Application Proof of

SHUM YIP PROPERTY OPERATIONS GROUP CO., LTD
深業物業運營集團股份有限公司

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

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SHUM YIP PROPERTY OPERATIONS GROUP CO., LTD
深業物業運營集團股份有限公司

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

[REDACTED]

Number of [REDACTED] under the [REDACTED]	**:**	**[REDACTED] H Shares (subject to the [REDACTED])**
Number of Hong Kong [REDACTED]	**:**	**[REDACTED] H Shares (subject to adjustment)**
Number of [REDACTED]	**:**	**[REDACTED] H Shares (including [REDACTED] under the [REDACTED]) (subject to adjustment and the [REDACTED])**
Maximum [REDACTED]	**:**	**HK$[REDACTED] per H Share, plus brokerage of 1.0%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and Hong Kong Stock Exchange trading fee of 0.00565% (payable in full on application in Hong Kong dollars and subject to refund)**
Nominal value	**:**	**RMB1.0 per H Share**
Stock code	**:**	**[REDACTED]**

***Joint Sponsors,* [REDACTED], [REDACTED], [REDACTED] *and* [REDACTED]**

CICC 中金公司 CITIC SECURITIES 建银国际 CCB International

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This summary aims to give you an overview of the information contained in this document. As it is a summary, it does not contain all the information that may be important to you and is qualified in its entirety by, and should be in conjunction with, the full text of this document. You should read the entire document before you decide to invest in the **[REDACTED]**.

There are risks associated with any investment. Some of the particular risks in investing in the **[REDACTED]** *are set forth in "Risk Factors" in this document. You should read that section carefully before you decide to invest in the* **[REDACTED]**.

OVERVIEW

We are a comprehensive property management, commercial operational and city services provider in China. Since our inception over 30 years ago in Shenzhen, we have established a comprehensive suite of services in these domains. Our initial focus in the Greater Bay Area has fostered our growing footprints across China, supported by favorable regional policies that promote the development of the property management market nationwide. With our full-service business model, emphasis on the Greater Bay Area and business strategies, we are positioned to establish nationwide coverage.

Before completion of the Spin-off, we are a subsidiary of Shenzhen Investment. Shenzhen Investment is principally engaged in property development, property investment, property management and industrial manufacturing business. Immediately upon completion of the Spin-off, we will remain as a subsidiary of Shenzhen Investment.

As of June 30, 2024, we had a total contracted GFA of approximately 92.3 million sq.m. and had a total of 498 projects under management, with a total GFA under management of approximately 89.2 million sq.m., covering 46 cities and 14 provinces in China. As of June 30, 2024, our total GFA under management in the Greater Bay Area was approximately 60.2 million sq.m., representing 67.5% of our total GFA under management.

Our property management coverage has strengthened our financial standing and market share in the comprehensive property management, commercial operational and city services market in China. According to Frost and Sullivan, in 2023, we ranked ninth in terms of revenue among all comprehensive property management, commercial operational and city services providers in China and fifth among PRC state-owned comprehensive property management, commercial operational and city services providers in China, each with a 0.3% market share. In particular, the top ten companies accounted for approximately 10.9% of the total revenue in this market, which indicates our market presence in the competitive landscape.

In addition to our financial standing and market share, we have been accredited with several industry awards. During the Track Record Period, we ranked:

- 7th in 2022 in the Top 50 State-owned Property Management Companies in China in terms of Overall Strength (2022中國國有物業服務企業綜合實力50強第7名), according to CRIC Property Management and CPMRI;
- 20th in the 2022 Top 100 Property Management Companies in China (2022中國物業服務百強企業第20名), according to China Index Academy;
- 6th in the 2023 Top 100 State-owned Property Management Companies in China in terms of Overall Strength (2023中國國有物業服務企業綜合實力100強第6名), and 30th in the 2023 Top 500 Property Management Companies in China in terms of Overall Strength (2023中國物業服務企業綜合實力500強第30名), according to CRIC Property Management and CPMRI;

- 17th in the 2023 Top 100 Property Management Companies in China (2023中國物業服務百強企業第17名), according to China Index Academy; and

- 15th in the 2024 Top 100 Property Management Companies in China (2024中國物業服務百強企業第15名), according to China Index Academy.

Since 1985, we have been providing property management services in China. With our extensive industry experience and market recognition, we became one of the first enterprises to receive the "First-Grade Property Management Qualification" (一級資質物業管理企業) from the former Ministry of Construction (presently known as MOHURD) in 2001. Building upon our property management capabilities serving residential and commercial properties, we have been capturing the emerging opportunities in city services and commercial operational services and, have expanded our management portfolio to government facilities, public institutions, sub-districts, industrial parks, commercial complexes, office buildings and hotels. Meanwhile, these opportunities have broadened our customer base, which now ranges from property developers, local governments, public institutions and corporations (including Fortune 500 companies) to merchants and residents. We categorize our services into the following three business segments:

- ***City and industrial park services.*** We mainly provide municipal services, public facility management services and industrial park services to local governments, public institutions, corporations in industrial parks and property developers. To cater to the diverse needs of these customers and provide differentiated services, we launched several service series, including *Shenxiang Cheng (深享城)*, *Shenxiang Ye (深享業)*, *Shenxiang Yuan (深享園)* and developed Shum Yip Technical Support, a group of five support companies specializing in elevator maintenance, electrical and mechanical maintenance, greening, environmental services and catering services. As of June 30, 2024, we managed a total of 252 city and industrial parks projects, with a total GFA under management of approximately 55.9 million sq.m., representing 62.7% of our total GFA under management.

- ***Residential property management services.*** We mainly provide property management services, value-added services for non-property owners and community valued-added services to property owners, residents and property developers. In this business segment, we launched *Shenxiang Ju (深享居)* service series, with the assistance from our Shum Yip Technical Support. As of June 30, 2024, we managed a total of 175 residential properties projects, with a total GFA under management of approximately 28.4 million sq.m., representing 31.9% of our total GFA under management.

- ***Commercial property operational and management services***. We provide commercial operational services, property management services and value-added services to corporations, merchants, property developers, property owners and tenants. In this business segment, we established *Shenxiang Shang (深享商)* service series and designated Shum Yip CM to provide services to commercial properties such as large-scale commercial complexes. As of June 30, 2024, we managed a total of 71 commercial properties projects, with a total GFA under management of approximately 4.9 million sq.m., representing 5.4% of our total GFA under management.

Business Model

The following chart describes the relationships between our business segments, service lines and service series.

Business Segments	**City and industrial park services**	**Residential property management services**	**Commercial property operational and management services**
Service Lines and example of services	• municipal services – cleaning – greening – waste sorting • public facility management services – maintenance – security – car park management • industrial park services – disinfection – value-added services	• property management services – cleaning – greening – repair and maintenance • value-added services for non-property owners – sales offices management services – other value-added services • community valued-added services – community living services – space operational services – asset management services	• commercial operational services – leasing – operational services • property management services – cleaning – greening – public facilities and equipment maintenance • value-added services – car park management – venue management – additional air conditioning – for decoration materials waste collection and transportation
Service Series	*Shenxiang Cheng* (深享城) *Shenxiang Ye* (深享業) *Shenxiang Yuan* (深享園)	*Shenxiang Ju* (深享居)	*Shenxiang Shang* (深享商) Shum Yip CM
	Shum Yip Technical Support		

The table below sets forth our GFA under management and number of projects by business segment as of the dates indicated, by type of property developer:

	As of December 31,												As of June 30,			
	2021				2022				2023				2024			
	GFA under management		Number of projects		GFA under management		Number of projects		GFA under management		Number of projects		GFA under management		Number of projects	
	(sq.m.'000)	*(%)*		*(%)*	*(sq.m.'000)*	*(%)*		*(%)*	*(sq.m.'000)*	*(%)*		*(%)*	*(sq.m.'000)*	*(%)*		*(%)*
Shum Yip Group, its subsidiaries, joint ventures and associates																
– City and industrial park services	2,553.9	4.3	11	2.5	5,391.9	7.9	20	4.4	5,409.4	6.7	22	4.3	3,147.7	3.5	20	4.0
– Residential property management service	11,285.7	19.2	60	13.4	11,404.0	16.6	62	13.5	12,786.4	15.9	69	13.5	12,939.4	14.5	72	14.5
– Commercial property operational and management services	2,266.2	3.9	29	6.5	2,300.3	3.4	30	6.5	2,380.9	3.0	37	7.2	2,442.2	2.7	39	7.8
Subtotal	**16,105.8**	**27.4**	**100**	**22.4**	**19,096.2**	**27.9**	**112**	**24.4**	**20,576.7**	**25.6**	**128.0**	**25.0**	**18,529.3**	**20.8**	**131**	**26.3**
Independent third parties																
– City and industrial park services	26,044.7	44.4	220	49.2	33,437.3	48.9	224	48.8	42,773.0	53.2	247	48.1	52,790.5	59.2	232	46.6
– Residential property management service	15,466.5	26.3	101	22.6	14,738.9	21.5	96	20.9	15,830.9	19.7	104	20.3	15,485.6	17.4	103	20.7
– Commercial property operational and management services	1,092.0	1.9	26	5.8	1,190.5	1.7	27	5.9	1,289.0	1.5	34	6.6	2,408.1	2.7	32	6.4
Subtotal	**42,603.2**	**72.6**	**347**	**77.6**	**49,366.7**	**72.1**	**347**	**75.6**	**59,892.9**	**74.4**	**385**	**75.0**	**70,684.2**	**79.2**	**367**	**73.7**
Total	**58,709.0**	**100%**	**447**	**100.0**	**68,462.9**	**100%**	**459**	**100.0**	**80,469.6**	**100%**	**513**	**100.0**	**89,213.5**	**100.0**	**498**	**100.0**

Capitalizing on our reputation, distinctive service portfolio and long operational experience, we are committed to delivering quality services catering to our customers' needs. During the Track Record Period, we achieved stable financial growth as our business scale, number of projects and GFA under management expanded. In particular, we experienced growth in the GFA under management of projects developed by the independent third parties during the Track Record Period. The GFA under management of projects developed by the independent third parties increased from 42.6 million sq.m. as of December 31, 2021 to 70.7 million sq.m. as of June 30, 2024.

OUR COMPETITIVE STRENGTHS

We believe that we have the following major competitive strengths in the property management industry in China:

- comprehensive property management, commercial operational and city services provider rooted in the Greater Bay Area with growing footprints across China;
- diversified non-residential service portfolio with excellent service capabilities;
- integrated service and brand portfolio with strong market expansion;
- strong shareholder support with state-owned enterprise background;
- widely adopted digitalized management; and
- experienced and visionary management team with strong social responsibility.

OUR BUSINESS STRATEGIES

We aim to be a leading comprehensive property management, commercial operational and city services provider in China with the following strategies:

- expand our business scale and solidify our market position;
- enhance service quality and customer satisfaction;
- optimize our digitalized service platform and invest in new equipment; and
- strengthen the influence of our commercial operational services.

OUR CUSTOMERS AND SUPPLIERS

We have a growing customer base primarily consisting of property owners, tenants, property developers, residents and local governments and public authorities. The table below sets forth the types of our major customers for each of our three business segments:

Business Segment	Major Customers
City and industrial park services	Local governments, public institutions, corporations and property developers
Residential property management services	Property developers, property owners and residents
Commercial property operational and management services	Property developers, property owners and tenants (merchants)

In 2021, 2022, 2023 and six months ended June 30, 2024, revenue derived from our five largest customers amounted to RMB373.4 million, RMB496.0 million, RMB682.8 million and RMB373.3 million, respectively, accounting for 17.3%, 21.2%, 25.2% and 26.4% of our total revenue for the relevant periods, respectively. In 2021, 2022, 2023 and six months ended June 30, 2024, revenue derived from Shum Yip Group, its subsidiaries, joint ventures and associates, our largest customer, amounted to RMB136.0 million, RMB228.3 million, RMB262.1 million and RMB143.1 million, respectively, accounting for 6.3%, 9.7%, 9.7% and 10.1% of our total revenue for the relevant periods, respectively. For details, see "Business — Customers."

During the Track Record Period, our suppliers are generally subcontractors providing cleaning, security, greening and maintenance services. In 2021, 2022, 2023 and six months ended June 30, 2024, purchases from our five largest suppliers amounted to RMB176.3 million, RMB207.7 million, RMB319.9 million and RMB158.4 million, respectively, accounting for 9.5%, 10.3%, 14.0% and 13.4% of our total cost of services for the relevant periods, respectively. In 2021, 2022, 2023 and six months ended June 30, 2024, purchases from our largest supplier amounted to RMB72.8 million, RMB73.8 million, RMB99.3 million and RMB54.0 million, respectively, accounting for 4.0%, 3.7%, 4.3% and 4.5% of our total cost of services for the relevant periods, respectively. For details, see "Business — Suppliers."

OUR RETENTION RATE

Retention Rate

Our overall retention rate remained consistently high during the Track Record Period. In 2021, 2022, 2023 and the six months ended June 30, 2024, our overall retention rates were 91.9%, 90.5%, 92.9% and 94.9%, respectively.

Our retention rate increased from 92.9% in 2023 to 94.9%% in the six months ended June 30, 2024, primarily due to (i) our quality service which reinforces client relationships; and (ii) our improved customer engagement and service accessibility in the Greater Bay Area. The table below sets forth the breakdown of our retention rate for the years indicated, by type of property developers and business segments:

	For the year ended December 31,			For the six months ended June 30,
	2021	**2022**	**2023**	**2024**
		(%)		
City and industrial park services				
Shum Yip Group, its subsidiaries, joint ventures and associates	100.0	100.0	95.7	85.7
Independent third parties	88.3	84.8	86.7	91.4
Overall	88.8	86.1	87.5	90.9
Residential property management services				
Shum Yip Group, its subsidiaries, joint ventures and associates	100.0	100.0	100.0	100.0
Independent third parties	95.2	94.1	98.1	99.0
Overall	97.0	96.5	98.9	99.5
Commercial property operational and management services				
Shum Yip Group, its subsidiaries, joint ventures and associates	93.3	96.8	97.4	100.0
Independent third parties	84.6	85.2	97.1	93.9
Overall	89.3	91.4	97.2	97.3

SUMMARY OF KEY FINANCIAL INFORMATION

The summary financial information set forth below has been derived from, and should be read in conjunction with, our consolidated audited financial statements, including the accompanying notes, set forth in the Accountant's Report attached as Appendix I to this document, as well as the information set forth in "Financial Information."

Selected Consolidated Statements of Profit or Loss

	Year ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
	(RMB'million)	*(RMB'million)*	*(RMB'million)*	*(RMB'million)* (Unaudited)	*(RMB'million)*
Revenue	2,151.5	2,348.1	2,712.2	1,283.8	1,409.7
Cost of services	(1,871.9)	(2,009.9)	(2,286.1)	(1,081.5)	(1,188.0)
Gross profit	**279.6**	**338.2**	**426.1**	**202.3**	**221.7**
Administrative expenses	(189.4)	(222.6)	(230.2)	(106.1)	(103.0)
Net impairment losses on financial assets	(10.5)	(10.5)	(7.6)	(3.1)	(13.7)
Other income	19.2	34.2	16.1	9.5	8.0
Other gains/(losses) — net	3.1	2.5	(3.2)	(2.6)	0.4
Operating profit	**102.0**	**141.8**	**201.2**	**100.0**	**113.4**
Finance income	5.6	6.1	6.3	3.4	2.9
Finance costs	(3.0)	(3.1)	(1.7)	(1.0)	(0.7)
Finance income-net	**2.6**	**3.0**	**4.6**	**2.4**	**2.2**
Share of results of joint ventures and associates	4.3	11.1	10.9	6.9	7.7
Profit before income tax	**108.9**	**155.9**	**216.7**	**109.3**	**123.3**
Income tax expense	(34.4)	(35.2)	(56.4)	(26.4)	(30.8)
Profit for the year	**74.5**	**120.7**	**160.3**	**82.9**	**92.5**
Profit attributable to:					
Owners of the Company	74.7	119.6	158.9	82.0	92.3
Non-controlling interests	(0.2)	1.1	1.4	0.9	0.2

In 2021, 2022, 2023 and six months ended June 30, 2023 and 2024, our net profit was RMB74.5 million, RMB120.7 million, RMB160.3 million, RMB82.9 million and RMB92.5 million, respectively. We recorded net profits during the Track Record Period primarily due to our consistent revenue growth from our business expansion, which occurred at a greater margin than increases in our cost of services and operating and other expenses.

We experienced revenue growth during the Track Record Period, which was broadly in line with the increases in our GFA under management. The table below sets forth a breakdown of our revenue by segment for the years indicated:

	Year ended December 31,						Six months ended June 30,			
	2021		2022		2023		2023		2024	
	(RMB'million)	*%*	*(RMB'million)*	*%*	*(RMB'million)*	*%*	*(RMB'million)* (Unaudited)	*%*	*(RMB'million)*	*%*
City and industrial park services	857.4	39.9	1,020.2	43.5	1,213.5	44.8	579.5	45.1	637.0	45.2
Residential property management services	783.9	36.4	766.2	32.6	866.2	31.9	401.8	31.3	437.6	31.0
Commercial property operational and management services	510.2	23.7	561.7	23.9	632.5	23.3	302.5	23.6	335.1	23.8
Total	**2,151.5**	**100.0**	**2,348.1**	**100.0**	**2,712.2**	**100.0**	**1,283.8**	**100.0**	**1,409.7**	**100.0**

Gross Profit and Gross Profit Margin

In 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, our gross profit was RMB279.6 million, RMB338.2 million, RMB426.1 million, RMB202.3 million and RMB221.7 million, and our overall gross profit margin was 13.0%, 14.4%, 15.7%, 15.8% and 15.7%, respectively. In particular,

- *City and Industrial Park Services.* Gross profit of our city and industrial park services was RMB72.2 million, RMB117.7 million, RMB168.2 million, RMB72.0 million and RMB85.2 million in 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, respectively, while gross profit margin of this segment was 8.4%, 11.5%, 13.9%, 12.4% and 13.4%, respectively.

- *Residential Property Management Services.* Gross profit of our residential property management services was RMB90.3 million, RMB73.5 million, RMB92.6 million, RMB38.5 million and RMB44.9 million in 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, respectively, while gross profit margin of this segment was 11.5%, 9.6%, 10.7%, 9.6% and 10.3%, respectively.
- *Commercial Property Operational and Management Services.* Gross profit of our commercial property operational and management services was RMB117.1 million, RMB147.0 million, RMB165.3 million, RMB91.8 million and RMB91.5 million in 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, respectively, while our segment gross profit margin was 23.0%, 26.2%, 26.1%, 30.3% and 27.3%, respectively. Besides, during the Track Record Period, our gross profit margin for commercial property operational and management services was generally higher than residential property management services and city and industrial park services, primarily because (i) we charged a relatively higher average property management fee for our commercial property operational and management services. Frost & Sullivan is of the view that the property management fees for commercial properties are generally higher than that for the residential properties due to their differences in service requirements, such as larger GFA under management and diversified service portfolio (ranging from shopping malls to office buildings) of commercial properties, which generally result in higher costs incurred than that of the residential properties; and (ii) we incurred more cost of services in providing the city and industrial park services and the residential property management services than providing commercial property operational and management services because the commercial property operational and management services are relatively less labor intensive.

The table below sets forth a breakdown of our revenue, gross profit and gross profit margin by type of property developers for the years/periods indicated:

	For the year ended December 31,												For the six months ended June 30,							
	2021				2022				2023				2023				2024			
	Revenue		Gross profit	Gross profit margin	Revenue		Gross profit	Gross profit margin	Revenue		Gross profit	Gross profit margin	Revenue		Gross profit	Gross profit margin	Revenue		Gross profit	Gross profit margin
	(RMB 'million)	(%)	(RMB 'million)	(%)	(RMB 'million)	(%)	(RMB 'million)	(%)	(RMB 'million)	(%)	(RMB 'million)	(%)	(RMB 'million)	(%)	(RMB 'million)	(%)	(RMB 'million)	(%)	(RMB 'million)	(%)
													(Unaudited)							
Shum Yip Group, its subsidiaries, joint ventures and associates																				
– City and industrial park services	167.5	7.8	58.7	35.0	186.5	7.9	65.6	35.2	237.7	8.7	88.1	37.1	101.9	7.9	34.9	34.2	128.5	9.1	44.2	34.4
– Residential property management service	409.0	19.0	55.6	13.6	395.2	16.8	38.5	9.7	493.6	18.2	54.3	11.0	213.4	16.6	20.6	9.7	252.7	17.9	26.8	10.6
– Commercial property operational and management services	356.3	16.6	87.3	24.5	454.3	19.4	137.1	30.2	497.9	18.4	151.0	30.3	233.3	18.2	80.5	34.5	260.9	18.5	81.3	31.2
Subtotal	**932.8**	**43.4**	**201.6**		**1,036.0**	**44.1**	**241.2**		**1,229.2**	**45.3**	**293.4**		**548.6**	**42.7**	**136.0**		**642.1**	**45.5**	**152.3**	
Independent third parties																				
– City and industrial park services	689.9	32.0	13.5	2.0	833.7	35.5	52.1	6.3	975.8	36.0	80.1	8.2	477.6	37.2	37.1	7.8	508.5	36.1	41.1	8.1
– Residential property management service	374.9	17.4	34.7	9.2	371.0	15.8	35.0	9.4	372.6	13.7	38.3	10.3	188.4	14.7	17.9	9.5	184.9	13.1	18.1	9.8
– Commercial property operational and management services	153.9	7.2	29.8	19.4	107.4	4.6	9.9	9.2	134.6	5.0	14.3	10.6	69.2	5.4	11.3	16.3	74.2	5.3	10.2	13.7
Subtotal	**1,218.7**	**56.6**	**78.0**		**1,312.1**	**55.9**	**97.0**		**1,483.0**	**54.7**	**132.7**		**735.2**	**57.3**	**66.3**		**767.6**	**54.5**	**69.4**	
Total	**2,151.5**	**100.0**	**279.6**	**13.0**	**2,348.1**	**100.0**	**338.2**	**14.4**	**2,712.2**	**100.0**	**426.1**	**15.7**	**1,283.8**	**100.0**	**202.3**	**15.8**	**1,409.7**	**100.0**	**221.7**	**15.7**

Our gross profit margin for services provided to Shum Yip Group, its subsidiaries, joint ventures and associates was higher than the gross profit margin for services provided to independent third parties during the Track Record Period, primarily because (i) services for projects developed by independent third-party property developers mainly focused on city and industrial park services and residential property management services, which command a relatively lower gross profit margin and accounted for the majority of the projects we managed for independent third parties in terms of both the number of projects and GFA under management during the Track Record Period; (ii) projects with Shum Yip Group, its subsidiaries, joint ventures and associates primarily involved premium commercial properties located in Shenzhen, which generally enjoy high fee standards compared to projects developed by independent third parties, which were primarily located in non-first-tier cities; and (iii) we engaged in new city and industrial park services during the Track Record Period and incurred more costs at their early stage of operations to ensure smooth roll out of the projects.

