***You should read the following discussion and analysis with our consolidated financial information, including the notes thereto, included in the Accountants' Report in Appendix I to this document. Our consolidated financial information has been prepared in accordance with IFRS Accounting Standards.***

***The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on our assumptions and analysis in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties. In evaluating our business, you should carefully consider the information provided in this document, including but not limited to the sections headed "Risk Factors" and "Business."***

***For the purposes of this section, unless the context otherwise requires, references to the years of 2021, 2022 and 2023 refer to the year ended December 31 of such respective years.***

## OVERVIEW

We are a state-owned urban service and operation provider with business operations primarily based in Changsha. The property management services, urban services and commercial operation services markets in Hunan Province, China are highly competitive and fragmented. Our market share in terms of GFA under management and total revenue from all business segments in 2022 was approximately 0.66% and 0.94% of the property management market in Hunan Province. Our market share in terms of revenue generated from the urban services in 2022 was approximately 0.42% of the urban service market in Hunan Province. Our market share in terms of GFA under management in 2022 was approximately 0.96% of the commercial operation services market in Hunan Province.

We provide a wide spectrum of services to our customers, forming a cohesive business layout rooted in urban area. The services we provide can be divided into three categories depending on service characteristics and industry standards, namely, (i) property management services, (ii) urban services, and (iii) commercial operation services. Through years of development and diversification of our service portfolio, we have formed advantages, creating support for our service offerings.

During the Track Record Period, we have achieved business and financial growths. For the year ended December 31, 2023, the total number of our property management projects under management was 68, with a GFA under management of 11.1 million sq.m., and the total number of urban service projects under management was 157, including four lighting system operation projects, 150 parking lot operation projects, and three municipal sanitation projects; we also completed 85 landscaping and engineering projects in 2023, with 87 projects in progress as of December 31, 2023. The total number of projects under management in the commercial operation service sector was 50, with a GFA under management of 711 thousand sq.m. for the year ended December 31, 2023. In 2021, 2022 and 2023, our total revenue reached RMB431.7 million, RMB528.5 million and RMB651.9 million, respectively. Our profit and total comprehensive income for the year amounted to RMB40.8 million, RMB53.6 million and RMB70.2 million in 2021, 2022 and 2023, respectively. We believe that, such financial performance is primarily driven by, (i) our business scale continued to grow at a solid pace; (ii) our capability and dedication to developing and offering a comprehensive service portfolio; (iii) our evolving professional service capabilities; and (iv) our ability to attract new and retain existing customers as we continue to ramp up our business presence and enhance our brand awareness.

## BASIS OF PREPARATION

The historical financial information has been prepared in accordance with all applicable IFRS Accounting Standards issued by the International Accounting Standards Board.

The preparation of the historical financial information in conformity with IFRS Accounting Standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, equity, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of IFRSs that have significant effect on the historical financial information and major sources of estimation uncertainty are discussed in Note 3 to the Accountants' Report included in Appendix I to this document.

## MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations have been, and are expected to continue to be, materially affected by a number of factors, many of which are outside of our control. These factors include but are not limited to the following:

### Our Ability to Respond to Macro Environment and Regulatory Changes of the Real Estate, Property Management and Urban Services Industries

Our business and results of operations are subject to the macroeconomy and the changes in the macro environment of the real estate industry, as well as the regulatory environment and measures affecting the property management industry and the urban service sector. The number of new property development projects is dependent on the performance of the real estate market, which is subject to the overall economic growth, the rate of urbanization, the demographic transition and, consequently, the demand for properties. The number of urban services projects is also subject to the government's city planning, ability to make fiscal expenditures and market conditions. Any economic downturn, particularly in the regions where we operate, could adversely affect our business and results of operations.

In 2022, factors such as recurrent outbreaks of the COVID-19 Pandemic and profound adjustments in the real estate market, the overall weak economy have posed more challenges to property management and urban services companies. Under the direction of development of the PRC national economy, the property management industry, as a fundamental service-oriented industry, is undergoing accelerated transformation into a modern service industry. Under the new standard of refined city management and the continuous advancement of reforms to "streamline administration and delegate power, improve regulation, and upgrade services (放管服)", the market for urban services is expected to embrace emerging opportunities. Property management companies have capitalized on prevailing industry tailwind, accelerating their integration into the field of social grassroots governance and expanding multi-business industrial layout, such as urban services market so that the whole industry is steadily progressing towards wider diversity, intelligence and quality services. For details, please refer to the section headed "Risk Factors – Risks Relating to Our Business and Industry – We are subject to the regulatory environment and measures affecting the property management and real estate industries, which may affect our business growth" and "Risk Factors – Risks Relating to the Location Where We Conduct Business" in this document.

### Our Ability to Expand Business Scale

Our future success is dependent on our ability to maintain and increase the number of projects and GFA under our management and our ability to further penetrate the market by expanding the scope of our service offerings and improving the quality and efficiency of our existing services. The total aggregate number of projects for all our business segments increased from 299 in 2021 to 360 in 2023, and the total aggregate GFA under our management of our property management services and commercial operation services increased from 11.2 million sq.m. in 2021 to 11.8 million sq.m. in 2023, driving revenue growth and providing an essential foundation and assurance for sustainable development of our Group in the long run. Accordingly, our business and results of operations are affected by our ability to maintain and increase our number of projects and scale of GFA under management, which in turn is affected by our abilities to renew existing and to secure new service engagements. Besides, we have grasped more opportunities following the pandemic subsides of increasingly market-oriented urban services, and have steadily gained the first-mover advantage leveraging our strengths of experience, resources, long-term operations and regional advantages in our services to public properties. We insist on our strategy of pursuing development through multiple business momenta, our property management and urban services continued their growth collaboratively.

Our parent group, CSUD Group, has and is expected to continue to contribute to our long-term sustainable growth, providing us with strong confidence in our development. During and following the Track Record Period, we have been making continuous efforts to expand our business from Independent Third Parties, aiming to broaden our revenue sources and diversify our customer portfolio. In the future, we will further strengthen independent business development, enhance our expansion capabilities and competitive edges in the market, and reduce our reliance on related parties.

**Our Brand Positioning and Pricing Ability**

Brand competitiveness has always been regarded by us as the key to future success, while brand reputation has become the core element for customers choosing to transact with us. With a diversified service portfolio and a state-owned background deeply rooted in Hunan Province, we believe we have established a reputation amongst the locations of our business operation, facilitating our service engagements with Independent Third Parties and bringing about more cooperation opportunities for new projects. As we derived the majority of our revenue from property management and urban services, our results of operations and financial position are affected by our pricing ability for the provision of such services, which is, in part, affected by our brand recognition and positioning in China's property management and urban service industry.

We generally price our services by taking into account various factors that affect our competitiveness in the market, such as the characteristics and geographical presence of the properties, the sizes and scopes of the services, our estimated expenses and target profit margins, customer profiles, the pricing of comparable properties and the local government guidance prices on property management fees and public parking lots (where applicable). Our contracts with government authorities might also be affected by the requirements of government bidding, government guidelines, government budgets, industry standards, etc. We also balance multiple considerations, including our competitiveness, profitability and our ability to shape and preserve our image as a quality property management and urban service provider. Failure to effectively balance various factors in determining our pricing could materially and adversely affect our financial position and results of operations.

### Our Ability to Optimize Business Mix

Our ability to optimize our business mix is crucial to our business and results of operations. Property management services are the important ballast for our existing business; urban services have been becoming the core of our diversified and specialized services in urban areas with steady revenue and profit growths; while commercial operation services are another important business segment that had resulted from our business diversification in the value chain of our industry. We strive to make the most of our strengths in order to tamp the foundation of our services and build a brand ecology, and further pave the way for our continuously steady growth. During the Track Record Period, our business and results of operations were affected by our ability in consolidating our resources and strengths in providing related services, which typically resulted in gross profit margin profiles. Any change in our revenue and cost structures or in the gross profit margin of any of our business segments may have a corresponding impact on our overall gross profit margin.

For details of our gross profit margins, please refer to the paragraph headed "– Description of Selected Components of Consolidated Statements of Profit or Loss and Other Comprehensive Income – Gross Profit and Gross Profit Margin" in this section. As we continue to optimize our business mix and revenue and cost structures, we seek to continue to scale up our business and improve our long-term profitability.

### Our Ability to Manage Costs and Improve Operational Efficiency

Our ability to maintain or improve our current level of profitability depends on our ability to effectively control costs, particularly labor costs and material costs. To cope with the rising labor costs while maintaining and improving our service quality, we intend to optimize our labor costs as our business continues to grow, including standardized and automated smart office and management, improving the efficiency of our business executive capabilities by leveraging technological advancement to mitigate our reliance on manual labor.

We incurred labor costs of RMB185.2 million, RMB232.8 million and RMB262.9 million in 2021, 2022 and 2023, representing 57.1%, 57.2% and 52.6%, respectively, of our total cost of sales in the respective year. In addition, we incurred material costs of RMB46.5 million, RMB59.5 million and RMB115.2 million in 2021, 2022 and 2023, representing 14.3%, 14.6% and 23.0%, respectively, of our total cost of sales in the respective year. Therefore, any material adverse change in our labor costs and/ or material costs may negatively affect our gross profit margin and impair our profitability.

For illustrative purposes only, the following table sets forth a sensitivity analysis of our profit before taxation for the year with references to hypothetical fluctuations in our labor costs and material costs in 2021, 2022 and 2023, respectively, with all other factors remaining constant.

| | Increase/decrease in labor costs | | |
|---|---|---|---|
| | **+/-3%** | **+/-5%** | **+/-10%** |
| | *(RMB'000)* | *(RMB'000)* | *(RMB'000)* |
| ***Decrease/increase in profit before taxation*** | | | |
| For the year of 2021 | 5,556 | 9,259 | 18,519 |
| For the year of 2022 | 6,985 | 11,642 | 23,283 |
| For the year of 2023 | 7,886 | 13,144 | 26,288 |

| | Increase/decrease in material costs | | |
|---|---|---|---|
| | **+/-3%** | **+/-5%** | **+/-10%** |
| | *(RMB'000)* | *(RMB'000)* | *(RMB'000)* |
| ***Decrease/increase in profit before taxation*** | | | |
| For the year of 2021 | 1,395 | 2,325 | 4,650 |
| For the year of 2022 | 1,784 | 2,973 | 5,947 |
| For the year of 2023 | 3,455 | 5,759 | 11,517 |

**Our Ability to Compete Against Other Market Participants**

The property management services, urban services and commercial operation services markets in Changsha and Hunan Province, as well as in the PRC are highly competitive. We primarily compete with other large national, regional and local property management service providers on a number of aspects, including business scale, brand recognition, price and quality of services, quality of management, and talent and technical expertise. According to CIA, the concentration of China's property management, urban and commercial operation services market is expected to increase in the future, and the market players will further extend their service portfolios and increase brand awareness. The continued development and application of new technologies will further drive the development of the comprehensive property management, urban and commercial operation services market in China. For details, please refer to the sections headed "Business – Competition" and "Industry Overview – Competition" in this document.

Our ability to compete against our competitors and maintain or improve our market position depends on our ability to improve our competitive strengths. Benefiting from our experience in cooperation with the CSUD Group and its associates and/or joint ventures, government entities and other third parties in providing diversified services, we believe we are able to enjoy the support of the CSUD Group and its associates and/or joint ventures, while we are also capable of pursuing and seizing market opportunities independently and continue our business growth. If we are unable to effectively compete with other market players and maintain or increase our market share, our revenue and profitability may be adversely impacted.

## IMPACT OF THE COVID-19 PANDEMIC

Since the end of December 2019, the outbreak of the COVID-19 Pandemic has materially and adversely affected the Chinese and global economies, resulting in numerous governments declaring emergencies and implementing prevention and control measures, such as mandatory quarantines, closures of workplaces and facilities, travel restrictions and other related measures.

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

Our Directors are of the view that we had not experienced material adverse impacts on our financial performance or results of operations as of the Latest Practicable Date, on the basis that we were able to continue to grow our diversified services and sustain our growth momentum with a steady revenue growth during the Track Record Period. As of February 29, 2024, we had cash and cash equivalents of RMB179.6 million. We believe that our current level of liquidity is sufficient for us to successfully navigate an extended period of uncertainty. While the COVID-19 Pandemic has come under control in China in early 2023, the future development of COVID-19, and its long-term effects on our industry and business remain uncertain. For details, please refer to the section headed "Risk Factors – Risks Relating to Our Business and Industry – Our business, financial condition and results of operations have been and may continue to be affected by COVID-19" in this document.

