

CONTINUING CONNECTED TRANSACTIONS

OVERVIEW

We have entered into a number of agreements with our connected persons, the details of which are set out below. The transactions disclosed in this section will constitute our continuing connected transactions under chapter 14A of the Listing Rules upon [REDACTED].

OUR CONNECTED PERSONS

Upon [REDACTED], the following entities will become our connected persons:

CSUDGCL and its associates CSUDGCL is one of our Controlling Shareholders, thus CSUDGCL and its associates are connected persons of our Company under chapter 14A of the Listing Rules.

SUMMARY OF CONTINUING CONNECTED TRANSACTIONS

	Nature of Transaction	Counterparty	Applicable Listing Rules	Waiver Sought
(A) Continuing connected transactions fully exempt from the reporting, annual review, announcement and independent Shareholders’ approval requirements				
1	Trademark Licensing	CSUDGCL and its associates	Rules 14A.76(1)(a) and 14A.105 of the Listing Rules	N/A
Revenue in nature transaction(s)				
2	Hunan Changran Equity Entrustment	Ranqi Group (an associate of CSUDGCL)	Rules 14A.76(1)(c) and 14A.105 of the Listing Rules	N/A
3	Changsha Xingsui Equity Entrustment	Zhongnan Huayun (an associate of CSUDGCL)	Rules 14A.76(1)(c) and 14A.105 of the Listing Rules	N/A
Expense in nature transaction(s)				
4	Car Leasing	CSUDGCL and its associates	Rules 14A.76(1)(a) and 14A.105 of the Listing Rules	N/A
5	Surveying and Advertising Service	CSUDGCL and its associates	Rules 14A.76(1)(c) and 14A.105 of the Listing Rules	N/A

CONTINUING CONNECTED TRANSACTIONS

	Nature of Transaction	Counterparty	Applicable Listing Rules	Waiver Sought
(B)	Continuing connected transactions subject to the reporting, annual review and announcement requirements but exempt from the circular and independent Shareholders' approval requirements			
	Expense in nature transaction(s)			
1	Entrusted Parking Lot Operation	CSUDGCL and its associates	Rules 14A.76(2)(a) and 14A.105 of the Listing Rules	Announcement requirements
2	Technology System and Equipment Usage and Maintenance Service	CSUDGCL and its associates	Rules 14A.76(2)(a) and 14A.105 of the Listing Rules	Announcement requirements
3	Resources Purchase	CSUDGCL and its associates	Rules 14A.76(2)(a) and 14A.105 of the Listing Rules	Announcement requirements
4	Property Leasing	CSUDGCL and its associates	Rules 14A.76(2)(a) and 14A.105 of the Listing Rules	Announcement requirements
(C)	Continuing connected transactions subject to the reporting, annual review, announcement, circular and independent Shareholders' approval requirements			
	Revenue in nature transaction(s)			
1	Property Management Service	CSUDGCL and its associates	Rule 14A.105 of the Listing Rules	Announcement, circular and independent Shareholders' approval requirements
2	Commercial Operation Service	CSUDGCL and its associates	Rule 14A.105 of the Listing Rules	Announcement, circular and independent Shareholders' approval requirements

CONTINUING CONNECTED TRANSACTIONS

	Nature of Transaction	Counterparty	Applicable Listing Rules	Waiver Sought
3	Landscaping and Engineering Service	CSUDGCL and its associates	Rule 14A.105 of the Listing Rules	Announcement, circular and independent Shareholders’ approval requirements
4	Parking Service	CSUDGCL and its associates	Rule 14A.105 of the Listing Rules	Announcement, circular and independent Shareholders’ approval requirements
5	Lighting System Operation Service	CSUDGCL and its associates	Rule 14A.105 of the Listing Rules	Announcement, circular and independent Shareholders’ approval requirements

OUR CONTINUING CONNECTED TRANSACTIONS

(A) Continuing Connected Transactions Fully Exempt from the Reporting, Annual Review, Announcement, Circular and Independent Shareholders’ Approval Requirements

1. Trademark Licensing

On 20 July, 2023, our Company (for ourselves and on behalf of our subsidiaries) entered into a trademark licensing agreement with CSUDGCL (the “**Trademark Licensing Agreement**”), pursuant to which CSUDGCL agreed to irrevocably grant to our Group non-transferable and non-exclusive license to use certain trademarks registered in the PRC (the “**Licensed Trademarks**”) on a royalty-free basis, for a term of ten years commencing from the date of the [REDACTED]. For details of the Licensed Trademarks, please refer to “Appendix VI – Statutory and General Information – B. Further Information about Our Group – 2. Intellectual Property Rights of Our Group” to this document. CSUDGCL has undertaken to renew and maintain the registration of the Licensed Trademarks for so long as the Trademark Licensing Agreement is in effect.

CONTINUING CONNECTED TRANSACTIONS

We consider that entering into the Trademark Licensing Agreement will enable the brand of CSUD Group to be further promoted when our Group markets its business by using the Licensed Trademarks, and the use of Licensed Trademarks is expected to further facilitate the market and business expansion of our Group and is mutually beneficial to both our Group and our Shareholders and CSUD Group as a whole.

We believe that entering into the Trademark Licensing Agreement with a term of more than three years can ensure the stability of our operations and is beneficial to us and the Shareholders as a whole. The Sole Sponsor is of the view that it is not uncommon for agreements of this type to be of such duration.

As the right to use the Licensed Trademarks is granted to us on a royalty-free basis, the transactions under the Trademark License Agreement fall within the *de minimis* threshold under Rule 14A.76 of the Listing Rules and is exempt from the reporting, annual review and announcement requirements, circular and independent Shareholders’ approval requirements under chapter 14A of the Listing Rules.

2. *Hunan Changran Equity Entrustment Agreement*

On June 8, 2023, our Company entered into the Hunan Changran Equity Entrustment Agreement with Ranqi Group (an associate of CSUDGCL) and Hunan Changran, pursuant to which, Ranqi Group entrusted us with certain management and operation of its wholly-owned subsidiary, Hunan Changran, by way of equity entrustment. Hunan Changran is mainly engaged in property management services and landscape engineering and construction businesses, which also form part of the principal business of our Group. For details, please see “Relationship with Our Controlling Shareholders” in this document. Such management and operation services primarily include deciding on matters with respect to the existing overlapping businesses, adjusting or terminating relevant business operations, business policies and investment plans, and entrustment of equity interest in Hunan Changran (the “**Hunan Changran Equity Entrustment Service**”). Pursuant to the Hunan Changran Equity Entrustment Agreement, our Company will receive an annual service fee of RMB50,000 for each year and would not share any profits generated or loss derived from Hunan Changran. The Hunan Changran Equity Entrustment Agreement is valid for a term of three years commencing from May 30, 2023 and will be renewable upon its expiration by mutual consent and negotiation among the parties.

Pricing terms

The service fees that our Group will charge under the Hunan Changran Equity Entrustment Agreement are set at RMB50,000 per year and have been determined after arm’s length negotiations and taking into account, among other factors, (i) the expected operational costs (including labor costs and administrative costs) in relation to the provision of the Hunan Changran Equity Entrustment Service; (ii) the relatively smaller scale of the entrusted target, for details, please refer to the section headed “Relationship with Our Controlling Shareholders – Delineation of Business” in this document; and (iii) the fees charged by other service providers for similar services in the market.

CONTINUING CONNECTED TRANSACTIONS

Reasons for the transaction

Hunan Changran retains certain property management services and landscape engineering and construction businesses. For details, please see “Relationship with our Controlling Shareholders” in this document. In order to avoid potential competition from CSUD Group and safeguard the interests of our Group and Shareholders, our Group would be placed in a better position to monitor the operation and management of Hunan Changran through Hunan Changran Equity Entrustment Service and the exercise of rights and powers associated therewith. In addition, Ranqi Group has undertaken to resolve the competition between Hunan Changran and our Group through disposal of its equity interests in Hunan Changran or other approaches within three years after the execution of Hunan Changran Equity Entrustment Agreement. Therefore, our Directors are of the view that the entrustment arrangement would provide our Group with a sound opportunity to integrate the businesses of Hunan Changran and our Group, and facilitate a smooth transfer of CSUDGCL’s equity interests in Hunan Changran to our Group when an appropriate opportunity emerges.

Proposed annual caps and basis for determination

Our Directors estimate that the maximum annual service fee receivable by our Group under the Hunan Changran Equity Entrustment Agreement for each of the three years ending December 31, 2026 will not exceed the annual caps set out as below:

	Year ending December 31,		
	2024	2025	2026
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Total service fees receivable by our Group	50	50	50

Pursuant to the Hunan Changran Equity Entrustment Agreement, our Company will receive an annual service fee of RMB50,000. In arriving at the above proposed annual caps, our Directors have considered, among others, the following factors:

- the expected operational costs (including labor costs and administrative costs) in relation to the provision of the Hunan Changran Equity Entrustment Service;
- the scale of the entrusted target; and
- the fees charged by other service providers for similar services in the market.

CONTINUING CONNECTED TRANSACTIONS

Implications under the Listing Rules

As (i) all subject matters, in respect of the transactions contemplated under the Hunan Changran Equity Entrustment Agreement and Changsha Xingshui Equity Entrustment Agreement, cover equity entrustment services to be provided by us to CSUDGCL and its associates, and (ii) the agreements are entered into within the same 12-month period, the transactions under such agreements shall be aggregated pursuant to Rules 14A.81 to 14A.83 of the Listing Rules. Upon aggregation with the transactions contemplated under the Hunan Changran Equity Entrustment Agreement and Changsha Xingshui Equity Entrustment Agreement pursuant to Rule 14A.81 of the Listing Rules, the transactions under such agreements fall within the *de minimis* threshold under Rule 14A.76 of the Listing Rules and is exempt from the reporting, annual review and announcement requirements, circular and independent Shareholders’ approval requirements under chapter 14A of the Listing Rules.

