We recorded revenue from commercial operation services of RMB54.0 million, RMB46.3 million and RMB60.7 million, respectively, accounting for 12.5%, 8.8% and 9.3%, respectively, of our total revenue in 2021, 2022 and 2023, among which, RMB1.7 million, RMB0.9 million and nil, respectively, was from the provision of subleasing commercial properties, while RMB43.7 million, RMB40.9 million and RMB55.2 million, respectively, was from commercial operation fee. Our revenue of commercial operation services were all from projects sourced from CSUD Group and its associates.

Cost of Sales

Our cost of sales consists primarily of (i) labor costs; (ii) material costs; (iii) repair, maintenance and machinery utilization costs; (iv) utility costs, including water, electricity and gas charges, etc.; (v) leasing expenses, primarily consist of lighting equipment rental and housing rental; (vi) depreciation and amortization charges; and (vii) other costs, primarily consist of office expenses. We recorded cost of sales of RMB324.3 million, RMB407.0 million and RMB500.0 million in 2021, 2022 and 2023, respectively.

The following table sets forth a breakdown of our cost of sales by nature for the years indicated.

	For the year ended December 31,					
	2021		**2022**		**2023**	
	(RMB'000)	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*
Labor costs	185,188	57.1	232,832	57.2	262,875	52.6
– Staff costs	34,141	10.5	32,126	7.9	46,146	9.2
– Subcontracting costs[1]	151,047	46.6	200,706	49.3	216,729	43.4
Material costs	46,503	14.3	59,468	14.6	115,173	23.0
Utility costs	30,890	9.5	40,693	10.0	41,243	8.3
Repair, maintenance and machinery utilization	29,181	9.0	41,162	10.1	48,507	9.7
Leasing expenses	13,797	4.3	15,230	3.8	16,074	3.2
Depreciation and amortization charges	11,115	3.4	9,669	2.4	7,061	1.4
Others	7,673	2.4	7,922	1.9	9,111	1.8
Total	**324,347**	**100.0**	**406,976**	**100.0**	**500,044**	**100.0**

Note:

(1) Subcontracting costs primarily consist of subcontracting and labor dispatch costs.

The main component of our cost of sales was labor costs, which accounted for 57.1%, 57.2% and 52.6%, respectively, of our total cost of sales in 2021, 2022 and 2023.

Material costs were also a material component, which accounted for 14.3%, 14.6% and 23.0%, respectively, of our total cost of sales in 2021, 2022 and 2023.

Gross Profit and Gross Profit Margin

Our overall gross profit was RMB107.3 million, RMB121.5 million and RMB151.8 million, respectively, with overall gross profit margin of 24.9%, 23.0% and 23.3%, for the years ended December 31, 2021, 2022 and 2023, respectively.

The following table sets forth a breakdown of our gross profit and gross profit margin by business segments and by source of projects for the years indicated.

	For the year ended December 31,					
	2021		2022		2023	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	(RMB'000)	*(%)*	*(RMB'000)*	*(%)*	*(RMB' 000)*	*(%)*
Property management services	**38,401**	**20.0**	**30,164**	**14.5**	**35,950**	**15.1**
– CSUD Group and its associates	26,711	20.2	22,145	14.7	24,273	14.1
– Independent Third Parties	11,690	19.4	8,019	14.1	11,677	17.6
Urban services	**39,992**	**21.6**	**66,433**	**24.2**	**78,009**	**22.1**
– CSUD Group and its associates	18,854	16.1	30,589	20.1	40,981	21.9
– Independent Third Parties	21,138	31.0	35,844	29.2	37,028	22.3
Commercial operation services[(1)]	**28,913**	**53.5**	**24,950**	**53.8**	**37,872**	**62.4**
Total	**107,306**	**24.9**	**121,547**	**23.0**	**151,831**	**23.3**

Note:

(1) During the Track Record Period, all of our commercial operation service projects were sourced from CSUD Group and its associates.

For the years ended December 31, 2021, 2022 and 2023, our overall gross profit exhibited an upward trend. In particular, the proportion of the gross profit of urban services increased from 37.3% in 2021 to 54.7% in 2022, and remained relatively stable at 51.4% in 2023, becoming the main source of our overall gross profit, primarily because we have capitalized on the opportunities of marketization of urban services and the continuous growth of government investment in public utilities to develop our urban services, and have achieved the steady growth of revenue from our urban services.

The decrease in overall gross profit margin from 2021 to 2022 was mainly attributable to the consolidated effect of (i) a decrease in gross profit margin of property management services, and (ii) a decreased percentage contribution of commercial operation services. For details, please refer to the paragraph headed "– Comparisons of Results of Operations – Year Ended December 31, 2022 Compared to Year Ended December 31, 2021 – Gross Profit and Gross Profit Margin" in this section. Our overall gross profit margin remained relatively stable at 23.0% and 23.3% in 2022 and 2023, respectively.

Gross Profit and Gross Profit Margin of Property Management Services

Our gross profit of property management services amounted to RMB38.4 million, RMB30.2 million and RMB36.0 million, respectively, in 2021, 2022 and 2023, with gross profit margin of 20.0%, 14.5% and 15.1%, respectively, for the same years. The gross profit margin of our property management services decreased from 20.0% in 2021 to 14.5% in 2022, primarily due to the increase in labor costs (resulting from the increase in the average labor salary and the number of labor engaged) which was in line with our business expansion from 2021 to 2022, and the increase in unit price of electricity from 2021 to 2022. Labor and utility costs are major cost components of our property management services. As a result, increases in labor and utility costs have a greater impact on the gross profit margin of property management services, while their impact on urban services and commercial operation services is less significant. To maintain and improve the profitability of property management projects in the future, our Group is exploring cost-saving measures such as (i) reducing utility consumption by applying energy-efficient renovations in common areas, (ii) reducing the number of personnel in daily routine work during non-peak periods while flexibly supplementing additional personnel during peak periods to handle the increased workload, thereby resulting in a reduction in labor costs, and (iii) elevating labor efficiency by streamlining tasks, using automating processes, and optimizing workforce performance. Benefiting from the cost-saving measures, our gross profit margin of our property management services increased from 14.5% in 2022 to 15.1% in 2023. We believe that, with the implementation of the measures mentioned above, it is expected that our Group is able to maintain the profitability level of its property management projects going forward.

In 2021 and 2022, our gross profit margin of property management projects sourced from Independent Third Parties remained comparable with that from CSUD Group and its associates. In 2023, the gross profit margin of our property management projects sourced from CSUD Group and its associates was lower than that from Independent Third Parties, primarily due to our plan to develop three existing projects into benchmark projects to enhance our reputation and competitiveness, with an aim of attracting potential customers and projects. Our Group selected three existing projects with diverse characteristics, being (i) Xiangjiang Fortune Finance Center Property Management Service Project (湘江財富金融中心物業管理服務項目) as a mixed-use commercial and office complex; (ii) the Changsha West Center Project (長沙西中心項目) as a transportation hub; and (iii) Xiangjiang Times Project (湘江時代項目) as an office building, all sourced from CSUD Group, to serve as the benchmark projects. This initiative allowed us to demonstrate our enhanced capabilities and services to potential customers. Additional resources and costs were incurred in executing these benchmark projects in terms of extra labor and budget, including additional headcount and higher average wages, as well as organizing various cultural activities to enhance customer engagement and loyalty. Our Directors confirm that our Group plans to focus on the existing benchmark projects in the near future, and does not plan to pursue new other benchmark projects in the near future to enhance cost efficiency.

Gross Profit and Gross Profit Margin of Urban Services

Our gross profit of urban services amounted to RMB40.0 million, RMB66.4 million and RMB78.0 million, respectively, in 2021, 2022 and 2023, with gross profit margin of 21.6%, 24.2% and 22.1%, respectively, for the same years. The overall gross profit margin of urban services decreased from 24.2% in 2022 to 22.1% in 2023, mainly attributable to the increased proportion of revenue from landscaping and engineering projects with relatively lower gross profit margin.

Our gross profit margin of urban services sourced from Independent Third Parties was higher than that from CSUD Group and its associates in 2021, 2022 and 2023, primarily because we expanded lighting system operation services since 2021, which have relatively higher gross profit margin and were mainly sourced from Independent Third Parties.

Gross Profit and Gross Profit Margin of Commercial Operation Services

During the Track Record Period, all our commercial operation service projects were sourced from CSUD Group and its associates, and our gross profit of commercial operation services was RMB28.9 million, RMB25.0 million and RMB37.9 million, respectively, in 2021, 2022 and 2023, with gross profit margin of 53.5%, 53.8% and 62.4%, respectively, for the same years. Our gross profit margin of commercial operation services remained relatively stable from 2021 to 2022, while it increased from 53.8% in 2022 to 62.4% in 2023, primarily due to (i) the expansion of business scale of commercial operation services and the enhanced cost efficiency through economies of scale. We increased the projects under operation and revenue generated from commercial operation services in 2023, mainly resulting from the new properties entrusted by Yuelushan Company. Meanwhile, the new projects and our existing projects under operation were in close proximity, which allowed us to enhance cost efficiency via the integration of management, staff, service plans, merchant recruitments and operational resources across multiple projects under operation. As a result, we were able to expand the business scale of commercial operation services without incurring proportional cost increases, thereby achieving an increase in the gross profit margin of this business segment in 2023; and

(ii) an increase in average occupancy rate of the commercial properties from 73.4% as of December 31, 2022 to 93.2% as of December 31, 2023, mainly attributable to the mitigation of the pandemic and the government's easing of control measures.

Other Net Income

Our other net income consists primarily of (i) super deduction of value-added tax ("**VAT**"); (ii) government grants; (iii) default income from customers; (iv) gain on disposal of non-current assets; (iv) changes in fair value on investment properties; (v) surcharge for overdue tax payment; and (vi) others.

The following table sets forth a breakdown of our other net income for the years indicated.

	For the year ended December 31,		
	2021	**2022**	**2023**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Government grants[(1)]	202	445	403
Gain on disposal of non-current assets	3	61	3
Super deduction of VAT[(2)]	1,376	3,070	1,902
Default income from customers	37	314	18
Changes in fair value on investment properties	(1,554)	–	–
Surcharge for overdue tax payment[(3)]	(66)	(107)	(80)
Others	10	7	(62)
Total	**8**	**3,790**	**2,184**

Notes:

(1) The government grants received by our Group were mainly related to staff retention subsidies during the Track Record Period.

(2) On March 20, 2019, the MOF, the STA and the General Administration of Customs of China jointly issued the Public Announcement on Strengthening the VAT Reform Policies, or Public Announcement [2019] No. 39, pursuant to which, during the period from April 1, 2019 to December 31, 2022, a general VAT taxpayer engaging in the provision of living services, postal services, telecommunications services or modern services with sales revenue from the provision of such services accounting for more than 50% of its total sales revenue is allowed to deduct extra 10% of the deductible input VAT for the current period from the VAT payable. On January 19, 2023, the MOF and the STA jointly issued the Public Announcement on Clarification on VAT deduction and VAT exemption for Small-scale Tax Payers and Other Policies, pursuant to which the super deduction of VAT has been adjusted to 5% for the period from January 1, 2023 to December 31, 2023.

(3) Surcharge for overdue tax payment represented payment of surcharge for overdue EIT of prior years during the Track Record Period.

Selling Expenses

Our selling expenses consist primarily of (i) staff costs; (ii) marketing expenses; (iii) office expenses; and (vi) other selling expenses, which primarily consist of consultancy fees and depreciation and amortization charges.

The following table sets forth a breakdown of our selling expenses by nature for the years indicated.

	For the year ended December 31,					
	2021		**2022**		**2023**	
	(RMB'000)	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*
Staff costs	1,888	40.0	2,089	46.9	2,171	45.8
Marketing expenses	2,263	48.0	1,810	40.6	2,047	43.2
Office expenses	171	3.6	49	1.1	266	5.6
Others	395	8.4	506	11.4	258	5.4
Total	**4,717**	**100.0**	**4,454**	**100.0**	**4,742**	**100.0**

The main components affecting our selling expenses were staff costs and marketing expenses, which accounted for 40.0%, 46.9% and 45.8% respectively, and 48.0%, 40.6% and 43.2% respectively, of our total selling expenses in 2021, 2022 and 2023.

Administrative Expenses

Our administrative expenses consist primarily of (i) labor costs; (ii) office expense; (iii) professional service fees, which primarily consist of costs associated with third-party consulting and professional services, such as legal and auditing in our ordinary course of business; (iv) tax and other surcharges; (v) leasing expenses; and (vi) other administrative expenses, which primarily consist of depreciation and amortization charges.

The following table sets forth a breakdown of our administrative expenses by nature for the years indicated.

	For the year ended December 31,					
	2021		**2022**		**2023**	
	(RMB'000)	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*
Labor costs	32,951	77.9	34,558	79.0	45,151	84.6
Office expenses	2,273	5.4	2,676	6.1	2,157	4.0
Professional service fees	1,046	2.5	1,752	4.0	1,627	3.0
Tax and other surcharges	1,109	2.6	1,586	3.6	1,454	2.7
Leasing expenses	1,120	2.6	1,420	3.3	630	1.2
Others	3,825	9.0	1,752	4.0	2,372	4.5
Total	**42,324**	**100.0**	**43,744**	**100.0**	**53,391**	**100.0**

The main component affecting our administrative expenses was labor costs, which accounted for 77.9%, 79.0% and 84.6% respectively, of our total administrative expenses in 2021, 2022 and 2023. The increase in labor costs throughout the Track Record Period was primarily due to the increase in administrative personnel.

Expected Credit Loss

Expected credit loss primarily relates to impairment on trade receivables, other receivables and contract assets in accordance with our accounting policy. Our expected credit loss amounted to RMB11.9 million, RMB10.8 million and RMB7.3 million in 2021, 2022 and 2023, respectively.

Share of Profits Less Losses of an Associate and Joint Ventures

We recorded share of profits less losses of an associate and joint ventures of RMB4.6 million, RMB3.1 million and RMB2.2 million, respectively, in 2021, 2022 and 2023, which primarily represented the financial performance of relevant associate and joint ventures. For details, please refer to the paragraphs headed "– Discussion of Certain Selected Items from Our Consolidated Statements of Financial Position – Investment in an Associate" and "– Discussion of Certain Selected Items from Our Consolidated Statements of Financial Position – Investments in Joint Ventures" in this section.

Finance Income

Our finance income represents interest income from bank deposits, which amounted to RMB1.2 million, RMB1.2 million and RMB2.2 million in 2021, 2022 and 2023, respectively.

Finance Costs

Our finance costs represent interest expenses on lease liabilities, which amounted to RMB1,000, RMB8,000 and RMB6,000 in 2021, 2022 and 2023, respectively.

Income Tax

Our income tax consists primarily of PRC corporate income tax. Certain entities of our Group have been filed as Small Low-profit Enterprise and were subject to two-tiered preferential effective tax rates from 2.5% to 10% for the years ended December 31, 2021, 2022 and 2023. We recorded income tax of RMB13.3 million, RMB17.1 million and RMB22.8 million in 2021, 2022 and 2023, respectively, and our effective income tax rates remained relatively stable at 24.6%, 24.2% and 24.5%, respectively, for the same years, which were similar to statutory corporate income tax rate of 25.0%. The slight deviation was primarily due to the adjustment of share of profits less losses of an associate and joint ventures, which were not taxable, and preferential tax rate enjoyed.

The following table sets forth a breakdown of our income tax for the years indicated.

	For the year ended December 31,		
	2021	**2022**	**2023**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Current tax	15,479	19,227	25,755
Deferred tax	(2,142)	(2,137)	(2,933)
Total	**13,337**	**17,090**	**22,822**

Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, we did not have any material dispute with the relevant tax authorities.

Profit and Total Comprehensive Income for the Year

As a result of the foregoing, our profit and total comprehensive income for the year amounted to RMB40.8 million, RMB53.6 million and RMB70.2 million in 2021, 2022 and 2023, respectively.

COMPARISONS OF RESULTS OF OPERATIONS

Year Ended December 31, 2023 Compared to Year Ended December 31, 2022

Revenue

Our total revenue increased by 23.3% from RMB528.5 million in 2022 to RMB651.9 million in 2023, primarily driven by the business growth of our urban services and property management services:

- *Property management services.* Revenue from property management services increased by 14.7% from RMB207.5 million in 2022 to RMB237.9 million in 2023, mainly attributable to (i) an increase in the GFA under management from 10.3 million sq.m. in 2022 to 11.1 million sq.m. in 2023; (ii) an increase in the number of projects under management from 63 in 2022 to 68 in 2023; and (iii) the business expansion of value-added services.

- *Urban services.* Revenue from urban services increased by 28.6% from RMB274.7 million in 2022 to RMB353.3 million in 2023, primarily driven by the newly-engaged 11 sizable landscaping and engineering projects in 2023. We provided landscaping, greening, scenery, garden structures engineering and related ancillary services in these projects, which collectively contributed revenue of RMB61.1 million in 2023.

- *Commercial operation services.* Revenue from commercial operation services increased by 31.0% from RMB46.3 million in 2022 to RMB60.7 million in 2023, primarily because of the revenue contribution of RMB10.8 million from the new properties entrusted by Yuelushan Company.

Cost of Sales

Our cost of sales increased by 22.9% from RMB407.0 million in 2022 to RMB500.0 million in 2023, generally in line with the growth rate of our total revenue for the years. In particular, material costs increased by 93.7% from RMB59.5 million in 2022 to RMB115.2 million in 2023, along with the increase in the revenue from our landscaping and engineering services.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our overall gross profit margin remained relatively stable at 23.0% and 23.3% in 2022 and 2023, respectively.

- *Property management services.* Our gross profit of property management services increased from RMB30.2 million in 2022 to RMB36.0 million in 2023, and our gross profit margin of property management services increased from 14.5% in 2022 to

15.1% in 2023. The increase in the gross profit margin of property management services was primarily due to the decrease in utility costs as a percentage of the revenue from property management services, benefiting from the enhanced cost efficiency brought by the implementation of our cost-saving measures.

- *Urban services.* Our gross profit of urban services increased from RMB66.4 million in 2022 to RMB78.0 million in 2023, primarily due to the increases in the gross profit of parking lot operation and landscaping and engineering. Our gross profit margin of urban services slightly decreased from 24.2% in 2022 to 22.1% in 2023, primarily due to the increased proportion of revenue from landscaping and engineering projects with relatively lower gross profit margin.

- *Commercial operation services.* Our gross profit of commercial operation services increased from RMB25.0 million in 2022 to RMB37.9 million in 2023, and our gross profit margin of commercial operation services increased from 53.8% in 2022 to 62.4% in 2023. Such increases were primarily due to (i) the expansion of business scale of commercial operation services and the enhanced cost efficiency through economies of scale; and (ii) an increase in average occupancy rate of the commercial properties from 73.4% as of December 31, 2022 to 93.2% as of December 31, 2023, mainly attributable to the mitigation of the pandemic and the government's easing of control measures.

Other Net Income

Our other net income decreased by 42.4% from RMB3.8 million in 2022 to RMB2.2 million in 2023, primarily due to a decrease in the super deduction of VAT, resulting from the adjustment in the deduction rate from 10% in 2022 to 5% in 2023.

Selling Expenses

Our selling expenses increased by 6.5% from RMB4.5 million in 2022 to RMB4.7 million in 2023, primarily driven by an increase in marketing expenses as a result of our increased marketing activities.

Administrative Expenses

Our administrative expenses increased by 22.1% from RMB43.7 million in 2022 to RMB53.4 million in 2023, primarily due to an increase in administrative personnel and a corresponding increase in wages and salaries.

Expected Credit Loss

Our expected credit loss decreased by 32.5% from RMB10.8 million in 2022 to RMB7.3 million in 2023, primarily due to a decrease in impairment provision of trade receivables.

Finance Income

Our finance income increased by 81.2% from RMB1.2 million in 2022 to RMB2.2 million in 2023, primarily because of an increase in cash at banks, leading to higher interest income from bank deposits.

Share of Profits Less Losses of an Associate and Joint Ventures

Our share of profits less losses of an associate and joint ventures decreased by 29.6% from RMB3.1 million in 2022 to RMB2.2 million in 2023, primarily due to a decrease in shared results of the associate and joint ventures.

Income Tax

Our income tax increased by 33.5% from RMB17.1 million in 2022 to RMB22.8 million in 2023, which was generally in line with our overall business performance.

Profit and Total Comprehensive Income for the Year

As a result of the foregoing, we recorded profit and total comprehensive income for the year of RMB53.6 million and RMB70.2 million in 2022 and 2023, respectively, and our net profit margin increased from 10.1% in 2022 to 10.8% in 2023.

Year Ended December 31, 2022 Compared to Year Ended December 31, 2021

Revenue

Our total revenue increased by 22.4% from RMB431.7 million in 2021 to RMB528.5 million in 2022, primarily driven by the business growth on urban services and property management services, and partially offset by the decrease in revenue generated from commercial operation services:

- *Property management services.* Revenue from property management services increased by 7.9% from RMB192.3 million in 2021 to RMB207.5 million in 2022, primarily driven by Xiangjiang Fortune Financial Center Property Management Service Project (湘江財富金融中心物業管理服務項目) which was sourced from CSUD Group. In 2022, this project contributed revenue of RMB41.7 million, increased by RMB10.1 million as compared to 2021, primarily due to increases in the number of tenants and GFA under management. We provided commercial property management services to the owner and tenants of the property, including CSUD Group and Independent Third Parties.

- *Urban services.* Revenue from urban services increased by 48.2% from RMB185.4 million in 2021 to RMB274.7 million in 2022, primarily because we continued to reinforce our competitive edge in urban services, through our implementation of (i) 13 engaged sizeable landscaping and engineering projects we undertook in 2022, including the EPC Project of Near-zero Carbon Demonstration Zone in Yanghu Ecological New City (洋湖生態新城近零碳示範展示區項目設計施工總承包項目) and the Landscaping Construction Project of Tanzhou Garden Exhibition Area (潭州花園項目展示區園林綠化工程), which collectively contributed revenue of RMB41.1 million in 2022, among which, RMB28.6 million was generated from nine projects (sourced from CSUD Group and its associates), and RMB12.5 million was recorded for the other four projects (sourced from Independent Third Parties); we provided primary landscaping and other municipal engineering construction services to these parties; and (ii) the Changsha City Functional Street Lighting Operation and Maintenance Project (長沙城市功能照明運維項目) (sourced from Independent Third Parties), contributed revenue increment of RMB31.2 million as compared with 2021, primarily due to longer service term in 2022. For details of Changsha City Functional Street Lighting Operation and Maintenance Project (長沙市城市功能照明運維項目), please refer to the section "Business – Urban Services – Lighting System Operation" of this document.

- *Commercial operation services.* Revenue from commercial operation services decreased by 14.3% from RMB54.0 million in 2021 to RMB46.3 million in 2022, primarily due to (i) the termination of leases by certain tenants as affected by the COVID-19 Pandemic, (ii) the decrease in GFA under management; and (iii) our gratuitous transfer of Dufu River Tower tourism operation business and related net assets to Yuelushan Company, resulting in corresponding decrease in relevant revenue resources. See "– Discussion of Certain Selected Items from Our Consolidated Statements of Financial Position."

Cost of Sales

Our cost of sales increased by 25.5% from RMB324.3 million in 2021 to RMB407.0 million in 2022, primarily due to (i) an increase in labor costs as a result of an expansion of our business scale; and (ii) the rising unit electricity price, resulting in an increase in utility costs.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our overall gross profit margin slid to 23.0% in 2022 from 24.9% in 2021, primarily due to the decrease in gross profit margin of our property management services. Nonetheless, with the increasing business scales, the gross profit still increased by 13.3% to RMB121.5 million in 2022 from RMB107.3 million in 2021:

- *Property management services.* Our gross profit of property management services decreased from RMB38.4 million in 2021 to RMB30.2 million in 2022, and our gross profit margin of property management services decreased to 14.5% in 2022 from 20.0% in 2021, primarily due to the increased unit price of electricity, combined with factors such as severe pandemic prevention, resulting in increases in utility costs and pandemic prevention costs.

- *Urban services.* Our gross profit of urban services increased from RMB40.0 million in 2021 to RMB66.4 million in 2022, primarily due to the increases in gross profit of lighting system operation services and landscaping and engineering services, and our gross profit margin of urban services increased to 24.2% in 2022 from 21.6% in 2021. In particular, (i) the increase in percentage of revenue and gross profit contribution from lighting system operation services was mainly contributed by relatively higher gross profit margin of Changsha City Functional Street Lighting Operation and Maintenance Project (長沙市城市功能照明運維項目), which was one of our signature lighting system operation projects. Please refer to the section headed "Business – Urban Services – Scope of Services – Lighting System Operation – Our Signature Projects" in this document for details of the service scope and customer of this project. Our Directors believe that our lighting system operation projects generally attained a relatively higher gross profit and gross profit margin than other urban service projects, because (a) Changsha is devoted to the development and maintenance of lighting and nightscape infrastructures by allocating substantial financial, administrative and policy resources, which has led to a higher revenue level for our lighting business; (b) lighting operation projects typically involve technical complexity, experience, and technical expertise. Projects with advanced technological requirements typically generate higher gross profit margins in accordance with their value-added attributes; and (c) we improved efficiency in allocating, sharing and coordinating our manpower and other resources of different projects in adjacency across our various business segments; and (ii) the relatively higher gross profit margin of certain landscaping and engineering projects as compared to the projects of the same type we undertook in 2022 such as (a) the EPC Project of Near-zero Carbon Demonstration Zone in Yanghu Ecological New City (洋湖生態新城近零碳示範展示區項目設計施工總承包項目), which was one of our signature projects of our landscaping and engineering services business. Please refer to the section headed "Business – Urban Services – Scope of Services – Landscaping and Engineering – Our Signature Projects" in this document for details of the service scope and customer of this project; and (b) the Malanshan Industrial Park Riverside Road Gateway Space Project (馬欄山產業園濱河路門戶空間項目), in which we were engaged by CSUD Group to perform small-scale landscaping work and attained a higher gross profit margin than the gross profit margin of our other landscaping and engineering projects. Our Directors are of the view that the relatively higher gross profit margin of two landscaping and engineering projects mentioned above was a result of our Group's successful bargaining with customers on the contract prices of the relevant projects and our strengthened cost control measures.

- *Commercial operation services.* Our gross profit of commercial operation services decreased from RMB28.9 million in 2021 to RMB25.0 million in 2022 due to the decrease in revenue from the provision of commercial operation services, and our gross profit margin of commercial operation services remained relatively stable at 53.5% and 53.8% in 2021 and 2022, respectively.

Other Net Income

Our other net income increased from RMB8,000 in 2021 to RMB3.8 million in 2022, primarily due to an increase in supper deduction of VAT generally in line with our revenue growth and overall business expansion, and we no longer recognize gains or losses on changes in fair value on investment properties following our disposal of the investment properties in 2022.

Selling Expenses

Our selling expenses decreased by 5.6% from RMB4.7 million in 2021 to RMB4.5 million in 2022, primarily driven by a decrease in marketing expenses as a result of reduced market activities as affected by the COVID-19 Pandemic.

Administrative Expenses

Our administrative expenses increased by 3.4% from RMB42.3 million in 2021 to RMB43.7 million in 2022, primarily due to an increase in staff costs resulting from an increase in professional service fees, as well as a rising administrative personnel headcount as a result of our fast business growth.

Expected Credit Loss

Our expected credit loss decreased by 9.7% from RMB11.9 million in 2021 to RMB10.8 million in 2022, primarily due to a decrease in impairment provision of trade receivables.

Finance Income

Our finance income remained relatively stable at RMB1.2 million in 2021 and 2022, respectively.

Share of Profits Less Losses of an Associate and Joint Ventures

Our share of profits less losses of an associate and joint ventures decreased by 33.4% from RMB4.6 million in 2021 to RMB3.1 million in 2022, primarily due to a decrease in shared results of the associate and joint ventures.

Income Tax

Our income tax increased by 28.1% from RMB13.3 million in 2021 to RMB17.1 million in 2022, which was generally in line with our overall business performance.

Profit and Total Comprehensive Income for the Year

As a result of the foregoing, we recorded profit and total comprehensive income for the year of RMB40.8 million and RMB53.6 million in 2021 and 2022, respectively, and our net profit margin recovered to 10.1% in 2022 from 9.5% in 2021.

DISCUSSION OF CERTAIN SELECTED ITEMS FROM OUR CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The following table sets forth the selected information from our consolidated statements of financial position as of the dates indicated.

	As of December 31,		
	2021	**2022**	**2023**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Total non-current assets	62,884	45,750	53,834
Total current assets	393,689	493,715	596,260
Total assets	**456,573**	**539,465**	**650,094**
Total non-current liabilities	–	30	2,132
Total current liabilities	312,658	353,759	392,108
Total liabilities	**312,658**	**353,789**	**394,240**
Net current assets	**81,031**	**139,956**	**204,152**
Net assets	**143,915**	**185,676**	**255,854**
Paid-in capital/share capital	10,000	120,000	120,000
Reserves	132,312	65,676	135,854
Non-controlling interests	**1,603**	**–**	**–**
Total equity	**143,915**	**185,676**	**255,854**

The following table sets forth our current assets and current liabilities as of the dates indicated.

	As of December 31,			As of February 29,
	2021	2022	2023	2024
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)* *(unaudited)*
Current assets				
Inventories	2,426	3,202	4,152	4,214
Contract assets	88,143	157,286	249,703	216,556
Prepayments, trade and other receivables	172,905	208,786	127,616	152,988
Restricted bank deposits	288	619	4,579	3,002
Cash and cash equivalents	129,927	123,822	210,210	179,568
	393,689	**493,715**	**596,260**	**556,328**
Current liabilities				
Trade and other payables	261,907	309,668	359,698	308,882
Contract liabilities	24,543	13,637	18,475	18,042
Lease liabilities	40	148	30	10
Provisions	702	–	–	–
Current taxation	25,466	30,306	13,905	15,032
	312,658	**353,759**	**392,108**	**341,966**
Net current assets	**81,031**	**139,956**	**204,152**	**214,362**

Our net assets increased by RMB41.8 million from RMB143.9 million as of December 31, 2021 to RMB185.7 million as of December 31, 2022, primarily due to the profit and total comprehensive income of RMB53.6 million we recorded in 2022, partially offset by the effect of Reorganization of RMB11.8 million, primarily in relation to (i) the deemed distribution relating to our gratuitous transfer of Dufu River Tower tourism operation business and related net assets to Yuelushan Company at nil consideration on December 31, 2021, which was mainly driven by our Group's strategy to focus on property management and urban services, while integrating Dufu River Tower tourism operation business with the culture and tourism business of CSUDGCL. See "History, Reorganization and Corporate Structure – Reorganization – 4. Cancelation of a branch of a subsidiary of our Company"; and (ii) our acquisition consideration of approximately RMB9.8 million paid to Chengfa Smart Travel Company for 100.0% equity interest in the Parking Company on August 19, 2022, in order to integrate the parking lot management business into our urban services. See "History, Reorganization and Corporate Structure – Reorganization – 6. Acquisition of Certain Subsidiaries – (b) Parking Company." Our net assets increased by RMB70.2 million from RMB185.7 million as of December 31, 2022 to RMB255.9 million as of December 31, 2023, primarily due to the profit and total comprehensive income of RMB70.2 million we recorded in 2023 and nil dividends declared in the same year.

We recorded net current assets of RMB214.4 million as of February 29, 2024, being the latest practicable date for our indebtedness statement, as compared to net current assets of RMB204.2 million as of December 31, 2023, primarily due to (i) a decrease in trade and other payables of RMB50.8 million, and (ii) an increase in prepayments, trade and other receivables of RMB25.4 million, partially offset by (i) a decrease in contract assets of RMB33.1 million, and (ii) a decrease in cash and cash equivalents of RMB30.6 million.

We recorded net current assets of RMB204.2 million as of December 31, 2023, as compared to net current assets of RMB140.0 million as of December 31, 2022, primarily due to (i) an increase in contract assets of RMB92.4 million; (ii) an increase in cash and cash equivalents of RMB86.4 million; and (iii) a decrease in current taxation of RMB16.4 million, partially offset by (i) a decrease in prepayments, trade and other receivables of RMB81.2 million; and (ii) an increase of trade and other payables of RMB50.0 million.

We recorded net current assets of RMB140.0 million as of December 31, 2022, as compared to net current assets of RMB81.0 million as of December 31, 2021, primarily due to (i) an increase in contract assets of RMB69.1 million; and (ii) an increase in prepayments, trade and other receivables of RMB35.9 million, partially offset by an increase in trade and other payables of RMB47.8 million.

Inventories

Our inventories consist primarily of raw materials, finished goods and consumables consumed during the provision of lighting system operation services. Our inventories amounted to RMB2.4 million, RMB3.2 million and RMB4.2 million as of December 31, 2021, 2022 and 2023, respectively, which was in line with our expanded lighting system operation services. As of the Latest Practicable Date, approximately RMB830 thousand, or 20.0%, of our total inventories as of December 31, 2023 had been subsequently utilized.

Contract Assets

Contract assets represent our rights to receive consideration in exchange for goods or services transferred to the customer before the issuance of bills and payment of such consideration by customers. Our contract assets primarily arise from performance under landscaping and engineering and lighting system operation services. Contract assets shall be reclassified to trade receivables when we become entitled to collect payments unconditionally from such contracts.

Our customers' checking and acceptance and/ or fiscal review usually generate payment amounts that are different from initial amounts as set out in the revenue contracts involved in the above businesses, taken into consideration and assessment of our final executed workload, unit price adjustment, as well as our actual work performances in such projects.

We estimate our revenue primarily based on (i) preliminary communications with our customers at the end of the performance period or quarter, (ii) preliminary performance assessment results or fiscal review results, and (iii) our historical experience. When we were not able to reasonably estimate the revenue, we recognized revenue only to the extent of the costs we have incurred. During the Track Record Period, the projects for which we had completed customer certifications and fiscal reviews aligned with our cumulative recognized revenue, with no significant discrepancies.

The following table sets forth a breakdown of our contract assets and the loss allowance as of the dates indicated.

	As of December 31,		
	2021	**2022**	**2023**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Contract Assets			
– Related parties	45,230	72,538	124,926
– Third parties	44,373	91,593	137,548
Subtotal	**89,603**	**164,131**	**262,474**
Less: loss allowance	(1,460)	(6,845)	(12,771)
Total	**88,143**	**157,286**	**249,703**

Our contract assets amounted to RMB88.1 million, RMB157.3 million and RMB249.7 million as of December 31, 2021, 2022 and 2023, respectively, primarily due to the increase in service fee due from our customers as a result of the expansion of our landscaping and engineering services and lighting system operation services.

Specifically, for landscaping and engineering services, contract assets represent our right to receive consideration for the work performed and not yet certified by customers because the rights are conditional upon inspection and acceptance by the customers or owners. Due to the characteristics of the engineering services, it generally takes time for the customers or owners to complete the inspection and acceptance. The increase in contract assets of landscaping and engineering services during the Track Record Period was the result of the increase in revenue of landscaping and engineering services due to the enhancement of our business qualifications and capabilities. The increase in contract assets of lighting system operation and municipal sanitation services during the Track Record Period was primarily because the fiscal appraisal of the functional street lighting operation and maintenance project has not yet finished, resulting in the relevant revenue debited into the "contract assets."

Contract assets are subject to impairment assessment at the end of each year of the Track Record Period using a provision matrix to measure expected credit losses. The provision matrix is based on our Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date. The impairment allowance for contract assets amounted to RMB1.5 million, RMB6.8 million and RMB12.8 million as of December 31, 2021, 2022 and 2023, respectively.

The following table sets forth an ageing analysis of our contract assets based on the date of relevant revenue recognized and net of loss allowance as of the dates indicated.

	As of December 31,		
	2021	**2022**	**2023**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Within 1 year	88,143	150,319	224,289
1 to 2 years	–	6,967	22,898
Over 2 years	–	–	2,516
Total	**88,143**	**157,286**	**249,703**

As of December 31, 2022 and 2023, the net amount of contract assets aged over one year amounted to RMB7.0 million and RMB25.4 million, respectively, primarily arising from the projects awarded by the government. Due to the COVID-19 Pandemic, the process to complete fiscal review was prolonged, and the settlement period of the government consequently became longer than one year at the relevant time. As of the Latest Practicable Date, the contract assets aged over one year as of December 31, 2022 had been settled. The net amount of contract assets aged over one year increased from RMB7.0 million as of December 31, 2022 to RMB25.4 million as of December 31, 2023, mainly attributable to (i) the increase in the revenue from landscaping and engineering services, which have relatively long construction and certification period, and (ii) the prolonged fiscal review process and settlement period of our certain customers amid the unexpected economic headwinds in 2023. Save as disclosed above, we had no significant contract assets aged over one year at the end of each year comprising the Track Record Period.

The majority of the contract assets aged over one year as of December 31, 2023 was due from CSUD Group and government entities. To the best of our Directors' knowledge and belief, given that the aforementioned customers have good credits and strong financial position and that we did not encounter recoverability issues with them historically, there would be no apparent credit risk to recover these contract assets. Moreover, we believe that there is no material recoverability issue for contract assets considering that as of the Latest Practicable Date, (i) a majority of our projects were landscaping and engineering and lighting system operation services for CSUD Group and government entities which typically triggered a settlement period within one year from the date of revenue recognition. The settlement period reflects the time our Group needs to be entitled to collect payments unconditionally from our customers and during which our customers need to go through processes including checking, acceptance, performance assessment and/or fiscal review, (ii) the fiscal appraisals in relation to our contract assets were generally conducted and completed in a timely manner, (iii) there were no material ongoing late payment issues with any of the customers against whom we recorded contract assets, and (iv) the settlement terms with such customers were generally in line with our historical practice. In addition, we did not experience any significant difficulty in recovering contract assets from these customers during the Track Record Period and up to the Latest Practicable Date. As of the Latest Practicable Date, all projects in relation to our contract assets were under normal construction or management and we did not encounter any material disruption or delay in providing these services. Once the payment conditions are satisfied, our contract assets will be settled or reclassified to trade receivables in accordance with the terms in the relevant agreements.

As of the Latest Practicable Date, RMB87.9 million, or 98.1% of our contract assets outstanding as of December 31, 2021 had been certified by our customers, RMB161.7 million, or 98.5% of our contract assets outstanding as of December 31, 2022 had been certified by our customers, and RMB104.3 million, or 39.7% of our contract assets outstanding as of December 31, 2023 had been certified by our customers, while RMB62.9 million, or 24.0% had been subsequently settled. We have assessed the recoverability of the relevant outstanding contract assets, and have maintained frequent communications with our customers to ensure effective credit control. Considering that the majority of our contract assets outstanding as of December 31, 2023 was mainly due from CSUD Group, government entities and state-owned enterprises, we believe that the risk of not being able to recover the relevant contract assets is relatively low, primarily because (i) we have evaluated the customers' historical credit standings, and (ii) we have not had material recoverability issues with these customers during the Track Record Period. We have made allowances for contract assets according to the ECL model to reflect the recoverability of our contract assets. Given that it usually took more than three months to complete fiscal appraisals for our projects during the Track Record Period and the timing of such completions was concentrated around the beginning or end of the relevant fiscal period, our Directors consider that there is no recoverability issues for our contract assets based on the factors mentioned above and our historical experience of recoveries of the same.

Cash and Cash Equivalents and Restricted Bank Deposits

Cash and cash equivalents comprise cash at banks and on hand. Restricted bank deposits are restricted according to relevant government regulations (i.e. special account for salary payment of migrant workers), for bank guarantee, or by relevant banks for their administrative measure.

The following table sets forth a breakdown of our cash and cash equivalents as of the dates indicated.

	As of December 31,		
	2021	**2022**	**2023**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Cash at banks	130,215	124,441	214,789
Less: restricted bank deposits	(288)	(619)	(4,579)
Total	**129,927**	**123,822**	**210,210**

We had cash and cash equivalents of RMB129.9 million, RMB123.8 million and RMB210.2 million as of December 31, 2021, 2022 and 2023, respectively. For a detailed analysis of our cash flow during the Track Record Period, please refer to the paragraph headed "– Liquidity and Capital Resources – Cash Flow Analysis" in this section.

Prepayments, Trade and Other Receivables

Trade Receivables

Trade receivables represent outstanding amounts due from customers for the services that we performed in the ordinary course of business. We do not hold any collateral or other credit enhancements over our trade receivable balances.

The following table sets forth a breakdown of our trade receivables and the loss allowance as of the dates indicated.

	As of December 31,		
	2021	**2022**	**2023**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Trade receivables			
– Related parties	54,103	72,519	54,888
– Third parties	49,753	66,948	51,849
Subtotal	**103,856**	**139,467**	**106,737**
Less: loss allowance	(16,091)	(21,339)	(22,016)
Total	**87,765**	**118,128**	**84,721**

Our trade receivables increased by 34.6% from RMB87.8 million as of December 31, 2021 to RMB118.1 million as of December 31, 2022, primarily due to the increase in revenue in line with our business expansion in the same years. Our trade receivables decreased by 28.3% from RMB118.1 million as of December 31, 2022 to RMB84.7 million as of December 31, 2023, primarily due to our enhanced efforts in trade receivables collection.

As of December 31, 2021, 2022 and 2023, the loss allowance of trade receivables amounted to RMB16.1 million, RMB21.3 million and RMB22.0 million, respectively. Loss allowances are calculated based on the ECL rates and primarily reflect the recoverability of our trade receivables during the Track Record Period. The general increase of loss allowance throughout the Track Record Period was primarily due to the management's assessment of credit risk exposure at the end of each year of the Track Record Period. Specifically, as a result of the combined effect of the increase in loss allowance on an individual basis in consideration of concentration of credit risk from individual customers, and to a lesser extent, the increase in loss allowance on customer group basis. For details, please refer to Note 26 to the Accountants' Report included in Appendix I to this document.

The following table sets forth an ageing analysis of our trade receivables based on the date of relevant revenue recognized and net of loss allowance as of the dates indicated.

	As of December 31,		
	2021	**2022**	**2023**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Within 1 year	74,227	96,457	71,813
1 to 2 years	11,052	19,513	12,596
Over 2 years	2,486	2,158	312
Total	**87,765**	**118,128**	**84,721**

The ageing of our trade receivables is of stable structure. The proportion of our trade receivables within one year as of the end of each year during the Track Record Period exceeded 80%, representing a relatively short ageing of the trade receivables. In particular, as of December 31, 2023, the proportion of our trade receivables within one year exceeded 84% of our total outstanding trade receivables, representing a substantially shortening ageing of our decreasing balance of trade receivables.

The following table sets forth an average turnover days of our trade receivables for the years indicated.

	For the year ended December 31,		
	2021	**2022**	**2023**
Average trade receivables turnover days[(1)]			
– Overall	75	84	69
– Related parties	91	98	80
– Third parties	63	73	60

Note:

(1) Average trade receivables turnover days equals average trade receivables before loss allowance divided by total revenue for the relevant year and multiplied by 365 days for a full-year period.

During the Track Record Period, our overall trade receivables turnover days were 75 days, 84 days and 69 days, respectively, whereby the turnover days of third parties were 63 days, 73 days and 60 days, respectively, and of related parties were 91 days, 98 days and 80 days, respectively.

Our trade receivables turnover days of third parties increased from 63 days in 2021 to 73 days in 2022, primarily due to an increase in the scale of our long-aged trade receivables that are difficult to collect along with the expansion of our third-party business and the corresponding growth of revenue. We have made provisions for loss allowance based on assessments of expected credit losses. However, the resultant write-offs of trade receivables shall strictly satisfy relevant conditions whereas such long-aged trade receivables were yet to meet such conditions for write-offs during the relevant year of the Track Record Period, leading to increasing amounts of such accrued long-aged trade receivables from 2021 to 2022, and accompanying increases in turnover days of third parties over the same years. The turnover days of third parties decreased to 60 days in 2023 as compared to 73 days in 2022, primarily due to our enhanced collection efforts.

Our trade receivables turnover days of related parties recorded an overall decreasing trend from 91 days in 2021 to 80 days in 2023, primarily due to (i) our enhanced collection efforts vis-à-vis related parties, and (ii) our improvement in settling trade receivables and payables with related parties.

During the Track Record Period, our trade receivables turnover days for related parties were longer than that for third parties, primarily due to the fact that our enlarged landscaping and engineering projects were mainly obtained by direct engagement from CSUD Group. Such projects pertain to the governmental fiscal land development projects of the CSUD Group, which were financed by fiscal funds and typically have relatively longer internal review and approval procedures. We considered that the credit risk of our related parties was low, having taken into account our long-standing and close business relationships with our related parties and their creditworthiness. Despite trade receivables due from CSUD Group and its associates, we also recorded amount payables due to CSUD Group and its associates. Therefore, there was no apparent risk in collecting the receivables from CSUD Group and its associates and we lessened our efforts to collect such receivables in 2021 and 2022, which resulted in longer trade receivables turnover days of our related parties than that of third parties. Nevertheless, our trade receivables turnover days of related parties decreased to 80 days in 2023, mainly due to (i) our enhanced efforts to collect trade receivables due from CSUD Group and its associates; and (ii) our improvement in settling amounts due to and due from related parties. During the Track Record Period, we did not experience any material difficulties in collecting our trade receivables from our related parties.