During the Track Record Period, our gross profit margin for providing services to Shum Yip Group, its subsidiaries, joint ventures and associates remained relatively stable at 21.6%, 23.3%, 23.9%, 24.8% and 23.7% for 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, respectively, and our gross profit margin for providing services to independent third parties was 6.4%, 7.4%, 8.9%, 9.0% and 9.0%, respectively.

Selected Consolidated Statements of Financial Position

The following table sets forth the components of our consolidated statements of financial position as of the dates indicated:

	As of December 31,			As of June 30,
	2021	2022	2023	2024
	(RMB'million)	*(RMB'million)*	*(RMB'million)*	*(RMB'million)*
ASSETS				
Non-current assets				
Property, plant and equipment	220.1	207.3	197.3	192.3
Right-of-use assets	32.3	27.0	29.6	23.9
Intangible assets	1.4	4.7	5.6	12.8
Investment properties	—	—	—	—
Investments in joint ventures and associates	273.6	270.2	276.1	283.7
Financial assets at fair value through other comprehensive income	1.0	1.1	1.0	1.0
Other receivables and prepayments	12.1	11.2	4.1	0.7
Deferred income tax assets	26.2	35.5	36.7	40.7
Subtotal	**566.7**	**557.0**	**550.4**	**555.1**
Current assets				
Inventories	1.1	1.1	1.0	1.1
Trade and other receivables and prepayments	477.4	683.9	755.7	921.0
Restricted cash and term deposits	90.4	45.1	49.2	40.1
Cash and cash equivalents	627.5	635.3	636.4	553.4
Subtotal	**1,196.4**	**1,365.4**	**1,442.3**	**1,515.6**
Net current assets	**141.6**	**275.6**	**371.1**	**454.1**
Total assets	**1,763.1**	**1,922.4**	**1,992.7**	**2,070.7**
EQUITY				
Share capital	121.3	121.3	121.3	121.3
Reserves	312.2	413.1	437.8	437.8
Retained earnings	240.8	259.5	333.9	426.2
Capital and reserves attributable to owners of the Company	674.3	793.9	893.0	985.3
Non-controlling interests	7.2	8.9	10.0	9.4
Total equity	681.5	802.8	903.0	994.7
LIABILITIES				
Non-current liabilities				
Lease liabilities	26.8	29.8	18.5	14.5
Current liabilities				
Trade and other payables	935.4	982.2	974.6	958.7
Contract liabilities	75.2	68.9	58.2	66.5
Current income tax liabilities	24.0	26.6	24.9	24.4
Lease liabilities	20.2	12.1	13.5	11.9
Subtotal	**1,054.8**	**1,089.8**	**1,071.2**	**1,061.5**
Total liabilities	**1,081.6**	**1,119.6**	**1,089.7**	**1,076.0**
Total equity and liabilities	**1,763.1**	**1,922.4**	**1,992.7**	**2,070.7**

We recorded net current assets of RMB141.6 million, RMB275.6 million, RMB371.1 million and RMB454.1 million as of December 31, 2021, 2022, 2023 and six months ended June 30, 2024, respectively.

Our net current assets increased significantly from RMB141.6 million as of December 31, 2021 to RMB275.6 million as of December 31, 2022, mainly due to (i) the increase in trade and other receivables and prepayments of RMB206.5 million; (ii) the increase in cash and cash equivalents to

RMB7.8 million; (iii) the decrease in lease liabilities of RMB8.1 million; (iv) the decrease in contract liabilities of RMB6.3 million; and partially offset by (v) the increase in trade and other payables of RMB46.8 million.

Our net current asset increased from RMB275.6 million as of December 31, 2022 to RMB371.1 million as of December 31, 2023, mainly due to (i) the increase in trade and other receivables and prepayments of RMB71.8 million; and (ii) the decrease in trade and other payables of RMB7.6 million.

Our net assets, or total equity increased to RMB802.8 million as of December 31, 2022, primarily attributable to our net profit of RMB120.7 million for 2022. As of December 31, 2023, our net assets, or total equity, continued to increase to RMB903.0 million, primarily due to our declared dividends of RMB60.1 million and net profit of RMB160.3 million for 2023. For details, see the "Consolidated Statement of Changes in Equity" in page I-9 of the Accountant's Report in Appendix I.

Summary of Consolidated Statements of Cash Flows

	Years ended December 31,			Six months ended June 30,	
	2021	**2022**	**2023**	**2023**	**2024**
	(RMB'million)	*(RMB'million)*	*(RMB'million)*	*(RMB'million)* (Unaudited)	*(RMB'million)*
Operating cash flow before changes in working capital	159.0	203.2	252.3	124.5	149.1
— Changes in working capital	(64.6)	(140.8)	(79.9)	(57.5)	(171.3)
— income tax paid	(47.8)	(41.9)	(59.3)	(38.7)	(35.5)
Net cash from/(used in) operating activities	46.6	20.5	113.1	28.3	(57.7)
Net cash from/(used in) investing activities	98.1	35.2	(12.5)	(17.5)	(3.0)
Net cash used in financing activities	(37.8)	(48.2)	(99.6)	(20.1)	(22.3)
Net (decrease)/increase in cash and cash equivalents	106.9	7.5	1.0	(9.3)	(83.0)
Exchange (losses)/gain on cash and cash equivalents	(0.1)	0.3	0.1	0.2	0.0
Cash and cash equivalents at the beginning of the year/period	520.7	627.5	635.3	635.3	636.4
Cash and cash equivalents at the end of the year/period	**627.5**	**635.3**	**636.4**	**626.2**	**553.4**

CONTROLLING SHAREHOLDERS AND CONNECTED TRANSACTIONS

Given that, upon completion of the **[REDACTED]** (assuming that (i) there will be no change of shareholding between the Latest Practicable Date and the **[REDACTED]** and (ii) the **[REDACTED]** is not exercised), (i) Shum Yip Group (our ultimate Controlling Shareholder, a large conglomerate wholly-owned by Shenzhen Municipal People's Government and directly managed by the Shenzhen SASAC) will directly hold **[REDACTED]** equity interests in Shum Yip Holdings; (ii) Shum Yip Holdings will directly and indirectly hold approximately **[REDACTED]** interests in Shenzhen Investment; and (iii) Shenzhen Investment will indirectly hold approximately **[REDACTED]** equity interests in our Company, Shum Yip Group, Shum Yip Holdings, Shenzhen Investment and other holdings companies will be a group of Controlling Shareholders. See "Relationship with Controlling Shareholders" for details of our Controlling Shareholders. See "History — Corporate Structure" for details in relation to the corporate structure regarding the relationship between our Company and our Controlling Shareholders.

As of the Latest Practicable Date, none of our Controlling Shareholders and their respective close associates had any interest in any business which competes or is likely to compete, either directly or indirectly with our business. To ensure that competition will not exist in the future, our Controlling Shareholders have entered into the Deed of Non-Competition in favor of our Company. See "Relationship with Controlling Shareholders–Deed of Non-Competition" for more information.

We have entered into certain transactions which will constitute continuing connected transactions under Chapter 14A of the Listing Rules after **[REDACTED]**. See "Continuing Connected Transactions" for more information.

[REDACTED] STATISTICS

The statistics in the following table are based on the assumptions that: (i) the **[REDACTED]** is completed and **[REDACTED]** H Shares are issued and sold in the **[REDACTED]**; (ii) the **[REDACTED]** is not exercised; and (iii) **[REDACTED]** Shares (including **[REDACTED]** H Shares and [121,287,867] Domestic Shares) are in issue upon completion of the **[REDACTED]**.

	Based on an [REDACTED] of HK$[REDACTED] per H Share	Based on an [REDACTED] of HK$[REDACTED] per H Share
Market capitalization of our **[REDACTED]**	HK$**[REDACTED]** million	HK$**[REDACTED]** million
Unaudited pro forma adjusted consolidated net tangible assets value per Share	HK$**[REDACTED]**	HK$**[REDACTED]**

DIVIDENDS

Our Company does not have a formal dividend policy or a fixed dividend distribution ratio. The decision to declare or pay dividends in the future, as well as the amount of any dividends, will be contingent upon several factors including the results of our operations, cash flows, financial conditions, and other relevant factors as deemed by our Board.

Historically, our Company and/or subsidiaries declared dividends of RMB38.5 million, RMB0.1 million, RMB60.1 million and RMB0.8 million in 2021, 2022, 2023 and six months ended June 30, 2024, respectively, all of which have been paid in full as of the Latest Practicable Date. Specifically, regarding these dividends, we paid RMB42.6 million, RMB0.1 million, RMB60.1 million and RMB0.8 million in 2021, 2022, 2023 and six months ended June 30, 2024, respectively. Past payments of dividends are not indicative of our future dividend policy. Our Board may declare dividends in the future after taking into account our operations, earnings, financial condition, cash requirements and availability and other factors as it may deem relevant at such time. Any declaration and payment as well as the amount of dividends will be subject to our Articles of Association and the applicable laws, including the approval of our Shareholders. Our future declarations of dividends may or may not reflect our historical declarations of dividends and will be at the absolute discretion of our Board.

RECENT DEVELOPMENTS AND REGULATORY CHANGES

Subsequent to June 30, 2024 and up to the Latest Practicable Date, we continued to grow our business. During this period, we entered into 18 new service contracts with an aggregate contracted GFA of approximately 1.0 million sq.m., which has increased our GFA under management by approximately 0.1 million sq.m. as of the Latest Practicable Date. These newly acquired contracts include 12 contracts related to properties developed by independent third parties, along with six additional contracts related to properties developed by Shum Yip Group, its subsidiaries, joint ventures and associates. During the Track Record Period and up to the Latest Practicable Date, our business model remained stable which was in line with the past trends and our expectations. After due and careful consideration, our Directors confirmed that, since June 30, 2024 (being the date on which the latest consolidated financial information of our Group was prepared) and up to the date of this document, there has been no material adverse change in our financial, operational or trading positions, or prospects.

According to Frost & Sullivan, in 2023, the financial institutions in the PRC informed certain large-scale property developers that the Three Red Lines Standard have been relaxed by excluding short-term loans obtained by property developers for the purpose of merger and acquisitions from the calculation of pro forma ratios. Frost & Sullivan is of the view that, if such policy relaxation becomes official, it would be beneficial to the upstream companies within the real estate industry in the short term and long term, including property developers and property construction companies in the PRC as a whole, in particular property developers which have good financial performance. In the short term, these property developers would be able to expand their business by acquiring projects from property developers that have financial difficulties. In the long term, as these property developers have healthy financial performance, they would be able to comply with the requirements under such policy relaxation while sustaining their market share or expanding by merger and acquisition. In addition, as property management service providers typically (i) derive a considerable portion of revenue from their existing property projects under management, and (ii) procure new property management projects from various sources, such as property owners and property owners' associations, instead of relying solely on new property projects procured from property developers, Frost & Sullivan is of the view that the Three Red Lines Standard and the possible relaxation on such policy are not expected to create a significantly adverse impact on property management service providers in general.

To ensure ongoing compliance with the relevant laws and regulations, we have implemented various internal control measures, in which our risk management teams would carry out internal inspection of regulatory compliance and list out the outstanding issues for rectification, if any. In addition, we (i) do not plan to use, directly or indirectly, the **[REDACTED]** from the **[REDACTED]** for financing real estate development; and (ii) plan to use the **[REDACTED]** from the **[REDACTED]** as stated in the section titled "Future Plans and **[REDACTED]**", and relevant laws and regulations under the respective jurisdiction, as well as making disclosure subject to the relevant laws and regulations of Hong Kong Stock Exchange and SFC. See "Future Plans and **[REDACTED]**" in this document for details. Additionally, (i) Shum Yip Group, Shenzhen Investment and Southern Land have collectively assured that the funds raised from the **[REDACTED]** will not be diverted, directly or indirectly, into the real estate sector; and (ii) Southern Land, Terra Group, Taifu Logistics, Shum Yip Land and Nongke Group have collectively assured that they will not request financial assistance from us in the real estate sector. During the Track Record Period, the revenue contribution made by each independent third party property developer was less than approximately 10% of our total revenue for the respective years. This diversified revenue portfolio reduces exposure to risks from regulatory changes that may have an impact on individual property developer, including the Three Red Lines Standard. Based on the foregoing, our Directors are of the view that the Three Red Lines Standard will not have any material adverse impact on our business operations and cooperation with Shum Yip Group, its subsidiaries, joint ventures and associates. Based on the independent due diligence work performed by the Joint Sponsors, and having considered the views of the Directors, and subject to the relevant laws and regulations, which may be further implemented by relevant authorities from time to time, nothing has come to the attention of the Joint Sponsors that would cause the Joint Sponsors to disagree with our Directors' view in any material respect.

USE OF [REDACTED]

We estimate that the **[REDACTED]** of the **[REDACTED]** which we will receive, assuming an **[REDACTED]** of HK$**[REDACTED]** per Share (being the mid-point of the **[REDACTED]** stated in this document), will be approximately HK$**[REDACTED]** million from the **[REDACTED]** after deducting the **[REDACTED]** and other estimated expenses payable by us in connection with the **[REDACTED]** and assuming that the **[REDACTED]** is not exercised. We intend to use our **[REDACTED]** from the **[REDACTED]** for the following purposes:

- Approximately **[REDACTED]** or HK$**[REDACTED]** million will be used for making strategic investments and acquisitions, as well as forming strategic alliance with selected companies;
- Approximately **[REDACTED]** or HK$**[REDACTED]** million will be used for optimizing our digitalized service platform and purchasing new equipment;

- Approximately **[REDACTED]** or HK$**[REDACTED]** million will be used for strengthening the influence of our commercial operational services; and
- Approximately **[REDACTED]** or HK$**[REDACTED]** million will be used for working capital and general corporate purposes.

See "Future Plans and **[REDACTED]**."

[REDACTED] EXPENSES

[REDACTED] expenses represent professional fees, **[REDACTED]** and other fees incurred. The total estimated **[REDACTED]** expenses in connection with the **[REDACTED]** are RMB**[REDACTED]** million, representing **[REDACTED]** of the gross **[REDACTED]** from the **[REDACTED]** (based on the mid-point of the **[REDACTED]** of HK$**[REDACTED]** per **[REDACTED]** and assuming no **[REDACTED]** will be exercised), among which (i) **[REDACTED]** expenses, including **[REDACTED]** commission and other expenses fees, are expected to be approximately RMB**[REDACTED]** million and (ii) non-**[REDACTED]**-related expenses are expected to be approximately RMB**[REDACTED]** million, such as fees and expenses of legal advisors and reporting accountants.

During the Track Record Period, we incurred **[REDACTED]** million of **[REDACTED]** expenses which was charged to our consolidated statements of comprehensive income. Our **[REDACTED]** expenses of RMB**[REDACTED]** million are expected to be charged to our consolidated statements of comprehensive income for 2024 and RMB**[REDACTED]** million are expected to be deducted from equity following the **[REDACTED]**. The **[REDACTED]** expenses above are the latest practicable estimate and are for reference only. The actual amount may differ from this estimate.

RISK FACTORS

Our operations involve certain risks, some of which are beyond our control. These risks can be broadly categorized into: (i) risks relating to our business and industry; (ii) risks relating to doing business in China; and (iii) risks relating to the Spin-off and the **[REDACTED]**. Some of the risks generally associated with our business and industry include the following:

- we are affected by government regulations on the real estate industry;
- increase in employee benefit expenses and outsourcing costs could adversely impact our business and affect our profitability;
- we may fail to secure new or renew our existing service contracts on favorable terms, or at all;
- our future growth may not materialize as planned and our historical results may not indicate our future prospects and results of operations;
- future acquisitions, joint ventures and investments may expose us to new risks or fail to perform as expected;
- a significant portion of our operations are concentrated in the Greater Bay Area, and we are susceptible to any adverse development in government policies or business environment in this region; and
- we may experience intense competition and fail to compete effectively.

These risks are not the only significant risks that may affect the value of our **[REDACTED]**. You should carefully consider all the information set forth in this document and, in particular, should evaluate the specific risks set forth in "Risk Factors" in this document before deciding whether to invest in our **[REDACTED]**.

COVID-19 IMPACTS

In March 2020, the World Health Organization declared a global pandemic related to COVID-19. It materially adversely affected global economic activity, caused significant market volatility and resulted in numerous governments declaring emergencies and implementing measures, such as travel bans, quarantines, business closures, shelter-in-place and other restrictions.

In response to the COVID-19 pandemic, the PRC government imposed measures across the PRC, which included, but was not limited to, travel restrictions and quarantine for travelers or returnees. During the Track Record Period, our provision of city and industrial park services, residential property management services and commercial property operational and management services in China has been affected accordingly, in particular in the Greater Bay Area.

In 2022, the resurge of COVID-19 cases and governmental measures implemented such as quarantine and social distancing rules reduced business activities in Shenzhen and in turn affected our financial performance. Restrictions on travel and reduced business activities decreased the revenue we generated from certain value-added services we provided, such as car park management for commercial properties and hotel operations, and residential property management services. In particular, our revenue from residential property management services decreased from RMB783.9 million in 2021 to RMB766.2 million in 2022.

However, our Directors believe that the COVID-19 pandemic has not had any material adverse impact on our business or financial performance because we were able to continue to expand our property management services and maintain revenue growth during the Track Record Period. In 2021, 2022, 2023 and six months ended June 30, 2023 and 2024, our total revenue was RMB2,151.5 million, RMB2,348.1 million, RMB2,712.2 million, RMB1,283.8 million and RMB1,409.7 million, respectively. In addition, with the relaxation of the COVID-19 pandemic measures, our core business segments and collection rate remained generally stable. Among our three business segments, the city and industrial park services have not been impacted by COVID-19 pandemic measures, however, in terms of our commercial property operational and management services, our offline traffic in *Upperhills* increased by 28.0% as of December 31, 2023 compared to December 31, 2022. Further, our revenue from residential property management services increased from RMB766.2 million in 2022 to RMB866.2 million in 2023, primarily due to recovery of business from the impact of COVID-19. See "Financial information — Trade and other receivables."

In response to the COVID-19 pandemic, we took measures to protect the health of our employees, tenants and consumers, including (i) disinfecting the properties we managed on a daily basis, (ii) adopting temperature and health check-up measures and controlled foot traffic in properties we managed, (iii) raising awareness for preventive measures to minimize the risk of contracting and spreading COVID-19, (iv) purchasing and offering personal protection equipment for our employees, (v) providing overtime benefit for our employees and (vi) implementing other COVID-19 prevention measures in accordance with government guidelines. In 2021, 2022, 2023 and six months ended June 30, 2024, we incurred RMB2.1 million, RMB8.1 million, nil and nil in purchasing personal protective equipment for the implementation of such hygiene and precautionary measures at workplace.

In addition, as part of our collective efforts in combating the COVID-19 pandemic, we also received government relief and enjoyed deductions for social securities payments and certain utility payments, which have mitigated the impact of COVID-19 pandemic on our business operations and financial performance. As such, our Directors believe that the COVID-19 pandemic has not had and will not have any material adverse impact on our business or financial performance because we were able to continue to grow our property management services and maintain revenue growth during the Track Record Period.

DEFINITIONS

In this document, unless the context otherwise requires, the following terms and expressions have the meanings set forth below.

"Accountant's Report"	The accountant's report from PricewaterhouseCoopers, details of which are set forth in Appendix I to this document
"AFRC"	the Accounting and Financial Reporting Council established by section 6(1) of the Accounting and Financial Reporting Council Ordinance (Chapter 588 of the Laws of Hong Kong), as amended or supplemented from time to time
"Articles of Association" or "Articles"	the articles of associations of our Company, as amended, which shall become effective on the **[REDACTED]**, a summary of which is set forth in Appendix V to this document
"associate(s)"	has the meaning ascribed to it under the Listing Rules

[REDACTED]

"Audit Committee"	the audit committee of the Board
"**[REDACTED]**(s)"	has the meaning ascribed to it in " **[REDACTED]** — The **[REDACTED]** — Basis of **[REDACTED]**"

[REDACTED]

"Bihai Mangrove"	Shenzhen Bihai Mangrove Investment Development Co., Ltd.* (深圳市碧海紅樹投資發展有限公司), a company established in China with limited liability on April 9, 2001, which was directly held by Shum Yip Investment (Shenzhen) as to approximately 94.08% as of the Latest Practicable Date and was and will be our Controlling Shareholder as of the Latest Practicable Date and immediately upon completion of the **[REDACTED]**, respectively
"Board" or "Board of Directors"	the Board of Directors of our Company

"business day"	a day on which banks in Hong Kong are generally open to the public for normal banking business and which is not a Saturday, Sunday or public holiday in Hong Kong
"Business Framework Agreement"	the agreement dated [•] entered into between Shum Yip Group and our Company, as further described under "Continuing Connected Transaction"

[REDACTED]

[REDACTED]	the Central Clearing and Settlement System established and operated by **[REDACTED]**
"China" or the "PRC"	the People's Republic of China, but for the purpose of this document and for geographical reference only, except where the context requires, references in this document to "China" or the "PRC" do not apply to the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan
"close associates"	has the meaning ascribed to it under the Listing Rules
"Companies (Winding up and Miscellaneous Provisions) Ordinance"	the Companies (Winding up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company Law" or "PRC Company Law"	the Company Law of the PRC (中華人民共和國公司法), as amended, supplemented or otherwise modified from time to time
"Company" or "our Company"	Shum Yip Property Operations Group Co., Ltd (深業物業運營集團股份有限公司), whose predecessor was named as Shum Yip Group (Shenzhen) Property Management Company* (深業集團(深圳)物業管理公司), Shum Yip Group (Shenzhen) Property Management Co., Ltd.* (深業集團(深圳)物業管理有限公司) and Shum Yip Property Group Co., Ltd.* (深業物業集團有限公司), was established in China on July 17, 1992 and converted into a joint stock company with limited liability on September 19, 2022

DEFINITIONS

"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Controlling Shareholder(s)"	has the meaning ascribed to it under the Listing Rules and as of the Latest Practicable Date, "Controlling Shareholders" of our Company included Southern Land, Terra Group, Taifu Logistics, Shum Yip Land, Nongke Group, Bihai Mangrove, Hongyingyuan Investment, Zhenluyuan Investment, Lutailai Industrial, Wangdaxin Industrial, Silicon Valley Investment, Shum Yip Technology Development, Shenzhen Bio-Agriculture, Shum Yip Nongye Development, Shum Yip Investment (Shenzhen), Shenzhen Investment, Shum Yip Finance Company Limited, Successful Years Holdings Limited, Goldclass Industrial Limited, Shum Yip Holdings and Shum Yip Group
"core connected person(s)"	has the meaning ascribed to it under the Listing Rules
"CPC"	the Communist Party of China
"CPMI"	the China Property Management Institute (中國物業管理行業協會)
"CPMRI"	China Property Management Research Institution (中物研協)
"CRIC Property Management"	China Real Estate Information Corporation Property Management (克而瑞物管)
"CSDCC"	China Securities Depository and Clearing Corporation Limited (中國證券登記結算有限責任公司)
"CSRC"	the China Securities Regulatory Commission (中國證券監督管理委員會)
"Deed of Non-Competition"	the deed of non-competition dated [•] entered into by Shenzhen Investment in favor of our Company, as further described in "Relationship with Controlling Shareholders"
"Director(s)" or "our Director(s)"	the director(s) of our Company
"Domestic Shares"	ordinary shares in the share capital of our Company, with a nominal value of RMB1.0 each, which are subscribed for in Renminbi
"EIT"	enterprise income tax
"EIT Law"	Enterprise Income Tax Law of the People's Republic of China (中華人民共和國企業所得稅法), as amended, supplemented or otherwise modified from time to time