3. *Changsha Xingshui Equity Entrustment Agreement*

On June 19, 2023, our Company (for itself and on behalf of its subsidiaries) entered into the Changsha Xingshui Equity Entrustment Agreement with Zhongnan Huayun (an associate of CSUDGCL) and Changsha Xingshui, pursuant to which Zhongnan Huayun entrusted us with certain management and operation rights of its wholly-owned subsidiary, Changsha Xingshui, by way of equity entrustment. Such management and operation services primarily include deciding on matters with respect to the existing overlapping businesses, adjusting or terminating relevant business operations, business policies and investment plans (the “**Changsha Xingshui Equity Entrustment Service**”). Pursuant to the Changsha Xingshui Equity Entrustment Agreement, our Company will receive an annual service fee of RMB1,000,000 for each year and would not share any profits generated or loss derived from the entrusted target. The Changsha Xingshui Equity Entrustment Agreement is valid for a term of three years commencing from the execution of the agreement and will be renewable upon its expiration by mutual consent and negotiation among the parties.

Pricing terms

The service fees that our Group will charge under the Changsha Xingshui Equity Entrustment Agreement are set at RMB1,000,000 per year and have been determined after arm’s length negotiations and taking into account, among other factors, (i) the expected operational costs (including labor costs and administrative costs) in relation to the provision of the Changsha Xingshui Equity Entrustment Service; (ii) the relatively larger scale of the entrusted target comparing to that of Hunan Changran, for details, please refer to the section headed “Relationship with Our Controlling Shareholders – Delineation of Business” in this document; and (iii) the fees charged by other service providers for similar services in the market.

CONTINUING CONNECTED TRANSACTIONS

Reasons for the transaction

Changsha Xingshui retains certain property management services and landscape engineering and construction businesses. For details, please see “Relationship with Our Controlling Shareholders” in this document. In order to avoid potential competition from CSUD Group and safeguard the interests of our Group and Shareholders, our Group would be placed in a better position to monitor the operation and management of Changsha Xingshui through the Changsha Xingshui Equity Entrustment Service and the exercise of rights and powers associated therewith. In addition, Zhongnan Huayun has undertaken to resolve the competition between Changsha Xingshui and our Group through disposal of its equity interests in Changsha Xingshui or other approaches within three years after the execution of Changsha Xingshui Equity Entrustment Agreement. Therefore, our Directors are of the view that the entrustment arrangement would provide our Group with a sound opportunity to integrate the businesses of the entrusted target and our Group, and facilitate a smooth transfer of CSUDGCL’s equity interests in the entrusted target to our Group when an appropriate opportunity emerges.

Proposed annual caps and basis for determination

Our Directors estimate that the maximum annual service fee receivable by our Group under Changsha Xingshui Equity Entrustment Agreement for each of the three years ending December 31, 2026 will not exceed the annual caps set out as below:

	Year ending December 31,		
	2024	2025	2026
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Total service fees receivable by our Group	1,000	1,000	1,000

Pursuant to the Changsha Xingshui Equity Entrustment Agreement, our Company will receive an annual service fee of RMB1,000,000. In arriving at the above proposed annual caps, our Directors have considered, among others, the following factors:

- the expected operational costs (including labor costs and administrative costs) in relation to the provision of the Changsha Xingshui Equity Entrustment Service;
- the scale of the entrusted target; and
- the fees charged by other service providers for similar services in the market.

CONTINUING CONNECTED TRANSACTIONS

Implications under the Listing Rules

As (i) all subject matters, in respect of the transactions contemplated under the Changsha Xingshui Equity Entrustment Agreement and Hunan Changran Equity Entrustment Agreement, cover equity entrustment services to be provided by us to CSUDGCL and its associates, and (ii) the agreements are entered into within the same 12-month period, the transactions under such agreements shall be aggregated pursuant to Rules 14A.81 to 14A.83 of the Listing Rules. Upon aggregation with the transactions contemplated under the Changsha Xingshui Equity Entrustment Agreement and Hunan Changran Equity Entrustment Agreement pursuant to Rule 14A.81 of the Listing Rules, the transactions under such agreements fall within the *de minimis* threshold under Rule 14A.76 of the Listing Rules and is exempt from the reporting, annual review and announcement requirements, circular and independent Shareholders’ approval requirements under chapter 14A of the Listing Rules.

4. *Car Leasing*

On [●], our Company (for ourselves and on behalf of our subsidiaries) entered into a car leasing framework agreement (the “**Car Leasing Framework Agreement**”) with CSUDGCL (for itself and on behalf of its associates), pursuant to which CSUDGCL and its associates agreed to lease to our Group vehicles owned by CSUDGCL and its associates for a term commencing from the [REDACTED] up to and including December 31, 2026.

During the Track Record Period, our Group has leased certain vehicles from CSUDGCL and its associates for our own use (the “**Existing Car Leases**”). The Existing Car Leases are exempt from recognition as right-of-use assets on our statements of financial position under IFRS 16 because they are considered as short-term leases (i.e. leases of 12 months or less). Pursuant to the Car Leasing Framework Agreement, the terms of the definitive car leases to be entered into between our Company and CSUDGCL and its associates shall be 12 months or less. Therefore, the rental payment under the Existing Car Leases was and will be recorded as expenses over the term of the Existing Car Leases in our statements of profit or loss and other comprehensive income.

To avoid disruption to the continuous operations of our Group, we will, after the [REDACTED], continue to lease the vehicles from CSUDGCL and its associates. The definitive car leases to be entered into between our Company and CSUDGCL and its associates shall only contain provisions which are, in all material aspects, consistent with the binding principles, guidelines, terms and conditions set out in the Car Leasing Framework Agreement.

CONTINUING CONNECTED TRANSACTIONS

Historical transaction amounts

During the Track Record Period, the total amounts of rent paid by our Group to CSUDGCL and its associates for the vehicles were set out as below:

	Year ended December 31,		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Total rent paid by our Group	–	68	87

Pricing terms

We conducted the transactions in accordance with our pricing policy and guidelines, which apply to transactions with Independent Third Parties as well as connected persons. We have solicited at least three other third-party service providers for vehicles of similar brand, condition and quantity to determine if the price and terms offered by CSUDGCL and its associates are fair and reasonable and comparable to those offered by Independent Third Parties. The rent that CSUDGCL and its associates charge under the Car Leasing Framework Agreement has been determined after arm’s length negotiations, taking into account, among other factors, (i) the nature, brand and condition of the vehicles; (ii) the scope of the services; (iii) the rent charged by CSUDGCL and its associates to Independent Third Parties for similar rental services; and (iv) the rent charged by other car rental providers in respect of similar types of vehicles in the market. The terms offered by CSUDGCL and its associates to us shall not be less favorable to our Group than terms offered by CSUDGCL and its associates to Independent Third Parties for the same or similar type of rental services.

Reasons for the transaction

We have historically leased vehicles from CSUDGCL and its associates for use during our business operations, for example, our employees drive to different locations to inspect and oversee our projects using such vehicles. We had leased four vehicles from an associate of CSUDGCL which engaged in the car leasing business and entered into two leases which shall be valid for a term of one year as of the Latest Practicable Date. In light of the satisfactory performance and reasonable terms and price provided by CSUDGCL and its associates, we intend to continue to lease vehicles from CSUDGCL and its associates following the [REDACTED]. We believe continuing to lease vehicles from CSUDGCL and its associates would save our costs in sourcing new lessor and avoid any unnecessary incidental expenses for leasing new vehicles and avoid causing unnecessary disruption to our operations, as well as enhance the stability of business operations of our Group. Our Directors believe that the entering into of the Car Leasing Framework Agreement and the terms thereof are fair and reasonable, and are in the interests of our Company and our Shareholders as a whole.

CONTINUING CONNECTED TRANSACTIONS

Proposed annual caps and basis for determination

Our Directors estimate that the maximum annual rent to be paid by our Group under the Car Leasing Framework Agreement for each of the three years ending December 31, 2026 will not exceed the annual caps set out as below:

	Year ending December 31,		
	2024	2025	2026
	RMB'000	RMB'000	RMB'000
Total rent to be paid by our			
Group ^(Note 1)	200	200	200

Note:

- (1) The annual caps refer to estimated rental payment as the leases are expected to be short term leases and are exempt from recognition as right-of-use assets on our statement of financial position under IFRS 16.

In arriving at the above proposed annual caps, our Directors have considered, among others, the following factors:

- the historical transaction amounts during the Track Record Period. In particular, we leased one additional vehicle from CSUDGCL and its associates in 2023 for our own use due to the business expansion of our Group; and
- the number of vehicles needed and terms (including rent) of existing leases as of the Latest Practicable Date.

Implications under the Listing Rules

The transactions under the Car Leasing Framework Agreement fall within the *de minimis* threshold under Rule 14A.76 of the Listing Rules and is exempt from the reporting, annual review and announcement requirements, circular and independent Shareholders' approval requirements under chapter 14A of the Listing Rules.

5. *Surveying and Advertising Service*

On [●], our Company (for itself and on behalf of its subsidiaries) entered into a surveying and advertising services framework agreement (the “**Surveying and Advertising Service Framework Agreement**”) with CSUDGCL (for itself and on behalf of its associates), pursuant to which CSUDGCL and its associates agreed to provide to our Group surveying and advertising services, including but not limited to (i) surveying and advertising services (surveying services include but not limited to underwater topographic surveying, municipal engineering surveying, and field topographic data acquisition and mapping, and advertising services include asset operation promotion services); and (ii) other value-added services

CONTINUING CONNECTED TRANSACTIONS

(collectively, the “**Surveying and Advertising Services**”) for a term commencing from the [REDACTED] up to and including December 31, 2026. The definitive service agreement to be entered into between our Company and CSUDGCL and its associates shall only contain provisions which are, in all material aspects, consistent with the binding principles, guidelines, terms and conditions set out in the Surveying and Advertising Service Framework Agreement.

Historical transaction amounts

During the Track Record Period, the total service fees paid by our Group to CSUDGCL and its associates for the Surveying and Advertising Services were set out as below:

	Year ended December 31,		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Total service fees paid by our Group	823	1,589	190

The substantial decrease in the total service fees paid by our Group to CSUDGCL and its associates in 2023 was primarily due to the fact that one of the service providers ceased to provide Surveying and Advertising Services in the same year. Going forward, we will seek for other surveying and advertising service providers and the business operation of our Group will not be adversely affected.

