
SUMMARY

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

OVERVIEW

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

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

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

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

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

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OUR BUSINESS MODEL

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

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

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

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

Note:

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

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

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

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

Note:

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

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

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

Notes:

- (1) The retention rate is not applicable to landscaping and engineering projects, as they are projects of a one-off nature.
- (2) The low retention rate of public projects sourced from CSUD Group and its associates in 2022 was primarily due to three reasons: (i) reallocation of our resources to more profitable projects; (ii) expiration of several ad hoc projects; and (iii) expiration of a project not requiring property management services thereupon.
- (3) The low retention rate of parking lot operation projects sourced from Independent Third Parties in 2021 was due to the expiration of two projects, as the designated land of the two projects was no longer available for continued use as parking lots.

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Select Material Fluctuations in Our Revenue

By Type of Services

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

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

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

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

By Source of Projects

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

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

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

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

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

Notes:

- (1) The classification of the sources of our Group’s projects is determined by the initial sources where our Group obtained the projects and derived economic benefits (for example, property developers, property owners, lessors of the parking spaces and counterparties of the contracts for urban services other than parking lot operation) rather than by the ultimate users of our Group’s services (i.e. customers). In particular, with regard to urban services other than parking lot operation, counterparties of the contracts are the ultimate users of our Group’s services.
- (2) During the Track Record Period, all of our commercial operation service projects were sourced from CSUD Group and its associates.

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

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

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

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By Customers

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

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

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

Select Material Fluctuations in Our Gross Profit and Gross Profit Margin

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

	For the year ended December 31,					
	2021		2022		2023	
	<i>Gross</i>		<i>Gross</i>		<i>Gross</i>	
	<i>Gross profit</i>		<i>Gross profit</i>		<i>Gross profit</i>	
	<i>profit margin</i>		<i>profit margin</i>		<i>profit margin</i>	
	(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.

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By Type of Services

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

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

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

By Source of Projects

In 2021 and 2022, our gross profit and gross profit margin of property management projects sourced from CSUD Group and its associates amounted to RMB26.7 million and RMB22.1 million, and 20.2% and 14.7%, respectively, while that from Independent Third Parties amounted to RMB11.7 million and RMB8.0 million, and 19.4% and 14.1%, respectively. Our gross profit margin of property management projects sourced from Independent Third Parties remained comparable with that from CSUD Group and its associates. In 2023, the gross profit and gross profit margin of our property management projects sourced from CSUD Group and its associates amounted to RMB24.3 million and 14.1% while that from Independent Third Parties amounted to RMB11.7 million, and 17.6%. The lower gross profit

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

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

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

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

Key Components of the Cost Structure

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

SUPPLIERS AND CUSTOMERS

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

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

SUMMARY

OUR STRENGTHS

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

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

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

OUR STRATEGIES

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

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

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

SUMMARY

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

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

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

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

SUMMARY

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

Summary of Consolidated Statements of Financial Position

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

Our net assets increased by RMB41.8 million from RMB143.9 million as of December 31, 2021 to RMB185.7 million as of December 31, 2022, primarily due to the profit and total comprehensive income of RMB53.6 million we recorded in 2022, partially offset by the effect of Reorganization of RMB11.8 million, primarily in relation to (i) the deemed distribution relating to our gratuitous transfer of Dufu River Tower tourism operation business and related net assets to Yuelushan Company at nil consideration on December 31, 2021, which was mainly driven by our Group’s strategy to focus on property management and urban services, while integrating Dufu River Tower tourism operation business with the culture and tourism business

SUMMARY

of CSUDGCL; and (ii) our acquisition consideration of approximately RMB9.8 million paid to Chengfa Smart Travel Company for 100.0% equity interest in the Parking Company on August 19, 2022, in order to integrate the parking lot management business into our urban services. See “Financial Information – Discussion of Certain Selected Items from Our Consolidated Statements of Financial Position.” Our net assets increased by RMB70.2 million from RMB185.7 million as of December 31, 2022 to RMB255.9 million as of December 31, 2023, primarily due to the profit and total comprehensive income of RMB70.2 million we recorded in 2023 and nil dividends declared in the same year.