The following table sets forth an average turnover days of our trade receivables and contract assets for the years indicated.

	For the years ended December 31,		
	2021	**2022**	**2023**
Average trade receivables and contract assets turnover days[1]			
– Overall	121	172	188
– Related parties	152	188	205
– Third parties	99	152	175

Note:

(1) Average trade receivables and contract assets turnover days equals average trade receivables and contract assets before loss allowance divided by total revenue for the relevant year and multiplied by 365 days for a full-year period.

During the Track Record Period, our overall trade receivables and contract assets turnover days were 121 days, 172 days and 188 days, respectively, whereby the turnover days of third parties were 99 days, 152 days and 175 days, respectively, and of related parties were 152 days, 188 days and 205 days, respectively. Given that the turnover days are linked to and affected by check and acceptance and/or fiscal review process by our customers, the upward trend in our turnover days from 2021 to 2023 mainly reflected the growth of our landscaping and engineering projects and engineering and lighting system operation projects.

Our Directors are of the view that sufficient provision has been made to trade receivables and the risk of not being able to recover the remaining trade receivables is relatively low. Having considered that (i) a vast majority of our trade receivables had been outstanding for less than one year as of December 31, 2023 and were mainly due from customers with ongoing business relationships with us; (ii) we monitor long-aged trade receivables closely and request the collection status thereof to be reported regularly to our management; (iii) government projects are basically included in the local government's budget and the payment is generally guaranteed; (iv) we have, in accordance with applicable IFRSs, made provision for these long-aged trade receivables based on their respective expected credit loss rate; and (v) our increased effort in trade receivables collection, therefore, such receivables will be reduced in the future, our Directors are of the view that there is no material recoverability issue for our trade receivables. For further details on our credit policy and credit risk arising from trade receivables, please refer to Note 26 to the Accountants' Report included in Appendix I to this document.

We seek to maintain strict control over our outstanding receivables. Overdue balances are reviewed regularly by our management. We will continue to strengthen our management in trade receivables and improve the collection rate in the future by adopting various approaches, including (i) communicating with customers with respect to the settlement of long outstanding balances more proactively; and (ii) issuing past due notices with outstanding balances more regularly.

As of the Latest Practicable Date, RMB95.9 million, or 92.3% of our trade receivables outstanding as of December 31, 2021 had been subsequently settled, RMB120.7 million, or 86.5% of our trade receivables outstanding as of December 31, 2022 had been subsequently settled, and RMB41.7 million, or 39.1% of our trade receivables outstanding as of December 31, 2023 had been subsequently settled. Among which, RMB22.1 million, or 40.3% our trade receivables from related parties outstanding as of December 31, 2023 had been subsequently settled. We have made provisions for loss allowance based on assessments of expected credit losses.

Other Receivables

Our other receivables consist primarily of (i) amounts due from related parties, which are, primarily non-trade in nature, unsecured, interest-free and repayment on demand; (ii) prepayments; (iii) input VAT to be deducted; (iv) prepayments for [**REDACTED**]; and (v) other receivables, primarily consist of prepayments on behalf of property owners and tenants, and deposits.

The following table sets forth a breakdown of our other receivables as of the dates indicated.

	As of December 31,		
	2021	**2022**	**2023**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Amounts due from related parties[1]	72,473	66,744	585
Input VAT to be deducted	1,991	1,330	2,355
Prepaid income tax	133	123	2,434
Prepayments	3,823	9,710	9,035
Prepayments for [**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Other receivables	7,529	12,649	10,439
Less: loss allowance	(809)	(935)	(1,598)
Total	**85,140**	**90,658**	**42,895**

Note:

(1) Amounts due from related parties mainly represent: (i) receivables in relation to the fees for our parking lot operation services collected by Chengfa Smart Travel Company on our behalf; and (ii) other payments that are non-trade in nature.

Our other receivables increased from RMB85.1 million as of December 31, 2021 to RMB90.7 million as of December 31, 2022, primarily due to an increase in prepayments to Chengfa Smart Travel Company for the use of parking spaces as a result of our business expansion, partially offset by a decrease in amounts due from related parties as we received payments from related parties. Our other receivables subsequently decreased to RMB42.9 million as of December 31, 2023, primarily due to a decrease in amounts due from related parties as a result of settlement, partially offset by an increase in prepayments for [**REDACTED**].

As of the Latest Practicable Date, the amounts due from related parties with non-trade in nature had been settled in full. The amounts due from related parties as of December 31, 2023 were trade in nature, which mainly comprised guarantee for quality assurance and deposits for water supply. As of the Latest Practicable Date, nil of amounts due from related parties as of December 31, 2023 had been subsequently settled, and RMB1.0 million, or 2.4% of amounts due from non-related parties as of December 31, 2023 had been subsequently settled.

Trade and Other Payables

Trade Payables

Trade payables represent unpaid liabilities for services or goods provided to us by suppliers, which were primarily subcontracting services and materials during the Track Record Period. Our trade payables are interest-free.

The following table sets forth a breakdown of our trade payables as of the dates indicated.

	As of December 31,		
	2021	**2022**	**2023**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Trade payables			
– Related parties	15,703	13,367	21,021
– Third parties	98,670	136,769	207,785
Total	**114,373**	**150,136**	**228,806**

Our trade payables are primarily in relation to the trade payables for third parties. Our trade payables amounted to RMB114.4 million, RMB150.1 million and RMB228.8 million as of December 31, 2021, 2022 and 2023, respectively. Such increases in our trade payables were primarily due to our business expansion, resulting in an increase in material procurement costs, labor costs and utility costs.

The following table sets forth an ageing analysis of our trade payables based on the invoice date as of the dates indicated.

	As of December 31,		
	2021	**2022**	**2023**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Within 1 year	98,400	129,466	211,819
1 to 2 years	15,429	17,680	15,973
Over 2 years	544	2,990	1,014
Total	**114,373**	**150,136**	**228,806**

A significant portion of our trade payables was within one year, primarily due to the continuous increase in the scale of subcontracting and material procurement from third-party subcontractors due to the expansion of our business scale.

The following table sets forth the average turnover days of our trade payables for the years indicated.

	For the year ended December 31,		
	2021	2022	2023
Average trade payables turnover days[1]	102	119	138

Note:

(1) Average trade payables turnover days equals the average trade payables divided by cost of sales for the relevant year and multiplied by 365 days for a full-year period.

Due to the characteristics of the engineering services and pursuant to the contracts entered between us and our suppliers, we generally settle the trade payables to suppliers for landscaping and engineering following the finalized payments by the customers. As such, the settlement periods of trade payables to our suppliers for landscaping and engineering projects were relatively longer than other business segments. With the business expansion of our landscaping and engineering services, our overall trade payables turnover days were longer than 90 days during the Track Record Period. Our overall trade payables turnover days were 102 days, 119 days and 138 days, respectively, throughout the Track Record Period. Our overall trade payables turnover days increased during the Track Record Period, primarily due to an increase in trade payables attributable to our business growth on landscaping and engineering.

As of the Latest Practicable Date, RMB105.4 million, or 46.1% of our trade payables outstanding as of December 31, 2023 had been subsequently settled.

Other Payables

Our other payables consist primarily of (i) amounts due to related parties, which are non-trade in nature and interest-free; (ii) deposits; (iii) other taxes and charges payables; (iv) receipts on behalf of property owners and tenants; (v) accrued payroll and other benefits; (vi) dividend payable; and (vii) other payables and accrued charges.

The following table sets forth our other payables as of the dates indicated.

	As of December 31,		
	2021	2022	2023
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Amounts due to related parties	45,928	47,755	10,008
Dividend payable	12,757	5,090	–
Accrued payroll and other benefits	16,470	15,367	21,669
Other taxes and charges payable	11,316	21,788	19,492
Deposits	37,655	44,599	53,984
Receipts on behalf of property owners and tenants	18,392	20,712	22,120
Other payables and accrued charges	5,016	4,221	3,619
Total	**147,534**	**159,532**	**130,892**

Our other payables increased from 147.5 million as of December 31, 2021 to RMB159.5 million as of December 31, 2022, primarily due to the increases in other taxes and charges payable and deposits in line with the growth of our business, partially offset by a decrease in dividend payable. Our other payables subsequently decreased to RMB130.9 million as of December 31, 2023, primarily due to the decrease in amounts due to related parties because of settlement, partially offset by an increase in deposits as a result of our business expansion.

As of the Latest Practicable Date, RMB23.0 million, or 19.0% of amounts due to non-related parties, outstanding as of December 31, 2023 had been subsequently settled, while we had settled RMB8.1 million, or 80.9% of amounts due to related parties with non-trade in nature outstanding as of December 31, 2023. We will settle the amounts due to related parties with non-trade in nature prior to the [**REDACTED**].

Lease Liabilities

Our lease liabilities represent the present value of outstanding lease payments under our lease agreements, which amounted to RMB40,000, RMB178,000 and RMB30,000 as of December 31, 2021, 2022 and 2023, respectively.

Contract Liabilities

Our contract liabilities with trade in nature primarily arise from the advance payments made by customers while the underlying services are yet to be provided. Our contract liabilities primarily relate to property management services, and landscaping and engineering services.

The following table sets forth a breakdown of our contract liabilities as of the dates indicated.

	As of December 31,		
	2021	**2022**	**2023**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Contract liabilities			
– Related parties	15,571	1,088	2,021
– Third parties	8,972	12,549	16,454
Total	**24,543**	**13,637**	**18,475**

Our contract liabilities decreased from RMB24.5 million as of December 31, 2021 to RMB13.6 million as of December 31, 2022, primarily due to revenue recognition. Our contract liabilities subsequently increased to RMB18.5 million as of December 31, 2023, primarily due to an increase in advance payments of property management fees from our customers.

As of the Latest Practicable Date, approximately RMB7.3 million, or 39.4% of our contract liabilities with trade in nature as of December 31, 2023 had subsequently recognized as revenue.

Provisions

Provisions are recognized when our Group has a legal or constructive obligation arising as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. During the Track Record Period, we recorded provisions of RMB0.7 million, nil and nil, respectively, as of December 31, 2021 and 2022 and 2023, which were related to onerous contracts.

Current Taxation

Our current taxation consists primarily of income tax payment. Our current taxation increased from RMB25.5 million as of December 31, 2021 to RMB30.3 million as of December 31, 2022, primarily due to the continuous increase in our profit before taxation as a result of our business expansion. Our current taxation decreased from RMB30.3 million as of December 31, 2022 to RMB13.9 million as of December 31, 2023, because we paid the corporate income tax accrued in 2022.

Investment Properties

Our investment properties include two properties located in Shanghai. Our investment properties decreased from RMB11.1 million as of December 31, 2021 to nil as of December 31, 2022, primarily due to our disposition of the properties to CUCID Group in 2022 with reference to the valuation results as of December 31, 2021. As of December 31, 2023, there were no additions to investment properties.

Property, Plant and Equipment

Our property, plant and equipment consist primarily of (i) motor vehicles; (ii) machinery and electronic equipment; (iii) furniture and others; (iv) leasehold improvement; and (v) right-of-use assets.

The following table sets forth a breakdown of the carrying amounts of our property, plant and equipment as of the dates indicated.

	As of December 31,		
	2021	**2022**	**2023**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Motor vehicles	17,311	12,833	8,421
Machinery and electronic equipment	3,532	2,161	8,962
Leasehold improvement	1,765	516	119
Furniture and others	888	341	421
Right-of-use assets	61	217	48
Total	**23,557**	**16,068**	**17,971**

The carrying amount of our property, plant and equipment decreased from RMB23.6 million as of December 31, 2021 to RMB16.1 million as of December 31, 2022, primarily due to decreases in (i) motor vehicles, (ii) machinery and electronic equipment, and (iii) leasehold improvement. The carrying amount of our property, plant and equipment slightly increased to RMB18.0 million as of December 31, 2023, primarily due to an increase in machinery and electronic equipment, which was mainly attributable to the purchase of Parking Company's gate equipment and operational vehicles for municipal sanitation services, partially offset by a decrease in motor vehicles. For details, please refer to Note 11(a) to the Accountants' Report included in Appendix I to this document.

Intangible Assets

Our intangible assets consist primarily of software. We had intangible assets of approximately RMB0.2 million and RMB0.1 million and RMB0.1 million as of December 31, 2021, 2022 and 2023, respectively, which was reduced by amortization.

Investments in Joint Ventures

Our investments in joint ventures amounted to RMB8.8 million, RMB11.1 million and RMB13.1 million as of December 31, 2021, 2022 and 2023, respectively.

The following table sets forth summarized financial information of Pingxiang Huiheng Pilot Property Management Co., Ltd. (萍鄉市匯恒先導物業管理有限公司) ("Pingxiang Huiheng"), a material joint venture of our Group, adjusted for any differences in accounting policies, and reconciled to the carrying amounts:

	As of/ For the year ended December 31,		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Current assets	17,959	24,894	25,160
Non-current assets	667	492	299
Current liabilities	(7,648)	(12,521)	(10,412)
Equity	10,978	12,865	15,047
Revenue	23,422	26,007	25,021
Profit from continuing operations	4,348	1,887	2,182
Profit and total comprehensive income	4,348	1,887	2,182
Reconciled to our Group's interest in the joint venture			
Gross amount of net assets of the joint venture	10,978	12,865	15,047
Group's effective interest	55.0%	55.0%	55.0%
Group's share of net assets of the joint venture	6,038	7,076	8,276
Group's share of profits and total comprehensive income	2,391	1,038	1,200

The following table sets forth the aggregate information of joint ventures that are not individually material, including Wangcheng Property Management and Huaihua Property Management, as of the dates or for the years indicated.

	As of/For the year ended December 31,		
	2021	**2022**	**2023**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Aggregate carrying amount of individually immaterial joint ventures in the historical financial information	2,747	3,984	4,804
Aggregate amounts of our Group's share of those joint ventures' profits less losses and net total comprehensive income	(680)	1,237	310

Our investments in joint ventures including our respective interests in (i) Pingxiang Huiheng, a company providing property management services; (ii) Wangcheng Property Management, a company providing property management services; and (iii) Huaihua Property Management, a company providing property management services. The increase in carrying amount of joint ventures throughout the Track Record Period was primarily due to respective business growth. For details, please refer to Note 13 to the Accountants' Report included in Appendix I to this document.

Investment in an Associate

Our investment in an associate amounted to RMB14.0 million, RMB11.2 million and RMB11.0 million as of December 31, 2021, 2022, and 2023, respectively.

The following table sets forth summarized financial information of the associate as of the dates indicated.

	As of/For the year ended December 31,		
	2021	**2022**	**2023**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Carrying amount of associate in the consolidated statements of financial position	14,046	11,222	11,039
Amounts of our Group's share of associate net profits and total comprehensive income	2,935	817	668

Our investment in an associate represents our 40% interest in Changsha Chengyu Commercial Management Co., Ltd. (長沙市城寓商業管理有限公司), a company providing property management services and the carrying amount of the associate decreased from RMB14.0 million as of December 31, 2021 to RMB11.2 million as of December 31, 2022, primarily due to dividend payments. The carrying amount of the associate remained relatively stable at RMB11.2 million and RMB11.0 million as of December 31, 2022 and 2023, respectively.

Deferred Tax Assets

Deferred tax assets arise from deductible temporary differences, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. We recorded deferred tax assets of RMB5.2 million, RMB7.3 million and RMB10.2 million as of December 31, 2021, 2022 and 2023, respectively. The increase in deferred tax assets was primarily because we recognized the relevant amount of allowance for expected credit losses as in accordance with our accounting policy.

As of December 31, 2021, 2022 and 2023, we had deductible temporary difference of RMB1,596,000, RMB1,596,000 and RMB1,596,000, respectively, in relation to which no deferred tax asset has been recognized, as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilized.

LIQUIDITY AND CAPITAL RESOURCES

We have historically funded our cash requirements principally from cash generated from our business operations. Subsequent to the [**REDACTED**], we intend to finance our future capital requirements through cash generated from our business operations, and the net [**REDACTED**] from the [**REDACTED**]. We currently do not anticipate any changes to the availability of financing to fund our operations in the near future. We had cash and cash equivalents of RMB129.9 million, RMB123.8 million and RMB210.2 million as of December 31, 2021, 2022 and 2023, respectively.

Cash Flow Analysis

The following table sets forth our cash flows for the years indicated.

	For the year ended December 31,		
	2021	**2022**	**2023**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Operating cash flows before movements in working capital	70,090	86,213	102,987
Changes in working capital	(21,347)	(79,942)	19,174
Income tax paid	(5,370)	(14,387)	(44,467)

	For the year ended December 31,		
	2021	2022	2023
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Net cash generated from/ (used in) operating activities	43,373	(8,116)	77,694
Net cash (used in)/ generated from investing activities	(41,057)	20,349	58,293
Net cash used in financing activities	(765)	(18,338)	(49,599)
Net increase/ (decrease) in cash and cash equivalents	**1,551**	**(6,105)**	**86,388**
Cash and cash equivalents at the beginning of the year	128,376	129,927	123,822
Cash and cash equivalents at the end of the year	**129,927**	**123,822**	**210,210**

Net Cash Generated from/ (Used in) Operating Activities

Net cash generated in operating activities for the year of 2023 was RMB77.7 million, which consisted primarily of profit before taxation of RMB93.0 million, adjusted for certain (i) non-cash and non-operating items, which primarily comprised (a) expected credit loss on trade receivables, other receivables and contract assets of RMB7.3 million, and (b) depreciation and amortization of RMB7.1 million; and (ii) changes in working capital, which primarily comprised (a) an increase in trade and other payables of RMB80.9 million, and (b) a decrease in prepayments, trade and other receivables of RMB34.6 million, partially offset by an increase in contract assets of RMB98.3 million.

Net cash used in operating activities for the year of 2022 was RMB8.1 million, which consisted primarily of profit before taxation of RMB70.7 million, minus income tax paid of RMB14.4 million, adjusted for certain (i) non-cash and non-operating items, which primarily comprised (a) expected credit loss on trade receivables, other receivables and contract assets of RMB10.8 million, and (b) depreciation and amortization of RMB9.1 million; and (ii) changes in working capital, which primarily comprised (a) an increase in contract assets of RMB74.5 million, (b) an increase in trade and other payables of RMB53.6 million, and (c) an increase in prepayments, trade and other receivables of RMB46.0 million.

Net cash generated from operating activities for the year of 2021 was RMB43.4 million, which consisted primarily of profit before taxation of RMB54.2 million, adjusted for certain (i) non-cash and non-operating items, which primarily comprised (a) expected credit loss on trade receivables, other receivables and contract assets of RMB11.9 million, and (b) depreciation and amortization of RMB8.3 million; and (ii) changes in working capital, which primarily comprised (a) an increase in contract assets of RMB69.0 million, (b) an increase in trade and other payables of RMB64.8 million, and (c) an increase in prepayments, trade and other payables of RMB31.0 million.

Net Cash (Used in)/ Generated from Investing Activities

Net cash generated from investing activities for the year of 2023 was RMB58.3 million, which consisted primarily of proceeds from repayment of advances to related parties of RMB66.6 million, partially offset by (i) capital contribution to a joint venture of RMB0.5 million, and (ii) advances to related parties of RMB0.4 million.

Net cash generated from investing activities for the year of 2022 was RMB20.3 million, which consisted primarily of (i) proceeds from proceeds from repayment of advances to related parties of RMB14.0 million; and (ii) and proceeds from disposal of property, plant and equipment and investment properties of RMB11.9 million.

Net cash used in investing activities for the year of 2021 was RMB41.1 million, which consisted primarily of (i) payments for purchase of property, plant and equipment of RMB22.7 million; and (ii) advances to related parties of RMB20.8 million.

Net Cash Used in Financing Activities

Net cash used in financing activities for the year of 2023 was RMB49.6 million, which consisted primarily of (i) repayments of advances from related parties of RMB28.6 million, and (ii) payment of [**REDACTED**] of RMB18.6 million.

Net cash used in financing activities for the year of 2022 was RMB18.3 million, which consisted primarily of (i) repayments of advances from related parties of RMB11.7 million; and (ii) dividend paid of RMB7.7 million.

Net cash used in financing activities for the year of 2021 was RMB0.8 million, which consisted primarily of repayments of advances from related parties of RMB10.0 million, partially offset by advances from related parties of RMB9.3 million.

INDEBTEDNESS

The table below sets forth our indebtedness as of the dates indicated:

	As of December 31,			As of February 29,
	2021	**2022**	**2023**	**2024**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
				(unaudited)
Current				
– Lease liabilities	40	148	30	10
– Amounts due to related parties	45,928	47,755	10,008	8,647
Non-Current				
– Lease liabilities	–	30	–	–
Total	**45,968**	**47,933**	**10,038**	**8,657**

Our indebtedness amounted to RMB46.0 million, RMB47.9 million, RMB10.0 million and RMB8.7 million as of December 31, 2021, 2022 and 2023 and February 29, 2024, being the latest practicable date for determining our indebtedness, respectively, which was related to (i) amounts due to related parties (non-trade in nature) and (ii) our lease liabilities. For details, please refer to (a) the paragraph headed "– Discussion of Certain Selected Items from Our Consolidated Statements of Financial Position – Other Payables", and (b) the paragraph headed "– Discussion of Certain Selected Items from Our Consolidated Statements of Financial Position – Lease Liabilities" in this section. We will settle the amounts due to related parties with non-trade in nature prior to the [**REDACTED**].

During the Track Record Period and as of the Latest Practicable Date, our Directors confirm that to the best of their knowledge, we did not have material defaults in payment of lease liabilities or breach of any finance covenants. Our Directors further confirm that we did not experience any difficulty in obtaining bank loans and other borrowings, default in payment of bank loans and other borrowings or breach of covenants during the Track Record Period and up to the Latest Practicable Date. As of December 31, 2021, 2022 and 2023 and the Latest Practicable Date, we did not have any bank borrowings, other interest-bearing borrowings, or banking facilities.

Contingent Liabilities

During the Track Record Period and up to the Latest Practicable Date, we did not have any material contingent liabilities.

Save as otherwise disclosed under paragraphs headed "– Indebtedness" and "– Contractual Obligations" in this section, as of February 29, 2024, being the latest practicable date for determining our indebtedness statement, we did not have any outstanding mortgages, charges, debentures, other issued debt capital, bank overdrafts, borrowings, liabilities under acceptance or other similar indebtedness, hire purchase commitments, guarantees or other material contingent liabilities. Our Directors have confirmed that there has been no material change in our indebtedness up to the Latest Practicable Date.

CAPITAL EXPENDITURES

Our historical capital expenditures during the Track Record Period primarily included purchase of property, plant and equipment and capital contribution to an associate.

The following table sets forth the amount of capital expenditure incurred during the Track Record Period.

	For the year ended December 31,		
	2021	**2022**	**2023**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Additions to purchase of property, plant and equipment	23,704	2,797	8,926
Capital contribution to an associate	–	–	–
Capital contribution to a joint venture	1,275	–	510
Total	**24,979**	**2,797**	**9,436**

We will continue to make capital expenditures to meet the expected growth of our business expansion plan. We expect to finance our future capital expenditures through a combination of existing cash and cash equivalents, and net [**REDACTED**] from the [**REDACTED**]. For details, please refer to the section headed "Future Plans and [**REDACTED**]" in this document. We may adjust our capital expenditures for any given period according to our development plans or in light of market conditions and other factors we believe to be appropriate.

KEY FINANCIAL RATIOS

The following table sets forth certain of our key financial ratios for the years or as of the dates indicated.

	For the year ended/ As of December 31,		
	2021	**2022**	**2023**
Gross profit margin(1)	24.9%	23.0%	23.3%
Net profit margin(2)	9.5%	10.1%	10.8%
Return on equity(3)	33.0%	32.5%	31.8%
Return on total assets(4)	10.4%	10.8%	11.8%
Current ratio(5)	1.3	1.4	1.5
Quick ratio(6)	1.3	1.4	1.5
Gearing ratio(7)	217.3%	190.5%	154.1%

Notes:

(1) Gross profit margin is calculated using gross profit for the year by total revenue for the year and multiplied by 100%.

(2) Net profit margin is calculated using profit and total comprehensive income for the year divided by total revenue for the year and multiplied by 100%.

(3) Return on equity is calculated based on profit and total comprehensive income for the year divided by the average of the beginning and ending total equity for that year and multiplied by 100%.

(4) Return on total assets is calculated based on the profit and total comprehensive income for the year divided by the average of the beginning and ending total assets for that year and multiplied by 100%.

(5) Current ratio is calculated by dividing current assets by current liabilities.

(6) Quick ratio is calculated by dividing current assets less inventories by current liabilities.

(7) Gearing ratio is calculated based on our total liabilities divided by our total equity as of the respective dates and multiplied by 100%.

Our return on equity decreased from 33.0% in 2021 to 32.5% in 2022, primarily due to a decrease in equity multiplier as partially offset by an increase in net profit margin in 2022. Our return on equity further decreased to 31.8% in 2023, mainly attributable to the increase in our total equity.

Our return on total assets remained relatively stable at 10.4% in 2021 and 10.8% in 2022. Our return on total assets increased to 11.8% in 2023, primarily attributable to the increase in our net profit margin in 2023.

Our current ratio remained relatively stable at 1.3 times, 1.4 times and 1.5 times as of December 31, 2021, 2022 and 2023.

The amount of our inventories was relatively insignificant and, hence, our quick ratios as of December 31, 2021, 2022 and 2023 were similar to our current ratios.

Our gearing ratio decreased from 217.3% as of December 31, 2021 to 190.5% as of December 31, 2022 and further decreased to 154.1% as of December 31, 2023, primarily due to the changes in our amounts due to related parties during the Track Record Period. See "– Discussion of Certain Selected Items from Our Consolidated Statements of Financial Position – Trade and Other Payables."

CONTRACTUAL OBLIGATIONS

Capital Commitments

We mainly have capital commitments with respect to contribution to the associate and joint ventures. Capital expenditure contracted for but not yet incurred as of December 31, 2021, 2022 and 2023, was RMB7.2 million, RMB7.2 million and RMB6.7 million, respectively.

RELATED PARTY TRANSACTIONS

We enter into transactions with our related parties from time to time. For details, please refer to Note 28 to the Accountants' Report included in Appendix I to this document. Our balances with related parties of trade receivables, trade payables, contract assets and contract liabilities are all trade in nature and are expected to be settled/recognized as revenue based on the relevant contract terms or the progress of services provided to the customers. Our balances with related parties of other payables as of Latest Practicable Date were non-trade in nature. We will settle the amounts due to related parties with non-trade in nature prior to the [**REDACTED**]. Our Directors have confirmed that the amounts due from related parties with non-trade nature had been settled in full as of the Latest Practicable Date.

Our Directors are of the view that each of the related party transactions set out in Note 28 to the Accountants' Report included in Appendix I to this document was conducted on an arm's length basis and with normal commercial terms between the relevant parties, which would not distort our track record results or cause our historical results to become non-reflective of our future performance.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the Latest Practicable Date, we had not entered into any financial guarantees or other commitments to guarantee the payment obligations of any third parties. We have not entered into any derivative contracts that are indexed to our shares and classified as Shareholder's equity or that are not reflected in our consolidated financial statements. Furthermore, we do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing, hedging or product development services with us.

FINANCIAL RISKS DISCLOSURE

We are exposed to a variety of risks, including credit, liquidity and interest risk. We manage and monitor these exposures to ensure appropriate measures are implemented in a timely and effective manner. For details, please refer to Note 26 to the Accountants' Report included in Appendix I to this document.

Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to our Group. Our Group's credit risk is primarily attributable to trade and other receivables and contract assets. Our Group's exposure to credit risk arising from cash and cash equivalents and restricted bank deposits are limited because the counterparties are banks, financial institutions with a significant credit standing assigned by external rating agency, for which our Group considers having low credit risk. For the purposes of internal credit risk management, our Group has applied the general approach in IFRS 9 to measure the loss allowance at 12-month ECLs as there is no significant increase in credit risk since initial recognition. Our Group determines the ECLs for these assets by assessment of probability of default, loss given default and exposure at default.

Our Group does not provide any guarantees which would expose our Group to credit risk.

For other receivables, our Directors make periodic individual assessment on the recoverability of other receivables based on historical settlement record, past experience and supportive forward – looking information. As of December 31, 2021, 2022 and 2023, loss allowance of RMB0.8 million, RMB0.9 million and RMB1.6 million was recognized in respect of other receivables based on our Group's assessment.

To measure the ECLs, trade receivables and contract assets have been assessed on individual basis or on customer groups based on shared credit risk characteristics and the days past due. The historical loss rates are determined by reference to the credit rating analysis of respective customers and external data or based on the payment profiles of sales over a period before the respective year ends and the corresponding historical credit losses experienced within these periods. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

Expected loss rates are based on actual loss experience over the past years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and our Group's view of economic conditions over the expected lives of the receivables. Trade receivables from third parties usually have higher expected loss rates. As of December 31, 2021, 2022 and 2023, trade receivables from third parties accounted for 47.9%, 48.0% and 48.6% of the total trade receivables. Loss allowances are calculated based on the ECL rates and reflected the fluctuations in trade receivables from third parties during the Track Record Period.

Based on the above, our Directors are of the view that the allowance for ECLs on trade receivables and contract assets is considered adequate.

DIVIDENDS

For the years ended December 31, 2021, 2022 and 2023, dividends amounting to RMB20,000, nil and nil were declared by our Company, respectively. As of the Latest Practicable Date, the dividends had been fully paid.

For the years ended December 31, 2021, 2022 and 2023, aggregated dividends amounting to RMB480,000, nil and nil were declared by the Chengtou Asset, Chengfa Commercial and Parking Company to their then shareholders prior to the Reorganization, respectively. As of the Latest Practicable Date, the dividends were fully paid subsequently.

After completion of the [**REDACTED**], our Shareholders will be entitled to receive dividends we declare. Currently, we do not have a formal dividend policy or a fixed dividend distribution ratio. Any dividends we pay will be determined at the absolute discretion of our Board, taking into account factors including our actual and expected results of operations, cash flow and financial position, general business conditions and business strategies, expected working capital requirements and future expansion plans, legal, regulatory and other contractual restrictions, and other factors that our Board deems to be appropriate. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents, including (where required) the approval of our Shareholders.

WORKING CAPITAL SUFFICIENCY

Our Directors are of the opinion that, taking into account the financial resources available to our Group, including the estimated net [**REDACTED**] from the [**REDACTED**] and the expected cash generated from operating activities, we have sufficient working capital for our present requirements and for the next 12 months from the date of this document.

DISTRIBUTABLE RESERVES

As of December 31, 2023, we had RMB129.9 million of retained earnings available for distribution to our shareholders.

[REDACTED] EXPENSES

Assuming an [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**] (being the mid-point of the indicative [**REDACTED**] range), and that [**REDACTED**] will not be exercised, we expect to incur estimated total [**REDACTED**] of approximately HK$[**REDACTED**] million (equivalent to approximately RMB[**REDACTED**] million), including [**REDACTED**] of approximately HK$[**REDACTED**] million (equivalent to approximately RMB[**REDACTED**] million) and [**REDACTED**] related expenses of approximately HK$[**REDACTED**] million (equivalent to approximately RMB[**REDACTED**] million), which consist of (i) fees paid and payable to legal advisors and Reporting Accountants of approximately HK$[**REDACTED**] million (equivalent to approximately RMB[**REDACTED**] million); and (ii) other fees and expenses, of approximately HK$[**REDACTED**] million (equivalent to approximately RMB[**REDACTED**] million). Among the estimated aggregate amount of our estimated [**REDACTED**], (i) approximately HK$[**REDACTED**] million (equivalent to approximately RMB[**REDACTED**] million) is expected to be charged to our consolidated statements of profit or loss, of which approximately HK$[**REDACTED**] million (equivalent to approximately RMB[**REDACTED**] million) was recognized as our profit or loss during the Track Record Period; and (ii) approximately HK$[**REDACTED**] million (equivalent to approximately RMB[**REDACTED**] million) is directly attributable to the [**REDACTED**] of the [**REDACTED**] in the [**REDACTED**] and is expected to be accounted for as a deduction from equity upon [**REDACTED**] in accordance with relevant accounting standards. Assuming an [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**] (being the mid-point of the indicative [**REDACTED**] range), the [**REDACTED**] as a percentage of gross [**REDACTED**] is approximately [**REDACTED**]%.

NO MATERIAL ADVERSE CHANGE

Our Directors have confirmed that, up to the date of this document, there has been no material adverse change in our financial, operational or trading positions or prospects since December 31, 2023, being the end date of our latest audited financial statements, and there has been no event since December 31, 2023 that would materially affect the information shown in the Accountants' Report included in Appendix I to this document.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors confirm that, as of the Latest Practicable Date, there were no circumstances that would give rise to a disclosure requirement under Rules 13.13 to Rules 13.19 of the Listing Rules.

UNAUDITED [REDACTED] STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

Please refer to Appendix II to this document for the unaudited [**REDACTED**] adjusted net tangible assets of our Group, and is set out therein to illustrate the effect of the [**REDACTED**] on the net tangible assets of our Group attributable to the equity shareholder of our Company as of December 31, 2023 as if the [**REDACTED**] had taken place on December 31, 2023.

FUTURE PLANS

For details of our future plans, please refer to the section headed "Business – Business Strategies" in this document.

[REDACTED]

We estimate that we will receive net [**REDACTED**] of approximately HK$[**REDACTED**] million from the [**REDACTED**] after deducting the [**REDACTED**] and other estimated expenses in connection with the [**REDACTED**] payable by us, assuming no [**REDACTED**] is exercised and assuming an [**REDACTED**] of HK$[**REDACTED**] per Share (being the mid-point of the indicative [**REDACTED**] set forth on the cover page of this document).

We intend to use the net [**REDACTED**] we expect to receive from the [**REDACTED**] for the following purposes:

- approximately [**REDACTED**]%, or HK$[**REDACTED**] million, is expected to be used for pursuing potential strategic acquisition opportunities of property management service providers and urban service providers with a geographic focus on Hunan Province, Jiangxi Province and Guizhou Province to maximize potential collaborative advantages with our existing business and boost our business development. We primarily target the following types of business:

  (i) the downstream property management service providers specializing in professional services such as security, cleaning, electromechanical repair and maintenance services, etc., especially those with resource advantages and relevant qualifications; and

  (ii) urban service providers with relevant operation experience and required qualifications, such as companies specializing in parking lot operation with asset-light operating model, companies in the provision of downstream services of lighting system operation, as well as companies in the field of landscaping and engineering.

  For details of criteria for potential acquisitions, please refer to the paragraph headed "– [**REDACTED**] – Plans for Strategic Acquisitions – Criteria for Strategic Acquisitions" in this section.

- approximately [**REDACTED**]%, or HK$[**REDACTED**] million, is expected to be used for the purchase of operational vehicles and equipment for municipal sanitation services and lighting system operation services, thereby progressively enhancing our service capacity:

  (i) approximately [**REDACTED**]%, or HK$[**REDACTED**] million will be allocated to the procurement of operational vehicles for municipal sanitation services, including washer vehicles, sprinkler vehicles, road maintenance vehicles, and garbage trucks, to cater to the technological and mechanization trend in the industry and improve our operation efficiency and service quality, thereby further enhancing our reputation and competitiveness in the market; and

(ii) approximately [**REDACTED**]%, or HK$[**REDACTED**] million will be allocated to the procurement of operational vehicles and equipment for lighting system operation services, including engineering vehicles and generators to reduce our costs and strengthen vehicles management, and further reinforce our market standing.

- approximately [**REDACTED**]%, or HK$[**REDACTED**] million, is expected to be used over the next four years for further technology development to bolster our technological capabilities, and promote our degrees of digitization and automation.

(i) approximately [**REDACTED**]%, or HK$[**REDACTED**] million will be allocated to develop and optimize the internal management information system. This will primarily focus on managing various labor-intensive tasks such as security, cleaning, landscaping, maintenance, and customer service, contracts, finance, and assets online. The goal is to create a refined control system to ensure our systems' collaboration with systems from other parties. We also plan to further develop our internal management information systems to implement more precise internal management of contracts, revenue, basic information, and personnel etc. so as to replace the current system;

(ii) approximately [**REDACTED**]%, or HK$[**REDACTED**] million will be allocated to develop and enhance business operating systems, including (a) a smart parking system to achieve automatic parking lot operations by improving functions such as online customer support, parking fee payment management, electronic invoice and unmanned car park, etc.; (b) a vehicle operation system to provide real-time information on vehicle operators, vehicles, road conditions, and working environment, enabling remote oversight on sanitation trucks; (c) a flexible staffing system for efficient allocation of workforces to meet random and temporary requirements in relation to any improvised tasks based on project and skill needs and (d) a membership system for customers in malls, parking lots, and the other properties under our management;

(iii) approximately [**REDACTED**]%, or HK$[**REDACTED**] million will be allocated to develop device connection systems. These systems will link facilities and devices. They will also automate tasks such as energy consumption management, building interior environment surveillance, security surveillance, predictive maintenance, real-time data collections on buildings, prediction on future conditions of the buildings with the current available data etc.; and

(iv) approximately [**REDACTED**]%, or HK$[**REDACTED**] million will be allocated to recruit engineers for software development and maintenance. Specifically, we plan to recruit one software engineer to conduct data and research analysis and one operation specialist to be responsible for the daily maintenance, system monitoring and fault handling, etc.

- approximately [**REDACTED**]%, or HK$[**REDACTED**] million, is expected to be used for continuing to recruit talents and improve employee trainings to support our sustainable business development. We plan to take various initiatives to attract and cultivate talents in the industry with diverse backgrounds and skill sets and optimize training programs and provide development opportunities:

  (i) approximately [**REDACTED**]%, or HK$[**REDACTED**] million will be allocated to expand our dedicated team with diversified backgrounds in order to strengthen the competitiveness of our workforce. For details, please refer to the paragraph headed "– [**REDACTED**] – Recruitment Plans and Allocation of Labor Costs" in this section; and

  (ii) approximately [**REDACTED**]%, or HK$[**REDACTED**] million will be allocated to optimize talent training programs, such as onboarding training program, professional skills training program and leadership development program. Such training programs will be in place to enhance their professional skills, service efficiency, work performance and employee satisfaction.

- approximately [**REDACTED**]%, or HK$[**REDACTED**] million, is expected to be used for working capital and other general corporate purposes.

Major categories	Percentage of total [REDACTED]	Amount of [REDACTED]	Sub-categories	Percentage of total [REDACTED]	Time frame			
					2024	2025	2026	2027
	(%)	(HK$ in millions)		(%)	(HK$ in millions)			
Strategic acquisitions	[REDACTED]	[REDACTED]	Strategic acquisitions of property management service providers specializing in professional services and urban service providers with relevant operation experience and required qualifications	[REDACTED]	Target to complete the acquisitions by December 31, 2025			
Purchase of vehicles and equipment	[REDACTED]	[REDACTED]	(i) Purchase operational vehicles for municipal sanitation services	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	–
			(ii) Procure operational vehicles and equipment for lighting system operation services	[REDACTED]	[REDACTED]	[REDACTED]	–	–

Major categories	Percentage of total [REDACTED]	Amount of [REDACTED]	Sub-categories	Percentage of total [REDACTED]	Time frame 2024	2025	2026	2027
	(%)	(HK$ in millions)		(%)	(HK$ in millions)			
Technological investment	[REDACTED]	[REDACTED]	(i) Develop and optimize the internal management information system	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
			(ii) Develop and enhance business operating systems	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
			(iii) Develop device connection systems	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
			(iv) Recruit engineers for software development and maintenance	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Talent training and retention	[REDACTED]	[REDACTED]	(i) Expand our dedicated team	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
			(ii) Optimize talent training programs	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Working capital	[REDACTED]	[REDACTED]	–	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Plans for Strategic Acquisitions

While we expect to retain our growth, we believe we are well equipped with sufficient industry expertise and experience as well as well-established market position for a quick expansion through investment and acquisition.

We had not identified any specific targets as of the Latest Practicable Date. We will continue to track potential acquisition opportunities from the perspective of scale, operation status, financial performance and position, ownership structure and compliance history, etc. After identifying a suitable target, we will integrate such target with our existing business in a prudent approach to make sure such acquisition are beneficial to the long-term vitality of our business and operations. Shall the net [**REDACTED**] be insufficient for our acquisition plans, we will utilize our internal funds.

Criteria for Strategic Acquisitions

We plan to prioritize the acquisition of one to four companies located in Hunan Province, Jiangxi Province, and Guizhou Province as such provinces are in our strategic business expansion plan. We also plan the acquisition in regions where the company are more complementary to our business. Our targets include the downstream property management service providers and urban service providers. We expect to consider a variety of factors when selecting potential targets:

- in respect of the downstream property management service providers, we would prefer those (a) specializing in security, cleaning, electromechanical repair and maintenance services, etc.; (b) with all required qualifications for carrying out the relevant business; (c) with certain business scale and market competitiveness advantages with growth potential, especially resources and performance in hospitals, schools and office buildings; (d) with a considerable brand awareness and good corporate credit among customers and industry; (e) with an annual revenue of at least RMB5.0 million for the most recent financial year; and (f) with a net profit margin of above 10% for the most recent financial year.

- in respect of urban service providers, we would prefer those (a) specializing in parking lot operation with asset-light operating model, downstream services of lighting system operation, as well as landscaping and engineering services providers with operational and management experiences; (b) with relevant qualifications, especially, the general contracting on municipal public utility construction engineering qualification (Level 1) (市政公用工程施工總承包資質(壹級)), the professional contracting on city and road lighting engineering qualification (Level 2) (城市及道路照明工程專業承包資質(貳級)), the professional contracting on power transmission and transformation engineering qualification (Level 2) (送變電工程專業承包企業資質(貳級)), the professional contracting on electronic and intelligent engineering qualification (Level 2) (電子與智能化工程專業承包資質(貳級)), licenses for undertaking installation (repair, testing) of electric power facilities (承裝(修、試)電力設施許可證), the general contracting on construction management of communication engineering qualification (Level 2) (通信工程施工管理總承包資質(貳級)), the general contracting on construction of electrical and mechanical engineering qualification (Level 2) (機電工程施工總承包資質(貳級)), the general contracting on electrical engineering qualification (Level 2) (電力工程總承包資質(貳級)), and the special qualification for lighting engineering design (Class B) (照明工程設計專項資質(乙級)); (c) with a certain business scale or experience, including parking lot operation companies should operate and manage over 3,000 parking spaces; and landscaping and engineering services providers should have completed at least three projects in the past three years, with the total contract value of not less than RMB200.0 million; and (d) with a net profit not less than RMB2.0 million or a net profit margin of above 10% for the most recent financial year.

Our Directors believe that our criteria for strategic acquisitions are in line with the industry practice.

Implementation of Acquisition Plan

The property management services, urban services and commercial operation services markets in the PRC are fragmented and highly competitive. For details, please refer to the sections headed "Industry Overview – The PRC Property Management Services Market" and "Industry Overview – The PRC Urban Services Market" in this document. According to CIA, there are more than 10,000 property management service providers specializing in services such as cleaning, security, electric and mechanical repair and maintenance services in Hunan Province, Jiangxi Province and Guizhou Province and more than 6,000 qualified urban service providers specialized in landscaping and engineering, lighting system operation, parking lot operation, and municipal sanitation services in these provinces. As of December 31, 2023, there were approximately 140 downstream property management service providers and 70 urban service providers that meet our investment and acquisition criteria and were not affiliated with property developers in China. Therefore, while we face competition from other market participants for quality target companies, our Directors believe that there are sufficient potential targets that meet our acquisition criteria.

In addition, as an SOE, we believe that we are in an advantageous position to better consolidate our resources and service portfolio in Hunan Province. As an SOE in Hunan Province, our operational experience provides us with an advantage in acquiring relevant companies. Furthermore, our state-owned background enables us to maintain strong relationships with local governments and other SOEs, which in turn facilitates project expansion and corporate acquisitions of other companies. While we continue our internal growth, we believe that we will be able to identify and acquire suitable potential targets to strengthen our geographical presence and increase our market share, and that the expanded business scale will further reduce our overall management costs and enhance our profitability. During the Track Record Period, we have continued to develop our property management services and, with the support of the CSUD Group and our efforts to develop Independent Third Parties customers, our urban services have become a key component of our revenue resources, paving the way for our long-term growth.