Pricing terms

We conducted the transactions in accordance with our pricing policy and guidelines, which apply to transactions with Independent Third Parties as well as connected persons. We have solicited at least three other third-party service providers for surveying and advertising services of similar quality and scope of services to determine if the price and terms offered by CSUDGCL and its associates are fair and reasonable and comparable to those offered by Independent Third Parties. The service fees that CSUDGCL and its associates charge under the Surveying and Advertising Service Framework Agreement shall be determined after arm’s length negotiations, taking into account, among other factors, (i) the scope of the services; (ii) the expected operational costs (including labour costs, materials costs and administrative costs) in relation to the provision of the surveying and advertising services; (iii) the fees charged by CSUDGCL and its associates to Independent Third Parties for similar services; and (iv) the fees charged by other service providers for similar services in the market. The fees charged by CSUDGCL and its associates shall not be higher than the standard fees designated by the relevant regulatory authorities (if applicable), and the terms offered by CSUDGCL and its associates to our Group shall not be less favourable to our Group than terms offered by CSUDGCL and its associates to Independent Third Parties for the same or similar type and scope of services.

CONTINUING CONNECTED TRANSACTIONS

Reasons for the transaction

We have entered into two and one surveying and advertising services agreements with CSUDGCL and its associates for the years ended December 31, 2021 and 2022, respectively. During the course of our provision of commercial operation services, we have the need to carry out surveys of the area of our managed properties and advertise our managed properties. Entering into such transactions enables us to utilize the surveying and advertising resources and professional support from CSUDGCL and its associates in order to enhance our marketing capacities and efficiency of our business operation. In addition, the capacity of CSUDGCL and its associates allows it to meet our increase in demand in the case that we plan to expand our operation and we have established a stable relationship with CSUDGCL and its associates during the course of which we consider it had provided us steady and reliable supply of quality surveying and advertising service in accordance with our specifications. Our Directors believe that the entering into of the Surveying and Advertising Service Framework Agreement and the terms thereof are fair and reasonable, and are in the interests of our Company and our Shareholders as a whole.

Proposed annual caps and basis for determination

Our Directors estimate that the maximum annual service fee to be paid by our Group under the Surveying and Advertising Service Framework Agreement for each of the three years ending December 31, 2026 will not exceed the annual caps set out as below:

	Year ending December 31,		
	2024	2025	2026
	RMB'000	RMB'000	RMB'000
Total service fees to be paid by our Group	300	300	300

In arriving at the above proposed annual caps, our Directors have considered, among others, the following factors:

- the historical transaction amounts during the Track Record Period; and
- the service agreement entered into between our Group and CSUDGCL and its associates in 2022 had expired as of the Latest Practicable Date and we will renew such agreement in 2024.

Implications under the Listing Rules

The transactions under Surveying And Advertising Service Framework Agreement fall within the *de minimis* threshold under Rule 14A.76 of the Listing Rules and are exempt from the reporting, annual review and announcement requirements, circular and independent Shareholders' approval requirements under chapter 14A of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

(B) Continuing Connected Transactions Subject to the Reporting, Annual Review and Announcement Requirements but Exempted from the Circular and Independent Shareholders’ Approval Requirements

1. Entrusted Parking Lot Operation

On [●], our Company (for ourselves and on behalf of our subsidiaries) entered into an entrusted parking lot operation framework agreement (the “**Entrusted Parking Lot Operation Framework Agreement**”) with CSUDGCL (for itself and on behalf of its associates), pursuant to which CSUDGCL and its associates convey the right to use the respective parking lots to our Group for a term commencing from the [REDACTED] up to and including December 31, 2026. The Entrusted Parking Lot Operation Framework Agreement is, in substance, a lease as defined in IFRS 16. We provide parking services to the end users of the parking lots (i.e. the general public). To obtain the right to use and manage parking lots owned or developed by CSUDGCL and its associates, a fixed percentage of the revenue (i.e. parking service fee paid by the end users) generated from our provision of parking services shall be paid by our Group to CSUDGCL and its associates as parking resource usage fees (i.e. variable lease payments). The parking resource usage fees will not be recognised as right-of-use asset in our statement of financial position under IFRS 16 as the Entrusted Parking Lot Operation Framework Agreement only includes variable lease payment clause with no minimum lease payment. The revenue generated from our provision of parking services will be attributable to our Group. The definitive service agreement to be entered into between our Company and CSUDGCL and its associates shall only contain provisions which are, in all material aspects, consistent with the binding principles, guidelines, terms and conditions set out in the Entrusted Parking Lot Operation Service Framework Agreement.

Historical transaction amounts

During the Track Record Period, the total amounts of parking resource usage fees paid by our Group to CSUDGCL and its associates for the entrusted parking lot operation were set out as below:

	Year ended December 31,		
	2021	2022	2023
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Total parking resource usage fees paid by our Group	9,677	10,695	11,243

The above historical transaction amounts represent approximately 3.0%, 2.6% and 2.2% of the cost of sales of our Group for the years ended December 31, 2021, 2022 and 2023, respectively.

CONTINUING CONNECTED TRANSACTIONS

Pricing terms

The parking resource usage fee charged by CSUDGCL and its associates fell into different categories based on the location of the parking lot. The parking resource usage fees were typically set at a fixed percentage of the revenue generated from our provision of parking services to end users (i.e. the general public). The parking resource usage fees that CSUDGCL and its associates charge under the Entrusted Parking Lot Operation Framework Agreement have been determined after arm’s length negotiations and taking into account, among other factors, (i) the nature, size and location of the parking lot and the number of parking lot spaces; (ii) the parking resource usage fees charged by CSUDGCL and its associates to Independent Third Parties for parking lots with similar location and size; and (iii) the parking resource usage fees charged by other parking lot owners for parking lots with similar location and size. For the years ended December 31, 2021, 2022 and 2023, the number of parking lot spaces contracted under the agreements entered into between CSUDGCL and its associates and our Group amounted to 19,414, 19,525 and 19,830, respectively. The parking resource usage fees charged by CSUDGCL and its associates shall not be higher than the standard fees designated by the relevant regulatory authorities (if applicable), and the terms offered by CSUDGCL and its associates to our Group shall not be less favorable to our Group than terms offered by CSUDGCL and its associates to Independent Third Parties for the same or similar parking lots.

Reasons for the transaction

Given considerable amount of parking lots owned by CSUDGCL and its associates in Changsha, by entering into the Entrusted Parking Lot Operation Framework Agreement, our Group can secure a substantial amount of parking lots, which enables us to maintain our parking lot resources in order to provide parking services to our customers as one of our principal business operations. Our Directors believe that entering into of the Entrusted Parking Lot Operation Framework Agreement and the terms thereof are fair and reasonable, and are in the interests of our Company and our Shareholders as a whole.

CONTINUING CONNECTED TRANSACTIONS

Proposed annual caps and basis for determination

Our Directors estimate that the maximum annual parking resource usage fee payable by our Group under the Entrusted Parking Lot Operation Service Framework Agreement for each of the three years ending December 31, 2026 will not exceed the annual caps set out as below:

	Year ending December 31,		
	2024	2025	2026
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Total parking resource usage fees to be paid by our Group	12,000	12,600	13,700

In arriving at the above proposed annual caps, our Directors have considered, among others, the following factors:

- the historical transaction amounts during the Track Record Period;
- the number and terms (including parking resource usage fee) of existing contracts as of the Latest Practicable Date. As of the Latest Practicable Date, we had 16 ongoing contracts entered into with CSUDGCL and its associates with 19,314 parking lot spaces. We expect that we will renew such contract when it is expired in order to secure our parking lot resources; and
- the expected increase in the demand of our Group for the entrusted parking lots with reference to the estimated increase in the number of parking lot owned, used or developed by CSUDGCL and its associates which might be entrusted to us. As of the Latest Practicable Date, to the best knowledge of our Directors after consulting the CSUD Group, it was estimated that one parking lot with approximately 2,600 parking lot spaces would be developed by CSUDGCL and its associates. We anticipate that we may be further engaged to be entrusted for such parking lot in 2024.

Implications under the Listing Rules

Since the highest of all applicable percentage ratios in respect of the Entrusted Parking Lot Operation Framework Agreement will be more than 0.1% but less than 5% on an annual basis, the Entrusted Parking Lot Operation Framework Agreement will be subject to the announcement, reporting and annual review requirements under chapter 14A of the Listing Rules but will be exempted from the circular and independent Shareholders' approval requirement under chapter 14A of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

2. *Technology System and Equipment Usage and Maintenance Service*

On [●], our Company (for itself and on behalf of its subsidiaries) entered into a technology system and equipment usage and maintenance services framework agreement (the “**Technology System and Equipment Usage and Maintenance Service Framework Agreement**”) with CSUDGCL (for itself and on behalf of its associates), pursuant to which CSUDGCL and its associates agreed to provide to our Group technology system and equipment usage and maintenance services, including but not limited to (i) the purchase and development of online platform, software and electronic equipment resources; and (ii) the provision of maintenance services relating to equipment, software and other resources (collectively, the “**Technology System and Equipment Usage and Maintenance Services**”) for a term commencing from the [REDACTED] up to and including December 31, 2026. The definitive service agreements to be entered into between our Company and CSUDGCL and its associates shall only contain provisions which are, in all material aspects, consistent with the binding principles, guidelines, terms and conditions set out in the Technology System and Equipment Usage and Maintenance Service Framework Agreement.

Historical transaction amounts

During the Track Record Period, the total amounts of service fees paid by our Group to CSUDGCL and its associates for the technology system and equipment usage and maintenance services were set out as below:

	Year ended December 31,		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Total service fees paid by our Group	734	798	3,512

The substantial increase in 2023 was primarily due to the launch of a lighting system operation project in November 2022. CSUDGCL and its associates provided network system maintenance and improvement services to such project and the total service fees paid by our Group amounted to approximately RMB3.2 million for the year ended December 31, 2023.

Pricing terms

We conducted the transactions in accordance with our pricing policy and guidelines, which apply to transactions with Independent Third Parties as well as connected persons. We have solicited three other third-party service providers for technology system and equipment usage and maintenance service in similar quality and scope of services to determine if the price and terms offered by CSUDGCL and its associates are fair and reasonable and comparable to those offered by Independent Third Parties. The service fees that CSUDGCL and its associates will charge under the Technology System and Equipment Usage and Maintenance Service Framework Agreement shall be determined

CONTINUING CONNECTED TRANSACTIONS

after arm’s length negotiations and taking into account (i) the scope of the services; (ii) the expected operational costs (including labor costs, materials costs and administrative costs) in relation to the provision of the Technology System and Equipment Usage and Maintenance Services; (iii) the fees charged by CSUDGCL and its associates to Independent Third Parties for similar services; and (iv) the fees charged by other service providers for similar services in respect of similar types of properties in the market. The terms offered by CSUDGCL and its associates to our Group shall not be less favorable to our Group than terms offered by CSUDGCL and its associates to Independent Third Parties for the same or similar type and scope of services.