## MATERIAL ACCOUNTING POLICY INFORMATION, JUDGMENTS AND ESTIMATES

Some of our accounting policies require us to apply estimates and assumptions as well as complex judgments related to accounting items. The estimates and assumptions we use and the judgments we make in applying our accounting policies have a significant impact on our financial position and operational results. Our management continuously evaluates such estimates, assumptions and judgments based on past experience and other factors, including industry practices and expectations of future events which are deemed to be reasonable under the circumstances. There has not been any material deviation of our management's estimates or assumptions from actual results, and we have not made any material changes to these estimates or assumptions during the Track Record Period. We do not expect any material changes to these estimates and assumptions in the foreseeable future.

Set forth below are accounting policies that we believe are of critical importance to us or involve the most significant estimates, assumptions and judgments used in the preparation of our financial statements. Further details are set forth in Notes 2 and 3 to the Accountants' Report included in Appendix I to this document.

**Revenue Recognition**

***Revenue from Contracts with Customers***

Revenue is recognized when control over a product or service is transferred to a customer, at the amount of promised consideration to which our Group is expected to be entitled, excluding those amounts collected on behalf of third parties such as value added tax or other sales taxes.

Our Group principally generates its revenue from the provision of property management services, lighting system operation services, municipal sanitation services, landscaping and engineering services, commercial operation services and parking lot operation services. Our Group's revenue is derived from the following sources:–

– *Provision of property management services, lighting system operation services, and municipal sanitation services*

  For property management services, lighting system operation and municipal sanitation services income from properties and public facilities managed under lump sum basis, where our Group acts as principal and is primary responsible for providing certain services to the property owners or users, our Group bills a fixed amount for services provided on a periodical basis and recognizes as revenue in the amount to which our Group has a right to invoice and that corresponds directly with the value of performance completed.

– *Provision of commercial operation services*

  Commercial operation services to owners of the shopping malls mainly include tenant sourcing services, tenant management and rent collection services, for which the service fee is calculated at a percentage of rental fees and revenue is recognized monthly when such services are provided.

– *Provision of landscaping and engineering services*

Revenue from the provision of landscaping and engineering services is recognized over time, using an input method to measure progress towards complete satisfaction of the service, because our Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced. The input method recognizes revenue based on the proportion of the actual costs incurred relative to the estimated total costs for satisfaction of the engineering services.

– *Provision of parking lot operation services*

Revenue from the provision of parking lot operation services consists of fees from users for the access of parking lot space provided by our Group. The price of the parking fee is based on a per use, duration, monthly or contractual basis.

***Revenue from Other Sources and Other Income***

– *Interest income*

Interest income is recognized as it accrues under the effective interest method.

– *Government grants*

Government grants are recognized in the statements of financial position initially when there is reasonable assurance that they will be received and that our Group will comply with the conditions attaching to them. Grants that compensate our Group for expenses incurred are recognized as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate our Group for the cost of an asset are recognized as deferred income in the consolidated statements of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

– *Rental income from operating leases*

Rental income receivable under operating leases is recognized in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognized in profit or loss as an integral part of the aggregate net lease payments receivable. Variable lease payments that do not depend on an index or a rate are recognized as income in the accounting period in which they are earned.

– *Dividends*

Dividend income from unlisted investments is recognized when the shareholder's right to receive payment is established.

**Contract Asset and Contract Liabilities**

A contract asset is recognized when our Group recognizes revenue before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for expected credit losses (ECLs) in accordance with the policy set out in Note 2(i)*(i)* to the Accountants' Report included in Appendix I to this document and are reclassified to receivables when the right to the consideration has become unconditional.

A contract liability is recognized when the customer pays non-refundable consideration before our Group recognizes the related revenue. A contract liability would also be recognized if our Group has an unconditional right to receive non-refundable consideration before our Group recognizes the related revenue. In such cases, a corresponding receivable would also be recognized.

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method.

**Credit Losses and Impairment of Assets**

***(i) Credit Losses from Financial Instruments and Contract Assets.***

Our Group recognizes a loss allowance for ECLs on the financial assets measured at amortized cost (including cash and cash equivalents, restricted bank deposits, trade receivables and other receivables), and contract assets as defined in IFRS 15.

Other financial assets measured at fair value, including financial assets measured at fair value through profit and loss, are not subject to the ECL assessment.

*Measurement of ECLs*

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to our Group in accordance with the contract and the cash flows that our Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

– Cash and cash equivalents, restricted bank deposits, trade and other receivables and contract assets: effective interest rate determined at initial recognition or an approximation thereof.

The maximum period considered when estimating ECLs is the maximum contractual period over which our Group is exposed to credit risk.

In measuring ECLs, our Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on our Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, our Group recognizes a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

*Significant increases in credit risk*

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, our Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, our Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to our Group in full, without recourse by our Group to actions such as realizing security (if any is held); or (ii) the financial asset is 90 days past due. Our Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

– failure to make payments of principal or interest on their contractually due dates;

– an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

– an actual or expected significant deterioration in the operating results of the debtor; and

– existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to our Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognized as an impairment gain or loss in profit or loss. Our Group recognizes an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

*Basis of calculation of interest income*

Interest income recognized in accordance with Note 2(r)(ii)(a) to the Accountants' Report included in Appendix I to this document is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortized cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, our Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or past due event;
- it becoming probable that the borrower will enter into bankruptcy or other financial reorganization;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or
- the disappearance of an active market for a security because of financial difficulties of the [**REDACTED**].

*Write-off policy*

The gross carrying amount of a financial asset or contract asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when our Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognized as a reversal of impairment in profit or loss in the period in which the recovery occurs.

**Expected Credit Losses for Receivables**

Our Group makes allowances on receivables based on assumptions about risk of default and expected loss rates. Our Group used judgment in making these assumptions and selecting the inputs to the impairment calculation, based on our Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

Where the expectation is different from the original estimate, such difference will impact the carrying amount of trade and other receivables, contract assets, and the related loss allowances in the period in which such estimate is changed. For details of the key assumptions and inputs used, please refer to Note 26 to the Accountants' Report included in Appendix I to this document.

## DESCRIPTION OF SELECTED COMPONENTS OF CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

The following table sets forth a summary of our consolidated statements of profit or loss and other comprehensive income for the years indicated.

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

## Revenue

We generated revenue from the provision of three business segments, namely (i) property management services; (ii) urban services; and (iii) commercial operation services. We recorded total revenue of RMB431.7 million, RMB528.5 million and RMB651.9 million in 2021, 2022 and 2023, respectively.

The following table sets forth a breakdown of our revenue by business segments for the years indicated.

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

We continued deepening our presence in property management services and actively developed our urban services strengths. Revenue contribution of our property management and urban services experienced steady growth as we continued to optimize our service portfolio to drive long-term growth and profitability, leading to a continual increase in our total revenue. In line with the continuous increase in total revenue, the proportion of revenue related to urban services continued to increase, which accounted for 42.9%, 52.0% and 54.2%, respectively, of our total revenue in 2021, 2022 and 2023, while the proportion of revenue related to property management services decreased accordingly during the respective years, as we pursued business endeavors and revenue streams in urban services and promoted market expansion by implemented projects in Hunan Province, further building up our comprehensive capabilities in urban services and striving to become the customer-preferred urban service brand, and establish a solid foundation for sustainable growth. For details, please refer to the section headed "Business – Business Strategies" in this document.

### *Revenue from Property Management Services*

We recorded revenue from property management services of RMB192.3 million, RMB207.5 million and RMB237.9 million, respectively, accounting for 44.6%, 39.2% and 36.5%, of our total revenue in 2021, 2022 and 2023, respectively. For the same years, all property management fees were charged on a lump sum basis. Under the lump-sum basis, we charge a fixed and "all-inclusive" fee for our property management services which we provide through our employees and subcontractors. For details, please refer to the section headed "Business – Property Management Services – Property Management Fees" in this document.

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

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

The majority of our revenue derived from property management services was through our provision of property management services for public and commercial properties, which accounted for 36.3%, 34.9% and 31.1%, respectively, and 49.5%, 51.0% and 48.2%, respectively, of our revenue from property management services in 2021, 2022 and 2023.

The following table sets forth a breakdown of our revenue from property management services by source of projects for the years indicated.

| | For the year ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2021 | | 2022 | | 2023 | |
| | *(RMB'000)* | *(%)* | *(RMB'000)* | *(%)* | *(RMB'000)* | *(%)* |
| **CSUD Group and its associates** | **131,991** | **68.7** | **150,576** | **72.6** | **171,634** | **72.1** |
| **Independent Third Parties** | **60,265** | **31.3** | **56,890** | **27.4** | **66,268** | **27.9** |
| – Government/public institutions | 57,674 | 30.0 | 55,084 | 26.5 | 47,787 | 20.1 |
| – SOEs | 1,380 | 0.7 | 1,806 | 0.9 | 12,661 | 5.3 |
| – Others | 1,211 | 0.6 | – | – | 5,820 | 2.5 |
| **Total** | **192,256** | **100.0** | **207,466** | **100.0** | **237,902** | **100.0** |

*Note:* The classification of the sources of our Group's projects is determined by the initial sources where our Group obtained the projects and derived economic benefits rather than by the ultimate users of our Group's services (i.e. customers). For property management services, the sources of projects are categorized by developer or owner of the properties.

The revenue derived from property management projects sourced from CSUD Group and its associates increased as a percentage of our revenue from property management services from 68.7% in 2021 to 72.6% 2022, primarily due to the growth in GFA under management and the number of projects sourced from CSUD Group and its associates. The revenue derived from property management projects sourced from CSUD Group and its associates remained relatively stable as a percentage of our revenue from property management services at 72.6% and 72.1% in 2022 and 2023, respectively.

***Revenue from Urban Services***

We recorded revenue from urban services of RMB185.4 million, RMB274.7 million and RMB353.3 million, respectively, accounting for 42.9%, 52.0% and 54.2%, respectively, of our total revenue in 2021, 2022 and 2023.

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

| | For the year ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | **2021** | | **2022** | | **2023** | |
| | *(RMB'000)* | *(%)* | *(RMB'000)* | *(%)* | *(RMB'000)* | *(%)* |
| Landscaping and engineering | 83,482 | 45.0 | 125,847 | 45.8 | 186,347 | 52.8 |
| Lighting system operation | 30,856 | 16.7 | 64,007 | 23.3 | 67,497 | 19.1 |
| Parking lot operation | 42,089 | 22.7 | 40,633 | 14.8 | 46,733 | 13.2 |
| Municipal sanitation | 28,925 | 15.6 | 44,233 | 16.1 | 52,713 | 14.9 |
| **Total** | **185,352** | **100.0** | **274,720** | **100.0** | **353,290** | **100.0** |

During each year of the Track Record Period, we made breakthroughs in the expansion of landscaping and engineering following the acquisition of relevant credentials, maturity of our business and ability enhancement and successfully undertook 77, 89 and 129 landscaping and engineering projects.

Our lighting system operation and municipal sanitation services also experienced steady growth benefiting from our exploration in versatility and distinctiveness urban service sector and the brand status gained from our extensive operations in urban service sector in Hunan Province, which underpins our promising growth potential.

The following table sets forth a breakdown of our revenue from urban services by source of projects for the years indicated.

| | For the year ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2021 | | 2022 | | 2023 | |
| | *(RMB'000)* | *(%)* | *(RMB'000)* | *(%)* | *(RMB'000)* | *(%)* |
| **CSUD Group and its associates** | **117,160** | **63.2** | **151,853** | **55.3** | **187,526** | **53.1** |
| **Independent Third Parties** | **68,192** | **36.8** | **122,867** | **44.7** | **165,764** | **46.9** |
| – Government/public institutions | 60,195 | 32.5 | 106,534 | 38.8 | 119,261 | 33.7 |
| – SOEs | 3,057 | 1.6 | 7,840 | 2.8 | 45,113 | 12.8 |
| – Others | 4,940 | 2.7 | 8,493 | 3.1 | 1,390 | 0.4 |
| **Total** | **185,352** | **100.0** | **274,720** | **100.0** | **353,290** | **100.0** |

*Note:* The classification of the sources of our Group's projects is determined by the initial sources where our Group obtained the projects and derived economic benefits rather than by the ultimate users of our Group's services (i.e. customers). For parking lot operation, the sources of projects are categorized by lessors of the parking spaces; for other urban services, the sources of projects are categorized by counter-parties of the contracts.

The revenue derived from urban service projects sourced from Independent Third Parties increased as a percentage of our revenue from urban services from 36.8% in 2021 to 44.7% in 2022, primarily driven by the revenue contribution of lighting system operation and municipal sanitation services, all of which were from Independent Third Parties. The revenue derived from urban service projects sourced from Independent Third Parties increased as a percentage of our revenue from urban services from 44.7% in 2022 to 46.9% in 2023, primarily driven by the revenue contribution of landscaping and engineering services, municipal sanitation services and lighting system operation services.