According to CIA, there is an increasing trend in market concentration and business consolidation within the property management sector in China. From 2017 to 2022, the aggregate GFA under management of the Top 100 Property Management Companies in China ranked by CIA increased from approximately 31.6 million sq.m. to approximately 64.0 million sq.m., representing market shares in terms of GFA under management of 32.4% and 49.1%, respectively. As the property management sector is undergoing consolidation at an accelerating pace, the gap between property management companies is widening. Those leading national and regional property management companies with larger scale, stronger operational capabilities, more abundant capital, and higher brand recognition are gaining increasingly distinct advantages over other companies within the industry. Our Directors believe that, as one of the top three property management companies headquartered in Hunan Province in terms of revenue and GFA under management in Hunan Province, our Company will benefit from the trend of increasing market concentration and business consolidation in the property management sector in the process of implementation of our acquisition plan. For details of the ranking information, please refer to the section headed "Industry Overview – Competition" in this document. Based on the market consolidation trend, our market position and brand, and the efforts of our management, our Directors consider our plan to allocate such [**REDACTED**] for potential acquisitions to be feasible. Although there are companies affiliated with property developers with regional market strongholds, a sizable portion of property management companies which do not have a background in real estate development may still be our potential targets. However, there is no assurance that we will be able to successfully implement our acquisition plan. For details, please refer to the section headed "Risk Factors – Risks Relating to Our Business and Industry – Our expansion into new geographical markets presents certain risks and uncertainties" and "Risk Factors – Risks Relating to Our Business and Industry – Our future acquisitions or investments in other companies may not achieve the desired benefits and we may face difficulties in integrating acquired operations with our existing operations" in this document.

A certain number of our Directors and core employees have financial, investment and legal skills and caliber to carry out market research, feasibility study and financial analysis for potential acquisition and cooperation targets. Meanwhile, a number of the directors and senior managers of the Company and its various subsidiaries have experience on merger and acquisition activities undertaken in their previous and current careers. We conduct research on potential targets by the factors of scale, operation status, financial performance and position, ownership structure and compliance history, etc. We also intend to form a professional acquisition team with our above-mentioned personnel. Accordingly, as a starting point for our strategic acquisition, we intend to prioritize the acquisition of the targets with substantial operation in the Hunan, Jiangxi and Guizhou Provinces. In view of our established market position and industry experience, favorable policies, collaborative advantages from cooperation with CSUD Group, as well as the efforts of our business development team, we believe that we are likely to find suitable targets for our acquisition and investment plan that will enable us to implement our acquisition and investment strategies successfully.

Given (i) the availability of suitable acquisition and cooperation target companies in the PRC market, specifically in the Hunan Province, Jiangxi Province and Guizhou Province, (ii) our Company's status as an SOE which provides property management service, urban service and commercial operation service grants us an advantage to attract small-and-medium-sized companies to join us, (iii) our experiences in providing urban service to customers help us better understand the customers' needs, (iv) Changsha's demand for urban services attracts small-and-medium-sized urban service providers to provide services in the city, thus enabling us to approach suitable targets with ease of access, and (v) the above-mentioned professional acquisition team to be formed, we believe we are able to identify suitable acquisition and cooperation targets in the selected regions we plan to expand into.

If our future acquisition and investment plan cannot materialize, we will (i) continue identifying new acquisition targets; (ii) continue obtaining engagements from new customers through improving our service quality and enhancing our brand recognition in order to expand our market share; and (iii) continue maintaining our relationships with existing customers in order to secure new engagements.

Valuation Basis

We determine the amount of consideration for a potential target primarily by referring to factors like comparable companies' price-earnings ratios and the target's net profit in the most recent financial year. We may adjust our final [**REDACTED**] on the basis of the target's size, qualifications, geographic coverage, customer satisfaction, results of operations, financial performance, market share, growth potential, brand image, competitiveness and legal compliance status. In the event that the net [**REDACTED**] received from the [**REDACTED**] are insufficient to cover necessary capital expenditures, we intend to use our internal funds.

Technological Investment Plans

Developing our own systems is to (i) bolster our core competitiveness with the collaborative advantages created by the systems mentioned below; (ii) tailor to our specific business needs with a more suitable and responsive system; (iii) respond promptly and update at any time; and (iv) strengthen data security and stability by full control and ownership of our system. Following are the details of each technological investment plan:

Internal Management Information System

This system will be used for business contract signing approvals, receiving project revenue online, and work order distribution, etc. Through this system, our information processing of accounting, business, operation will be streamlined, thus assisting our senior management to make informed decisions. During the Track Record Period, we have commissioned a professional company to develop software to implement our basic managerial framework and functionalities. In 2024, we expect to optimize and integrate the internal management information system with the market management, risk control management, and operational management functionalities. The internal management information system is expected to be completed by the end of 2025.

Business Operating Systems

To coordinate various operational businesses, we are developing the business operating systems, and we have commissioned third parties to carry out the development of three systems, including (i) smart parking system, (ii) vehicle operation system, and (iii) flexible staffing system. In the future, we also intend to develop a membership system for customers.

To resolve our imminent need to develop a series of tailor-made software in response to our business requirements, we entrusted the development of our smart parking system to Hunan Chengfa Smart Weitong Technology Co., Ltd. (湖南城發智慧維通科技有限公司), a professional developer of electronic parking systems, which had empowered us in using smart parking systems in our existing parking lot operation business during the Track Record Period. The entrustment helps the system developer to be familiar with our business and management, which enables them to develop systems that meet our needs within a short timeframe.

For example, the smart parking system could help us better manage customer data and improve our operational efficiency through unified management of records such as vehicle entry and exit records, customer payment records, and whitelists which are used to record the license plate numbers of our regular customers.

Device Connection Systems

We plan to build device connection systems in different phases that will link facilities and devices such as vehicle navigation terminals, water and electricity systems, fire hose systems, and elevators, which enable us to oversee these facilities and devices as a whole, thus making us capable to promptly respond to urban service requests. These systems will also automate tasks such as energy consumption management, real-time oversight on buildings, etc., enabling us to maintain the urban service facilities and devices, and buildings in good conditions. We will continue to develop the device connection systems and extend its reach to urban infrastructures such as bridges, tunnels, lighting, gardens, and underground pipelines.

For example, the device connection systems will help us in overseeing electricity distribution parameters such as temperature, humidity and voltage. In the event that electricity distribution device encounters short-circuit or other malfunctions, these systems will notify us on time and we will promptly dispatch rescue teams to repair the device.

The intended use of net [**REDACTED**] for technological investment is based on the projected total cost of purchases and upgrades, which includes (a) labor costs for development and upgrades, (b) third-party service fees such as fees payable for servers and cloud databases, and (c) costs for purchasing software and hardware equipment. The expected costs of purchases and upgrades is estimated based on current quotations obtained from potential suppliers or publicly available market prices. The reason for the higher initial costs is primarily due to the substantial investment required for purchasing and upgrading finished software and hardware equipment. These upfront costs are necessary to establish a solid foundation for the information technology system and ensure its efficient operation.

Operational Vehicles and Equipment Purchasing Plans

For the municipal sanitation services sector, we mainly rely on machine cleaning, supplemented with manual labor. The machinery mainly works on the main road and auxiliary road of the carriageway, and the sanitation workers mainly clean on the sidewalk and the sanitary blind spots. As of the Latest Practicable Date, machine cleaning has not fully covered the whole operable areas.

For the lighting system operation services sector, the maintenance and operation of city lighting services involve outdoor work that covers a wide range of areas, with equipment spread out across different locations. We currently allocate streetlight maintenance projects into eight zones, each of which is equipped with at least one aerial work truck. As of the Latest Practicable Date, we deployed nine aerial work trucks. For the night scene lighting projects, we primarily deploy five engineering vehicles to conduct inspections and maintenance separately in the mountainous areas, parks, and the riversides.

Most of the vehicles operate throughout the years, except in severe weather conditions. To ensure the safety and reliability, all kinds of vehicles of our Group have a cap for daily operation time. If we extend our vehicles operation hours, we will be prone to several issues, including (i) increased maintenance and repair needs; and (ii) prolonged work hours resulting in operators' fatigue, and reductions in their productivity and concentration levels, thus making us more vulnerable to accidents and errors.

For municipal sanitation service, our customers typically require us to assign our operation vehicles on specified projects (normally such requirement are prescribed in the bidding documents and subsequent binding contracts) and oversee the assigned vehicles through means such as the global positioning system. Such exclusive use barred us from re-assigning each assigned vehicles for other existing projects or for new projects, even if the assigned vehicles are capable to undertake more projects. Going forward, we plan to pursue more municipal sanitation projects, which will increase our demand for new vehicles.

Likewise, for lighting operation service, although our vehicles are assigned to a single project only, this project spans all the five districts of Changsha. We anticipate further growths in our lighting operation business which will increase our demand for more engineering vehicles.

The following table sets forth the number and utilization rate of our existing operational vehicles and equipment as of the Latest Practicable Date:

Category	Number	Utilization Scenarios	Operation Hours	Utilization Rate[1]
Municipal Sanitation Services				
Washer and Sweeping Vehicle	11	Utilized for sweeping and washing road surfaces, especially dirty areas thereof.	To avoid daily peak traffics, they typically operate from 1:00 a.m. to 6:00 a.m., with a daily average of five operating hours.	83%
Sprinkler Vehicle	28	Utilized for road surface cleaning and sprinkling.	They run in two shifts: night (between 0:00 a.m. and 5:00 a.m.) and daytime (between 7:30 a.m. and 5:00 p.m.), with a daily average of six to 14 operating hours.	75%-175%
Road Maintenance Vehicle	Six	Utilized for in-depth cleaning and maintenance of various road components, such as sidewalks, non-motorized lanes, road markings, curbstones, oil stains, and side ditches.	They operate between 9:00 a.m. and 2:00 p.m., with a daily average of five operating hours.	83%
Garbage Truck	Three	Utilized for domestic waste collections and transfers within our service spheres.	They primarily operate between 11:00 p.m. and 5:00 a.m. with a daily average of six operating hours.	100%
Guardrail Cleaning Vehicle	One	Utilized road guardrail cleaning.	They typically function between 11:00 p.m. and 5:00 a.m., with a daily average of six operating hours.	100%
Patrol Vehicle	Four	Utilized for patrolling and inspecting road quality and safety, as well as handling emergencies.	They typically operate on regular and ad-hoc basis.	n/a[2]

Category	Number	Utilization Scenarios	Operation Hours	Utilization Rate[1]
Lighting System Operation Services				
Aerial Work Truck	Nine	Utilized for nighttime street light repairs.	They typically operate between 5:00 p.m. and 1:00 a.m., with a daily average of eight operating hours.	100%
Engineering Vehicle	Five[3]	Utilized for conducting repair and maintenance tasks on bridge, mountain, and building lighting projects under our management.	They typically operate nighttime maintenance (between 6:30 p.m. and 10:30 p.m.) and daytime tasks (between 8:30 a.m. and 6:30 p.m.) with a midday break from 11:30 a.m. to 1:30 p.m., with a daily average of twelve operating hours.	100%

Note:

(1) Utilization rate refers to a percentage ratio that equals (a) average contractually obliged and/or actual operation hours of each category of vehicles as set out in this table, divided by (b) estimated average operating hours of the same category of vehicles in accordance with industry common practices as estimated by the Company, and multiplied by 100.0%.

(2) Estimated average operating hours of the same category of vehicles in accordance with industry common practices as estimated by us is not applicable to patrol vehicles.

(3) Out of five, we owned two vehicles and rented three vehicles.

To the best knowledge of our Directors, during the Track Record Period and up until the Latest Practicable Date, our vehicles listed above were generally highly or fully utilized during operation hours. Such utilization rate necessitates our further vehicles procurement demands in anticipation of our future business developments and phasing out of our existing vehicles.

The Directors are of the view that procurement and ownership of operational vehicles will save our overall costs and expenses in the long run. As of the Latest Practicable Date, the vehicles we rented were limited to engineering vehicles. The analysis below focuses exclusively on the engineering vehicles.

As of the Latest Practicable Date, we rented three engineering vehicles, incurring a total annual rent expense of RMB71.8 thousand or RMB23.9 thousand per vehicle. The prevailing purchase price of an engineering vehicle used in night scenery illumination is estimated at RMB46.6 thousand, with an estimated average annual maintenance, insurance, inspection, repair and ancillary fee of RMB7.9 thousand per vehicle per year. Calculated on the basis of ten-year operation life and full depreciation, the annualized cost and expense for owning each such vehicle would be RMB12.6 thousand, which is RMB11.3 thousand lower than a rented vehicle of the same caliber annually. Therefore, purchasing and owning three engineering vehicles would result in an estimated savings of RMB33.9 thousand as compared with renting the same on an annual basis.

Set forth below is a breakdown of estimated costs of each type of vehicles and equipment:

Category	Number	Unit purchase cost *(RMB'000)*	Function and purpose
Municipal Sanitation Services			
Washer and sweeping vehicle	[REDACTED]	[REDACTED]	For cleaning road surfaces and performing sprinkling operations.
Washer vehicles	[REDACTED]	[REDACTED]	
Sprinkler vehicle	[REDACTED]	[REDACTED]	
Quick cleaning vehicle (electric with lead accumulator)	[REDACTED]	[REDACTED]	
Road maintenance vehicle	[REDACTED]	[REDACTED]	For deep cleaning and maintenance of sidewalks, non-motorized vehicle lanes, road markings, curbstones, oil stains, and ditches.
Patrol vehicle	[REDACTED]	[REDACTED]	For inspecting road quality and safety, as well as handling emergencies.
Tool vehicle	[REDACTED]	[REDACTED]	For handling tools.
Garbage truck	[REDACTED]	[REDACTED]	For collecting and transferring domestic waste.
Lighting System Operation Services			
Engineering vehicle I	[REDACTED]	[REDACTED]	For night inspection of street lights, monthly assessment and on-site fault diagnosis.
Engineering vehicle II	[REDACTED]	[REDACTED]	For night scene lighting, monthly assessment and on-site fault diagnosis.
Generator (6-10KW)	[REDACTED]	[REDACTED]	For providing emergency power to the equipment room.

Recruitment Plans and Allocation of Labor Costs

Positions	Business Need	Preferred qualification and/or experience	Number of recruitment	Estimated average salary per person annum *(RMB'000)*	Time frame 2024	2025	2026	2027
Investment and securities affairs personnel	Handling of investment and securities issues	Bachelor's degree or above, with at least 5 years of relevant experience in investment or securities affairs	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Marketing personnel	Support to the expansion of urban services and other related offerings	Bachelor's degree or above, with at least 5 years of relevant experience in market expansion	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Administrative personnel	Enhancement of hiring process	Bachelor's degree or above, with at least 4 years of relevant experience in administration	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Operation management personnel	Backup support to provide assurance of smooth operation	College degree or above, with at least 7 years of relevant experience in quality management	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Project manager	Management of projects undertaken during the expansion phase	Junior college degree or above, with at least 7 years of relevant experience in project management	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total			[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

(1) The number of people is cumulative, as years go on.

In light of the new demands arising from our business expansion and the [**REDACTED**], we recognize the importance of securing the necessary personnel to ensure our future growth. To this end, we have formulated a comprehensive hiring plan as outlined above.

Basis and Assumptions

Our future plans and business strategies are based on the following general assumptions:

- There will be no material change in the funding requirement for each of our future plans described in this document from the amount as estimated by our Directors;
- we will have sufficient financial resources to meet the planned capital expenditures and business development requirements during the period to which our future plans relate;
- the [**REDACTED**] will be completed in accordance with and as described in the section entitled "Structure of the [**REDACTED**]" in this document;
- there will be no material changes in existing accounting policies from those stated in the audited consolidated financial statements of our Group for the Track Record Period;
- our operations, including our future plans, will not be interrupted by any force majeure, unforeseeable factors, extraordinary items or economic changes in respect of inflation, interest rate and tax rate in the PRC and elsewhere;
- there will be no material changes in the bases or rates of taxation applicable to our activities;
- we will not be materially affected by the risk factors as set out in the section headed "Risk Factors" in this document;
- we will continue our operation, including but not limited to retaining our key staff and maintaining our customers, suppliers and subcontractors in the same manner as we did during the Track Record Period;
- there will be no material changes in existing laws and regulations or other governmental policies relating to our Group and our business or in the political or market conditions in which we operate; and
- there will be no epidemics or disasters, natural, political or otherwise, which would materially disrupt our businesses or operations.

In the event that the [**REDACTED**] is fixed at a higher or lower level compared to the mid-point of the estimated [**REDACTED**], the above allocation of the [**REDACTED**] will be adjusted on a pro rata basis. If the [**REDACTED**] is exercised in full, we will receive net [**REDACTED**] of approximately HK$[**REDACTED**] million, assuming an [**REDACTED**] of HK$[**REDACTED**] per Share (being the mid-point of the indicative [**REDACTED**]). The additional net [**REDACTED**] will be applied to the above purposes in the proportions stated above on a pro rata.

To the extent that the net [**REDACTED**] are insufficient to fund the purposes set out above, we intend to finance the balance mainly through cash generated from operations, bank loans and other borrowings. To the extent that the net [**REDACTED**] are not immediately applied to the above purposes and to the extent permitted by the relevant laws and regulations, we will only deposit such funds in short-term interest-bearing accounts at licensed commercial banks and/or authorized financial institutions (as defined under the SFO and the relevant applicable laws in the relevant jurisdictions for non-Hong Kong based deposits) as long as it is deemed to be in our best interests. If there is any material change to the above-proposed [**REDACTED**], we will issue an appropriate announcement.

We have undertaken to CSRC that we will not apply any of the [**REDACTED**] from the [**REDACTED**] to projects related to real estate development. Our Controlling Shareholders have covenanted to CSRC that they have taken, and will continue to take, all necessary measures to ensure that none of our [**REDACTED**] from the [**REDACTED**] will be used in any projects related to real estate development.

[**REDACTED**]

[REDACTED]

[**REDACTED**]

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[REDACTED]

The following is the text of a report set out on pages I – 1 to I – 66, received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document.

KPMG

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF HOLLWIN URBAN OPERATION SERVICE GROUP CO., LTD AND CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LIMITED

Introduction

We report on the historical financial information of Hollwin Urban Operation Service Group Co., Ltd (the "Company") and its subsidiaries (together, the "Group") set out on pages I – 3 to I – 66, which comprises the consolidated statements of financial position of the Group and the statements of financial position of the Company as at 31 December 2021, 2022 and 2023 and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows, for each of the years ended 31 December 2021, 2022 and 2023 (the "Relevant Periods"), and material accounting policy information and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I – 3 to I – 66 forms an integral part of this report, which has been prepared for inclusion in the [**REDACTED**] of the Company dated [date] (the "[**REDACTED**]") in connection with the [**REDACTED**] of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

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

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

In our opinion, the Historical Financial Information gives, for the purpose of the accountants' report, a true and fair view of the Group's and the Company's financial position as at 31 December 2021, 2022 and 2023 and of the Group's financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I – 3 have been made.

Dividends

We refer to Note 25(d) to the Historical Financial Information which contains information about the dividends paid by the Company in respect of the Relevant Periods.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

[Date]

HISTORICAL FINANCIAL INFORMATION

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

The consolidated financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by KPMG Huazhen LLP Changsha Branch in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("Underlying Financial Statements").

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(Expressed in Renminbi)

	Note	Years ended 31 December 2021	2022	2023
		RMB'000	*RMB'000*	*RMB'000*
Revenue	*4*	431,653	528,523	651,875
Cost of sales		(324,347)	(406,976)	(500,044)
Gross profit		107,306	121,547	151,831
Other net income	*5(e)*	8	3,790	2,184
Selling expenses		(4,717)	(4,454)	(4,742)
Administrative expenses		(42,324)	(43,744)	(53,391)
Expected credit loss		(11,920)	(10,758)	(7,266)
Profit from operations		48,353	66,381	88,616
Share of profits less losses of an associate and joint ventures	*13/14*	4,646	3,092	2,178
Finance income	*5(a)*	1,180	1,221	2,212
Finance costs	*5(b)*	(1)	(8)	(6)
Profit before taxation		54,178	70,686	93,000
Income tax	*6*	(13,337)	(17,090)	(22,822)
Profit and total comprehensive income for the year		40,841	53,596	70,178
Attributable to:				
Equity shareholders of the Company		40,400	53,095	70,178
Non-controlling interests		441	501	–
		40,841	53,596	70,178
Earnings per share (RMB)				
Basic and diluted	*9*	0.34	0.44	0.58

The accompanying notes form part of the Historical Financial Information.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Expressed in Renminbi)

	Note	As at 31 December 2021 RMB'000	2022 RMB'000	2023 RMB'000
Non-current assets				
Investment properties	*10*	11,133	–	–
Property, plant and equipment	*11(a)*	23,557	16,068	17,971
Intangible assets	*12*	198	98	83
Investments in joint ventures	*13*	8,785	11,060	13,080
Investment in an associate	*14*	14,046	11,222	11,039
Deferred tax assets	*24(b)*	5,165	7,302	10,235
Prepayments for acquisition of non-current assets		–	–	1,426
		62,884	45,750	53,834
Current assets				
Inventories	*16*	2,426	3,202	4,152
Contract assets	*20*	88,143	157,286	249,703
Prepayments, trade and other receivables	*17*	172,905	208,786	127,616
Restricted bank deposits	*18*	288	619	4,579
Cash and cash equivalents	*18*	129,927	123,822	210,210
		393,689	493,715	596,260
Current liabilities				
Trade and other payables	*19*	261,907	309,668	359,698
Contract liabilities	*20*	24,543	13,637	18,475
Lease liabilities	*21*	40	148	30
Provisions	*22*	702	–	–
Current taxation	*24(a)*	25,466	30,306	13,905
		312,658	353,759	392,108
Net current assets		81,031	139,956	204,152
Total assets less current liabilities		143,915	185,706	257,986
Non-current liabilities				
Lease liabilities	*21*	–	30	–
Deferred income	*23*	–	–	2,132
		–	30	2,132
NET ASSETS		143,915	185,676	255,854
CAPITAL AND RESERVES	*25*			
Paid-in capital/share capital	*25(a)*	10,000	120,000	120,000
Reserves	*25(c)*	132,312	65,676	135,854
Total equity attributable to equity shareholders of the Company		142,312	185,676	255,854
Non-controlling interests	*25(e)*	1,603	–	–
TOTAL EQUITY		143,915	185,676	255,854

The accompanying notes form part of the Historical Financial Information.

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

(Expressed in Renminbi)

	Note	As at 31 December 2021 RMB'000	2022 RMB'000	2023 RMB'000
Non-current assets				
Property, plant and equipment	11(a)	17,892	13,601	12,591
Investments in joint ventures	13	8,785	11,060	13,080
Investments in subsidiaries	15	14,116	87,886	87,886
Deferred tax assets		3,330	4,787	5,291
Prepayments for acquisition of non-current assets		–	–	1,426
		44,123	117,334	120,274
Current assets				
Inventories		1,366	3,202	4,152
Contract assets	20	29,349	43,433	46,757
Prepayments, trade and other receivables	17	64,038	105,883	94,344
Cash and cash equivalents	18	60,836	46,985	42,745
		155,589	199,503	187,998
Current liabilities				
Trade and other payables	19	127,512	127,315	119,919
Contract liabilities	20	6,243	5,664	8,044
Lease liabilities	21	40	148	30
Current taxation	24(a)	13,609	16,420	7,557
		147,404	149,547	135,550
Net current assets		8,185	49,956	52,448
Total assets less current liabilities		52,308	167,290	172,722
Non-current liabilities				
Lease liabilities	21	–	30	–
Deferred income	23	–	–	2,132
		–	30	2,132
NET ASSETS		52,308	167,260	170,590
CAPITAL AND RESERVES	25			
Paid-in capital/share capital	25(a)	10,000	120,000	120,000
Reserves		42,308	47,260	50,590
TOTAL EQUITY		52,308	167,260	170,590

The accompanying notes form part of the Historical Financial Information.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Expressed in Renminbi)

		Attributable to equity shareholders of the Company						
	Note	**Paid-in capital/share capital** *RMB'000*	**Capital reserve** *RMB'000*	**Statutory surplus reserve** *RMB'000*	**Retained profits** *RMB'000*	**Total** *RMB'000*	**Non-controlling interests** *RMB'000*	**Total equity** *RMB'000*
		Note 25(a)	*Note 25(c)*	*Note 25(c)*			*Note 25(e)*	
Balance at 1 January 2021		10,000	42,315	4,946	45,151	102,412	1,162	103,574
Changes in equity for the year ended 31 December 2021:								
Profit and total comprehensive income for the year		–	–	–	40,400	40,400	441	40,841
Appropriation for statutory surplus reserve		–	–	1,767	(1,767)	–	–	–
Dividends approved	*25(d)*	–	–	–	(500)	(500)	–	(500)
Balance at 31 December 2021 and 1 January 2022		10,000	42,315	6,713	83,284	142,312	1,603	143,915
Changes in equity for the year ended 31 December 2022:								
Profit and total comprehensive income for the year		–	–	–	53,095	53,095	501	53,596
Acquisition of a subsidiary under common control		–	(7,768)	–	–	(7,768)	(2,104)	(9,872)
Deemed distribution		–	(1,963)	–	–	(1,963)	–	(1,963)
Appropriation for statutory surplus reserve		–	–	5,605	(5,605)	–	–	–
Conversion into paid-in capital	*25(a)*	10,000	–	–	(10,000)	–	–	–
Conversion into a joint stock company	*25(a)*	100,000	(32,584)	(6,713)	(60,703)	–	–	–
Balance at 31 December 2022 and 1 January 2023		120,000	–	5,605	60,071	185,676	–	185,676
Changes in equity for the year ended 31 December 2023								
Profit and total comprehensive income for the year		–	–	–	70,178	70,178	–	70,178
Appropriation for statutory surplus reserve		–	–	333	(333)	–	–	–
Balance at 31 December 2023		120,000	–	5,938	129,916	255,854	–	255,854

The accompanying notes form part of the Historical Financial Information.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in Renminbi)

	Note	Years ended 31 December 2021 *RMB'000*	2022 *RMB'000*	2023 *RMB'000*
Operating activities				
Cash generated from operations	*18(b)*	48,743	6,271	122,161
Income tax paid	*24(a)*	(5,370)	(14,387)	(44,467)
Net cash generated from/(used in) operating activities		43,373	(8,116)	77,694
Investing activities				
Payments for purchase of property, plant and equipment		(22,651)	(2,153)	(10,439)
Proceeds from disposal of property, plant and equipment and investment properties		45	11,910	21
Capital contribution to a joint venture		(1,275)	–	(510)
Advances to related parties		(20,814)	(8,313)	(425)
Proceeds from repayment of advances to related parties		2,458	14,043	66,583
Interests received		1,180	1,221	2,212
Dividends received from an associate		–	3,641	851
Net cash (used in)/generated from investing activities		(41,057)	20,349	58,293
Financing activities				
Capital element of lease rentals paid	*18(c)*	(37)	(155)	(148)
Interest element of lease rentals paid	*18(c)*	(1)	(8)	(6)
Advances from related parties	*18(c)*	9,319	3,650	12,700
Repayments of advances from related parties	*18(c)*	(10,046)	(11,695)	(28,575)
Dividend paid	*18(c)*	–	(7,667)	(5,090)
Net cash outflow on Reorganization	*1.2*	–	(1,426)	(9,872)
Payment of [**REDACTED**]		[REDACTED]	[REDACTED]	[REDACTED]
Net cash used in financing activities		(765)	(18,338)	(49,599)
Net increase/(decrease) in cash and cash equivalents		1,551	(6,105)	86,388
Cash and cash equivalents at the beginning of the year	*18(a)*	128,376	129,927	123,822
Cash and cash equivalents at the end of the year	*18(a)*	129,927	123,822	210,210

The accompanying notes form part of the Historical Financial Information.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

1.1 General information

Hollwin Urban Operation Service Group Co., Ltd *泓盈城市運營服務集團股份有限公司 (formerly known as Changsha Pilot Property Management Co., Ltd.* 長沙先導物業管理有限公司, Changsha Urban Property Development Co., Ltd.* 長沙城市物業發展有限公司 and Hunan Hollwin Urban Operation Service Group Co., Ltd* 湖南泓盈城市運營服務集團股份有限公司, the "Company") was established as a limited liability company with registered capital of RMB10,000,000 on 7 September 2015 in Changsha, Hunan Province, the People's Republic of China (the "PRC"). The address of the Company's registered office is 9/F, Building A1, Xiangjiang Times Square, 179 Pilot Road, Yuelu District, Changsha, Hunan Province, the PRC.

After a series of capital restructuring, as at 1 January 2021, the registered capital of the Company was RMB20,000,000 and the Company was wholly-owned by Changsha Urban Development Group Co., Ltd.* 長沙城市發展集團有限公司 (the "CSUDGCL").

As part of the Reorganization defined in Note 1.2, on 26 August 2022, CSUDGCL transferred its 5% of the equity interest in the Company to Changsha Urban Construction Investment and Development Group Co., Ltd.* 長沙市城市建設投資開發集團有限公司 (the "CUCID Group") at nil consideration, a wholly-owned subsidiary of CSUDGCL, and the CUCID Group subsequently transferred the 5% of the equity interest in the Company to Yuelushan Tourism Culture Development Co., Ltd.* 岳麓山旅遊文化開發有限公司 ("Yuelushan Company"), a wholly-owned subsidiary of the CUCID Group.

On 22 December 2022, the Company converted into a joint stock company with 120,000,000 ordinary shares of RMB1 each.

The Company and its subsidiaries (together, the "Group") are principally engaged in the property management services, urban services and commercial operation services as defined in Note 4(b) (collectively, the "[**REDACTED**] Business"). Further details on the main services lines and operation segments of the Group are set out in Note 4.

1.2 Group reorganization

During the Relevant Periods, the [**REDACTED**] Business was carried out by certain subsidiaries of CSUDGCL, including the Company.

To rationalise the corporate structures in preparation of the [**REDACTED**] of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company underwent the reorganization as detailed in the section headed History, Reorganization and Corporate Structure in the [**REDACTED**] (the "Reorganization"). The Reorganization principally involves:

– In 2020, Changsha Chengfa Commercial Management Co., Ltd.* 長沙城發商業管理有限公司 ("Chengfa Commercial") acquired 100% equity interest in Changsha Chengtou Asset Operation Co., Ltd.* 長沙城投資產經營有限責任公司 ("Chengtou Asset") with nil consideration from Changsha Pilot Investment Holdings Group Co., Ltd.* 長沙先導投資控股集團有限公司 ("Pilot Investment");

– In 2020, the Company acquired 100% equity interest in Changsha Chengtou Property Service Co., Ltd.* 長沙城投物業服務有限公司 ("Chengtou Property") with nil consideration from Yuelushan Company;

– In 2020, the Group transferred its equity interest in Changsha Pilot Yinxiang Culture and Media Co., Ltd.* 長沙先導銀象文化傳媒有限公司 ("Yinxiang Cultural"), an associate of the Group, to Changsha Damei Advertising Co., Ltd.* 長沙達美文化傳播有限公司 ("Damei Cultural"), a subsidiary of CSUDGCL at nil consideration, which was deemed as a distribution to CSUDGCL.

* The official names of these entities are in Chinese. The English translation of the names is for identification only.

– In 2022, the Group transferred its Dufu River Tower tourism operation business and related net assets of RMB1,963,000, including cash and cash equivalent of RMB1,426,000 to the Yuelushan Company, a wholly-owned subsidiary of CSUDGCL, at nil consideration, which was deemed as a distribution to CSUDGCL.

– In 2022, the Company acquired 100% equity interest in Changsha Parking Lot Investment Construction Operation Co., Ltd.* 長沙市停車場投資建設經營有限公司 (the "Parking Company") with total consideration of RMB9,872,000 from Changsha Chengfa Smart Travel Investment and Operation Co., Ltd.* 長沙城發智慧出行投資運營有限公司 ("Chengfa Smart Travel Company"), of which 90% of equity interest was indirectly owned by CSUDGCL; and

– In 2022, the Company acquired 100% equity interest in Chengfa Commercial and its subsidiaries with nil consideration from CSUDGCL.

Upon the completion of each of the Reorganization steps above, the Company became the holding company of the companies now comprising the Group. Details of the Group's subsidiaries are set out in Note 1.3.

1.3 Basis of preparation

The companies now comprising the Group are under the common control of CSUDGCL immediately before and after the Reorganization. The control was not transitory and consequently, the Reorganization is regarded as a business combination under common control.

For the purpose of this report, the Historical Financial Information has been prepared by including the financial information of the companies now comprising the Group, which were under the common control of CSUDGCL, as if the current group structure had been in existence throughout the periods presented, or since the date when the combining entities first came under the control of CSUDGCL, whichever is a shorter period. The assets and liabilities of the combining entities were consolidated using the existing book values from CSUDGCL's perspective. The paid-in capital and capital reserves of the combining entities were included in the capital reserve of the consolidated statements of changes in equity as at 1 January 2021, and the statutory surplus reserve and retained profits of the combining entities were included in the retained profits of the consolidated statements of changes in equity as at 1 January 2021.

The consideration to acquire the combining entities (i.e. Chengtou Property, Parking Compang and Chengfa Commercial and its subsidiaries) was reflected as "acquisition of a subsidiary under common control" in the Group's consolidated statements of changes in equity.

Prior to the completion of the Reorganization, the share of 10% of the equity interest of the Parking Company, which was indirectly held by a shareholder not under the common control of CSUDGCL, was presented as non-controlling interests in the Historical Financial Information.

Intra-group balances, transactions and unrealised gains/losses on intra-group transactions are eliminated in full in preparing the Historical Financial Information.

As at the date of this report, the financial statements of the Company and the subsidiaries of the Group for which there are statutory audit requirements were prepared in accordance with the Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC. The financial statements of the Company for the years ended 31 December 2021 and 2022 have been audited by WUYIGE CPAs LLP Changsha Branch* 大信會計師事務所(特殊普通合夥)長沙分所 ("WUYIGE CPA"). No audited financial statements have been prepared for the Company for the year ended 31 December 2023.

* The official name of the entity is in Chinese. The English translation of the names is for identification only.

During the Relevant Periods and as at the date of this report, the Company has direct or indirect interests in the following principal subsidiaries, all of which are limited liabilities companies:

Company Name	Place and date of incorporation/ establishment/ operation	Particulars of registered/ paid-up capital	Equity interest held as at 31 December 2021	2022	2023	the date of this report	Principal activities
Changsha Chengfa Property Management Co., Ltd. 長沙城發物業管理有限公司	Chinese Mainland 11 November 2005	RMB20,000,000/ Nil	100%	100%	100%	100%	Provision of property management services
Chengtou Property	Chinese Mainland 7 November 2013	RMB500,000/ RMB500,000	100%	100%	100%	100%	Provision of property management services
Hunan Pilot Modern Landscaping Greening Company Limited 湖南省先導現代園林綠化有限公司 ("Landscaping Company")	Chinese Mainland 2 February 2001	RMB10,000,000/ RMB10,000,000	100%	100%	100%	100%	Provision of landscaping services
Changsha Urban Lighting Operation and Development Co., Ltd. 長沙城市照明運營發展有限公司 ("Lighting Company")	Chinese Mainland 29 March 2022	RMB10,000,000/ RMB5,000,000	N/A	100%	100%	100%	Provision of public facility management services
Chengfa Commercial	Chinese Mainland 5 April 2017	RMB20,000,000/ RMB20,000,000	–	100%	100%	100%	Provision of commercial operation services
Changsha Chengfa Xingjia Apartment Operation and Management Co., Ltd. 長沙城發星家公寓運營管理有限公司	Chinese Mainland 20 February 2017	RMB10,000,000/ RMB500,000	–	100%	100%	100%	Provision of apartment operation services
Chengtou Asset	Chinese Mainland 1 June 2011	RMB5,000,000/ RMB5,000,000	–	100%	100%	100%	Provision of commercial operation services
Parking Company	Chinese Mainland 27 September 2003	RMB6,000,000/ RMB6,000,000	–	100%	100%	100%	Provision of parking lot leasing service

Notes:

(a) The official names of these entities are in Chinese. The English translation of the names is for identification only.

(b) These entities were registered as limited liability companies under the laws and regulations in the PRC.

(c) The financial statements of the subsidiaries of the Group for the years ended 31 December 2021 and 2022 have been audited by WUYIGE CPA, except for Lighting Company which was established in 2022 and no audited financial statements have been prepared prior to its establishment. No audited financial statements have been prepared for the subsidiaries of the Group for the year ended 31 December 2023.

All companies now comprising the Group have adopted 31 December as their financial year end date.

The Historical Financial Information has been prepared in accordance with all applicable IFRS Accounting Standards as issued by the International Accounting Standards Board ("IASB"). Further details of the material accounting policy information adopted are set out in Note 2.

The IASB has issued a number of new and revised IFRS Accounting Standards. For the purpose of preparing this Historical Financial Information, the Group has adopted all applicable new and revised IFRS Accounting Standards to the Relevant Periods, except for any new standards or interpretations that are not yet effective for the Relevant Periods. The revised and new accounting standards and interpretations issued but not yet effective for the Relevant Periods are set out in Note 30.

The Historical Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange.

The accounting policies set out below have been applied consistently to all periods presented in the Historical Financial Information.

2 MATERIAL ACCOUNTING POLICY INFORMATION

(a) Basis of measurement

The measurement basis used in the preparation of the financial statements is the historical cost basis except that investment property is stated at its fair value as explained in the accounting policies set out in Note 2(e).

The Historical Financial Information is presented in Renminbi ("RMB"), rounded to the nearest thousand, unless otherwise indicated. Each entity in the Group determines its own functional currency to be the currency of the primary economic environment in which it operates. The functional currency of the Company and the Company's subsidiaries is RMB.

(b) Use of estimates and judgements

The preparation of the Historical Financial Information in conformity with IFRS Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, equity, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRS Accounting Standards that have significant effect on the Historical Financial Information and major sources of estimation uncertainty are discussed in Note 3.

(c) Subsidiaries and non-controlling interests

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

An investment in a subsidiary, other than subsidiary which is acquired through business combination under common control, is consolidated into the Historical Financial Information from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the Historical Financial Information. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statements of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statements of profit or loss and the consolidated statements of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the period between non-controlling interests and the equity shareholders of the Company.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or a joint venture (see Note 2(d)).

In the Company's statements of financial position, an investment in a subsidiary is stated at cost less impairment losses (see Note 2(i)(ii)).

Business combination under common control

The Historical Financial Information consolidates the financial results and the financial position of the entities or business which are acquired through business combination under common control as if they had been consolidated from the earliest date presented or since the date when these consolidating entities or business first came under the control of the controlling party, where there is a shorter period.

The net assets of the consolidating entities or business are consolidated using the existing book values from the controlling party's perspective. No amount is recognised in consideration for goodwill or excess of the acquirers' interest in the net fair value of acquiree's identified assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statements of profit or loss and comprehensive income include the results of each of the consolidating entities or business from the earliest date presented or since the date when the consolidating entities or business first came under the common control, where there 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 consolidating entities or business are eliminated on consolidation.

(d) Associate and joint venture

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A joint venture is an arrangement whereby the Group or Company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in an associate or a joint venture is accounted for in the Historical Financial Information under the equity method. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the associate or joint venture that forms part of the Group's equity investment. Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see Note 2(i)(ii)). At each reporting date, the Group assesses whether there is any objective evidence that the investment is impaired. Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the period are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in the associate or joint ventures, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method, together with any other long-term interests that in substance form part of the Group's net investment in the associate or joint venture.

Unrealised profits and losses resulting from transactions between the Group and its associate and joint venture are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have joint control over joint venture or significant influence over associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.

(e) Investment property

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see Note 2(g)) to earn rental income and or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are stated at fair value, unless they are still in the course of construction or development at the end of the reporting period and their fair value cannot be reliably measured at that time. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss.

(f) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see Note 2(i)(ii)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

Leasehold improvement	Over the shorter of the lease term or the estimated useful life of the asset
Right-of-use assets	Over the lease term
Motor vehicles	3-5 years
Machinery and electronic equipment	3-5 years
Furniture and others	3-5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually. No depreciation is provided in respect of construction in progress until it is completed and ready for intended use.

(g) Lease

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(i) As a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see Notes 2(f) and 2(i)(ii)).

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are any rent concessions which arose as a direct consequence of the COVID-19 pandemic and which satisfied the conditions set out in paragraph 46B of IFRS 16 Leases. In such cases, the Group took advantage of the practical expedient set out in paragraph 46A of IFRS 16 and recognised the change in consideration as if it were not a lease modification.

In the consolidated statements of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

(ii) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease if a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone price basis. The rental income from operating leases is recognised in accordance with Note 2(r)(ii)(c).

When the Group is an intermediate lessor, the sub-leases are classified as a finance lease or as an operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short team lease to which the Group applies the exemption described above, then the Group classified the sub-lease as an operating lease.

For a sublease classified as a finance lease, the Group derecognises the right-of-use asset relating to the head lease that it transfers to the sublessee and recognises the finance lease receivables in the sublease when the Group enters into the sublease. Any difference between the right-of-use asset and the finance lease receivables in the sublease is recognised in profit or loss.

During the term of the sublease, the Group recognises interest income as it accrues on the outstanding balance of finance lease receivables using the effective interest rate method and interest expense on the lease liability relating to the head lease.

For a sublease classified as an operating lease, the Group retains the lease liability and the right-of-use asset relating to the head lease in its consolidated statements of financial position.

(h) Intangible assets

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see Note 2(i)(ii)). Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The software in the intangible assets line item are amortised from the date they are available for use and their estimated useful lives are 3-5 years.

Both the period and method of amortisation are reviewed annually.

Intangible assets are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives as set out above.

(i) Credit losses and impairment of assets

(i) Credit losses from financial instruments and contract assets.

The Group recognises a loss allowance for expected credit losses (ECLs) on the financial assets measured at amortised cost (including cash and cash equivalents, restricted bank deposits, trade receivables and other receivables), and contract assets as defined in IFRS 15 (see Note 2(k)).

Other financial assets measured at fair value, including financial assets measured at FVTPL, are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

– Cash and cash equivalents, restricted bank deposits, trade and other receivables and contract assets: effective interest rate determined at initial recognition or an approximation thereof.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

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

– failure to make payments of principal or interest on their contractually due dates;

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

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

– existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Basis of calculation of interest income

Interest income recognised in accordance with Note 2(r)(ii)(a) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

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

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or past due event;

– it becoming probable that the borrower will enter into bankruptcy or other financial reorganization;

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

– the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset or contract asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(ii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment, including right-of-use assets;

– intangible assets;

– investments in an associate and joint ventures; and

– investments in subsidiaries in the Company's statements of financial position.

If any such indication exists, the asset's recoverable amount is estimated.

– *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– *Recognition of impairment losses*

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

– *Reversals of impairment losses*

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the period in which the reversals are recognised.

(j) Inventories

Inventories are assets which are held for sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services.

Inventories are carried at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Cost of inventories are calculated using the first in first out method formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(k) Contract asset and contract liabilities

A contract asset is recognised when the Group recognises revenue (see Note 2(r)) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for ECLs in accordance with the policy set out in Note 2(i)(i) and are reclassified to receivables when the right to the consideration has become unconditional (see Note 2(l)).

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (see Note 2(r)). A contract liability would also be recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see Note 2(l)).

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method.

(l) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset.

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see Note 2(i)(i)).

(m) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for ECLs in accordance with the policy set out in Note 2(i)(i).

(n) Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(o) Employee benefits

(i) Short-term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the period in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values. Contribution to appropriate local defined contribution retirement schemes pursuant to the relevant labour rules and regulations in the PRC are recognised as an expense in profit or loss as incurred.

(ii) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

(p) Income tax

Income tax expense comprises current tax and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.

Current tax comprises the estimated tax payable or receivable on the taxable income or loss for the year and any adjustments to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects any uncertainty related to income taxes. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for:

– temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences;

– temporary differences related to investment in subsidiaries, associates and joint venture to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future;

– taxable temporary differences arising on the initial recognition of goodwill; and

– those related to the income taxes arising from tax laws enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development.

The Group recognised deferred tax assets and deferred tax liabilities separately in relation to its lease liabilities and right-of-use assets.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Where investment properties are carried at their fair value in accordance with Note 2(e), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date, unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if certain criteria are met.

(q) Provisions, contingent liabilities and onerous contracts

(i) Provisions and contingent liabilities

Provisions are recognised when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

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

(ii) Onerous contracts

An onerous contracts exists when the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract. Provisions for onerous contracts are measured at the present value of the lower of the expected cost of the terminating the contract and the net cost of fulfilling the contract. The cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling that contract.

(r) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods, the provision of services or the use by others of the Group's assets under leases in the ordinary course of the Group's business.

Revenue is recognised when control over a product or service is transferred to the customer, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. The Group takes advantage of the practical expedient in paragraph 63 of IFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Revenue from contracts with customers

Revenue is recognised when control over a product or service is transferred to the customer, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties such as value added tax or other sales taxes.

The Group principally generates its revenue from the provision of property management services, lighting system operation services, municipal sanitation services, landscaping and engineering services, commercial operation services and parking lot operation services. The Group's revenue is derived from the following sources: –

– *Provision of property management services, lighting system operation services, and municipal sanitation services*

For property management services, lighting system operation services and municipal sanitation services income from properties and public facilities managed under lump sum basis, where the Group acts as principal and is primary responsible for providing the certain services to the property owners or users, the Group bills a fixed amount for services provided on a periodical basis and recognises as revenue in the amount to which the Group has a right to invoice and that corresponds directly with the value of performance completed.