Reasons for the transaction

We have been engaged with CSUDGCL and its associates and utilized their technology system and equipment since our establishment. The entering into of such transactions enables us to utilize the network infrastructure resources and information technology support from CSUDGCL and its associates as supplement to our existing information technology system and software in order to enhance the efficiency of our business operation, as well as technology research and development. We believe continuing to utilize the technology system and equipment of CSUDGCL and its associates would save our costs in sourcing new service provider and avoid changing our information and technology software, as well as enhancing the stability of business operations of our Group. Our Directors believe that the entering into of the Technology System and Equipment Usage and Maintenance Services Framework Agreement and the terms thereof are fair and reasonable, and are in the interests of our Company and our Shareholders as a whole.

Proposed annual caps and basis for determination

Our Directors estimate that the maximum annual service fee to be paid by our Group under the Technology System and Equipment Usage and Maintenance Service Framework Agreement for each of the three years ending December 31, 2026 will not exceed the annual caps set out as below:

	Year ending December 31,		
	2024	2025	2026
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Total service fees to be paid by our Group	10,500	5,600	5,000

CONTINUING CONNECTED TRANSACTIONS

In arriving at the above proposed annual caps, our Directors have considered, among others, the following factors:

- the historical transaction amounts during the Track Record Period; and
- the number and terms (including service fee) of existing projects/service contracts as of the Latest Practicable Date. As of the Latest Practicable Date, we had two ongoing service contracts with regard to two major technology system development projects in relation to parking operational management and overall operation management entered into with CSUDGCL and its associates since we have been developing our network platform and information system to streamline our management process, enhance system functionalities pertaining to contract management and financial operation, and facilitate the consistency and integration of operational data. As of the Latest Practicable Date, the projects had not been completed as expected due to the delay of the projects which were expected to be completed by the end of 2023. We estimate that the projects will be completed by the end of 2024 and the total service fees of the projects to be paid by our Group will be approximately RMB6.0 million for the year ending December 31, 2024.

Implications under the Listing Rules

Since the highest of all applicable percentage ratios in respect of the Technology System and Equipment Usage and Maintenance Service Framework Agreement will be more than 0.1% but less than 5% on an annual basis, the Technology System and Equipment Usage and Maintenance Service Framework Agreement will be subject to the announcement, reporting and annual review requirements under chapter 14A of the Listing Rules but will be exempted from the circular and independent Shareholders’ approval requirement under chapter 14A of the Listing Rules.

3. Resources Purchase

On [●], our Company (for itself and on behalf of its subsidiaries) entered into a resources purchase framework agreement (the “**Resources Purchase Framework Agreement**”) with CSUDGCL (for itself and on behalf of its associates), pursuant to which CSUDGCL and its associates agreed to provide to our Group resources provision services, including but not limited to the provision of fuel oil, gas, asphalt, heating and cooling, and water resources (collectively, the “**Resources Provision Services**”) for a term commencing from the [REDACTED] up to and including December 31, 2026. The definitive agreement to be entered into between our Company and CSUDGCL and its associates shall only contain provisions which are, in all material aspects, consistent with the binding principles, guidelines, terms and conditions set out in the Resources Purchase Framework Agreement.

CONTINUING CONNECTED TRANSACTIONS

Historical transaction amounts

During the Track Record Period, the total amounts of service fees paid by our Group to CSUDGCL and its associates for the Resources Provision Services were set out as below:

	Year ended December 31,		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Total service fees paid by our Group	11,951	15,145	19,371

The above historical transaction amounts represent approximately 3.7%, 3.7% and 3.9% of the total cost of sales of our Group for the years ended December 31, 2021, 2022 and 2023, respectively.

Pricing terms

The price for the provision of resources, such as fuel oil and water resources, is subject to government-guided standard for different types of users published by relevant department of the municipal government from time to time at fixed unit price. The service fees that CSUDGCL and its associates charge under the Resources Purchase Framework Agreement have been determined after arm's length negotiations and taking into account, among other factors, (i) the types of the resources; (ii) the expected operational costs (including labor costs, materials costs and administrative costs) in relation to the provision of the related resources; (iii) the fees charged by CSUDGCL and its associates to Independent Third Parties for similar services; (iv) the fees charged by other resources providers for similar services in respect of similar types of resources in the market; and (v) the standard fees designated by the relevant regulatory authorities (if applicable). The fees charged by CSUDGCL and its associates shall not be higher than the government-guided standard fees designated by relevant department of the municipal government, and the terms offered by CSUDGCL and its associates to our Group shall not be less favorable to our Group than terms offered by CSUDGCL and its associates to Independent Third Parties for the same or similar type and scope of services.

Reasons for the transaction

Several associates of CSUDGCL are state-owned resources supply companies which provide resources such as water and fuel oil, to individuals and businesses in Changsha and it is common for companies based in Changsha to procure resources from these companies. We have been purchasing resources (such as fuel oil for our vehicles and equipment, asphalt for our provision of landscaping and engineering services, and gas for our provision of property management services) from CSUDGCL and its associates since our establishment. The vast majority of resources we purchased from CSUDGCL and its associates were used during the course of our provision of services. Our Directors believe that the entering into of the Resources Purchase Framework Agreement and the terms thereof are fair and reasonable, and are in the interests of our Company and our Shareholders as a whole.

CONTINUING CONNECTED TRANSACTIONS

Proposed annual caps and basis for determination

Our Directors estimate that the maximum annual service fee payable by our Group under the Resources Purchase Framework Agreement for each of the three years ending December 31, 2026 will not exceed the annual caps set out as below:

	Year ending December 31,		
	2024	2025	2026
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Total service fees to be paid by our Group	22,300	22,700	23,300

In arriving at the above proposed annual caps, our Directors have considered, among others, the following factors:

- the historical transaction amounts during the Track Record Period. The substantial increase in 2023 was primarily due to the increase of resources consumptions of our Group in the course of provision of services to our customer as a result of our business growth and expansion;
- the number and terms (including service fee) of existing service contracts as of the Latest Practicable Date. As of the Latest Practicable Date, we entered into 16 service contracts with regard to water resources procurement, two service contract with regard to fuel oil resources procurement, one service contract with regard to asphalt resources procurement, two service contracts with regard to gas resources procurement, and three service contracts with regard to heating and cooling resources procurement;
- for the years ending December 31, 2024, 2025 and 2026, based on our historical consumption and demand, it is estimated that: (i) the water resources demand of our Group will be approximately 1.6 million tons, 1.7 million tons and 1.8 million tons, respectively; (ii) the fuel oil resources demand of our Group will be approximately 0.3 million liters each year; (iii) the asphalt resources demand of our Group will be approximately 200.0 million tons each year; (iv) the gas resources demand of our Group will be approximately 2.8 million liters each year; and (v) the heating and cooling resources demand of our Group will be 10.5 million unit each year; and
- the expected increase in the operation scale and the demand of our Group for Resources Provision Services to be provided by CSUDGCL and its associates for the years ending December 31, 2024, 2025 and 2026.

CONTINUING CONNECTED TRANSACTIONS

Implications under the Listing Rules

Since the highest of all applicable percentage ratios in respect of the Resources Purchase Framework Agreement will be more than 0.1% but less than 5% on an annual basis, the Resources Purchase Framework Agreement will be subject to the announcement, reporting and annual review requirements under chapter 14A of the Listing Rules but will be exempted from the circular and independent Shareholders’ approval requirement under chapter 14A of the Listing Rules.

4. *Property Leasing*

On [●], our Company (for ourselves and on behalf of our subsidiaries) entered into a property leasing framework agreement with CSUDGCL (for itself and on behalf of its associates) (the “**Property Leasing Framework Agreement**”), pursuant to which our Group agreed to lease certain properties including office buildings and dormitories for employees from CSUDGCL and its associates, for a term commencing from the [REDACTED] up to and including December 31, 2026. The definitive property leasing agreements to be entered into between our Company and CSUDGCL (for itself and on behalf of its associates) shall only contain provisions which are, in all material aspects, consistent with the binding principles, guidelines, terms and conditions set out in the Property Leasing Framework Agreement.

As of the Latest Practicable Date, our Group leased two properties from CSUDGCL and its associates with an aggregate GFA of approximately 840 sq.m. as offices for our own use (the “**Existing Property Leases**”). The Existing Property Leases are exempt from recognition as right-of-use assets on our statements of financial position under IFRS 16 because they are considered as short-term leases (i.e. leases of 12 months or less). Pursuant to the Property Leasing Framework Agreement, the definitive property leases to be entered into between our Company and CSUDGCL and its associates shall be 12 months or less. Therefore, the rental payments under the Existing Property Leases were and will be recorded as expenses over the term of the Existing Property Leases in our statements of profit or loss and other comprehensive income.

To avoid disruption to the continued operations of our Group, we will, after the [REDACTED], continue to lease the properties from CSUDGCL and its associates in addition to the properties under the Existing Property Leases. The definitive leases to be entered into between our Company and CSUDGCL and its associates shall only contain provisions which are, in all material aspects, consistent with the binding principles, guidelines, terms and conditions set out in the Property Leasing Framework Agreement.

CONTINUING CONNECTED TRANSACTIONS

Historical transaction amounts

During the Track Record Period, the total amounts of rent paid by our Group to lease properties from CSUDGCL and its associates was set out as below:

	Year ended December 31,		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Total rent paid by our Group	2,079	642	576

The significant decrease in the historical transaction amounts from 2021 to 2022 was primarily due to the decrease in the size of our office space since we started the process to reorganize and integrate our office spaces at different locations into one centralized office space and the Parking Company terminated a lease agreement entered into with CSUDGCL and its associates in 2022.