DEFINITIONS

[REDACTED]

"Excluded Companies"	Land Property Investment, Jinzhi PM and Shenyang Taifu PM, as further described in "Relationship with Controlling Shareholders"

[REDACTED]

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

[REDACTED]

"Frost & Sullivan" or "F&S"	Frost & Sullivan (Beijing) Inc., our industry consultant
"GDP"	gross domestic product

[REDACTED]

"Greater Bay Area"	Guangdong-Hong Kong-Macau Greater Bay Area, a geographical region of China comprising Guangzhou, Shenzhen, Zhuhai, Foshan, Huizhou, Dongguan, Zhongshan, Jiangmen, Zhaoqing, the Special Administrative Regions of Hong Kong and Macau for the purposes of this document
"Group", "our Group", "we" or "us"	our Company and its subsidiaries (or our Company and any one or more of its subsidiaries, as the context may require)
"H Share(s)"	overseas listed foreign shares in the share capital of our Company with nominal value of RMB1.0 each, which are to be subscribed for and traded in HK dollars and to be listed on the Hong Kong Stock Exchange
"H Shareholder(s)"	holder(s) of H Share(s)

[REDACTED]

"HKFRS"	Hong Kong Financial Reporting Standards, which collectively include Hong Kong Accounting Standards and related interpretations, promulgated by the Hong Kong Institute of Certified Public Accountants

[REDACTED]

DEFINITIONS

"Hongyingyuan Investment"	Shenzhen Hongyingyuan Investment Development Co., Ltd.* (深圳市紅鷹園投資發展有限公司), a company established in China with limited liability on March 29, 2001, which was directly held by Shum Yip Investment (Shenzhen) as to approximately 87.21% as of the Latest Practicable Date and was and will be our Controlling Shareholder as of the Latest Practicable Date and immediately upon completion of the **[REDACTED]**, respectively
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong dollars", "HK dollars" or "HK$"	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
"Hong Kong Listing Rules" or "Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time

[REDACTED]

"Hong Kong Stock Exchange" or "Stock Exchange"	The Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited

[REDACTED]

"Hunan Shum Yip"	Hunan Shum Yip Property Co., Ltd.* (湖南深業物業有限公司), a company established in China with limited liability on June 29, 2022 and a direct wholly-owned subsidiary of our Company as of the Latest Practicable Date
"independent third party(ies)"	any entity(ies) or person(s) who, to the best of our Directors' knowledge, information and belief, having made all reasonable enquiries, is not a connected person of our Company within the meaning of the Hong Kong Listing Rules

[REDACTED]

"Jinzhi PM"	Shenzhen Shum Yip Jinzhi Property Management Co., Ltd.* (深圳市深業進智物業管理有限公司), a company established in China with limited liability on December 28, 1998 and one of the Excluded Companies, as further described in "Relationship with Controlling Shareholders"

[REDACTED]

"Joint Sponsors"	China International Capital Corporation Hong Kong Securities Limited, CITIC Securities (Hong Kong) Limited and CCB International Capital Limited
"Land PM"	Shum Yip Land (Shenzhen) Property Management Co., Ltd.* (深業置地(深圳)物業管理有限公司), a company established in China with limited liability on November 12, 1999 and a direct wholly-owned subsidiary of our Company as of the Latest Practicable Date

"Land Property Investment"	Shenzhen Shum Yip Land Property Investment Co., Ltd.* (深圳市深業置地物業投資有限公司), a company established in China with limited liability on July 26, 2004 and one of the Excluded Companies, as further described in "Relationship with Controlling Shareholders"
"Latest Practicable Date"	October 6, 2024, being the latest practicable date for the purpose of ascertaining certain information contained in this document prior to its publication
"Lease Framework Agreement"	the agreement dated [•] entered into between Shenzhen Investment and our Company, as further described under "Continuing Connected Transaction"

[REDACTED]

"Longhua Shum Yip"	Shenzhen Longhua Shum Yip City Operation Co., Ltd.* (深圳市龍華深業城市運營有限公司), a company established in China with limited liability on April 8, 2024 and a direct wholly-owned subsidiary of our Company as of the Latest Practicable Date.
"Lutailai Industrial"	Shenzhen Lutailai Industrial Development Co., Ltd.* (深圳市路泰來實業發展有限公司), a company established in China with limited liability on April 3, 2001, which was directly wholly-owned by Shum Yip Investment (Shenzhen) as of the Latest Practicable Date and was and will be our Controlling Shareholder as of the Latest Practicable Date and immediately upon completion of the **[REDACTED]**, respectively
"Macau"	the Macau Special Administrative Region of the PRC
"Main Board"	the stock exchange (excluding the option market) operated by the Hong Kong Stock Exchange, which is independent from and operated in parallel with the GEM of the Stock Exchange
"Ministry of Finance" or "MOF"	the Ministry of Finance of the PRC (中華人民共和國財政部)

DEFINITIONS

"MOFCOM"	the Ministry of Commerce of the PRC (中華人民共和國商務部)
"MOHURD"	the Ministry of Housing and Urban and Rural Development of the PRC (中華人民共和國住房和城鄉建設部)
"Nanjing Pengji"	Nanjing Pengji Property Management Service Co., Ltd.* (南京鵬基物業管理服務有限公司), a company established in China with limited liability on February 20, 2006 and a direct wholly-owned subsidiary of our Company as of the Latest Practicable Date
"NDRC"	the National Development and Reform Commission of the PRC (中華人民共和國發展和改革委員會)
"Nomination Committee"	the nomination committee of the Board
"Nongke Group"	Shenzhen Nongke Group Co., Ltd.* (深圳市農科集團有限公司), a company established in China with limited liability on December 25, 2002, which was directly wholly-owned by Shum Yip Nongye Development as of the Latest Practicable Date and was and will be our Controlling Shareholder as of the Latest Practicable Date and immediately upon completion of the **[REDACTED]**, respectively
"Nongke PM"	Shenzhen Nongke Property Management Co., Ltd.* (深圳市農科物業管理有限公司), a company established in China with limited liability on May 19, 2003 and a direct wholly-owned subsidiary of our Company as of the Latest Practicable Date

[REDACTED]

DEFINITIONS

[REDACTED]

"PBOC"	the People's Bank of China (中國人民銀行), the central bank of the PRC
"Pengji Group"	Shum Yip Pengji (Group) Co., Ltd.* (深業鵬基(集團)有限公司), a company established in China with limited liability on August 3, 1982 and a direct wholly-owned subsidiary of Shenzhen Investment as of the Latest Practicable Date
"Pengji PM"	Shenzhen Pengji Property Management Co., Ltd.* (深圳市鵬基物業管理有限公司), a company established in China with limited liability on December 17, 1997 and a direct wholly-owned subsidiary of our Company as of the Latest Practicable Date
"Pengji PM Service"	Shenzhen Pengji Property Management Service Co., Ltd.* (深圳市鵬基物業管理服務有限公司), a company established in China with limited liability on May 11, 1985 and a direct wholly-owned subsidiary of our Company as of the Latest Practicable Date
"People's Congress"	the PRC's legislative apparatus, including the National People's Congress and all the local people's congresses (including provincial, municipal and other regional or local people's congresses) as the context may require, or any of them
"PRC GAAP"	generally accepted accounting principles of PRC

"PRC government" or "Central Government" or "State"	the central government of the PRC, including all governmental subdivisions (including provincial, municipal and other regional or local government entities) and their instrumentalities or, where the context requires, any of them
"PRC Legal Advisors"	King & Wood Mallesons, our legal advisors as to PRC laws
"PRC Securities Law"	the Securities Law of the PRC (《中華人民共和國證券法》), as amended, supplemented or otherwise modified from time to time

[REDACTED]

"document"	this document being issued in connection with the Hong Kong **[REDACTED]**
"province"	a province or, where the context requires, a provincial level autonomous region or municipality, under the direct supervision of the central government of the PRC

[REDACTED]

"Record Date"	[•], [•], 2024, being the record date for determining the **[REDACTED]** to the **[REDACTED]** to the **[REDACTED]**

[REDACTED]

[REDACTED]

"Remuneration Committee"	the remuneration committee of the Board
"Remaining SZI Group"	Shenzhen Investment Group (excluding our Group)
"Reorganization"	the reorganization of our Group in preparation for the **[REDACTED]** for a unified shareholding and management structure, as further described in "History"

[REDACTED]

"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"SAFE"	the State Administration of Foreign Exchange of the PRC (中國國家外匯管理局)
"SASAC"	State-owned Assets Supervision and Administration Commission of the State Council of the PRC (國務院國有資產監督管理委員會)
"SAT"	the State Administration of Taxation of the PRC (國家稅務總局)
"SCMSAB"	Shenzhen City Market Supervision and Administration Bureau (深圳市市場監督管理局)
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO" or "Securities and Futures Ordinance"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary shares in the capital of our Company with a nominal value of RMB1.0 each
"Shareholders(s)"	holder(s) of the Share(s)

DEFINITIONS

"Shenyang Taifu PM"	Shenyang Shum Yip Taifu Property Management Co., Ltd.* (瀋陽深業泰富物業管理有限公司), a company established in China with limited liability on November 24, 2008 and one of the Excluded Companies, as further described in "Relationship with Controlling Shareholders"
"Shenzhen Bio-Agriculture"	Shenzhen Bio-Agriculture Company Limited (深圳生物農業有限公司), a company incorporated in British Virgin Islands with limited liability on August 17, 2017, which was directly wholly-owned by Shenzhen Investment as of the Latest Practicable Date and was and will be our Controlling Shareholder as of the Latest Practicable Date and immediately upon completion of the **[REDACTED]**, respectively
"Shenzhen Investment"	Shenzhen Investment Limited (深圳控股有限公司), a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 604), which was held by Shum Yip Holdings as to approximately **[REDACTED]**% as of the Latest Practicable Date and was and will be our Controlling Shareholder as of the Latest Practicable Date and immediately upon completion of the **[REDACTED]**, respectively
"Shenzhen Investment Group"	Shenzhen Investment, its subsidiaries, joint ventures and associates
"Shenzhen Investment Shareholder(s)"	holder(s) of Shenzhen Investment Share(s)
"Shenzhen Investment Share(s)"	Ordinary share(s) of Shenzhen Investment
"Shenzhen SASAC"	State-owned Assets Supervision and Administration Commission of the People's Government of Shenzhen Municipal
"Shum Yip City Operation"	Shum Yip City Operation Service (Shenzhen) Co., Ltd.* (深業城市運營服務(深圳)有限公司), a company established in China with limited liability on August 28, 2020 and a direct wholly-owned subsidiary of our Company as of the Latest Practicable Date
"Shum Yip CM"	Shum Yip Commercial Management Co., Ltd.* (深業商業管理有限公司), a company established in China with limited liability on February 27, 2019 and a direct wholly-owned subsidiary of our Company as of the Latest Practicable Date

"Shum Yip Group"	Shum Yip Group Limited* (深業集團有限公司), a company established in China with limited liability on June 20, 1997, which was directly wholly-owned by Shenzhen SASAC as of the Latest Practicable Date and was and will be our Controlling Shareholder as of the Latest Practicable Date and immediately upon completion of the **[REDACTED]**, respectively
"Shum Yip Holdings"	Shum Yip Holdings Company Limited (深業(集團)有限公司), a company incorporated in Hong Kong with limited liability on February 8, 1985, which was directly held by Shum Yip Group and Shenzhen State-Owned Equity Management Co., Ltd.* (深圳市國有股權經營管理有限公司) as to 90% and 10%, respectively as of the Latest Practicable Date and was and will be our Controlling Shareholder as of the Latest Practicable Date and immediately upon completion of the **[REDACTED]**, respectively
"Shum Yip Investment (Shenzhen)"	Shum Yip Investment (Shenzhen) Co., Ltd.* (深業控股(深圳)有限公司), a company established in China with limited liability on March 16, 1999, which was directly wholly-owned by Shenzhen Investment as of the Latest Practicable Date and was and will be our Controlling Shareholder as of the Latest Practicable Date and immediately upon completion of the **[REDACTED]**, respectively
"Shum Yip Land"	Shum Yip Land Co., Ltd.* (深業置地有限公司), a company established in China with limited liability on December 19, 2011, which was directly held by Shum Yip Investment (Shenzhen) and Shum Yip Technology Development as to 80% and 20%, respectively as of the Latest Practicable Date and was and will be our Controlling Shareholder as of the Latest Practicable Date and immediately upon completion of the **[REDACTED]**, respectively
"Shum Yip Nongye Development"	Shenzhen Shum Yip Nongye Development Co., Ltd.* (深圳市深業農業發展有限公司), a company established in China with limited liability on July 1, 2011, which was directly wholly-owned by Shenzhen Bio-Agriculture as of the Latest Practicable Date and was and will be our Controlling Shareholder as of the Latest Practicable Date and immediately upon completion of the **[REDACTED]**, respectively

"Shum Yip Technical Support"	a group of five specialized service and support companies of our Group comprising of Shenzhen Wansha Household Co., Ltd. Mechanical and Electrical Branch* (深圳市萬厦居業有限公司機電分公司), Shenzhen Wansha Environmental Service Co., Ltd.* (深圳市萬厦環境服務有限公司), Shum Yip Property Operations Group Co., Ltd. Greening Branch (深業物業運營集團股份有限公司綠化分公司), Shum Yip Property Operations Group Co., Ltd. Elevator Branch (深業物業運營集團股份有限公司電梯分公司) and Shenzhen Terra Property Management Service Co., Ltd.* (深圳市泰然物業管理服務有限公司)
"Shum Yip Technology Development"	Shenzhen Shum Yip Technology Development Co., Ltd.* (深圳市深業科技開發有限公司), a company established in China with limited liability on July 1, 2011, which was directly wholly-owned by Silicon Valley Investment as of the Latest Practicable Date and was and will be our Controlling Shareholder as of the Latest Practicable Date and immediately upon completion of the **[REDACTED]**, respectively
"Shum Yip Smart Park"	Shum Yip Smart Park (Shenzhen) Operation Co., Ltd.* (深業智慧園區運營(深圳)有限公司), a company established in China with limited liability on December 18, 2017 and a direct wholly-owned subsidiary of our Company as of the Latest Practicable Date
"Silicon Valley Investment"	Shenzhen Silicon Valley Hi-tech Investment Co., Ltd.* (深圳硅谷投資有限公司), a company established in the British Virgin Islands with limited liability on August 17, 2017, which was directly wholly-owned by Shenzhen Investment as of the Latest Practicable Date and was and will be our Controlling Shareholder as of the Latest Practicable Date and immediately upon completion of the **[REDACTED]**, respectively
"Southern Land"	Shum Yip Southern Land (Group) Co., Ltd.* (深業南方地產(集團)有限公司), a company established in China with limited liability on April 9, 1991, which was directly wholly-owned by Shenzhen Investment as of the Latest Practicable Date and was and will be our Controlling Shareholder as of the Latest Practicable Date and immediately upon completion of the **[REDACTED]**, respectively
"Special Regulations"	the Special Regulations of the State Council on the Overseas Offering and Listing of Shares by Joint Stock Limited Companies* (國務院關於股份有限公司境外募集股份及上市的特別規定) promulgated by the State Council on 4 August 1994, as amended or supplemented from time to time

"Specified Territories"	jurisdictions outside Hong Kong where, taking into account the legal restrictions under the applicable laws or requirements of the relevant regulatory body or stock exchange of such jurisdictions, Shenzhen Investment and our Company consider the exclusion of the holders of the Shenzhen Investment Shares with registered addresses in, or who are otherwise known by Shenzhen Investment to be residents of, such jurisdictions from the **[REDACTED]** to be necessary or expedient
"Spin-off"	the separate **[REDACTED]** of our Shares on the Main Board, by way of **[REDACTED]**

[REDACTED]

"State Council"	State Council of the People's Republic of China (中華人民共和國國務院)
"subsidiary(ies)"	has the meaning ascribed to it under the Listing Rules, unless the context requires otherwise
"substantial shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Supervisor(s)"	member(s) of our Supervisory Committee
"Supervisory Committee"	the supervisory committee of our Company
"SZMB"	Shenzhen Land Resource and Real Estate Management Bureau (深圳市國土資源和房產管理局)
"SZPMA"	Shenzhen Property Management Association (深圳市物業管理行業協會)
"Taifu CM"	Shenzhen Shum Yip Taifu Commerce Property Management Co., Ltd.* (深圳市深業泰富商業物業管理有限公司), a company established in China with limited liability on January 3, 2008 and a direct wholly-owned subsidiary of our Company as of the Latest Practicable Date
"Taifu Logistics"	Shum Yip Taifu Logistics Group Holdings Co., Ltd.* (深業泰富物流集團股份有限公司), a company established in China with limited liability on March 21, 2007, which was directly held by Shum Yip Investment (Shenzhen) as to approximately 97.82% as of the Latest Practicable Date and was and will be our Controlling Shareholder as of the Latest Practicable Date and immediately upon completion of the **[REDACTED]**, respectively

"Terra Group"	Shum Yip Terra Group Co., Ltd.* (深業泰然(集團)股份有限公司), a company established in China with limited liability on June 30, 1996, which was directly held by Shenzhen Investment, Bihai Mangrove, Hongyingyuan Investment, Zhenluyuan Investment, Lutailai Industrial and Wangdaxin Industrial as to approximately 51%, 7.98%, 7.48%, 5.89%, 2.76% and 1.89%, respectively as of the Latest Practicable Date and was and will be our Controlling Shareholder as of the Latest Practicable Date and immediately upon completion of the **[REDACTED]**, respectively
"Three Red Lines Standard"	the financial regulatory guidelines introduced by the PBOC and the MOHURD in August 2020
"Track Record Period"	the period comprising the three financial years ended December 31, 2021, 2022, and 2023, and the six months ended June 30, 2024
"Trademark Licensing Agreement"	the agreement dated [•] entered into between Shum Yip Holdings and our Company, as further described under "Continuing Connected Transaction"

[REDACTED]

"U.S." or "United States"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction

[REDACTED]

"US$", "USD" or "U.S. dollars"	United States dollars, the lawful currency of the United States
"VAT"	value-added tax
"Wangdaxin Industrial"	Shenzhen Wangdaxin Industrial Development Co., Ltd.* (深圳市望達欣實業發展有限公司), a company established in China with limited liability on December 13, 2000, which was directly held by Shum Yip Investment (Shenzhen) as to approximately 83.33% as of the Latest Practicable Date and was and will be our Controlling Shareholder as of the Latest Practicable Date and immediately upon completion of the **[REDACTED]**, respectively

"Wansha Household"	Shenzhen Wansha Household Co., Ltd.* (深圳市萬厦居業有限公司), a company established in the PRC with limited liability on June 10, 1987 and a direct wholly-owned subsidiary of our Company as of the Latest Practicable Date
"Zhenluyuan Investment"	Shenzhen Zhenluyuan Investment Development Co., Ltd.* (深圳市振祿源投資發展有限公司), a company established in China with limited liability on January 19, 2001, which was directly held by Shum Yip Investment (Shenzhen) as to approximately 96.53% as of the Latest Practicable Date and was and will be our Controlling Shareholder as of the Latest Practicable Date and immediately upon completion of the **[REDACTED]**, respectively

In this document, the terms "associate," "close associate," "connected person," "core connected person," "connected transaction," "controlling shareholder" and "substantial shareholder" shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

Certain amounts and percentage figures included in this document have been subject to rounding. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them. Any discrepancies in any table or chart between the total shown and the sum of the amounts listed are due to rounding.

The English names of Chinese entities marked with "" are translations of their Chinese names and are included in this document for identification purpose only, and should not be regarded as their official English translation. In the event of any inconsistency, the Chinese name will prevail.*

For ease of reference, the names of the PRC established companies or entities, laws or regulations have been included in this document in both the Chinese and English languages and in the event of any inconsistency, the Chinese versions shall prevail.