– *Provision of commercial operation services*

Commercial operation services to owners of the shopping malls mainly include tenant sourcing services, tenant management and rent collection services, for which the service fee is calculated at a percentage of rental fees and revenue is recognised monthly when such services are provided.

– *Provision of landscaping and engineering services*

Revenue from the provision of landscaping and engineering services is recognised over time, using an input method to measure progress towards complete satisfaction of the service, because the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced. The input method recognises revenue based on the proportion of the actual costs incurred relative to the estimated total costs for satisfaction of the engineering services.

– *Provision of parking lot operation services*

Revenue from the provision of parking lot operation services consists of fees from users for the access of parking lot space provided by the Group. The price of the parking fee is based on a per use or monthly or contractual basis.

(ii) Revenue from other sources and other income

(a) Interest income

Interest income is recognised as it accrues under the effective interest method.

(b) Government grants

Government grants are recognised in the statements of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are recognised as deferred income in the consolidated statements of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

(c) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are earned.

(d) Dividends

Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

(s) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

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

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

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

(iii) Both entities are joint ventures of the same third party.

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

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

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

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

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

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

(t) Segment reporting

Operating segments, and the amounts of each segment item reported in the Historical Financial Information, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 ACCOUNTING JUDGEMENT AND ESTIMATES

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

Key source of estimation uncertainty in the preparation of the Historical Financial Information is as follow:

(i) Expected credit losses for receivables

The Group makes allowances on receivables based on assumptions about risk of default and expected loss rates. The Group used judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

Where the expectation is different from the original estimate, such difference will impact the carrying amount of trade and other receivables, contract assets, and the related loss allowances in the period in which such estimate is changed. For details of the key assumptions and inputs used, see Note 26.

(ii) Determination method and measuring of performance progress of landscaping and engineering services

The Group determines the performance progress of the landscaping and engineering services using the input method. Specifically, the Group determines the performance progress according to the proportion of the accumulated actual landscaping and engineering cost in the estimated total cost. The accumulated actual cost includes the direct cost and indirect cost incurred in the process of the Group transferring goods to customers. The landscaping and engineering contract price with the customer is determined with reference to the landscaping and engineering cost. The proportion of the actual landscaping and engineering cost to the estimated total cost can truly reflect the performance progress of the landscaping and engineering service. In view of the long lifetime of the landscaping and engineering contract and the possibility of spanning several accounting periods, the Group will review and revise the budget with the progress of the landscaping and engineering contract, and adjust the revenue recognition amount accordingly.

4 REVENUE AND SEGMENT REPORTING

(a) Revenue

The Group principally generates its revenue from the provision of property management services, urban services and commercial operation services as defined in Note 4(b).

(i) Disaggregation of revenue

Disaggregation of revenue from contracts with customers and other sources by major services lines is as follows:

	Years ended 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Revenue from contracts with customers within the scope of IFRS 15			
Disaggregated by major services lines			
– Provision of property management services	192,256	207,466	237,902
– Provision of municipal sanitation services	28,925	44,233	52,713
– Provision of lighting system operation services	30,856	64,007	67,497
– Provision of commercial operation services	52,332	45,420	60,683
– Provision of landscaping and engineering services	83,482	125,847	186,347
– Provision of parking lots services	38,278	36,965	42,632
	426,129	523,938	647,774

	Years ended 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Revenue from other sources			
Disaggregated by major services lines			
– sublease parking lots	3,811	3,668	4,101
– sublease commercial properties	1,713	917	–
	5,524	4,585	4,101
	431,653	528,523	651,875

(ii) Information about major customers

Revenue from customers contributing over 10% of the Group's revenue during the Relevant Periods are as follows:

	Years ended 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
CSUDGCL and its subsidiaries (excluding the Group, together, the "CSUD Group") *(Note (a))*	178,833	232,475	278,259
Customer 1 *(Note (b))*	N/A *(Note (c))*	54,619	N/A *(Note (c))*

Notes:

(a) Revenue from all three operating segments as defined in Note 4(b).

(b) Revenue from Property Management Services segment and Urban Services segment defined in Note 4(b).

(c) The corresponding revenue did not contribute over 10% of the total revenue of the Group.

(iii) Revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting period date

For property management services, municipal sanitation services, commercial operational services and lighting system operation services, the Group recognises revenue when the services are provided on monthly basis and recognises to which the Group has a right to invoice and that corresponds directly with the value of performance completed. The Group has elected the practical expedient not to disclose the remaining performance obligations for the above types of contracts.

For landscaping and engineering services contracts entered into by the customers with the Group, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is RMB47,853,000, RMB59,025,000 and RMB61,041,000, as at 31 December 2021, 2022 and 2023, respectively. The Group will recognise the expected revenue in future when or as the work is completed, which is expected to occur over the next 1 to 12 months, respectively, as at 31 December 2021, 2022 and 2023.

(b) Segment reporting

The Group manages its businesses by divisions, which are organised by services lines. In a manner consistent with the way in which information is reported internally to the Group's chief operating decision maker ("CODM") for the purpose of resource allocation and performance assessment, the Group has presented the following three reportable segments. No operating segments have been aggregated to form the following reportable segments.

– Property Management Services which include management and operation services provided to commercial properties, residential properties, and public properties.

– Urban Services which include the provision of lighting system operation services, municipal sanitation services, landscaping and engineering services, parking lot operation services and sublease of parking lot.

– Commercial Operation Services which include the provision of commercial operation services such as tenant sourcing services, tenant management, rent collection services and sublease of commercial properties.

(i) Segment results

For the purposes of assessing segment performance and allocating resources between segments, the Group's CODM monitors the results attributable to each reportable segment on the following bases:

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

Segment profit/loss represents gross profit earned by/loss from each segment.

Disaggregation of revenue from contracts with customers by the timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the Group's CODM for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2021, 2022 and 2023 is set out below:

	Year ended 31 December 2021			
	Property Management Services	**Urban Services**	**Commercial Operational Services**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue from contracts with customers within the scope of IFRS 15				
Disaggregated by timing of revenue recognition				
Point in time	1,206	–	3,691	4,897
Over time	191,050	181,541	48,641	421,232
Subtotal	192,256	181,541	52,332	426,129
Revenue from other sources				
Gross rental income	–	3,811	1,713	5,524
Revenue from external customers	192,256	185,352	54,045	431,653
Inter-segment revenue	5,101	324	365	5,790
Reportable segment revenue	197,357	185,676	54,410	437,443
Gross profit	38,401	39,992	28,913	107,306

	Year ended 31 December 2022			
	Property Management Services	**Urban Services**	**Commercial Operation Services**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue from contracts with customers within the scope of IFRS 15				
Disaggregated by timing of revenue recognition				
Point in time	1,687	–	801	2,488
Over time	205,779	271,052	44,619	521,450
Subtotal	207,466	271,052	45,420	523,938
Revenue from other sources				
Gross rental income	–	3,668	917	4,585
Revenue from external customers	207,466	274,720	46,337	528,523
Inter-segment revenue	6,827	117	933	7,877
Reportable segment revenue	214,293	274,837	47,270	536,400
Gross profit	30,164	66,433	24,950	121,547

	Year ended 31 December 2023			
	Property Management Services	**Urban Services**	**Commercial Operation Services**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue from contracts with customers within the scope of IFRS 15				
Disaggregated by timing of revenue recognition				
Point in time	2,295	–	1,587	3,882
Over time	235,607	349,189	59,096	643,892
Subtotal	237,902	349,189	60,683	647,774
Revenue from other sources				
Gross rental income	–	4,101	–	4,101
Revenue from external customers	237,902	353,290	60,683	651,875
Inter-segment revenue	7,857	275	268	8,400
Reportable segment revenue	245,759	353,565	60,951	660,275
Gross profit	35,950	78,009	37,872	151,831

(ii) Reconciliations of reportable segment revenues

	Years ended 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Reportable segment revenue	437,443	536,400	660,275
Elimination of inter-segment revenue	(5,790)	(7,877)	(8,400)
Consolidated revenue *(Note 4(a))*	431,653	528,523	651,875

(iii) Segment assets and liabilities

No segment assets and liabilities information are provided as no such information is regularly provided to CODM of the Group on making decision of resources allocation and performance assessment.

(iv) Geographic information

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 all the Group's assets are situated in PRC.

5 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after crediting/(charging):

	Years ended 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
(a) Finance income			
Interest income from bank deposits	1,180	1,221	2,212
(b) Finance costs			
Interest on lease liabilities *(Note 21)*	(1)	(8)	(6)
(c) Staff costs (including directors' and supervisors' emoluments)			
Salaries, wages and other benefits	(64,565)	(63,349)	(83,201)
Contributions to defined contribution retirement plan	(4,549)	(4,717)	(8,340)
	(69,114)	(68,066)	(91,541)

Note: Employees of the Group's PRC entities are required to participate in a defined contribution scheme administrated and operated by the local municipal governments ("State Operated Scheme"). The Group's entities contribute funds which are calculated on certain percentages of the employee salary as agreed by the local municipal government to the scheme to fund the retirement benefits of the employees.

Qualified employees of the Group's entities are also eligible to participate in a defined contribution scheme operated by the Group ("Group Operated Scheme"). The Group's entities contribute funds which are calculated on certain percentages of the qualified employees' salary as a part of their retirement benefit.

The Group has no other material obligation for the payment of retirement benefits associated with the State Operated Scheme.

	Years ended 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
(d) Other items			
Depreciation and amortisation			
– Property, plant and equipment *(Note 11(a))*	(8,143)	(9,026)	(7,005)
– Intangible assets *(Note 12)*	(123)	(109)	(103)
	(8,266)	(9,135)	(7,108)
Auditors' remuneration	–	(30)	(30)
[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Cost of inventories# *(Note 16(b))*	(46,503)	(59,468)	(115,173)

\# Cost of inventories mainly represented raw materials, finished goods and consumables consumed during the provision of lighting system operation services and landscaping and engineering services.

	Years ended 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
(e) Other net income			
Government grants	202	445	403
Gain on disposal of property, plant and equipment	3	61	3
Super deduction of value-added tax ("VAT")	1,376	3,070	1,902
Default income from customers	37	314	18
Changes in fair value on investment properties *(Note 10)*	(1,554)	–	–
Surcharge for overdue tax payment	(66)	(107)	(80)
Others	10	7	(62)
	8	3,790	2,184

Note: For the years ended 31 December 2021, 2022 and 2023, the government grants received by the Group were mainly related to subsidies for staff retention and acquisition of non-current assets.

6 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(a) Taxation in the consolidated statements of profit or loss and other comprehensive income represents:

	Years ended 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Current tax – PRC Corporate Income Tax			
Provision for the year	15,479	19,227	25,755
Deferred tax			
Origination and reversal of temporary differences *(Note 24)*	(2,142)	(2,137)	(2,933)
	13,337	17,090	22,822

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	Years ended 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Profit before taxation	54,178	70,686	93,000
Notional tax on profit before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned *(Note (i))*	13,545	17,672	23,250
Tax effect of PRC preferential tax rates *(Note (ii))*	(188)	(39)	(229)
Tax effect of share of profits less losses of an associate and joint ventures	(1,161)	(773)	(544)
Tax effect of unrecognised deductible losses and deductible temporary difference	388	–	–
Tax effect of non-deductible expenses	753	230	345
Actual income tax expense	13,337	17,090	22,822

Notes:

(i) The Group's entities in the PRC are subject to PRC income tax at 25%.

(ii) Certain entities of the Group have been filed as Small Low-Profit Enterprises. The entitled subsidiaries were subject to two-tired preferential effective tax rates from 2.5% to 10% for the years ended 31 December 2021, 2022 and 2023.

7 DIRECTORS' AND SUPERVISORS' EMOLUMENTS

Directors' and supervisors' emoluments as recorded in the Historical Financial Information are set out below:

	Year ended 31 December 2021				
	Directors' fees	**Salaries, allowances and other benefits**	**Discretionary bonuses**	**Retirement scheme contributions**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Chairman and Director					
Xie Yi	–	818	–	29	847
Directors					
Huang Guohui	–	653	–	29	682
Wong Kwok Fu *(Note (i))*	–	–	–	–	–
Yu Xiao *(Note (ii))*	–	–	–	–	–
Sheng Xing *(Note (iii))*	–	–	–	–	–
Duan Wenming *(Note (iv))*	–	–	–	–	–
Supervisors					
Gao Hong *(Note (ii))*	–	–	–	–	–
	–	1,471	–	58	1,529

	Year ended 31 December 2022				
	Directors' fees	**Salaries, allowances and other benefits**	**Discretionary bonuses**	**Retirement scheme contributions**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Chairman and director					
Xie Yi	–	687	–	29	716
Directors					
Huang Guohui *(Note (viii))*	–	544	–	29	573
Wong Kwok Fu *(Note (i))*	–	309	–	14	323
Yu Xiao *(Note (ii))*	–	–	–	–	–
Duan Wenming *(Note (iv))*	–	100	–	7	107
Yan Yongxiang *(Note (v))*	–	252	–	14	266
Supervisors					
Gao Hong *(Note (ii))*	–	–	–	–	–
Xiao Mingxi *(Note (vi))*	–	243	–	15	258
Huang Guohui *(Note (viii))*	–	–	–	–	–
Peng Juanjuan *(Note (vii))*	–	–	–	–	–
	–	2,135	–	108	2,243

	Year ended 31 December 2023				
	Directors' fees	**Salaries, allowances and other benefits**	**Discretionary bonuses**	**Retirement scheme contributions**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Chairman and executive director					
Xie Yi	–	731	–	63	794
Executive Directors					
Wong Kwok Fu *(Note (i))*	–	761	–	72	833
Duan Wenming *(Note (iv))*	–	408	–	55	463
Yan Yongxiang *(Note (v))*	–	646	–	75	721
Non-Executive Directors					
Yu Xiao *(Note (ii))*	–	–	–	–	–
Independent Non-Executive Directors					
Chan Ka Lai *(Note (ix))*	80	–	–	–	80
Dai Xiaofeng *(Note (ix))*	80	–	–	–	80
Tse Chi Wai *(Note (ix))*	80	–	–	–	80
Supervisors					
Xiao Mingxi *(Note (vi))*	–	267	–	36	303
Huang Guohui *(Note (viii))*	–	582	–	66	648
Peng Juanjuan *(Note (vii))*	–	–	–	–	–
	240	3,395	–	367	4,002

Notes:

(i) From November 2020 to August 2022, Mr. Wong Kwok Fu was appointed as a director of the Company. Mr. Wong Kwok Fu was not paid directly by the Group but received remuneration from the shareholder of the Company or its related parties other than the Group. No apportionment has been made as the qualifying services provided by them to the Group are incidental to their responsibilities to the shareholder. Since August 2022, Mr. Wong Kwok Fu was also appointed as the secretary to the Board of Directors of the Company and paid directly by the Group since then.

(ii) During the years ended 31 December 2021, 2022 and 2023, Mr. Yu Xiao and during the years ended 31 December 2021 and 2022, Mr. Gao Hong were not paid directly by the Group but received remuneration from the shareholder of the Company or its related parties other than the Group, in respect of their service to the shareholder respectively. No apportionment has been made as the qualifying services provided by them to the Group are incidental to their responsibilities to the shareholder. Mr. Gao Hong retired as a supervisor of the Company in September 2022 and Mr. Yu Xiao was re-designated as a non-executive director in May 2023.

(iii) During the year ended 31 December 2021, Mr. Sheng Xing was not paid directly by the Group but received remuneration from the shareholder of the Company or its related parties other than the Group, in respect of the service to the shareholder. No apportionment has been made as the qualifying services provided by him to the Group are incidental to the responsibilities to the shareholder. He was removed as a director of the Company in September 2021.

(iv) In August 2021, Mr. Duan Wenming was appointed as a director of the Company but he was not paid directly by the Group but received remuneration from the shareholder of the Company or its related parties other than the Group. No apportionment has been made as the qualifying services provided by them to the Group are incidental to their responsibilities to the shareholder. Since August 2022, Mr. Duan Wenming was also appointed as the financial director of the Company and paid directly by the Group since then.

(v) In July 2022, Mr. Yan Yongxiang was appointed as a director of the Company.

(vi) In December 2022, Ms. Xiao Mingxi was appointed as a supervisor of the Company.

(vii) Ms. Peng Juanjuan was appointed as a supervisor of the Company in December 2022, and she was not paid directly by the Group but received remuneration from the shareholders of the Company or their related parties other than the Group. No apportionment has been made as the qualifying services provided by them to the Group are incidental to her responsibilities to the shareholders.

(viii) In August 2022, Mr. Huang Guohui was removed as a director of the Company, and he was subsequently appointed as a supervisor of the Company in December 2022.

(ix) In May 2023, Ms. Chan Ka Lai, Dr. Dai Xiaofeng and Mr. Tse Chi Wai were appointed as independent non-executive directors of the Company.

8 INDIVIDUALS WITH HIGHEST EMOLUMENTS

During the years ended 31 December 2021, 2022 and 2023, of the five individuals with the highest emoluments, two, two, and four are directors or supervisors whose emoluments are disclosed in Note 7.

The aggregate of the emoluments in respect of the remaining individuals are as follows:

	Years ended 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Salaries and other emoluments	1,323	1,181	430
Retirement scheme contributions	80	95	61
	1,403	1,276	491

The emoluments of the three, three, and one individuals with the highest emoluments are within the following bands:

	Years ended 31 December		
	2021	**2022**	**2023**
	Number of individuals	*Number of individuals*	*Number of individuals*
Nil to Hong Kong Dollar 1,000,000	3	3	1

9 EARNINGS PER SHARE

The calculation of the basic earnings per share during the Relevant Periods is based on the profit for the year attributable to equity shareholders of the Company and the weighted average number of ordinary shares in issue or deemed to be in issue.

As described in Note 1, the Company converted into a joint stock limited liability company and the net assets of the Company were converted into 120,000,000 shares of RMB1.00 each on 22 December 2022. For the purpose of computing basic and diluted earnings per share, the weighted average number of ordinary shares deemed to be in issue before the Company's conversion into a joint stock company was determined assuming the conversion into joint stock company had occurred since 1 January 2021, at the exchange ratio established in the conversion in December 2022.

Earnings per share

	Years ended 31 December		
	2021	**2022**	**2023**
Earnings			
Profit attributable to the equity shareholders of the Company (RMB'000)	40,400	53,095	70,178
Shares			
Weighted average number of ordinary shares at 31 December deemed to be in issue	120,000,000	120,000,000	120,000,000
Earnings per share (basic and diluted) (RMB)	0.34	0.44	0.58

There were no dilutive potential shares outstanding during the Relevant Periods and therefore the diluted earnings per share are same as the basic earnings per share.

10 INVESTMENTS PROPERTIES

(a) Reconciliation of carrying amounts

	Office building
	RMB'000
At 1 January 2021	12,687
Fair value adjustment	(1,554)
At 31 December 2021	11,133
Disposals	(11,133)
At 31 December 2022 and 31 December 2023	–

(b) Fair value measurement of properties

(i) Fair value hierarchy

The following table presents the fair value of the Group's properties measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

Level 3 valuations: Fair value measured using significant unobservable inputs

	Fair value as at 31 December 2021 *RMB'000*
Investment properties located in Shanghai, the PRC	
– level 3	11,133

During the years ended 31 December 2021, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

The investment properties of the Group included two properties located in Shanghai Yaojiang International Plaza.

All of the Group's investment properties were revalued as at 31 December 2021. The valuations were carried out by an independent firm of surveyors, with recent experience in the location and category of properties being valued. The Group's management have had discussion with the surveyors on the valuation assumptions and valuation results when the valuation is performed at each reporting date.

As part of the Reorganization, these investment properties have been disposed of to CUCID Group in 2022 with reference to the valuation results as at 31 December 2021.

(ii) Information about Level 3 fair value measurements

The following table gives information about how the fair values of these investment properties are determined (in particular, the valuation techniques and inputs used).

Investment properties held by the Group	**Valuation techniques and key inputs**	**Significant unobservable inputs**	**Relationship of unobservable inputs to fair value**
Shanghai Yaojiang International Plaza	Market approach and income approach The key inputs are: – Market price – Capitalisation rate – Unit rent	Market price per sq.m: 31 December 2021: RMB28,000 Capitalisation rate: 31 December 2021: 5.5% Unit rent per sq.m. per month: 31 December 2021: RMB195	The higher the market price and unit rent, the higher the fair value The higher the capitalisation rate, the lower the market value

The fair value of investment properties is determined based on average amount of the valuation results by income approach and that by market approach. Under the income approach, the fair value of investment properties is estimated based on capitalisation rate and unit rent. The unit rent is mainly made reference to the rents in existing lease. Under the market approach, the fair value is estimated based on comparable transactions for properties in similar location, accessibility, age, quality, size and other factors.

(c) Additional information of leases on investment properties

The Group leases its investment properties under operating leases. The leases typically run for a period of 3 years, with an option to renew the lease after that date at which time all terms are renegotiated. Lease payments remained the same along the lease period.

Undiscounted lease payments under non-cancellable operating leases in place as at 31 December 2021 will be receivable by the Group in future periods as follows:

	As at 31 December 2021 *RMB'000*
Within 1 year	826

11 PROPERTY, PLANT AND EQUIPMENT

(a) Reconciliation of carrying amount

The Group

	Right-of-use assets *RMB'000*	**Leasehold improvement** *RMB'000*	**Machinery and electronic equipment** *RMB'000*	**Motor vehicles** *RMB'000*	**Furniture and others** *RMB'000*	**Total** *RMB'000*
Cost:						
At 1 January 2021	–	17,224	8,323	3,583	5,179	34,309
Additions	77	1,029	1,405	20,256	937	23,704
Disposals	–	–	(153)	(590)	(1,305)	(2,048)
At 31 December 2021	77	18,253	9,575	23,249	4,811	55,965
Additions	293	359	1,163	392	590	2,797
Disposals	–	(106)	(3,416)	(407)	(1,595)	(5,524)
At 31 December 2022	370	18,506	7,322	23,234	3,806	53,238
Additions	–	–	7,895	653	378	8,926
Disposals	–	–	(109)	(69)	(78)	(256)
At 31 December 2023	370	18,506	15,108	23,818	4,106	61,908

	Right-of-use assets *RMB'000*	Leasehold improvement *RMB'000*	Machinery and electronic equipment *RMB'000*	Motor vehicles *RMB'000*	Furniture and others *RMB'000*	Total *RMB'000*
Accumulated depreciation:						
At 1 January 2021	–	(13,440)	(5,171)	(2,651)	(4,017)	(25,279)
Charge for the year	(16)	(3,048)	(1,002)	(3,858)	(219)	(8,143)
Written back on disposals	–	–	130	571	313	1,014
At 31 December 2021	(16)	(16,488)	(6,043)	(5,938)	(3,923)	(32,408)
Charge for the year	(137)	(1,583)	(1,850)	(4,860)	(596)	(9,026)
Written back on disposals	–	81	2,732	397	1,054	4,264
At 31 December 2022	(153)	(17,990)	(5,161)	(10,401)	(3,465)	(37,170)
Charge for the year	(169)	(397)	(1,077)	(5,065)	(297)	(7,005)
Written back on disposal	–	–	92	69	77	238
At 31 December 2023	(322)	(18,387)	(6,146)	(15,397)	(3,685)	(43,937)
Net book value:						
At 31 December 2023	48	119	8,962	8,421	421	17,971
At 31 December 2022	217	516	2,161	12,833	341	16,068
At 31 December 2021	61	1,765	3,532	17,311	888	23,557

The Company

	Right-of-use assets *RMB'000*	Machinery and electronic equipment *RMB'000*	Motor vehicles *RMB'000*	Furniture and others *RMB'000*	Total *RMB'000*
Cost:					
At 1 January 2021	–	1,138	1,880	513	3,531
Additions	77	356	19,978	163	20,574
Disposals	–	–	(90)	–	(90)
At 31 December 2021	77	1,494	21,768	676	24,015
Additions	293	416	378	163	1,250
Disposals	–	–	–	(49)	(49)
At 31 December 2022	370	1,910	22,146	790	25,216
Additions	–	4,102	160	265	4,527
Disposals	–	(35)	–	–	(35)
At 31 December 2023	370	5,977	22,306	1,055	29,708
Accumulated depreciation:					
At 1 January 2021	–	(824)	(1,092)	(477)	(2,393)
Charge for the year	(16)	(153)	(3,596)	(50)	(3,815)
Written back on disposals	–	–	85	–	85
At 31 December 2021	(16)	(977)	(4,603)	(527)	(6,123)
Charge for the year	(137)	(291)	(4,836)	(254)	(5,518)
Written back on disposals	–	18	–	8	26
At 31 December 2022	(153)	(1,250)	(9,439)	(773)	(11,615)
Charge for the year	(169)	(560)	(4,714)	(79)	(5,522)
Written back on disposals	–	20	–	–	20
At 31 December 2023	(322)	(1,790)	(14,153)	(852)	(17,117)
Net book value:					
At 31 December 2023	48	4,187	8,153	203	12,591
At 31 December 2022	217	660	12,707	17	13,601
At 31 December 2021	61	517	17,165	149	17,892

(b) Right-of-use assets

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

		As at 31 December		
	Note	**2021**	**2022**	**2023**
		RMB'000	*RMB'000*	*RMB'000*
Properties leased for own use, carried at depreciated cost	*11(a)*	61	217	48

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

		Years ended 31 December		
	Note	**2021**	**2022**	**2023**
		RMB'000	*RMB'000*	*RMB'000*
Depreciation charge of right-of-use assets by class of underlying assets:				
– Properties leased for own use carried at depreciated cost	*(i)*	16	137	169
Interest on lease liabilities	*5(b)*	1	8	6
Expense relating to short-term leases		5,240	5,955	4,331
Variable lease payments not included in the measurement of lease liabilities	*(ii)*	9,677	10,695	12,373

i. During the years ended 31 December 2021, 2022 and 2023, additions to right-of-use assets were primarily related to the capitalised lease payments payable under new tenancy agreements.

   Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in Notes 18(d) and 21, respectively. The Group leases apartments and commercial properties under leases expiring in 1-2 years.

ii. The Group leased a number of parking lots which contain variable lease payment terms that are based on revenue generated from the parking lots and there is no fixed lease payment. These payment terms are common in parking lots where the Group operates. Variable lease payments are based on 15-20% of the Group's sublease revenue during each year.

12 INTANGIBLE ASSETS

	Software
	RMB'000
Cost:	
At 1 January 2021	361
Additions	16
At 31 December 2021	377
Additions	9
At 31 December 2022	386
Additions	88
At 31 December 2023	474

	Software
	RMB'000
Accumulated amortisation:	
At 1 January 2021	(56)
Charge for the year	(123)
At 31 December 2021	(179)
Charge for the year	(109)
At 31 December 2022	(288)
Charge for the year	(103)
At 31 December 2023	(391)
Net book value:	
At 31 December 2023	83
At 31 December 2022	98
At 31 December 2021	198

13 INVESTMENTS IN JOINT VENTURES

The following list contains a material joint venture of the Group and the Company, which is unlisted corporate entity whose quoted market price is not available:

Name of joint venture	Form of business structure	Place of incorporation and business	Particulars of registered/ paid-up capital	Proportion of ownership interest held by the Company As at 31 December 2021	2022	2023	Principal activity
Pingxiang Huiheng Pilot Property Management Co., Ltd.* 萍鄉市匯恒先導物業管理有限公司 ("Pingxiang Huiheng")	Company with limited liability	the PRC	RMB8,000,000/ RMB2,400,000	55%	55%	55%	Provision of property management services

* The official name of this entity is in Chinese. The English translation of the name is for identification only.

Pursuant to the article of association of Pingxiang Huiheng, and the shareholders' agreements between the shareholders of Pingxiang Huiheng, both the Company and another shareholder of Pingxiang Huiheng have the power to nominate two directors to Pingxiang Huiheng, while the remaining director shall be selected by employees' representations. However, at least four out of five directors are required to pass a resolution by its board of directors. Accordingly, unanimous consent from both of shareholders is required for decisions about the relevant activities of Pingxiang Huiheng. Therefore, the Group and the other shareholder of Pingxiang Huiheng have joint control over Pingxiang Huiheng, and the Group recognises its investment in Pingxiang Huiheng as an investment in a joint venture.

Summarised financial information of Pingxiang Huiheng, adjusted for any differences in accounting policies, and reconciled to the carrying amounts in the Historical Financial Information, are disclosed below:

	As at 31 December/years ended 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Current assets	17,959	24,894	25,160
Non-current assets	667	492	299
Current liabilities	(7,648)	(12,521)	(10,412)
Equity	10,978	12,865	15,047
Revenue	23,422	26,007	25,021
Profit from continuing operations	4,348	1,887	2,182
Profit and total comprehensive income	4,348	1,887	2,182
Reconciled to the Group's interest in the joint venture			
Gross amount of net assets of the joint venture	10,978	12,865	15,047
Group's effective interest	55%	55%	55%
Group's share of net assets of the joint venture	6,038	7,076	8,276
Group's share of profits and total comprehensive income	2,391	1,038	1,200

The following list contains joint ventures of the Group and the Company that are not individually material, which is unlisted corporate entities whose quoted market prices are not available:

Name of joint venture	Form of business structure	Place of incorporation and business	Particulars of registered/ paid-up capital	Proportion of ownership interest held by the Company As at 31 December 2021	2022	2023	Principal activity
Changsha Wangcheng District New Hope Pilot Property Management Co., Ltd.* 長沙市望城區新希望先導物業管理有限責任公司("Wangcheng Property Management")	Company with limited liability	the PRC	RMB5,000,000/ RMB5,000,000	51%	51%	51%	Provision of property management services
Huaihua Hecheng District Chengtou Property Management Co., Ltd.* 懷化市鶴城區城投物業管理有限公司 ("Huaihua Property Management")	Company with limited liability	the PRC	RMB10,000,000/ RMB3,000,000	51%	51%	51%	Provision of property management services

* The official name of this entity is in Chinese. The English translation of the name is for identification only.

Aggregate information of joint ventures that are not individually material:

	As at 31 December/years ended 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Aggregate carrying amount of individually immaterial joint ventures in the Historical Financial Information	2,747	3,984	4,804
Aggregate amounts of the Group's share of those joint ventures' profits less losses and net total comprehensive income	(680)	1,237	310

14 INVESTMENT IN AN ASSOCIATE

The following list contains an associate of the Group that is not individually material, which is an unlisted corporate entity whose quoted market prices is not available:

Name of associate	Form of business structure	Place of incorporation and business	Particulars of registered/ paid-up capital	Proportion of ownership interest held by the Company As at 31 December 2021	2022	2023	Principal activity
Changsha Chengyu Commercial Management Co., Ltd. 長沙市城寓商業管理有限公司 ("Chengyu")	Company with limited liability	the PRC	RMB25,000,000/ RMB25,000,000	40%	40%	40%	Provision of property management services

Summarised financial information of the associate, are disclosed below:

	As at 31 December/years ended 31 December 2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Carrying amount of associate in the consolidated statements of financial position	14,046	11,222	11,039
Amounts of the Group's share of associate net profits and total comprehensive income	2,935	817	668

15 INVESTMENTS IN SUBSIDIARIES

The Company

	As at 31 December 2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Investment in subsidiaries	14,116	87,886	87,886

The particulars of the subsidiaries of the Group are set out in Note 1.

16 INVENTORIES

(a) Inventories in the consolidated statements of financial position comprise:

	As at 31 December 2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Consumables	2,426	3,202	4,152

(b) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	As at 31 December 2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Carrying amount of inventories sold or consumed	46,503	59,468	115,173

17 PREPAYMENTS, TRADE AND OTHER RECEIVABLES

The Group

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables			
– related parties *(Note 28(d))*	54,103	72,519	54,888
– third parties	49,753	66,948	51,849
	103,856	139,467	106,737
Less: allowance for trade receivables *(Note 26(a))*	(16,091)	(21,339)	(22,016)
	87,765	118,128	84,721
Other receivables	7,529	12,649	10,439
Less: allowance for other receivables	(809)	(935)	(1,598)
Subtotal	6,720	11,714	8,841
Amounts due from related parties *(Note 28(d))*	72,473	66,744	585
Input VAT to be deducted	1,991	1,330	2,355
Prepaid income tax	133	123	2,434
Prepayments	3,823	9,710	9,035
Prepayment for [**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
	172,905	208,786	127,616

The Company

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables			
– related parties (other than subsidiaries)	19,516	14,977	9,312
– subsidiaries	191	22,995	21,648
– third parties	34,081	45,428	32,175
	53,788	83,400	63,135
Less: allowance for trade receivables	(11,650)	(13,233)	(11,931)
	42,138	70,167	51,204
Other receivables	5,050	9,577	7,479
Less: allowance for other receivables	(809)	(935)	(1,500)
Subtotal	4,241	8,642	5,979
Amounts due from subsidiaries	4,012	14,681	8,818
Amounts due from related parties (other than subsidiaries)	11,430	8,246	526
Input VAT to be deducted	528	6	630
Prepayments	1,689	3,104	7,542
Prepayment for [**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
	64,038	105,883	94,344

As at 31 December 2021, 2022 and 2023, except for trade receivables from related parties and deposit due from related parties amounting to RMB520,000 as at 31 December 2023, amounts due from related parties are non-trade in nature, unsecured, interest-free and repayable on demand. The directors of the Company have confirmed that the amounts due from related parties with non-trade nature will be settled in full prior to the [**REDACTED**] of the Company's shares on the Stock Exchange. Details of the amounts due from related parties are set out in Note 28(d).

All of the prepayments, trade and other receivables are expected to be recovered or recognised as expense within one year.

Ageing analysis

As of the end of each reporting period, the ageing analysis of trade receivables based on the date of relevant revenue recognised and net off loss allowance, is as follows:

The Group

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	74,227	96,457	71,813
1 to 2 years	11,052	19,513	12,596
Over 2 years	2,486	2,158	312
	87,765	118,128	84,721

The Company

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	37,985	69,504	48,071
1 to 2 years	3,746	640	2,821
Over 2 years	407	23	312
	42,138	70,167	51,204

Trade receivables are due when the receivables are recognised. Further details on the Group's credit policy and credit risk arising from trade receivables are set out in Note 26(a).

18 CASH AND CASH EQUIVALENTS AND RESTRICTED BANK DEPOSITS AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents and restricted bank deposits comprise:

The Group

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Cash at banks	130,215	124,441	214,789
Less: restricted bank deposits *(Note)*	(288)	(619)	(4,579)
	129,927	123,822	210,210

Note: The restricted bank deposits are restricted according to relevant government regulation (i.e. special account for salary payment of migrant workers), by performance guarantee or by relevant banks for their administrative measure.

The Company

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Cash at banks	60,836	46,985	42,745

(b) Reconciliation of profit before taxation to cash generated from operations:

		Years ended 31 December		
	Note	**2021**	**2022**	**2023**
		RMB'000	*RMB'000*	*RMB'000*
Profit before taxation		54,178	70,686	93,000
Adjustments for:				
Depreciation and amortisation	*5(d)*	8,266	9,135	7,108
Share of profits less losses of associate and joint ventures	*13*	(4,646)	(3,092)	(2,178)
Finance costs	*5(b)*	1	8	6
Finance income	*5(a)*	(1,180)	(1,221)	(2,212)
Gain on disposal of non-current assets	*5(e)*	(3)	(61)	(3)
Expected credit loss on trade receivables, other receivables and contract assets		11,920	10,758	7,266
Changes in fair value of investment properties	*5(e)*	1,554	–	–
Changes in working capital:				
Increase in inventories		(1,268)	(1,835)	(950)
(Increase)/decrease in prepayments, trade and other receivables		(31,049)	(46,013)	34,588
Increase in contract assets		(69,041)	(74,527)	(98,343)
Increase in trade and other payables		64,794	53,621	80,869
Increase in restricted bank deposits		(288)	(331)	(3,960)
Increase/(decrease) in contract liabilities		15,505	(10,857)	4,838
Increase in deferred income		–	–	2,132
Cash generated from operation activities		48,743	6,271	122,161

(c) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated statements of cash flow as cash flows from financing activities.

	Amounts due to related parties *RMB'000* *(Note 19)*	Dividend payable *RMB'000* *(Note 19)*	Lease liabilities *RMB'000* *(Note 21)*	Total *RMB'000*
At 1 January 2021	46,655	12,257	–	58,912
Changes from financing cash flows:				
Advances from related parties	9,319	–	–	9,319
Repayments of advances from related parties	(10,046)	–	–	(10,046)
Capital element of lease rentals paid	–	–	(37)	(37)
Interest element of lease rentals paid	–	–	(1)	(1)
Dividend paid	–	–	–	–
Total changes from financing cash flows	(727)	–	(38)	(765)
Other changes:				
Interest expenses *(Note 5(b))*	–	–	1	1
Dividend approved *(Note 25(d))*	–	500	–	500
Addition of right-of-use assets *(Note 11(a))*	–	–	77	77
Total other changes	–	500	78	578
At 31 December 2021	45,928	12,757	40	58,725

	Amounts due to related parties *RMB'000* *(Note 19)*	Dividend payable *RMB'000* *(Note 19)*	Lease liabilities *RMB'000* *(Note 21)*	Total *RMB'000*
At 1 January 2022	45,928	12,757	40	58,725
Changes from financing cash flows:				
Advances from related parties	3,650	–	–	3,650
Repayments of advances from related parties	(11,695)	–	–	(11,695)
Capital element of lease rentals paid	–	–	(155)	(155)
Interest element of lease rentals paid	–	–	(8)	(8)
Dividend paid	–	(7,667)	–	(7,667)
Total changes from financing cash flows	(8,045)	(7,667)	(163)	(15,875)
Other changes:				
Interest expenses *(Note 5(b))*	–	–	8	8
Acquisition of a subsidiary under common control *(Note 1.2)*	9,872	–	–	9,872
Addition of right-of-use assets *(Note 11(a))*	–	–	293	293
Total other changes	9,872	–	301	10,173
At 31 December 2022	47,755	5,090	178	53,023

	Amounts due to related parties *RMB'000* *(Note 19)*	Dividend payable *RMB'000* *(Note 19)*	Lease liabilities *RMB'000* *(Note 21)*	Total *RMB'000*
At 1 January 2023	47,755	5,090	178	53,023
Changes from financing cash flows:				
Advances from related parties	12,700	–	–	12,700
Repayments of advances from related parties	(28,575)	–	–	(28,575)
Capital element of lease rentals paid	–	–	(148)	(148)
Interest element of lease rentals paid	–	–	(6)	(6)
Net cash out on Reorganization *(Note 1.2)*	(9,872)	–	–	(9,872)
Dividend paid	–	(5,090)	–	(5,090)
Total changes from financing cash flows	(25,747)	(5,090)	(154)	(30,991)
Other changes:				
Net off against trade receivables *(Note)*	(12,000)	–	–	(12,000)
Interest expenses *(Note 5(b))*	–	–	6	6
Total other changes	(12,000)	–	6	(11,994)
At 31 December 2023	10,008	–	30	10,038

Note: Pursuant to a net settlement agreement, during the year ended 31 December 2023, amount due to Changsha Comprehensive Transportation Hub Construction Investment Co., Ltd., a subsidiary of CSUDGCL, amounting RMB12,000,000 with non-trade in nature has been settled through offsetting the trade receivable from the same counterparty.

(d) Total cash outflow for leases

Amounts included in the cash flow statement for leases comprise the followings:

	Years ended 31 December		
	2021 *RMB'000*	**2022** *RMB'000*	**2023** *RMB'000*
Within operating cash flows	(17,065)	(27,303)	(8,418)
Within financing cash flows	(38)	(163)	(154)
	(17,103)	(27,466)	(8,572)

19 TRADE AND OTHER PAYABLES

The Group

	As at 31 December		
	2021 *RMB'000*	**2022** *RMB'000*	**2023** *RMB'000*
Trade payables			
– related parties *(Note 28(d))*	15,703	13,367	21,021
– third parties	98,670	136,769	207,785
	114,373	150,136	228,806

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Amounts due to related parties *(Note 28(d))*	45,928	47,755	10,008
Dividend payable *(Note 28(d))*	12,757	5,090	–
Accrued payroll and other benefits	16,470	15,367	21,669
Other taxes and charges payables	11,316	21,788	19,492
Deposits	37,655	44,599	53,984
Receipts on behalf of property owners and tenants	18,392	20,712	22,120
Other payables and accrued charges	5,016	4,221	3,619
	261,907	309,668	359,698

The Company

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Trade payables			
– subsidiaries	4,540	5,587	7,182
– related parties (other than subsidiaries)	6,527	9,107	9,214
– third parties	37,058	48,590	36,992
	48,125	63,284	53,388
Amounts due to subsidiaries	29,302	6,684	32,042
Amounts due to related parties (other than subsidiaries)	11,209	15,466	3,835
Dividend payable	4,610	4,610	–
Accrued payroll and other benefits	5,972	4,394	6,317
Other taxes and charges payables	4,832	7,315	3,348
Deposits	10,764	11,384	11,795
Receipts on behalf of property owners and tenants	10,773	11,950	7,371
Other payables and accrued charges	1,925	2,228	1,823
	127,512	127,315	119,919

All trade and other payables (including amounts due to related parties) are interest-free, and are expected to be settled or recognised within one year or are repayable on demand.

As at 31 December 2021, 2022 and 2023, except for trade payables to related parties, amounts due to related parties are non-trade nature. The directors of the Company have confirmed that the amounts due to related parties with non-trade nature will be settled prior to the [**REDACTED**] of the Company's shares on the Stock Exchange.

As of the end of each reporting period, the ageing analysis of trade payables based on the invoice date, is as follows:

The Group

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	98,400	129,466	211,819
1 to 2 years	15,429	17,680	15,973
Over 2 years	544	2,990	1,014
	114,373	150,136	228,806

The Company

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	44,946	55,469	45,639
1 to 2 years	2,777	5,559	7,749
Over 2 years	402	2,256	–
	48,125	63,284	53,388

20 CONTRACT ASSETS AND CONTRACT LIABILITIES

(a) Contract assets

The Group

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Arising from performance under lighting system operations services and landscaping and engineering services contracts			
– related parties	45,230	72,538	124,926
– third parties	44,373	91,593	137,548
	89,603	164,131	262,474
Less: loss allowance on contract assets	(1,460)	(6,845)	(12,771)
	88,143	157,286	249,703

The Company

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Arising from performance under lighting system operation services contracts			
– related parties	2,567	2,374	6,216
– third parties	27,667	46,080	46,173
	30,234	48,454	52,389
Less: loss allowance on contract assets	(885)	(5,021)	(5,632)
	29,349	43,433	46,757

(b) Contract liabilities

The Group

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Billings in advance of performance under property management services and landscaping and engineering services contracts			
– related parties	15,571	1,088	2,021
– third parties	8,972	12,549	16,454
	24,543	13,637	18,475

Contract liabilities of the Group mainly arise from the advance payments made by customers while the underlying services are yet to be provided.

Movements in contract liabilities

	As at 31 December/years ended 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Balance as 1 January	9,038	24,543	13,637
Revenue recognised that was included in the balance of contract liabilities at the beginning of the year	(9,038)	(24,543)	(13,637)
Increase by cash received	24,543	13,637	18,475
Balance at 31 December	24,543	13,637	18,475

The Company

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Billings in advance of performance under property management services contracts			
– related parties	492	–	23
– third parties	5,751	5,664	8,021
	6,243	5,664	8,044

	As at 31 December/years ended 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Balance as 1 January	4,661	6,243	5,664
Revenue recognised that was included in the balance of contract liabilities at the beginning of the year	(4,661)	(6,243)	(5,664)
Increase by cash received	6,243	5,664	8,044
Balance at 31 December	6,243	5,664	8,044

21 LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's and the Company's lease liabilities at the end of each reporting period:

	As at 31 December 2021		As at 31 December 2022		As at 31 December 2023	
	Present value of the minimum lease payments	**Total minimum lease payments**	**Present value of the minimum lease payments**	**Total minimum lease payments**	**Present value of the minimum lease payments**	**Total minimum lease payments**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	40	41	148	154	30	32
After 1 year but within 2 years	–	–	30	32	–	–
	–	41	30	186	–	32
	40		178		30	
Less: total future interest expenses		(1)		(8)		(2)
Present value of lease liabilities		40		178		30

22 PROVISIONS

	Provision for onerous contract *RMB'000*
At 1 January 2021	511
Additional provision for the year	702
Utilisation of provision	(511)
At 31 December 2021	702
Utilisation of provision	(702)
At 31 December 2022 and 31 December 2023	–

The provision for onerous contracts relates to certain contracts with customers under which the unavoidable costs of meeting the obligation exceed the economic benefits to be received due to anticipated increase in certain costs for services provided.

23 DEFERRED INCOME

	Government grants for assets *RMB'000*
At 1 January 2021, 31 December 2021 and 31 December 2022	–
Received during the year	2,291
Amortisation for the year	(159)
At 31 December 2023	2,132

The Group and the Company received government grants for the acquisition of non-current assets. These grants are deferred over the useful lives of relevant assets. The amortisation amounts were recognised as "other net income" in the consolidated statement of profit or loss.