Pricing terms

We conducted the transactions in accordance with our pricing policy and guidelines, which apply to transactions with Independent Third Parties as well as connected persons. We have compared the rent and terms of at least three other tenants in the same office building to determine if the rent and terms offered by CSUDGCL and its associates are fair and reasonable and comparable to those offered by Independent Third Parties. The respective rental payable by our Group to CSUDGCL and its associates shall be determined after arm's length negotiations and taking into account, among other factors, (i) the location, quality, size and area of the properties; (ii) the rental charged by CSUDGCL and its associates (as the case may be) to Independent Third Parties for similar types of properties; and (iii) the rental charged by other Independent Third Parties for similar types of properties located in similar regions in the market. The rental charged by CSUDGCL and its associates shall not be higher than the standard fees designated by the relevant regulatory authorities (if applicable), and the terms offered by CSUDGCL and its associates to our Group shall not be less favorable to our Group than terms offered by CSUDGCL and its associates to Independent Third Parties for the same or similar type and scope of leasing. As of the Latest Practicable Date, the rent of the Existing Property Leases for our main office space was set at the price of RMB53 per square meter for one month. The rent under leases to be entered into between our Company and CSUDGCL and its associates shall be further negotiated based on the market price of similar types of properties located in similar regions.

CONTINUING CONNECTED TRANSACTIONS

Reasons for the transaction

To avoid disruption to the continued operations of our Group, we will, after the [REDACTED], continue to lease the properties from CSUDGCL and its associates. In light of the prime locations, reasonable rent, the satisfactory building condition, quality maintenance work and stable lease term provided by CSUDGCL and its associates to us, we believe continuing to lease properties from CSUDGCL and its associates would save our costs in sourcing new locations and avoid any incidental expenses for renting new offices, as well as enhancing the stability of business operations of our Group. Our Directors believe that the entering into of the Property Leasing Framework Agreement and the terms thereof are fair and reasonable, and are in the interests of our Company and our Shareholders as a whole.

Proposed annual caps and basis for determination

Our Directors estimate that the maximum annual amounts under the Property Leasing Framework Agreement for each of the three years ending December 31, 2026 will not exceed the annual caps set out as below:

	Year ending December 31,		
	2024	2025	2026
	RMB'000	RMB'000	RMB'000
Total rent to be paid by our Group ^(Note 1)	3,100	3,600	3,600

Note:

- (1) The annual caps refer to estimated rental payment as the leases are expected to be short term leases and are exempt from recognition as right-of-use assets on our balance sheet under IFRS 16.

In arriving at the above proposed annual caps, our Directors have considered, among others, the following factors:

- the historical rental amounts in respect of the property lease during the Track Record Period;
- the terms and conditions, such as the size of leasing area and the rentals, under the existing lease agreements;
- it is expected that upon the expiration of the leasing term with an Independent Third Party in 2024, our Group will lease properties from CSUDGCL and its associates as dormitory for our employees with the aggregate GFA of approximately 2,000 sq.m., the estimated rents to be paid by our Group amount to approximately RMB0.5 million, RMB1.0 million and RMB1.0 million for the three years ending December 31, 2026, respectively. Entering into lease

CONTINUING CONNECTED TRANSACTIONS

agreements with CSUDGCL and its associates would reduce our Group’s rental costs. It is estimated that the rental costs will be approximately RMB6,900 per year per person under the Property Leasing Framework Agreement, with a decrease of RMB600 per year per person as compared to the rental costs incurred from leasing properties from such Independent Third Party;

- the expected increase in the size of our Group’s office space renting from CSUDGCL and its associates for the year ending December 31, 2024 with the GFA of approximately 2,000 sq.m. since we started the process to reorganize and integrate our office spaces at different locations into one centralized office space to better improve the efficiency of and ease communication among our employees. The average office space per employee decreased from 36.2 sq.m. per person as of December 31, 2021 to 17.5 sq.m. per person as of the Latest Practicable Date due to the decrease in the total GFA of our office spaces. It is estimated that the average office space per employee will be 14.4 sq.m. per person after we finish integrating our office spaces. The estimated rents to be paid by our Group to CSUDGCL and its associates amount to approximately RMB2.0 million for each of the three years ending December 31, 2026, respectively; and
- the expected increase in the rental to be charged by CSUDGCL and its associates considering the expected inflation and the increase in the market price for similar rental properties.

As of the Latest Practicable Date, our Group leased two properties from CSUDGCL and its associates with an aggregate GFA of approximately 840 sq.m. as offices for our own use. The increases in the proposed annual caps under the Property Leasing Framework Agreement for the years ending December 31, 2024 and 2025 are primarily due to the leasing of additional properties from CSUDGCL and its associates as dormitories for our employees, and the expected expansion or change of location of our offices resulting from our increasing demand for office space having considered the expected expansion of our business scale for the three years ending December 31, 2026.

Implications under the Listing Rules

Since the highest of all applicable percentage ratios in respect of the Property Leasing Framework Agreement will be more than 0.1% but less than 5% on an annual basis, the Leasing Framework Agreement will be subject to the announcement, reporting and annual review requirements under chapter 14A of the Listing Rules but will be exempted from the circular and independent Shareholders’ approval requirement under chapter 14A of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

(C) Continuing Connected Transactions Subject to the Reporting, Annual Review, Announcement and the Circular and Independent Shareholders’ Approval Requirements

1. Property Management Service

On [●], our Company (for ourselves and on behalf of our subsidiaries) entered into a property management services framework agreement with CSUDGCL (for itself and on behalf of its associates) (the “**Property Management Service Framework Agreement**”), pursuant to which our Group agreed to provide to CSUDGCL and its associates property management services, including but not limited to cleaning and general greening services, security services, repair and maintenance services and customer services in respect of (i) property units developed by CSUDGCL and its associates which have been completed and are either unsold or sold but not yet delivered to the buyers; and (ii) residential communities, office buildings and other properties owned, used or operated by CSUDGCL and its associates, for a term commencing from the [REDACTED] up to and including December 31, 2026. The definitive service agreement to be entered into between our Company and CSUDGCL and its associates shall only contain provisions which are, in all material aspects, consistent with the binding principles, guidelines, terms and conditions set out in the Property Management Service Framework Agreement.

Historical transaction amounts

During the Track Record Period, the total amounts of service fees paid by CSUDGCL and its associates to our Group for the property management services was set out as below:

	Year ended December 31,		
	2021	2022	2023
	RMB’000	RMB’000	RMB’000
Total service fees paid by CSUDGCL and its associates	59,263	78,900	83,329

The above historical transaction amounts represent approximately 13.7%, 14.9% and 12.8% of the revenue of our Group for the years ended December 31, 2021, 2022 and 2023, respectively.

Pricing terms

The service fees that we charge under the Property Management Service Framework Agreement have been determined after arm’s length negotiations and taking into account, among other factors, (i) the nature, size and location of the properties; (ii) the scope of the services; (iii) the expected operational costs (including labor costs, materials costs and administrative costs) in relation to the provision of the property management

CONTINUING CONNECTED TRANSACTIONS

services; (iv) the fees charged by us to Independent Third Parties for similar services; and (v) the fees charged by other service providers for similar services in respect of similar types of properties in the market. For details of the pricing method of our property management services, please refer to the section headed “Business – Landscaping and Engineering – Our Pricing Policy”. The fees charged by our Group shall not be higher than the standard fees designated by the relevant regulatory authorities (if applicable), and the terms offered by our Group to CSUDGCL and its associates shall not be less favorable to our Group than terms offered by our Group to Independent Third Parties for the same or similar type and scope of services.

Reasons for the transaction

Given the considerable amount of municipal, commercial and residential properties owned or developed by CSUDGCL and its associates, by entering into the Property Management Service Framework Agreement, our Group can maintain a strategic cooperation relationship with CSUDGCL and its associates, providing quality property management services to them. We provide such services to CSUDGCL and its associates during the ordinary course of our business and on normal commercial terms. It enables us to ensure a stable source of income and also improve our competitiveness in providing consistent and quality property management services to other customers of our Group. In addition, during the Track Record Period and up to the Latest Practicable Date, CSUDGCL and its associates selected us to provide Property Management Service through tender bidding and/or by obtaining quotations in accordance with the relevant PRC laws and regulations, taking into account our credentials, fee quote and quality of services. Through our past history of cooperation, we developed mutual trust and understanding with CSUDGCL and its associates, allowing CSUDGCL and its associates to reduce communication and related supervision costs in our daily business dealings. Our Directors believe that entering into of the Property Management Service Framework Agreement and the terms thereof are fair and reasonable, and are in the interests of our Company and our Shareholders as a whole.

Proposed annual caps and basis for determination

Our Directors estimate that the maximum annual service fee to be paid by CSUDGCL and its associates under the Property Management Service Framework Agreement for each of the three years ending December 31, 2026 will not exceed the annual caps set out as below:

	Year ending December 31,		
	2024	2025	2026
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Total service fees to be paid by CSUDGCL and its associates	101,500	95,600	90,900

CONTINUING CONNECTED TRANSACTIONS

In arriving at the above proposed annual caps, our Directors have considered, among others, the following factors:

- the historical transaction amounts during the Track Record Period;
- our tender success rate for property management projects of CSUDGCL and its associates was 100% throughout the Track Record Period, and our retention rates for property management service contracts in respect of property projects of CSUDGCL and its associates was 87.2%, 86.3% and 92.3% for the three years ended December 31, 2021, 2022 and 2023, respectively;
- the estimated GFA in respect of the public, residential and commercial properties developed by CSUDGCL and its associates and the expected increase in the demand for our services with reference to the expected increase in the GFA of properties developed by CSUDGCL and its associates as a result of its business growth and expansion. As of December 31, 2023, we had 48 property management projects sourced from CSUDGCL and its associates with a total of approximately 4.3 million sq.m. GFA under management. Based on CSUD Group’s future development plan and their respective delivery schedule of property projects, we expect to have and to maintain at least 54 property management projects sourced from CSUDGCL and its associates for the year ending December 31, 2024 with a total of approximately 5.4 million sq.m. GFA under management;
- the increase in the annual cap of the Property Management Service Framework Agreement in 2024 taking into account (i) the increase in the service fees of approximately RMB3.3 million expected to be generated from the Moon Island Property Management Project (月亮島物業管理項目) in 2024 as we will offer supplementary services and increase manpower, such as security guard and cleaning staff, as necessitated by the expanding scope of services which was resulted from the more area available for the public within the project as compared the project in 2023; (ii) the increase in the service fees of approximately RMB3.5 million expected to be generated from the High Speed Service Area Property Management Project (高速服務區物業管理項目) in 2024 since such project started in June 2023 (the project is expected to generate higher service fees for provision of services for the whole year of 2024 as compared to the shorter service period in 2023); and (iii) the estimated service fees of approximately RMB3.0 million expected to be generated from the Junyue Yanghu Property Management Project (君越洋湖物業管理項目) which was newly awarded to us in 2024;

CONTINUING CONNECTED TRANSACTIONS

- the decreases in the annual caps of the Property Management Service Framework Agreement in 2025 and 2026, considering that for property management projects in relation to sales centers (the owners/developers of which are mainly CSUDGCL and its associates), it will be unnecessary to maintain the operation of sales centers after the properties in relation to such projects being sold out, thereby obviating the demand for our property management services;
- the estimated new service demand of CSUDGCL and its associates for our property management services provided to their construction sites during the three years ending December 31, 2026 taking into account CSUD Group’s considerable amount of land bank and projects under construction. As of the Latest Practicable Date, to the best knowledge of our Directors after consulting the CSUD Group, CSUD Group had approximately 18.3 million sq.m. of land bank and ten real estate projects under construction or development with a total GFA of 2.7 million sq.m.; and
- the expected increase in the service fees to be charged by us considering the expected inflation and increment in the operational costs as incurred by us, especially labor costs.