***Revenue from Commercial Operation Services***

During the Track Record Period, we switched properties that were previously managed under the sublease management model to the asset-light entrusted management model in 2021 to help us obtain the operation rights in an efficient manner, and enable us to continually expand our business scale. Under the sublease management model, our revenue primarily consists of rental income from tenants. Under the entrusted management model, our revenue primarily consists of operational management service fees, which is primarily calculated at a percentage of rental fees. For details, please refer to the section headed "Business – Commercial Operation Services – Commercial Operation Services Agreements" in this document.

We recorded revenue from commercial operation services of RMB54.0 million, RMB46.3 million and RMB60.7 million, respectively, accounting for 12.5%, 8.8% and 9.3%, respectively, of our total revenue in 2021, 2022 and 2023, among which, RMB1.7 million, RMB0.9 million and nil, respectively, was from the provision of subleasing commercial properties, while RMB43.7 million, RMB40.9 million and RMB55.2 million, respectively, was from commercial operation fee. Our revenue of commercial operation services were all from projects sourced from CSUD Group and its associates.

### Cost of Sales

Our cost of sales consists primarily of (i) labor costs; (ii) material costs; (iii) repair, maintenance and machinery utilization costs; (iv) utility costs, including water, electricity and gas charges, etc.; (v) leasing expenses, primarily consist of lighting equipment rental and housing rental; (vi) depreciation and amortization charges; and (vii) other costs, primarily consist of office expenses. We recorded cost of sales of RMB324.3 million, RMB407.0 million and RMB500.0 million in 2021, 2022 and 2023, respectively.

The following table sets forth a breakdown of our cost of sales by nature for the years indicated.

| | For the year ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2021 | | 2022 | | 2023 | |
| | *(RMB'000)* | *(%)* | *(RMB'000)* | *(%)* | *(RMB'000)* | *(%)* |
| Labor costs | 185,188 | 57.1 | 232,832 | 57.2 | 262,875 | 52.6 |
| – Staff costs | 34,141 | 10.5 | 32,126 | 7.9 | 46,146 | 9.2 |
| – Subcontracting costs[1] | 151,047 | 46.6 | 200,706 | 49.3 | 216,729 | 43.4 |
| Material costs | 46,503 | 14.3 | 59,468 | 14.6 | 115,173 | 23.0 |
| Utility costs | 30,890 | 9.5 | 40,693 | 10.0 | 41,243 | 8.3 |
| Repair, maintenance and machinery utilization | 29,181 | 9.0 | 41,162 | 10.1 | 48,507 | 9.7 |
| Leasing expenses | 13,797 | 4.3 | 15,230 | 3.8 | 16,074 | 3.2 |
| Depreciation and amortization charges | 11,115 | 3.4 | 9,669 | 2.4 | 7,061 | 1.4 |
| Others | 7,673 | 2.4 | 7,922 | 1.9 | 9,111 | 1.8 |
| **Total** | **324,347** | **100.0** | **406,976** | **100.0** | **500,044** | **100.0** |

*Note:*

(1) Subcontracting costs primarily consist of subcontracting and labor dispatch costs.

The main component of our cost of sales was labor costs, which accounted for 57.1%, 57.2% and 52.6%, respectively, of our total cost of sales in 2021, 2022 and 2023.

Material costs were also a material component, which accounted for 14.3%, 14.6% and 23.0%, respectively, of our total cost of sales in 2021, 2022 and 2023.

**Gross Profit and Gross Profit Margin**

Our overall gross profit was RMB107.3 million, RMB121.5 million and RMB151.8 million, respectively, with overall gross profit margin of 24.9%, 23.0% and 23.3%, for the years ended December 31, 2021, 2022 and 2023, respectively.

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

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

*Note:*

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

For the years ended December 31, 2021, 2022 and 2023, our overall gross profit exhibited an upward trend. In particular, the proportion of the gross profit of urban services increased from 37.3% in 2021 to 54.7% in 2022, and remained relatively stable at 51.4% in 2023, becoming the main source of our overall gross profit, primarily because we have capitalized on the opportunities of marketization of urban services and the continuous growth of government investment in public utilities to develop our urban services, and have achieved the steady growth of revenue from our urban services.

The decrease in overall gross profit margin from 2021 to 2022 was mainly attributable to the consolidated effect of (i) a decrease in gross profit margin of property management services, and (ii) a decreased percentage contribution of commercial operation services. For details, please refer to the paragraph headed "– Comparisons of Results of Operations – Year Ended December 31, 2022 Compared to Year Ended December 31, 2021 – Gross Profit and Gross Profit Margin" in this section. Our overall gross profit margin remained relatively stable at 23.0% and 23.3% in 2022 and 2023, respectively.

***Gross Profit and Gross Profit Margin of Property Management Services***

Our gross profit of property management services amounted to RMB38.4 million, RMB30.2 million and RMB36.0 million, respectively, in 2021, 2022 and 2023, with gross profit margin of 20.0%, 14.5% and 15.1%, respectively, for the same years. The gross profit margin of our property management services decreased from 20.0% in 2021 to 14.5% in 2022, primarily due to the increase in labor costs (resulting from the increase in the average labor salary and the number of labor engaged) which was in line with our business expansion from 2021 to 2022, and the increase in unit price of electricity from 2021 to 2022. Labor and utility costs are major cost components of our property management services. As a result, increases in labor and utility costs have a greater impact on the gross profit margin of property management services, while their impact on urban services and commercial operation services is less significant. To maintain and improve the profitability of property management projects in the future, our Group is exploring cost-saving measures such as (i) reducing utility consumption by applying energy-efficient renovations in common areas, (ii) reducing the number of personnel in daily routine work during non-peak periods while flexibly supplementing additional personnel during peak periods to handle the increased workload, thereby resulting in a reduction in labor costs, and (iii) elevating labor efficiency by streamlining tasks, using automating processes, and optimizing workforce performance. Benefiting from the cost-saving measures, our gross profit margin of our property management services increased from 14.5% in 2022 to 15.1% in 2023. We believe that, with the implementation of the measures mentioned above, it is expected that our Group is able to maintain the profitability level of its property management projects going forward.

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

***Gross Profit and Gross Profit Margin of Urban Services***

Our gross profit of urban services amounted to RMB40.0 million, RMB66.4 million and RMB78.0 million, respectively, in 2021, 2022 and 2023, with gross profit margin of 21.6%, 24.2% and 22.1%, respectively, for the same years. The overall gross profit margin of urban services decreased from 24.2% in 2022 to 22.1% in 2023, mainly attributable to the increased proportion of revenue from landscaping and engineering projects with relatively lower gross profit margin.

Our gross profit margin of urban services sourced from Independent Third Parties was higher than that from CSUD Group and its associates in 2021, 2022 and 2023, primarily because we expanded lighting system operation services since 2021, which have relatively higher gross profit margin and were mainly sourced from Independent Third Parties.

***Gross Profit and Gross Profit Margin of Commercial Operation Services***

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

(ii) an increase in average occupancy rate of the commercial properties from 73.4% as of December 31, 2022 to 93.2% as of December 31, 2023, mainly attributable to the mitigation of the pandemic and the government's easing of control measures.

### Other Net Income

Our other net income consists primarily of (i) super deduction of value-added tax ("**VAT**"); (ii) government grants; (iii) default income from customers; (iv) gain on disposal of non-current assets; (iv) changes in fair value on investment properties; (v) surcharge for overdue tax payment; and (vi) others.

The following table sets forth a breakdown of our other net income for the years indicated.

| | For the year ended December 31, | | |
|---|---|---|---|
| | **2021** | **2022** | **2023** |
| | *(RMB'000)* | *(RMB'000)* | *(RMB'000)* |
| Government grants[1] | 202 | 445 | 403 |
| Gain on disposal of non-current assets | 3 | 61 | 3 |
| Super deduction of VAT[2] | 1,376 | 3,070 | 1,902 |
| Default income from customers | 37 | 314 | 18 |
| Changes in fair value on investment properties | (1,554) | – | – |
| Surcharge for overdue tax payment[3] | (66) | (107) | (80) |
| Others | 10 | 7 | (62) |
| **Total** | **8** | **3,790** | **2,184** |

*Notes:*

(1) The government grants received by our Group were mainly related to staff retention subsidies during the Track Record Period.

(2) On March 20, 2019, the MOF, the STA and the General Administration of Customs of China jointly issued the Public Announcement on Strengthening the VAT Reform Policies, or Public Announcement [2019] No. 39, pursuant to which, during the period from April 1, 2019 to December 31, 2022, a general VAT taxpayer engaging in the provision of living services, postal services, telecommunications services or modern services with sales revenue from the provision of such services accounting for more than 50% of its total sales revenue is allowed to deduct extra 10% of the deductible input VAT for the current period from the VAT payable. On January 19, 2023, the MOF and the STA jointly issued the Public Announcement on Clarification on VAT deduction and VAT exemption for Small-scale Tax Payers and Other Policies, pursuant to which the super deduction of VAT has been adjusted to 5% for the period from January 1, 2023 to December 31, 2023.

(3) Surcharge for overdue tax payment represented payment of surcharge for overdue EIT of prior years during the Track Record Period.

**Selling Expenses**

Our selling expenses consist primarily of (i) staff costs; (ii) marketing expenses; (iii) office expenses; and (vi) other selling expenses, which primarily consist of consultancy fees and depreciation and amortization charges.

The following table sets forth a breakdown of our selling expenses by nature for the years indicated.

| | **For the year ended December 31,** | | | | | |
|---|---|---|---|---|---|---|
| | **2021** | | **2022** | | **2023** | |
| | *(RMB'000)* | *(%)* | *(RMB'000)* | *(%)* | *(RMB'000)* | *(%)* |
| Staff costs | 1,888 | 40.0 | 2,089 | 46.9 | 2,171 | 45.8 |
| Marketing expenses | 2,263 | 48.0 | 1,810 | 40.6 | 2,047 | 43.2 |
| Office expenses | 171 | 3.6 | 49 | 1.1 | 266 | 5.6 |
| Others | 395 | 8.4 | 506 | 11.4 | 258 | 5.4 |
| **Total** | **4,717** | **100.0** | **4,454** | **100.0** | **4,742** | **100.0** |

The main components affecting our selling expenses were staff costs and marketing expenses, which accounted for 40.0%, 46.9% and 45.8% respectively, and 48.0%, 40.6% and 43.2% respectively, of our total selling expenses in 2021, 2022 and 2023.

**Administrative Expenses**

Our administrative expenses consist primarily of (i) labor costs; (ii) office expense; (iii) professional service fees, which primarily consist of costs associated with third-party consulting and professional services, such as legal and auditing in our ordinary course of business; (iv) tax and other surcharges; (v) leasing expenses; and (vi) other administrative expenses, which primarily consist of depreciation and amortization charges.

The following table sets forth a breakdown of our administrative expenses by nature for the years indicated.

| | For the year ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2021 | | 2022 | | 2023 | |
| | *(RMB'000)* | *(%)* | *(RMB'000)* | *(%)* | *(RMB'000)* | *(%)* |
| Labor costs | 32,951 | 77.9 | 34,558 | 79.0 | 45,151 | 84.6 |
| Office expenses | 2,273 | 5.4 | 2,676 | 6.1 | 2,157 | 4.0 |
| Professional service fees | 1,046 | 2.5 | 1,752 | 4.0 | 1,627 | 3.0 |
| Tax and other surcharges | 1,109 | 2.6 | 1,586 | 3.6 | 1,454 | 2.7 |
| Leasing expenses | 1,120 | 2.6 | 1,420 | 3.3 | 630 | 1.2 |
| Others | 3,825 | 9.0 | 1,752 | 4.0 | 2,372 | 4.5 |
| **Total** | **42,324** | **100.0** | **43,744** | **100.0** | **53,391** | **100.0** |

The main component affecting our administrative expenses was labor costs, which accounted for 77.9%, 79.0% and 84.6% respectively, of our total administrative expenses in 2021, 2022 and 2023. The increase in labor costs throughout the Track Record Period was primarily due to the increase in administrative personnel.

### Expected Credit Loss

Expected credit loss primarily relates to impairment on trade receivables, other receivables and contract assets in accordance with our accounting policy. Our expected credit loss amounted to RMB11.9 million, RMB10.8 million and RMB7.3 million in 2021, 2022 and 2023, respectively.

### Share of Profits Less Losses of an Associate and Joint Ventures

We recorded share of profits less losses of an associate and joint ventures of RMB4.6 million, RMB3.1 million and RMB2.2 million, respectively, in 2021, 2022 and 2023, which primarily represented the financial performance of relevant associate and joint ventures. For details, please refer to the paragraphs headed "– Discussion of Certain Selected Items from Our Consolidated Statements of Financial Position – Investment in an Associate" and "– Discussion of Certain Selected Items from Our Consolidated Statements of Financial Position – Investments in Joint Ventures" in this section.

### Finance Income

Our finance income represents interest income from bank deposits, which amounted to RMB1.2 million, RMB1.2 million and RMB2.2 million in 2021, 2022 and 2023, respectively.