24 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(a) Current taxation in the consolidated statements of financial position represents:

The Group

	Years ended 31 December		
	2021 *RMB'000*	**2022** *RMB'000*	**2023** *RMB'000*
At 1 January	15,357	25,466	30,306
Provision for PRC Income Tax for the year	15,479	19,227	25,755
PRC Income Tax paid	(5,370)	(14,387)	(42,156)
At 31 December	25,466	30,306	13,905

The Company

	Years ended 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
At 1 January	7,785	13,609	16,420
Provision for PRC Income Tax for the year	7,982	8,558	1,220
PRC Income Tax paid	(2,158)	(5,747)	(10,083)
At 31 December	13,609	16,420	7,557

(b) Deferred tax assets recognised:

(i) Movement of each component of deferred tax assets

The components of deferred tax assets recognised in the consolidated statements of financial position and the movements during the year, with taking into consideration the offsetting of balances within the same tax jurisdiction are as follows:

Deferred tax arising from:	**Unused tax losses**	**Expected credit loss allowance**	**Provisions**	**Government grants**	**Lease expenses and others**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2021	1,285	1,610	128	–	–	3,023
(Charged)/credited to profit or loss	(900)	2,980	48	–	14	2,142
At 31 December 2021 and 1 January 2022	385	4,590	176	–	14	5,165
(Charged)/credited to profit or loss	(372)	2,689	(176)	–	(4)	2,137
At 31 December 2022 and 1 January 2023	13	7,279	–	–	10	7,302
Credited to profit or loss	582	1,816	–	533	2	2,933
As at 31 December 2023	595	9,095	–	533	12	10,235

(ii) Reconciliation to the consolidated statements of financial position

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Deferred tax asset	5,170	7,312	10,243
Set-off of deferred tax liabilities	(5)	(10)	(8)
Net deferred tax assets recognised in the consolidated statements of financial position	5,165	7,302	10,235

Note: As at 31 December 2021, 2022 and 2023, the Group has deductible temporary difference of RMB1,596,000, RMB1,596,000 and RMB1,596,000, respectively, in relation to which no deferred tax asset has been recognised, as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

25 CAPITAL, RESERVES, DIVIDENDS AND NON-CONTROLLING INTERESTS

(a) Paid-in capital and share capital

Paid-in capital

	As at 31 December/years ended 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
At 1 January	10,000	10,000	–
Transfer from retained profits	–	10,000	–
Conversion into a joint stock company	–	(20,000)	–
At 31 December	10,000	–	–

On 7 September 2015, CSUDGCL contributed capital of RMB10,000,000 as paid-in capital.

On 26 October 2022, a resolution has been passed by the shareholders of the Company to transfer retained profits of RMB10,000,000 into paid-in capital.

Share capital

	Number of shares in issue	**Share capital**
		RMB'000
Ordinary shares issued and fully paid		
At 1 January 2021 and 1 January 2022	–	–
Transfer from other equity components upon conversion into a joint stock company	120,000,000	120,000
At 31 December 2022 and 1 January 2023 and 31 December 2023	120,000,000	120,000

On 22 December 2022, the Company converted into a joint stock company with 120,000,000 ordinary shares of RMB1 each.

(b) Movements in components of equity

The reconciliation between the opening balance and closing balances of each component of the Group's consolidated equity is set out in the consolidated statements of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

The Company

	Paid-in capital/share capital *RMB'000*	Capital reserve *RMB'000*	Statutory surplus reserve *RMB'000*	Retained profits *RMB'000*	Total *RMB'000*
Balance at 1 January 2021	10,000	–	4,945	19,711	34,656
Changes in equity for the year ended 31 December 2021:					
Profit and total comprehensive income for the year	–	–	–	17,672	17,672
Appropriation for statutory surplus reserve	–	–	1,767	(1,767)	–
Dividends approved	–	–	–	(20)	(20)
Balance at 31 December 2021 and 1 January 2022	10,000	–	6,712	35,596	52,308
Profit and total comprehensive income for the year	–	–	–	56,054	56,054
Deemed contribution from controlling shareholder *(Note)*	–	58,898	–	–	58,898
Conversion into paid-in capital	10,000	–	–	(10,000)	–
Conversion into a joint stock company	100,000	(39,096)	(6,712)	(54,192)	–
Appropriation for statutory surplus reserve	–	–	5,605	(5,605)	–
Balance at 31 December 2022 and 1 January 2023	120,000	19,802	5,605	21,853	167,260
Profit and total comprehensive income for the year	–	–	–	3,330	3,330
Appropriation for statutory surplus reserve	–	–	333	(333)	–
Balance at 31 December 2023	120,000	19,802	5,938	24,850	170,590

Note: As set out in Note 1.3, upon completion of certain steps of the Reorganisation set out in Note 1.2, the excess of the existing book value of the net assets as at the date of acquisition of the combining entities from CSUDGCL's perspective on the consideration paid or payable of RMB58,898,000 was deemed as contribution to the Company.

(c) Nature and purposes of reserves

(i) Capital reserve

For the purpose of the Historical Financial Information, as at 1 January 2021 and 31 December 2021, capital reserve balance of the Group mainly represents:

– the aggregate amount of the paid-in capital and capital reserve of all entities acquired by the Group under common control before the Reorganization;

– the difference between the consideration received and net assets disposed by the Company upon the Reorganization; and

– the difference between the consideration paid and net assets acquired by the Company for acquisition of non-controlling interests in subsidiaries.

(ii) Statutory surplus reserve

Statutory reserve is established in accordance with the relevant PRC rules and regulations and the articles of association of the companies which are incorporated in the PRC until the reserve balance reaches 50% of their registered capital. The transfer to this reserve must be made before distribution of a dividend to equity holders.

For the entities concerned, this reserve can be utilised in setting off accumulated losses or increasing capital and is non-distributable other than in liquidation.

For the years ended 31 December 2021, 2022 and 2023, appropriation to statutory surplus reserve made by the Company's subsidiaries amounting to RMB2,363,000, RMB3,259,000 and RMB6,353,000, respectively, and was included in the consolidated retained profits attributable to equity shareholders of the Company.

(d) Dividends

For the years ended 31 December 2021, 2022 and 2023, dividends amounting to RMB20,000, nil and nil were declared by the Company, respectively. As at 31 December 2023, the dividend payable has been fully paid.

For the years ended 31 December 2021, 2022 and 2023, aggregated dividends amounting to RMB480,000, nil and nil were declared by Chengtou Asset, Chengfa Commercial and Parking Company to their then shareholders prior to the Reorganization, respectively. The dividends were fully paid subsequently.

(e) Non-controlling interests

As set out in Note 1, as at 1 January 2021 and 31 December 2021, non-controlling interests primarily relates to Parking Company, in which 10% of the entity interest held by shareholder who was not under common control of CSUDGCL was deemed as non-controlling interests.

Upon the completion of the Reorganization, the non-controlling interests of Parking Company, representing 10% of the equity interest, was acquired by the Company and since then Parking Company became a wholly-owned subsidiary of the Company.

(f) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

26 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity and interest rate arises in the normal course of the Group's business. No significant currency risk arises in the normal course of the Group's business during the Relevant Periods.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

* The official names of the entities is in Chinese. The English translation of the names are for identification only.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade and other receivables and contract assets. The Group's exposure to credit risk arising from cash and cash equivalents and restricted bank deposits are limited because the counterparties are banks, financial institutions with a high credit standing assigned by external rating agency, for which the Group considers having low credit risk. For the purposes of internal credit risk management, the Group has applied the general approach in IFRS 9 to measure the loss allowance at 12-month ECLs as there is no significant increase in credit risk since initial recognition. The Group determines the expected credit losses for these assets by assessment of probability of default, loss given default and exposure at default.

The Group does not provide any guarantees which would expose the Group to credit risk.

For other receivables, the directors of the Company make periodic individual assessment on the recoverability of other receivables based on historical settlement record, past experience and supportive forward-looking information. As at 31 December 2021, 2022 and 2023, loss allowance of RMB809,000, RMB935,000 and RMB1,598,000 was recognised in respect of other receivables based on the Group's assessment.

To measure the ECLs, trade receivables and contract assets have been assessed on individual basis or on customer groups based on shared credit risk characteristics and the days past due. The historical loss rates are determined by reference to the credit rating analysis of respective customers and external data or based on the payment profiles of sales over a period before the respective period ends and the corresponding historical credit losses experienced within these periods. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

The Group exposes to concentration of credit risk from individual customers. As at 31 December 2021, 2022 and 2023, 50.29%, 47.78% and 46.75% of the total trade receivables and contract assets were due from the Group's largest customer, CSUD Group, respectively. And as at 31 December 2021, 2022 and 2023, 74.38%, 75.23% and 77.70% of the total trade receivables and contract assets were due from the Group's five largest customers, respectively.

The following table provides information about Group's exposure to credit risk and ECLs for trade receivables and contract assets as at 31 December 2021, 2022 and 2023.

	As at 31 December 2021			As at 31 December 2022			As at 31 December 2023		
	Expected loss rate	Grossing carrying amount	Loss allowance	Expected loss rate	Grossing carrying amount	Loss allowance	Expected loss rate	Grossing carrying amount	Loss allowance
	%	*RMB'000*	*RMB'000*	%	*RMB'000*	*RMB'000*	%	*RMB'000*	*RMB'000*
On individual basis	100.0%	10,406	(10,406)	100.0%	13,101	(13,101)	100.0%	10,671	(10,671)
On customer group									
– Related parties	0.1%	99,333	(99)	0.1%	145,057	(146)	0.1%	179,814	(180)
– Third parties									
Within 1 year	3.2%	72,743	(2,327)	3.9%	127,010	(4,897)	5.4%	155,651	(8,404)
1-2 years	26.4%	8,502	(2,244)	34.4%	12,787	(4,397)	29.9%	10,762	(3,219)
Over 2 years	100.0%	2,475	(2,475)	100.0%	5,643	(5,643)	100.0%	12,313	(12,313)
		193,459	(17,551)		303,598	(28,184)		369,211	(34,787)

Expected loss rates are based on actual loss experience over the past 2 years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables. Trade receivables from third parties usually have higher expected loss rates. As at 31 December 2021, 2022 and 2023, trade receivables from third parties accounted for 47.91%, 48.00% and 48.58% of the total trade receivables. Loss allowances are calculated based on the ECL rates and reflected the increase in trade receivables from third parties during the Relevant Periods.

(b) Liquidity risk

The following tables show the remaining contractual maturities at the end of each reporting period of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay.

	Year ended 31 December 2021					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount at 31 December
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and other payables	216,348	–	–	–	216,348	216,348
Lease liabilities	41	–	–	–	41	40
	216,389	–	–	–	216,389	216,388

	Year ended 31 December 2022					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount at 31 December
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and other payables	263,202	–	–	–	263,202	263,202
Lease liabilities	154	32	–	–	186	178
	263,356	32	–	–	263,388	263,380

	Year ended 30 June 2023					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount at 31 December
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and other payables	314,918	–	–	–	314,918	314,918
Lease liabilities	32	–	–	–	32	30
	314,950	–	–	–	314,950	314,948

(c) Interest rate risk

(i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from cash at bank. Those instruments issued at float rates expose the Group to cash flow interest risk. The Group's interest rate profile as monitored by management is set out in (ii) below.

(ii) Interest rate profile

The following table details the interest rate profile of the Group's floating-rate and fixed-rate instruments at the end of each reporting period.

	As at 31 December					
	2021		**2022**		**2023**	
	Effective interest rate %	*RMB'000*	*Effective interest rate %*	*RMB'000*	*Effective interest rate %*	*RMB'000*
Floating-rate instrument:						
Cash at bank	0.35%	130,215	0.35%	124,441	0.20%	214,789
Fixed-rate instruments:						
Lease liabilities	5.50%	(40)	5.50%	(178)	5.50%	(30)

The Group is mainly exposed to cash flow interest risk in relation to floating instruments. No sensitivity analysis is prepared for the Relevant Periods as the cash at banks is the only item exposing to cash flow interest risk, and the Group consider that the exposure of cash flow interest risk arising from variable interest rate cash at bank is insignificant.

(d) Fair value measurement

(i) Fair value of financial assets and liabilities carried at other than fair value

The carrying amount of the Group's financial instruments carried at amortised cost were not materially different from their fair value as at 31 December 2021, 2022 and 2023, respectively.

27 COMMITMENTS

Capital commitments outstanding at 31 December 2021, 2022 and 2023 not provided for in the financial statements were as follows:

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Contracted for	7,160	7,160	6,650

28 MATERIAL RELATED PARTY TRANSACTIONS

(a) Name and relationship with related parties

During the years ended 31 December 2021, 2022 and 2023, the directors are of the view that the following are related parties of the Group:

Name of related parties	Relationship with the Group
CSUDGCL	Controlling shareholder
Changning Qiandu Project Management Co., Ltd.* 常寧市鉛都項目管理有限公司	Controlled by the controlling shareholder of the Company
Hunan Chengfa Smart Weitong Technology Co., Ltd.* 湖南城發智慧維通科技有限公司	Controlled by the controlling shareholder of the Company
Hunan Jiaohua Water Conservancy Hub Development and Construction Co., Ltd.* 湖南椒花水利樞紐開發建設股份有限公司	Controlled by the controlling shareholder of the Company
Hunan Liwei Zhongtian Technology Development Co., Ltd.* 湖南力唯中天科技發展有限公司	Controlled by the controlling shareholder of the Company
Hunan Pilot International Trade Co., Ltd.* 湖南先導國際貿易有限公司	Controlled by the controlling shareholder of the Company
Hunan Pilot Energy Co., Ltd.* 湖南先導能源有限公司	Controlled by the controlling shareholder of the Company
Hunan Pilot Yanghu Regenerated Water Co., Ltd.* 湖南先導洋湖再生水有限公司	Controlled by the controlling shareholder of the Company
Hunan Pilot Film Co., Ltd.* 湖南先導影業有限公司	Controlled by the controlling shareholder of the Company
Hunan Pilot Sinopec Energy Co., Ltd.* 湖南先導中石化能源有限公司	Controlled by the controlling shareholder of the Company
Yanghu Wetland Development and Management Co., Ltd.* 洋湖濕地開發管理有限公司	Controlled by the controlling shareholder of the Company
Yuelushan Company	Controlled by the controlling shareholder of the Company
Changsha Anxin Security Industry Co., Ltd.* 長沙安信安防實業有限公司	Controlled by the controlling shareholder of the Company
Changsha Surveying and Mapping Co., Ltd.* 長沙測繪有限公司	Controlled by the controlling shareholder of the Company
Changsha Chengfa Hengcheng Real Estate Co., Ltd.* 長沙城發恒城置業有限公司	Controlled by the controlling shareholder of the Company
Changsha Chengfa Hengkun Real Estate Co., Ltd.* 長沙城發恒坤置業有限公司	Controlled by the controlling shareholder of the Company
Changsha Chengfa Hengshi Real Estate Co., Ltd.* 長沙城發恒世置業有限公司	Controlled by the controlling shareholder of the Company
Changsha Chengfa Hengwei Real Estate Co., Ltd.* 長沙城發恒偉置業有限公司	Controlled by the controlling shareholder of the Company
Changsha Chengfa Energy Co., Ltd.* 長沙城發能源有限公司	Controlled by the controlling shareholder of the Company
Chengfa Smart Travel Company	Controlled by the controlling shareholder of the Company
Changsha Urban Renewal Investment Construction Operation Co., Ltd.* 長沙城市更新投資建設運營有限公司	Controlled by the controlling shareholder of the Company
Changsha Chengtou Urban Rural Development and Construction Co., Ltd.* 長沙城投城鄉開發建設有限公司	Controlled by the controlling shareholder of the Company
Changsha Chengtou International Convention and Exhibition Center Investment and Development Co., Ltd.* 長沙城投國際會展中心投資開發有限責任公司	Controlled by the controlling shareholder of the Company
Changsha Chengtou Airport Relocation Investment Development Co., Ltd.* 長沙城投機場遷建投資開發有限責任公司	Controlled by the controlling shareholder of the Company

Name of related parties	Relationship with the Group
Changsha Chengtou Railway Station Relocation and Development Co., Ltd.* 長沙城投鐵路站場遷建開發有限公司	Controlled by the controlling shareholder of the Company
Damei Cultural	Controlled by the controlling shareholder of the Company
Changsha High Speed Railway Xicheng Construction Investment Co., Ltd.* 長沙高鐵西城建設投資有限公司	Controlled by the controlling shareholder of the Company
Changsha Water Supply Co., Ltd.* 長沙供水有限公司	Controlled by the controlling shareholder of the Company
Changsha Hengchengye Real Estate Development Co., Ltd.* 長沙恒誠業房地產開發有限公司	Controlled by the controlling shareholder of the Company
Changsha Hengchengye Real Estate Development Co., Ltd.* 長沙恒誠業房地產開發有限公司雅詩閣公寓分公司	Controlled by the controlling shareholder of the Company
Changsha Henghong Real Estate Development Co., Ltd.* 長沙恒宏房地產開發有限公司	Controlled by the controlling shareholder of the Company
Changsha Hengtu Real Estate Development Co., Ltd.* 長沙恒圖房地產開發有限公司	Controlled by the controlling shareholder of the Company
Changsha Hengzhi Real Estate Development Co., Ltd.* 長沙恒志房地產開發有限公司	Controlled by the controlling shareholder of the Company
Changsha Hengzhi Real Estate Development Co., Ltd.* 長沙恒志房地產開發有限公司長沙湘江豪生酒店分公司	Controlled by the controlling shareholder of the Company
Changsha Hengzhou Asset Management Co., Ltd.* 長沙恒舟資產經營管理有限公司	Controlled by the controlling shareholder of the Company
Changsha Lianchuang Public Safety Technology Co., Ltd.* 長沙聯創公共安全科技有限責任公司	Controlled by the controlling shareholder of the Company
Changsha Lushan Urban Renewal Investment and Construction Co., Ltd.* 長沙麓山城市更新投資建設有限公司	Controlled by the controlling shareholder of the Company
Changsha Malanshan Investment and Development Construction Co., Ltd.* 長沙馬欄山投資開發建設有限公司	Controlled by the controlling shareholder of the Company
Changsha Binjiang New City Construction and Development Co., Ltd.* 長沙市濱江新城建設開發有限責任公司	Controlled by the controlling shareholder of the Company
the CUCID Group	Controlled by the controlling shareholder of the Company
Changsha Urban Investment Infrastructure Construction Project Management Co., Ltd.* 長沙市城投基礎設施建設專案管理有限公司	Controlled by the controlling shareholder of the Company
Changsha Underground Comprehensive Pipe Gallery Investment and Development Co., Ltd.* 長沙市地下綜合管廊投資發展有限公司	Controlled by the controlling shareholder of the Company
Changsha Chromium Pollutant Treatment Co., Ltd.* 長沙市鉻污染物治理有限公司	Controlled by the controlling shareholder of the Company
Changsha Nanhu New City Construction and Development Co., Ltd.* 長沙市南湖新城建設開發有限責任公司	Controlled by the controlling shareholder of the Company
Changsha Bridge and Tunnel Maintenance and Operation Co., Ltd.* 長沙市橋樑隧道養護運營有限公司	Controlled by the controlling shareholder of the Company
Changsha Water Conservancy Construction Investment Management Co., Ltd.* 長沙市水利建設投資管理有限公司	Controlled by the controlling shareholder of the Company
Changsha Railway Construction Investment and Development Co., Ltd.* 長沙市鐵路建設投資開發有限公司	Controlled by the controlling shareholder of the Company
Changsha Xinhe Delta Development and Construction Co., Ltd.* 長沙市新河三角洲開發建設有限公司	Controlled by the controlling shareholder of the Company

Name of related parties	Relationship with the Group
Changsha Changdong Investment Development Co., Ltd.* 長沙市長東投資發展有限公司	Controlled by the controlling shareholder of the Company
Changsha Shuzhi Technology Group Co., Ltd.* 長沙數智科技集團有限公司	Controlled by the controlling shareholder of the Company
Changsha Pilot Industry Investment Co., Ltd.* 長沙先導產業投資有限公司	Controlled by the controlling shareholder of the Company
Changsha Pilot City Construction Investment Co., Ltd.* 長沙先導城市建設投資有限公司	Controlled by the controlling shareholder of the Company
Changsha Pilot City Resource Investment Co., Ltd.* 長沙先導城市資源投資有限公司	Controlled by the controlling shareholder of the Company
Changsha Pilot Heti Real Estate Management Co., Ltd.* 長沙先導賀體房產管理有限公司	Controlled by the controlling shareholder of the Company
Changsha Pilot Heti Investment Co., Ltd.* 長沙先導賀體投資有限公司	Controlled by the controlling shareholder of the Company
Changsha Pilot Heti Asset Management Co., Ltd.* 長沙先導賀體資產管理有限公司	Controlled by the controlling shareholder of the Company
Changsha Pilot Hengda Real Estate Development Co., Ltd.* 長沙先導恒達房地產開發有限公司	Controlled by the controlling shareholder of the Company
Changsha Pilot Henghui Commercial Management Co., Ltd.* 長沙先導恒匯商業管理有限公司	Controlled by the controlling shareholder of the Company
Changsha Pilot Hotel Investment Co., Ltd.* 長沙先導酒店投資有限公司	Controlled by the controlling shareholder of the Company
Changsha Pilot Li Zijian Art Museum Cultural Industry Co., Ltd.* 長沙先導李自健美術館文化產業有限公司	Controlled by the controlling shareholder of the Company
Changsha Pilot Investment Holding Group Co., Ltd.* 長沙先導投資控股集團有限公司	Controlled by the controlling shareholder of the Company
Changsha Pilot Cultural Tourism Investment Co., Ltd.* 長沙先導文化旅遊投資有限公司	Controlled by the controlling shareholder of the Company
Changsha Pilot Yanghu Construction Investment Co., Ltd.* 長沙先導洋湖建設投資有限公司	Controlled by the controlling shareholder of the Company
Changsha Pilot Yanghu Wetland Cultural Tourism Co., Ltd.* 長沙先導洋湖濕地文化旅遊有限公司	Controlled by the controlling shareholder of the Company
Yinxiang Cultural	Controlled by the controlling shareholder of the Company
Changsha Pilot Asset Management Co., Ltd.* 長沙先導資產經營管理有限公司	Controlled by the controlling shareholder of the Company
Changsha Xiangjiang New City Investment Co., Ltd.* 長沙湘江新城投資有限公司	Controlled by the controlling shareholder of the Company
Changsha Xinbeicheng Real Estate Co., Ltd.* 長沙新北城置業有限公司	Controlled by the controlling shareholder of the Company
Changsha Zhisheng Real Estate Co., Ltd.* 長沙至晟地產有限公司	Controlled by the controlling shareholder of the Company
Changsha Zhimao Real Estate Co., Ltd.* 長沙至茂地產有限公司	Controlled by the controlling shareholder of the Company
Changsha PetroChina Pilot Energy Co., Ltd.* 長沙中石油先導能源有限公司	Controlled by the controlling shareholder of the Company
Changsha Comprehensive Transportation Hub Construction Investment Co., Ltd.* 長沙綜合交通樞紐建設投資有限公司	Controlled by the controlling shareholder of the Company
Changsha Chengfa Digital Qixin Technology Co., Ltd.* 長沙城發數字企信科技有限公司	Controlled by the controlling shareholder of the Company
Hunan Zhisheng Conference Service Co., Ltd.* 湖南至昇會議服務有限公司	Controlled by the controlling shareholder of the Company
Changsha City education Development Co., Ltd.* 長沙城發教育發展有限公司	Controlled by the controlling shareholder of the Company
Changsha Chengfa Hengtong Engineering construction Co., Ltd.* 長沙城發恒通工程建設有限公司	Controlled by the controlling shareholder of the Company

Name of related parties	Relationship with the Group
Changsha Chengfa Petrochemical Co., Ltd.* 長沙城發石化有限公司	Controlled by the controlling shareholder of the Company
Hunan Flower Expo Park investment development Co., Ltd.* 湖南花博園投資發展有限公司	Controlled by the controlling shareholder of the Company
Changsha North City Development Co. Ltd.* 長沙北城發展有限公司	Controlled by the controlling shareholder of the Company
Changsha Chengfa Hengmei Real Estate Co., Ltd.* 長沙城發恒美置業有限公司	Controlled by the controlling shareholder of the Company
Changsha Chengfa Hengchuang Real Estate Co., Ltd.* 長沙城發恒創置業有限公司	Controlled by the controlling shareholder of the Company
Changsha Chengfa Henggood Real Estate Co., Ltd.* 長沙城發恒好置業有限公司	Controlled by the controlling shareholder of the Company
Hunan Huabo Information Technology Co., Ltd.* 湖南華博資訊技術有限公司	Controlled by the controlling shareholder of the Company
Changsha Xingshui Property Management Co., Ltd.* 長沙市興水物業管理有限公司	Controlled by the controlling shareholder of the Company
Zhongnan Water Works Co., Ltd.* 中南水務工程有限公司	Controlled by the controlling shareholder of the Company
Hunan urban rural tourism development Co., Ltd.* 湖南都市鄉村旅遊發展有限公司	Controlled by the controlling shareholder of the Company
Changsha International Convention and Exhibition Center Management Co., Ltd.** 長沙國際會展中心管理有限責任公司	Associate of the controlling shareholder of the Company
Changsha Yashang Investment and Development Co., Ltd.** 長沙雅尚投資開發有限公司	Associate of the controlling shareholder of the Company
Changsha Xinao Gas Development Co., Ltd.* 長沙新奧燃氣發展有限公司	Associate of the controlling shareholder of the Company
Qi'an Star City Network security operation Service (Changsha) Co., Ltd.* 奇安星城網路安全運營服務(長沙)有限公司	Associate of the controlling shareholder of the Company
Hunan Apollo Zhixing technology Co., Ltd.* 湖南阿波羅智行科技有限公司	Associate of the controlling shareholder of the Company
Hunan city GCL Smart Energy Technology Co., Ltd.* 湖南城發協鑫智慧能源科技有限公司	Associate of the controlling shareholder of the Company
Asia Exhibition International Exhibition (Hunan) Co., Ltd.* 亞展國際會展(湖南)有限公司	Associate of the controlling shareholder of the Company
Changsha International Trade Group Co., Ltd.* 長沙國貿集團有限公司	Associate of the controlling shareholder of the Company
Changsha Sancha rock shed change investment limited liability company 長沙三汊磯棚改投資有限責任公司	Associate of the controlling shareholder of the Company
Hunan Pilot BAIL Intelligent Energy Technology Co., Ltd. 湖南先導北汽智慧能源科技有限公司	Associate of the controlling shareholder of the Company
Hunan Changsha Convention and Exhibition Center Investment Co., Ltd. 湖南長沙會展中心投資有限責任公司	Associate of the controlling shareholder of the Company
Changsha Shed Renovation Investment Co., Ltd. 長沙市棚改投資有限責任公司	Associate of the controlling shareholder of the Company
Hunan CRRC Zhixing Technology Co., Ltd. 湖南中車智行科技有限公司	Associate of the controlling shareholder of the Company
China Energy Conservation Pilot Urban Energy Conservation Co., Ltd. 中節能先導城市節能有限公司	Associate of the Controlling Shareholder
Huaihua Property Management	Joint venture of the Company
Pingxiang Huiheng	Joint venture of the Company
Wangcheng Property Management	Joint venture of the Company
Chengyu	Associate of the Group

* The official names of these entities are in Chinese. The English translation of the names is for identification only.

(b) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in Note 7 and certain of the highest paid employees as disclosed in Note 8, is as follows:

	Years ended 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Short-term employee benefits	3,053	4,286	5,717
Post-employment benefits	151	284	663
	3,204	4,570	6,380

Total remuneration is included in "staff costs" (see Note 5(c)).

(c) Related parties transactions

The Group entered into the following material related party transactions during the Relevant Periods:

	Years ended 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Service provided to related parties			
– CSUD Group	178,833	232,475	278,259
– Associates of CSUD Group	4,409	2,663	11,231
	183,242	235,138	289,490
Disposal of investment properties	–	11,133	–
Purchase from related parties			
– CSUD Group	5,965	8,336	11,617
– Associates of CSUD Group	7,687	9,358	12,315
– Pingxiang Huiheng	3,008	3,008	2,085
– Huaihua Property Management	–	387	–
	16,660	21,089	26,017
Short-term leases payment paid or payable to related parties	2,079	710	663
Variable lease payment paid or payable to related parties	9,677	10,695	11,243
	11,756	11,405	11,906

(d) Balance with related parties

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Trade in nature			
Trade receivables *(Note 17)*			
– CSUD Group	53,916	72,507	50,038
– Associate of the CSUD Group	187	12	4,850
	54,103	72,519	54,888
Contract assets from *(Note (20))*			
– CSUD Group	45,230	72,538	122,561
–Associates of the CSUD Group	–	–	2,365
	45,230	72,538	124,926
Other receivables *(Note 17)*			
– CSUD Group	–	–	564
– Associates of the CSUD Group	–	–	21
	–	–	585
Prepayment for acquisition of non-current assets			
– CSUD Group	–	–	1,400
Non-trade in nature			
Other receivables *(Note 17)*			
– CSUD Group	71,024	65,171	–
– Associates of the CSUD Group	58	–	–
– Pingxiang Huiheng	594	650	–
– Huaihua Property Management	797	923	–
	72,473	66,744	–

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Trade in nature			
Trade payables *(Note 19)*			
– CSUD Group	10,374	4,879	13,787
– Associates of CSUD Group	–	160	1,334
– Pingxiang Huiheng	5,265	8,273	5,845
– Huaihua Property Management	64	55	55
	15,703	13,367	21,021
Contract liabilities to *(Note 20)*			
– CSUD Group	15,571	1,088	2,021

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Non-trade in nature			
Other payables *(Note 19)*			
– CSUD Group	44,735	47,288	10,008
– Associates of CSUD Group	1,193	467	–
	45,928	47,755	10,008
Dividend payable			
– CSUD Group *(Note 19)*	12,757	5,090	–

The directors of the Company have confirmed that the amounts due to related parties with non-trade nature will be settled prior to the [**REDACTED**] of the Company's shares on the Stock Exchange.

29 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

As at the date of this report, the Directors consider the immediate parent of the Company to be CSUDGCL, which is established in the PRC, and the ultimate controlling party of the Company to be State-owned Assets Supervision and Administration Commission of Changsha Municipal People's Government.

30 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE RELEVANT PERIODS

Up to the date of issue of the Historical Financial Information, the IASB has issued several amendments, which are not yet effective for the Relevant Periods and which have not been adopted in the Historical Financial Information. These include the following:

	Effective for accounting periods beginning on or after
Amendments to IAS 7, Statement of cashflow, and IFRS 7, Finance Instrument: Disclosures, Supplier Finance Arrangements	1 January 2024
Amendments to IAS 1, Presentation of financial statements: Classification of liabilities as current or non-current	1 January 2024
Amendments to IAS 1, Presentation of financial statements: Non-current liabilities with covenants	1 January 2024
Amendments to IFRS 16, Lease: Lease liability in a sale and leaseback	1 January 2024
Amendments to IFRS 10, Consolidated financial statements and IAS 28, Investment in associates and joint ventures: Sales or contribution of assets between an investor and its associate or joint venture	To be determined
Amendments to IAS 21, The effects of changes in foreign exchange rates: Lack of exchangeability	1 January 2025

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's Historical Financial Information.

31 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

There is no significant non-adjusting event after the Relevant Periods.

SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or its subsidiaries comprising the Group in respect of any period subsequent to 31 December 2023.

The following information does not form part of the Accountants' Report received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong, as set out in Appendix I to this document, and is included herein for illustrative purposes only. The unaudited [**REDACTED**] *financial information should be read in conjunction with the section headed "Financial information" in this document and the historical financial information included in the Accountants' Report set out in Appendix I to this document.*

A. UNAUDITED [REDACTED] STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited [**REDACTED**] statement of adjusted consolidated net tangible assets of our Group is prepared in accordance with Rule 4.29 of the Listing Rules and is set out below to illustrate the effect of the [**REDACTED**] on the Group's consolidated net tangible assets attributable to the equity shareholders of the Company as at 31 December 2023 as if the [**REDACTED**] had taken place on 31 December 2023.

The unaudited [**REDACTED**] statement of adjusted consolidated net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the [**REDACTED**] been completed as at 31 December 2023 or at any future date.

	Consolidated net tangible assets attributable to equity shareholders of the Company as at 31 December 2023(1)	Estimated net proceeds from the [REDACTED](2)	Unaudited [REDACTED] adjusted consolidated net tangible assets attributable to equity shareholders of the Company as at 31 December 2023	Unaudited [REDACTED] adjusted consolidated net tangible assets attributable to equity shareholders of the Company per Share(3)	
	RMB'000	*RMB'000*	*RMB'000*	*RMB*	*HK$(4)*
Based on an [**REDACTED**] of HK$[**REDACTED**] per H Share	255,771	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Based on an [**REDACTED**] of HK$[**REDACTED**] per H Share	255,771	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Notes:

(1) The consolidated net tangible assets attributable to the equity shareholders of the Company as at 31 December 2023 is based on the consolidated total equity attributable to the equity shareholders of the Company as at 31 December 2023 of RMB255,854,000 after deduction of intangible assets of RMB83,000 as shown in the Accountants' Report set out in Appendix I to this document.

(2) The estimated net proceeds from the [**REDACTED**] are based on the indicative [**REDACTED**] of HK$[**REDACTED**] per H Share (being the minimum [**REDACTED**]) and HK$[**REDACTED**] per Share (being the [**REDACTED**]) and the issuance of [**REDACTED**] H Shares, after deduction of the [**REDACTED**] fees and other related expenses paid or payable by the Group (excluding the expenses

that have been charged to profit or loss during the Track Record Period), and does not take into account any shares which may be issued upon the exercise of the [**REDACTED**]. The estimated net proceeds of the [**REDACTED**] have been converted to Renminbi at the PBOC rate of HK$1.00 to RMB0.9062 prevailing on 29 December 2023. No representation is made that Hong Kong dollars amount have been, could have been or may be converted to Renminbi, or vice versa, at that rate or at any other rate.

(3) The unaudited [**REDACTED**] adjusted consolidated net tangible assets attributable to equity shareholders of the Company per Share is arrived at by dividing the unaudited [**REDACTED**] adjusted consolidated net tangible assets attributable to equity shareholders of the Company by [**REDACTED**] Shares, being the number of shares expected to be in issue following the completion of the [**REDACTED**], and does not take into account any shares which may be issued upon the exercise of the [**REDACTED**].

(4) The unaudited [**REDACTED**] adjusted consolidated net tangible assets attributable to equity shareholders of the Company per Share amounts in RMB are converted to Hong Kong dollar at the PBOC rate of RMB0.9062 to HK$1.00 prevailing on 29 December 2023. No representation is made that Renminbi amount have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate or at any other rate.

(5) No adjustment has been made to reflect any trading result or other transactions of the Group entered into subsequent to 31 December 2023.

B. REPORT ON THE UNAUDITED [REDACTED] FINANCIAL INFORMATION

[**REDACTED**]

[**REDACTED**]

[REDACTED]

PRC TAXATION

Taxation of Security Holders

The taxation of income and capital gains of holders of H Shares is subject to the laws and practices of the PRC and of jurisdictions in which holders of H Shares are resident or otherwise subject to tax. The following summary of certain relevant taxation provisions is based on current effective PRC laws and practices and no predictions are made about changes or adjustments to relevant laws or policies, and no comments or suggestions will be made accordingly. The discussion does not deal with all possible tax consequences relating to an investment in the H Shares, nor does it take into account the specific circumstances of any particular investor, some of which may be subject to special regulations. Accordingly, you should consult your own tax adviser regarding the tax consequences of an [**REDACTED**] in H Shares. The discussion is based upon PRC laws and relevant interpretations in effect as of the date of this document, all of which are subject to change and may have retrospective effect. [**REDACTED**] are urged to consult their financial adviser regarding the PRC and other tax consequences of owning and disposing of H Shares.

Taxation on dividends

Individual [**REDACTED**]

Pursuant to the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》), which was last amended on 31 August 2018 by the NPC Standing Committee and came into effect on 1 January 2019, and the Regulations on Implementation of the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法實施條例》), which were last amended on 18 December 2018 by the State Council and came into effect on 1 January 2019, dividends paid by PRC enterprises are subject to individual income tax levied at a flat rate of 20%. Unless otherwise provided by the competent financial and taxation authorities under the State Council, all the interest, dividend and bonus are deemed as derived from the PRC whether the payment place is in the PRC. Pursuant to the Circular on Certain Issues Concerning the Policies of Individual Income Tax (《關於個人所得稅若干政策問題的通知》) promulgated by the Ministry of Finance and the State Administration of Taxation on May 13, 1994, overseas individuals are exempted from the individual income tax for dividends or bonuses received from foreign-invested enterprises.

Enterprise [**REDACTED**]

According to the EIT Law, which was latest amended by the NPC Standing Committee and implemented on 29 December 2018, and the Implementation Rules for the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》) enacted on 6 December 2007 by the State Council and became effective on 1 January 2008, and amended on 23 April 2019, the corporate income tax shall be at the rate of 25%. But, a non-resident enterprise is generally subject to a 10% enterprise income tax on PRC-sourced income, if it does not have an establishment or premise in the PRC or has an establishment or premise in the PRC but its PRC-sourced income has no real connection with such establishment or premise. The aforesaid income tax payable for non-resident enterprises is deducted at source, where the payer of the income is required to withhold the income tax from the amount to be paid to the non-resident enterprise.

The Notice on the Issues Concerning Withholding the Enterprise Income Tax on the Dividends Paid by Chinese Resident Enterprises to H-Share Holders Which Are Overseas Non-resident Enterprises (Guo Shui Han [2008] No. 897) (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》(國稅函[2008]897號)), which was issued and implemented by the STA on 6 November 2008, further clarifies that a PRC-resident enterprise must withhold enterprise income tax at a rate of 10% on the dividends of 2008 and onwards that it distributes to overseas non-resident enterprise shareholders of H Shares. In addition, the Response to Questions on Levying Enterprise Income Tax on Dividends Derived by Non-resident Enterprise from Holding Stock such as B Shares (Guo Shui Han [2009] No. 394) (《關於非居民企業取得B股等股票股息徵收企業所得稅問題的批覆》(財稅函[2009]394號)), which was issued by the STA and came into effect on 24 July 2009, further provides that any PRC-resident enterprise whose shares are listed on overseas stock exchanges must withhold and remit enterprise income tax at a rate of 10% on dividends of 2008 and onwards that it distributes to non-resident enterprises. Such tax rates may be further modified pursuant to the tax treaty or agreement that China has entered into with a relevant country or region, where applicable.

Pursuant to the Arrangement between the Mainland and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) (the "**Arrangement**"), which was signed between the STA and the Hong Kong Government on 21 August 2006, the PRC Government may levy taxes on the dividends paid by a PRC company to Hong Kong residents (including resident individual and resident entities) in an amount not exceeding 10% of the total dividends payable by the PRC company unless a Hong Kong resident directly holds 25% or more of the equity interest in the PRC company, then such tax shall not exceed 5% of the total dividends payable by the PRC company. The Fifth Protocol to the Arrangement between the Mainland and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (《<內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排>第五議定書》), which came into effect on 6 December 2019, added a criteria for the qualification of entitlement to enjoy treaty benefits. Although there may be other provisions under the Arrangement, the treaty benefits under the criteria shall not be granted in the circumstance where relevant gains, after taking into account all relevant facts and conditions, are reasonably deemed to be one of the main purposes for the arrangement or transactions which will bring any direct or indirect benefits under this Arrangement, except when the grant of benefits under such circumstance is consistent with relevant objective and goal under the Arrangement. The application of the dividend clause of tax agreements is subject to the requirements of PRC tax law and regulation, such as the Notice of the STA on the Issues Concerning the Application of the Dividend Clauses of Tax Agreements (Guo Shui Han [2009] No. 81) (《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》(國稅函[2009]81號)).

Tax Treaties

Non-PRC resident investors residing in countries which have entered into treaties for the avoidance of double taxation with the PRC or residing in Hong Kong or Macau are entitled to a reduction of the withholding taxes imposed on the dividends received from PRC companies. The PRC currently has entered into Avoidance of Double Taxation Treaties or Arrangements with a number of countries and regions including Hong Kong, Macau, Australia, Canada, France, Germany, Japan, Malaysia, the Netherlands, Singapore, the United Kingdom and the United States. Non-PRC resident enterprises entitled to preferential tax rates in accordance with the relevant taxation treaties or arrangements are required to apply to the PRC tax authorities for a refund of the enterprise income tax in excess of the agreed tax rate, and the refund application is subject to approval by the PRC tax authorities.

Taxation on share transfer

Income Tax

Individual investor

According to the Individual Income Tax Law of the PRC and its implementation rules, the proceeds from the sale of equity interests in PRC-resident enterprise are subject to income tax at a tax rate of 20%.

According to the Notice Concerning Continuing Temporary Exemption From Individual Income Tax on The Income From Stocks Transfer (Cai Shui Zi [1998] No. 61) 《關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》(財稅字[1998]61號)) promulgated by the STA and became effective on 30 March 1998, since 1 January 1997, the individual income tax levied on the individual income from transfer of stocks of listed companies will continue to be temporarily exempted. In the newly revised Individual Income Tax Law of the PRC, the STA did not clearly stipulate whether to continue to exempt individuals from tax on the income from transfer of stocks of listed companies.

Furthermore, the Notice of the State Administration of Taxation on Issues Concerning the Levy of Individual Income Tax on Incomes from the Transfer of Restricted Shares of Listed Companies (Cai Shui [2009] No. 167) (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的通知》(財稅[2009]167號)) jointly issued by the MOF, the STA and the CSRC which was implemented on 31 December 2009 stipulates that income derived by individuals from transfer of shares of listed companies issued to the public by the listed companies and transfer of shares of listed companies obtained from the market at the Shanghai Stock Exchange and Shenzhen Stock Exchange shall continue to be exempted from individual income tax, provided that it excludes the relevant restricted shares as defined in the Supplementary Notice Concerning the Levy of Individual Income Tax on Incomes from the Transfer of Restricted Shares of Listed Companies (Cai Shui [2010] No. 70) (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的補充通知》(財稅[2010]70號)) jointly issued by these departments and implemented on 10 November 2010. As of the Latest Practicable Date, the aforementioned provisions did not specify whether to impose the individual income tax on the income from the transfer of shares of PRC-resident enterprise listed on overseas stock exchanges by non-PRC resident individuals.

Enterprise investors

In accordance with the EIT Law and its implementation rules, a non-resident enterprise that has not established an establishment or premises in the PRC or it has established an establishment and premises but the income received has no actual connection with the establishment and premises, it shall pay an enterprise income tax at a rate of 10% for the income arising within the PRC (including the income from sale of equity interests of PRC-resident enterprise). The aforesaid income tax payable for non-resident enterprises are deducted at source, where the payer of the income is required to withhold the income tax from the amount to be paid to the non-resident enterprise on each payment or when it is payable on due date. The withholding tax may be reduced pursuant to applicable treaties or agreements on avoidance of double taxation.

Stamp Duty

In accordance with the Stamp Tax Law of the People's Republic of China (《中華人民共和國印花稅法》) promulgated by the Standing Committee of the NPC on 10 June 2021 and came into effect on 1 July 2022, entities and individuals that issue taxable certificates and conduct securities transactions within the territory of PRC, or entities and individuals who issue taxable certificates and conduct securities transactions outside the territory of PRC to be used within the territory of the PRC shall subject to stamp duty.

Estate Duty

As of the Latest Practicable Date, no estate duty was levied within the PRC.

PRINCIPAL TAXATION OF OUR COMPANY IN THE PRC

Enterprise Income Tax

The Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》), promulgated by the National People's Congress on 16 March 2007, came into effect on 1 January 2008 and last amended on 29 December 2018, as well as the Implementation Rules of the Enterprise Income Tax Law (《中華人民共和國企業所得稅法實施條例》), promulgated by the State Council on 6 December 2007, came into force on 1 January 2008 and amended on 23 April 2019, are the principal law and regulation governing enterprise income tax in the PRC. According to the EIT Law and its implementation rules, enterprises are classified into resident enterprises and non-resident enterprises. Resident enterprises refer to enterprises that are legally established in the PRC, or are established under foreign laws but whose actual management bodies are located in the PRC. Non-resident enterprises refer to enterprises that are legally established under foreign laws and have set up institutions or sites in the PRC but with no actual management body in the PRC, or enterprises that have not set up institutions or sites in the PRC but have derived incomes from the PRC. A uniform income tax rate of 25% applies to all resident enterprises and non-resident enterprises that have set up institutions or sites in the PRC to the extent that such incomes are derived from their set-up institutions or sites in the PRC, or such income are obtained outside the PRC but have an actual connection with the set-up institutions or sites. And non-resident enterprises that have not set up institutions or sites in the PRC or have set up institutions or sites but the incomes obtained by the said enterprises have no actual connection with the set-up institutions or sites, shall pay enterprise income tax at the rate of 10% in relation to their income sources from the PRC.