Implications under the Listing Rules

As the highest of the applicable percentage ratios under the Listing Rules in respect of the annual caps is expected to be more than 5%, the transactions under the Property Management Service Framework Agreement are subject to the reporting, annual review, announcement, circular and independent Shareholders’ approval requirements under chapter 14A of the Listing Rules.

2. Commercial Operation Service

On [●], our Company (for ourselves and on behalf of our subsidiaries) entered into a commercial operation service framework agreement (the “**Commercial Operation Service Framework Agreement**”) with CSUDGCL (for itself and on behalf of its associates), pursuant to which our Group agreed to provide to CSUDGCL and its associates commercial operation services, including but not limited to (i) property leasing services; and (ii) comprehensive operation and management services, such as market commercial positioning, consultancy, tenant sourcing services, safety management and daily maintenance for a term commencing from the [REDACTED] up to and including December 31, 2026. The definitive service agreement to be entered into between our Company and CSUDGCL and its associates shall only contain provisions which are, in all material aspects, consistent with the binding principles, guidelines, terms and conditions set out in the Commercial Operation Service Framework Agreement.

CONTINUING CONNECTED TRANSACTIONS

Historical transaction amounts

During the Track Record Period, the total amount of service fees paid by CSUDGCL and its associates to our Group for the commercial operation services was set out as below:

	Year ended December 31,		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Total service fees paid by CSUDGCL and its associates	47,020	43,115	57,366

The above historical transaction amounts represent approximately 10.9%, 8.2% and 8.8% of the revenue of our Group for the years ended December 31, 2021, 2022 and 2023, respectively. The decrease in the historical transaction amount in 2022 was primarily due to a decrease in the number of properties entrusted to us. The increase in the historical transaction amount in 2023 was primarily due to the launch of certain new commercial operation projects in 2023. The service fees of such projects paid by CSUDGCL and its associates amounted to RMB10.8 million for the same year.

Pricing terms

Under the entrusted management service model, the service fees encompass our management team’s salaries, promotion expenses, security expenses, and other relevant expenses incurred during the management process. For details of the pricing terms of our commercial operation management services, please refer to the section headed “Business – Commercial Operation Services – Our Pricing Policy”. The service fees that we charge under the Commercial Operation Service Framework Agreement have been determined after arm’s length negotiations and taking into account, among other factors, (i) the nature, size and location of the properties; (ii) the scope of the services; (iii) the expected operational costs (including labor costs, materials costs and administrative costs) in relation to the provision of the commercial operation services; and (iv) the fees charged by other service providers for similar services in respect of similar types of properties in the market. The fees charged by our Group shall not be higher than the standard fees designated by the relevant regulatory authorities (if applicable), and the terms offered by our Group to CSUDGCL and its associates shall not be less favorable to our Group than terms offered by our Group to Independent Third Parties for the same or similar type and scope of services.

CONTINUING CONNECTED TRANSACTIONS

Reasons for the transaction

Given the considerable amount of commercial and residential properties owned or developed by CSUDGCL and its associates, by entering into the Commercial Operation Service Framework Agreement, our Group can maintain a strategic cooperation relationship with CSUDGCL and its associates, providing quality commercial operation services to them and securing a considerable market share in the commercial operation market in Changsha. It enables us to ensure a stable source of income and also improve our competitiveness and market image in providing consistent and quality commercial operation services to other customers of our Group. Through our past history of cooperation, we developed mutual trust and understanding with CSUDGCL and its associates, allowing CSUDGCL and its associates to reduce communication and related supervision costs in our daily business dealings. Our Directors believe that entering into of the Commercial Operation Services Framework Agreement and the terms thereof are fair and reasonable, and are in the interests of our Company and our Shareholders as a whole.

Proposed annual caps and basis for determination

Our Directors estimate that the maximum annual service fee payable by CSUDGCL and its associates under the Commercial Operation Service Framework Agreement for each of the three years ending December 31, 2026 will not exceed the annual caps set out as below:

	Year ending December 31,		
	2024	2025	2026
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Total service fees to be paid by CSUDGCL and its associates	68,500	71,700	74,000

In arriving at the above proposed annual caps, our Directors have considered, among others, the following factors:

- the historical transaction amounts during the Track Record Period;
- the number, GFA under management and terms (including service fee) of existing projects/service contracts as of the Latest Practicable Date. As of the Latest Practicable Date, we had 45 commercial operation projects with a total GFA of approximately 0.8 million sq.m.;
- our renewal rate in connection with our commercial operation service contracts and our retention rates for commercial operation service contracts in respect of property projects developed or owned by CSUDGCL and its associates were 100% throughout the Track Record Period;

CONTINUING CONNECTED TRANSACTIONS

- the expected increase in the proposed annual cap in 2024 as compared to the historical amount in 2023 taking into account (i) the service fees expected to be generated from two additional commercial operation projects of approximately RMB0.8 million in 2024; (ii) the estimated increase in the service fees of approximately RMB2.7 million due to the increase in the number of new tenants as a result of rental discount granted to new tenants (we generally offer rental discount to new tenants for a certain period in order to provide buffers for them to complete interior renovation) after the termination or expiry of existing leases in 2023 with regard to certain properties under management; and (iii) the estimated increase in the service fees of approximately RMB1.7 million as a result of our increasing efforts in promoting and advertising for ten of our existing commercial operation projects since such efforts are expected to decrease the vacancy rate of our managed properties;
- the expected increase in the demand of CSUDGCL and its associates for our services with reference to the estimated increase in the number of commercial and other properties owned, used or operated by CSUDGCL and its associates which might require commercial operation services to be provided by us. Based on CSUD Group’s future development plan and their respective delivery schedule of property projects, we expect to have and to maintain at least 47 commercial operation projects from CSUDGCL and its associates as customers for each year ending December 31, 2024, 2025 and 2026, respectively, with a total of approximately 0.8 million sq.m. GFA under management for each of the respective years. Meanwhile, the high vacancy rate of certain new commercial operation projects launched in 2023 is expected to decrease gradually in the following years, thereby increasing the service fees generated from such projects; and
- the estimated cost to be incurred by us considering the expected inflation and increment in the operational costs as incurred by us during the Track Record Period, especially labor costs.

Implications under the Listing Rules

As the highest of the applicable percentage ratios under the Listing Rules in respect of the annual caps is expected to be more than 5%, the transactions under the Commercial Operation Service Framework Agreement are subject to the reporting, annual review, announcement, circular and independent Shareholders’ approval requirements under chapter 14A of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

3. *Landscaping and Engineering Service*

On [●], our Company (for ourselves and on behalf of our subsidiaries) entered into a landscaping and engineering services framework agreement with CSUDGCL (for itself and on behalf of its associates) (the “**Landscaping and Engineering Service Framework Agreement**”), pursuant to which our Group agreed to provide to CSUDGCL and its associates landscaping and engineering services, including but not limited to (i) landscaping and engineering services, mainly including environmental improvement, green land remodeling and maintenance, tree, grass and flower planting and the tree shaping and sculpting, and (ii) property engineering construction services, mainly including construction, installment and maintenance services for building components and systems, interior renovation and architectural decoration, for a term commencing from the [REDACTED] up to and including December 31, 2026. The definitive service agreement to be entered into between our Company and CSUDGCL and its associates shall only contain provisions which are, in all material aspects, consistent with the binding principles, guidelines, terms and conditions set out in the Landscaping and Engineering Service Framework Agreement.

Historical transaction amounts

During the Track Record Period, the total amounts of service fees paid by CSUDGCL and its associates to our Group for the landscaping and engineering services were set out as below:

	Year ended December 31,		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Total service fees paid by			
CSUDGCL and its associates	75,596	109,677	141,202

The above historical transaction amounts represent approximately 17.5%, 20.7% and 21.7% of the revenue of our Group for the years ended December 31, 2021, 2022 and 2023, respectively. The substantial increase in the historical transaction amount in 2022 was primarily because we made major breakthrough in the expansion of landscaping and engineering following the acquisition of relevant credentials, and we greatly enhanced our ability to better provide landscaping and engineering services to our customers and, as such, we successfully undertook considerable amount of landscaping projects in 2022 and 2023.

Pricing terms

The service fees that we charge under the Landscaping and Engineering Service Framework Agreement have been determined after arm’s length negotiations and taking into account, among other factors, (i) the nature, size and location of the projects; (ii) the scope of the services; (iii) the expected operational costs (including labor costs, materials costs and administrative costs) in relation to the provision of the landscaping and

CONTINUING CONNECTED TRANSACTIONS

engineering services; (iv) the fees charged by us to Independent Third Parties for similar services; and (v) the fees charged by other service providers for similar services in respect of similar types of properties in the market. The service fees under a specific service agreement to be entered into between our Company and CSUDGCL and its associates will be determined on a case-by-case basis taking into the factors set out above. The pricing policy for landscaping and engineering services including fixed unit price and fluctuating unit price. For details, please refer to the section headed “Business – Urban Services – Scope of Services – Landscaping and Engineering – Our Pricing Policy”. The fees charged by our Group shall not be higher than the standard fees designated by the relevant regulatory authorities (if applicable), and the terms offered by our Group to CSUDGCL and its associates shall not be less favorable to our Group than terms offered by our Group to Independent Third Parties for the same or similar type and scope of services.