GLOSSARY OF TECHNICAL TERMS

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

"AI"	artificial intelligence
"app"	applications on smart mobile devices
"average property management fee"	weighted average property management fee charged calculated on the basis of contracted GFA of each property for which the property management service are provided
"bps"	basis point
"CAGR"	compound annual growth rate
"Central China region"	refers to Henan Province, Hubei Province, Hunan Province
"collection rate"	a percentage of the property service fee cumulatively collected by the end of the relevant period in the total income for the corresponding period
"contracted GFA"	GFA currently being managed or to be managed by us under signed property management service contracts
"East China Region"	refers to Shanghai, Jiangsu Province, Zhejiang Province, Anhui Province, Jiangxi Province, Shandong Province, Fujian Province
"first-tier cities"	cities specified by the Rising Lab of Yicai (第一財經新一線城市研究所), including Beijing, Shanghai, Guangzhou and Shenzhen
"GFA"	the gross floor area
"GFA under management"	GFA currently being managed by us under signed property management service contracts
"IT"	information technology
"IOT" or "Internet of Things"	describes physical objects (or groups of such objects) with sensors, processing ability software and other technologies that connect and exchange data with other devices and systems over the internet or other communications networks

GLOSSARY OF TECHNICAL TERMS

"kWh"	kilowatt-hour. The standard unit of energy used in the electric power industry. One kilowatt-hour is the amount of energy that would be produced by a generator producing one thousand watts for one hour
"new first-tier cities"	cities specified by the Rising Lab of Yicai (第一財經新一綫城市研究所), including Chengdu, Chongqing, Hangzhou, Xi'an, Wuhan, Suzhou, Zhengzhou, Nanjing, Tianjin, Changsha, Dongguan, Ningbo, Foshan, Hefei and Qingdao
"North China Region"	refers to Beijing, Tianjin, Hebei Province, Shanxi Province, Inner Mongolia
"Northeast China Region"	refers to Heilongjiang Province, Jilin Province, Liaoning Province
"Northwest China Region"	refers to Shaanxi Province, Gansu Province, Qinghai Province, Ningxia Hui Autonomous Region, Xinjiang Uygher Autonomous Region
"outsourcing cost(s)"	costs incurred by property management companies in relation to services delegated to subcontractors, which primarily include labor-intensive services such as cleaning and gardening services
"renewal rate"	(i) the number of contracts renewed upon expiry during the relevant year/period and (ii) the number of contracts to which we continue to provide property management services upon expiry without entering into a renewal contract during the relevant year/period divided by the number of property management contracts expired during the same period

"retention rate"	Retention rate = (A+B+C+D)/(A+B+C+D+E) A = the number of newly engaged contracts during the relevant period B = the number of contracts renewed upon expiry during the relevant period C = the number of contracts to which we continue to provide property management services upon expiry without entering into a renewal contract during the relevant period D = the number of contracts that did not expire and remained effective during the relevant period E = the number of projects we ceased to provide property management services during the relevant period
"second-tier cities"	cities specified by the Rising Lab of Yicai (第一財經新一綫城市研究所), including Kunming, Shenyang, Jinan, Wuxi, Xiamen, Fuzhou, Wenzhou, Jinhua, Harbin, Dalian, Guiyang, Nanning, Quanzhou, Shijiazhuang, Changchun, Nanchang, Huizhou, Changzhou, Jiaxing, Xuzhou, Nantong, Taiyuan, Baoding, Zhuhai, Zhongshan, Lanzhou, Linyi, Weifang, Yantai, Shaoxing
"South China Region"	refers to Guangdong Province, Guangxi Province, Hainan Province
"Southwest China"	refers to Chongqing, Sichuan Province, Guizhou Province, Yunnan Province, and Tibet Autonomous Region
"sub-district"	refers to administrative divisions within districts in urban China and are administrated by the most basic level of Chinese government agencies
"sq.m."	square meter

FORWARD-LOOKING STATEMENTS

This document includes forward-looking statements. All statements other than statements of historical facts contained in this document, including, without limitation, those regarding our future financial position, our strategy, plans, objectives, goals, targets and future developments in the markets where we participate or are seeking to participate, and any statements preceded by, followed by or that include the words "believe," "expect," "estimate," "predict," "aim," "intend," "will," "may," "plan," "consider," "anticipate," "seek," "should," "could," "would," "continue," or similar expressions or the negative thereof, are forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors, some of which are beyond our control, which may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Important factors that could cause our actual performance or achievements to differ materially from those in the forward-looking statements include, among others, the following:

- our business operations and prospects;
- future developments, trends and conditions in the industry and markets in which we operate or into which we intend to expand;
- our business development strategies and initiatives and abilities to implement these strategies;
- general economic, political and business conditions in the industry and in markets in which we operate;
- any changes in the laws, rules and regulations of the central and local governments in China and the rules, regulations and policies of the relevant governmental authorities relating to all aspects of our business and our business plans;
- the effects of the global financial markets and economic crisis;
- our ability to identify and integrate suitable acquisition targets;
- our capital expenditure plans;
- our ability to control or reduce costs;
- our dividend policy;
- capital market developments;
- the actions and developments of our competitors;
- our financial condition and performance;

- regulatory changes affecting, among other things, the industry and market, accounting standards and taxes; and

- changes or volatility in interest rates, foreign exchange rates, equity prices or other rates or prices, including those pertaining to China and the insurance industry and markets in which we operate.

Additional factors that could cause actual performance or achievements to differ materially include, but are not limited to, those discussed under "Risk Factors" and elsewhere in this document. We caution you not to place undue reliance on these forward-looking statements, which reflect our management's view only as of the date of this document. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this document might not occur. All forward-looking statements contained in this document are qualified by reference to the cautionary statements set forth in this section.

An investment in our H Shares involves various risks. You should carefully consider the following information about risks, together with the other information contained in this document, including our consolidated financial statement and related notes, before you decide to purchase our H Shares. If any of the circumstances or events described below actually arises or occurs, our business, results of operations, financial conditions and prospects would likely suffer. In any such case, the market price of our H Shares could decline, and you may lose all or part of your investment. This document also contains forward-looking information that involves risks and uncertainties. Our actual results could differ materially from those anticipated in the forward-looking statements as a result of many factors, including the risks described below and elsewhere in this document.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

We may fail to secure new or renew our existing service contracts on favorable terms, or at all.

We believe that our ability to expand our portfolio of service contracts is key to sustaining growth of our business. During the Track Record Period, we procured new service contracts primarily through the tender and bidding process. For other contracts which do not require the tender and bidding process, we procured new agreements primarily through negotiations. Factors affecting customers' choice include the quality of services, the level of pricing and the track record of the property management company. We cannot assure you that we will be able to procure new service contracts on favorable terms, or at all. Our efforts may be hindered by factors beyond our control, which may include, among others, changes in general economic conditions, evolving government regulations as well as supply and demand dynamics within the property management industry. In addition, both termination and non-renewal of contracts aforesaid could potentially be detrimental to our reputation and brand value and diminish our competitiveness within the market.

Furthermore, a substantial portion of our service contracts during the Track Record Period were awarded by independent third parties. Our revenue derived from properties developed by independent third parties accounted for 56.6%, 55.9%, 54.7%, 57.3% and 54.5% of our total revenue for 2021, 2022, 2023 and six months ended June 30, 2023 and 2024, respectively. Any adverse development in the operations of independent third parties or their ability to develop new properties may affect our ability to procure the relevant new contracts. As a large number of independent third parties in China have their affiliated property management companies, we cannot assure you that the independent third parties will actually engage us as their property management service provider or that the number of independent third parties who engaged us will continue to grow at a similar rate as we previously experienced.

During the Track Record Period, we had also procured service contracts that come from Shum Yip Group, its subsidiaries, joint ventures and associates. Our revenue derived from properties developed by Shum Yip Group, its subsidiaries, joint ventures and associates accounted for 43.4%, 44.1%, 45.3%, 42.7% and 45.5% of our total revenue in 2021, 2022, 2023 and six months ended June 30, 2023 and 2024, respectively. We cannot assure you that Shum Yip Group, its subsidiaries, joint ventures and associates will always engage us as their property management service provider, particularly because the appointment of property management enterprises is generally subject to the tender and bidding process under the PRC laws. There is no guarantee that we would be able to find other business opportunities and enter into service contracts on favorable terms, or at all.

We are affected by government regulations on the real estate industry.

As a property management and operational service provider, our business and growth potential are affected by developments in China's real estate industry. The PRC government from time to time introduces new laws and regulations related to the real estate industry, such as measures to curb overheating or speculation in the real estate market, which may impact the demand for our services and, in turn, affect our business prospects and operational results. Our residential property management services business, in particular, is highly susceptible to the influence of PRC government regulations on the real estate sector. The government's regulations and measures aimed at discouraging speculation and overheating can restrict property development activities, limit bank loans for property purchasers, impose additional taxes and levies on property sales, and affect property delivery schedules and occupancy rates of the properties we service. Any such governmental regulations or measures may decrease market demand for our services and we may not be able to grow our business as expected.

For example, in August 2020, the PBOC and the MOHURD introduced a newly proposed standard in the assessment of the debt burden of property developers, which was commonly referred to as the Three Red Lines, for real estate companies to control the financing activities of property developers and the scale of interest-bearing debts of property developers in China.

The policy of Three Red Lines refers to: (i) the gearing ratio (excluding prepayments) of a real estate company which shall not exceed 70%; (ii) the net gearing ratio of a real estate company which shall not exceed 100%; and (iii) cash over short-term interest-bearing loans which shall not be lower than 1.0. In particular, if a real estate company complies with all of the above-mentioned three limits (also known as green real estate companies), its annual growth rate of interest-bearing liabilities will be capped at 15%; if a real estate company fails to comply with one of the above-mentioned three limits (also known as the yellow real estate companies), its annual growth rate of interest-bearing liabilities will be capped at 10%; if a real estate company fails to comply with two of the above-mentioned three limits (also known as the orange real estate companies), its annual growth rate of interest-bearing liabilities will be capped at 5%; and if a real estate company fails to comply with all of the abovementioned three limits (also known as the red real estate companies), it will not be allowed to increase its interest-bearing liabilities. As of the Latest Practicable Date, the above policy has not been officially promulgated.

The Group has not, and to the best knowledge of the Directors after due inquiry, Shum Yip Group has not received any notices from the competent authorities regarding potential administrative penalties or investigation during the Track Record Period. However, if the policy is officially promulgated and our financial ratios fail to meet the required thresholds, our business and financial positions might be adversely compromised.

Increase in employee benefit expenses and outsourcing costs could adversely impact our business and affect our profitability.

For 2021, 2022, 2023 and six months ended June 30, 2023 and 2024, our employee benefit expenses accounted for approximately 64.3%, 62.5%, 57.9%, 59.3% and 55.3% of our total cost of services and administrative expenses, respectively. We also delegate certain services, such as cleaning and gardening, to third-party subcontractors. For 2021, 2022, 2023 and six months ended June 30, 2023 and 2024, our outsourcing costs accounted for approximately 16.6%, 19.6%, 24.3%, 24.9% and 26.1% of our total cost of services, respectively. Since our staff and outsourcing costs accounted for a significant portion of our cost of services, we believe that controlling and reducing our employee benefit expenses and outsourcing costs are essential to maintaining and improving our profit margins. See "Financial Information — Principal Components of Our Consolidated Statements of Profit or Loss — Cost of Services."

We face pressure from the rising employee benefit expenses and outsourcing costs due to various contributing factors, including but not limited to:

- the minimum wage in regions we operate has increased substantially in recent years, including an increase of RMB160 per month per person for full-time employees and RMB1.9 per hour per person for part-time employees, enacted by Shenzhen government and effective on January 1, 2022, which may directly affect our employee benefit expenses as well as the fees we pay to our third-party subcontractors; and

- with the expansion of our business, the number of our employees may continue to increase. We need to retain and continue to recruit qualified employees to meet the growing demand for talent. In addition, the number of third-party subcontractors we need will also increase. The increase in the number of employees may also lead to an increase in other costs, such as training, social insurance, housing provident fund contributions and quality control measures.

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

Some anchor stores or other major tenants could affect our ability to attract consumers to shopping malls under our management.

Shopping malls under our management are typically anchored by several large and widely recognized tenants. The operations of these shopping malls could be adversely affected if these anchor stores or other major tenants fail to comply with their contractual obligations or cease their operations while we fail to source new tenants at comparable or attractive rates in a timely manner.

Some anchor stores and major tenants may experience decreases in consumer traffic in their storefronts due to uncertainty as a result of pandemic events (such as the COVID-19 outbreak) and less-than-desirable levels of consumer confidence, increased competition from alternative retail options such as those accessible via the internet and other forms of pressure on their business models.

Accordingly, the ability of these tenants to maintain their stores and meet their obligations to property owners, their external lenders and us may be impaired. As a result, they may close their stores or seek more favorable lease terms with the property owners. These could in turn result in decreases in our operational service fees.

If any of the anchor or major tenants closes its stores at the shopping malls under our management, we may experience difficulty and delays in sourcing new tenants as well as in leasing spaces adjacent to such vacant anchor store or major tenants at attractive or comparable rates, or at all. Additionally, anchor store or major tenant closures may result in decreased consumer traffic, which could lead to decreased sales at other stores. If the business of stores operating in the shopping malls under our management declines significantly due to the closing of anchor stores or major tenants, tenants may be unable to pay their rents, service fees or other expenses. If any tenant defaults, we may not be able to fully recover and/or may experience delays and costs in enforcing our rights as a service provider to recover amounts due to us under the terms of our agreements with such parties.

Future acquisitions, joint ventures and investments may expose us to new risks or failure to perform as expected.

One of the key components of our strategies is to consolidate our market position through selective acquisitions and joint ventures. However, there can be no assurance that we will be able to identify suitable opportunities. Acquisitions and joint ventures involve uncertainties and risks, including, without limitation, potential ongoing financial obligations and unforeseen or hidden liabilities, failure to achieve the intended objectives, benefits or revenue-enhancing opportunities, and diversion of resources and management's attention. In addition, we are facing competition from industry peers, in particular those listed on the Stock Exchange which are actively seeking quality acquisition or investment targets in the market to achieve their expansion goals. Even if we manage to identify suitable opportunities, we may not be able to complete the transactions on terms favorable or acceptable to us, in a timely manner, or at all. The inability to identify suitable opportunities or complete transactions could materially and adversely affect our competitiveness and growth prospects.

We may be exposed to uncertainties and risks even if the transactions are completed, including, without limitation:

- potential ongoing financial obligations and unforeseen or hidden legal, regulatory, financial or other liabilities;
- inability to apply our business model or standardized business processes to the acquisition targets and joint ventures;
- failure to achieve the intended objectives, synergy benefits or revenue-enhancing opportunities;
- assumption of debt and liabilities of the acquired companies and joint ventures, some of which may not have been revealed during the due diligence process; and
- diversion of resources and management's attention.

In addition, we may face difficulties in integrating acquired operations with our existing business. Such difficulties could disrupt our ongoing business, distract our management and employees or increase our expenses, any of which could materially and adversely affect our business, financial condition and results of operations.

Rapid growth of e-commerce business in China may have an adverse impact on the operation of shopping malls, which may, in turn, affect the profitability of our commercial property operational and management services.

As the e-commerce business in China has experienced rapid growth, the purchasing habits of the consumers may undergo significant changes. If people tend to shop online instead of visiting shopping malls, this purchasing habit or preference may adversely impact the business and financial condition of our tenants, in which case the tenants may reduce their rental area or even cease to rent the storefronts. As a result, our commercial operational services may be materially and adversely affected.

Our future growth may not materialize as planned and our historical results may not indicate our future prospects and results of operations.

We were expanding our businesses and services during the Track Record Period. Our revenue increased from RMB2,151.5 million for 2021 to RMB2,712.2 million for 2023. We also recorded an overall gross profit margin of approximately 13.0%, 14.4%, 15.7%, 15.8% and 15.7% in 2021, 2022, 2023 and six months ended June 30, 2023 and 2024, respectively. See "Financial Information — Principal Components of Our Consolidated Statements of Profit or Loss." However, the fee collection from our clients and profit margins of our projects largely depend on various factors, including the scale, complexity and specifications of the projects, our capacity, the competitive conditions at the contract negotiation stage and the general market conditions. As such, there is no assurance that we can maintain our income or estimate our project profitability of a project at any particular level. In addition, we base our expansion plans on our assessment of market prospects and other factors and we cannot assure you that our assessment will prove to be correct or that we can grow our business as planned. Our expansion plans may be affected by a number of factors, most of which are beyond our control, which include, among others:

- changes in the general economic conditions in China and respective real estate markets in particular;
- changes in disposable personal income in China;
- changes in government regulations or policies;
- changes in the supply of and demand for city and industrial park services, residential property management services and commercial property operational and management services;
- our ability to generate sufficient liquidity internally and obtain external financing;
- our ability to recruit and train competent employees;

- our ability to select and work with suitable third-party subcontractors and suppliers;
- our ability to understand the needs of customers;
- our ability to understand the needs of property developers in the commercial properties where we provide commercial property operational and management services;
- our ability to adapt to new markets where we have no prior experience and in particular, whether we can adapt to the administrative, regulatory and tax environments in such markets;
- our ability to diversify our service offerings and to optimize our business mix;
- our ability to reinforce our current market position and our ability to leverage our brand names and to compete successfully in new markets, particularly against the incumbent players in such markets who might have more resources and experience than we do; and
- our ability to improve our administrative, technical, operational and financial infrastructure.

Since our business strategies are subject to uncertainties and risks, we cannot assure you that our future growth will materialize. Unsuccessful expansion plan in whole or in part may have a material and adverse effect on our business, financial condition, results of operations and growth prospects.

In particular, for our city and industrial park services, we strategically focus on the provision of services to our government customers, which we believe would generate stable income. However, we cannot assure you that our business assessment will always turn out to be correct or we can grow our business as planned. Also, we cannot assure you that the local governments will actually engage or continue to engage us as their city and industrial park service provider, as the appointment of city and industrial park service providers is generally subject to several factors including the tender and bidding processes on the government procurement platforms, our relationship with the local government and our ability in continuously providing quality services to satisfy the relatively higher requirements of the government projects. In addition, the expansion of our city and industrial park services may be restricted geographically due to local government policies in terms of public property management. There is no guarantee that we would be able to find other business opportunities or enter into alternative city and industrial park service contracts on favorable terms, or at all. As such, we cannot assure you that we can expand this business as successfully as we have expected.

For commercial operational services, we provide tenant sourcing services with respect to units located within shopping malls. However, we may not be able to assist property owners in leasing all of their new properties to an appropriate mix of tenants. In addition, when leases for existing tenants expire, we may not be able to assist property owners in renewing such leases on terms commercially favorable to them, or at all. Even if we manage to help them renew the leases, the rent as agreed may decrease due to other factors such as unfavorable market conditions. If we are unable to help property owners rent out such properties to tenants at the rent level we expect, or at all, and the commercial properties under our management fail to achieve the expected occupancy rate or maintain a high occupancy rate during their life cycle as expected, our revenue may decrease and, as a result, our results of operations and financial condition may be adversely affected. Meanwhile, we also help property owners to position their shopping malls. We endeavor to improve our ability to accurately position shopping malls and assess the market demand and competitive landscape. However, these efforts may not be successful, which could adversely affect our results of operations and financial condition.

A significant portion of our operations are concentrated in the Greater Bay Area, and we are susceptible to any adverse development in government policies or business environment in this region.

A significant portion of our operations are concentrated in the Greater Bay Area. As of December 31, 2021, 2022, 2023 and six months ended June 30, 2024, our GFA under management in the Greater Bay Area totaled 37.0 million sq.m., 45.9 million sq.m., 52.8 million sq.m. and 60.2 million sq.m., representing 63.0%, 67.1%, 65.6% and 67.5% of our total GFA under management, respectively. In 2021, 2022, 2023 and six months ended June 30, 2023 and 2024, our revenue from the Greater Bay Area amounted to RMB1,629.3 million, RMB1,829.3 million, RMB2,163.3 million, RMB1,025.3 million and RMB1,146.1 million, representing 75.7%, 77.9%, 79.8%, 79.9% and 81.3% of our total revenue during the relevant periods, respectively. Due to such concentration, any adverse development in government policies or business environment in the area will materially and adversely affect our business, financial position and results of operations.

Our operations rely heavily on the following factors in Greater Bay Area, most of which are beyond our control:

- changes in the economic condition, the level of economic activities and the pace of urban development;
- the future regional development prospects;
- changes in government regulations and policies regarding the property management industry and real estate development industry; and
- our ability to compete with other property management companies operating in the region.

We may experience intense competition and fail to compete effectively.

According to Frost & Sullivan, the city and industrial park services, residential property management services and commercial property operational and management services industries are intensely competitive and highly fragmented in China. See "Industry Overview." Our competitors include city and industrial park, residential property management and commercial property operational and management service providers operating on national, regional and local scales that may have stronger capital resources, longer operating histories, better track records, greater brand or name recognition, greater expertise in regional and local markets and greater financial, technical, marketing and public relations resources than we do. Such service providers may be better positioned than we are to compete for customers, financing, skilled management and labor resources. They may also be able to devote more resources to the development, expansion, and promotion of their property management services. In addition, property developers may establish their own in-house property management businesses or engage their affiliated service providers. These developments may reduce the availability of business opportunities and customers as there would be fewer property developers on the market who would be willing to refer business to us. We may lose our competitive edge should we fail to continue evolving and thereby distinguishing ourselves from other service providers. Our customers may opt to work with our competitors upon the expiration of our existing service contracts as competition pressures intensify, and we may be less likely to successfully obtain new service contracts.

In addition, our efforts to compete may compel us to reduce prices for our property management services, while competitive pressures may force us to further enhance our service quality, thereby increasing our cost of services. We cannot assure you that we will be able to pass additional costs to our customers. Failure to compete effectively may erode our profit margins and market share, which could in turn materially and adversely affect our business, financial condition, results of operations and growth potential.

We may fail to effectively anticipate or control our costs in providing our services, for which we charge our customers on a lump-sum basis.

We generated a large portion of our revenue on a lump-sum basis during the Track Record Period. For 2021, 2022, 2023 and six months ended June 30, 2024, all of our revenue from city and industrial park services were charged on a lump-sum basis; 99.9%, 99.8%, 99.9% and 99.8% of our revenue from residential property management services were charged on a lump-sum basis, respectively; and all of our revenue from commercial property management services were charged on a lump-sum basis. On a lump-sum basis, we charge property management fees at a pre-determined fixed price per sq.m. per month, representing an "all-inclusive" fee for the property management services we provided. These fixed management fees do not vary with the actual amount of costs we incur in the course of providing our services. We recognize the full amount of property management fees we charge as our revenue, and recognize the actual costs we incur in connection with rendering our services as our cost of services.

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

If we are unable to raise property management fee rates to fully cover the property management costs we incur, we would seek to adopt certain cost-saving initiatives with a view to reducing the loss. However, our attempts to mitigate such losses through cost-saving initiatives may not be successful, and our cost-saving efforts may negatively affect the quality of our property management services, which consequently would further reduce the owners' willingness to pay us property management fees.

We may not be able to fully collect service fees from customers and, as a result, may incur impairment losses on receivables.

We may encounter difficulties in collecting service fees from customers. We provide property management services to our customers and our financial performance depend on our customers' abilities in performing their contract obligations. If our customers fail to pay service fee on time, our business operations and financial performance may be negatively affected. Even though we seek to collect overdue property management fees through various collection measures, we cannot guarantee that such measures will be effective. In addition, before accepting new engagements, we may assess the historical collectability of property management fees of these customers. However, we cannot assure you that such assessment would enable us to accurately predict our future property management fee collection rates. Moreover, although most of the property management fees were paid to us through non-cash methods such as bank transfers during the Track Record Period, certain property owners and residents may choose to pay their property management fees in cash, which may impose cash management risks on us.

Our trade receivables amounted to RMB292.9 million, RMB469.0 million, RMB506.9 million and RMB635.6 million as of December 31, 2021, 2022, 2023 and June 30, 2024, respectively. During 2021, 2022, 2023 and six months ended June 30, 2024, we recognized impairment losses on trade receivables of RMB10.3 million, RMB9.5 million, RMB9.2 million and RMB13.3 million, respectively. Although our management made estimation and the related assumptions according to the information available to us at the time the allowance was determined, such estimation or assumptions may need to be adjusted if the new information becomes known. In the event that the actual recoverability is lower than expected, or that our past allowance for impairment of trade receivables becomes insufficient in light of the new information, we may need to make more of such impairment allowance or incur impairment losses, which may in turn materially and adversely affect our business, financial condition and results of operations.

Our collection of some property management fees is susceptible to seasonal fluctuations.

We experienced seasonal fluctuations in collecting some of our property management fees during the Track Record Period and expect to continue experiencing such seasonal fluctuations going forward. Property owners and tenants of some properties under our management tend to settle the outstanding property management fee balances toward the second half of the year, especially near the end of the year. In general, our trade receivable amounts increase throughout the year and decrease toward the end of the year when property owners and tenants clear their outstanding property management fee balances. Our contract liabilities, which primarily represent property management fees collected in advance from our customers, are therefore also subject to seasonal fluctuations. A comparison of our outstanding trade receivables and contract liabilities between different points in time within a single financial year may not necessarily be meaningful and should not be relied upon as indicators of our financial performance. Seasonal fluctuations in our trade receivables and contract liabilities require that we manage our liquidity carefully so as to provide our business with adequate cash for operations. Any inability to ensure adequate liquidity could cause us to incur higher financing costs and hamper our expansion and growth efforts, which could in turn materially and adversely affect our results of operations.