### Finance Costs

Our finance costs represent interest expenses on lease liabilities, which amounted to RMB1,000, RMB8,000 and RMB6,000 in 2021, 2022 and 2023, respectively.

### Income Tax

Our income tax consists primarily of PRC corporate income tax. Certain entities of our Group have been filed as Small Low-profit Enterprise and were subject to two-tiered preferential effective tax rates from 2.5% to 10% for the years ended December 31, 2021, 2022 and 2023. We recorded income tax of RMB13.3 million, RMB17.1 million and RMB22.8 million in 2021, 2022 and 2023, respectively, and our effective income tax rates remained relatively stable at 24.6%, 24.2% and 24.5%, respectively, for the same years, which were similar to statutory corporate income tax rate of 25.0%. The slight deviation was primarily due to the adjustment of share of profits less losses of an associate and joint ventures, which were not taxable, and preferential tax rate enjoyed.

The following table sets forth a breakdown of our income tax for the years indicated.

| | **For the year ended December 31,** | | |
|---|---|---|---|
| | **2021** | **2022** | **2023** |
| | *(RMB'000)* | *(RMB'000)* | *(RMB'000)* |
| Current tax | 15,479 | 19,227 | 25,755 |
| Deferred tax | (2,142) | (2,137) | (2,933) |
| **Total** | **13,337** | **17,090** | **22,822** |

Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, we did not have any material dispute with the relevant tax authorities.

### Profit and Total Comprehensive Income for the Year

As a result of the foregoing, our profit and total comprehensive income for the year amounted to RMB40.8 million, RMB53.6 million and RMB70.2 million in 2021, 2022 and 2023, respectively.

## COMPARISONS OF RESULTS OF OPERATIONS

### Year Ended December 31, 2023 Compared to Year Ended December 31, 2022

***Revenue***

Our total revenue increased by 23.3% from RMB528.5 million in 2022 to RMB651.9 million in 2023, primarily driven by the business growth of our urban services and property management services:

- *Property management services.* Revenue from property management services increased by 14.7% from RMB207.5 million in 2022 to RMB237.9 million in 2023, mainly attributable to (i) an increase in the GFA under management from 10.3 million sq.m. in 2022 to 11.1 million sq.m. in 2023; (ii) an increase in the number of projects under management from 63 in 2022 to 68 in 2023; and (iii) the business expansion of value-added services.

- *Urban services.* Revenue from urban services increased by 28.6% from RMB274.7 million in 2022 to RMB353.3 million in 2023, primarily driven by the newly-engaged 11 sizable landscaping and engineering projects in 2023. We provided landscaping, greening, scenery, garden structures engineering and related ancillary services in these projects, which collectively contributed revenue of RMB61.1 million in 2023.

- *Commercial operation services*. Revenue from commercial operation services increased by 31.0% from RMB46.3 million in 2022 to RMB60.7 million in 2023, primarily because of the revenue contribution of RMB10.8 million from the new properties entrusted by Yuelushan Company.

***Cost of Sales***

Our cost of sales increased by 22.9% from RMB407.0 million in 2022 to RMB500.0 million in 2023, generally in line with the growth rate of our total revenue for the years. In particular, material costs increased by 93.7% from RMB59.5 million in 2022 to RMB115.2 million in 2023, along with the increase in the revenue from our landscaping and engineering services.

***Gross Profit and Gross Profit Margin***

As a result of the foregoing, our overall gross profit margin remained relatively stable at 23.0% and 23.3% in 2022 and 2023, respectively.

- *Property management services*. Our gross profit of property management services increased from RMB30.2 million in 2022 to RMB36.0 million in 2023, and our gross profit margin of property management services increased from 14.5% in 2022 to

15.1% in 2023. The increase in the gross profit margin of property management services was primarily due to the decrease in utility costs as a percentage of the revenue from property management services, benefiting from the enhanced cost efficiency brought by the implementation of our cost-saving measures.

- *Urban services.* Our gross profit of urban services increased from RMB66.4 million in 2022 to RMB78.0 million in 2023, primarily due to the increases in the gross profit of parking lot operation and landscaping and engineering. Our gross profit margin of urban services slightly decreased from 24.2% in 2022 to 22.1% in 2023, primarily due to the increased proportion of revenue from landscaping and engineering projects with relatively lower gross profit margin.

- *Commercial operation services.* Our gross profit of commercial operation services increased from RMB25.0 million in 2022 to RMB37.9 million in 2023, and our gross profit margin of commercial operation services increased from 53.8% in 2022 to 62.4% in 2023. Such increases were primarily due to (i) the expansion of business scale of commercial operation services and the enhanced cost efficiency through economies of scale; and (ii) an increase in average occupancy rate of the commercial properties from 73.4% as of December 31, 2022 to 93.2% as of December 31, 2023, mainly attributable to the mitigation of the pandemic and the government's easing of control measures.

#### *Other Net Income*

Our other net income decreased by 42.4% from RMB3.8 million in 2022 to RMB2.2 million in 2023, primarily due to a decrease in the super deduction of VAT, resulting from the adjustment in the deduction rate from 10% in 2022 to 5% in 2023.

#### *Selling Expenses*

Our selling expenses increased by 6.5% from RMB4.5 million in 2022 to RMB4.7 million in 2023, primarily driven by an increase in marketing expenses as a result of our increased marketing activities.

#### *Administrative Expenses*

Our administrative expenses increased by 22.1% from RMB43.7 million in 2022 to RMB53.4 million in 2023, primarily due to an increase in administrative personnel and a corresponding increase in wages and salaries.

#### *Expected Credit Loss*

Our expected credit loss decreased by 32.5% from RMB10.8 million in 2022 to RMB7.3 million in 2023, primarily due to a decrease in impairment provision of trade receivables.

### *Finance Income*

Our finance income increased by 81.2% from RMB1.2 million in 2022 to RMB2.2 million in 2023, primarily because of an increase in cash at banks, leading to higher interest income from bank deposits.

### *Share of Profits Less Losses of an Associate and Joint Ventures*

Our share of profits less losses of an associate and joint ventures decreased by 29.6% from RMB3.1 million in 2022 to RMB2.2 million in 2023, primarily due to a decrease in shared results of the associate and joint ventures.

### *Income Tax*

Our income tax increased by 33.5% from RMB17.1 million in 2022 to RMB22.8 million in 2023, which was generally in line with our overall business performance.

### *Profit and Total Comprehensive Income for the Year*

As a result of the foregoing, we recorded profit and total comprehensive income for the year of RMB53.6 million and RMB70.2 million in 2022 and 2023, respectively, and our net profit margin increased from 10.1% in 2022 to 10.8% in 2023.

## Year Ended December 31, 2022 Compared to Year Ended December 31, 2021

### *Revenue*

Our total revenue increased by 22.4% from RMB431.7 million in 2021 to RMB528.5 million in 2022, primarily driven by the business growth on urban services and property management services, and partially offset by the decrease in revenue generated from commercial operation services:

- *Property management services.* Revenue from property management services increased by 7.9% from RMB192.3 million in 2021 to RMB207.5 million in 2022, primarily driven by Xiangjiang Fortune Financial Center Property Management Service Project (湘江財富金融中心物業管理服務項目) which was sourced from CSUD Group. In 2022, this project contributed revenue of RMB41.7 million, increased by RMB10.1 million as compared to 2021, primarily due to increases in the number of tenants and GFA under management. We provided commercial property management services to the owner and tenants of the property, including CSUD Group and Independent Third Parties.

- *Urban services.* Revenue from urban services increased by 48.2% from RMB185.4 million in 2021 to RMB274.7 million in 2022, primarily because we continued to reinforce our competitive edge in urban services, through our implementation of (i) 13 engaged sizeable landscaping and engineering projects we undertook in 2022, including the EPC Project of Near-zero Carbon Demonstration Zone in Yanghu Ecological New City (洋湖生態新城近零碳示範展示區項目設計施工總承包項目) and the Landscaping Construction Project of Tanzhou Garden Exhibition Area (潭州花園項目展示區園林綠化工程), which collectively contributed revenue of RMB41.1 million in 2022, among which, RMB28.6 million was generated from nine projects (sourced from CSUD Group and its associates), and RMB12.5 million was recorded for the other four projects (sourced from Independent Third Parties); we provided primary landscaping and other municipal engineering construction services to these parties; and (ii) the Changsha City Functional Street Lighting Operation and Maintenance Project (長沙城市功能照明運維項目) (sourced from Independent Third Parties), contributed revenue increment of RMB31.2 million as compared with 2021, primarily due to longer service term in 2022. For details of Changsha City Functional Street Lighting Operation and Maintenance Project (長沙市城市功能照明運維項目), please refer to the section "Business – Urban Services – Lighting System Operation" of this document.

- *Commercial operation services.* Revenue from commercial operation services decreased by 14.3% from RMB54.0 million in 2021 to RMB46.3 million in 2022, primarily due to (i) the termination of leases by certain tenants as affected by the COVID-19 Pandemic, (ii) the decrease in GFA under management; and (iii) our gratuitous transfer of Dufu River Tower tourism operation business and related net assets to Yuelushan Company, resulting in corresponding decrease in relevant revenue resources. See "– Discussion of Certain Selected Items from Our Consolidated Statements of Financial Position."

***Cost of Sales***

Our cost of sales increased by 25.5% from RMB324.3 million in 2021 to RMB407.0 million in 2022, primarily due to (i) an increase in labor costs as a result of an expansion of our business scale; and (ii) the rising unit electricity price, resulting in an increase in utility costs.

***Gross Profit and Gross Profit Margin***

As a result of the foregoing, our overall gross profit margin slid to 23.0% in 2022 from 24.9% in 2021, primarily due to the decrease in gross profit margin of our property management services. Nonetheless, with the increasing business scales, the gross profit still increased by 13.3% to RMB121.5 million in 2022 from RMB107.3 million in 2021:

- *Property management services.* Our gross profit of property management services decreased from RMB38.4 million in 2021 to RMB30.2 million in 2022, and our gross profit margin of property management services decreased to 14.5% in 2022 from 20.0% in 2021, primarily due to the increased unit price of electricity, combined with factors such as severe pandemic prevention, resulting in increases in utility costs and pandemic prevention costs.

- *Urban services.* Our gross profit of urban services increased from RMB40.0 million in 2021 to RMB66.4 million in 2022, primarily due to the increases in gross profit of lighting system operation services and landscaping and engineering services, and our gross profit margin of urban services increased to 24.2% in 2022 from 21.6% in 2021. In particular, (i) the increase in percentage of revenue and gross profit contribution from lighting system operation services was mainly contributed by relatively higher gross profit margin of Changsha City Functional Street Lighting Operation and Maintenance Project (長沙市城市功能照明運維項目), which was one of our signature lighting system operation projects. Please refer to the section headed "Business – Urban Services – Scope of Services – Lighting System Operation – Our Signature Projects" in this document for details of the service scope and customer of this project. Our Directors believe that our lighting system operation projects generally attained a relatively higher gross profit and gross profit margin than other urban service projects, because (a) Changsha is devoted to the development and maintenance of lighting and nightscape infrastructures by allocating substantial financial, administrative and policy resources, which has led to a higher revenue level for our lighting business; (b) lighting operation projects typically involve technical complexity, experience, and technical expertise. Projects with advanced technological requirements typically generate higher gross profit margins in accordance with their value-added attributes; and (c) we improved efficiency in allocating, sharing and coordinating our manpower and other resources of different projects in adjacency across our various business segments; and (ii) the relatively higher gross profit margin of certain landscaping and engineering projects as compared to the projects of the same type we undertook in 2022 such as (a) the EPC Project of Near-zero Carbon Demonstration Zone in Yanghu Ecological New City (洋湖生態新城近零碳示範展示區項目設計施工總承包項目), which was one of our signature projects of our landscaping and engineering services business. Please refer to the section headed "Business – Urban Services – Scope of Services – Landscaping and Engineering – Our Signature Projects" in this document for details of the service scope and customer of this project; and (b) the Malanshan Industrial Park Riverside Road Gateway Space Project (馬欄山產業園濱河路門戶空間項目), in which we were engaged by CSUD Group to perform small-scale landscaping work and attained a higher gross profit margin than the gross profit margin of our other landscaping and engineering projects. Our Directors are of the view that the relatively higher gross profit margin of two landscaping and engineering projects mentioned above was a result of our Group's successful bargaining with customers on the contract prices of the relevant projects and our strengthened cost control measures.

- *Commercial operation services.* Our gross profit of commercial operation services decreased from RMB28.9 million in 2021 to RMB25.0 million in 2022 due to the decrease in revenue from the provision of commercial operation services, and our gross profit margin of commercial operation services remained relatively stable at 53.5% and 53.8% in 2021 and 2022, respectively.