Reasons for the transaction

Given considerable amount of municipal, commercial and residential properties owned or developed by CSUDGCL and its associates, demand of landscaping and engineering services of CSUDGCL and its associates will be sizable. By entering into the Landscaping and Engineering Service Framework Agreement, our Group can maintain a strategic cooperation relationship with CSUDGCL and its associates, providing quality landscaping and engineering services to them. It enables us to ensure a stable source of income and also improve our skill set and enhance our brand image, which may lead to broader customer base of our Group. Our Directors believe that entering into of the Landscaping and Engineering Service Framework Agreement and the terms thereof are fair and reasonable, and are in the interests of our Company and our Shareholders as a whole.

Proposed annual caps and basis for determination

Our Directors estimate that the maximum annual service fee payable by CSUDGCL and its associates under the Landscaping and Engineering Service Framework Agreement for each of the three years ending December 31, 2026 will not exceed the annual caps set out as below:

	Year ending December 31,		
	2024	2025	2026
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Total service fees to be paid by CSUDGCL and its associates	171,900	199,800	264,400

In arriving at the above proposed annual caps, our Directors have considered, among others, the following factors:

- the historical transaction amounts during the Track Record Period;

CONTINUING CONNECTED TRANSACTIONS

- the number and terms (including service fee) of existing projects/service contracts as of the Latest Practicable Date;
- the expected increase in the demand of CSUDGCL and its associates for our services with reference to the estimated increase in the number of municipal, residential and commercial properties owned or developed by CSUDGCL and its associates which might require landscaping and engineering services to be provided by us. Based on CSUD Group’s future development plan and their respective delivery schedule of property projects, we expect to have additional 30, 7, and 13 material landscaping and engineering projects from CSUDGCL and its associates for the years ending December 31, 2024, 2025 and 2026 respectively, the estimated service fees of which to be paid by CSUDGCL and its associates amount to RMB130.5 million, RMB82.6 million and RMB151.0 million for the same years, respectively; and
- the estimated cost to be incurred by us considering the expected inflation and increment in the operational costs as incurred by us during the Track Record Period, especially labor costs.

Implications under the Listing Rules

As (i) all subject matters, in respect of the transactions contemplated under the Parking Service Framework Agreement, Lighting System Operation Service Framework Agreement and Landscaping and Engineering Service Framework Agreement, cover urban services to be provided by us to CSUDGCL and its associates, and (ii) the agreements are entered into within the same 12-month period, the transactions under such agreements shall be aggregated pursuant to Rules 14A.81 to 14A.83 of the Listing Rules. Upon aggregation with the transactions contemplated under the Parking Service Framework Agreement, Lighting System Operation Service Framework Agreement and Landscaping and Engineering Service Framework Agreement pursuant to Rule 14A.81 of the Listing Rules, the highest of the applicable percentage ratios under the Listing Rules in respect of the aggregated annual caps is expected to be more than 5%, the transactions under the aforementioned agreements are subject to the reporting, annual review, announcement, circular and independent Shareholders’ approval requirements under chapter 14A of the Listing Rules.

4. *Parking Service*

On [●], our Company (for ourselves and on behalf of our subsidiaries) entered into a parking service framework agreement (the “**Parking Service Framework Agreement**”) with CSUDGCL (for itself and on behalf of its associates), pursuant to which, our Group agreed to provide to CSUDGCL and its associates parking services for the use of their employees, including but not limited to the provision of parking services, parking lot leasing and other related value-added services, for a term commencing from the [REDACTED] up to and

CONTINUING CONNECTED TRANSACTIONS

including December 31, 2026. The definitive service agreement to be entered into between our Company and CSUDGCL and its associates shall only contain provisions which are, in all material aspects, consistent with the binding principles, guidelines, terms and conditions set out in the Parking Service Framework Agreement.

Historical transaction amounts

During the Track Record Period, the total amounts of service fees paid by CSUDGCL and its associates to our Group for the parking services were set out as below:

	Year ended December 31,		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Total service fees paid by			
CSUDGCL and its associates	1,037	1,096	1,651

The above historical transaction amounts represent approximately 0.2%, 0.2% and 0.3% of the revenue of our Group for the years ended December 31, 2021, 2022 and 2023, respectively. The increase in the historical transaction amount in 2023 was primarily due to the increase in the service fees of approximately RMB0.3 million paid by CSUDGCL and its associates generated from two of our existing parking lots.

Pricing terms

Our parking service charges are subject to government guidance price, regardless of our service models. We follow the Rules for the Implementation of Vehicle Parking Service Charge in Changsha (Chang Fa Gai Jia Fei [2021] No. 69) (《長沙市機動車停放服務收費實施細則》). For details, please refer to the section headed “Business – Urban Services – Scope of Services – Parking Lot Operation – Our Pricing Policy”. The service fees that we charge under the Parking Service Framework Agreement have been determined after arm’s length negotiations and taking into account, among other factors, (i) the nature, size and location of the parking lot; (ii) the scope of the services; (iii) the expected operational costs (including labor costs, materials costs and administrative costs) in relation to the provision of the parking services; (iv) the fees charged by us to Independent Third Parties for similar services; and (v) the fees charged by other service providers for similar services in respect of similar types of parking lot in the market. The fees charged by our Group shall not be higher than the standard fees designated by the relevant regulatory authorities (if applicable), and the terms offered by our Group to CSUDGCL and its associates shall not be less favorable to our Group than terms offered by our Group to Independent Third Parties for the same or similar type and scope of services.

CONTINUING CONNECTED TRANSACTIONS

Reasons for the transaction

Given the considerable parking services needed by CSUDGCL and its associates based on the scale of CSUD Group, by entering into the Parking Service Framework Agreement, our Group is able to maintain a strategic cooperation relationship with CSUDGCL and its associates, providing quality parking services to them. In addition, we have sourced large amount of parking lots from CSUDGCL and its associates to obtain the right to use and manage parking lots owned or developed by CSUDGCL and its associates since we started engaging in parking services, through our past history of cooperation, we developed mutual trust and understanding with CSUDGCL and its associates, allowing CSUDGCL and its associates to reduce communication and related supervision costs in our daily business dealings and enabling us to secure a stable source of income and also increase our market share in the competitive market. Our Directors believe that entering into of the Parking Service Framework Agreement and the terms thereof are fair and reasonable, and are in the interests of our Company and our Shareholders as a whole.

Proposed annual caps and basis for determination

Our Directors estimate that the maximum annual service fee payable by CSUDGCL and its associates under the Parking Service Framework Agreement for each of the three years ending December 31, 2026 will not exceed the annual caps set out as below:

	Year ending December 31,		
	2024	2025	2026
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Total service fees to be paid by CSUDGCL and its associates	1,600	1,600	1,600

In arriving at the above proposed annual caps, our Directors have considered, among others, the following factors:

- the historical transaction amounts during the Track Record Period;
- the projected transaction amounts pursuant to existing service agreements with CSUDGCL and its associates; and
- the number of parking lot spaces under management and the projected transaction amounts of existing lease/service agreements as of the Latest Practicable Date. It is expected that for the years ending December 31, 2024, 2025 and 2026, the number of parking lot spaces contracted under the Parking Service Framework Agreement will be at least 513, 513 and 597, respectively. As of the Latest Practicable Date, we had entered into four parking service agreements with CSUDGCL and its associates with 513 contracted parking lot spaces and we expect to renew such agreements when expired;

CONTINUING CONNECTED TRANSACTIONS

Implications under the Listing Rules

As (i) all subject matters, in respect of the transactions contemplated under the Parking Service Framework Agreement, Lighting System Operation Service Framework Agreement and Landscaping and Engineering Service Framework Agreement, cover urban services to be provided by us to CSUDGCL and its associates, and (ii) the agreements are entered into within the same 12-month period, the transactions under such agreements shall be aggregated pursuant to Rules 14A.81 to 14A.83 of the Listing Rules. Upon aggregation with the transactions contemplated under the Landscaping and Engineering Service Framework Agreement, Lighting System Operation Service Framework Agreement and Parking Service Framework Agreement pursuant to Rule 14A.81 of the Listing Rules, the highest of the applicable percentage ratios under the Listing Rules in respect of the aggregated annual caps is expected to be more than 5%, the transactions under the aforementioned agreements are subject to the reporting, annual review, announcement, circular and independent Shareholders’ approval requirements under chapter 14A of the Listing Rules.

5. *Lighting System Operation Service*

On [●], our Company (for itself and on behalf of its subsidiaries) entered into a lighting system operation services framework agreement (the “**Lighting System Operation Service Framework Agreement**”) with CSUDGCL (for itself and on behalf of its associates), pursuant to which our Group agreed to provide to CSUDGCL and its associates landscape lighting operation and functional lighting operation services, including but not limited to (i) operation and maintenance management of night lighting control system; and (ii) operation and maintenance of street lights and auxiliary facilities and equipment (collectively, the “**Lighting System Operation Services**”) for a term commencing from the [REDACTED] up to and including December 31, 2026. The definitive service agreement to be entered into between our Company and CSUDGCL and its associates shall only contain provisions which are, in all material aspects, consistent with the binding principles, guidelines, terms and conditions set out in the Lighting System Operation Service Framework Agreement.

Historical transaction amounts

During the Track Record Period, the total amounts of service fees paid by CSUDGCL and its associates to our Group for the lighting system operation services were set out as below:

	Year ended December 31,		
	2021	2022	2023
	RMB’000	RMB’000	RMB’000
Total service fees paid by			
CSUDGCL and its associates	–	1,938	5,944

CONTINUING CONNECTED TRANSACTIONS

The above historical transaction amounts represent approximately nil, 0.4% and 0.9% of the total revenue of our Group for the years ended December 31, 2021, 2022 and 2023, respectively. The substantial increase in the historical transaction amount in 2023 was primarily due to our launch of a lighting system operation project in November 2022, the service fees of which amounted to approximately RMB1.9 million and RMB4.8 million for the years ended December 31, 2022 and 2023, respectively.