We may not be able to collect property management fees from our customers, including related parties and as a result, may incur impairment losses on receivables.

We may encounter difficulties in collecting property management fees from customers such as property owners, residents and property developers. In particular, we may experience difficulties in collecting fees from providing services to properties developed by related parties, such as Shum Yip Group, its subsidiaries, joint ventures or associates, in our provision of commercial property operational and management services. In 2021, 2022, 2023 and six months ended June 30, 2024, our trade receivable turnover days from Shum Yip Group, its subsidiaries, joint ventures and associates were 324.9 days, 206.6 days, 248.4 days and 284.2 days compared to 38.3 days, 51.9 days, 54.9 days and 59.5 days for the trade receivable turnover days from independent third parties. In particular, our collection of trade receivables from Shum Yip Group, its subsidiaries, joint ventures and associates exhibited substantially longer trade receivable turnover days compared to those from independent third parties. We seek to collect overdue property management fees through various collection measures. We have also undertaken to align the credit period granted to Shum Yip Group, its subsidiaries, joint ventures and associates with the credit period granted to independent third parties upon **[REDACTED]** and implement measures to accelerate the collection of trade receivables from Shum Yip Group, its subsidiaries, joint ventures and associates. However, we cannot guarantee that such measures will be effective. Should Shum Yip Group, its subsidiaries, joint ventures and associates encounter financial difficulty and fail to repay trade receivables to us, our financial condition and results of operation will be materially and adversely impacted. See "Financial Information — Trade and Other Receivables and Prepayments — Trade Receivables."

In addition, if the financial condition of related parties or their business owners deteriorates, we may experience delay in payments. Although we perform on-going credit evaluation of financial conditions on our customers, we cannot assure you that our customers will pay us in full for their purchases in a timely manner pursuant to the payment schedules listed in our agreements or at all in the future. If we are unable to collect property manage fees from customers or experience prolonged, our business operations and financial performances may be materially and adversely affected.

Based on the unaudited consolidated financial statements of Shum Yip Group for the six months ended June 30, 2024 prepared in accordance with PRC GAAP, Shum Yip Group recorded total assets of RMB192.9 billion, total liabilities of RMB143.4 billion, and net assets, or total equity of RMB49.5 billion as of June 30, 2024. To the best of our Directors' knowledge, as of the Latest Practicable Date, our Directors were not aware of any circumstances that would raise concern on the financial strength of Shum Yip Group or any of its subsidiaries, joint ventures or associates. Nonetheless, we will constantly monitor and assess the financial strength of our related parties as part of our ongoing credit evaluation process to ensure any recoverability issue will be identified promptly and make appropriate provisions for receivables if necessary.

We rely on third-party subcontractors to perform certain property management services and may be held responsible for their substandard services to our customers.

In conducting our business, we delegate certain services, such as cleaning, gardening and greening services, to third-party subcontractors. For 2021, 2022, 2023 and six months ended June 30, 2024, our outsourcing costs accounted for 16.6%, 19.6%, 24.3% and 26.1% of our total cost of services, respectively. We may not be able to monitor the services of our third-party subcontractors as directly and effectively as with of our own employees. They may take actions contrary to our instructions or requests, or be unable or unwilling to fulfill their obligations. They may not have obtained or renewed the relevant business permits or licenses for the provision of their services on a timely basis. As a result, we may have disputes with our third-party subcontractors, or may be held responsible for their actions, either of which could lead to damages to our reputation, additional expenses and business disruptions, and potentially expose us to litigation and damage claims.

We may be able to recover from a third-party subcontractor the amounts we are required to pay to customers due to the third-party subcontractor's failure to perform pursuant to the agreements that we enter into with the third-party subcontractor, but there is no guarantee that we will be able to do so in every case. Upon the expiration of our agreements with our current third-party subcontractors, there can be no assurance that we will be able to renew such agreements or find suitable replacements in a timely manner, on terms acceptable to us, or at all. In addition, if our third-party subcontractors fail to maintain a stable team of qualified labor or have easy access to a stable supply of qualified labor, the work process may be interrupted. Any interruption to the third-party subcontractors' work process may potentially result in a breach of the contract that we entered into with our customers. Any of such events could materially and adversely affect our service quality, our reputation, as well as our business, financial position and results of operations.

Moreover, we may become, or may be joined as, a defendant in litigation or other proceedings brought against our third-party subcontractors. These proceedings could involve claims alleging, among other things, the failure of services provided by our third-party subcontractors to conform to required quality standards, false or misleading representations made by our third-party subcontractors in relation to the services provided, property damages or personal injuries arising from the services provided by our third-party subcontractors and infringement of third parties' intellectual property rights by our third-party subcontractors in connection with the services provided. We may be required to pay damage as a result of such litigation or other proceedings. We may also be subject to administrative fines and ordered to cease provision of the relevant services. In the event of serious offenses, our business license may be suspended or revoked, and we may be investigated or even prosecuted under the PRC criminal laws. Any of the foregoing events could harm our brand and reputation, divert our management's attention and other resources and have a material adverse effect on our business, financial position and results of operations.

We are susceptible to changes in the regulatory landscape of the PRC property management services industry and commercial operational services industry.

We seek to comply with the regulatory regime of the property management and commercial operational services industries in conducting our business operations. During the Track Record Period, our revenue from city and industrial park services was affected by local government bidding requirements as we entered contracts with local authorities for providing the service. In addition, our residential property management services during the Track Record Period was subject to government pricing guidance and regulations. In particular, the PRC government promulgates new laws and regulations relating to property management fees from time to time. In December 2014, the NDRC issued the Circular of NDRC on the Opinions on Relaxing Price Controls in Certain Services (國家發展改革委關於放開部分服務價格意見的通知(發改價格)[2014]2755號) (the "**Circular**"), which requires the relevant provincial authorities to abolish all price control policies in relation to residential properties. Property management fees for affordable housing, housing-reform properties and properties in old residential areas and management fees under preliminary property management service contracts remain subject to price guidance imposed by provincial level price administration departments and the administrative departments of housing and urban-rural development. See "Regulatory Overview — Legal Supervision over Property Management Service — Property Management Service Charges." On August 1, 2019, the Notice on Further Standardization of Property Service Charges (《廣東省發展改革委廣東省住房和城鄉建設廳關於進一步規範物業服務收費的通知》(粵發改價格函[2019]2897號)) issued by Guangdong Provincial Development and Reform Commission and the Guangdong Provincial Bureau of Housing and Urban-rural Development took effect. The price for property management services shall be determined by the property management companies and the property owners through negotiation within the scope of the government guidance price, and is no longer required to report to the local development and reform commission for filing. In light of the Circular, we expect that price controls on residential properties will be relaxed. However, in other provinces where we have operations, our property management fees for residential properties will continue to be subject to price controls until the relevant authorities pass local regulations to implement the Circular. In 2021, 2022, 2023 and six months ended June 30, 2024, we generated RMB284.5 million, RMB251.8 million, RMB289.2 million and RMB143.1 million from residential property management services that were subject to government's pricing guidance, accounting for 13.2%, 10.7%, 10.7% and 10.2% of our total revenue, respectively. The gross profit from provision of those services was RMB53.8 million, RMB27.0 million, RMB30.5 million and RMB13.0 million during the corresponding periods, with a gross profit margin of 18.9%, 10.7%, 10.5% and 9.1%, respectively. On the other hand, our city and industrial park services and commercial property management services were not subject to government's price guidance or control during the Track Record Period.

If more residential properties that we manage are subject to price control policies, we may not be able to improve our profitability as planned. We cannot assure you that we would be able to respond to such changes timely and effectively by implementing our cost-saving measures, nor that we would be able to pass any additional costs to our customers.

We are susceptible to changes in the PRC regulatory landscape for car park management.

We aim for compliance with regulatory requirements for car park management fees. During the Track Record Period, our car park management services are subject to government pricing guidance and regulations. In particular, the PRC government promulgates new laws and regulations relating to car park management fees from time to time. Additionally, regulations mandated a licensed management system for urban parking facilities in May 2010. In December 2014, there was a gradual reduction in government guidance prices, with an emphasis on market-driven pricing for parking services introduced in December 2015. For details, see "Regulatory Overview Legal Supervision over Property Management Service Parking Service." If further price control policies are implemented on our car park management services, it may hinder our ability to enhance profitability as planned. We cannot provide assurance regarding our ability to promptly and effectively address such changes through the implementation of cost-saving measures, nor can we assure the ability to transfer any extra costs to our customers.

We have obtained some of our property management service contracts and city service contracts without going through the required tender and bidding process.

Under the PRC laws and regulations, property developers are typically required to enter into a preliminary property management service contract for residential properties with a property management company through a tender and bidding process. A residential property developer may be required to take rectification measures within a prescribed period and would be fined if it fails to comply with such tender and bidding requirements under the PRC laws for entering into preliminary property management service contracts. In addition, a public tender process may also be required under the PRC laws and regulations for the PRC government, public institutions and bodies with public fiscal funds to engage property management service providers for properties, such as government buildings and public facilities. See "Regulatory Overview — Legal Supervision over Property Management Service — Appointment of the Property Management Enterprises."

We had certain preliminary property management service contracts and city service contracts as of June 30, 2024, which were obtained without conducting the required tender and bidding process under the PRC laws and regulations and the compulsory requirement of relevant local authorities. As confirmed by our Directors, the lack of a tender and bidding process for the selection of property management service providers for the aforementioned preliminary property management service contracts was not caused by us but the relevant property developers. As advised by our PRC Legal Advisors, according to Article 56 of the Regulations on Property Management (2018 Revised) (《物業管理條例(2018修正)》), where the developer fails to hire the property management enterprise through a tender and bidding process or hire the property management enterprise by signing agreement without the approval of relevant government authority, the competent real estate administrative department of the local government at the county level or above shall order it to make correction within a prescribed time limit, issue a warning and impose a penalty of no more than RMB100,000. In addition, according to Article 153 of the Civil Code of the People's Republic of China (《中華人民共和國民法典》), a civil juristic act in violation of the mandatory provisions of laws and administrative regulations is void. According to the Minutes of the National Court Work Conference for Civil and Commercial Trials (《全國法院民商事審判工作會議紀要》(法[2019]254號), where the transaction method is severely illegal, for example contracts concluded in violation of competitive contracting methods such as tender and bidding, the transaction shall be regarded as violating the mandatory provisions of laws and administrative regulations. Therefore, preliminary property management service contracts that fail to go through a tender and bidding process may be determined to be invalid by the local judicial authorities. If this occurs, the relevant property developer may need to organize a tender and bidding process to select a property management service provider for their developed projects. In the case that we do not win the tender and bidding, we may not continue our property management services for the relevant projects and, as a result, our revenue and business may be negatively impacted.

We may be subject to penalties as a result of making loans to related parties during the Track Record Period.

During the Track Record Period, we made certain loans to Shum Yip Group, its subsidiaries, joint ventures and associates, with an interest rate ranging from 1.35% to 4.35%. We recorded interest income from loans to Shum Yip Group, its subsidiaries, joint ventures and associates in the amount of RMB3.6 million, RMB1.2 million in 2021 and 2022, respectively.

Our PRC Legal Advisors advised us that Article 61 of the General Lending Provisions (《貸款通則》) issued by the PBOC prohibits any financing arrangements or lending transactions between non-financial institutions, and that pursuant to Article 73 of the General Lending Provisions, the PBOC may impose on the non-compliant lender a fine of one to five times the income received by the lender from such loans. Our PRC Legal Advisors further advised that, notwithstanding the General Lending Provisions, the Supreme People's Court has made new interpretations concerning financing arrangements and lending transactions between non-financial institutions in the Provisions of the Supreme People's Court on Several Issues concerning the Application of Law in the Trial of Private Lending Cases (《最高人民法院關於審理民間借貸案件適用法律若干問題的規定》) (the "**Judicial Interpretations on Private Lending Cases**") which came into effect on September 1, 2015 and was latest amended on December 29, 2020. According to Article 10 of the Judicial Interpretations on Private Lending Cases, the Supreme People's Court recognizes the validity and legality of financing arrangements and lending transactions between non-financial institutions so long as certain requirements, such as the interest rates charged, are satisfied and there is no violation of relevant provisions of laws and regulations. During the Track Record Period, the interest rates of the interest-bearing loans offered by us to Shum Yip Group, its subsidiaries, joint ventures and associates ranged from 1.35% to 4.35% per annum. As advised by our PRC Legal Advisors, the validity of the aforementioned interest rate is regulated by the Judicial Interpretations on Private Lending Cases. According to the Judicial Interpretations on Private Lending Cases, the interest rate agreed upon by the parties before August 20, 2020, shall not exceed the annual interest rate of 24%, and the interest rate agreed upon thereafter shall not exceed four times the market interest rate for one-year loan released every month by the National Interbank Funding Centre with the authorization of the People's Bank of China ("**LPR**") at the conclusion of the contract. The abovementioned annual interest rates charged by us were lower than (i) 24% (for loans offered before August 20, 2020); or (ii) 13.8%-15.4% (being four times the applicable one-year LPR, which ranged from 3.45% to 3.85% for loans offered after August 20, 2020) throughout the Track Record Period. Therefore, as advised by our PRC Legal Advisors, the interest rates charged by us to Shum Yip Group, its subsidiaries, joint ventures and associates meet the abovementioned requirements. As of the Latest Practicable Date, we had not received any notice of claim or was subject to any investigation or penalty relating to the interest-bearing loans to Shum Yip Group, its subsidiaries, joint ventures and associates and based on the public searches conducted by our PRC Legal Advisors, we had not been subject to any administrative penalty in respect of such interest-bearing loans by government authorities as of the Latest Practicable Date.

Our PRC Legal Advisors are of the view that the risk that we would be subject to any penalty with respect to such interest-bearing loans pursuant to the General Lending Provisions by the relevant regulatory authorities is remote, and that the interest-bearing loans to Shum Yip Group, its subsidiaries, joint ventures and associates do not constitute material non-compliance of laws and regulations and do not have a material adverse impact on the **[REDACTED]**. However, the final determination of the relevant regulatory authorities could be different, and we may be subject to penalties from the PBOC or adverse judicial rulings as a result of the abovementioned loans, which could have a material adverse effect on our business, financial position and results of operations.

Failure to file our property management service contracts with competent government agencies in time may subject us to penalties.

Under the PRC laws and regulations, property management service enterprises are typically required to file property management service contracts with relevant government agencies within a specified period of time. As of the Latest Practicable Date, we had certain property management service contracts which we had not filed with competent government agencies. Failure to observe the compulsory filing requirement stipulated in regulations passed by local authorities may subject us to administrative penalties. For example, as advised by our PRC Legal Advisors, pursuant to Article 58 and 114 of the Regulations on Property Management of Shenzhen Special Economic Zone (Revised in 2024) (《深圳經濟特區物業管理條例》(2024年修訂)), property management service enterprises shall, within 15 days from the date of signing the property management service contract, submit a copy of the contract to the housing and construction department for filing. If the property service contract is not filed accordingly, the housing and construction department shall give a warning, order it to make corrections within a prescribed time limit and can impose a fine ranging from RMB20,000 to RMB50,000. As of the Latest Practicable Date, we had not been subject to any administrative penalties such as warning or fine.

Our business, results of operations and prospects could be adversely affected by COVID-19 or other public health emergencies.

The outbreak of COVID-19 throughout China and the world since early 2020 disrupted economies on a global scale. Governments around the world responded with restrictive measures such as travel bans, quarantines, and social distancing, which stifled economic activities and caused market volatility worldwide. Although given that the PRC government has substantially lifted its COVID-19 prevention policies as at the Latest Practicable Date, we cannot assure you that the COVID-19 situation will not worsen in the future. If COVID-19 or a similar public health emergency persists or escalates, our results of operations and financial condition could be adversely affected.

Moreover, any other public health emergencies similar to the COVID-19 pandemic could disrupt our operations. They might lead to labor shortages, halts in third-party services, and delays in construction and project delivery. This, in turn, could hinder our ability to provide property management and other services. An outbreak among our employees or those of our subcontractors could force us to quarantine staff, disinfect work sites, or even shut down operations to contain the disease. Such measures would increase our service costs and disrupt our operations and growth, adversely affecting our results of operations, financial position, and prospects.

Any slowdown or decline in the Chinese economy or real estate market in China could have an adverse impact on our business, results of operations and financial condition.

We derive substantially all of our revenue from property management and operational services in China. The success of our business depends on the condition and growth of the Chinese market, which in turn depends on macro-economic conditions and individual income levels in China. We cannot assure you that projected growth rates of the Chinese economy and the Chinese consumer market will be realized under the current economic situation. Any future slowdowns, declines or instability in the Chinese economy or consumer spending could adversely affect our business, operating results and financial condition.

We believe that the real estate market could be adversely affected during a period of recession in the economy and that uncertainties regarding future economic prospects could also affect the real estate market, any of which may have an adverse effect on property management and operational service providers in China, including us.

Our business may be adversely affected if we fail to obtain, or experience material delays in obtaining requisite government approvals or licenses in carrying out our operations.

We are required to obtain and maintain certain governmental approvals in the form of licenses, permits and certificates for our business operations, which, in general, are only issued or renewed after we have satisfied certain conditions. See "Regulatory Overview — Legal Supervision over Property Management Service." We cannot guarantee that we will not encounter material delays or difficulties in fulfilling the necessary conditions to obtain and/or renew all necessary governmental approvals for our operations in a timely manner, or at all. Moreover, we anticipate that the PRC government will promulgate new laws, regulations and policies in relation to the conditions for issuance or renewal of these governmental approvals from time to time and we cannot guarantee that we will be able to adapt to and meet these new conditions for us to obtain and/or renew the relevant governmental approvals in a timely manner, or at all. Loss of or failure to obtain or renew our permits, licenses and certificates necessary for our business operations, may stall our business development plans and operations, increase our compliance costs and leading to adverse impact on our business, financial condition and results of operations.

We are subject to the risks associated with our investments in joint ventures and associates.

We may from time to time make investments in joint ventures and associates in our ordinary course of business. As of December 31, 2021, 2022, 2023 and June 30, 2024, our investments in joint ventures and associates amounted to RMB273.6 million, RMB270.2 million, RMB276.1 million and RMB283.7 million, respectively. These investments carry inherent risks, including potential financial implications for our results of operations and liquidity challenges. If our joint ventures and associates underperform or face financial difficulties, it could result in substantial financial losses for us. Furthermore, as we often lack full control in these arrangements, it may hinder our ability to execute our strategic vision for their businesses. Consequently, our results of operations may be impacted by our share of results from these joint ventures and associates.

Moreover, we are exposed to liquidity risk in connection with our joint ventures and associates. These investments represented 48.3%, 48.5%, 50.2% and 51.1% of our total non-current assets as of December 31, 2021, 2022, 2023 and June 30, 2024, respectively. Unlike other non-current assets such as marketable securities, our investments in joint ventures and associates tend to be less liquid and thus could potentially cause liquidity challenges if we need to quickly convert assets into cash. The inherently limited liquidity associated with these investments can tie up our capital for extended periods, potentially affecting our financial condition and the availability of funds for other investment opportunities or financial needs. Furthermore, our liquidity is supplemented by the dividends and distributions from these investments. However, this source of liquidity is not guaranteed as the joint ventures and associates could face financial difficulties, hindering their ability to make consistent dividends or distributions to us. Such circumstances could further present liquidity challenges for us.

We may not be able to fully recover our deferred income tax assets, which may adversely affect our financial position and profitability.

We are required to make judgments, estimates, and assumptions about the carrying amounts of our deferred income tax assets. As of December 31, 2021, 2022, 2023 and June 30, 2024, our net deferred income tax assets were RMB26.2 million, RMB35.5 million, RMB36.7 million and RMB40.7 million, respectively. For details of the movements of our deferred income tax assets during the Track Record Period, see Note 26 to the Accountant's Report set out in Appendix I of this document.

Deferred income tax assets relating to certain temporary differences and tax losses are recognized when our management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilized. However, we cannot guarantee that our predictions of future taxable profits would be accurate due to factors beyond our control, such as general economic conditions and fluctuations in market demand. If we fail to recover our deferred income tax assets, this may adversely affect our financial condition and results of operations.

The preferential income tax treatment that we enjoy in China may be altered or terminated.

Our certain subsidiaries and branches are entitled to a preferential income tax rate lower than the 25% statutory corporate income tax rate in China. See "Regulatory Overview — Legal Supervision over Taxation in the PRC — Enterprise Income Tax." In 2021, 2022, 2023 and six months ended June 30, 2024, we received government grants of RMB6.3 million, RMB21.5 million, RMB5.5 million and RMB5.2 million, respectively. In addition, we enjoy financial support received from local governments relating to business operations as an incentive for business development. In 2021, 2022, 2023 and six months ended June 30, 2024, we received value-added tax refund in the amount of RMB10.9 million, RMB12.2 million, RMB10.4 million and RMB2.5 million, respectively. Please refer to Note 9 to the Accountant's Report set out in Appendix I of this document for detailed information. Our results of operations could be negatively affected by the non-recurring nature of preferential tax treatment and government grants.

There can be no assurance that the policies on preferential tax treatment or government grants will not change or that any preferential tax treatment or government grants we enjoy or will be entitled to enjoy will not be terminated. If any change or termination of preferential tax treatment or government grants occurs, the increase in our tax charge or any other related tax liabilities or decrease in our other income could adversely affect our results of operations and financial condition.

If we fail to fulfill our obligations under our contracts with customers, our results of operations and financial condition may be adversely affected.

As of December 31, 2021, 2022, 2023 and June 30, 2024, our contract liabilities amounted to RMB75.2 million, RMB68.9 million, RMB58.2 million and RMB66.5 million, respectively. Our contract liabilities primarily arise from the advance payments made by customers while the underlying services are yet to be provided. See "Financial Information — Description of Certain Components of Our Consolidated Statements of Financial Position — Contract Liabilities." If we fail to fulfill our obligations under our contracts with customers, we may not be able to convert such contract liabilities into revenue, and our customers may also require us to refund the property management fees we have received, which may adversely affect our cash flows and liquidity condition, our ability to meet our working capital requirements and our results of operations and financial condition. In addition, if we fail to fulfill our obligations under our contracts with customers, it may adversely affect our relationship with such customers, which may also affect our reputation and results of operations in the future.

We are exposed to risks associated with failing to detect and prevent fraud, negligence or other misconduct committed by our employees, third-party subcontractors or other third parties.