### *Other Net Income*

Our other net income increased from RMB8,000 in 2021 to RMB3.8 million in 2022, primarily due to an increase in supper deduction of VAT generally in line with our revenue growth and overall business expansion, and we no longer recognize gains or losses on changes in fair value on investment properties following our disposal of the investment properties in 2022.

### *Selling Expenses*

Our selling expenses decreased by 5.6% from RMB4.7 million in 2021 to RMB4.5 million in 2022, primarily driven by a decrease in marketing expenses as a result of reduced market activities as affected by the COVID-19 Pandemic.

### *Administrative Expenses*

Our administrative expenses increased by 3.4% from RMB42.3 million in 2021 to RMB43.7 million in 2022, primarily due to an increase in staff costs resulting from an increase in professional service fees, as well as a rising administrative personnel headcount as a result of our fast business growth.

### *Expected Credit Loss*

Our expected credit loss decreased by 9.7% from RMB11.9 million in 2021 to RMB10.8 million in 2022, primarily due to a decrease in impairment provision of trade receivables.

### *Finance Income*

Our finance income remained relatively stable at RMB1.2 million in 2021 and 2022, respectively.

### *Share of Profits Less Losses of an Associate and Joint Ventures*

Our share of profits less losses of an associate and joint ventures decreased by 33.4% from RMB4.6 million in 2021 to RMB3.1 million in 2022, primarily due to a decrease in shared results of the associate and joint ventures.

### *Income Tax*

Our income tax increased by 28.1% from RMB13.3 million in 2021 to RMB17.1 million in 2022, which was generally in line with our overall business performance.

### *Profit and Total Comprehensive Income for the Year*

As a result of the foregoing, we recorded profit and total comprehensive income for the year of RMB40.8 million and RMB53.6 million in 2021 and 2022, respectively, and our net profit margin recovered to 10.1% in 2022 from 9.5% in 2021.

## DISCUSSION OF CERTAIN SELECTED ITEMS FROM OUR CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The following table sets forth the selected information from our consolidated statements of financial position as of the dates indicated.

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

The following table sets forth our current assets and current liabilities as of the dates indicated.

| | As of December 31, | | | As of February 29, |
|---|---|---|---|---|
| | 2021 | 2022 | 2023 | 2024 |
| | *(RMB'000)* | *(RMB'000)* | *(RMB'000)* | *(RMB'000)* *(unaudited)* |
| **Current assets** | | | | |
| Inventories | 2,426 | 3,202 | 4,152 | 4,214 |
| Contract assets | 88,143 | 157,286 | 249,703 | 216,556 |
| Prepayments, trade and other receivables | 172,905 | 208,786 | 127,616 | 152,988 |
| Restricted bank deposits | 288 | 619 | 4,579 | 3,002 |
| Cash and cash equivalents | 129,927 | 123,822 | 210,210 | 179,568 |
| | **393,689** | **493,715** | **596,260** | **556,328** |
| **Current liabilities** | | | | |
| Trade and other payables | 261,907 | 309,668 | 359,698 | 308,882 |
| Contract liabilities | 24,543 | 13,637 | 18,475 | 18,042 |
| Lease liabilities | 40 | 148 | 30 | 10 |
| Provisions | 702 | – | – | – |
| Current taxation | 25,466 | 30,306 | 13,905 | 15,032 |
| | **312,658** | **353,759** | **392,108** | **341,966** |
| **Net current assets** | **81,031** | **139,956** | **204,152** | **214,362** |

Our net assets increased by RMB41.8 million from RMB143.9 million as of December 31, 2021 to RMB185.7 million as of December 31, 2022, primarily due to the profit and total comprehensive income of RMB53.6 million we recorded in 2022, partially offset by the effect of Reorganization of RMB11.8 million, primarily in relation to (i) the deemed distribution relating to our gratuitous transfer of Dufu River Tower tourism operation business and related net assets to Yuelushan Company at nil consideration on December 31, 2021, which was mainly driven by our Group's strategy to focus on property management and urban services, while integrating Dufu River Tower tourism operation business with the culture and tourism business of CSUDGCL. See "History, Reorganization and Corporate Structure – Reorganization – 4. Cancelation of a branch of a subsidiary of our Company"; and (ii) our acquisition consideration of approximately RMB9.8 million paid to Chengfa Smart Travel Company for 100.0% equity interest in the Parking Company on August 19, 2022, in order to integrate the parking lot management business into our urban services. See "History, Reorganization and Corporate Structure – Reorganization – 6. Acquisition of Certain Subsidiaries – (b) Parking Company." Our net assets increased by RMB70.2 million from RMB185.7 million as of December 31, 2022 to RMB255.9 million as of December 31, 2023, primarily due to the profit and total comprehensive income of RMB70.2 million we recorded in 2023 and nil dividends declared in the same year.

We recorded net current assets of RMB214.4 million as of February 29, 2024, being the latest practicable date for our indebtedness statement, as compared to net current assets of RMB204.2 million as of December 31, 2023, primarily due to (i) a decrease in trade and other payables of RMB50.8 million, and (ii) an increase in prepayments, trade and other receivables of RMB25.4 million, partially offset by (i) a decrease in contract assets of RMB33.1 million, and (ii) a decrease in cash and cash equivalents of RMB30.6 million.

We recorded net current assets of RMB204.2 million as of December 31, 2023, as compared to net current assets of RMB140.0 million as of December 31, 2022, primarily due to (i) an increase in contract assets of RMB92.4 million; (ii) an increase in cash and cash equivalents of RMB86.4 million; and (iii) a decrease in current taxation of RMB16.4 million, partially offset by (i) a decrease in prepayments, trade and other receivables of RMB81.2 million; and (ii) an increase of trade and other payables of RMB50.0 million.

We recorded net current assets of RMB140.0 million as of December 31, 2022, as compared to net current assets of RMB81.0 million as of December 31, 2021, primarily due to (i) an increase in contract assets of RMB69.1 million; and (ii) an increase in prepayments, trade and other receivables of RMB35.9 million, partially offset by an increase in trade and other payables of RMB47.8 million.

## Inventories

Our inventories consist primarily of raw materials, finished goods and consumables consumed during the provision of lighting system operation services. Our inventories amounted to RMB2.4 million, RMB3.2 million and RMB4.2 million as of December 31, 2021, 2022 and 2023, respectively, which was in line with our expanded lighting system operation services. As of the Latest Practicable Date, approximately RMB830 thousand, or 20.0%, of our total inventories as of December 31, 2023 had been subsequently utilized.

## Contract Assets

Contract assets represent our rights to receive consideration in exchange for goods or services transferred to the customer before the issuance of bills and payment of such consideration by customers. Our contract assets primarily arise from performance under landscaping and engineering and lighting system operation services. Contract assets shall be reclassified to trade receivables when we become entitled to collect payments unconditionally from such contracts.

Our customers' checking and acceptance and/ or fiscal review usually generate payment amounts that are different from initial amounts as set out in the revenue contracts involved in the above businesses, taken into consideration and assessment of our final executed workload, unit price adjustment, as well as our actual work performances in such projects.

We estimate our revenue primarily based on (i) preliminary communications with our customers at the end of the performance period or quarter, (ii) preliminary performance assessment results or fiscal review results, and (iii) our historical experience. When we were not able to reasonably estimate the revenue, we recognized revenue only to the extent of the costs we have incurred. During the Track Record Period, the projects for which we had completed customer certifications and fiscal reviews aligned with our cumulative recognized revenue, with no significant discrepancies.

The following table sets forth a breakdown of our contract assets and the loss allowance as of the dates indicated.

| | As of December 31, | | |
|---|---|---|---|
| | **2021** | **2022** | **2023** |
| | *(RMB'000)* | *(RMB'000)* | *(RMB'000)* |
| **Contract Assets** | | | |
| – Related parties | 45,230 | 72,538 | 124,926 |
| – Third parties | 44,373 | 91,593 | 137,548 |
| **Subtotal** | **89,603** | **164,131** | **262,474** |
| Less: loss allowance | (1,460) | (6,845) | (12,771) |
| **Total** | **88,143** | **157,286** | **249,703** |

Our contract assets amounted to RMB88.1 million, RMB157.3 million and RMB249.7 million as of December 31, 2021, 2022 and 2023, respectively, primarily due to the increase in service fee due from our customers as a result of the expansion of our landscaping and engineering services and lighting system operation services.

Specifically, for landscaping and engineering services, contract assets represent our right to receive consideration for the work performed and not yet certified by customers because the rights are conditional upon inspection and acceptance by the customers or owners. Due to the characteristics of the engineering services, it generally takes time for the customers or owners to complete the inspection and acceptance. The increase in contract assets of landscaping and engineering services during the Track Record Period was the result of the increase in revenue of landscaping and engineering services due to the enhancement of our business qualifications and capabilities. The increase in contract assets of lighting system operation and municipal sanitation services during the Track Record Period was primarily because the fiscal appraisal of the functional street lighting operation and maintenance project has not yet finished, resulting in the relevant revenue debited into the "contract assets."

Contract assets are subject to impairment assessment at the end of each year of the Track Record Period using a provision matrix to measure expected credit losses. The provision matrix is based on our Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date. The impairment allowance for contract assets amounted to RMB1.5 million, RMB6.8 million and RMB12.8 million as of December 31, 2021, 2022 and 2023, respectively.

The following table sets forth an ageing analysis of our contract assets based on the date of relevant revenue recognized and net of loss allowance as of the dates indicated.

| | As of December 31, | | |
|---|---|---|---|
| | **2021** | **2022** | **2023** |
| | *(RMB'000)* | *(RMB'000)* | *(RMB'000)* |
| Within 1 year | 88,143 | 150,319 | 224,289 |
| 1 to 2 years | – | 6,967 | 22,898 |
| Over 2 years | – | – | 2,516 |
| **Total** | **88,143** | **157,286** | **249,703** |

As of December 31, 2022 and 2023, the net amount of contract assets aged over one year amounted to RMB7.0 million and RMB25.4 million, respectively, primarily arising from the projects awarded by the government. Due to the COVID-19 Pandemic, the process to complete fiscal review was prolonged, and the settlement period of the government consequently became longer than one year at the relevant time. As of the Latest Practicable Date, the contract assets aged over one year as of December 31, 2022 had been settled. The net amount of contract assets aged over one year increased from RMB7.0 million as of December 31, 2022 to RMB25.4 million as of December 31, 2023, mainly attributable to (i) the increase in the revenue from landscaping and engineering services, which have relatively long construction and certification period, and (ii) the prolonged fiscal review process and settlement period of our certain customers amid the unexpected economic headwinds in 2023. Save as disclosed above, we had no significant contract assets aged over one year at the end of each year comprising the Track Record Period.

The majority of the contract assets aged over one year as of December 31, 2023 was due from CSUD Group and government entities. To the best of our Directors' knowledge and belief, given that the aforementioned customers have good credits and strong financial position and that we did not encounter recoverability issues with them historically, there would be no apparent credit risk to recover these contract assets. Moreover, we believe that there is no material recoverability issue for contract assets considering that as of the Latest Practicable Date, (i) a majority of our projects were landscaping and engineering and lighting system operation services for CSUD Group and government entities which typically triggered a settlement period within one year from the date of revenue recognition. The settlement period reflects the time our Group needs to be entitled to collect payments unconditionally from our customers and during which our customers need to go through processes including checking, acceptance, performance assessment and/or fiscal review, (ii) the fiscal appraisals in relation to our contract assets were generally conducted and completed in a timely manner, (iii) there were no material ongoing late payment issues with any of the customers against whom we recorded contract assets, and (iv) the settlement terms with such customers were generally in line with our historical practice. In addition, we did not experience any significant difficulty in recovering contract assets from these customers during the Track Record Period and up to the Latest Practicable Date. As of the Latest Practicable Date, all projects in relation to our contract assets were under normal construction or management and we did not encounter any material disruption or delay in providing these services. Once the payment conditions are satisfied, our contract assets will be settled or reclassified to trade receivables in accordance with the terms in the relevant agreements.

As of the Latest Practicable Date, RMB87.9 million, or 98.1% of our contract assets outstanding as of December 31, 2021 had been certified by our customers, RMB161.7 million, or 98.5% of our contract assets outstanding as of December 31, 2022 had been certified by our customers, and RMB104.3 million, or 39.7% of our contract assets outstanding as of December 31, 2023 had been certified by our customers, while RMB62.9 million, or 24.0% had been subsequently settled. We have assessed the recoverability of the relevant outstanding contract assets, and have maintained frequent communications with our customers to ensure effective credit control. Considering that the majority of our contract assets outstanding as of December 31, 2023 was mainly due from CSUD Group, government entities and state-owned enterprises, we believe that the risk of not being able to recover the relevant contract assets is relatively low, primarily because (i) we have evaluated the customers' historical credit standings, and (ii) we have not had material recoverability issues with these customers during the Track Record Period. We have made allowances for contract assets according to the ECL model to reflect the recoverability of our contract assets. Given that it usually took more than three months to complete fiscal appraisals for our projects during the Track Record Period and the timing of such completions was concentrated around the beginning or end of the relevant fiscal period, our Directors consider that there is no recoverability issues for our contract assets based on the factors mentioned above and our historical experience of recoveries of the same.