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

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

Summary of Consolidated Statements of Cash Flows

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

SUMMARY

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

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

KEY FINANCIAL RATIOS

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

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

SUMMARY

Notes:

- (1) Gross profit margin is calculated using gross profit for the year by total revenue for the year and multiplied by 100%.
- (2) Net profit margin is calculated using profit and total comprehensive income for the year divided by total revenue for the year and multiplied by 100%.
- (3) Return on equity is calculated based on profit and total comprehensive income for the year divided by the average of the beginning and ending total equity for that year and multiplied by 100%.
- (4) Return on total assets is calculated based on the profit and total comprehensive income for the year divided by the average of the beginning and ending total assets for that year and multiplied by 100%.
- (5) Current ratio is calculated by dividing current assets by current liabilities.
- (6) Quick ratio is calculated by dividing current assets less inventories by current liabilities.
- (7) Gearing ratio is calculated based on our total liabilities divided by our total equity as of the respective dates and multiplied by 100%.

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

RISK FACTORS

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

- a significant portion of our operation is concentrated in Changsha, Hunan Province, and we are susceptible to unfavorable shifts in government policies or the business environment in this region;
- a substantial portion of our projects during the Track Record Period was generated from CSUD Group and its associates, as well as local government and its affiliated entities, public institutions, and other SOEs in Changsha;
- we may not be able to secure new service contracts or renew our existing service contracts;
- delays in receiving payment or failure to collect service fees from customers may result in the risk of impairment losses on our trade receivables and adversely impact our financial condition and liquidity;
- damage to the common areas of the properties we manage or operate and the public urban areas where we provide the lighting operation system services could adversely affect our business, financial condition and results of operations; and
- increase in labor costs may adversely affect our business and reduce our profitability.

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

RECENT REGULATORY DEVELOPMENTS

The “Three Red Lines” Policy

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

Management Measures of Property Service Fees in Hunan Province

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

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Overseas Listing Trial Measures

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

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

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

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

Effects of the COVID-19 Pandemic on Our Business Operation

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

Effects of the COVID-19 Pandemic on Our Financial Condition

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

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

COMPETITION

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

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

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RECENT DEVELOPMENT

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

NO MATERIAL ADVERSE CHANGE

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

OUR SHAREHOLDING STRUCTURE AND RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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

Our Directors are of the view that the businesses of our Group and CSUD Group are clearly delineated. CSUD Group principally assumes the roles of developer, owner and/or investor in respect of the properties and projects developed or invested by CSUD Group with the purpose of maximizing CSUD Group’s investment interests and brand value in such self-developed properties and infrastructure construction projects; whereas our Group is principally a light-asset service provider without holding any ownership interest in our managed properties, with our property management services aimed at keeping the properties safe, clean and functional, our urban services aimed at improving the environment of property

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developments and addressing the lifestyle needs of existing residents, and our commercial operation services aimed at promoting and marketing the properties under management. Whilst there exist limited overlapping or similar businesses, our Directors are of the view that these will not materially affect the business delineation between our Group and CSUD Group, and the interests of CSUD Group in the existing limited overlapping or similar businesses do not, and will not, give rise to (i) any direct or indirect competition between our Group and CSUD Group in any material aspect; or (ii) any actual or potential conflict of interest between our Group and CSUD Group in any material aspect.

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

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

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

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

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

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

DIVIDENDS

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

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

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

[REDACTED] STATISTICS⁽¹⁾

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

Notes:

- (1) All statistics in this table are on the assumption that the [REDACTED] is not exercised.
- (2) The calculation of market capitalization is based on [REDACTED] Shares expected to be in issue immediately upon completion of the [REDACTED].
- (3) The unaudited [REDACTED] adjusted consolidated net tangible assets attributable to equity shareholders of the Company per Share is calculated after making the adjustments referred to “Appendix II – Unaudited [REDACTED] Financial Information” to this document.

SUMMARY

[REDACTED]

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

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

- approximately [REDACTED]%, or HK\$[REDACTED] million, will be used for pursuing potential strategic acquisition opportunities of property management service providers and urban service providers with a geographic focus on Hunan Province, Jiangxi Province and Guizhou Province, so as to maximize potential collaborative advantages with our existing business, enhance our geographic presence, and boost our business development;
- approximately [REDACTED]%, or HK\$[REDACTED] million, will be used for the purchase of operational vehicles and equipment for municipal sanitation services and lighting system operation services, thereby progressively enhancing our service capacity;
- approximately [REDACTED]%, or HK\$[REDACTED] million, will be used over the next four years for further technology development to bolster our technological capabilities;
- approximately [REDACTED]%, or HK\$[REDACTED] million, will be used for recruiting talent and improving employee training to support sustainable business development; and
- approximately [REDACTED]%, or HK\$[REDACTED] million, will be used for working capital and other general corporate purposes.

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

SUMMARY

[REDACTED]

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