We are exposed to fraud, negligence or other misconduct, intended or unintended, committed by our employees, third-party subcontractors, customers or other third parties that could subject us to financial losses and penalties imposed by governmental authorities as well as seriously harm our reputation. We cannot assure you that our risk management and internal control systems will always enable us to detect, prevent and take remedial measures in relation to fraud, negligence or other misconduct committed by our employees, third-party subcontractors or other third parties in a timely and effective manner.

Although we have limited control over the behavior of any of these parties, we may be viewed as at least partially responsible for their conduct on contractual or tortious grounds. We may become, or be joined as, a defendant in litigation or other administrative or investigative proceedings and be held accountable for injuries or damages sustained by our customers or third parties. In the event that we cannot recover related costs from the employees, third-party subcontractors or third parties involved in the misconduct, our business, financial condition and results of operations could be materially and adversely affected. Such misconducts could also attract negative publicity on us, damaging our reputation and brand value.

Our employees and third-party subcontractors may sustain work injuries during the ordinary course of providing property management services.

Work injuries may occur during the ordinary course of our business. For example, repair and maintenance services performed by our employees and third-party subcontractors may involve the handling of tools and machinery that carry the inherent occupational risk of accidents. During the Track Record Period and up to the Latest Practicable Date, we did not experience any work injury incident or accident in the course of our operations that resulted in a material and adverse effect on our business, financial position and results of operations. Nevertheless, we are exposed to risks in relation to work safety, including, but not limited to, claims for injuries sustained by our employees and third-party subcontractors. Such occurrences may also damage our reputation within the property management industry. We may also experience business disruptions and be required to implement additional safety measures or modify our business model as a result of any governmental or other investigations. As a result, our business, financial condition, results of operations could be materially and adversely affected.

Damage to the common areas of the properties we manage may adversely affect our business, results of operations and financial position.

The common areas of the properties we manage may suffer damage as a result of incidents beyond our control. These incidents include, among others, natural disasters, accidents or intentional damage. Where the damage is caused by natural disasters such as earthquakes, floods or typhoons, or accidents or intentional harm such as fires, the damage caused may be material and extensive. Although a residential community is required under the PRC laws to establish a special fund to pay for the repair and maintenance costs of common areas, we cannot guarantee you that such fund will be sufficient. As the property management service provider, we may be viewed as the responsible party for restoring the common areas and at times we need to allocate additional resources to assist the police and other governmental authorities in investigating criminal actions that may have been involved in connection with damage caused to the common areas. If there is any shortfall in the special funds necessary to cover all the costs involved, we may have to compensate for the difference and fix the damages with our own resources first before we attempt to collect the amount of the shortfall from property owners, property developers and residents. To the extent that our attempts are unsuccessful, we may experience material adverse effects on our business, financial condition and results of operations. As we intend to continue expanding our business, the likelihood of such incidents may rise in proportion to any increases in the number of our managed properties and the expansion of our geographic coverage. Moreover, we may expand into markets that are geographically located in areas susceptible to natural disasters, which may consequently increase the possibility that common areas of the properties we manage may be subject to damage.

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

Our continued success depends on the efforts of our senior management team and other key employees. As they possess key connections and industry expertise, losing their services may have a material adverse effect on our business. We believe that their insight into and knowledge of our industry, business operations and history have guided and will continue to guide us toward success. For details of the background and experience of our directors and senior management, see "Directors, Supervisors and Senior Management." Should any or all members of our senior management team join or form a competing business with their expertise, connections and full knowledge of our business operations, we may not be able to estimate the extent of and compensate for such damage. Unexpected resignations may also leave key operations without supervisors and materially and adversely affect the implementation of our business strategies. In addition, the future growth of our business will be, in part, affected by our ability to attract and retain qualified personnel in all aspects of our business, including corporate management and property management personnel. If we are unable to attract and retain these qualified personnel, our growth may be limited and our business, financial condition and results of operations could be materially and adversely affected.

We may be involved in legal and other disputes and claims arising from our daily operations from time to time.

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

We may experience failures in protecting our customers' personal information and complying with laws and regulations regarding cybersecurity, privacy, data protection and information security.

We collect, process and store significant amounts of personal data concerning our customers, business partners and employees. While we have taken steps to protect the confidential information, we may be unable to identify the techniques used to sabotage or obtain unauthorized access, or implement adequate preventive measures to employee errors, malfeasances, system errors, fraudulent inducement, vulnerabilities or similar incidents. Any willful or accidental security breaches or unauthorized access to our platforms could cause confidential information leakage, usage for unlawful purposes and expose us to significant litigation, enforcement actions, legal sanctions (including but not limited to, fines, suspensions of our production activities and limitations on our commercial activities), reputational harm, management distraction and, potentially, corporate criminal liabilities. See "Regulatory Overview — Legal Supervision Over Cyber Security" and "Regulatory Overview — Legal Supervision Over Internet Privacy."

Despite our efforts to comply with applicable laws, regulations and policies relating to cybersecurity, privacy, data protection and information security, we cannot assure you that our practices, offerings, services or platform will meet all of the requirements by such laws, regulations or policies. Any failure or perceived failure to comply with applicable laws, regulations or policies may result in inquiries or other proceedings being instituted against, or other lawsuits, decisions or sanctions being imposed on us by governmental authorities, consumers or other parties, including warnings, fines, directions for rectifications, suspension of the related business and termination of our applications, as well as in negative publicity on us and damage to our reputation, any of which could have a material adverse effect on our business, financial condition and operating results.

We may experience failures in or disruptions to our information technology systems.

We rely on our information technology systems to manage certain of our operational functions. However, we cannot assure you that damages or interruptions caused by power outages, computer viruses, hardware and software failures, telecommunication failures, fires, natural disasters, security breaches and other similar incidents in relation to our information systems will not occur going forward. We may incur significant costs in restoring any damaged information technology systems. Failures in or disruptions to our information technology systems and loss or leakage of confidential information could result in, among others, transaction errors, processing inefficiencies and the loss of customers loyalty and sales. We may thus experience material adverse effects on our business, financial position, results of operations and our reputation.

Our insurance coverage may not sufficiently cover the risks related to our business.

We purchase and maintain insurance policies that we believe are customary with the standard commercial practice in our industry and as required under the relevant laws and regulations. See "Business — Insurance." However, we cannot assure you that our insurance policies will provide adequate coverage for all the risks in connection with our business operations. In addition, the insurance policies against disruption or damage caused by instances such as natural disasters, wars, civil unrest and acts of terrorism are not available in China on commercially practicable terms. We may be required to bear our losses to the extent that our insurance coverage is insufficient. If we were to incur substantial losses and liabilities that are not covered by our insurance policies, we could be subject to significant costs and experience diversion of our resources, which would in turn materially and adversely affect our business, financial condition and results of operations.

Failure to make adequate contributions to social insurance and housing provident funds for our employees as required by the PRC regulations may subject us to penalties.

In accordance with applicable PRC laws and regulations, we are obliged to contribute to social insurance and housing provident funds for our employees. During the Track Record Period, we did not fully contribute to certain social insurance and housing provident funds for some of our employees. We have made provisions in the amounts of RMB5.7 million, RMB5.4 million, RMB2.3 million and RMB0.6 million to our consolidated statements of profit or loss and other comprehensive income in respect of such potential liabilities in 2021, 2022, 2023 and the six months ended June 30, 2024, respectively. As advised by our PRC Legal Advisors, according to the Social Insurance Law of the PRC (2018 Revision) (中華人民共和國社會保險法(2018年修訂)), (i) if we fail to complete social insurance registration before the prescribed deadlines, we may be liable to a fine of one to three times the social insurance premiums payable; and the principals who bear direct responsibilities and other persons with direct responsibilities shall be liable for a fine over RMB500 but less than RMB3,000; and (ii) for outstanding social insurance fund contributions that we did not fully pay within the prescribed deadlines, the relevant PRC authorities may demand that we pay the outstanding social insurance contributions within a stipulated deadline and we may be liable for a late payment fee equal to 0.05% of the outstanding contribution amount for each day of delay. If we fail to make such payments within the stipulated deadline, we may be liable to a fine of one to three times the outstanding contribution amount. Under the Regulations on Administration of Housing Provident Funds (2019 Revision) (住房公積金管理條例(2019修訂)), (i) if we fail to complete housing provident fund registration before the prescribed deadlines, we may be subject to a fine ranging from RMB10,000 to RMB50,000 for each non-compliant subsidiary or branch and (ii) if we fail to pay housing provident fund contributions within the prescribed deadlines, we may be subject to an order by the relevant people's court to make such payments. As of the Latest Practicable Date, we had not received any notification from relevant local governments requiring us to pay shortfalls or the penalties with respect to social insurance and housing provident funds. See "Business — Employees — Social Insurance and Housing Provident Fund Enforcement."

We may be subject to fines for our failure to adhere to national health and safety standards.

We cannot assure you that our procedures and training will be completely effective in meeting all relevant health and safety requirements. Failure to meet such requirements could occur in our operations or those of our third-party subcontractors or suppliers. See "Business — Environmental, Social and Corporate Governance Matters." Our failure to adhere to the relevant laws and regulations could result in fines, suspension of operations, loss of permits, and in more extreme cases, criminal proceedings against us and/or our management. In addition, negative publicity could result from false, unfounded or nominal liability claims. Any of these failures or occurrences could materially and adversely affect our business, financial condition, results of operations and brand image.

Any inability to comply with our environmental responsibilities may subject us to liability.

We are subject to environmental protection laws, regulations and decrees that impose fines for violation of such laws, regulations or decrees. In addition, there is a growing awareness of environmental issues, and we may sometimes be expected to meet a standard that is higher than the requirement under the prevailing environmental laws and regulations in China. In addition, we cannot assure you that more stringent environmental protection requirements will not be imposed in the future. If we are unable to comply with existing or future environmental laws and regulations or are unable to meet public expectations in relation to environmental matters, our reputation may be damaged or we may be required to pay penalties or fines or take remedial actions and our operations may be suspended, any of which may materially and adversely impact our business, financial condition, results of operations and prospects. See "Business — Environmental, Social and Corporate Governance Matters — Environmental Protection."

We may fail to protect our intellectual property rights

Our business success and competitive positioning depend to a significant extent upon our ability to protect our intellectual property. We have registered and are in the process of registering a number of intellectual property rights in China. See "Business — Intellectual Property."

We devote substantial efforts to the establishment and protection of our trademarks and other intellectual property rights. However, we cannot exclude the possibility that our intellectual property rights may be infringed or challenged by others, or that we may be unable to register our intellectual property rights or otherwise adequately protect them.

In particular, any inappropriate use of any of "深業" (Shum Yip) or "深享" (Shenxiang) or related trade names or trademarks and deterioration in the "深業" (Shum Yip) or "深享" (Shenxiang) brand image could adversely affect our business as brands are our key assets and affect how we are perceived in the market. Our ability to attract and retain customers is highly dependent upon the external perceptions of our level of service, trustworthiness, business practices, management, workplace culture, financial condition, our response to unexpected events and other subjective qualities. The success of our business depends substantially upon our continued ability to increase brand recognition and further grow brand equity. As certain trade names such as "深業" (Shum Yip) are shared by us and members of the Shum Yip Group, if we or these entities or our or their respective directors, management personnel or other employees take action that damages such brand names or corporate image, or if any material negative publicity is associated with any of them, for example, as a result of regulatory investigations into, or other proceedings involving, wrongdoing or corrupt practices engaged in by any such entity or person, our brand image and reputation as well as our market value may be adversely affected. Meanwhile, unauthorized use of our brand names or related trademarks could diminish the value of our brands, market reputation and competitive advantages. Negative perceptions or publicity regarding these matters, even if related to seemingly isolated incidents and whether or not factually correct, could erode trust and confidence and damage our reputation among existing and potential clients, which could make it difficult for us to attract new customers and maintain existing ones.

In addition, we may need to invest significant resources on protecting and enforcing our rights, including bringing claims against such third parties. There is no assurance that our efforts will be successful, particularly since the enforceability, scope and validity of laws governing intellectual property rights in China are still evolving and may involve substantial risks for us. If any of the above-mentioned risks materialize and we are unable to take appropriate steps to enforce our intellectual property rights, it would materially affect our business, financial condition, results of operations and prospects.

Any claims by third parties alleging possible infringement of their intellectual property rights would have a material adverse effect on our business, brand value and reputation.

From time to time, we may become subject to claims from competitors or other third parties alleging intellectual property infringement in our ordinary course of business. Any claims or legal proceedings brought against us in relation to such issues, with or without merit, could result in substantial costs and divert capital resources and management attention. In the event of an unfavorable outcome, we may be compelled to pay substantial damages or to seek licenses from third parties and pay ongoing royalties on unfavorable terms. In addition, regardless of whether we prevail, intellectual property disputes may damage our brand value and reputation in the eyes of current and potential customers and within our industry. As a result, our business, financial condition and results of operations could be materially and adversely affected.

Some of our leased properties have title defects, and we may be forced to relocate due to the title defects, which may result in a disruption of our operations and subject us to disputes, claims, or even penalties.

As of June 30, 2024, we had 26 leased properties, some of which have title defects. Defective titles of our leased properties include inconsistencies between planned and actual use, failure to obtain ownership registration certificates, and failure to perform lease registration and filing procedures. See "Business — Properties — Leased Properties."

Any dispute or claim in relation to the titles of the properties that we occupy, including any litigation involving allegations of illegal or unauthorized use of these properties, could require us to relocate our offices occupying these properties. If any of our leases are terminated or voided as a result of challenges from third parties or the government, we would need to seek alternative premises and incur relocation costs. Any relocation could disrupt our operations and adversely affect our business, financial condition, results of operations and growth prospects. In addition, there can be no assurance that the PRC government will not amend or revise existing property laws, rules or regulations to require additional approvals, licenses or permits, or impose stricter requirements on us to obtain or maintain relevant title certificates for the properties that we use.

We are subject to risks beyond our control relating to epidemics, acts of terrorism or wars in China and globally.

Natural disasters, epidemics, acts of war or terrorism or other factors beyond our control may adversely affect the economy, infrastructure and livelihood of the people in markets where we have, or plan to have, business operations. Some of these markets are situated in geographic regions of the PRC that are susceptible to the threat of floods, earthquakes, sandstorms, snowstorms, fires or droughts, power shortages or failures, as well as potential wars, terrorist attacks or epidemics such as COVID-19, Ebola, severe acute respiratory syndrome (SARS), Middle East Respiratory Syndrome (MERS), strains of avian influenza, the human swine influenza A (H1N1), the Highly Pathogenic Asian Avian Influenza A (H5N1) and the Asian Lineage Avian Influenza A (H7N9). Serious natural disasters may result in a tremendous loss of lives, injuries and the destruction of assets, as well as disrupt our business operations. Severe communicable disease outbreaks could result in widespread health crises that materially and adversely affect economic systems and financial markets. Acts of war or terrorism may also injure our employees, cause loss of life, disrupt our business operations and adversely affect the financial well-being of our customers. Any of these and other factors beyond our control may create uncertainties within the overall business environment, thereby causing our business to suffer in ways that we cannot predict and materially and adversely impact our business, financial condition and results of operations.

RISKS RELATING TO THE SPIN-OFF AND THE [REDACTED]

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

Prior to the **[REDACTED]**, there was no public market for our H Shares. There can be no assurance that an active trading market for our H Shares will develop or be sustained after completion of the **[REDACTED]**. The indicative **[REDACTED]** and the **[REDACTED]** will be determined by negotiations between us, the **[REDACTED]**, and the **[REDACTED]** (on behalf of the **[REDACTED]**), and they may differ significantly from the market price of our H Shares following the **[REDACTED]**.

We have applied to **[REDACTED]** and **[REDACTED]** in our H Shares on the Stock Exchange. However, even if approved, there can be no guarantee that: (i) an active or liquid trading market for our H Shares will develop; or (ii) if such a trading market does develop, it will be sustained following the completion of the **[REDACTED]**; or (iii) the market price of our H Shares will not decline below the **[REDACTED]**. The trading volume and price of our H Shares may be subject to significant volatility in response to, among others, the following factors:

- variations in our financial condition and/or results of operations;
- changes in securities analysts' estimates of our financial condition and/or results of operations, regardless of the accuracy of information on which their estimates are based;
- changes in investors' perception of us and the investment environment generally;
- loss of visibility in the markets due to lack of regular coverage of our business;
- strategic alliances or acquisitions;
- potential litigations or regulatory investigations;
- loss of key personnel;
- changes in laws and regulations that impose limitations on our industry;
- announcements made by us or our competitors;
- changes in pricing adopted by us or our competitors;
- the liquidity of the market for our H Shares; and
- general economic and other factors.

[REDACTED] will experience immediate and substantial dilution as a result of the [REDACTED] and could face dilution as a result of future equity financings.

The **[REDACTED]** substantially exceeds the per Share value of our **[REDACTED]** after subtracting our total liabilities, and therefore **[REDACTED]** will experience immediate dilution when they purchase our H Shares in the **[REDACTED]**. If we were to distribute our net tangible assets to our Shareholders immediately following the **[REDACTED]**, **[REDACTED]** would receive less than the amount they paid for their Shares.

We will comply with Rule 10.08 of the Listing Rules, which specifies that no further shares or other securities of our Company (subject to certain exceptions) may be issued or form the subject of any agreement to such an issue within six months from the **[REDACTED]**. However, after six months from the **[REDACTED]** we may raise additional funds to finance future acquisitions or expansions of our business operations by issuing new Shares or other securities of our Company. As a result, the percentage shareholding of the then Shareholders may be diluted and such newly issued Shares or other securities may confer rights and privileges that have priority over those of the then Shareholders.

Future or perceived sales of substantial amounts of our H Shares could affect their market price.

The market price of our H Shares could decline as a result of future sales of substantial amounts of our H Shares or other related securities, or the perception that such sales may occur. Our ability to raise future capital at favorable times and prices may also be materially and adversely affected. Our H Shares held by the controlling shareholders are currently subject to certain lock-up undertakings. See "**[REDACTED]**." However, there is no assurance that following the expiration of the lock-up periods, these Shareholders will not dispose of any Shares. We cannot predict the effect of any future sales of the Shares by any of our Shareholders on the market price of our H Shares.

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

Any declaration of dividends will be proposed by our Board, and the amount of any dividends will depend on various factors, including, without limitation, our results of operations, financial performance, profitability, business development, prospects, capital requirements, economic outlook and other factors which our Board may determine are important. See "Financial Information — Dividend Policy." We cannot guarantee when, if and in what form dividends will be paid. Our historical dividend policy should not be taken as indicative of our dividend policy in the future.

Our controlling shareholders may have substantial influence over our Company and their interests may not be aligned with the interests of Shareholders who subscribe for Shares in the [REDACTED].

Prior to and immediately following the completion of the **[REDACTED]**, our Controlling Shareholders will have, and will continue to have, substantial influence over their interests in the issued share capital of our Company. See "Relationship with Controlling Shareholders." The interests of our controlling shareholders may differ from the interests of our other Shareholders. Our controlling shareholders will have significant influence on the outcome of any corporate transaction or other matters submitted to our Shareholders for approval, including mergers, consolidations, sales of all or substantially all of our assets, election of Directors and other significant corporate actions. This concentration of ownership may discourage, delay or prevent changes in control of our Company that would otherwise benefit our other Shareholders. To the extent that the interests of our controlling shareholders conflict with those of our other Shareholders, our other Shareholders may be deprived of opportunities to advance or protect their interests.

You may be subject to PRC income tax on dividends from us or on any gain realized on the transfer of our H Shares under the PRC law.

Under the EIT Law and its implementation rules, subject to any applicable tax treaty or similar arrangement between China and your jurisdiction of residence that provides for a different income tax arrangement, the PRC withholding tax at the rate of 10% is normally applicable to dividends from the PRC sources payable to investors that are non-PRC resident enterprises, which do not have an establishment or place of business in China, or which have such establishment or place of business if the relevant income is not effectively connected with the establishment or place of business. Any gains realized on the transfer of shares by such investors are subject to a 10% PRC income tax rate if such gains are regarded as income from sources within China unless a treaty or similar arrangement provides otherwise. Under the PRC Individual Income Tax Law (《中華人民共和國個人所得稅法》) and its implementation rules, dividends from sources within China paid to foreign individual investors who are not PRC residents are generally subject to a PRC withholding tax at a rate of 20% and gains from PRC sources realized by such investors on the transfer of shares are generally subject to a 20% PRC income tax rate, in each case, subject to any reduction or exemption set forth in applicable tax treaties and PRC laws.

Although we conduct a large portion of our business operations in China, it is unclear whether dividends we pay with respect to our H Shares, or the gain realized from the transfer of our H Shares, would be treated as income from sources within China and as a result be subject to PRC income tax if we are considered a PRC resident enterprise. If PRC income tax is imposed on gains realized from the transfer of our H Shares or on dividends paid to our non-PRC resident investors, the value of your investment in our H Shares may be materially and adversely affected. Furthermore, our Shareholders whose jurisdictions of residence have tax treaties or arrangements with China may not qualify for benefits under such tax treaties or arrangements.

Our management has significant discretion as to how to use the [REDACTED] received by us from the [REDACTED], and you may not necessarily agree on how we use them.

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

We cannot guarantee the accuracy of facts, forecasts and statistics with respect to the PRC, the PRC economy and our relevant industries contained in this document.

Certain facts, forecasts and statistics in this document relating to China, the PRC economy and industries relevant to us were obtained from information provided or published by PRC government agencies, industry associations, independent research institutions or other third-party sources, and we can guarantee neither the quality nor reliability of such source materials. They have not been prepared or independently verified by us, the Joint Sponsors, the **[REDACTED]**, the **[REDACTED]**, the **[REDACTED]**, the **[REDACTED]** and the **[REDACTED]** or any of its or their respective affiliates or advisers. Therefore, we make no representation as to the accuracy of such facts, forecasts and statistics, which may not be consistent with other information compiled within or outside of China. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice, the statistics herein may be inaccurate or incomparable to statistics produced for other economies and should not be relied upon. Furthermore, we cannot assure you that they are stated or compiled on the same basis, or with the same degree of accuracy, as similar statistics presented elsewhere. In all cases, investors should consider how much weight or importance they should attach to or place on such facts, forecasts or statistics.

Forward-looking statements contained in this document are subject to risks and uncertainties.

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

Investors should read this entire document carefully and should not consider or rely on any particular statements in this document or in published media reports without carefully considering the risks and other information in this document.

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

In preparation for the **[REDACTED]**, we have applied for the following waivers from strict compliance with the relevant provisions of the Listing Rules.

MANAGEMENT PRESENCE IN HONG KONG

Rule 8.12 of the Listing Rules requires an issuer to have sufficient management presence in Hong Kong. This normally means that at least two of the issuer's executive directors must be ordinarily resident in Hong Kong. Currently, none of our executive directors resides in Hong Kong. Rule 19A.15 of the Listing Rules further provides that the requirement in Rule 8.12 may be waived by having regard to, among other considerations, the applicant's arrangements for maintaining regular communication with the Hong Kong Stock Exchange.