**Cash and Cash Equivalents and Restricted Bank Deposits**

Cash and cash equivalents comprise cash at banks and on hand. Restricted bank deposits are restricted according to relevant government regulations (i.e. special account for salary payment of migrant workers), for bank guarantee, or by relevant banks for their administrative measure.

The following table sets forth a breakdown of our cash and cash equivalents as of the dates indicated.

| | **As of December 31,** | | |
|---|---|---|---|
| | **2021** | **2022** | **2023** |
| | *(RMB'000)* | *(RMB'000)* | *(RMB'000)* |
| Cash at banks | 130,215 | 124,441 | 214,789 |
| Less: restricted bank deposits | (288) | (619) | (4,579) |
| **Total** | **129,927** | **123,822** | **210,210** |

We had cash and cash equivalents of RMB129.9 million, RMB123.8 million and RMB210.2 million as of December 31, 2021, 2022 and 2023, respectively. For a detailed analysis of our cash flow during the Track Record Period, please refer to the paragraph headed "– Liquidity and Capital Resources – Cash Flow Analysis" in this section.

## Prepayments, Trade and Other Receivables

### *Trade Receivables*

Trade receivables represent outstanding amounts due from customers for the services that we performed in the ordinary course of business. We do not hold any collateral or other credit enhancements over our trade receivable balances.

The following table sets forth a breakdown of our trade receivables and the loss allowance as of the dates indicated.

| | **As of December 31,** | | |
|---|---|---|---|
| | **2021** | **2022** | **2023** |
| | *(RMB'000)* | *(RMB'000)* | *(RMB'000)* |
| Trade receivables | | | |
| – Related parties | 54,103 | 72,519 | 54,888 |
| – Third parties | 49,753 | 66,948 | 51,849 |
| **Subtotal** | **103,856** | **139,467** | **106,737** |
| Less: loss allowance | (16,091) | (21,339) | (22,016) |
| **Total** | **87,765** | **118,128** | **84,721** |

Our trade receivables increased by 34.6% from RMB87.8 million as of December 31, 2021 to RMB118.1 million as of December 31, 2022, primarily due to the increase in revenue in line with our business expansion in the same years. Our trade receivables decreased by 28.3% from RMB118.1 million as of December 31, 2022 to RMB84.7 million as of December 31, 2023, primarily due to our enhanced efforts in trade receivables collection.

As of December 31, 2021, 2022 and 2023, the loss allowance of trade receivables amounted to RMB16.1 million, RMB21.3 million and RMB22.0 million, respectively. Loss allowances are calculated based on the ECL rates and primarily reflect the recoverability of our trade receivables during the Track Record Period. The general increase of loss allowance throughout the Track Record Period was primarily due to the management's assessment of credit risk exposure at the end of each year of the Track Record Period. Specifically, as a result of the combined effect of the increase in loss allowance on an individual basis in consideration of concentration of credit risk from individual customers, and to a lesser extent, the increase in loss allowance on customer group basis. For details, please refer to Note 26 to the Accountants' Report included in Appendix I to this document.

The following table sets forth an ageing analysis of our trade receivables based on the date of relevant revenue recognized and net of loss allowance as of the dates indicated.

| | As of December 31, | | |
|---|---|---|---|
| | **2021** | **2022** | **2023** |
| | *(RMB'000)* | *(RMB'000)* | *(RMB'000)* |
| Within 1 year | 74,227 | 96,457 | 71,813 |
| 1 to 2 years | 11,052 | 19,513 | 12,596 |
| Over 2 years | 2,486 | 2,158 | 312 |
| **Total** | **87,765** | **118,128** | **84,721** |

The ageing of our trade receivables is of stable structure. The proportion of our trade receivables within one year as of the end of each year during the Track Record Period exceeded 80%, representing a relatively short ageing of the trade receivables. In particular, as of December 31, 2023, the proportion of our trade receivables within one year exceeded 84% of our total outstanding trade receivables, representing a substantially shortening ageing of our decreasing balance of trade receivables.

The following table sets forth an average turnover days of our trade receivables for the years indicated.

| | For the year ended December 31, | | |
|---|---|---|---|
| | **2021** | **2022** | **2023** |
| **Average trade receivables turnover days[(1)]** | | | |
| – Overall | 75 | 84 | 69 |
| – Related parties | 91 | 98 | 80 |
| – Third parties | 63 | 73 | 60 |

*Note:*

(1) Average trade receivables turnover days equals average trade receivables before loss allowance divided by total revenue for the relevant year and multiplied by 365 days for a full-year period.

During the Track Record Period, our overall trade receivables turnover days were 75 days, 84 days and 69 days, respectively, whereby the turnover days of third parties were 63 days, 73 days and 60 days, respectively, and of related parties were 91 days, 98 days and 80 days, respectively.

Our trade receivables turnover days of third parties increased from 63 days in 2021 to 73 days in 2022, primarily due to an increase in the scale of our long-aged trade receivables that are difficult to collect along with the expansion of our third-party business and the corresponding growth of revenue. We have made provisions for loss allowance based on assessments of expected credit losses. However, the resultant write-offs of trade receivables shall strictly satisfy relevant conditions whereas such long-aged trade receivables were yet to meet such conditions for write-offs during the relevant year of the Track Record Period, leading to increasing amounts of such accrued long-aged trade receivables from 2021 to 2022, and accompanying increases in turnover days of third parties over the same years. The turnover days of third parties decreased to 60 days in 2023 as compared to 73 days in 2022, primarily due to our enhanced collection efforts.

Our trade receivables turnover days of related parties recorded an overall decreasing trend from 91 days in 2021 to 80 days in 2023, primarily due to (i) our enhanced collection efforts vis-à-vis related parties, and (ii) our improvement in settling trade receivables and payables with related parties.

During the Track Record Period, our trade receivables turnover days for related parties were longer than that for third parties, primarily due to the fact that our enlarged landscaping and engineering projects were mainly obtained by direct engagement from CSUD Group. Such projects pertain to the governmental fiscal land development projects of the CSUD Group, which were financed by fiscal funds and typically have relatively longer internal review and approval procedures. We considered that the credit risk of our related parties was low, having taken into account our long-standing and close business relationships with our related parties and their creditworthiness. Despite trade receivables due from CSUD Group and its associates, we also recorded amount payables due to CSUD Group and its associates. Therefore, there was no apparent risk in collecting the receivables from CSUD Group and its associates and we lessened our efforts to collect such receivables in 2021 and 2022, which resulted in longer trade receivables turnover days of our related parties than that of third parties. Nevertheless, our trade receivables turnover days of related parties decreased to 80 days in 2023, mainly due to (i) our enhanced efforts to collect trade receivables due from CSUD Group and its associates; and (ii) our improvement in settling amounts due to and due from related parties. During the Track Record Period, we did not experience any material difficulties in collecting our trade receivables from our related parties.

The following table sets forth an average turnover days of our trade receivables and contract assets for the years indicated.

| | For the years ended December 31, | | |
|---|---|---|---|
| | **2021** | **2022** | **2023** |
| **Average trade receivables and contract assets turnover days[(1)]** | | | |
| – Overall | 121 | 172 | 188 |
| – Related parties | 152 | 188 | 205 |
| – Third parties | 99 | 152 | 175 |

*Note:*

(1) Average trade receivables and contract assets turnover days equals average trade receivables and contract assets before loss allowance divided by total revenue for the relevant year and multiplied by 365 days for a full-year period.

During the Track Record Period, our overall trade receivables and contract assets turnover days were 121 days, 172 days and 188 days, respectively, whereby the turnover days of third parties were 99 days, 152 days and 175 days, respectively, and of related parties were 152 days, 188 days and 205 days, respectively. Given that the turnover days are linked to and affected by check and acceptance and/or fiscal review process by our customers, the upward trend in our turnover days from 2021 to 2023 mainly reflected the growth of our landscaping and engineering projects and engineering and lighting system operation projects.

Our Directors are of the view that sufficient provision has been made to trade receivables and the risk of not being able to recover the remaining trade receivables is relatively low. Having considered that (i) a vast majority of our trade receivables had been outstanding for less than one year as of December 31, 2023 and were mainly due from customers with ongoing business relationships with us; (ii) we monitor long-aged trade receivables closely and request the collection status thereof to be reported regularly to our management; (iii) government projects are basically included in the local government's budget and the payment is generally guaranteed; (iv) we have, in accordance with applicable IFRSs, made provision for these long-aged trade receivables based on their respective expected credit loss rate; and (v) our increased effort in trade receivables collection, therefore, such receivables will be reduced in the future, our Directors are of the view that there is no material recoverability issue for our trade receivables. For further details on our credit policy and credit risk arising from trade receivables, please refer to Note 26 to the Accountants' Report included in Appendix I to this document.

We seek to maintain strict control over our outstanding receivables. Overdue balances are reviewed regularly by our management. We will continue to strengthen our management in trade receivables and improve the collection rate in the future by adopting various approaches, including (i) communicating with customers with respect to the settlement of long outstanding balances more proactively; and (ii) issuing past due notices with outstanding balances more regularly.

As of the Latest Practicable Date, RMB95.9 million, or 92.3% of our trade receivables outstanding as of December 31, 2021 had been subsequently settled, RMB120.7 million, or 86.5% of our trade receivables outstanding as of December 31, 2022 had been subsequently settled, and RMB41.7 million, or 39.1% of our trade receivables outstanding as of December 31, 2023 had been subsequently settled. Among which, RMB22.1 million, or 40.3% our trade receivables from related parties outstanding as of December 31, 2023 had been subsequently settled. We have made provisions for loss allowance based on assessments of expected credit losses.

***Other Receivables***

Our other receivables consist primarily of (i) amounts due from related parties, which are, primarily non-trade in nature, unsecured, interest-free and repayment on demand; (ii) prepayments; (iii) input VAT to be deducted; (iv) prepayments for [**REDACTED**]; and (v) other receivables, primarily consist of prepayments on behalf of property owners and tenants, and deposits.

The following table sets forth a breakdown of our other receivables as of the dates indicated.

| | As of December 31, | | |
|---|---|---|---|
| | **2021** | **2022** | **2023** |
| | *(RMB'000)* | *(RMB'000)* | *(RMB'000)* |
| Amounts due from related parties[1] | 72,473 | 66,744 | 585 |
| Input VAT to be deducted | 1,991 | 1,330 | 2,355 |
| Prepaid income tax | 133 | 123 | 2,434 |
| Prepayments | 3,823 | 9,710 | 9,035 |
| Prepayments for [**REDACTED**] | [**REDACTED**] | [**REDACTED**] | [**REDACTED**] |
| Other receivables | 7,529 | 12,649 | 10,439 |
| Less: loss allowance | (809) | (935) | (1,598) |
| **Total** | **85,140** | **90,658** | **42,895** |

*Note:*

(1) Amounts due from related parties mainly represent: (i) receivables in relation to the fees for our parking lot operation services collected by Chengfa Smart Travel Company on our behalf; and (ii) other payments that are non-trade in nature.

Our other receivables increased from RMB85.1 million as of December 31, 2021 to RMB90.7 million as of December 31, 2022, primarily due to an increase in prepayments to Chengfa Smart Travel Company for the use of parking spaces as a result of our business expansion, partially offset by a decrease in amounts due from related parties as we received payments from related parties. Our other receivables subsequently decreased to RMB42.9 million as of December 31, 2023, primarily due to a decrease in amounts due from related parties as a result of settlement, partially offset by an increase in prepayments for [**REDACTED**].

As of the Latest Practicable Date, the amounts due from related parties with non-trade in nature had been settled in full. The amounts due from related parties as of December 31, 2023 were trade in nature, which mainly comprised guarantee for quality assurance and deposits for water supply. As of the Latest Practicable Date, nil of amounts due from related parties as of December 31, 2023 had been subsequently settled, and RMB1.0 million, or 2.4% of amounts due from non-related parties as of December 31, 2023 had been subsequently settled.

## Trade and Other Payables

### *Trade Payables*

Trade payables represent unpaid liabilities for services or goods provided to us by suppliers, which were primarily subcontracting services and materials during the Track Record Period. Our trade payables are interest-free.