Value-Added Tax

The major PRC Law governing value-added tax are the Interim Regulations on Value-added Tax of the PRC (《中華人民共和國增值稅暫行條例》) issued on 13 December 1993 by the State Council, came into effect on 1 January 1994, and last revised on 19 November 2017, as well as the Implementation Rules for the Interim Regulations on Value-Added Tax of the PRC (《中華人民共和國增值稅暫行條例實施細則》) issued on 25 December 1993 by the MOF, came into effect on the same day and last revised on 28 October 2011, any entities and individuals engaged in the sale of goods or processing, repair and assembly services, sale of services, intangible assets, immovables and importation of goods within the territory of the PRC are taxpayers of VAT and shall pay the VAT in accordance with the law and regulation. Taxpayers of value added tax shall pay value-added tax according to the tax rates of 0%, 6%, 11% and 17% for different goods sold and services provided. With the VAT reforms in the PRC, the rate of VAT has been changed several times. The MOF and the STA issued the Notice of on Adjusting VAT Rates (Cai Shui [2018] No. 32) (《關於調整增值稅稅率的通知》(財稅[2018]32號)) on 4 April 2018 to adjust the tax rates of 17% and 11% applicable to any taxpayer's VAT taxable sale or import of goods to 16% and 10%, respectively, and this adjustment became effect on 1 May 2018. Subsequently, the MOF, the STA and the General Administration of Customs jointly issued the Announcement on Relevant Policies for Deepening the VAT Reform (《關於深化增值稅改革有關政策的公告》) on 20 March 2019 to make a further adjustment, which came into effect on 1 April 2019. The tax rate of 16% applicable to the VAT taxable sale or import of goods shall be adjusted to 13%, and the tax rate of 10% applicable thereto shall be adjusted to 9%.

PRC FOREIGN EXCHANGE

SAFE, with the authorisation of the PBOC, is empowered with the functions of administering all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations.

On 29 January 1996, the State Council promulgated the Regulations of the PRC for Foreign Exchange Control (《中華人民共和國外匯管理條例》) (the "**Foreign Exchange Control Regulations**") which became effective on 1 April 1996. The Foreign Exchange Control Regulations classify all international payments and transfers into current items and capital items. The Foreign Exchange Control Regulations were subsequently amended on 14 January 1997 and 5 August 2008. The latest amendment to the Foreign Exchange Control Regulations clearly states that no restriction will be imposed on international current payments and transfers.

According to the Announcement on Improving the Reform of the Renminbi (the PBOC Announcement [2005] No. 16) (《關於完善人民幣匯率形成機制改革的公告》(中國人民銀行公告[2005]第16號)), issued by the PBOC on 21 July 2005 and became effective on the same date, the PRC began to implement a managed floating exchange rate system in which the exchange rate would be determined based on market supply and demand and adjusted with reference to a basket of currencies.

Additionally, the revised Foreign Exchange Control Regulations of the PRC (2008 version), which have made substantial changes to the foreign exchange supervision system of the PRC. First, the regulations have adopted an approach of balancing the inflow and outflow of foreign exchange. Foreign exchange income received overseas can be repatriated or deposited overseas, and foreign exchange and settlement funds under the capital account are required to be used only for purposes as approved by the competent authorities and foreign exchange administrative authorities; second, the regulations have improved the RMB exchange rate floating system based on market supply and demand under management; third, in the event that international balance of payment suffer or may suffer a material misbalance, or the national economy encounters or may encounter a severe crisis, the State may adopt necessary safeguard or control measures against international balance of payment; fourth, the regulations have enhanced the supervision and administration of foreign exchange transactions and grant extensive authorities to SAFE to enhance its supervisory and administrative powers.

The Decisions on Matters including Canceling and Adjusting a Batch of Administrative Approval Items (Guo Fa [2014] No. 50) (《關於取消和調整一批行政審批項目等事項的決定》(國發[2014]50號)) promulgated by the State Council and came into effect on 23 October 2014 provide to cancel the approval requirement of SAFE and its branches for the remittance and settlement of the proceeds raised from the overseas listing of the foreign shares into RMB domestic accounts.

Pursuant to the Notice on Issues Concerning the Foreign Exchange Administration of Overseas Listing (Hui Fa [2014] No. 54) (《關於境外上市外匯管理有關問題的通知》(匯發[2014]54號)) issued by SAFE and became effective on 26 December 2014, a domestic company shall, within 15 business days of the date of the end of its overseas listing issuance, register the overseas listing with the branch office of SAFE located at its registered address; the proceeds from an overseas listing of a domestic company may be repatriated to China or deposited overseas, provided that the intended use of the proceeds shall be consistent with the content of the document or other public disclosure documents.

According to the Notice on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment (Hui Fa [2015] No. 13) (《關於進一步簡化和改進直接投資外匯管理政策的通知》(匯發[2015]13號)) promulgated by SAFE on 13 February 2015 and became effective on 1 June 2015, and partially repealed on 30 December 2019, the confirmation of foreign exchange registration under domestic direct investment and the confirmation of foreign exchange registration under overseas direct investment shall be directly examined and handled by banks. SAFE and its branch offices shall indirectly regulate the foreign exchange registration of direct investment through banks.

According to the Notice on Policies for Reforming and Regulating the Control over Foreign Exchange Settlement of Capital Accounts (Hui Fa [2016] No. 16) (《關於改革和規範資本項目結匯管理政策的通知》(匯發[2016]16號)) which was promulgated by SAFE and became effective on 9 June 2016, foreign currency earnings in capital account that relevant policies of willingness exchange settlement have been clearly implemented on (including the recalling of raised capital by overseas listing) may undertake foreign exchange settlement in the banks according to actual business needs of the domestic institutions. The tentative percentage of foreign exchange settlement for foreign currency earnings in capital account of domestic institutions is 100%, subject to adjust of SAFE in due time in accordance with international revenue and expenditure situations.

According to the Notice on Optimising Administration of Foreign Exchange to Support the Development of Foreign-related Business (Hui Fa [2020] No. 8) (《國家外匯管理局關於優化外匯管理支持涉外業務發展的通知》(匯發[2020]8號)) issued by SAFE and became effective on 10 April 2020, eligible enterprises are allowed to make domestic payments by using their capital, foreign credits and the income under capital accounts of overseas listing, without providing materials to the bank in advance for authenticity verification on an item-by-item basis, provided that their utilised capital shall be authentic and in line with provisions, and conform to the prevailing administrative regulations related to the use of income under capital accounts. The concerned bank shall manage and control the relevant business risks under the principle of prudent business development and conduct spot checks afterwards in accordance with the relevant requirements. Local foreign exchange authorities shall strengthen monitoring and analysis and interim and ex-post supervision.

This appendix contains a summary of laws and regulations on companies and securities in China, certain major differences between the PRC Company Law and Companies Ordinance as well as the additional regulatory provisions of the Stock Exchange on Chinese joint stock limited companies. The principal objective is to provide an overview of the principal laws and regulations applicable to us. Laws and regulations relating to taxation in the PRC are discussed in "Appendix III – Taxation and Foreign Exchange". For discussion of laws and regulations specifically governing the business of the Company, please see the section headed "**Regulatory Overview**".

THE PRC LEGAL SYSTEM

The PRC legal system is based on the PRC Constitution (《中華人民共和國憲法》, the "**Constitution**"), which was adopted on December 4, 1982 and amended on April 12, 1988, March 29, 1993, March 15, 1999, March 14, 2004 and March 11, 2018. The PRC legal system is made up of written laws, administrative regulations, local regulations, autonomous regulations, separate regulations, rules and regulations of State Council departments, rules and regulations of local governments, laws of special administrative regions and international treaties of which the PRC government is a signatory and other regulatory documents. Court judgments do not constitute legally binding precedents, although they are used for the purposes of judicial reference and guidance.

The National People's Congress (the "**NPC**") and its Standing Committee are empowered to exercise the legislative power of the State in accordance with the Constitution and the PRC Legislation Law (《中華人民共和國立法法》, the "**Legislation Law**"), which was adopted on July 1, 2000 and amended on March 15, 2015. The NPC has the power to formulate and amend basic laws governing state organs, civil, criminal and other matters. The Standing Committee of the NPC formulates and amends laws other than those required to be enacted by the NPC and to supplement and amend parts of the laws enacted by the NPC during the adjournment of the NPC, provided that such supplements and amendments are not in conflict with the basic principles of such laws.

The State Council is the highest organ of state administration and has the power to formulate administrative regulations based on the Constitution and laws.

The people's congresses of the provinces, autonomous regions and municipalities and their respective standing committees may formulate local regulations based on the specific circumstances and actual needs of their respective administrative areas, provided that such local regulations do not contravene any provision of the Constitution, laws or administrative regulations. The people's congresses of cities divided into districts and their respective standing committees may formulate local regulations on aspects such as urban and rural construction and management, environmental protection and historical and cultural protection based on the specific circumstances and actual needs of such cities, provided that such local regulations do not contravene any provision of the Constitution, laws, administrative regulations and local regulations of their respective provinces or autonomous regions. If the law provides otherwise on the matters concerning formulation of local regulations by cities divided into districts, those provisions shall prevail. Such local regulations will become enforceable after being reported to and approved by the standing committees of the people's congresses of the relevant provinces or autonomous regions. The standing committees of the people's congresses of the provinces or autonomous regions examine the legality of local regulations submitted for approval, and such approval should be granted within four months if they are not in conflict with the Constitution, laws, administrative regulations and local regulations of such provinces or autonomous regions. Where, during the examination for approval of local regulations of cities divided into districts by the standing committees of the people's congresses of the provinces or autonomous regions, conflicts are identified with the rules and regulations of the people's governments of the provinces or autonomous regions concerned, a decision should be made by the standing committees of the people's congresses of provinces or autonomous regions to resolve the issue. People's congresses of national autonomous areas have the power to enact autonomous regulations and separate regulations in light of the political, economic and cultural characteristics of the ethnic groups in the areas concerned.

The ministries and commissions of the State Council, People's Bank of China, National Audit Office, the subordinate institutions with administrative functions directly under the State Council and the institutions required by the law may formulate departmental rules within the jurisdiction of their respective departments based on the laws and administrative regulations, and the decisions and orders of the State Council. The people's governments of the provinces, autonomous regions, municipalities and cities or autonomous prefectures divided into districts may formulate rules and regulations based on the laws, administrative regulations and local regulations of such provinces, autonomous regions and municipalities.

According to the Constitution and the Legislation Law, the power to interpret laws is vested in the Standing Committee of the NPC. Pursuant to the Resolution of the Standing Committee of the NPC Providing an Improved Interpretation of the Law (《全國人民代表大會常務委員會關於加強法律解釋工作的決議》) implemented on June 10, 1981, the Supreme People's Court of the PRC has the power to give interpretation on issues related to the application of laws in a court trial, and issues related to the application of laws in a prosecution process of a procuratorate should be interpreted by the Supreme People's Procuratorate. If there is any disagreement in principle between Supreme People's Court's interpretations and Supreme People's Procuratorate's interpretations, such issues shall be reported to the Standing Committee of the NPC for interpretation or judgment. The other issues related to laws other than the abovementioned should be interpreted by the State Council and the competent authorities. The State Council and its ministries and commissions are also vested with the power to give interpretations of the administrative regulations and departmental rules which they have promulgated. At the regional level, the power to interpret regional laws is vested in the regional legislative and administrative authorities which promulgate such laws.

THE PRC JUDICIAL SYSTEM

Under the Constitution and the Law of Organization of the People's Courts of the PRC (《中華人民共和國人民法院組織法》), which is adopted on January 1, 1980 and amended on September 2, 1983, December 2, 1986, October 31, 2006 and October 26, 2018, the PRC judicial system is made up of the Supreme People's Court, the local people's courts and special people's courts.

The local people's courts are comprised of the basic people's courts, the intermediate people's courts and the higher people's courts. The intermediate people's courts have divisions similar to those of the basic people's courts and may set up other special divisions if needed. These two levels of people's courts are subject to supervision by people's courts at higher levels. The Supreme People's Court is the highest judicial authority in the PRC. It supervises the administration of justice by the people's courts at all levels and special people's courts.

A people's court takes the rule of the second instance as the final rule. A party may appeal against the judgment or ruling of the first instance of a local people's court. The people's procuratorate may present a protest to the people's court at the next higher level in accordance with the procedures stipulated by the laws. In the absence of any appeal by the parties and any protest by the people's procuratorate within the stipulated period, the judgments or rulings of the people's court are final. Judgments or rulings of the second instance of the intermediate people's courts, the higher people's courts and the Supreme People's Court, and judgments or rulings of the first instance of the Supreme People's Court are final. However, if the Supreme People's Court finds some definite errors in a legally effective judgment, ruling or conciliation statement of the people's court at any level, or if the people's court at a higher level finds such errors in a legally effective judgment, ruling or conciliation statement of the people's court at a lower level, it has the authority to review the case itself or to direct the lower-level people's court to conduct a retrial. If the chief judge of all levels of people's courts finds some definite errors in a legally effective judgment, ruling or conciliation statement, and considers a retrial is preferred, such case shall be submitted to the judicial committee of the people's court at the same level for discussion and decision.

The Civil Procedure Law of the PRC (《中華人民共和國民事訴訟法》, the "**PRC Civil Procedure Law**") adopted on April 9, 1991 and amended on October 28, 2007, August 31, 2012, June 27, 2017 and December 24, 2021 prescribes the conditions for instituting a civil action, the jurisdiction of the people's courts, the procedures for conducting a civil action, and the procedures for enforcement of a civil judgment or ruling. All parties to a civil action conducted within the PRC must abide by the PRC Civil Procedure Law. Generally, a civil case is initially heard by the court located in the defendant's place of domicile. The court of jurisdiction in respect of a civil action may also be chosen by explicit agreement among the parties to a contract, provided that the people's court having jurisdiction should be located at places substantially connected with the disputes, such as the plaintiff's or the defendant's place of domicile, the place where the contract is executed or signed or the place where the object of the action is located, provided that the provisions regarding the level of jurisdiction and exclusive jurisdiction shall not be violated.

A foreign individual, a person without nationality, a foreign enterprise or a foreign organization is given the same litigation rights and obligations as a citizen, a legal person or other organizations of the PRC when initiating actions or defending against litigations at a PRC court. Should a foreign court limit the litigation rights of PRC citizens or enterprises, the PRC court may apply the same limitations to the citizens and enterprises of such foreign country. A foreign individual, a person without nationality, a foreign enterprise or a foreign organization must engage a PRC lawyer in case he or it needs to engage a lawyer for the purpose of initiating actions or defending against litigations at a PRC court. In accordance with the international treaties to which the People's Republic of China is a signatory or participant or according to the principle of reciprocity, a people's court and a foreign court may request each other to serve documents, conduct investigation and collect evidence and conduct other actions on its behalf. All parties to a civil action shall perform the legally effective judgments and rulings. If any party to a civil action refuses to abide by a judgment or ruling made by a people's court or an award made by an arbitration tribunal in the PRC, the other party may apply to the people's court for the enforcement of the same subject to application for postponed enforcement or revocation. If a party fails to satisfy within the stipulated period a judgment which the court has granted an enforcement approval, the court may, upon the application of the other party, mandatorily enforce the judgment on the party.

Where a party applies for enforcement of a judgment or ruling made by a people's court, and the opposite party or his property is not within the territory of the PRC, the applicant may directly apply to a foreign court with jurisdiction for recognition and enforcement of the judgment or ruling, or apply to a foreign court with jurisdiction or recognition in accordance with the international treaties that China has concluded or acceded to or on a reciprocal basis. A foreign judgment or ruling may also be recognized and enforced by the people's court in accordance with the PRC enforcement procedures if the PRC has entered into, or acceded to, international treaties with the relevant foreign country, which provided for such recognition and enforcement, or if the judgment or ruling satisfies the court's examination according to the principle of reciprocity, unless the people's court considers that the recognition or enforcement of such judgment or ruling would violate the basic legal principles of the PRC, its sovereignty or national security, or against the social and public interests.

THE PRC COMPANY LAW, TRIAL ADMINISTRATIVE MEASURES OF OVERSEAS SECURITIES OFFERING AND LISTING BY DOMESTIC COMPANIES AND THE GUIDELINES FOR THE ARTICLES OF ASSOCIATION OF LISTED COMPANIES

The PRC Company Law was adopted by the 5th meeting of the Standing Committee of the 8th National People's Congress Session on December 29, 1993 and came into effect on July 1, 1994. It was amended on December 25, 1999, August 28, 2004, October 27, 2005, December 28, 2013, and October 26, 2018, respectively. The latest revised PRC Company Law was implemented on October 26, 2018.

On February 17, 2023, with the approval of the State Council, the CSRC promulgated the Overseas Listing Trial Measures and relevant five guidelines, which came into force on 31 March, 2023. The Overseas Listing Trial Measures are designated in accordance with the Securities Law and other laws and are applicable to domestic enterprises that issue securities overseas or list their securities for trading. On February 17, 2023, CSRC promulgated the Guidelines for the Applications of Regulatory Rules – Overseas Issuance and Listing Category No. 1, stipulating that direct issuance and listing by domestic companies shall abide by the relevant provisions of the Overseas Listing Trial Measures and refer to the Guidelines for Articles of Association of Listed Companies and other relevant provisions of CSRC on corporate governance to formulate its articles of association and standardize corporate governance.

Set out below is a summary of the major provisions of the PRC Company Law, the Overseas Listing Trial Measures and Guidelines for Articles of Association of Listed Companies.

General

A "joint stock limited company" ("**company**") refers to a corporate legal person incorporated in China under the PRC Company Law with independent legal person properties and entitlements to such legal person properties. The liability of the company for its own debts is limited to all the properties it owns and the liability of its shareholders for the company is limited to the extent of the shares they subscribe for.

Incorporation

A company may be established by promotion or subscription. A company shall have a minimum of two but no more than 200 people as its promoters, and over half of the promoters must be resident within the PRC. Companies established by promotion are companies of which the registered capital is the total share capital subscribed for by all the promoters registered with the company's registration authorities. No share offering shall be made before the shares subscribed for by the promoters are fully paid up. For companies established by public subscription, the registered capital is the total paid-up share capital as registered with the company's registration authorities. If laws, administrative regulations and State Council decisions provide otherwise on paid-in registered capital and the minimum registered capital, the company should follow such provisions.

For companies incorporated by way of promotion, the promoters shall subscribe in writing for the shares required to be subscribed for by them and pay up their capital contributions under the articles of association. Procedures relating to the transfer of titles to non-monetary assets shall be duly completed if such assets are to be contributed as capital. Promoters who fail to pay up their capital contributions in accordance with the foregoing provisions shall assume default liabilities in accordance with the covenants set out in the promoters' agreement. After the promoters have subscribed for the capital contribution under the articles of association, a board of directors and a supervisory board shall be elected and the board of directors shall apply for registration of establishment by filing the articles of association with relevant administration for industry and commerce, and other documents as required by the law or administrative regulations.

After the subscription monies for the share issue have been paid in full, a capital verification institution established under PRC law must be engaged to conduct a capital verification and furnish a certificate thereof. The promoters of the company shall preside over and convene an inauguration meeting within 30 days from the date of the full payment of subscription monies. The inauguration meeting shall be formed by the promoters and subscribers. Where the shares issued remain undersubscribed by the cut-off date stipulated in the share offering document, or where the promoter fails to convene an inauguration meeting within 30 days of the subscription monies for the shares issued being fully paid up, the subscribers may demand that the promoters refund the subscription monies so paid together with the interest at bank rates of a deposit for the same periods. Within 30 days of the conclusion of the inauguration meeting, the board of directors shall apply to the company registration authority for registration of the establishment of the company. A company is formally established and has the capacity of a legal person after approval of registration has been given by the relevant administration for industry and commerce and a business license has been issued.

A company's promoter shall be liable for the followings:

(1) the debts and expenses incurred in the establishment process jointly and severally if the company cannot be incorporated;

(2) the refund of subscription monies paid by the subscribers together with interest at bank rates of deposit for the same periods jointly and severally if the company cannot be incorporated; and

(3) the compensation of any damages suffered by the company as a result of the promoters' fault in the course of its establishment.

According to the Interim Provisional Regulations on the Administration of Share Issuance and Trading (《股票發行與交易管理暫行條例》) promulgated by the State Council on April 22, 1993 (which is only applicable to the issuance and trading of shares in the PRC and their related activities), if a company is established by means of public subscription, all the promoters or the Directors and the Lead Underwriters are required to sign on the document to ensure that the document does not contain any misrepresentation, serious misleading statements or material omissions, and assume joint and several responsibility for it.

Share Capital

The promoters may make a capital contribution in currencies, or non-monetary assets such as in kind or intellectual property rights or land use rights which can be appraised with monetary value and transferred lawfully, except for assets which are prohibited from being contributed as capital by the laws or administrative regulations. If a capital contribution is made in non-monetary assets, a valuation and verification of the fair value of the assets contributed must be carried out.

The issuance of shares shall be conducted in a fair and equitable manner. The same class of shares must carry equal rights. For shares issued at the same time and within the same class, the conditions and price per share must be the same. The share offering price may be equal to or greater than the nominal value of the share, but may not be less than the nominal value.

A company must obtain the approval of or file with the CSRC to offer its shares to the overseas public.

The board of directors has the right to issue H Shares of not more than 20% of existing Shares, in a period of 12 months, pursuant to an approval by a special resolution of the general meeting.

Increase in Share Capital

Under the PRC Company Law, where a company is issuing new shares, resolutions shall be passed at shareholder's general meeting in accordance with the articles of association in respect of the class and amount of the new shares, the issue price of the new shares, the commencement and end dates for the issue of the new shares and the class and amount of the new shares proposed to be issued to existing shareholders.

Public offering should be approved by CSRC. After the issue of new share the company has been paid up, the change must be registered with the company registration authorities and a public announcement must be made accordingly. Where an increase in registered capital of a company is made by means of an issue of new shares, the subscription of new shares by shareholders shall be made in accordance with the relevant provisions on the payment of subscription monies for the establishment of a company.

Reduction of Share Capital

When a company needs to reduce its registered capital, it shall prepare a statement of financial position and a property list. The company shall inform its creditors within 10 days and publish an announcement in the newspaper within 30 days after the resolution approving the reduction of registered capital has been passed. Creditors may within 30 days after receiving the notice, or within 45 days of the public announcement if no notice has been received, require the company to pay its debts or provide guarantees covering the debts.

Repurchase of Shares

A company shall not purchase its own shares except under any of the following circumstances:

(1) Reducing the registered capital of the company;

(2) Merging with another company that holds its shares;

(3) Using shares for employee stock ownership plan or equity incentives;

(4) A shareholder requesting the company to purchase the shares held by him since he objects to a resolution of the shareholders' general meeting on the merger or division of the company;

(5) Using shares for converting convertible corporate bonds issued by the listed company;

(6) It is necessary for a listed company to protect the corporate value and the rights and interests of shareholders.

A company purchasing its own shares under any of the circumstances set forth in items (1) and (2) of the preceding paragraph shall be subject to a resolution of the shareholders' meeting; and a company purchasing its own shares under any of the circumstances set forth in items (3), (5) and (6) of the preceding paragraph may, pursuant to the bylaws or the authorization of the shareholders' meeting, be subject to a resolution of a meeting of the board of directors at which more than two-thirds of directors are present.

After purchasing its own shares pursuant to the provisions of the first paragraph of this article, a company shall, under the circumstance set forth in item (1), cancel them within 10 days after the purchase; while under the circumstance set forth in either item (2) or (4), transfer or cancel them within six months; and while under the circumstance set forth in item (3), (5) or (6), aggregately hold not more than 10% of the total shares that have been issued by the company, and transfer or cancel them within three years.

A listed company purchasing its own shares shall perform the obligation of information disclosure. A listed company purchasing its own shares under any of the circumstances set forth in items (3), (5) and (6) shall carry out trading in a public and centralized manner.

Transfer of Shares

Shares held by shareholders may be transferred legally. Under the PRC Company Law, a shareholder should effect a transfer of his shares on a stock exchange established in accordance with laws or by any other means as required by the State Council. Registered shares may be transferred after the shareholders in the manner of endorsement or in any other manner specified by the laws or administrative regulations. Following the transfer, the company shall enter the names and domiciles of the transferees into its share register. No changes of registration in the share register described above shall be effected during a period of 20 days prior to convening a shareholders' general meeting or 5 days prior to the record date for the purpose of determining entitlements to dividend distributions, unless otherwise stipulated by laws on the registration of changes in the share register of listed companies. The transfer of bearer share certificates shall become effective upon the delivery of the certificates to the transferee by the shareholder.

Under the PRC Company Law, shares held by promoters may not be transferred within one year of the establishment of the company. Shares of the company issued prior to the public issuance of shares may not be transferred within one year of the date of the company's listing on a stock exchange. Directors, supervisors and the senior management of a company shall declare to the company their shareholdings in it and any changes in such shareholdings. During their terms of office, they may transfer no more than 25% of the total number of shares they hold in the company every year. They shall not transfer the shares they hold within one year of the date of the company's listing on a stock exchange, nor within six months after they leave their positions in the company. The articles of association may set out other restrictive provisions in respect of the transfer of shares in the company held by its directors, supervisors and the senior management.

Shareholders

Under the PRC Company Law, the rights of shareholders include the rights:

(1) to receive a return on assets, participate in significant decision-making and select management personnel;

(2) to request the people's court to revoke any resolution passed on a shareholders' general meeting or a meeting of the board of directors that has been convened or whose voting has been conducted in violation of the laws, regulations or the articles of association, provided that such petition shall be submitted within 60 days of the passing of such resolution;

(3) to transfer the shares of the shareholders in accordance with the law;

(4) to attend or appoint a proxy to attend shareholders' general meetings and exercise the voting rights thereat;

(5) inspect the articles of association, minutes of shareholders' general meetings, board resolutions, resolutions of the board of supervisors and financial and accounting reports, and to make suggestions or inquires in respect of the company's operations;

(6) to participate in distribution of residual properties of the company in proportion to their shareholdings upon the liquidation of the company; and

(7) any other shareholders' rights provided for in laws, administrative regulations, other normative documents and the articles of association.

The obligations of shareholders include the obligation to abide by the company's articles of association, to pay the subscriptions monies in respect of the shares subscribed for, to be liable for the company's debts and liabilities to the extent of the amount of subscription monies agreed to be paid in respect of the shares taken up by them and any other shareholder obligation specified in the articles of association.

Shareholders' General Meetings

The general meeting is the organ of authority of the company, which exercises its powers in accordance with the PRC Company Law. The general meeting may exercise its powers:

(1) to decide on the company's operational objectives and investment plans;

(2) to elect and remove the directors and supervisors (not being representative(s) of employees) and to decide on the matters relating to the remuneration of directors and supervisors;

(3) to review and approve the reports of the board of directors;

(4) to review and approve the reports of the supervisory board;

(5) to review and approve the company's annual financial budgets and final accounts;

(6) to review and approve the company's profit distribution proposals and loss recovery proposals;

(7) to decide on any increase or reduction of the company's registered capital;

(8) to decide on the issue and listing of corporate bonds and other securities;

(9) to decide on merger, division, dissolution and liquidation of the company or change of its corporate form;

(10) to amend the articles of association; and

(11) to exercise any other authority stipulated in the articles of association.

Pursuant to the PRC Company Law and the Guidelines for the Articles of Association of Listed Companies, a shareholders' general meeting is required to be held once every year within six months after the end of the previous accounting year. An extraordinary general meeting is required to be held within two months upon the occurrence of any of the following:

(1) the number of directors is less than the number required by law or less than two-thirds of the number specified in the articles of association;

(2) the total outstanding losses of the company amounted to one-third of the company's total paid-in share capital;

(3) shareholders individually or in aggregate holding 10%or more of the company's shares request to convene an extraordinary general meeting;

(4) the board deems necessary;

(5) the board of supervisors so proposes; or

(6) any other circumstances as provided for in the articles of association.

A shareholders' general meeting shall be convened by the board of directors, and presided over by the chairman of the board of directors. In the event that the chairman is incapable of performing or is not performing his duties, the meeting shall be presided over by the vice chairman. In the event that the vice chairman is incapable of performing or is not performing his duties, a director nominated by half or more of the directors shall preside over the meeting. Where the board of directors is incapable of performing or is not performing its duties to convene the general meeting, the supervisory board shall convene and preside over shareholders' general meeting in a timely manner. If the supervisory board fails to convene and preside over shareholders' general meeting, shareholders individually or in aggregate holding 10% or more of the company's shares for 90 days or more consecutively may unilaterally convene and preside over shareholders' general meeting.

In accordance with the PRC Company Law, a notice of the general meeting stating the date and venue of the meeting and the matters to be considered at the meeting shall be given to all shareholders 20 days before the meeting. A notice of extraordinary general meeting shall be given to all shareholders 15 days prior to the meeting. For the issuance of bearer share certificates, the time and venue of and matters to be considered at the meeting shall be announced 30 days before the meeting. A single shareholder who holds, or several shareholders who jointly hold, three percent or more of the shares of the company may submit an interim proposal in writing to the board of directors ten days before the general meeting is held. The board of directors shall notify other shareholders within two days upon receipt of the proposal, and submit the said interim proposal to the general meeting for deliberation. The contents of the interim proposal shall fall within the scope of powers of the general meeting, and the proposal shall have a clear agenda and specific matters on which resolutions are to be made.

The general meeting shall not make any resolution in respect of any matter not set out in the above-mentioned two types of notices. Holders of bearer share certificates who wish to attend a general meeting shall deposit their share certificates with the company five days before the meeting and till the conclusion of the meeting.

Under the PRC Company Law, shareholders present at a shareholders' general meeting have one vote for each share they hold, save that the company's shares held by the company are not entitled to any voting rights.

An accumulative voting system may be adopted for the election of directors and supervisors at the general meeting pursuant to the provisions of the articles of association or a resolution of the general meeting. Under the accumulative voting system, each share shall be entitled to the number of votes equivalent to the number of directors or supervisors to be elected at the general meeting, and shareholders may consolidate their votes for one or more directors or supervisors when casting a vote.

Under the PRC Company Law, resolutions of the general meeting must be passed by more than half of the voting rights held by shareholders present at the meeting, with the exception of matters relating to merger, division or dissolution of the company, increase or reduction of registered share capital, change of corporate form or amendments to the articles of association, which in each case must be passed by at least two-thirds of the voting rights held by the shareholders present at the meeting.

Pursuant to the Guidelines for the Articles of Association of Listed Companies, matters such as the purchase or sale of material assets or guarantees in excess of thirty percent of a company's latest audited total assets within one year and share incentive schemes shall be approved by special resolutions of shareholders in general meetings. Where the PRC Company Law and the articles of association provide that the transfer or acquisition of significant assets or the provision of external guarantees by the company and such other matters must be approved by way of resolution of the general meeting, the board of directors shall summon a shareholders' general meeting on his/her behalf. The proxy shall present the shareholders' power of attorney to the company and exercise voting rights within the scope of authorization. Minutes shall be prepared in respect of matters considered at the general meeting and the chair person and directors attending the meeting shall endorse such minutes by signature. The minutes shall be kept together with the shareholders' attendance register and the proxy forms.

Board

A company shall have a board, which shall consist of 5 to 19 members. The term of a director shall be stipulated in the articles of association, provided that no term of office shall last for more than three years. A director may serve consecutive terms if re-elected. A director shall continue to perform his/her duties as a director in accordance with the laws, administrative regulations and the articles of association until a duly reelected director takes office, if re-election is not conducted in a timely manner upon the expiry of his/her term of office or if the resignation of directors results in the number of directors being less than the quorum.

Under the PRC Company Law, the board of directors may exercise its powers:

(1) to convene shareholders' general meetings and report on its work to the shareholders' general meetings;

(2) to implement the resolutions passed by the shareholders at the shareholders' general meetings;

(3) to decide on the company's operational plans and investment proposals;

(4) to formulate proposal for the company's annual financial budgets and final accounts;

(5) to formulate the company's profit distribution proposals and loss recovery proposals;

(6) to formulate proposals for the increase or reduction of the company's registered capital and the issue of corporate bonds;

(7) to formulate proposals for the merger, division or dissolution of the company or change of corporate form;

(8) to decide on the setup of the company's internal management organs;

(9) to appoint or dismiss the company's manager and decide on his/her remuneration and, based on the manager's recommendation, to appoint or dismiss any deputy general manager and financial officer of the company and to decide on their remunerations;

(10) to formulate the company's basic management system; and

(11) to exercise any other authority stipulated in the articles of association.

Meetings of the board of directors shall be convened at least twice each year. Notices of meeting shall be given to all directors and supervisors 10 days before the meeting. Interim board meetings may be proposed to be convened by shareholders representing more than 10% of the voting rights, more than one-third of the directors or the supervisory board. The chairman shall convene the meeting within 10 days of receiving such proposal, and preside over the meeting. The board may otherwise determine the means and the period of notice for convening an interim board meeting. Meetings of the board of directors shall be held only if more than half of the directors are present. Resolutions of the board shall be passed by more than half of all directors. Each director shall have one vote for a resolution to be approved by the board. Directors shall attend board meetings in person. If a director is unable to attend for any reason, he/she may appoint another director to attend the meeting on his/her behalf by a written power of attorney specifying the scope of authorization.

If a resolution of the board of directors violates the laws, administrative regulations or the articles of association or resolutions of the general meeting, and as a result of which the company sustains serious losses, the directors participating in the resolution are liable to compensate the company. However, if it can be proved that a director expressly objected to the resolution when the resolution was voted on, and that such objection was recorded in the minutes of the meeting, such director shall be relieved from that liability.

Under the PRC Company Law, the following person may not serve as a director in a company:

(1) a person who is unable or has limited ability to undertake any civil liabilities;

(2) a person who has been convicted of an offense of corruption, bribery, embezzlement, misappropriation of property or destruction of the socialist market economic order, or who has been deprived of his political rights due to his crimes, in each case where less than five years have elapsed since the date of completion of the sentence;

(3) a person who has been a former director, factory manager or manager of a company or an enterprise that has entered into insolvent liquidation and who was personally liable for the insolvency of such company or enterprise, where less than three years have elapsed since the date of the completion of the bankruptcy and liquidation of the company or enterprise;

(4) a person who has been a legal representative of a company or an enterprise that has had its business license revoked due to violations of the law or has been ordered to close down by law and the person was personally responsible, where less than three years have elapsed since the date of such revocation;

(5) a person who is liable for a relatively large amount of debts that are overdue.

In addition, pursuant to the Guidelines for the Articles of Association of Listed Companies, where a director of a company is a natural person who has been subject to a securities market entry prohibition measure imposed by the CSRC, he/she shall not be able to act as a company director until the period of such measure has expired.

Where a company elects or appoints a director to which any of the above circumstances applies, such election or appointment shall be null and void. A director to which any of the above circumstances applies during his/her term of office shall be released of his/her duties by the company.

Under the PRC Company Law, the board shall appoint a chairman and may appoint a vice chairman.

The chairman and the vice chairman shall be elected with approval of more than half of all the directors. The chairman shall convene and preside over board meetings and review the implementation of board resolutions. The vice chairman shall assist the chairman to perform his/her duties. Where the chairman is incapable of performing or is not performing his/her duties, the duties shall be performed by the vice chairman. Where the vice chairman is incapable of performing or is not performing his/her duties, a director nominated by more than half of the directors shall perform his/her duties.

Supervisory Board

A company shall have a supervisory board composed of not less than three members. The supervisory board shall consist of representatives of the shareholders and an appropriate proportion of representatives of the company's staff, of which the proportion of representatives of the company's staff shall not be less than one-third, and the actual proportion shall be determined in the articles of association. Representatives of the company's staff at the supervisory board shall be democratically elected by the company's staff at the staff representative assembly, general staff meeting or otherwise. Directors and senior management shall not act concurrently as supervisors.

Each term of office of a supervisor is three years and he/she may serve consecutive terms if reelected. A supervisor shall continue to perform his/her duties as a supervisor in accordance with the laws, administrative regulations and the articles of association until a duly re-elected supervisor takes office, if re-election is not conducted in a timely manner upon the expiry of his/her term of office or if the resignation of supervisors results in the number of supervisors being less than the quorum.

The supervisory board may exercise its powers:

(1) to review the company's financial position;

(2) to supervise the directors and senior management in their performance of their duties and to propose the removal of directors and senior management who have violated laws, regulations, the articles of association or resolutions of the shareholders' general meetings;

(3) when the acts of a director or senior management personnel are detrimental to the company's interests, to require the director and senior management to correct these acts;

(4) to propose the convening of extraordinary shareholders' general meetings and to convene and preside over shareholders' general meetings when the board fails to perform the duty of convening and presiding over shareholders' general meetings under the PRC Company Law;

(5) to submit proposals to the shareholders' general meetings;

(6) to bring actions against directors and senior management personnel pursuant to the relevant provisions of the PRC Company Law; and

(7) to exercise any other authority stipulated in the articles of association.

Supervisors may be present at board meetings and make inquiries or proposals in respect of the resolutions of the board. The supervisory board may investigate any irregularities identified in the operation of the company and, when necessary, may engage an accounting firm to assist its work at the cost of the company.

The chairman of the supervisory board shall convene and preside over supervisory board meetings. Where the chairman of the supervisory board is incapable of performing or is not performing his/her duties, the vice chairman of the supervisory board shall convene and preside over supervisory board meetings. Where the vice chairman of the supervisory board is incapable of performing or is not performing his/her duties, a supervisor recommended by more than half of the supervisors shall convene and preside over supervisory board meetings.

Manager and Senior Management

Under the PRC Company Law, a company shall have a manager who shall be appointed or removed by the board of directors. Meanwhile, under the relevant requirements of the Guidelines for the Articles of Association of Listed Companies, the manager, who reports to the board of directors, may exercise his/her powers:

(1) to manage the production and operation and administration of the company, arrange for the implementation of the resolutions of the board of directors;

(2) to arrange for the implementation of the company's annual operation plans and investment proposals;

(3) to formulate proposals for the establishment of the company's internal management organs;

(4) to formulate the fundamental management system of the company;

(5) to formulate the company's specific rules and regulations;

(6) to recommend the appointment or dismissal of any deputy manager and any financial officer of the company;

(7) to appoint or dismiss management personnel (other than those required to be appointed or dismissed by the board of directors); and

(8) to exercise any other authority granted by the board of directors.

Other provisions in the articles of association on the manager's powers shall also be complied with. The manager shall be present at meetings of the board of directors. However, the manager shall have no voting rights at meetings of the board of directors unless he/she concurrently serves as a director.

According to the PRC Company Law, senior management refers to the manager, deputy manager(s), person-in-charge of financial, board secretary (in the case of a listed company) and other personnel as stipulated in the articles of association.

Duties of Directors, Supervisors and Senior Management

Directors, supervisors and senior management are required under the PRC Company Law to comply with the relevant laws, administrative regulations and the articles of association, and carry out their duties of loyalty and diligence.

Directors, supervisors and senior management are prohibited from abusing their authority in accepting bribes or other unlawful income and from misappropriating the company's property.

Directors and senior management are prohibited from:

(1) misappropriating company funds;

(2) depositing company funds into accounts under their own names or the names of other individuals to deposit;

(3) loaning company funds to others or providing guarantees in favor of others supported by company's property in violation of the articles of association or without approval of the general meeting or the board of directors;

(4) entering into contracts or transactions with the company in violation of the articles of association or without approval of the general meeting;

(5) using their position to procure business opportunities for themselves or others that should have otherwise been available to the company or operating businesses similar to that of the company for their own benefits or on behalf of others without approval of the general meeting;

(6) accepting commissions paid by a third party for transactions conducted with the company;

(7) unauthorized divulgence of confidential information of the company; and

(8) other acts in violation of their duty of loyalty to the company.

Income generated by directors or senior management in violation of aforementioned shall be returned to the company.

A director, supervisor or senior management who contravenes law, administrative regulation or articles of association in the performance of his/her duties resulting in any loss to the company shall be liable to the company for compensation.

Where a director, supervisor or senior management is required to attend a shareholders' general meeting, such director, supervisor or senior management shall attend the meeting and answer the inquiries from shareholders. Directors and senior management shall furnish all true information and data to the supervisory board, without impeding the discharge of duties by the supervisory board or supervisors.

Where a director or senior management contravenes law, administrative regulation or articles of association in the performance of his/her duties resulting in any loss to the company, shareholder(s) holding individually or in aggregate no less than 1% of the company's shares consecutively for at least 180 days may request in writing that the supervisory board institute litigation at a people's court on its behalf. Where the supervisory violates the laws or administrative regulations or the articles of association in the discharge of its duties resulting in any loss to the company, such shareholder(s) may request in writing that the board of directors institute litigation at a people's court on its behalf. If the supervisory board or the board of directors refuses to institute litigation after receiving this written request from the shareholder(s), or fails to institute litigation within 30 days of the date of receiving the request, or in case of emergency where failure to institute litigation immediately will result in irrecoverable damage to the company's interests, such shareholder(s) shall have the power to institute litigation directly at a people's court in its own name for the company's benefit. For other parties who infringe the lawful interests of the company resulting in loss to the company, such shareholder(s) may institute litigation at a people's court in accordance with the procedure described above. Where a director or senior management contravenes any laws, administrative regulations or the articles of association in infringement of shareholders' interests, a shareholder may also institute litigation at a people's court.

Pursuant to the Guidelines for the Articles of Association of Listed Companies, senior management personnel of a company shall faithfully perform their duties and safe guard the best interests of the company and all its shareholders. Senior management of a company shall be liable for compensation in accordance with the law if they fail to faithfully perform their duties or breach their duty of good faith and cause damage to the interests of the company and holders of public shares.

Finance and Accounting

A company shall establish its own financial and accounting systems according to the laws, administrative regulations and the regulations of the competent financial departments of the State Council. At the end of each financial year, a company shall prepare a financial report which shall be audited by an accounting firm in accordance with the laws. The financial and accounting reports shall be prepared in accordance with the laws, administrative regulations and the regulations of the financial departments of the State Council.

The company's financial reports shall be made available for shareholders' inspection at the company 20 days before the convening of an annual general meeting. A joint stock limited company that makes public stock offerings shall publish its financial reports.

When distributing each year's profits after taxation, the company shall set aside 10% of its profits after taxation for the company's statutory common reserve fund until the fund has reached 50% or more of the company's registered capital. When the company's statutory common reserve fund is not sufficient to make up for the company's losses for the previous years, the current year's profits shall first be used to make good the losses before any allocation is set aside for the statutory common reserve fund. After the company has made allocations to the statutory common reserve fund from its profits after taxation, it may, upon passing a resolution at a shareholders' general meeting, make further allocations from its profits after taxation to the discretionary common reserve fund. After the company has made good its losses and made allocations to its discretionary common reserve fund, the remaining profits after taxation shall be distributed in proportion to the number of shares held by the shareholders, except for those which are not distributed in a proportionate manner as provided by the articles of association.

Profits distributed to shareholders by a resolution of a shareholders' general meeting or the board of directors before losses have been made good and allocations have been made to the statutory common reserve fund in violation of the requirements described above must be returned to the company. The company shall not be entitled to any distribution of profits in respect of shares held by it.

The premium over the nominal value of the shares of the company earned from the issue of share and other income as required by CSRC to be treated as the capital reserve fund shall be accounted for as the capital reserve fund. The common reserve fund of a company shall be applied to make good the company's losses, expand its business operations or increase its capital. The capital reserve fund, however, shall not be used to make good the company's losses. Upon the transfer of the statutory common reserve fund into capital, the balance of the fund shall not be less than 25% of the registered capital of the company before such transfer.

The company shall have no accounting books other than the statutory books. The company's assets shall not be deposited in any account opened under the name of an individual.

Appointment and Retirement of Auditors

Pursuant to the PRC Company Law, the engagement or dismissal of an accounting firm responsible for the company's auditing shall be determined by a shareholders' general meeting or the board of directors in accordance with the articles of association. The accounting firm should be allowed to make representations when the general meeting or the board of directors conduct a vote on the dismissal of the accounting firm. The company should provide true and complete accounting evidence, accounting books, financial and accounting reports and other accounting information to the engaged accounting firm without any refusal or withholding or falsification of information.

Pursuant to the Guidelines for the Articles of Association of Listed Companies, the company engages an accounting firm that complies with the provisions of the Securities Law to carryout audit of accounting statements, verification of net assets and other related advisory services for a period of one year, which is renewable.

Profit Distribution

According to the PRC Company Law, a company shall not distribute profits before losses are covered and the statutory common reserve fund is provided.

Amendments to the Articles of Association

Pursuant to PRC Company Law, the resolution of a shareholders' general meeting regarding any amendment to a company's articles of association requires affirmative votes by at least two-thirds of the votes held by shareholders attending the meeting. According to the Guidelines for the Articles of Association of Listed Companies, if the amendments to the articles of association approved by the resolution of the general meeting of shareholders are subject to approval by the competent authority, they must be reported to the competent authority for approval; if they involve company registration matters, the modification registrations hall be handled according to law. Where the amendments to the articles of association belong to information required to be disclosed by laws and regulations, such amendments shall be announced in accordance with the regulations.