Pricing terms

The service fees that our Group charge under the Lighting System Operation Service Framework Agreement have been determined after arm’s length negotiations and taking into account, among other factors, (i) the scope of the services; (ii) the expected operational costs (including labor costs, materials costs and administrative costs) in relation to the provision of the Lighting System Operation Services; (iii) the fees charged by us to Independent Third Parties for similar services; and (iv) the fees charged by other service providers for similar services in the market. The service fees under a specific service agreement to be entered into between our Company and CSUDGCL and its associates will be determined on a case-by-case basis taking into the factors set out above. For details, please refer to the section headed “Business – Urban Services – Scope of Services – Lighting System Operation – Our Pricing Policy”. The fees charged by our Group shall not be higher than the standard fees designated by the relevant regulatory authorities (if applicable), and the terms offered by our Group to CSUDGCL and its associates shall not be less favorable to our Group than terms offered by our Group to Independent Third Parties for the same or similar type and scope of services.

Reasons for the transaction

We have entered into two lighting system operation services agreements with CSUDGCL and its associates for the year ended December 31, 2023. As of Latest Practicable Date, CSUDGCL and its associates owned and managed a considerable amount of real-estate properties and urban infrastructure properties, which led to a demand for our lighting system operation services. Entering into the Lighting System Operation Services Framework Agreement enables us to secure quality lighting system operation projects and also improve our competitiveness in providing quality lighting system operation services to third-party customers. Our Directors believe that entering into of the Lighting System Operation Service Framework Agreement and the terms thereof are fair and reasonable, and are in the interests of our Company and our Shareholders as a whole.

CONTINUING CONNECTED TRANSACTIONS

Proposed annual caps and basis for determination

Our Directors estimate that the maximum annual service fee to be paid by CSUDGCL and its associates under the Lighting System Operation Service Framework Agreement for each of the three years ending December 31, 2026 will not exceed the annual caps set out as below:

	Year ending December 31,		
	2024	2025	2026
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Total service fees to be paid by CSUDGCL and its associates	14,700	14,700	14,700

In arriving at the above proposed annual caps, our Directors have considered, among others, the following factors:

- the historical transaction amounts during the Track Record Period; and
- the number and terms of existing projects/service contracts and the projected transaction amounts pursuant to existing service contracts with CSUDGCL and its associates as of the Latest Practicable Date. As of the Latest Practicable Date, we had two ongoing service contract entered into with CSUDGCL and its associates with existing project, the estimated service fees of which to be paid by CSUDGCL and its associates amount to RMB13.9 million for each of the three years ending December 31, 2026, respectively. Such service contracts will be valid for three years.

Implications under the Listing Rules

As (i) all subject matters, in respect of the transactions contemplated under the Parking Service Framework Agreement, Lighting System Operation Service Framework Agreement and Landscaping and Engineering Service Framework Agreement, cover urban services to be provided by us to CSUDGCL and its associates, and (ii) the agreements are entered into within the same 12-month period, the transactions under such agreements shall be aggregated pursuant to Rules 14A.81 to 14A.83 of the Listing Rules. Upon aggregation with the transactions contemplated under the Parking Service Framework Agreement, Landscaping and Engineering Service Framework Agreement and Lighting System Operation Service Framework Agreement pursuant to Rule 14A.81 of the Listing Rules, the highest of the applicable percentage ratios under the Listing Rules in respect of the aggregated annual caps is expected to be more than 5%, the transactions under the aforementioned agreements are subject to the reporting, annual review, announcement, circular and independent Shareholders' approval requirements under chapter 14A of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

INTERNAL CONTROL MEASURES

We have adopted the following internal control and corporate governance measures to ensure that the terms of our transactions with CSUDGCL and its associates are fair and reasonable and not prejudicial to the interests of our Company and the minority Shareholders:

- (i) our Board (including our independent non-executive Directors) will be responsible for reviewing and evaluating the terms of the framework agreements for the continuing connected transactions (including any renewal thereof), in particular the pricing principles and annual caps, to ensure that such terms are fair and reasonable to our Group and compliant with relevant laws and regulations, our Group’s internal policies and the Listing Rules;
- (ii) various internal departments of our Company (including but not limited to our finance department and legal department) will regularly monitor the implementation of the continuing connected transactions and keep track of the aggregate transaction amounts under the relevant framework agreements to ensure that the pricing principles and annual caps contained therein are complied with;
- (iii) our Group will independently evaluate the projects developed by the CSUDGCL and its associates, including the size and location of the relevant projects, the scope and standards of the services required and our expected operational costs for providing such services, before taking on any particular project;
- (iv) when determining the fees payable by the CSUDGCL and its associates to our Group under the framework agreements, our Group will regularly research into prevailing market conditions and practices and make reference to the pricing and terms offered by our Group to Independent Third Parties for similar transactions, to ensure that the terms and conditions offered to the CSUDGCL and its associates are fair and reasonable and are no less favorable to our Group than those offered to other comparable Independent Third Parties; and
- (v) our independent non-executive Directors and auditors will conduct annual review of the continuing connected transactions under the framework agreements and provide annual confirmations in accordance with Rules 14A.55 and 14A.56 of the Listing Rules.

APPLICATION FOR WAIVER

The transactions described in “– (B) Continuing connected transactions subject to the reporting, annual review and announcement requirements but exempt from the circular and independent Shareholders’ approval requirements” in this section constitute our continuing connected transactions under the Listing Rules, which are exempt from the circular and independent Shareholders’ approval requirements but subject to the reporting, annual review and announcement requirements under the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

The transactions described in “– (C) Continuing connected transactions subject to the reporting, annual review, announcement and the circular and independent shareholders’ approval requirements” constitute our continuing connected transactions under the Listing Rules, which are subject to the reporting, annual review, announcement and the circular and independent Shareholders’ approval requirements under chapter 14A of the Listing Rules.

In respect of these continuing connected transactions, pursuant to Rule 14A.105 of the Listing Rules, we have applied to the Stock Exchange for, [and the Stock Exchange has granted,] waivers exempting us from strict compliance with the announcement requirements under chapter 14A of the Listing Rules in respect of the continuing connected transactions as disclosed in “– (B) Continuing connected transactions subject to the reporting, annual review and announcement requirements but exempt from the circular and independent Shareholders’ approval requirements”; and the announcement, circular and independent Shareholders’ approval requirements under chapter 14A of the Listing Rules in respect of the continuing connected transactions as disclosed in “– (C) Continuing connected transactions subject to the reporting, annual review, announcement and the circular and independent shareholders’ approval requirements”, subject to the condition that the aggregate amounts of the continuing connected transactions for each financial year shall not exceed the relevant amounts set forth in the respective annual caps (as stated above). Apart from the above waivers sought on the strict compliance of the announcement, circular and independent Shareholders’ approval requirements, we will comply with the relevant requirements under chapter 14A of the Listing Rules.

If any terms of the transactions contemplated under the agreements mentioned above are altered or if our Company enters into any new agreements with any connected person in the future, we will fully comply with the relevant requirements under chapter 14A of the Listing Rules unless we apply for and obtain a separate waiver from the Stock Exchange.

DIRECTORS’ VIEWS

Our Directors (including our independent non-executive Directors) consider that all the continuing connected transactions as disclosed in “– (A) Continuing connected transactions fully exempt from the reporting, annual review, announcement and independent Shareholders’ approval requirements”, “– (B) Continuing connected transactions subject to the reporting, annual review and announcement requirements but exempt from the circular and independent Shareholders’ approval requirements” and “– (C) Continuing connected transactions subject to the reporting, annual review, announcement and the circular and independent shareholders’ approval requirements” have been and will be carried out (i) in the ordinary and usual course of our business; (ii) on normal commercial terms or better; and (iii) in accordance with the respective terms that are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

Although our trade receivables turnover days for CSUDGCL and its associates were generally longer than that for Independent Third Parties during the Track Record Period, we did not grant longer credit terms to CSUDGCL and its associates than to Independent Third

CONTINUING CONNECTED TRANSACTIONS

Parties. The credit terms under the agreements entered into between CSUDGCL and its associates and our Group were typically 30 days, whereas the credit terms for Independent Third Parties were generally within 60 days. During the Track Record Period, our trade receivables turnover days for CSUDGCL and its associates were longer than that for Independent Third Parties, primarily due to the fact that our enlarged landscaping and engineering projects were mainly obtained by direct engagement from CSUD Group. Such projects pertain to the governmental fiscal land development projects of the CSUD Group, which were financed by fiscal funds and typically have relatively longer internal review and approval procedures. We considered that the credit risk of our related parties was low, having taken into account our long-standing and close business relationships with our related parties and their credit worthiness. Despite the receivables due from CSUD Group and its associates, we also had payables due to CSUD Group and its associates. Therefore, there was no apparent risk in collecting the receivables from CSUD Group and its associates and we used less efforts to collect such receivables in 2021, 2022 and 2023, which resulted in longer trade receivables turnover days of our related parties than that of third parties. Nevertheless, our trade receivables turnover days of related parties decreased to 80 days for the year ended December 31, 2023 mainly due to our enhanced efforts to collect trade receivables due from CSUD Group and its associates.

Taking into account factors set out in the above, our Directors (including our independent non-executive Directors) are of the view that the continuing connected transactions have been and will be carried out on normal commercial terms.

Our Directors (including our independent non-executive Directors) are also of the view that the annual caps of the continuing connected transactions as disclosed in “– (A) Continuing connected transactions fully exempt from the reporting, annual review, announcement and independent Shareholders’ approval requirements”, “– (B) Continuing connected transactions subject to the reporting, annual review and announcement requirements but exempt from the circular and independent Shareholders’ approval requirements” and “– (C) Continuing connected transaction subject to the reporting, annual review, announcement and the circular and independent shareholders’ approval requirements” in this section are fair and reasonable and are in the interests of our Company and Shareholders as a whole.

SOLE SPONSOR’S VIEW

The Sole Sponsor, after discussions with our management on the proposed annual caps and reasons for entering into each of the continuing connected transactions described in this section, is of the view that (i) the continuing connected transactions have been and will be entered into in the ordinary and usual course of our business, on normal commercial terms or better, are fair and reasonable and in the interests of our Company and our Shareholders as a whole; and (ii) the proposed annual caps of the continuing connected transactions are fair and reasonable and in the interests of our Company and our Shareholders as a whole.