The following table sets forth a breakdown of our trade payables as of the dates indicated.

| | As of December 31, | | |
|---|---|---|---|
| | **2021** | **2022** | **2023** |
| | *(RMB'000)* | *(RMB'000)* | *(RMB'000)* |
| Trade payables | | | |
| – Related parties | 15,703 | 13,367 | 21,021 |
| – Third parties | 98,670 | 136,769 | 207,785 |
| **Total** | **114,373** | **150,136** | **228,806** |

Our trade payables are primarily in relation to the trade payables for third parties. Our trade payables amounted to RMB114.4 million, RMB150.1 million and RMB228.8 million as of December 31, 2021, 2022 and 2023, respectively. Such increases in our trade payables were primarily due to our business expansion, resulting in an increase in material procurement costs, labor costs and utility costs.

The following table sets forth an ageing analysis of our trade payables based on the invoice date as of the dates indicated.

| | As of December 31, | | |
|---|---|---|---|
| | **2021** | **2022** | **2023** |
| | *(RMB'000)* | *(RMB'000)* | *(RMB'000)* |
| Within 1 year | 98,400 | 129,466 | 211,819 |
| 1 to 2 years | 15,429 | 17,680 | 15,973 |
| Over 2 years | 544 | 2,990 | 1,014 |
| **Total** | **114,373** | **150,136** | **228,806** |

A significant portion of our trade payables was within one year, primarily due to the continuous increase in the scale of subcontracting and material procurement from third-party subcontractors due to the expansion of our business scale.

The following table sets forth the average turnover days of our trade payables for the years indicated.

| | For the year ended December 31, | | |
|---|---|---|---|
| | 2021 | 2022 | 2023 |
| **Average trade payables turnover days**[1] | 102 | 119 | 138 |

*Note:*

(1) Average trade payables turnover days equals the average trade payables divided by cost of sales for the relevant year and multiplied by 365 days for a full-year period.

Due to the characteristics of the engineering services and pursuant to the contracts entered between us and our suppliers, we generally settle the trade payables to suppliers for landscaping and engineering following the finalized payments by the customers. As such, the settlement periods of trade payables to our suppliers for landscaping and engineering projects were relatively longer than other business segments. With the business expansion of our landscaping and engineering services, our overall trade payables turnover days were longer than 90 days during the Track Record Period. Our overall trade payables turnover days were 102 days, 119 days and 138 days, respectively, throughout the Track Record Period. Our overall trade payables turnover days increased during the Track Record Period, primarily due to an increase in trade payables attributable to our business growth on landscaping and engineering.

As of the Latest Practicable Date, RMB105.4 million, or 46.1% of our trade payables outstanding as of December 31, 2023 had been subsequently settled.

***Other Payables***

Our other payables consist primarily of (i) amounts due to related parties, which are non-trade in nature and interest-free; (ii) deposits; (iii) other taxes and charges payables; (iv) receipts on behalf of property owners and tenants; (v) accrued payroll and other benefits; (vi) dividend payable; and (vii) other payables and accrued charges.

The following table sets forth our other payables as of the dates indicated.

| | As of December 31, | | |
|---|---|---|---|
| | 2021 | 2022 | 2023 |
| | *(RMB'000)* | *(RMB'000)* | *(RMB'000)* |
| Amounts due to related parties | 45,928 | 47,755 | 10,008 |
| Dividend payable | 12,757 | 5,090 | – |
| Accrued payroll and other benefits | 16,470 | 15,367 | 21,669 |
| Other taxes and charges payable | 11,316 | 21,788 | 19,492 |
| Deposits | 37,655 | 44,599 | 53,984 |
| Receipts on behalf of property owners and tenants | 18,392 | 20,712 | 22,120 |
| Other payables and accrued charges | 5,016 | 4,221 | 3,619 |
| **Total** | **147,534** | **159,532** | **130,892** |

Our other payables increased from 147.5 million as of December 31, 2021 to RMB159.5 million as of December 31, 2022, primarily due to the increases in other taxes and charges payable and deposits in line with the growth of our business, partially offset by a decrease in dividend payable. Our other payables subsequently decreased to RMB130.9 million as of December 31, 2023, primarily due to the decrease in amounts due to related parties because of settlement, partially offset by an increase in deposits as a result of our business expansion.

As of the Latest Practicable Date, RMB23.0 million, or 19.0% of amounts due to non-related parties, outstanding as of December 31, 2023 had been subsequently settled, while we had settled RMB8.1 million, or 80.9% of amounts due to related parties with non-trade in nature outstanding as of December 31, 2023. We will settle the amounts due to related parties with non-trade in nature prior to the [**REDACTED**].

**Lease Liabilities**

Our lease liabilities represent the present value of outstanding lease payments under our lease agreements, which amounted to RMB40,000, RMB178,000 and RMB30,000 as of December 31, 2021, 2022 and 2023, respectively.

**Contract Liabilities**

Our contract liabilities with trade in nature primarily arise from the advance payments made by customers while the underlying services are yet to be provided. Our contract liabilities primarily relate to property management services, and landscaping and engineering services.

The following table sets forth a breakdown of our contract liabilities as of the dates indicated.

| | **As of December 31,** | | |
|---|---|---|---|
| | **2021** | **2022** | **2023** |
| | *(RMB'000)* | *(RMB'000)* | *(RMB'000)* |
| Contract liabilities | | | |
| – Related parties | 15,571 | 1,088 | 2,021 |
| – Third parties | 8,972 | 12,549 | 16,454 |
| **Total** | **24,543** | **13,637** | **18,475** |

Our contract liabilities decreased from RMB24.5 million as of December 31, 2021 to RMB13.6 million as of December 31, 2022, primarily due to revenue recognition. Our contract liabilities subsequently increased to RMB18.5 million as of December 31, 2023, primarily due to an increase in advance payments of property management fees from our customers.

As of the Latest Practicable Date, approximately RMB7.3 million, or 39.4% of our contract liabilities with trade in nature as of December 31, 2023 had subsequently recognized as revenue.

### Provisions

Provisions are recognized when our Group has a legal or constructive obligation arising as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. During the Track Record Period, we recorded provisions of RMB0.7 million, nil and nil, respectively, as of December 31, 2021 and 2022 and 2023, which were related to onerous contracts.

### Current Taxation

Our current taxation consists primarily of income tax payment. Our current taxation increased from RMB25.5 million as of December 31, 2021 to RMB30.3 million as of December 31, 2022, primarily due to the continuous increase in our profit before taxation as a result of our business expansion. Our current taxation decreased from RMB30.3 million as of December 31, 2022 to RMB13.9 million as of December 31, 2023, because we paid the corporate income tax accrued in 2022.

### Investment Properties

Our investment properties include two properties located in Shanghai. Our investment properties decreased from RMB11.1 million as of December 31, 2021 to nil as of December 31, 2022, primarily due to our disposition of the properties to CUCID Group in 2022 with reference to the valuation results as of December 31, 2021. As of December 31, 2023, there were no additions to investment properties.

### Property, Plant and Equipment

Our property, plant and equipment consist primarily of (i) motor vehicles; (ii) machinery and electronic equipment; (iii) furniture and others; (iv) leasehold improvement; and (v) right-of-use assets.

The following table sets forth a breakdown of the carrying amounts of our property, plant and equipment as of the dates indicated.

| | **As of December 31,** | | |
|---|---|---|---|
| | **2021** | **2022** | **2023** |
| | *(RMB'000)* | *(RMB'000)* | *(RMB'000)* |
| Motor vehicles | 17,311 | 12,833 | 8,421 |
| Machinery and electronic equipment | 3,532 | 2,161 | 8,962 |
| Leasehold improvement | 1,765 | 516 | 119 |
| Furniture and others | 888 | 341 | 421 |
| Right-of-use assets | 61 | 217 | 48 |
| **Total** | **23,557** | **16,068** | **17,971** |

The carrying amount of our property, plant and equipment decreased from RMB23.6 million as of December 31, 2021 to RMB16.1 million as of December 31, 2022, primarily due to decreases in (i) motor vehicles, (ii) machinery and electronic equipment, and (iii) leasehold improvement. The carrying amount of our property, plant and equipment slightly increased to RMB18.0 million as of December 31, 2023, primarily due to an increase in machinery and electronic equipment, which was mainly attributable to the purchase of Parking Company's gate equipment and operational vehicles for municipal sanitation services, partially offset by a decrease in motor vehicles. For details, please refer to Note 11(a) to the Accountants' Report included in Appendix I to this document.

**Intangible Assets**

Our intangible assets consist primarily of software. We had intangible assets of approximately RMB0.2 million and RMB0.1 million and RMB0.1 million as of December 31, 2021, 2022 and 2023, respectively, which was reduced by amortization.

**Investments in Joint Ventures**

Our investments in joint ventures amounted to RMB8.8 million, RMB11.1 million and RMB13.1 million as of December 31, 2021, 2022 and 2023, respectively.

The following table sets forth summarized financial information of Pingxiang Huiheng Pilot Property Management Co., Ltd. (萍鄉市匯恒先導物業管理有限公司) ("Pingxiang Huiheng"), a material joint venture of our Group, adjusted for any differences in accounting policies, and reconciled to the carrying amounts:

| | As of/ For the year ended December 31, | | |
|---|---|---|---|
| | **2021** | **2022** | **2023** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Current assets | 17,959 | 24,894 | 25,160 |
| Non-current assets | 667 | 492 | 299 |
| Current liabilities | (7,648) | (12,521) | (10,412) |
| Equity | 10,978 | 12,865 | 15,047 |
| Revenue | 23,422 | 26,007 | 25,021 |
| Profit from continuing operations | 4,348 | 1,887 | 2,182 |
| Profit and total comprehensive income | 4,348 | 1,887 | 2,182 |
| Reconciled to our Group's interest in the joint venture | | | |
| Gross amount of net assets of the joint venture | 10,978 | 12,865 | 15,047 |
| Group's effective interest | 55.0% | 55.0% | 55.0% |
| Group's share of net assets of the joint venture | 6,038 | 7,076 | 8,276 |
| Group's share of profits and total comprehensive income | 2,391 | 1,038 | 1,200 |

The following table sets forth the aggregate information of joint ventures that are not individually material, including Wangcheng Property Management and Huaihua Property Management, as of the dates or for the years indicated.

| | As of/For the year ended December 31, | | |
|---|---|---|---|
| | **2021** | **2022** | **2023** |
| | *(RMB'000)* | *(RMB'000)* | *(RMB'000)* |
| Aggregate carrying amount of individually immaterial joint ventures in the historical financial information | 2,747 | 3,984 | 4,804 |
| Aggregate amounts of our Group's share of those joint ventures' profits less losses and net total comprehensive income | (680) | 1,237 | 310 |

Our investments in joint ventures including our respective interests in (i) Pingxiang Huiheng, a company providing property management services; (ii) Wangcheng Property Management, a company providing property management services; and (iii) Huaihua Property Management, a company providing property management services. The increase in carrying amount of joint ventures throughout the Track Record Period was primarily due to respective business growth. For details, please refer to Note 13 to the Accountants' Report included in Appendix I to this document.

**Investment in an Associate**

Our investment in an associate amounted to RMB14.0 million, RMB11.2 million and RMB11.0 million as of December 31, 2021, 2022, and 2023, respectively.

The following table sets forth summarized financial information of the associate as of the dates indicated.

| | As of/For the year ended December 31, | | |
|---|---|---|---|
| | **2021** | **2022** | **2023** |
| | *(RMB'000)* | *(RMB'000)* | *(RMB'000)* |
| Carrying amount of associate in the consolidated statements of financial position | 14,046 | 11,222 | 11,039 |
| Amounts of our Group's share of associate net profits and total comprehensive income | 2,935 | 817 | 668 |

Our investment in an associate represents our 40% interest in Changsha Chengyu Commercial Management Co., Ltd. (長沙市城寓商業管理有限公司), a company providing property management services and the carrying amount of the associate decreased from RMB14.0 million as of December 31, 2021 to RMB11.2 million as of December 31, 2022, primarily due to dividend payments. The carrying amount of the associate remained relatively stable at RMB11.2 million and RMB11.0 million as of December 31, 2022 and 2023, respectively.

### Deferred Tax Assets

Deferred tax assets arise from deductible temporary differences, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. We recorded deferred tax assets of RMB5.2 million, RMB7.3 million and RMB10.2 million as of December 31, 2021, 2022 and 2023, respectively. The increase in deferred tax assets was primarily because we recognized the relevant amount of allowance for expected credit losses as in accordance with our accounting policy.

As of December 31, 2021, 2022 and 2023, we had deductible temporary difference of RMB1,596,000, RMB1,596,000 and RMB1,596,000, respectively, in relation to which no deferred tax asset has been recognized, as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilized.

## LIQUIDITY AND CAPITAL RESOURCES

We have historically funded our cash requirements principally from cash generated from our business operations. Subsequent to the [**REDACTED**], we intend to finance our future capital requirements through cash generated from our business operations, and the net [**REDACTED**] from the [**REDACTED**]. We currently do not anticipate any changes to the availability of financing to fund our operations in the near future. We had cash and cash equivalents of RMB129.9 million, RMB123.8 million and RMB210.2 million as of December 31, 2021, 2022 and 2023, respectively.