Since our principal business and operations are in China, all of our executive Directors are based in China as the Board believes it would be more effective and efficient for its executive Directors to be based in a location where our operations are conducted. It would be practically difficult and commercially unnecessary for us to relocate two of our executive Directors to Hong Kong for the purpose of satisfying the requirements under Rule 8.12 of the Listing Rules. Therefore, we do not and, for the foreseeable future, will not have executive Directors who are ordinarily resident in Hong Kong for the purposes of satisfying the requirements of Rules 8.12 and 19A.15 of the Listing Rules.

Accordingly, we have applied to the Stock Exchange for[, and the Stock Exchange has granted us,] a waiver pursuant to Rule 19A.15 of the Listing Rules from strict compliance with Rule 8.12 of the Listing Rules, subject to, among other conditions, our appointment of:

- two authorized representatives, Mr. Xu Enli (徐恩利) and Ms. Yung Mei Yee (翁美儀), who will act at all times as our principal channel of communication with the Stock Exchange; and

- our compliance advisor, Guosen Securities (HK) Capital Company Limited, who will act as our principal channel of communication with the Stock Exchange, in addition to our authorized representatives, pursuant to Rule 3A.19 of the Listing Rules.

We have made arrangements to maintain effective communication with the Stock Exchange as follows:

- we have appointed Mr. Xu Enli (徐恩利) and Ms. Yung Mei Yee (翁美儀) as our authorized representatives pursuant to Rule 3.05 of the Listing Rules to serve as the principal channel of communication with the Stock Exchange on our behalf and will be readily contactable by telephone, facsimile and e-mail, and if required, will be able to meet with the Stock Exchange in Hong Kong to discuss any matters in relation to us within a reasonable time frame upon the request of the Stock Exchange;

- each of our Directors has provided his or her mobile phone number, office phone number, facsimile number and e-mail address to our authorized representatives and the Stock Exchange. In the event that a Director expects to travel and/or otherwise be out of office, he or she will provide the phone number of the place of his or her accommodation to our authorized representatives or maintain an open line of communication via his or her mobile phone. Therefore, our authorized representatives have means of contacting all Directors (including the independent non-executive Directors) promptly at all times as and when the Stock Exchange wishes to contact our Directors for any matters;

- each of our Directors who is not ordinarily resident in Hong Kong possesses or can apply valid travel documents to visit Hong Kong and is able to meet with the Stock Exchange within a reasonable period of time, when required;

- pursuant to Rule 3A.19 of the Listing Rules, we have appointed Guosen Securities (HK) Capital Company Limited as our compliance advisor to serve as an additional channel of communication of us with the Stock Exchange for the period from the **[REDACTED]** to the date on which we comply with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year commencing after the **[REDACTED]**. The compliance advisor will have access at all times to our authorized representatives, our Directors and other officers of our Company to ensure that they are in a position to provide prompt responses to any queries or requests from the Stock Exchange with respect to us;

- meetings between the Stock Exchange and our Directors could be arranged through our authorized representatives or the compliance advisor, or directly with our Directors within a reasonable time frame. We will also inform the Stock Exchange promptly in respect of any change in the compliance advisor;

- we will also appoint professional advisors (including legal advisors and accountants) after the **[REDACTED]**, if necessary, to assist us in dealing with any questions or queries raised by us and to ensure that there will be efficient communication with the Stock Exchange; and

- the compliance advisor will also advise on the on-going compliance requirements and other issues arising under the Listing Rules and other applicable laws and regulations in Hong Kong after the **[REDACTED]**.

APPOINTMENT OF JOINT COMPANY SECRETARIES

According to Rule 8.17 of the Listing Rules, the issuer must appoint a company secretary who satisfies Rule 3.28 of the Listing Rules.

According to Rule 3.28 of the Listing Rules, the secretary must be a person who, by virtue of his/her academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of company secretary. The Stock Exchange considers the following academic or professional qualifications to be acceptable:

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

(b) a solicitor or barrister (as defined in the Legal Practitioners Ordinance, Chapter 159 of the Laws of Hong Kong); and

(c) a certified public accountant (as defined in the Professional Accountants Ordinance, Chapter 50 of the Laws of Hong Kong).

In assessing "relevant experience", the Stock Exchange will consider the individual's:

(a) length of employment with the issuer and other issuers and the roles played;

(b) familiarity with the Listing Rules and other relevant law and regulations including the Securities and Future Ordinance, the Companies Ordinance, the Companies (Winding up and Miscellaneous Provisions) Ordinance and the Codes on Takeovers and Mergers and Share Buy-backs;

(c) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Listing Rules; and

(d) professional qualifications in other jurisdictions.

We have appointed Mr. Tang Jiangtao (唐江濤) ("**Mr. Tang**") and Ms. Yung Mei Yee (翁美儀) ("**Ms. Yung**") as joint company secretaries. Mr. Tang joined our Company in July 2020 and is responsible for the daily business operations of the administration department of our Company. Mr. Tang has a thorough understanding of the operations of the Board and our Company, and has gained experience in handling corporate governance and general administrative matters relating to our Company. Since Mr. Tang does not possess the professional or academic qualifications as stipulated in Rule 3.28 of the Listing Rules, we appointed Ms. Yung, who is a Hong Kong resident and possesses the qualification and relevant experience as stipulated under Rule 3.28 of the Listing Rules, as the joint company secretary. For more details of the biographies of Mr. Tang and Ms. Yung, see "Directors, Supervisors and Senior Management_— Joint Company Secretaries."

Over a period of three years from the **[REDACTED]**, we propose to implement the following measures to assist Mr. Tang to become a company secretary with the requisite qualifications or relevant experience as required under the Listing Rules:

(a) Mr. Tang will endeavor to attend relevant training courses, including briefings on the latest changes to the relevant applicable Hong Kong laws and regulations and the Listing Rules which will be organized by our Hong Kong legal advisors on an invitation basis and seminars organized by the Stock Exchange or other relevant organizations for **[REDACTED]** issuers from time to time, in addition to the 15 hours minimum requirement under Rule 3.29 of the Listing Rules;

(b) Ms. Yung will communicate regularly with Mr. Tang on matters relating to corporate governance, the Listing Rules and any other laws and regulations which are relevant to our Company and its affairs. Ms. Yung will also work closely with, and provide assistance to, Mr. Tang in the discharge of his duties as a joint company secretary, including organizing our Board meetings and Shareholders' general meetings, as well as to enable Mr. Tang to acquire the relevant experience (as required under Rule 3.28 of the Listing Rules); and

(c) in addition, Mr. Tang will also be assisted by our compliance advisor, particularly in relation to Hong Kong corporate governance practices and compliance issues, and the Hong Kong legal advisors of our Company, on matters concerning our ongoing compliance with the Listing Rules and the applicable laws and regulations upon **[REDACTED]**.

We have applied to the Stock Exchange for[, and the Stock Exchange has granted us,] a waiver from strict compliance with the requirements of Rules 3.28 and 8.17 of the Listing Rules, provided that Ms. Yung will act as a joint company secretary and provide assistance to Mr. Tang. The waiver is valid for an initial period of three years commencing from the **[REDACTED]**, and may be revoked immediately if Ms. Yung ceases to provide assistance and guidance to Mr. Tang and if there are material breaches of the Listing Rules by our Company. Prior to the expiry of the initial three-year period, we will re-evaluate the qualifications and experiences of Mr. Tang. Upon our determination that no on-going assistance to Mr. Tang is necessary, we will demonstrate to the Stock Exchange that, with the assistance of Ms. Yung over such three-year period, Mr. Tang has acquired the requisite knowledge and experience as prescribed in Rule 3.28 of the Listing Rules, such that a further waiver would not be necessary.

CONTINUING CONNECTED TRANSACTIONS

We have entered into certain transactions which will constitute continuing connected transactions for our Company under the Listing Rules after **[REDACTED]**. We have applied for[, and the Stock Exchange has granted us,] waivers from strict compliance with (i) the announcement requirements under Chapter 14A of the Listing Rules in respect of the continuing connected transaction as disclosed in "Continuing Connected Transactions — Continuing Connected Transaction subject to the reporting, annual review announcement requirements but exempt from the independent Shareholders' approval requirement"; and (ii) the announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the continuing connected transactions as disclosed in "Continuing Connected Transactions — Continuing Connected Transaction subject to the reporting, annual review, announcement and independent Shareholders' approval requirements." See "Continuing Connected Transactions."

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

DIRECTORS INVOLVED IN THE [REDACTED][(1)]

Name	Position	Address	Nationality
Mr. Xiao Wuchun (肖武春)	Executive Director, Chairman of the Board and Secretary of the party committee	A-18D, Chang Yi Garden No. 59 Bai Hua 4th Road Futian District Shenzhen, Guangdong Province PRC	Chinese
Ms. Lan Xiuqun (藍秀群)	Executive Director, General Manager and Vice secretary of the party committee	No. 1301, Unit A, Block 6 Tian Yu Xiang Shan Futian District Shenzhen, Guangdong Province PRC	Chinese
Ms. Yu Miao (于淼)	Executive Director and Vice secretary of the party committee	Flat 405, Block 704 Terra Plaza No. 9309 Bin He Road Futian District Shenzhen, Guangdong Province PRC	Chinese
Mr. Xu Enli (徐恩利)	Non-executive Director	18 Cambridge Road Kowloon Tong Kowloon Hong Kong	Chinese
Mr. Cao Yang (曹陽)	Independent Non-executive Director	No. 1702, Block 17 Xin Yuan Villa, Mei Hua Villa Minzhi Sub-district Longhua District Shenzhen, Guangdong Province PRC	Chinese
Dr. Lam Sin Lai Judy (林倩麗)	Independent Non-executive Director	12/F, Block B2 Evergreen Villa No. 43 Stubbs Road Wanchai Hong Kong	Canadian
Ms. Zhang Lijie (張麗傑)	Independent Non-executive Director	Flat 901, Block 3 Xincheng Dongfang Li Yuan Pingshan District Shenzhen, Guangdong Province PRC	Chinese

(1) As of the Latest Practicable Date, Mr. Qiu Guizhong (邱貴忠) and Mr. Wu Senfu (吳森富) are Directors. All of them will resign on or before the **[REDACTED]** hearing or the **[REDACTED]**.

SUPERVISORS INVOLVED IN THE [REDACTED]

Name	Address	Nationality
Mr. Xu Sen (徐森)	Flat 307, Block 31 Gangzhonglv Garden Runtian Road, Futian District Shenzhen, Guangdong Province PRC	Chinese
Mr. Fan Tao (樊韜)	Flat A0913 Jia Bao Run Jin Zuo Xin Zhou 9th Street Futian District Shenzhen, Guangdong Province PRC	Chinese
Mr. Miao Zhong (苗忠)	6D, Block 6 Ming Cui Ju Shui Xie Hua Du Futian District Shenzhen, Guangdong Province PRC	Chinese

For the biographies and other relevant information of the Directors and Supervisors, see "Directors, Supervisors and Senior Management."

PARTIES INVOLVED IN THE [REDACTED]

Joint Sponsors

China International Capital Corporation Hong Kong Securities Limited
29/F, One International Finance Centre
1 Harbour View Street
Central
Hong Kong

CITIC Securities (Hong Kong) Limited
18/F, One Pacific Place
88 Queensway
Hong Kong

CCB International Capital Limited
12/F, CCB Tower
3 Connaught Road Central
Central
Hong Kong

[REDACTED]

Legal Advisors to our Company	*As to Hong Kong laws:* **King & Wood Mallesons** 13/F, Gloucester Tower The Landmark 15 Queen's Road Central Hong Kong

	As to PRC laws: **King & Wood Mallesons** 28/F, China Resources Tower 2666 Keyuan South Road Nanshan District Shenzhen, Guangdong PRC
Legal Advisors to the Joint Sponsors and the [REDACTED]	*As to Hong Kong laws:* **Deacons** 5/F, Alexandra House 18 Chater Road Central Hong Kong *As to PRC laws:* **Commerce & Finance Law Office** 12-14th Floor, China World Office 2 No. 1 Jianguomenwai Avenue Chaoyang District Beijing PRC
Reporting Accountant and Auditor	**PricewaterhouseCoopers** *Certified Public Accountants* *Registered Public Interest Entity Auditor* 22/F, Prince's Building Central Hong Kong
Industry Consultant	**Frost & Sullivan (Beijing) Inc.** Room 2401-02, Tower 2 China World Office 1 Jianguo Men Wai Avenue Chaoyang District Beijing, PRC
Compliance Adviser	**Guosen Securities (HK) Capital Company Limited** Suites 3207-3212 Level 32 One Pacific Place 88 Queensway Hong Kong

[REDACTED]

CORPORATE INFORMATION

Headquarters and Principle Place of Business in the PRC	Unit 1701, Block A, Shum Yip Taifu Square, Tianxin Community, Sungang Sub-district Luohu District, Shenzhen, China
Principal Place of Business in Hong Kong	8/F, New East Ocean Centre No. 9 Science Museum Road Tsim Sha Tsui, Kowloon Hong Kong
Company's Website	www.sywy.net *(This website and the information contained on this website do not form part of this Document)*
Joint Company Secretaries	**Mr. Tang Jiangtao (唐江濤)** Room 1107, Building A, Xiangzhu Garden No. 29 Nongxuan Road Futian District, Shenzhen PRC **Ms. Yung Mei Yee (翁美儀)** *(A fellow of The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom)* 40/F, Dah Sing Financial Centre No. 248 Queen's Road East Wanchai Hong Kong
Authorized Representatives	**Mr. Xu Enli (徐恩利)** 18 Cambridge Road Kowloon Tong Kowloon Hong Kong **Ms. Yung Mei Yee (翁美儀)** 40/F, Dah Sing Financial Centre No. 248 Queen's Road East Wanchai Hong Kong
Audit Committee	Dr. Lam Sin Lai Judy *(Chairlady)* Mr. Cao Yang Ms. Zhang Lijie
Nomination Committee	Mr. Cao Yang *(Chairman)* Mr. Xiao Wuchun Dr. Lam Sin Lai Judy

CORPORATE INFORMATION

Remuneration Committee	Ms. Zhang Lijie *(Chairlady)* Mr. Cao Yang Dr. Lam Sin Lai Judy

[REDACTED]

Principal Banks	**China Merchants Bank** Head Office Banking Operation Department 14/F, China Merchants Bank Shenzhen Branch Building 2016 Shennan Boulevard Futian District, Shenzhen PRC
	China Construction Bank Business Department of Shenzhen Branch 3/F, China Construction Bank Building, 8 Pengcheng 1st Road Futian District, Shenzhen PRC

The information set out in this section has been prepared by Frost & Sullivan and reflects estimates of market conditions derived from various official government publications, available sources from public market research, and trade opinion surveys, and is prepared primarily as a market research tool. References to Frost & Sullivan should not be considered as the opinion of Frost & Sullivan as to the value of any security or the advisability of investing in our Group. Our Directors believe that the sources of information contained in this section are appropriate sources for such information and have taken reasonable care in reproducing such information. Our Directors have no reason to believe that such information is false or misleading or that any material fact has been omitted that would render such information false or misleading. The information and statistics from official government sources have not been independently verified by our Group, the Joint Sponsors, the **[REDACTED]***, the* **[REDACTED]***, the* **[REDACTED]***, the* **[REDACTED]***, the* **[REDACTED]***, or any other party involved in the* **[REDACTED]** *(except Frost & Sullivan) and none of them gives any representations as to its accuracy.*

SOURCES OF INFORMATION

We have commissioned Frost & Sullivan, an independent market researcher, and consultant, to analyze and report on the PRC's comprehensive property management, commercial operational and city services market, residential property management services market, city services market, industrial park property management services market, shopping mall operational services market, office building property management services market and hotel management market. Frost & Sullivan is an independent global consulting firm founded in 1961 in New York. Frost & Sullivan provides market research on a variety of industries, among other things. The information from Frost & Sullivan disclosed in this document is extracted from a report commissioned by us for a fee of RMB750,000, and is disclosed with the consent of Frost & Sullivan (the "**F&S report**").

We have included certain information from the F&S report in this document because our Directors believe that such information facilitates an understanding of the relevant market for **[REDACTED]**. The market research process for the F&S report has been undertaken through detailed primary research which involves discussing the status of the PRC's comprehensive property management commercial operational and city services market, residential property management services market, city services market, industrial park property management services market, shopping mall operational services market, office building property management services market and hotel management market with leading industry participants and industry experts. Secondary research involved reviewing company reports, independent research reports and data based on Frost & Sullivan's own research database.

Analysis and forecasts contained in the F&S report are based on the following major assumptions at the time of compiling such reports: (i) the PRC's economy is likely to maintain steady growth in the next decade with the forecast CAGR of China's nominal GDP of approximately 6.1% from 2023 to 2028 according to April 2024 World Economic Outlook of the International Monetary Fund; (ii) the PRC's social, economic, and political environment is likely to remain stable in the forecast period with a series of policies by Chinese government to maintain the stability of social, economic and political environment, such as the "14th Five-Year Plan (十四五規劃)" approved in March 2021 which proposed that the main objectives of economic and social development during the 14th Five-Year Plan period include obtaining new achievements in economic development and improving effectiveness of national governance, and the report made in the 20th National Congress of the Communist Party of China in October 2022 which proposed that Chinese government is dedicated to promoting high-quality economic development and safeguarding national security and social stability; (iii) COVID-19 affected market stability during 2020 to 2022; and (iv) market drivers such as favorable policies driving the residential property management services market. For instance, in 2020, the Chinese government issued "Opinions on Promoting Property Service Enterprises to Accelerate the Development of Online and Offline Life Services"（《關於推動物業服務企業加快發展線上線下生活服務的意見》）to promote the integrated development of online and offline residential property services, and meet the residents' need for diverse services and multi-level life service. The policy expands the types of value-added services and diversifies the revenue sources of property management services companies. Moreover, in 2020, "Notice on Strengthening and Improving the Residential Property Management" (《關於加強和改進住宅物業管理工作的通知》) further accelerated the improvement of the property management services market, and promoted the high quality and diversification development of property management services. Due to the further improvement of service quality, the policy has increased the property management fees and raised the income of property management companies. Consequently, these policies are expected to bring development opportunities for residential property management service companies in China. In addition, with the increasing density of the urban population, there is a growing demand for convenient and efficient community services in order to improve the quality of life and social well-being. Accordingly, some leading residential property management service providers have seized the opportunity and actively participate in the construction of smart residential communities by using information technologies, stimulating the development of the residential property management services market. Moreover, with the improvement of people's living standards, the demand for high quality city services also witnessed a continuous increase. The increasing demand for city services has prompted the emergence of professional city service providers and driven the development of the city services market. Meanwhile, as consumers have higher requirements for the shopping experience, malls have evolved from traditional department stores which mainly focus on goods to comprehensive malls that integrate shopping, leisure, entertainment, and catering, and will further develop into complexes that integrate tourism, culture, social communication, life, and other functions. Our Directors confirm that after taking reasonable care, there has no material adverse change in the overall market information since the date of the F&S report that would materially qualify, contradict or have an impact on such information.

COMPREHENSIVE PROPERTY MANAGEMENT, COMMERCIAL OPERATIONAL AND CITY SERVICES MARKET IN CHINA

Overview

Comprehensive property management, commercial operational and city services market mainly includes basic property management services and value-added services for all property types (including residential properties, shopping malls, public buildings and facilities, industrial parks, office buildings and other properties), city services, and operational services. Compared to the basic property management model, participation in the comprehensive property management, commercial operational and city services market enables market participants to diversify revenue sources and increase internal synergies between business segments.

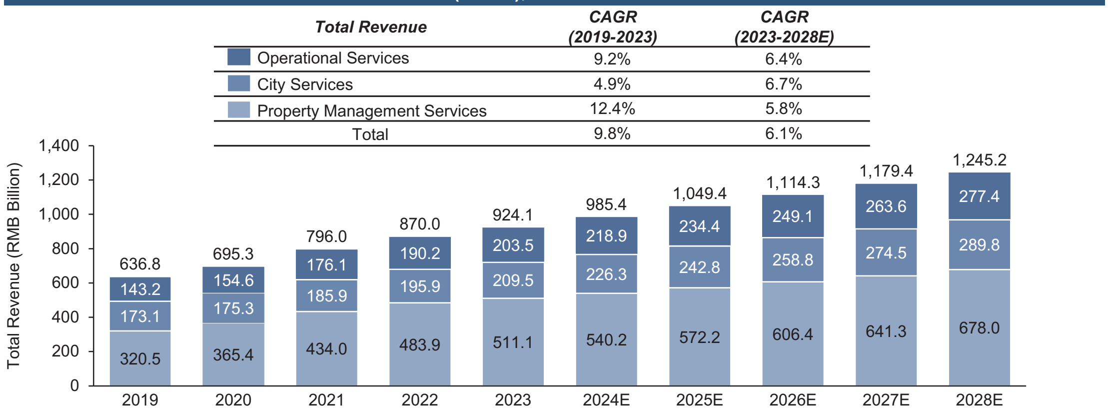
At present, most property management companies focus on providing services for residential properties or operating isolated or small-scale non-residential properties. Some players in property management market have started to expand their business in all property types. Meanwhile, services platforms have sprung up, which combined property management services with city services and operational services into an integrated business model. Market players that realize synergies across different property types and regions have competitive advantages in this market. Adoption of the comprehensive business model enables market players to diversify revenue sources, enhance brand awareness, leverage the synergies of managing diversified property types and integrate resources across the value chain.

In 2019, the concept of the Greater Bay Area was first proposed in "The Outline Development Plan for Greater Bay Area (粵港澳大灣區發展規劃綱要)" which was issued by Chinese government. The Greater Bay Area consists of the Hong Kong Special Administrative Region (HKSAR), the Macao Special Administrative Region (Macao SAR), and the municipalities of Guangzhou, Shenzhen, Zhuhai, Foshan, Huizhou, Dongguan, Zhongshan, Jiangmen and Zhaoqing in Guangdong Province (hereinafter referred to as "the nine Pearl River Delta (PRD) municipalities"). Greater Bay Area is expected to experience strong economic development in the future supported by a number of favorable policies, such as "Opinions of the CPC Central Committee and the State Council on Accelerating the Construction of a Unified National Market (中共中央、國務院關於加快建設全國統一大市場的意見)" and "Outline of the 14th Five-Year Plan (2021-2025) for National Economic and Social Development and Vision 2035 of the People's Republic of China (中華人民共和國國民經濟和社會發展第十四個五年規劃和2035年遠景目標綱要)." With the construction of Greater Bay Area, the nominal GDP in the Greater Bay Area increased from RMB12.4 trillion in 2019 to RMB14.6 trillion in 2023, with a CAGR of 4.2%. In the future, the nominal GDP in Greater Bay Area is forecasted to keep growing and reach RMB17.9 trillion in 2028 at a CAGR of 4.2% from 2023 to 2028.