Dissolution and Liquidation

Under the PRC Company Law, a company shall be dissolved for any of the following reasons:

(1) the term of its operation set out in the articles of association has expired or other events of dissolution specified in the articles of association have occurred;

(2) the shareholders' general meeting has resolved to dissolve the company;

(3) the company is dissolved by reason of its merger or division;

(4) the business license of the company is revoked or the company is ordered to close down or to be revoked in accordance with the laws;

(5) the company is dissolved by a people's court in response to the request of shareholders holding shares that represent more than 10% of the voting rights of all shareholders of the company, on the grounds that the operation and management of the company has suffered serious difficulties that cannot be resolved through other means, rendering ongoing existence of the company a cause for significant losses to the shareholders.

In the event of paragraph 1 above, the company may carry on its existence by amending its articles of association. The amendments to the articles of association in accordance with the provisions described above shall require the approval of more than two-thirds of voting rights of shareholders attending a shareholders' general meeting.

Where the company is dissolved under the circumstances set forth in paragraph 1, 2, 4 or 5 above, it should establish a liquidation committee within 15 days of the date on which the dissolution matter occurs. The liquidation committee shall be composed of directors or any other person determined by a shareholders' general meeting. If a liquidation committee is not established within the prescribed period, the company's creditors may file an application with a people's court to appoint relevant personnel to form a liquidation committee to administer the liquidation. The people's court should accept such application and form a liquidation committee to conduct liquidation in a timely manner.

The liquidation committee may exercise following powers during the liquidation:

(1) to sort out the company's assets and to prepare a statement of financial position and an inventory of assets, respectively;

(2) to notify creditors by notice or public notices;

(3) to deal with any outstanding business related to the liquidation;

(4) to pay outstanding tax together with any tax arising during the liquidation process;

(5) to settle claims and liabilities;

(6) to handle the company's remaining assets after its debts have been paid off;

(7) to represent the company in any civil procedures.

The liquidation committee shall notify the company's creditors within 10 days of its establishment, and publish an announcement in newspapers within 60 days.

A creditor shall lodge his claim with the liquidation committee within 30 days of receipt of the notification or within 45 days of the date of the announcement if he has not received any notification. A creditor shall report all matters relevant to his claimed creditor's rights and furnish relevant evidence. The liquidation committee shall register such creditor's rights. The liquidation committee shall not make any settlement to creditors during the period of the claim.

Upon disposal of the company's property and preparation of the required statement of financial position and inventory of assets, the liquidation committee shall draw up a liquidation plan and submit this plan to a shareholders' general meeting or a people's court for endorsement. The remaining part of the company's assets, after payment of liquidation expenses, employee wages, social insurance expenses and statutory compensation, outstanding taxes and the company's debts, shall be distributed to shareholders in proportion to shares held by them. The company shall continue to exist during the liquidation period, although it cannot conduct operating activities that are not related to the liquidation. The company's property shall not be distributed to shareholders before repayments are made in accordance with the requirements described above.

Upon liquidation of the company's property and preparation of the required statement of financial position and inventory of assets, if the liquidation committee becomes aware that the company does not have sufficient assets to meet its liabilities, it must apply to a people's court for a declaration of bankruptcy in accordance with the laws. Following such declaration by the people's court, the liquidation committee shall hand over the administration of the liquidation to the people's court.

Upon completion of the liquidation, the liquidation committee shall prepare a liquidation report and submit it to the shareholders' general meeting or a people's court for confirmation of its completion. Following such confirmation, the report shall be submitted to the company registration authority to cancel the company's registration, and an announcement of its termination shall be published. Members of the liquidation committee are required to discharge their duties in good faith and perform their obligation in compliance with laws. Members of the liquidation committee shall be prohibited from abusing their authority in accepting bribes or other unlawful income and from misappropriating the company's properties. Members of the liquidation committee are liable to indemnify the company and its creditors in respect of any loss arising from their willful or material default.

Liquidation of a company declared bankrupt according to laws shall be processed in accordance with the laws on corporate bankruptcy.

Overseas Listing

According to the Overseas Listing Trial Measures, overseas listing of a company shall be filed with CSRC. Where an issuer conducts an overseas initial public offering or listing, it shall file with CSRC within 3 working days after submitting the issuance and listing application documents overseas. The remittance and cross-border flow of funds related to overseas issuance and listing of domestic enterprises shall comply with national regulations on cross-border investment and financing, foreign exchange management and cross border RMB management.

Loss of Share Certificates

A shareholder may, in accordance with the public notice procedures set out in the PRC Civil Procedure Law, apply to a people's court if his share certificate(s) in registered form is either stolen, lost or destroyed, for a declaration that such certificate(s) will no longer be valid. After the people's court declares that such certificate(s) will no longer be valid, the shareholder may apply to the company for the issue of a replacement certificate(s).

Merger and Division

A merger agreement shall be signed by merging companies and the involved companies shall prepare respective statements of financial position and inventory of assets. The companies shall within 10 days of the date of passing the resolution approving the merger notify their respective creditors and publicly announce the merger in newspapers within 30 days. A creditor may, within 30 days of receipt of the notification, or within 45 days of the date of the announcement if he has not received the notification, request the company to settle any outstanding debts or provide relevant guarantees. In case of a merger, the credits and debts of the merging parties shall be assumed by the surviving or the new company.

In case of a division, the company's assets shall be divided and a statement of financial position and an inventory of assets shall be prepared. When a resolution regarding the company's division is approved, the company should notify all its creditors within 10 days of the date of passing such resolution and publicly announce the division in newspapers within 30 days. Unless an agreement in writing is reached with creditors before the company's division in respect of the settlement of debts, the liabilities of the company which have accrued prior to the division shall be jointly borne by the divided companies.

Changes in the business registration of the companies as a result of the merger or division shall be registered with the relevant administration authority for industry and commerce.

In accordance with the laws, cancelation of a company shall be registered when a company is dissolved and incorporation of a company shall be registered when a new company is incorporated.

THE PRC SECURITIES LAWS, REGULATIONS

The PRC has promulgated a number of regulations that relate to the issue and trading of shares and disclosure of information. In October 1992, the State Council established the Securities Committee and the CSRC. The Securities Committee is responsible for coordinating the drafting of securities regulations, formulating securities-related policies, planning the development of securities markets, directing, coordinating and supervising all securities-related institutions in the PRC and administering the CSRC. The CSRC is the regulatory arm of the Securities Committee and is responsible for the drafting of regulatory provisions of securities markets, supervising securities companies, regulating public offers of securities by PRC companies in the PRC or overseas, regulating the trading of securities, compiling securities related statistics and undertaking relevant research and analysis. In April 1998, the State Council consolidated the two departments and reformed the CSRC.

The Interim Provisional Regulations on the Administration of Share Issuance and Trading (《股票發行與交易管理暫行條例》) deals with the application and approval procedures for public offerings of equity securities, trading in equity securities, the acquisition of listed companies, deposit, clearing and transfer of listed equity securities, the disclosure of information with respect to a listed company, investigation, penalties and dispute settlement.

On December 25, 1995, the State Council promulgated the Regulations of the State Council Concerning Domestic Listed Foreign Shares of Joint Stock Limited Companies (《國務院關於股份有限公司境內上市外資股的規定》). These regulations principally govern the issue, subscription, trading and declaration of dividends and other distributions of domestic listed foreign shares and disclosure of information of joint stock limited companies having domestic listed foreign shares.

The Securities Law of the PRC (《中華人民共和國證券法》, the "**PRC Securities Law**") took effect on July 1, 1999 and was revised as of August 28, 2004, October 27, 2005, June 29, 2013, August 31, 2014 and December 28, 2019, respectively. The PRC Securities Law, which was revised on December 28, 2019 and came into effect on March 1, 2020, is divided into 14 chapters and 226 articles, regulating, among other things, the issue and trading of securities, the listing of securities, and takeovers by listed companies.

Article 224 of the PRC Securities Law provides that domestic enterprises which, directly or indirectly, issue securities or list and trade their securities outside the PRC shall comply with the relevant regulations of the State Council. Currently, the issue and trading of foreign issued securities (including shares) are principally governed by the regulations and rules promulgated by the State Council and the CSRC.

ARBITRATION AND ENFORCEMENT OF ARBITRAL AWARDS

The Arbitration Law of the PRC (《中華人民共和國仲裁法》) (the "**PRC Arbitration Law**") was enacted by the Standing Committee of the NPC on August 31, 1994, which became effective on September 1, 1995 and was amended on August 27, 2009 and September 1, 2017, respectively. It is applicable to, among other matters, economic disputes involving foreign parties where all parties have entered into a written agreement to resolve disputes by arbitration before an arbitration committee constituted in accordance with the PRC Arbitration Law. The PRC Arbitration Law provides that an arbitration committee may, before the promulgation of arbitration regulations by the PRC Arbitration Association, formulate interim arbitration rules in accordance with the PRC Arbitration Law and the PRC Civil Procedure Law. Where the parties have agreed to settle disputes by means of arbitration, a people's court will refuse to handle a legal proceeding initiated by one of the parties at such people's court, unless the arbitration agreement is invalid.

Under the PRC Arbitration Law and PRC Civil Procedure Law, an arbitral award shall be final and binding on the parties involved in the arbitration. If any party fails to comply with the arbitral award, the other party to the award may apply to a people's court for its enforcement. The people's court can issue a ruling prohibiting the enforcement of an arbitral award made by an arbitration commission after verification by collegial bench formed by the people's court if there is any procedural irregularity (including but not limited to irregularity in the composition of the arbitration tribunal or arbitration proceedings, the jurisdiction of the arbitration commission, or the making of an award on matters beyond the scope of the arbitration agreement).

Any party seeking to enforce an award of a foreign affairs arbitral body of the PRC against a party who or whose property is not located within the PRC may apply to a foreign court with jurisdiction over the case for recognition and enforcement of the award. Likewise, an arbitral award made by a foreign arbitral body may be recognized and enforced by a PRC court in accordance with the principle of reciprocity or any international treaties concluded or acceded to by the PRC.

The PRC acceded to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (《承認及執行外國仲裁裁決公約》, the "**New York Convention**") adopted on June 10, 1958 pursuant to a resolution passed by the Standing Committee of the NPC on December 2, 1986. The New York Convention provides that all arbitral awards made in a state which is a party to the New York Convention shall be recognized and enforced by other parties thereto subject to their rights to refuse enforcement under certain circumstances, including but without limitation to where the enforcement of the arbitral award is against the public policy of that state. At the time of the PRC's accession to the Convention, the Standing Committee of the NPC declared that (i) the PRC will only apply the Convention to the recognition and enforcement of arbitral awards made in the territories of other parties based on the principle of reciprocity; and (ii) the will only be applied to disputes deemed under PRC laws to be arising from contractual or non-contractual mercantile legal relations.

An arrangement for mutual enforcement of arbitral awards between Hong Kong and the Supreme People's Court of China was reached. The Supreme People's Court of China adopted the Arrangements on the Mutual Enforcement of Arbitral Awards between the mainland and the Hong Kong Special Administrative Region (《關於內地與香港特別行政區相互執行仲裁裁決的安排》) on June 18, 1999, which went into effect on February 1, 2000. The arrangement reflects the spirit of the New York Convention. Under the arrangements, the courts of the Hong Kong SAR have agreed to enforce arbitration awards made by mainland Chinese arbitration organisations in accordance with the Arbitration Law of the People's Republic of China, and people's courts of mainland China have agreed to enforce arbitration awards made in the Hong Kong SAR in accordance with the Arbitration Ordinate of the Hong Kong SAR. If the Mainland court finds that the enforcement of awards made by the Hong Kong arbitral bodies in the mainland will be against public interests of the mainland, or the court of Hong Kong SAR decides that the enforcement of the arbitral awards made by mainland Chinese arbitration organisations in Hong Kong SAR will be against public policies of Hong Kong SAR, the awards may not be enforced. The Supreme People's Court of China adopted the Supplementary Arrangement Concerning Mutual Enforcement of Arbitral Awards between the Mainland and Hong Kong SAR (《關於內地與香港特別行政區相互執行仲裁裁決的補充安排》) ("the Supplemental Arrangement") on November 11, 2020. The Supplemental Arrangement mainly provide additional provisions to the Arrangement on Mutual Enforcement of Arbitral Awards between Mainland China and Hong Kong SAR (《關於內地與香港特別行政區相互執行仲裁裁決的安排》). Articles 1 and 4 of the Supplemental Arrangement shall come into effect on November 27, 2020, while articles 2 and 3 shall come into effect on a date to be announced by the Supreme People's Court after the Hong Kong Special.

Judicial judgment and its enforcement

According to the Arrangement on Mutual Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the mainland China and of the Hong Kong Special Administrative Region (《最高人民法院關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》) promulgated by the Supreme People's Court on January 25, 2024 and implemented on January 29, 2024, in the case of effective judgment of a civil and commercial case or civil damages in a criminal case made by the court of China and the court of the Hong Kong Special Administrative Region, any party concerned may apply to the People's Court of China or the court of the Hong Kong Special Administrative Region for recognition and enforcement based on this arrangement.

Shanghai-Hong Kong Stock Connect

On April 10, 2014, CSRC and Hong Kong Securities and Futures Commission (hereinafter referred to as "**HKSFC**") issued the Joint Announcement of China Securities Regulatory Commission and Hong Kong Securities and Futures Commission – Principles that Should be Followed when the Pilot Program that Links the Stock Markets in Shanghai and Hong Kong is Expected to be Implemented and approved in principle the launch of the pilot program that links the stock markets in Shanghai and Hong Kong (hereinafter referred to as "**Shanghai-Hong Kong Stock Connect**") by the Shanghai Stock Exchange (hereinafter referred to as "**SSE**"), the Stock Exchange, China Securities Depository and Clearing Corporation Limited (hereinafter referred to as "**CSDCC**") and HKSCC. Shanghai-Hong Kong Stock Connect comprises the two portions of Northbound Trading Link and Southbound Trading Link. Southbound Trading Link refers to the entrustment of China securities houses by China investors to trade stocks listed on the Stock Exchange within a stipulated range via filing by the securities trading service company established by the SSE with the Stock Exchange. During the initial period of the pilot program, the stocks of Southbound Trading Link consist of constituent stocks of the Stock Exchange Hang Seng Composite Large Cap Index and the Hang Seng Composite MidCap Index as well as stocks of A+H stock companies concurrently listed on the Stock Exchange and the SSE. The total limit of Southbound Trading Link is RMB250 billion and the daily limit is RMB10.5 billion. During the initial period of the pilot program, it is required by HKSFC that China investors participating in Southbound Trading Link are only limited to institutional investors and individual investors with a securities account and capital account balance of not less than RMB500,000.

On November 10, 2014, CSRC and HKSFC issued a Joint Announcement, approving the official launch of Shanghai-Hong Kong Stock Connect by SSE, the Stock Exchange, CSDCC and HKSCC. Pursuant to the Joint Announcement, trading of stocks under Shanghai-Hong Kong Stock Connect will commence on November 17, 2014.

On September 30, 2016, CSRC issued the Filing Provision on the Placement of Shares by Hong Kong Listed Companies with Domestic Original Shareholders under Southbound Trading Link which came into effect on the same day. The act of the placement of shares by Hong Kong listed companies with domestic original shareholders under Southbound Trading Link shall be filed with CSRC. Hong Kong listed companies shall file the application materials and approved documents with CSRC after obtaining approval from the Stock Exchange for their share placement applications. CSRC will carry out supervision based on the approved opinion and conclusion of the Hong Kong side.

MATERIAL DIFFERENCES BETWEEN CERTAIN ASPECTS OF CORPORATION LAW IN THE PRC AND HONG KONG

Hong Kong company law is primarily set out in the Companies Ordinance and the Companies (Winding Up and Miscellaneous Provisions) Ordinance, supplemented by common law and rules of equity that apply to Hong Kong. As a joint stock limited company incorporated in the PRC that is seeking a [**REDACTED**] of shares on the Stock Exchange, we are governed by the Company Law and all other rules and regulations promulgated pursuant to the Company Law. Set out below is a summary of certain material differences between Hong Kong company law and the Company Law. This summary is, however, not intended to be an exhaustive comparison.

Corporate Existence

Under Hong Kong company law, a company with share capital is incorporated by the Registrar of Companies in Hong Kong, which issues a certificate of incorporation to the Company upon its incorporation, and the company will acquire an independent corporate existence henceforth. A company may be incorporated as a public company or a private company. Pursuant to the Companies Ordinance, the articles of association of a private company incorporated in Hong Kong shall contain certain pre-emptive provisions. A public company's articles of association do not contain such pre-emptive provisions.

Under the Company Law, a joint stock limited company may be incorporated by promotion or subscription.

Hong Kong law does not prescribe any minimum capital requirement for a Hong Kong company.

Share Capital

Under the Companies Ordinance, the concept of the nominal value (also known as par value) of shares of a Hong Kong company has been abolished, and the companies have increased flexibility to alter its share capital by (i) increasing its share capital; (ii) capitalizing its profits; (iii) allotting and issuing bonus shares with or without increasing its share capital; (iv) converting its shares into larger or smaller number of shares; and (v) cancelling its shares. The concept of authorized capital no longer applies to a Hong Kong company formed on or after March 3, 2014 as well. Hence, the directors of a Hong Kong company may, with the prior approval of the shareholders if required, issue new shares of the company. The Company Law has no provisions on minimum registered capital of joint stock companies, except that laws, administrative regulations and State Council decisions have separate provisions on paid-in registered capital and the minimum registered capital of joint stock companies, in which case the company should follow such provisions. The Company's registered capital is the amount of its issued share capital. Any increase in the Company's registered capital must be approved at the general meeting and shall be approved by/filed with the relevant PRC governmental and regulatory authorities (if applicable).

The Companies Ordinance does not prescribe any minimum capital requirement for companies incorporated in Hong Kong.

Under the Company Law, the shares may be subscribed for in the form of money or non-monetary assets (other than assets not entitled to be used as capital contributions under relevant laws or administrative regulations). For non-monetary assets to be used as capital contributions, appraisals must be carried out to ensure there is no over-valuation or under-valuation of the assets. There is no such restriction on a company incorporated in Hong Kong.

Restrictions on Shareholding and Transfer of Shares

H shares, which are denominated in Renminbi and subscribed for in Hong Kong dollars, may only be subscribed for, and traded by, investors from Hong Kong, Macau and Taiwan or any country and territory outside the PRC, or qualified domestic institutional investors if the H shares are eligible securities under the Southbound Trading Link, they are also subscribed for and traded by PRC investors in accordance with the rules and limits of Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect. When the application for "full circulation" has been approved by the CSRC, the unlisted shares of the H-share listed company might be listed and circulated on the Stock Exchange.

Under the Company Law, a promoter of a joint stock limited company is not allowed to transfer the shares it holds for a period of one year after the date of establishment of the company. Shares in issue prior to a public offering of the company cannot be transferred within one year from the listing date of the shares on a stock exchange. Shares in a joint stock limited liability company held by its directors, supervisors and senior management and transferred each year during their term of office shall not exceed 25% of the total shares they held in a company, and the shares they held in a company cannot be transferred within one year from the listing date of the shares, and also cannot be transferred within half a year after the said personnel has left office. The articles of association may set other restrictive requirements on the transfer of a company's shares held by its directors, supervisors and senior management. There are no restrictions on shareholdings and transfers of shares under Hong Kong law apart from (i) the restriction on the Company to issue additional Shares within six months, and (ii) 12-month lockup on Controlling Shareholder' disposal of Shares, after the listing.

Assistance for Acquisition of Shares

The Company Law does not prohibit or restrict a joint stock limited company or its subsidiaries from providing financial assistance for the purpose of an acquisition of its own or its holding company's shares. However, the Guidelines for the Articles of Association of Listed Companies stipulate that a company or a subsidiary of a company (including an affiliated enterprise of a company) shall not provide any assistance in the form of a gift, advance, guarantee, compensation or loan to a person who purchases or proposes to purchase shares in the company.

Notice of Shareholders' Meetings

For a company incorporated in Hong Kong with limited liability, the minimum period of notice of a general meeting is fourteen (14) days. Further, where a meeting involves consideration of a resolution requiring special notice, the company must also give its shareholders notice of the resolution at least fourteen (14) days before the meeting. The notice period for the annual shareholders' general meeting is twenty-one (21) days.

Quorum for Shareholders' Meetings

The Company Law does not specify the quorum for a shareholders' general meeting. Under Hong Kong law, the quorum for a shareholders' meeting is two members, unless the articles of association of a company specifies otherwise or the company has only one member, in which case the quorum is one.

Voting at Shareholders' Meetings

Under the Company Law, the passing of any resolution requires more than one-half of the voting rights represented by our shareholders present in person or by proxy at a shareholders' meeting except in cases such as proposed amendments to our Articles of Association, increase or decrease of registered capital, merger, division, dissolution or transformation, which require more than two-thirds of the voting rights represented by shareholders present in person or by proxy at a shareholders' general meeting.

Under Hong Kong law, an ordinary resolution is passed by a simple majority of affirmative votes cast by shareholders present in person, or by proxy, at a general meeting, and a special resolution is passed by not less than three-fourths of affirmative votes casted by shareholders present in person, or by proxy, at a general meeting.

Variation of Class Rights

The Company Law makes no specific provision relating to variation of class rights. However, the Company Law states that the State Council can promulgate requirements relating to other kinds of shares.

Under the Companies Ordinance, no rights attached to any class of shares can be varied except (i) with the passing of a special resolution by the shareholders of the relevant class at a separate meeting sanctioning the variation, (ii) with the written consent of shareholders representing at least three-fourths of the total voting rights of shareholders of the relevant class, or (iii) if there are provisions in the articles of association relating to the variation of those rights, then in accordance with those provisions.

Derivative Action by Minority Shareholders

Under Hong Kong company law, a shareholder may, with the leave of the Court, start a derivative action on behalf of a company for any misconduct committed by its directors against the company. For example, leave may be granted where the directors control a majority of votes at a general meeting, and could thereby prevent the company from suing the directors in its own name.

Pursuant to the Company Law, in the event where the directors and senior management of a joint stock limited company violate laws, administrative regulations or its articles of association, resulting in losses to the company, the shareholders individually or jointly holding 1% or more of the shares in the company for more than one hundred and eighty (180) consecutive days may request in writing the board of supervisors to initiate proceedings in the people's court. In the event that the board of supervisors violates as such, the above said shareholders may send written request to the board of directors to initiate proceedings in the people's court. Upon receipt of such written request from the shareholders, if the board of supervisors or the board of directors refuses to initiate such proceedings, or has not initiated proceedings within thirty (30) days upon receipt of the request, or if under urgent situations, failure of initiating immediate proceeding may cause irremediable damages to the company, the above said shareholders shall, for the benefit of the company's interests, have the right to initiate proceedings directly to the court in their own name.

The Guidelines for the Articles of Association of Listed Companies also provide other remedies against the directors, supervisors and senior management who breach their duties to the company. In addition, as a condition to the listing of shares on the Stock Exchange, each director and supervisor of a joint stock limited company is required to give an undertaking in favor of the company acting as agent for the shareholders. This allows minority shareholders to take action against directors and supervisors of the company in default.

Minority Shareholder Protection

Under the Companies Ordinance, a shareholder who alleges that the affairs of a company are conducted in a manner unfairly prejudicial to his interests may petition to the Court to make an appropriate order to give relief to the unfairly prejudicial conduct. Alternatively, pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, a shareholder may seek to wind up the company on the just and equitable ground. In addition, on the application of a specified number of members, the Financial Secretary may appoint inspectors who are given extensive statutory powers to investigate the affairs of a company incorporated or registered in Hong Kong. The Company Law provides that any shareholders holding 10% or above of voting rights of all issued shares of a company may request a People's Court to dissolve the company to the extent that the operation or management of the company experiences any serious difficulties and its continuous existence would cause serious losses to them, and no other alternatives can resolve such difficulties.

The Guidelines for the Articles of Association of Listed Companies also provide other remedies against the directors, supervisors and senior management who breach their duties to the company. In addition, as a condition to the listing of shares on the Stock Exchange, each director and supervisor of a joint stock limited company is required to give an undertaking in favor of the company acting as agent for the shareholders. This allows minority shareholders to take action against directors and supervisors of the company in default.

Directors

The Company Law, unlike Hong Kong company law, does not contain any requirements relating to the declaration of directors' interests in material contracts, restrictions on directors' authority in making major dispositions, restrictions on companies providing certain benefits to directors and indemnification in respect of directors' liability and prohibitions against compensation for loss of office without shareholders' approval.

Board of Supervisors

Under the Company Law, a joint stock limited company's directors and senior management are subject to the supervision of a board of supervisors. There is no mandatory requirement for the establishment of a board of supervisors for a company incorporated in Hong Kong.

Under the Company Law, a joint stock limited company's directors and members of the senior management are subject to the supervision of board of supervisors. There is no mandatory requirement for the establishment of board of supervisors for a company incorporated in Hong Kong. The Guidelines for the Articles of Association of Listed Companies stipulate that supervisors shall abide by the laws, administrative regulations and the articles of association of the company, owe the company a duty of loyalty and diligence, and shall not use their authority to accept bribes or other illegal income or misappropriate the property of the company.

Fiduciary Duties

In Hong Kong, directors owe fiduciary duties to the company, including the duty not to act in conflict with the company's interests. Furthermore, the Companies Ordinance has codified the directors' statutory duty of care. Under the Company Law, directors, supervisors and senior management shall assume the duty of loyalty and diligence.

Financial Disclosure

Under the Company Law, a joint stock limited company is required to make available at the company for inspection by shareholders its financial and accounting report twenty (20) days before its annual general meeting. In addition, a joint stock limited company of which the shares are publicly offered must publish its financial and accounting report. The Companies

Ordinance requires a company incorporated in Hong Kong to send to every shareholder a copy of its financial statements, auditors' report and directors' report, which are to be presented before the company in its annual general meeting, not less than twenty-one (21) days before such meeting. According to the PRC laws, a company shall prepare its financial accounting reports as at the end of each accounting year, and submit the same to accounting firms for auditing as required by law.

Information on Directors and Shareholders

The Company Law gives shareholders the right to inspect the company's articles of association, minutes of the general meetings and financial and accounting reports. Under the articles of association, shareholders have the right to inspect and copy (at reasonable charges) certain information on shareholders and on directors which is similar to the rights of shareholders of Hong Kong companies under the Companies Ordinance.

Receiving Agent

Under the Hong Kong law, dividends once declared by the board of directors will become debts payable to shareholders. The limitation period for debt recovery action under Hong Kong law is six years, while under the PRC law this limitation period is three years.

Corporate Reorganization

Corporate reorganization involving a company incorporated in Hong Kong may be effected in a number of ways, such as a transfer of the whole or part of the business or property of the company in the course of voluntary winding up to another company pursuant to Section 237 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance or a compromise or arrangement between the company and its creditors or between the company and its members pursuant to Section 673 and Division 2 of Part 13 of the Companies Ordinance, which requires the sanction of the court. In addition, subject to the shareholders' approval, an intra-group wholly-owned subsidiary company may also be amalgamated horizontally or vertically under the Companies Ordinance. Under PRC law, merger, division, dissolution or change to the status of a joint stock limited liability company has to be approved by shareholders in general meeting.

Mandatory Deductions

Under the Company Law, a joint stock limited liability company is required to make transfers equivalent to certain prescribed percentages of its after-tax profit to the statutory common reserve fund. There are no corresponding provisions under Hong Kong law.

Arbitration of Disputes

In Hong Kong, disputes between shareholders and a company or its directors, managers and other senior management may be resolved through the courts. The Guidelines for the Articles of Association of Listed Companies provide that shareholders may sue directors, supervisors, managers and other senior management of the company, and shareholders may sue the company, and the company may sue its shareholders, directors, supervisors, managers and other senior management personnel.

The Securities Arbitration Rules of the HKIAC contain provisions allowing, upon application by any party, an arbitral tribunal to conduct a hearing in Shenzhen for cases involving the affairs of companies incorporated in the PRC and listed on the Stock Exchange so that PRC parties and witnesses may attend. Where any party applies for a hearing to take place in Shenzhen, the tribunal shall, where satisfied that such application is based on bona fide grounds, order the hearing to take place in Shenzhen conditional upon all parties, including witnesses and arbitrators, being permitted to enter Shenzhen for the purpose of the hearing.

Where a party, other than a PRC party or any of its witnesses or any arbitrator, is not permitted to enter Shenzhen, then the tribunal shall order that the hearing be conducted in any practicable manner, including the use of electronic media. For the purpose of the Securities Arbitration Rules of the HKIAC, a PRC party means a party domiciled in the PRC other than the territories of Hong Kong, Macau and Taiwan.

Remedies of a Company

Under the Company Law, if a director, supervisor or manager in carrying out his duties infringes any law, administrative regulation or the articles of association of a company, which results in damage to the company, that director, supervisor or manager should be responsible to the company for such damages. In addition, the Hong Kong Listing Rules require listed companies' articles to provide for remedies of the company similar to those available under Hong Kong law (including rescission of the relevant contract and recovery of profits from a director, supervisor or senior management).

Dividends

The company has the power in certain circumstances to withhold, and pay to the relevant tax authorities, any tax payable under PRC law on any dividends or other distributions payable to a shareholder. Under Hong Kong law, the limitation period for an action to recover a debt (including the recovery of declared dividends) is six years, whereas under PRC laws, the relevant limitation period is three years. The company must not exercise its powers to forfeit any unclaimed dividend in respect of shares until after the expiry of the applicable limitation period.

Closure of Register of Shareholders

The Companies Ordinance requires that the register of shareholders of a company must not be closed for the registration of transfers of shares for more than thirty (30) days (extendable to sixty (60) days in certain circumstances) in a year. Unless otherwise stipulated by laws, share transfers shall not be registered within twenty (20) days prior to convening a shareholders' general meeting or five (5) days before the base date of distribution of dividends.

This appendix contains a summary of the main provisions of the Articles of Association of the Company adopted on May 11, 2023, which will take effect from the date of [**REDACTED**] of H shares on the Hong Kong Stock Exchange. The main purpose of this appendix is to provide potential [**REDACTED**] with an overview of the Articles of Association of the Company, so it may not contain all the information that is important to potential [**REDACTED**].

1. SHARES AND REGISTERED CAPITAL

The total number of shares at the time of incorporation was 120,000,000 and the capital structure of the Company was: 120,000,000 ordinary shares and no other classes of shares.

The shares of the Company shall be issued in the form of share certificates.

The Company shall issue shares in an open, fair and just manner, and each share of the same class shall enjoy the same rights.

2. INCREASE AND REDUCTION OF CAPITAL AND REPURCHASE OF SHARES

(1) Increase of Capital

The Company may, based on its business and development needs and in accordance with the laws and regulations, increase its capital in the following manners upon resolutions being adopted by the general meetings:

(i) public offering of shares;

(ii) non-public offering of shares;

(iii) distributing bonus shares to its existing shareholders;

(iv) conversion of capital reserve to share capital;

(v) other means required by the laws, administrative regulations and approved by CSRC.

The Company's increase of capital by issuing new shares shall, after being approved in accordance with the provisions of the Articles of Association, be conducted in accordance with the procedures stipulated in the national laws, administrative regulations, departmental rules, normative documents and the requirements of the listing rules of the places where the shares of the Company are listed.

(2) Reduction of Capital

The Company may reduce its registered capital. The Company shall reduce its registered capital in accordance with the procedures stipulated in the Company Law, other relevant regulations and the Articles of Association.

(3) Repurchase of Shares

The Company shall not acquire its shares, except in one of the following circumstances:

(i) to reduce the registered capital of the Company;

(ii) to merge with other companies which own shares in the Company;

(iii) to utilize its shares in employee stock ownership plans or share incentive;

(iv) where the shareholders, who disagree with the resolution in relation to merger or division of the Company made at the general meeting, require the Company to repurchase the shares held by such shareholders;

(v) to use the shares for conversion of corporate bonds issued by the Company which are convertible into shares;

(vi) to safeguard the value of the Company and the interests of the shareholders when necessary.

The Company may acquire its shares by open centralized transaction method or other method approved by laws, administrative regulations and the CSRC as well as the securities regulatory authorities of the place where the shares of the Company are listed. The acquisition of the Company's shares under the circumstances of utilizing its shares in employee stock ownership plans or share incentive, using the shares for conversion of corporate bonds issued by the Company which are convertible into shares and safeguarding the value of the Company and the interests of the shareholders when necessary, shall be carried out through open centralized transaction. Any Company's purchase of its own shares for any reason specified in the case of (i) and (ii) above shall be subject to a resolution of the general meeting; any Company's purchase of its own shares for any reason specified in the case of (iii), (v) and (vi) may be subject to a resolution of the board meeting with more than two thirds of directors present, according to the provisions of the articles of associations or upon authorization by the general meeting.

If the Company acquires its shares, the shares shall be cancelled within ten days from the date of acquisition if the Company's registered capital is reduced; shall be transferred or cancelled within six months if the Company merges with other companies which own shares in the Company, and the shareholders, who disagree with the resolution in relation to merger or division of the Company made at the general meeting, require the Company to repurchase the shares held by such shareholders; the total number of shares held by the Company shall not exceed 10% of the total number of issued shares of the Company and shall be transferred or cancelled within three years if the shares are used for employee stock ownership plans or share incentive, used to satisfy the conversion of corporate bonds issued by the Company which are convertible into shares and safeguard the value of the Company and the interests of the shareholders when necessary.

3. TRANSFER OF SHARES

The shares of the Company held by the promoters shall not be transferred within one year after the incorporation of the Company. The shares issued before the Company's public offering of shares shall not be transferred within one year from the date when the Company's shares are listed and traded on the stock exchange.

The Directors, Supervisors and senior management of the Company shall report to the Company their shareholdings and changes thereof and shall not transfer more than 25% of the total number of their shares of the same class in the Company per annum during their terms of office. These shares of the Company held thereby shall not be transferred within one year from the date when the Company's shares are listed and traded on the stock exchange. The aforesaid persons shall not transfer their shares in the Company within half a year after they terminate service with the Company.

4. FINANCIAL ASSISTANCE FOR THE PURCHASE OF THE SHARES OF THE COMPANY

The Company or its subsidiaries (including the subsidiary enterprises of the Company) shall not, by any means of gifts, advances, guarantees, compensation, or loans, provide any financial assistance to purchasers or potential purchasers of the Company's shares.

5. SHARE CERTIFICATES AND REGISTER OF SHAREHOLDERS

(1) Share Certificates

For shares of the same type issued at the same time, the issuance conditions and price of each share shall be the same. Each share subscribed by any unit or individual shall be paid for the same price.

The shares of the Company are issued in RMB at a nominal value of RMB1 each.

(2) Register of Shareholders

The Company shall establish a register of shareholders in accordance with certificates from the share registrar. The register of shareholders is a sufficient evidence of the shareholders' shareholdings in the Company. A shareholder shall enjoy the relevant rights and assume the relevant obligations in accordance with the class of shares he/she holds. Shareholders holding the same class of shares shall enjoy the same rights and assume the same obligations.

In respect of the register of shareholders of overseas-listed H shares, the original register of shareholders of shares listed in the Hong Kong Stock Exchange shall be maintained in Hong Kong.

6. RIGHTS AND OBLIGATIONS OF SHAREHOLDERS

The shareholders of the Company shall enjoy the following rights:

(1) the right to receive dividends and other distributions in proportion to their shareholdings;

(2) the right to request, convene, preside over, attend or appoint a proxy to attend general meetings and to exercise the voting rights in accordance with the law;

(3) the right to supervise the Company's business operations, to present proposals and to raise enquiries;

(4) the right to transfer, give as a gift or pledge shares held by them in accordance with laws, administrative regulations and the Articles of Association;

(5) the right to inspect the Articles of Association, the register of shareholders, the corporate bond counterfoils, minutes of general meetings, resolutions of Board meetings, resolutions of Board of Supervisors and financial accounting reports;

(6) in the event of the termination or liquidation of the Company, the right to participate in the distribution of remaining assets of the Company in proportion to the shareholdings;

(7) for shareholders who vote against any resolution adopted at the general meeting on the merger or division of the Company, the right to demand the Company to buy back their shares; and

(8) other rights under laws, administrative regulations, departmental rules, normative documents, listing rules of the places where the shares of the Company are listed and the Articles of Association.

7. RESTRICTIONS ON THE RIGHTS OF CONTROLLING SHAREHOLDER

The controlling shareholder or the de facto controller of the Company shall not make use of his/her connected relationship to harm the interests of the Company. If a breach of the regulations causes losses to the Company, they shall be liable for compensation.

The controlling shareholder and the de facto controller of the Company shall have an obligation of fiduciary to the Company and the shareholders of the Company's public shares. The controlling shareholder shall exercise their rights as capital contributors in strict accordance with the law. The controlling shareholder shall not use profit distribution, asset restructuring, external investment, capital occupation or loan guarantee to undermine the legitimate rights and interests of the Company and the shareholders of public shares, and shall not use their control position to undermine the interests of the Company and the shareholders of public shares.

8. GENERAL MEETINGS

(1) General Provisions for Convening General Meetings

The general meeting shall be the authority of power of the Company and shall exercise the following functions and powers in accordance with laws:

(i) to decide on the business operation guidelines and investment plans for the Company;

(ii) to elect and change Directors and Supervisors who are not employees' representatives, and decide on the remunerations of Directors and Supervisors;

(iii) to consider and approve reports of the Board;

(iv) to consider and approve reports of the Board of Supervisors;

(v) to consider and approve the annual financial budgets and final accounts of the Company;

(vi) to consider and approve the Company's profit distribution plans and loss recovery plans;

(vii) to resolve on the increase or reduction of the registered capital of the Company;

(viii) to resolve on the issuance of corporate bonds;

(ix) to resolve on the merger, division, dissolution, liquidation or change in the form of the Company;

(x) to amend the Articles of Association and the relevant rules and procedures for the general meeting, the Board of Directors and the Board of Supervisors in the Appendix to the Articles of Association;

(xi) to resolve on the Company's appointment or dismissal of accounting firms;

(xii) to consider and approve the change of [**REDACTED**];

(xiii) to consider share incentive schemes and employee stock ownership plans;

(xiv) to consider and approve the guarantees or purchases or sales of assets which shall be approved at the general meeting;

(xv) to consider and approve external investments which shall be approved at the general meeting;

(xvi) to consider and approve connected transactions which shall be approved at the general meeting in accordance with the securities regulatory requirements of the places where the shares of the Company are listed;

(xvii) to consider other matters which shall be resolved at the general meeting in accordance with laws, administrative regulations, departmental rules, normative documents, relevant requirements of securities regulatory authorities of the places where the shares of the Company are listed or the Articles of Association.

The general meeting may delegate or entrust its matters to be handled by the Board of Directors, including but not limited to granting a general mandate to the Board in general meeting to issue, allot and deal with additional shares up to 20% of the total issued shares (or such other percentage as may be prescribed by applicable laws, administrative regulations, departmental rules, normative documents and the listing rules of the place where the shares are listed) subject to the applicable laws, administrative regulations, departmental rules, normative documents and the listing rules of the place where the shares are listed.

General meetings consist of annual general meetings and extraordinary general meetings. The annual general meeting shall be held once a year within six months after the end of the previous accounting year.

The Company shall convene an extraordinary general meeting within two months upon occurrence of the following events:

(1) when the number of Directors falls below the minimum requirement of the Company Law, or is less than two thirds of the number specified by the Articles of Association;

(2) when the unrecovered losses of the Company amount to one third of the total amount of its paid-up share capital;

(3) when shareholder(s) severally or jointly holding more than ten percent of the Company's shares request(s) to convene such meeting;

(4) when the Board considers necessary;

(5) when the Board of Supervisors proposes to convene such meeting;

(6) other circumstances stipulated by laws, administrative regulations, departmental rules, normative documents and the listing rules of the places where the shares of the Company are listed or the Articles of Association.

Any independent director may propose to the board of directors to hold an extraordinary general meeting. For the aforesaid proposal, the board of directors shall, in accordance with laws, administrative regulations and the Articles of Association, give a written feedback on whether or not it agrees to hold an extraordinary general meeting within 10 days of receipt of the proposal. Where the board of directors agrees to hold an extraordinary general meeting, it will send out a notice thereon within 5 days after the relevant resolution of the board of directors is made. If the board of directors does not agree to hold an extraordinary general meeting, it shall state reasons.

The board of supervisors may propose to the board of directors to hold an extraordinary general meeting and shall put forward the proposal to the board of directors in written form. The board of directors shall, in accordance with laws, administrative regulations and the Articles of Association, give a written feedback on whether or not it agrees to hold an extraordinary general meeting within 10 days of receipt of the proposal.

Where the board of directors agrees to hold an extraordinary general meeting, it shall send out a notice thereon within 5 days after the relevant resolution of the board of directors is made; any change to the original proposal in the notice is subject to the consent of the board of supervisors.

Where the board of directors does not agree to hold an extraordinary general meeting or fails to give a written feedback within 10 days of receipt of the proposal, it shall be deemed that the board of directors is unable or fails to perform its duty to convene a shareholders' general meeting, and the board of supervisors may convene and preside over an extraordinary general meeting itself.

Shareholder(s) severally or jointly holding more than ten percent of the shares of the Company shall be entitled to request the Board to convene an extraordinary general meeting and to add resolutions to the agenda of the meeting, and shall put forward such request to the Board in writing. The Board shall, in accordance with laws, administrative regulations and the Articles of Association, inform in writing whether it agrees or disagrees to convene an extraordinary general meeting within ten days upon receipt of the request.

If the Board of Directors agrees to convene an extraordinary general meeting, a notice for convening such meeting shall be issued within five days after the date of the resolution of the Board of Directors and any changes to the original proposal contained in the notice shall be subject to the approval of the relevant shareholders.

If the Board of Directors does not agree to convene such meeting, or fails to give a response within ten days after receipt of the request, shareholders holding 10% or more of the shares of the Company separately or in aggregate shall have the right to propose to the Board of Supervisors to convene an extraordinary general meeting, and shall put forward such request to the Board of Supervisors in writing.

If the Board of Supervisors agrees to convene an extraordinary general meeting, a notice for convening such meeting shall be issued within five days after receipt of the request and any changes to the original proposal contained in the notice shall be subject to the approval of the relevant shareholders.

If the Board of Supervisors fails to issue a notice convening the shareholders' general meeting by the prescribed period, the Board of Supervisors shall be deemed to refuse to convene and preside over such meeting, and shareholders holding 10% or more of the shares of the Company separately or in aggregate for no less than 90 consecutive days shall have the right to convene and preside over the meeting on their own.

(2) Proposals of General Meetings

The proposals put forward to the shareholders' general meetings shall fall within the scope of functions and powers of the shareholders' general meeting, have clear issues for discussion and specific matters to be resolved, and comply with the laws, administrative regulations and the Articles of Association.

When the Company convenes a general meeting, the Board of Directors, the Board of Supervisors and shareholders holding 3% or more of the shares of the Company separately or in aggregate shall be entitled to put forward proposals to the Company.

Shareholders individually or jointly holding 3% or more of the shares of the Company may submit ad hoc proposals to the convener of a shareholders' general meeting in writing ten days prior to shareholders' general meeting. The convener shall issue a supplementary notice of the shareholders' general meeting to provide information of such ad hoc proposals after receipt thereof in accordance with the listing rules of the places where the shares of the Company are listed.

Except as provided in the preceding paragraph, the convener of a shareholders' general meeting shall not amend the proposals set out in the notice of the shareholders' general meeting or put up any new proposals after the issuance of the notice of the shareholders' general meeting.

(3) Notices of General Meetings

Subject to the relevant provisions of the laws and administrative regulations and the listing rules of the places where the shares of the Company are listed, the Company shall convene an annual general meeting by notifying the shareholders in writing 21 days prior to the meeting and an extraordinary general meeting by notifying the shareholders in writing 15 days prior to the meeting.

When calculating the time limit of the notice, neither the date of the general meeting convened nor the issue date of such notice shall be included.

After the notice of the shareholders' general meeting is issued, the meeting shall not be postponed or cancelled and the proposals set out in the notice shall not be cancelled without proper reasons. In the case of any postponement or cancellation of the meeting, the convener shall explain the reasons in accordance with the listing rules of the places where the shares of the Company are listed.

(4) Holding of General Meetings

All shareholders registered on the record date or their proxies shall be entitled to attend the general meeting. They shall exercise their voting rights in accordance with the relevant laws and regulations and the Articles of Association of the Company.

Shareholder may attend the general meeting in person, or appoint a proxy to attend and vote on his/her behalf.

If such shareholder is a recognized clearing house (or its nominee(s)) as defined in the relevant regulations from time to time in Hong Kong, the clearing house shall be entitled to appoint a proxy or corporate representative to attend general meetings of the issuer and meetings of creditors, and such proxy or corporate representative shall have the same statutory rights as other shareholder s, including the right to speak and vote.