### Cash Flow Analysis

The following table sets forth our cash flows for the years indicated.

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

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

***Net Cash Generated from/ (Used in) Operating Activities***

Net cash generated in operating activities for the year of 2023 was RMB77.7 million, which consisted primarily of profit before taxation of RMB93.0 million, adjusted for certain (i) non-cash and non-operating items, which primarily comprised (a) expected credit loss on trade receivables, other receivables and contract assets of RMB7.3 million, and (b) depreciation and amortization of RMB7.1 million; and (ii) changes in working capital, which primarily comprised (a) an increase in trade and other payables of RMB80.9 million, and (b) a decrease in prepayments, trade and other receivables of RMB34.6 million, partially offset by an increase in contract assets of RMB98.3 million.

Net cash used in operating activities for the year of 2022 was RMB8.1 million, which consisted primarily of profit before taxation of RMB70.7 million, minus income tax paid of RMB14.4 million, adjusted for certain (i) non-cash and non-operating items, which primarily comprised (a) expected credit loss on trade receivables, other receivables and contract assets of RMB10.8 million, and (b) depreciation and amortization of RMB9.1 million; and (ii) changes in working capital, which primarily comprised (a) an increase in contract assets of RMB74.5 million, (b) an increase in trade and other payables of RMB53.6 million, and (c) an increase in prepayments, trade and other receivables of RMB46.0 million.

Net cash generated from operating activities for the year of 2021 was RMB43.4 million, which consisted primarily of profit before taxation of RMB54.2 million, adjusted for certain (i) non-cash and non-operating items, which primarily comprised (a) expected credit loss on trade receivables, other receivables and contract assets of RMB11.9 million, and (b) depreciation and amortization of RMB8.3 million; and (ii) changes in working capital, which primarily comprised (a) an increase in contract assets of RMB69.0 million, (b) an increase in trade and other payables of RMB64.8 million, and (c) an increase in prepayments, trade and other payables of RMB31.0 million.

***Net Cash (Used in)/ Generated from Investing Activities***

Net cash generated from investing activities for the year of 2023 was RMB58.3 million, which consisted primarily of proceeds from repayment of advances to related parties of RMB66.6 million, partially offset by (i) capital contribution to a joint venture of RMB0.5 million, and (ii) advances to related parties of RMB0.4 million.

Net cash generated from investing activities for the year of 2022 was RMB20.3 million, which consisted primarily of (i) proceeds from proceeds from repayment of advances to related parties of RMB14.0 million; and (ii) and proceeds from disposal of property, plant and equipment and investment properties of RMB11.9 million.

Net cash used in investing activities for the year of 2021 was RMB41.1 million, which consisted primarily of (i) payments for purchase of property, plant and equipment of RMB22.7 million; and (ii) advances to related parties of RMB20.8 million.

***Net Cash Used in Financing Activities***

Net cash used in financing activities for the year of 2023 was RMB49.6 million, which consisted primarily of (i) repayments of advances from related parties of RMB28.6 million, and (ii) payment of [**REDACTED**] of RMB18.6 million.

Net cash used in financing activities for the year of 2022 was RMB18.3 million, which consisted primarily of (i) repayments of advances from related parties of RMB11.7 million; and (ii) dividend paid of RMB7.7 million.

Net cash used in financing activities for the year of 2021 was RMB0.8 million, which consisted primarily of repayments of advances from related parties of RMB10.0 million, partially offset by advances from related parties of RMB9.3 million.

## INDEBTEDNESS

The table below sets forth our indebtedness as of the dates indicated:

| | As of December 31, | | | As of February 29, |
|---|---|---|---|---|
| | **2021** | **2022** | **2023** | **2024** |
| | *(RMB'000)* | *(RMB'000)* | *(RMB'000)* | *(RMB'000)* *(unaudited)* |
| **Current** | | | | |
| – Lease liabilities | 40 | 148 | 30 | 10 |
| – Amounts due to related parties | 45,928 | 47,755 | 10,008 | 8,647 |
| **Non-Current** | | | | |
| – Lease liabilities | – | 30 | – | – |
| **Total** | **45,968** | **47,933** | **10,038** | **8,657** |

Our indebtedness amounted to RMB46.0 million, RMB47.9 million, RMB10.0 million and RMB8.7 million as of December 31, 2021, 2022 and 2023 and February 29, 2024, being the latest practicable date for determining our indebtedness, respectively, which was related to (i) amounts due to related parties (non-trade in nature) and (ii) our lease liabilities. For details, please refer to (a) the paragraph headed "– Discussion of Certain Selected Items from Our Consolidated Statements of Financial Position – Other Payables", and (b) the paragraph headed "– Discussion of Certain Selected Items from Our Consolidated Statements of Financial Position – Lease Liabilities" in this section. We will settle the amounts due to related parties with non-trade in nature prior to the [**REDACTED**].

During the Track Record Period and as of the Latest Practicable Date, our Directors confirm that to the best of their knowledge, we did not have material defaults in payment of lease liabilities or breach of any finance covenants. Our Directors further confirm that we did not experience any difficulty in obtaining bank loans and other borrowings, default in payment of bank loans and other borrowings or breach of covenants during the Track Record Period and up to the Latest Practicable Date. As of December 31, 2021, 2022 and 2023 and the Latest Practicable Date, we did not have any bank borrowings, other interest-bearing borrowings, or banking facilities.

### Contingent Liabilities

During the Track Record Period and up to the Latest Practicable Date, we did not have any material contingent liabilities.

Save as otherwise disclosed under paragraphs headed "– Indebtedness" and "– Contractual Obligations" in this section, as of February 29, 2024, being the latest practicable date for determining our indebtedness statement, we did not have any outstanding mortgages, charges, debentures, other issued debt capital, bank overdrafts, borrowings, liabilities under acceptance or other similar indebtedness, hire purchase commitments, guarantees or other material contingent liabilities. Our Directors have confirmed that there has been no material change in our indebtedness up to the Latest Practicable Date.

## CAPITAL EXPENDITURES

Our historical capital expenditures during the Track Record Period primarily included purchase of property, plant and equipment and capital contribution to an associate.

The following table sets forth the amount of capital expenditure incurred during the Track Record Period.

| | For the year ended December 31, | | |
|---|---|---|---|
| | **2021** | **2022** | **2023** |
| | *(RMB'000)* | *(RMB'000)* | *(RMB'000)* |
| Additions to purchase of property, plant and equipment | 23,704 | 2,797 | 8,926 |
| Capital contribution to an associate | – | – | – |
| Capital contribution to a joint venture | 1,275 | – | 510 |
| **Total** | **24,979** | **2,797** | **9,436** |

We will continue to make capital expenditures to meet the expected growth of our business expansion plan. We expect to finance our future capital expenditures through a combination of existing cash and cash equivalents, and net [**REDACTED**] from the [**REDACTED**]. For details, please refer to the section headed "Future Plans and [**REDACTED**]" in this document. We may adjust our capital expenditures for any given period according to our development plans or in light of market conditions and other factors we believe to be appropriate.

## KEY FINANCIAL RATIOS

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

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

*Notes:*

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

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

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

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

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

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

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

Our return on equity decreased from 33.0% in 2021 to 32.5% in 2022, primarily due to a decrease in equity multiplier as partially offset by an increase in net profit margin in 2022. Our return on equity further decreased to 31.8% in 2023, mainly attributable to the increase in our total equity.

Our return on total assets remained relatively stable at 10.4% in 2021 and 10.8% in 2022. Our return on total assets increased to 11.8% in 2023, primarily attributable to the increase in our net profit margin in 2023.

Our current ratio remained relatively stable at 1.3 times, 1.4 times and 1.5 times as of December 31, 2021, 2022 and 2023.

The amount of our inventories was relatively insignificant and, hence, our quick ratios as of December 31, 2021, 2022 and 2023 were similar to our current ratios.

Our gearing ratio decreased from 217.3% as of December 31, 2021 to 190.5% as of December 31, 2022 and further decreased to 154.1% as of December 31, 2023, primarily due to the changes in our amounts due to related parties during the Track Record Period. See "– Discussion of Certain Selected Items from Our Consolidated Statements of Financial Position – Trade and Other Payables."

## CONTRACTUAL OBLIGATIONS

### Capital Commitments

We mainly have capital commitments with respect to contribution to the associate and joint ventures. Capital expenditure contracted for but not yet incurred as of December 31, 2021, 2022 and 2023, was RMB7.2 million, RMB7.2 million and RMB6.7 million, respectively.

## RELATED PARTY TRANSACTIONS

We enter into transactions with our related parties from time to time. For details, please refer to Note 28 to the Accountants' Report included in Appendix I to this document. Our balances with related parties of trade receivables, trade payables, contract assets and contract liabilities are all trade in nature and are expected to be settled/recognized as revenue based on the relevant contract terms or the progress of services provided to the customers. Our balances with related parties of other payables as of Latest Practicable Date were non-trade in nature. We will settle the amounts due to related parties with non-trade in nature prior to the [**REDACTED**]. Our Directors have confirmed that the amounts due from related parties with non-trade nature had been settled in full as of the Latest Practicable Date.

Our Directors are of the view that each of the related party transactions set out in Note 28 to the Accountants' Report included in Appendix I to this document was conducted on an arm's length basis and with normal commercial terms between the relevant parties, which would not distort our track record results or cause our historical results to become non-reflective of our future performance.

## OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the Latest Practicable Date, we had not entered into any financial guarantees or other commitments to guarantee the payment obligations of any third parties. We have not entered into any derivative contracts that are indexed to our shares and classified as Shareholder's equity or that are not reflected in our consolidated financial statements. Furthermore, we do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing, hedging or product development services with us.

## FINANCIAL RISKS DISCLOSURE

We are exposed to a variety of risks, including credit, liquidity and interest risk. We manage and monitor these exposures to ensure appropriate measures are implemented in a timely and effective manner. For details, please refer to Note 26 to the Accountants' Report included in Appendix I to this document.

### Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to our Group. Our Group's credit risk is primarily attributable to trade and other receivables and contract assets. Our Group's exposure to credit risk arising from cash and cash equivalents and restricted bank deposits are limited because the counterparties are banks, financial institutions with a significant credit standing assigned by external rating agency, for which our Group considers having low credit risk. For the purposes of internal credit risk management, our Group has applied the general approach in IFRS 9 to measure the loss allowance at 12-month ECLs as there is no significant increase in credit risk since initial recognition. Our Group determines the ECLs for these assets by assessment of probability of default, loss given default and exposure at default.

Our Group does not provide any guarantees which would expose our Group to credit risk.

For other receivables, our Directors make periodic individual assessment on the recoverability of other receivables based on historical settlement record, past experience and supportive forward – looking information. As of December 31, 2021, 2022 and 2023, loss allowance of RMB0.8 million, RMB0.9 million and RMB1.6 million was recognized in respect of other receivables based on our Group's assessment.

To measure the ECLs, trade receivables and contract assets have been assessed on individual basis or on customer groups based on shared credit risk characteristics and the days past due. The historical loss rates are determined by reference to the credit rating analysis of respective customers and external data or based on the payment profiles of sales over a period before the respective year ends and the corresponding historical credit losses experienced within these periods. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

Expected loss rates are based on actual loss experience over the past years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and our Group's view of economic conditions over the expected lives of the receivables. Trade receivables from third parties usually have higher expected loss rates. As of December 31, 2021, 2022 and 2023, trade receivables from third parties accounted for 47.9%, 48.0% and 48.6% of the total trade receivables. Loss allowances are calculated based on the ECL rates and reflected the fluctuations in trade receivables from third parties during the Track Record Period.

Based on the above, our Directors are of the view that the allowance for ECLs on trade receivables and contract assets is considered adequate.

## DIVIDENDS

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

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

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

## WORKING CAPITAL SUFFICIENCY

Our Directors are of the opinion that, taking into account the financial resources available to our Group, including the estimated net [**REDACTED**] from the [**REDACTED**] and the expected cash generated from operating activities, we have sufficient working capital for our present requirements and for the next 12 months from the date of this document.

## DISTRIBUTABLE RESERVES

As of December 31, 2023, we had RMB129.9 million of retained earnings available for distribution to our shareholders.

## [REDACTED] EXPENSES

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

## NO MATERIAL ADVERSE CHANGE

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

## DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors confirm that, as of the Latest Practicable Date, there were no circumstances that would give rise to a disclosure requirement under Rules 13.13 to Rules 13.19 of the Listing Rules.

## UNAUDITED [REDACTED] STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

Please refer to Appendix II to this document for the unaudited [**REDACTED**] adjusted net tangible assets of our Group, and is set out therein to illustrate the effect of the [**REDACTED**] on the net tangible assets of our Group attributable to the equity shareholder of our Company as of December 31, 2023 as if the [**REDACTED**] had taken place on December 31, 2023.