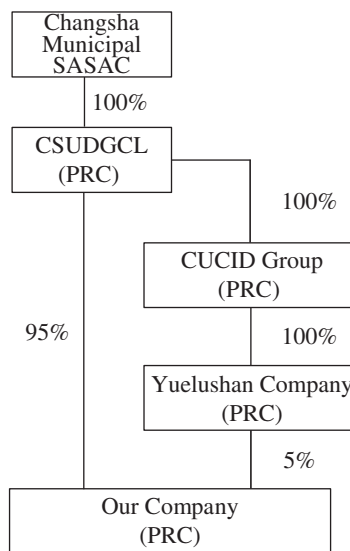


RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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:

Our Group	Overlapping or similar businesses	Principal business	Scale of overlapping or similar businesses
<p>Changsha Xingshui (an indirect non-wholly owned subsidiary of CSUDGCL)</p>	<p>Provision of property management services, urban services (including landscaping and engineering and parking lot operation), and commercial operation services</p>	<p>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</p>	<p>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.</p>

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Overlapping or similar businesses	Principal business	Scale of overlapping or similar businesses
<p>Hunan Changran (an indirect non-wholly owned subsidiary of CSUDGCL)</p>	<p>Provision of property management services including cleaning, security, landscaping maintenance and ancillary parking services</p>	<p>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.</p>
<p>Changsha Zurbrueggen (a 30%-controlled company directly held by Pilot Investment, a subsidiary of CSUDGCL)</p>	<p>Provision of property management services including cleaning, security, gardening and other ancillary services</p>	<p>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.</p>

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

	Overlapping or similar businesses	Principal business	Scale of overlapping or similar businesses
Hunan Huayuujin (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 Huayuujin, 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 Huayuujin 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 Huayuujin 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.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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;

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (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

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (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

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (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.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (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.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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)}

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (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

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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,

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- *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.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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	
	<i>(RMB'000)</i>	<i>(%)</i>	<i>(RMB'000)</i>	<i>(%)</i>	<i>(RMB'000)</i>	<i>(%)</i>
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	<u>431,653</u>	<u>100.0</u>	<u>528,523</u>	<u>100.0</u>	<u>651,875</u>	<u>100.0</u>

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.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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 royalties 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

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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;

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (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;

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (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.