A general meeting shall be presided over by the chairman of the Board of Directors. If the chairman is unable or fails to discharge his/her duties, half or more of the directors shall designate a director to preside over the meeting.

If a general meeting is convened by the Board of Supervisors, the chairman of the Board of Supervisors shall preside over the meeting. If the chairman of the Board of Supervisors is unable or fails to discharge his/her duties, half or more of the supervisors shall designate a supervisor to preside over the meeting.

If a general meeting is convened by the shareholders themselves, the convener will nominate a representative to preside over the meeting.

When a general meeting is convened, if the chairman of the meeting contravenes the Rules of Procedure, rendering the meeting impossible to proceed, with the consent from more than half of the attending shareholders with voting rights, one person may be nominated at the general meeting to serve as the chairman and the meeting may proceed.

Individual shareholders attending a general meeting in person shall produce their identity cards or other valid proof or evidence of their identities or stock account card, and in the case of attendance by proxies, the proxies shall produce valid proof of their identities and the proxy forms from shareholders.

For a corporate shareholder, its legal representative or a proxy appointed by such legal representative shall attend the general meeting. In the case of attendance by legal representatives, they shall produce their identity cards and valid proof of their capacities as legal representatives and, in the case of attendance by proxies of such legal representatives, such proxies shall produce their identity cards and the letters of authorization issued by such legal representatives according to the laws.

(5) Voting at and Resolutions of the General Meetings

Resolutions of the general meetings include ordinary resolutions and special resolutions.

Ordinary resolution at a general meeting shall be adopted by more than one half of the voting rights held by shareholders (including their proxies) attending the general meeting. Special resolution at a general meeting shall be adopted by more than two thirds of the voting rights held by shareholders (including their proxies) attending the general meeting.

The following matters shall be resolved by way of ordinary resolutions at a general meeting:

(1) the work reports of the Board of Directors and the Board of Supervisors;

(2) the profit distribution plans and plans for making up losses drafted by the Board of Directors;

(3) the dismissal and remuneration of the members of the Board of Directors and the Board of Supervisors and the method of payment of the remuneration;

(4) the annual budgets and final accounts of the Company;

(5) the annual report of the Company;

(6) the matters other than those that laws, administrative regulations, the listing rules of the places where the shares of the Company are listed or the Articles of Association require to be adopted by special resolution.

The following matters shall be resolved by way of special resolutions at a general meeting:

(i) increase or reduction of the registered capital of the Company;

(ii) division, merger, dissolution and liquidation of the Company;

(iii) amendments of the Articles of Association;

(iv) purchase or disposal of major assets or guarantee of the Company within one year with the amount exceeding 30% of the latest audited total assets of the Company;

(v) share incentive schemes;

(vi) other matters as required by laws, administrative regulations or the Articles of Association, and matters which, as resolved by way of an ordinary resolution at a general meeting, will have a material impact on the Company and need to be approved by way of special resolutions;

(vii) other matters as may be required by the listing rules of the places where the shares of the Company are listed to be passed by special resolution.

Shareholders (including proxies) shall exercise their voting rights according to the number of voting shares they represent, with one vote for each share.

Shares in the Company which are held by the Company do not carry any voting rights, and shall not be counted in the total number of voting shares represented by shareholders present at a general meeting.

When the general meeting considers matters relating to a connected transaction, the connected shareholders shall not participate in the vote, and the number of voting shares represented by them shall not be counted in the total number of valid voting shares. The resolution of the general meeting shall fully disclose the voting by the unconnected shareholders.

9. DIRECTORS AND BOARD OF DIRECTORS

(1) Directors

Directors shall be elected or replaced by the general meeting, and may further be removed from their office prior to the conclusion of the term thereof by the general meeting. Directors shall have a term of three years, renewable upon expiry if re-elected. The term of office of independent Directors is the same as other Directors, and the term is renewable upon re-election when it expires, but the cumulative term of office for independent Directors shall not exceed six years.

A director's term of office shall commence from the date when he/she takes office and end upon expiry of the term of the current session of the Board of Directors. The existing director shall continue to perform the duties of a director in accordance with laws, administrative regulations, departmental rules and the Articles of Association after the expiry of his/her term if no re-election is held in time.

The general manager and senior management members may concurrently serve as directors, provided that the total number of directors who concurrently serve as the general manager and senior management members and the directors who are employees' representatives shall not be more than half of the total number of directors of the Company.

No employee representatives shall serve as a Director.

(2) Board of Directors

The Company shall have a Board of Directors which shall be accountable to the general meeting.

The Board consists of eight Directors, of whom three shall be independent Directors. The number of independent Directors shall be no less than three and shall account for more than one-third of the total number of members of the Board.

The Board shall have a chairman.

The Board shall exercise the following powers and duties:

(1) to convene a general meeting and report its work to such meeting;

(2) to implement the resolutions of a general meeting;

(3) to decide on the operation plans and investment plans for the Company;

(4) to prepare the annual financial budgets and final accounts of the Company;

(5) to prepare the Company's profit distribution plans and loss recovery plans;

(6) to prepare the plan for the Company to increase or reduce its registered capital, issue bonds or other securities and listing plans;

(7) to prepare plans of the Company with respect to material acquisitions and acquisitions of the Company's shares or merger, division, dissolution or change in the form of the Company;

(8) to decide on the establishment of the internal organizations and staffing plan;

(9) to decide to appoint or remove the general manager and other senior management of the Company, and decide on the remunerations and rewards and punishments thereof; to decide to appoint or remove the deputy general manager, financial controller and other senior management members of the Company nominated by the general manager, and decide on the remunerations and rewards and punishments thereof;

(10) to formulate the Company's basic management system;

(11) to prepare plans to amend the Articles of Association;

(12) to manage the disclosure of information of the Company;

(13) to propose to the general meeting with respect to the appointment or replacement of the accounting firm for the audit of the Company;

(14) to receive the work report of the general manager of the Company and examine such work;

(15) to determine the appointment of directors, supervisors and relevant senior management of the Company's subsidiaries;

(16) to decide the Company's annual remuneration budget plan;

(17) to decide on external investments, acquisition and disposal of assets, pledge of assets, external guarantees, entrustment of financial management, connected transactions, external donations, etc. that require decisions by the Board of Directors in accordance with the listing rules of the places where the shares of the Company are listed;

(18) to exercise any other duties and powers specified in laws, administrative regulations, departmental rules, normative documents, the listing rules of the places where the shares of the Company are listed or the Articles of Association.

When the Board of Directors considers and decides on major issues, the Party Committee of the Company shall be consulted if it is involved in the decision-making process of major issues.

A Director shall not enter into contracts with the Company or carry out transactions with the Company in violation of the provisions of the Articles of association of the Company or without the consent of Shareholders or a Shareholders' general meeting.

The Shareholders' general meetings have the duties and powers to elect and remove Directors and supervisors who are not representatives of the employees and decide on the remuneration of Directors and supervisors.

A Director shall be entitled to lend Company funds to others or provide a guarantee for others with Company assets within the scope of authorization by the Shareholders' general meeting or the meeting of board of Directors and without in violation of the provisions of the Articles of association of the Company.

10. SECRETARY TO THE BOARD

The Company shall have a secretary to the Board, who is responsible for the preparation of general meetings and meetings of the Board, the keeping of documentation as well as the management of shareholders' information, handling the matters relating to information disclosure and other matters.

The secretary to the Board shall comply with relevant provisions of laws, administrative regulations, departmental rules, the listing rules of the stock exchange of the place where the Company's shares are listed and the Articles of Association.

The secretary to the Board shall be a natural person with necessary professional knowledge and experience. His or her main duties shall be as set forth below:

(1) to ensure that the Company has complete organizational documents and records; to keep and manage shareholder's information; to assist the directors in addressing the routine tasks of the Board of Directors;

(2) to ensure the proper maintenance of the Company's register of shareholders, and to ensure the persons who are entitled to obtain the relevant records and documents of the Company are able to obtain the same on a timely basis;

(3) as the contact person of the Company with the securities regulatory authorities, to be responsible for organizing the preparation and prompt submission of the reports and documents required by the regulatory authorities and ensure that the Company prepare and submit the reports and documents required by the power authorities according to laws, and for accepting and organizing the implementation of any assignment from the regulatory authorities;

(4) to organize and arrange for the board meetings and general meetings, prepare meeting materials, handle relevant meeting affairs, be responsible for keeping minutes of the meetings and ensure their accuracy, keep meeting documents and minutes and take initiative to keep abreast of the implementation of relevant resolutions. Any important issues occurring during the implementation shall be reported and relevant proposals shall be put forward to the Board of Directors;

(5) to be responsible for coordinating and organizing the Company's disclosure of information, to establish and improve the information disclosure system, to participate in all of the Company's meetings involving the disclosure of information, and to keep informed of the Company's material operation decisions and related information in a timely manner;

(6) to be responsible for keeping price-sensitive information of the Company confidential and to work out effective and practical confidentiality systems and measures. Where there is any disclosure of price-sensitive information of the Company due to any reason, necessary remedial measures shall be taken; timely explanation and clarification shall be made; and relevant reports shall be submitted to the regulatory authorities of securities;

(7) to deal with and coordinate public relationship among the Company and related regulatory authorities, intermediaries and news media;

(8) to coordinate the provision of relevant information necessary for the Company's Supervisor and other auditing authorities to discharge their duties; and to assist in carrying out investigations on the performance of the chief financial officer, directors and the general manager of the Company of their fiduciary duties;

(9) to exercise other functions and powers as conferred by the Board of Directors, as well as other functions and powers as required by laws and regulations, and the stock exchange of the place where the Company's shares are listed.

Directors or other senior management members of the Company may serve concurrently as the secretary to the Board of the Company. The accountants of the accounting firm engaged by the Company shall not serve concurrently as the secretary to the Board of the Company.

Where the office of secretary to the Board of Directors is held concurrently by a director and an act is required to be done by a director and the secretary to the Board of Directors separately, the person who holds the offices of director and secretary to the Board of Directors may not perform the act in a dual capacity.

11. SUPERVISORY COMMITTEE

The directors, the general manager and the senior management officers of the Company shall not act concurrently as supervisors.

The term of office of a supervisor shall be 3 years, renewable upon re-election and re-appointment.

The Company shall have a Supervisory Committee. The Supervisory Committee shall consist of three supervisors. A supervisory chairperson will be appointed by election by all supervisors in a majority vote. The chairman of the Supervisory Committee shall convene and preside over a meeting of the Supervisory Committee. If the chairman of the Supervisory Committee is unable or fails to perform his/her duties, a supervisor selected by more than one half of all supervisors shall convene and preside over the meeting of the Supervisory Committee.

The Supervisory Committee shall consist of shareholder representatives and an appropriate proportion of the Company's employee representatives and the percentage of employee representatives shall not be less than one-third. The employee representatives of the Supervisory Committee shall be elected by employees of the Company at the employee representatives' meeting, the employee meeting or otherwise democratically.

The appointment and removal of the chairman of the Supervisory Committee shall be determined by the affirmative votes of more than half of the members of the Supervisory Committee.

The Supervisory Committee shall exercise the following duties and powers:

(1) to review the regular reports of the Company prepared by the Board of Directors and to submit written review opinions thereon;

(2) to review the financial position of the Company;

(3) to supervise the performance of Directors and senior management members of their duties to the Company, and propose dismissal of Directors and senior management members that have violated the laws, administrative regulations, the Articles of Association or the resolutions of the general meetings;

(4) to demand rectification by Directors and senior management members when the acts of such persons are prejudicial to the Company's interest and, if necessary, report to the general meeting or relevant national competent authorities;

(5) to propose the convening of an extraordinary general meeting, and to convene and preside over the general meeting when the Board fails to perform such duties as specified by the Company Law;

(6) to put forward proposals to general meetings;

(7) to initiate litigations against Directors and senior management members in accordance with provisions of Article 151 of the Company Law;

(8) to initiate investigations into any irregularities identified in the operation of the Company and, where necessary, may engage an accounting firm and a law firm to assist their work at the Company's expense;

(9) to exercise other duties and powers conferred by laws, administrative regulations, departmental rules, normative documents, listing rules of the places where the Company is listed and the Articles of Association.

12. GENERAL MANAGER AND OTHER SENIOR MANAGEMENT MEMBERS

The Company shall have one general manager, who shall be appointed or dismissed by the board of directors. The Company shall have several vice general managers, who shall be appointed or removed by the board of directors.

The Company's general manager, vice general manager, the chief financial officer, the secretary to the board of directors and the assistant to the general manager are members of the senior management of the Company.

The general manager serves for a term of three years, subject to re-appointment upon the expiry of the term.

The general manager shall report to the Board and have the following duties and powers:

(1) To take charge of the production operations and management tasks of the Company and organize the implementation of the Board's resolutions, and to report his work to the Board;

(2) To organize the implementation of the Company's annual operating plan and investment plan;

(3) To devise the set-up of the Company's internal management structure;

(4) To devise the basic management policy of the Company;

(5) To formulate the specific rules of the Company;

(6) To propose the appointment or removal of deputy managers, financial officers, and assistant to the general manager of the Company;

(7) To appoint or remove management personnel, aside from those requiring the Board in approving their appointment or removal;

(8) Other duties as granted by the Company's Articles of Association and the Board.

The general manager shall attend the board meetings.

When the decision on major affairs should be made by the Communist Party Committee of the Company in the course of study on the decision on major affairs by the general manager, the general manager should accept advises from the Communist Party Committee in priory.

13. FINANCIAL AND ACCOUNTING SYSTEM

The Company shall establish its financial and accounting system in accordance with laws, administrative regulations and requirements of relevant authorities in the PRC.

The Company shall adopt the Gregorian calendar year for its accounting year, i.e. the accounting year shall be from 1 January to 31 December.

At the end of each accounting year, the Company shall prepare a financial report which shall be audited and verified according to law.

Annual financial reports including annual accounts and accountant reports prepared by accountants in connection with these accountant reports, or financial highlights shall be dispatched to every member and every other holder of the Company's listed securities (not being bearer of securities), within four months of the end of the relevant accounting year and no later than at least 21 days prior to the convene of the general annual meeting.

The Company should lay its annual financial statements before its members at its annual general meeting within the period of 6 months after the end of the financial year or accounting reference period to which the annual financial statements relate.

The Company shall prepare an interim financial report for the first 6 months of the accounting year which shall be audited and verified according to law.

Interim financial statement shall be dispatched to every member and every other holder of the Company's listed securities (not being bearer of securities) within 3 months after the first 6 months after the accounting year.

The Company shall publish its initial result announcement within 3 months after the end of each accounting year, in accordance with the governing rules which prevail in the place where the shares are listed, based on the financial statements agreed between the Company and its accountant in the relevant accounting year.

The Company shall publish interim financial report within two months after the end of the first six months in each accounting year of the accounting year, according to the requirements of listing rules of the place in which its shares are listed.

The financial report of the Company shall be kept at the Company for shareholders to inspect 21 days before the annual general meeting is held.

14. PROFIT ALLOCATION

The Company shall allocate 10% of the annual after-tax profits as the statutory reserve fund of the Company. When the cumulated amount of the statutory reserve fund of the Company has reached 50% or more of its registered capital, no further allocations is required.

If the statutory reserve fund of the Company is insufficient to make up for the losses of the preceding year, the profits of the current year shall first be used to make up the said losses before any statutory reserve fund is withdrawn as per the provision of the preceding paragraph.

After withdrawing the statutory reserve fund out of its after-tax profits, the Company may also allocate some of its after-tax profits into its discretionary reserve if so resolved by the shareholders' general meeting.

After making up for the losses and making contributions to the common reserve fund, any remaining profits after tax shall be distributed to the shareholders in proportion to their respective shareholdings, except it is stipulated in the Articles of Association of the Company that profit distributions shall not be made in accordance with the shareholding proportion.

If the shareholders' general meeting has, in violation of the provisions of the preceding paragraphs, distributed profits to the shareholders before the Company has made up for its losses and made allocations to the statutory reserve fund, the shareholders must return the profits distributed in violation of the provision to the Company.

No profits shall be distributed in respect of the shares held by the Company.

Reserves of the Company are used for offsetting losses of the Company, expanding the Company's production and operation or increasing the capital of the Company. However, capital reserve shall not be used to offset losses of the Company.

If the statutory reserve is converted into capital, the balance of the statutory reserve shall not fall below 25% of the Company's registered capital before the increase of the capital.

After the profit distribution plan has been adopted at the Company' general meeting, the board of directors of the Company shall complete the dividend (or share) distribution within two months after the general meeting.

The profits of the Company net of income tax and allocation to the statutory common reserve funds and any common reserve funds according to laws shall be distributed in proportion to shareholders' paid-in capital injection.

15. DISSOLUTION AND LIQUIDATION OF THE COMPANY

The Company shall be dissolved for the following reasons:

(1) the business term stipulated in the Articles of Association has expired or other circumstances for dissolution specified in the Articles of Association arise;

(2) the general meeting has resolved to dissolve the Company by way of special resolution;

(3) the merger or division of the Company requires a dissolution;

(4) the business license is revoked, or the Company is ordered to close down or is dissolved according to laws;

(5) if the Company suffers significant hardship in its operation and management, and the ongoing existence would bring significant losses for shareholders that cannot be resolved through other means, the shareholders holding more than ten percent of the total voting rights of the Company may request the People's Court to dissolve the Company.

In the case of item (1), the Company may survive by amending its Articles of Association, which shall be approved by more than two-thirds of the voting rights represented by the shareholders present at the general meeting.

Where the Company is dissolved under the circumstances set out in items (1), (2), (4) and (5) above, the Company shall establish a liquidation group to commence liquidation within fifteen days upon the occurrence of the circumstances for dissolution. The composition of the liquidation group shall be determined by Directors or general meeting. If the Company fails to establish a liquidation group on time, creditors may request the People's Court to designate certain persons to form a liquidation group to perform liquidation.

The liquidation team shall exercise the following functions and power during the period of liquidation:

(1) liquidating the properties of the Company, and preparing the balance sheets and asset checklists separately;

(2) informing creditors by a notice or public announcement;

(3) disposing of and liquidating the unfinished businesses of the Company;

(4) clearing off the outstanding taxes and the taxes incurred from the process of liquidation;

(5) clearing off credits and debts;

(6) disposing of the residual properties after settling such debt;

(7) participating in the civil litigation on behalf of the Company.

The liquidation team shall, within 10 days of its formation, notify the creditors, and shall, within 60 days, make public announcements on newspapers. Creditors shall, within 30 days of the receipt of the notice or within 45 days of the release of the public announcement in the case of failure to receive said notice, file their creditors' rights with the liquidation team.

After the liquidation team has liquidated the properties of the Company and has prepared the balance sheets and checklists of properties, it shall prepare a plan of liquidation, and report it to the shareholders' general meeting or the people's court for confirmation.

The remaining assets that result from paying off the liquidation expenses, wages of employees, social insurance premiums and statutory compensation, the outstanding taxes and the debts of the Company may be distributed according to the ratios of shareholding of the shareholders.

During the period of liquidation, the Company continues to exist but may not carry out any business operation that is not for purposes of carrying out liquidation.

Before the settlement of repayments as provided in the preceding article has been made, the Company's properties shall not be distributed to shareholders.

Should the liquidation team find that the properties of the Company are insufficient for clearing off the debts after liquidating the properties of the Company and preparing the balance sheets and checklists of properties, it shall apply to the people's court to declare the Company's bankruptcy pursuant to laws.

Once the people's court declares the bankruptcy of the Company, the liquidation team shall hand over the liquidation matters to the people's court.

Following the completion of the liquidation of the Company, the liquidation team shall prepare a liquidation report, and submit the same to the shareholders' general meeting or the people's court for confirmation and to the company registration authority to apply for de-registration of the Company, and to announce that the Company is terminated.

16. AMENDMENT TO ARTICLES OF ASSOCIATION

Under any one of the following circumstances, the Company shall amend its Articles of Association:

(1) After amendment has been made to the Company Law or the relevant laws or administrative regulations, the contents of the Articles of Association shall conflict with the amended laws or administrative regulations;

(2) The changes that the Company have undergone are not in consistence with the records made in the Articles of Association;

(3) The shareholders' general meeting decides that the Article of Association should be amended.

A. FURTHER INFORMATION ABOUT OUR GROUP

1. Establishment of our Company

Our Company was established in the PRC on September 7, 2015 and was converted to a joint stock company with limited liability under the Company Law with effect from December 22, 2022. Our Company has established a place of business in Hong Kong at 40/F, Dah Sing Financial Centre, 248 Queen's Road East, Wan Chai, Hong Kong, and was registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance on July 10, 2023. Mr. Lam Kang Chi has been appointed as our agent for the acceptance of service of process and notices on behalf of our Company in Hong Kong. His address for acceptance of service of process is 40/F, Dah Sing Financial Centre, 248 Queen's Road East, Wan Chai, Hong Kong.

As we are established in the PRC, our corporate structure and Articles of Association are subject to the relevant laws and regulations of the PRC. A summary of the relevant provisions of our Articles of Association is set out in Appendix VI to this document. A summary of certain relevant aspects of the laws and regulations of the PRC is set out in Appendix V to this document.

2. Changes in the share capital of our Company

As of the date of our establishment, our registered capital was RMB10,000,000 which was fully paid up.

On March 27, 2019, our registered capital was increased from RMB10,000,000 to RMB20,000,000.

On December 22, 2022, our Company was converted into a joint stock company with limited liability under the PRC Company Law. Upon completion of such conversion, the share capital of our Company was RMB120 million divided into 120,000,000 Shares with a nominal value of RMB1.00 each.

Assuming the [**REDACTED**] is not exercised, upon completion of the [**REDACTED**], our share capital will be increased to RMB[**REDACTED**] million made up of [**REDACTED**] Unlisted Shares and [**REDACTED**] H Shares fully paid up or credited as fully paid up, representing approximately [**REDACTED**]% and [**REDACTED**]% of our share capital, respectively. Save as aforesaid, there has been no alteration in our share capital since our establishment.

3. Restriction of share repurchase

For details of the restrictions on the share repurchase by our Company, please refer to "Summary of Articles of Association" in Appendix V to this document.

4. Resolutions of our Shareholders passed at our Company's extraordinary general meeting held on May 11, 2023

At the extraordinary general meeting of our Company held on May 11, 2023, among other things, the following resolutions were passed by the Shareholders:

(a) the [**REDACTED**] of our H Shares with a nominal value of RMB1.00 each and such H Shares to be [**REDACTED**] on the Stock Exchange;

(b) subject to the completion of the [**REDACTED**], the Articles of Association has been approved and adopted, which shall only become effective on the [**REDACTED**], and our Board has been authorized to amend the Articles of Association in accordance with any comments from the Stock Exchange and the relevant PRC regulatory authorities; and

(c) authorizing our Board to handle all relevant matters relating to, among other things, the implementation of [**REDACTED**] of H Shares and the [**REDACTED**].

5. Corporate Reorganization

We underwent the Reorganization, for details, please see "History, Reorganization and Corporate Structure." As confirmed by our PRC Legal Advisors, all necessary filings and registrations with the relevant PRC authorities in respect of the Reorganization had been completed and all applicable regulatory approvals obtained as of the Latest Practicable Date.

6. Particulars of our subsidiaries

Set out below is certain information of our subsidiaries as of the Latest Practicable Date:

No.	Name of subsidiary	Identity of shareholder(s)	Approximate percentage of the equity interests
1.	Landscaping Company	Our Company	100%
2.	Chengfa Property	Our Company	100%
3.	Chengfa Commercial	Our Company	100%
4.	Parking Company	Our Company	100%
5.	Chengfa Xingjia	Chengfa Commercial	100%
6.	Lighting Company	Our Company	100%
7.	Chengtou Property	Our Company	100%
8.	Chengtou Asset	Chengfa Commercial	100%
9.	Guiyang Hongcheng *(Note 1)*	Our Company	51%
		Baiyun Urban Development	49%
10.	Hongying Yunda *(Note 2)*	Chengfa Property	51%
		Hunan Shuiqing Muhua	49%

Notes:

1. The remaining 49% equity interest in Guiyang Hongcheng is held by Baiyun Urban Development, an Independent Third Party.

2. The remaining 49% equity interest in Hongying Yunda is held by Hunan Shuiqing Muhua, an Independent Third Party.

7. Change in the registered capital of subsidiaries

Our Company's subsidiaries are referred to in the Accountants' Report in Appendix I to this document. Save for the subsidiaries mentioned above, in the Accountants' Report and the section headed "History, Reorganization and Corporate Structure", our Company has no other subsidiaries.

There has been no alteration in the share capital of any of our subsidiaries within the two years immediately preceding the date of this document.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of material contracts

We have entered into the following contracts (not being contracts entered into in our ordinary course of business) within the two years preceding the date of this document that are or may be material:

(a) an agreement to transfer property dated July 7, 2022 entered into between Changsha Chengtou Asset Management Co., Ltd. (長沙城投資產經營有限責任公司) (as transferor), a subsidiary of the Company, and Changsha Urban Construction Investment and Development Group Co., Ltd. (長沙市城市建設投資開發集團有限公司) (as transferee), pursuant to which the transferor agreed to transfer real estate property to the transferee at a consideration of RMB5,674,280.6 (tax-exclusive);

(b) an agreement to transfer property dated July 7, 2022 entered into between Changsha Chengtou Asset Management Co., Ltd. (長沙城投資產經營有限責任公司) (as transferor), a subsidiary of the Company, and Changsha Urban Construction Investment and Development Group Co., Ltd. (長沙市城市建設投資開發集團有限公司) (as transferee), pursuant to which the transferor agreed to transfer real estate property to the transferee at a consideration of RMB5,458,662 (tax-exclusive);

(c) an agreement to transfer equity interest dated August 19, 2022 entered into between our Company (formerly known as Changsha Urban Property Development Co., Ltd. (長沙城市物業發展有限公司)) (as transferee) and CSUDGCL (as transferor), pursuant to which CSUDGCL agreed to transfer its entire equity interest in Changsha Chengfa Commercial Management Co., Ltd. (長沙城發商業管理有限公司) for nil consideration;

(d) an agreement to transfer equity interest dated August 19, 2022 entered into between our Company (formerly known as Changsha Urban Property Development Co., Ltd. (長沙城市物業發展有限公司)) (as transferee) and Changsha Chengfa Smart Travel Investment and Operation Co., Ltd. (長沙城發智慧出行投資運營有限公司) (as transferor), pursuant to which the transferor agreed to transfer its entire equity interest in Changsha Parking Lot Investment Construction Operation Co., Ltd. (長沙市停車場投資建設經營有限公司) at a consideration of RMB9,872,133.52;

(e) Deeds of Non-Competition; and

(f) the Hong Kong [**REDACTED**].

2. Intellectual property rights of our Group

(a) Trademarks

As of the Latest Practicable Date, our Group was the registered proprietor of the following trademarks which we consider to be material to our business:

No.	Trademark	Application Number	Class	Name of Registered Proprietor	Place of Registration	Date of Registration	Expiry Date
1.		6533064	44	Chengfa Commercial	PRC	May 7, 2010	May 6, 2030
2.		6533065	43	Chengfa Commercial	PRC	May 7, 2010	May 6, 2030
3.		6533066	39	Chengfa Commercial	PRC	July 21, 2010	July 20, 2030
4.		6533067	35	Chengfa Commercial	PRC	July 14, 2010	July 13, 2030

No.	Trademark	Application Number	Class	Name of Registered Proprietor	Place of Registration	Date of Registration	Expiry Date
5.	太平街 TAIPING STREET	6533068	36	Chengfa Commercial	PRC	June 28, 2011	June 27, 2031
6.	太平街 TAIPING STREET	6533069	37	Chengfa Commercial	PRC	March 28, 2010	March 27, 2030
7.	星家公寓	47265091	43	Chengfa Commercial	PRC	February 14, 2021	February 13, 2031
8.	泓盈集团 HOLLWIN	306198490	35, 36, 37, 39, 44, and 45	Our Company	Hong Kong	March 20, 2023	March 19, 2033
9	泓盈集團 HOLLWIN	306405471	35, 36, 37, 39, 44, and 45	Our Company	Hong Kong	November 21, 2023	November 20, 2033
10	泓盈運服 HOLLWIN CORP	306405462	35, 36, 37, 39, 44, and 45	Our Company	Hong Kong	November 21, 2023	November 20, 2033

(b) Domain name

As of the Latest Practicable Date, our Group was the registered proprietor of the following domain name in the PRC which we consider to be material to our business:

Domain Name	Name of Registered Proprietor	Date of Registration	Expiry Date
park0731.cn	Parking Company	September 27, 2019	September 27, 2024
park0731.com	Parking Company	September 27, 2019	September 27, 2024
csparking.net	Parking Company	September 27, 2019	September 27, 2024
hollwin.cn	Our Company	December 30, 2022	December 30, 2026
hollwingroup.com	Our Company	February 23, 2023	February 23, 2027
hollwingroup.cn	Our Company	April 7, 2023	April 7, 2027
hollwin.com	Our Company	April 12, 2024	April 12, 2025

(c) Software copyrights

As of the Latest Practicable Date, members of our Group had registered the following software copyrights in the PRC which we consider to be material to our business:

No.	Software	Registration Proprietor	Registration Number	Date of Registration
1.	Property intelligent contract management information system V1.0 (物業智能化合同管理信息系統V1.0)	Our Company	2022SR1290332	August 25, 2022
2.	Property operation and maintenance inspection management system V1.0 (物業運維巡檢管理系統V1.0)	Our Company	2022SR1290333	August 25, 2022
3.	Owner information management system based on big data V1.0 (基於大數據的業主信息管理系統V1.0)	Our Company	2022SR1290331	August 25, 2022
4.	Energy consumption intelligent analysis and management system V1.0 (能耗智能分析管理系統V1.0)	Our Company	2022SR1031483	August 8, 2022
5.	Water area integrated cleaning management system V1.0 (水域一體化保潔管理系統V1.0)	Chengfa Property	2022SR1359178	September 16, 2022
6.	Lighting intelligent control management service system (照明智能控制管理服務系統)	Our Company	2022SR1050218	August 9, 2022

No.	Software	Registration Proprietor	Registration Number	Date of Registration
7.	Property fire remote monitoring and management system V1.0 (物業消防遠程監控管理系統V1.0)	Our Company	2022SR1036165	August 8, 2022
8.	The elevator runs intelligent management system V1.0 (電梯運行智能管理系統V1.0)	Our Company	2022SR1031480	August 8, 2022
9.	Property monitoring and management system based on Internet of Things V1.0 (基於物聯網的物業監控管理系統V1.0)	Our Company	2022SR1040609	August 8, 2022
10.	Community environmental monitoring system V1.0 (社區環境監測系統V1.0)	Our Company	2022SR1035514	August 8, 2022
11.	One-stop data operation platform in the region V1.0 (區內一站式數據運營平台V1.0)	Our Company	2022SR1035907	August 8, 2022
12.	Property decoration service management system V1.0 (物業裝飾裝修服務管理系統V1.0)	Our Company	2020SR0010092	January 3, 2020
13.	Property management material warehouse storage software V1.0 (物業管理材料倉庫存儲軟件V1.0)	Our Company	2020SR0001223	January 2, 2020
14.	Property management requires customer service software V1.0 (物業管理需求客戶服務軟件V1.0)	Our Company	2020SR0008247	January 2, 2020

No.	Software	Registration Proprietor	Registration Number	Date of Registration
15.	Property landscaping maintenance monitoring platform V1.0 (物業園林綠化維護監控平台V1.0)	Our Company	2020SR0007728	January 2, 2020
16.	Intelligent security emergency platform V1.0 (智慧安全應急平台V1.0)	Our Company	2019SR1136718	November 11, 2019
17.	Landscape lighting platform V1.0 (景觀亮化平台V1.0)	Our Company	2019SR1136720	November 11, 2019
18.	Energy consumption management system V1.0 (能耗管理系統V1.0)	Our Company	2019SR1136724	November 11, 2019
19.	Archival information system V1.0 (檔案信息系統V1.0)	Our Company	2019SR1134702	November 10, 2019
20.	Conference management system V1.0 (會務管理系統V1.0)	Our Company	2019SR1134733	November 10, 2019
21.	Greening Maintenance Design Automation Aid System V1.0 (綠化維護設計自動化輔助系統V1.0)	Chengfa Property	2023SR1732494	December 22, 2023
22.	Comprehensive System for Vacant House Management and Operation V1.0 (空置房管理運營綜合系統V1.0)	Chengfa Property	2023SR1736030	December 22, 2023
23.	One-Stop Service System for Order Maintenance and Security V1.0 (秩序維護安全一站式服務系統V1.0)	Chengfa Property	2023SR1734701	December 22, 2023
24.	Sanitation and Cleaning Auxiliary Integrated System V1.0 (衛生保潔輔助集成系統V1.0)	Chengfa Property	2023SR1756364	December 25, 2023

No.	Software	Registration Proprietor	Registration Number	Date of Registration
25.	Conference Management Organization Scheduling Automation System V1.0 (會務管理組織調度自動化系統V1.0)	Chengfa Property	2023SR1735711	December 22, 2023
26.	Vacant Room Management Digital Acquisition System V1.0 (空置房管理數字化採集系統V1.0)	Chengfa Property	2023SR1749640	December 25, 2023
27.	Electromechanical Equipment Management Commissioning Aid System V1.0 (機電設備管理調試輔助系統V1.0)	Chengfa Property	2023SR1730000	December 22, 2023
28.	Vehicle Management Positioning One-Stop Service System V1.0 (車輛管理定位一站式服務系統V1.0)	Chengfa Property	2023SR1731941	December 22, 2023
29.	Energy Consumption Management Energy Saving Test Control System V1.0 (能耗管理節能測試控制系統V1.0)	Chengfa Property	2023SR1734695	December 22, 2023
30.	Customer Management and Maintenance Integrated System V1.0 (客戶管理維護集成系統V1.0)	Chengfa Property	2024SR0244277	February 7, 2024
31.	Intelligent Parking Management and Service System V1.0 (智慧停車管理與服務系統V1.0)	Parking Company	2024SR0206240	January 31, 2024

(d) Copyright of the work

As of the Latest Practicable Date, our Group had registered the following copyright of the work in the PRC which we consider to be material to our business:

No.	Copyright of the work	Registration Proprietor	Registration Number	Date of Registration
1.	Hollwin group logo (泓盈集團logo)	Our Company	Guo Zuo Deng Zi-22023-F-00145518	July 17, 2023

(e) Patent

As of the Latest Practicable Date, our Group had registered the following patents in the PRC which we consider to be material to our business:

No.	Patent	Type	Patent Number	Registered Owner	Place of Registration	Date of Application	Status
1	Parking control device (停車控制機)	Design	ZL 2023 3 0511921.4	Parking Company	PRC	August 11, 2023	Valid
2	License plate capture and recognition device (車牌採集識別機)	Design	ZL 2023 3 0511923.3	Parking Company	PRC	August 11, 2023	Valid
3	Barrier gate (道閘)	Design	ZL 2023 3 0511922.9	Parking Company	PRC	August 11, 2023	Valid

C. FURTHER INFORMATION ABOUT DIRECTORS, SUPERVISORS AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of interests

(a) Interests and short positions of the Directors, Supervisors and the chief executive of our Company in the registered capital of our Company and its associated corporations

Immediately following the completion of the [**REDACTED**] and assuming that the [**REDACTED**] is not exercised, none of the Directors, Supervisors or chief executive of our Company has any interest or short position in the Shares, underlying Shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, under Section

352 of the SFO, to be entered in the register referred to in that section, or which will be required, under the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules, to be notified to our Company once the H Shares are [**REDACTED**].

(b) Substantial Shareholders

Save as disclosed in the section headed "Substantial Shareholders" in this document, our Directors are not aware of any person (other than our Director or chief executive of our Company) who will, immediately following completion of the [**REDACTED**] (assuming that the [**REDACTED**] is not exercised), has 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 is, directly or indirectly, interested in 10% or more of the issued voting shares of our Company.

2. Further Information about our Directors and Supervisors

(a) Particulars of Directors' and Supervisors' service contracts and appointment letters

Each of the Directors and Supervisors has entered into a service contract or appointment letter with our Company. The principal particulars of these service contracts and appointment letters comprise, among other things, (a) the term of the service; (b) subject to termination in accordance with their respective term; and (c) a dispute resolution provision. The service contracts and appointment letters may be renewed in accordance with our Articles of Association and the applicable laws, rules and regulations from time to time.

Save as disclosed above, none of the Directors or Supervisors has or is proposed to have a service contract with any member of our Group (other than contracts expiring or determinable by the relevant employer within one year without the payment of compensation (other than statutory compensation)).

(b) Others

(i) None of the Directors, Supervisors, or any past Directors of any members of our Group has been paid any sum of money for each of the three years ended December 31, 2023 as an inducement to join or upon joining our Company or 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.

(ii) There has been no arrangement under which a Director or Supervisor has waived or agreed to waive any remuneration or benefits in kind for each of the three years ended December 31, 2023.

(iii) None of the Directors or Supervisors has been or is interested in the promotion of, or in the property proposed to be acquired by, our Company, and no sum has been paid or agreed to be paid to any of them in cash or shares or otherwise by any person either to induce him/her to become, or to qualify him/her as, a Director or a Supervisor, or otherwise for services rendered by him/her in connection with the promotion or formation of our Company.

3. Agency fees or commissions received

Save as disclosed in this section, none of the Directors, Supervisors or any of the persons whose names are listed under "– D. Other Information – 7. Qualifications and Consents of Experts" in this Appendix had received any commissions, discounts, agency fee, brokerages or other special terms in connection with the issue or sale of any capital of any member of our Group within the two years immediately preceding the date of this document.

4. Directors' and Supervisors' remuneration

For each of the three years ended December 31, 2023, the aggregate amount of fees, basic salaries, allowance, discretionary bonus, retirement benefit contribution and share-based payment granted by us to our Directors and Supervisors were approximately RMB1.5 million, RMB2.2 million, and RMB4.0 million, respectively.

Under the current arrangements, our Directors and Supervisors are entitled to receive compensation (including fees, basic salaries, allowance, discretionary bonus, retirement benefit contribution and share-based payment) from our Company for the year ending December 31, 2024 under arrangement in force as of the date of this document which is approximately RMB3.4 million in aggregate.

5. Disclaimers

(a) none of our Directors or Supervisors nor any of the parties listed in " – D. Other Information – 6. Qualifications and consents of experts" in this Appendix has any direct or indirect interest in the promotion of our Company, or in any assets which within the two years immediately preceding the date of this document, have been acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;

(b) save as disclosed in this section, none of our Directors or Supervisors is a director or employee of a company which is expected to have an interest in the Shares falling to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO once the H Shares are [**REDACTED**] on the Stock Exchange;

(c) none of our Directors or Supervisors nor any of the parties listed in "– D. Other Information – 6. Qualifications and consents of experts" in this Appendix, is materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to the business of our Group as a whole;

(d) save for the [**REDACTED**], none of the parties listed in "– D. Other Information – 6. Qualifications and consents of experts" in this Appendix: (i) is interested legally or beneficially in any of our Shares or any shares of any of our subsidiaries; or (ii) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe securities in any member of our Group;

(e) so far as is known to our Directors, none of the Directors, their respective associates or Shareholders of our Company (who is interested in more than 5% of the share capital of our Company) has any interests in any of our top five suppliers and top five customers; and

(f) none of the Directors is interested in any business (other than the business of our Group) which competes or is likely to compete, directly or indirectly, with our business which would require disclosure under Rule 8.10 of the Listing Rules.

D. OTHER INFORMATION

1. Estate duty

As advised by our PRC Legal Advisors, the PRC currently does not impose any estate duty.

2. Litigation

We are not aware of any material legal proceedings, claims or disputes currently existing or pending against us, and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened against us that may have a material adverse effect on our business, financial position or results of operations.

3. Sole Sponsor

The Sole Sponsor has applied to the Stock Exchange for the [**REDACTED**] of, and permission to [**REDACTED**] in, our H Shares to be [**REDACTED**] pursuant to the [**REDACTED**] (including the additional H Shares which may be [**REDACTED**] pursuant to the exercise of the [**REDACTED**]). China International Capital Corporation Hong Kong Securities Limited satisfies the independence criteria applicable to sponsor set out in Rule 3A.07 of the Listing Rules.

The Sponsor will receive a fee of RMB[**REDACTED**] for acting as the Sole Sponsor for the [**REDACTED**].

4. Preliminary expenses

Our Company has not incurred any preliminary expenses.

5. Promoters

The promoters of our Company are CSUDGCL and Yuelushan Company.

Save as disclosed in the section headed "History, Reorganization and Corporate Structure", within the two years immediately preceding the date of this document, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the [**REDACTED**] and the related transactions described in this document.

6. Qualifications and consents of experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this document:

Name	Qualifications
China International Capital Corporation Hong Kong Securities Limited	Licensed to conduct Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts) and Type 6 (advising on corporate finance) of regulated activities under the SFO
KPMG	Certified Public Accountants Public Interest Entity Auditor Registered in accordance with the Accounting and Financial Reporting Council Ordinance
Commerce & Finance Law Offices	Legal advisor to our Company as to the PRC Law
China Index Academy	Industry consultant

Each of the experts named above has given and has not withdrawn its respective written consent to the issue of this document with the inclusion of its report and/or letter and/or opinion and/or the references to its name included in this document the form and context in which it is respectively included.

7. Interests of experts in our Company

None of the persons named in "– D. Other Information – 6. Qualifications and consents of experts" in this Appendix is interested beneficially or otherwise in any Shares or shares of any member of our Group or has any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any shares or securities in any member of our Group.

8. Taxation of holders of H Shares

The sale, purchase and transfer of H Shares are subject to Hong Kong stamp duty. The current rate chargeable on each of the seller and purchaser is 0.10% of the consideration or, if higher, the fair value of the H Shares being sold or transferred.

9. Binding effect

This document shall have the effect, if an application is made in pursuance of this document, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance insofar as applicable.

10. Miscellaneous

(a) Within the two years immediately preceding the date of this document:

(i) no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued or is proposed to be fully or partly paid either for cash or a consideration other than cash;

(ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(iii) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries; and

(iv) no commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any share in our Company or any of our subsidiaries.

(b) Our Directors confirm that:

(i) there has been no material adverse change in the financial or trading position or prospects of our Group since December 31, 2023 (being the date to which the latest audited consolidated financial information of our Group were prepared); and

(ii) 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 document.

(c) There are no founder, management or deferred shares nor any debentures in our Company or any of our subsidiaries;

(d) All necessary arrangements have been made to enable our H Shares to be admitted into [**REDACTED**] for clearing and settlement;

(e) No company within our Group is presently listed on any stock exchange or traded on any trading system;

(f) Our Company has no outstanding convertible debt securities or debentures;

(g) There is no arrangement under which future dividends are waived or agreed to be waived;

(h) None of the equity and debt securities of our Company, if any, is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought;

(i) There is no subsidiary in our Group which is a sino-foreign equity joint venture or which operates as or under a cooperative or contractual joint venture; and

(j) We currently do not intend to apply for the status of sino-foreign investment joint stock limited company and do not expect to be subject to the PRC Foreign Investment Law.

11. Bilingual [REDACTED]

The English and Chinese language versions of this document are being published separately, in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong). In case of any discrepancies between the English language version and Chinese language version of this document, the English version shall prevail.

A. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this document delivered to the Registrar of Companies in Hong Kong for registration were:

(a) the written consents referred to in "Statutory and General Information – D. Other Information – 6. Qualifications and consents of experts" in Appendix VI to this document; and

(b) a copy of each of the material contracts referred to in "Statutory and General Information – B. Further Information About Our Group – 1. Summary of material contracts" in Appendix VI to this document.

B. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of the Stock Exchange (**www.hkexnews.hk**) and our Company (**www.hollwingroup.com**) up to and including the date which is 14 days from the date of this document:

(a) the Articles of Association;

(b) the Accountants' Report received from KPMG, the text of which is set out in Appendix I to this document;

(c) the report received from KPMG in respect of the [**REDACTED**] financial information, the text of which is set out in Appendix II to this document;

(d) the audited consolidated financial statements of our Group for the years ended December 31, 2021, 2022 and 2023;

(e) the material contracts referred to in "Statutory and General Information – B. Further Information about Our Group – 1. Summary of Material Contracts" in Appendix VI to this document;

(f) the service contracts referred to in "Statutory and General Information – C. Further Information about Directors, Supervisors and Substantial Shareholders – 2. Further Information about Our Directors and Supervisors – (a) Particulars of Directors' and Supervisors' service contracts and appointment letters" in Appendix VI to this document;

(g) the legal opinion issued by Commerce & Finance Law Offices, our PRC Legal Advisors, in respect of our Group's business operations in the PRC;

(h) the written consents referred to "Statutory and General Information – D. Other Information – 6. Qualifications and consents of experts" in Appendix VI to this document;

(i) the PRC Company Law and the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies, together with unofficial English translations thereof; and

(j) the industry report issued by China Index Academy.