Market Size

From 2019 to 2023, the total revenue of the comprehensive property management, commercial operational and city services market in China increased from RMB636.8 billion to RMB924.1 billion, with a CAGR of 9.8%. In the future, with the further development of the real estate market, shopping mall operational services market, and city services market, the total revenue of the comprehensive property management, commercial operational and city services market is expected to increase continuously. In 2028, the total revenue is anticipated to reach RMB1,245.2 billion, with an expected CAGR of 6.1% from 2023 to 2028.

Total Revenue of Comprehensive Property Management, Commercial Operational and City Services Market (China), 2019 – 2028E



Note: 1. The revenue of property management services includes basic property management services and value-added services.
2. The revenue of operational services includes the rental of shopping malls under the sublease service model.
3. Shopping malls only include the malls whose GFA are equal or higher than 20,000 sq.m.
4. The revenue of city services only includes municipal services.

Source: National Bureau of Statistics of China, Frost & Sullivan Analysis

Competitive Landscape

There is a limited number of companies that provide property management services, shopping mall operational services, and city services simultaneously in China. In the comprehensive property management, commercial operational and city services market in China, the top ten companies accounted for approximately 10.9% of the total revenue of the comprehensive property management, commercial operational and city services market in China. In 2023, our Group ranked ninth in terms of revenue, accounting for approximately 0.3% of the total revenue of comprehensive property management, commercial operational and city services market in China:

Top Ten Comprehensive Property Management, Commercial Operational and City Service Companies by Revenue in China, 2023

Ranking	Company	Background Information	Market Share (%)
1	Company A	A listed and leading company which focuses on providing residential property management services in China with strong brand recognition and large and extensive property management portfolio, with the total revenue of approximately RMB42.6 billion in 2023.	4.6%
2	Company B	A listed company which provides residential property management services, and shopping mall and office building operational services in China, with the total revenue of approximately RMB15.6 billion in 2023.	1.7%
3	Company C	A listed and leading property management and commercial operational service provider in China, with the total revenue of approximately RMB14.8 billion in 2023.	1.6%
4	Company D	A leading lifestyle and service provider of property management and commercial operations in China, empowered by comprehensive advanced technologies, with the total revenue of approximately RMB11.4 billion in 2023.	1.2%
5	Company E	A listed company in China which provides comprehensive property management services for both residential properties and commercial properties with a focus on the Greater Bay Area, with the total revenue of approximately RMB4.0 billion in 2023.	0.4%
6	Company F	A listed and urban operation service provider in China and a key market player offering integrated property management services in the Greater Bay Area, with the total revenue of approximately RMB3.2 billion in 2023.	0.3%
7	Company G	A listed and comprehensive property management service provider with extensive geographic coverage in China, with the total revenue of approximately RMB3.1 billion in 2023.	0.3%
8	Company H	A listed property management service provider in China which focuses on the operation and management of public space and building facilities in smart cities, with the total revenue of approximately RMB3.1 billion in 2023.	0.3%
9	**Our Group**	**See "Business"**	**0.3%**
10	Company I	A listed company which focuses on providing services for residential, commercial building, industrial parks, schools, banks, hospitals, governmental public building projects and other property types, with the total revenue of approximately RMB1.9 billion in 2023.	0.2%
Top 10			10.9%
Others			89.1%
Total			100.0%

Note: Comprehensive property management, commercial operational and city service companies in the list are companies providing property management services, shopping mall operational services, and city services.

Source: Annual Reports, Frost & Sullivan Analysis

The top five state-owned comprehensive property management, commercial operational and city service companies accounted for approximately 4.2% of the total revenue of the comprehensive property management, commercial operational and city services market in China. In 2023, our Group ranked fifth in terms of revenue, accounting for approximately 0.3% of the total revenue of comprehensive property management, commercial operational and city services market in China:

Top Five State-Owned Comprehensive Property Management, Commercial Operational and City Service Companies by Revenue in China, 2023

Ranking	Company	Background Information	Market Share (%)
1	Company B	A listed company which provides residential property management services, and shopping mall and office building operational services in China, with the total revenue of approximately RMB15.6 billion in 2023.	1.7%
2	Company C	A listed and leading property management and commercial operational service provider in China, with the total revenue of approximately RMB14.8 billion in 2023.	1.6%
3	Company F	A listed and urban operation service provider in China and a key market player offering integrated property management services in the Greater Bay Area, with the total revenue of approximately RMB3.2 billion in 2023.	0.3%
4	Company G	A listed and comprehensive property management service provider with extensive geographic coverage in China, with the total revenue of approximately RMB3.1 billion in 2023.	0.3%
5	**Our Group**	**See "Business"**	**0.3%**
Top 5			4.2%
Others			95.8%
Total			100.0%

Note: Comprehensive property management, commercial operational and city service companies in the list are companies providing property management services, shopping mall operational services, and city services.

Source: Annual Reports, Frost & Sullivan Analysis

Future Opportunities and Challenges

Accelerated Industry Concentration: It is expected that in the future, leading participants in this market will continue to improve core competitiveness, consolidate market share, and expand their service scope leveraging on government support, brand-name, parental support, all-rounded service edge, technology-driven efficiency, and mergers and acquisitions. For example, the governments are likely to choose those large property management service providers that are capable of offering professional and high-quality service to participate in the projects of city services.

Expanding Service Scope and Provision of Value-added Services: The comprehensive property management, commercial operational and city services market in China has seen a trend of expansion in an increase in the types of services and customers in recent years, from basic property management services to value-added services for residential properties, shopping malls, office buildings, industrial parks, public properties. More property types are expected to be covered in the future. Comprehensive property management, commercial operational and city service companies have been expanding property service scope and integrating full services lifecycle for citizens, such as garbage classification, city appearance inspection, landscaping of the public buildings, education, medical, healthcare and others in their scope of services. Value-added services, such as consulting services, spatial utilization and media services, home-improvement services, community living services, housing agency services and asset management services, generally have a higher profit margin than basic property management services. Furthermore, provision of value-added services, combined with comprehensive property management, commercial operational and city service enables companies to enhance customer loyalty, strengthen brand, recognition and improve profitability.

Growing Awareness of Service Quality: Nowadays, property owners and occupiers pay more attention to service quality in selecting their service providers in comprehensive property management, commercial operational and city services market. With the growing per capita disposable income, property owners and occupiers pursue better living conditions and community environment, and are more willing to pay premiums for high quality residential property management services. On the other hand, consumption upgrade has put forward higher requirements for the operation, services, atmosphere and environment of shopping malls provided by shopping mall operational service providers. Meanwhile, government is willing to choose reputable and leading property management companies to provide professional and high-quality city services. In the future, an increasing number of service providers with multiple capabilities in comprehensive property management, commercial operational and city services market will keep up with the trend of consumption upgrade and are expected to improve service quality and operational capabilities by optimizing and upgrading the quality of their services.

Rapid Development of First-tier and Second-tier Cities and Greater Bay Area: Due to China's rapid economic development, the urban population and per capita disposable income in China have been steadily increasing. From 2019 to 2023, the urban population of first-tier cities and second-tier cities enjoyed steady growth with a CAGR of 4.0% and 4.5%, respectively. Meanwhile, the per capita disposable income of urban households of first tier cities and second-tier cities have a CAGR of 4.9% and 4.7%, respectively, from 2019 to 2023. Moreover, in line with the growing trend of the nominal GDP in the Greater Bay Area, the per capita nominal GDP in the Greater Bay Area has maintained a continuous growth from RMB146,160 in 2019 to RMB168,581 in 2023, representing a CAGR of approximately 3.6% from 2019 to 2023. Along with the sustainable growth of nominal GDP in the Greater Bay Area, the per capita nominal GDP in the Greater Bay Area is predicted to observe a moderate growth and reach RMB209,891 in 2028. Generally, property management fees and rental fees in first-tier and second-tier cities and Greater Bay Area are much higher than in third-tier or lower-tier cities. People in these cities have strong consumption capabilities and higher requirements for housing environment and quality of property management services. In addition, the governments in these cities have higher requirements for city services.

Application of New Technologies: With the popularization of information technology, big data, cloud computing, AI, and other new technologies in China, the digitalization and intelligent transformation of comprehensive property management, commercial operational and city services market has become one of the main trends in the future. In particular, the improvement of information technology and digitalization enables service providers to improve management efficiency and reduce the management costs. For instance, property management service companies are expected to achieve effective consolidation and distribution of community resources by utilizing social media, mobile APPs, and other technology tools to enhance business collaborations as well as the expansion and diversification of value-added services, such as housekeeping, community elderly care, childcare, and consulting services for property developers. In addition, with the development of driverless technology, more players in city services market will apply the technology to cleaning vehicles in urban road cleaning services, which will help them to reduce operational costs. The application of such technologies in providing shopping mall operational services can not only help property owners and tenants understand consumers' needs, analyze consumers' preferences, and improve consumer stickiness, but also help shopping mall operational service providers expand their scope of services, improve management efficiency, and reduce management costs.

Different Property Types Need to Enhance Synergy: In recent years, many leading service providers have expanded by participating in the operation and management of diversified property types to realize large-scale operations. In addition, those companies leverage synergy across diversified property types to share customer bases and increase their brand awareness. However, for many small and medium-sized service providers, the connectivity among different property types under their management is weak due to the imbalance in the geographical coverage or business scale of different property types, and it is difficult for those companies to form a strong connection between each type of properties and build up a mature lifestyle services ecosystem.

ENTRY BARRIERS

Customer Relationship with Property Owners: With sustainable customer relationship, the service providers can deliver prominent performance in customer satisfaction rate, renewal rate and fee collection rate. In addition, the cooperation with some customers such as hospitals and government institutions that have greater demand for high-quality property management services is based on good customer relationships. Thus, it is not easy for new players in this market to achieve such a good customer relationship.

Synergy Effect with Real Estate Parent Companies: Generally, large-scale comprehensive property management, commercial operational and city service providers benefit from projects in the pipeline provided by their real estate parent companies, especially for the Transit-Oriented Development projects because they can provide services for different types of properties in the Transit-Oriented Development projects such as residential property management services, shopping mall operational services, etc., benefiting from their real estate parent company's geographic business layout, the large-scale comprehensive property management, commercial operational and city service providers could expand more markets in China. At the same time, the properties will be equipped with professional property management services, city services and operational services provided by their comprehensive property management, commercial operational and city service companies. For new entrants, it might be difficult to compete with these companies.

Operation and Management Capability: Through the development and expansion of China's comprehensive property management, commercial operational and city services market, companies in this market are making efforts to strengthen their business with lower operation and management costs, and it is challenging for new players in the market to offer services more efficiently. For the non-residential property management and operational services market, the entry barriers are relatively higher as most existing participants are large-scale companies and have strong management capabilities in shopping malls, industrial parks, etc.

Technology Level: Most service providers in the comprehensive property management, commercial operational and city services market have core information operation and management capabilities, especially information systems. Efficient information system is conducive to integrating resources, greatly improving management efficiency, effectively monitoring services processes, improving services level and reducing property management and operation costs. Key players establish their information system by combining with their own business characteristics, which has formed their technological advantages through long-term exploration, and this creates technical barriers for new entrants in the comprehensive property management, commercial operational and city services market.

Human Resources: There is an obvious gap between new entrants and key players in the introduction and cultivation of talents and the unified corporate values, understanding and culture. Meanwhile, talents generally prefer to join existing companies in comprehensive property management, commercial operational and city services market rather than new entrants as existing large companies are able to provide talents with competitive wages and comprehensive training. Moreover, as the comprehensive property management, commercial operational and city services market is labor intensive, existing companies are dedicated to managing and training employees to standardize management and improve efficiency through the use of internet technologies, such as mobile applications, which is a challenge for new entrants.

RESIDENTIAL PROPERTY MANAGEMENT SERVICES MARKET IN CHINA

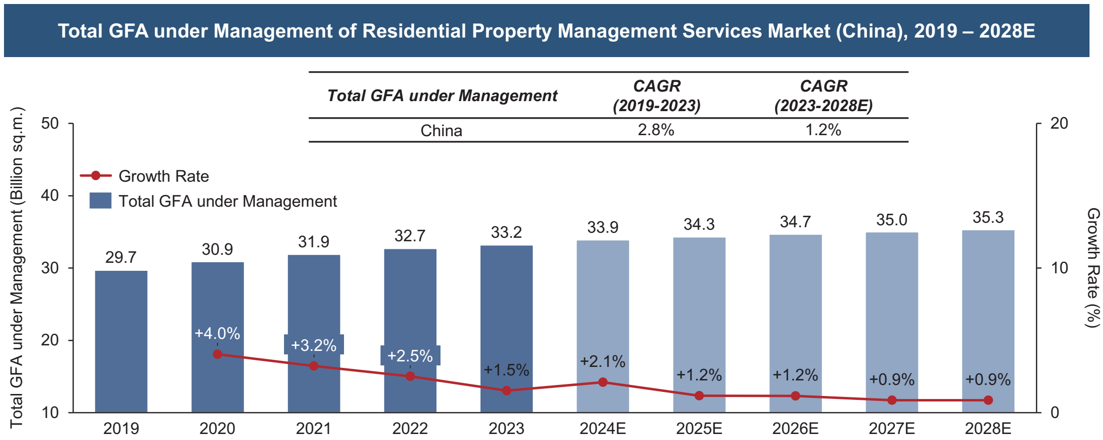
Overview

Residential property management service companies in China market provided services for residential properties. Residential property management service companies generally offer these services: (i) basic residential property management services; and (ii) other services which include value-added services to non-property owners and community value-added services. Value-added services to non-property owners mainly include sales offices management services, preliminary property management services, pre-delivery services, maintenance and repair services, and other value-added services. Community value-added services primarily include community living services, space operational services, asset management services, and other community value-added services.

For residential property management services, property management service providers can charge management fees either on a lump sum basis or on a commission basis. The lump sum basis for residential property management fees is the dominant model in the residential property management services market in China.

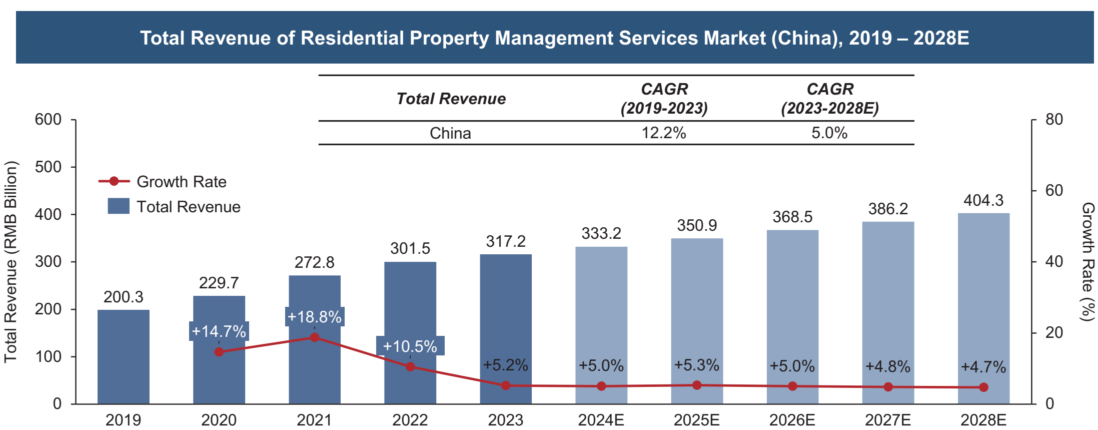
Market Size

In China, the total GFA under management of the residential property management services market increased from 29.7 billion sq.m. in 2019 to 33.2 billion sq.m. in 2023, with a CAGR of 2.8%. In 2028, the total GFA under management of the residential property management services market is expected to reach 35.3 billion sq.m., with a CAGR of 1.2% from 2023 to 2028.



Source: National Bureau of Statistics of China, Frost & Sullivan Analysis

From 2019 to 2023, the total revenue of the residential property management services market increased from RMB200.3 billion to RMB317.2 billion, with a CAGR of 12.2%. In 2028, the total revenue of the residential property management services market is expected to reach RMB404.3 billion, with a CAGR of 5.0% from 2023 to 2028.



Source: National Bureau of Statistics of China, Frost & Sullivan Analysis

The expected CAGR of total revenue of property management services companies in China was based on the following assumptions: (i) the increase in revenue derived from value-added services. Firstly, since 2012, the promulgation of 12th Five-Year Plan for the Development of the Service Industry (《服務業發展"十二五"規劃》) encouraged property management services companies to carry out diversified businesses, marking the industry's entry into a diversified stage. In addition to providing traditional property management services, established property management services providers at this stage expanded their offerings to include various value-added services, including home sale and rental brokerage, home decoration and furnishing services and others. Moreover, in order to expand their service coverage and enhance their profitability, leading players not only chose to compete with existing giants in some value-added segments with great potential, such as home sale and rental brokerage, home decoration and furnishing services, etc., but also started to enter new markets that intersected or related to the property management services market. Secondly, a series of policies from Chinese government encouraged property management services companies to participate in the provision of diversified value-added services, such as the "Notice on Strengthening and Improving the Work of Residential Property Management (《關於加強和改進住宅物業管理工作的通知》)" issued by the Ministry of Housing and Urban-Rural Development and other nine departments, which proposed to encourage qualified property management services companies to explore the service model that integrates property management services and life services to satisfy the diversified and multi-level living requirements from residents; (ii) the increase in GFA under management by property management services companies. In 2028, the total GFA under management of the residential property management services market is expected to reach 35.3 billion sq.m., with a CAGR of 1.2% from 2023 to 2028; and (iii) the increase in average property management fees. For residential properties, the average property management fee increased from around RMB0.98 per sq.m. per month in 2023 to over RMB1.02 per sq.m. per month in 2028, representing a CAGR of 0.8%.

The expected CAGR of total GFA under management of property management services companies in China was based on the following assumptions: (i) favorable policies. In 2020, the Chinese government issued "Opinions on Promoting Property Service Enterprises to Accelerate the Development of Online and Offline Life Services" (《關於推動物業服務企業加快發展線上線下生活服務的意見》) to accelerate the construction of complementary services to overcome the shortcomings of residential community services, smart property management service platforms, promote the integrated development of online and offline residential property services, and meet the diverse needs and multi-level life service needs of residents. The supporting policies are expected to bring development opportunities for residential property management service companies in China and to expand their total GFA under management; (ii) growing investment in real estate development in China. In 2023, the total investment in real estate development in China has reached RMB11,091.3 billion. Due to the further urbanization and development of the real estate industry in China, the investment in real estate development in China is expected to reach RMB14,072.5 billion in 2028, representing a CAGR of 4.9% from 2023 to 2028; and (3) growing total floor area of buildings under construction. With the continuous economic growth accompanied by the growing investment in the real estate market, the total floor area of buildings under construction in China has reached 8,383.6 million sq.m. in 2023. In the future, the total floor area of buildings under construction in China is expected to reach 9,571.4 million sq.m. in 2028, representing a CAGR of 2.7% from 2023 to 2028.

Competitive Landscape

The residential property management services market in China is rather fragmented and competitive. Most of the leading market participants in the residential property management services market in China are affiliated with real estate developers. As for total revenue of residential property management services in 2023, our Group ranked 39th, and accounted for approximately 0.3% of the total revenue of residential property management services in China.

Future Opportunities and Challenges

Increasing Standardization of Services: Government policies, such as the General Office of the State Council issued the Plan for the Development of the National Standardization System Construction (2016-2020) (《國家標準化體系建設發展規劃(2016-2020年)》), specify that new standards shall embrace information technology and foster technological innovation. Many residential property management companies in China have established internal standardized operating procedures to guide their provision of services by using information technology to implement technological solutions for automating key business operations. As standardized services are the foundation for sustainable expansion of business operations across regions, an increasing number of residential property management companies are expected to provide standardized services in the future.

Diversifying Revenue Sources and Managed Property Types: In the future, residential property management service companies are expected to digitalize, automate and modernize their services and provide a one-stop service platform to property owners, residents, and tenants by integrating online and offline information and resources. Besides, they are expected to continue diversifying their revenue streams by offering various value-added services with relatively high profitability such as community space operations services, real estate brokerage services, and other various bespoke services. In addition, underpinned by accelerated urbanization and favorable policies in China, residential property management companies have begun to offer city services leveraging their professional residential property management experience and well-established government relationships. Moreover, residential property management companies are also diversifying the property types in their portfolio, such as shopping malls and office buildings, which are likely to have higher profit margins as compared to residential properties.

Extensive Implication of Data Digitalization and Technology: Residential property management service companies in China have delivered increasingly standardized services along with the development of the residential property management services market. In particular, the improvement of information technology and data digitalization enables companies to improve the quality of services and reduce the cost of operation, labor cost, energy, and material consumption effectively. For instance, residential property management service companies are expected to achieve effective consolidation and distribution of community resources by utilizing social media, mobile APPs, and other technology tools to enhance business collaborations as well as the expansion and diversification of value-added services, such as housekeeping, community elder nursing, childcare, and consulting services for property developers.

Rising Labor Costs: The residential property management services market requires a large workforce to provide security, cleaning, gardening, repairing, and other services, and the labor cost is one of the largest components of the company's operating costs. Rising labor costs may increase companies' costs and reduce their profitability. The amount of labor cost was mainly affected by the increase in the staff headcount due to the economic expansion and the general trend of wage increases in China. From 2019 to 2023, the monthly average wages of workers in residential property management services market increased from RMB5,327 in 2019 to RMB6,251 in 2023, with a CAGR of 3.3%.

CITY SERVICES MARKET IN CHINA

Overview

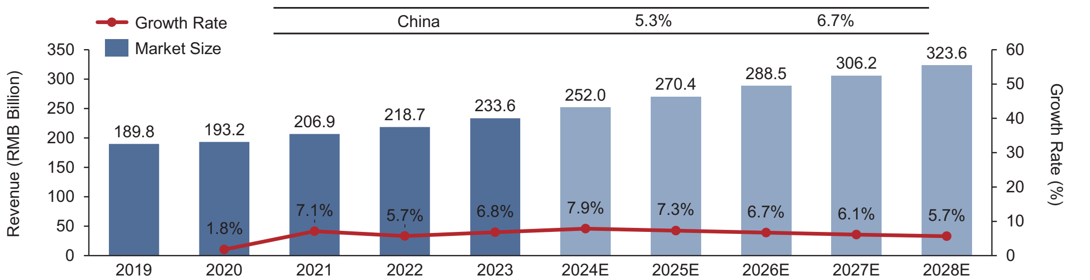
City services is the provision of municipal/urban services to local governments, public agencies and property developers, mainly includes: (i) municipal services primarily for public infrastructure, provision of street care, greening, waste sorting, streetscape inspection, street facilities maintenance and disinfection, and others; (ii) the public facility management services which provide basic property management services, including cleaning, security, greening, maintenance and other services for public buildings, for example public museums, libraries, schools, hospitals and government buildings.

Market Size

From 2019 to 2023, the total revenue of city services market increased from RMB189.8 billion to RMB233.6 billion, with a CAGR of 5.3%. In 2028, the total revenue of city services market is expected to reach RMB323.6 billion, with a CAGR of 6.7% from 2023 to 2028.

Total Revenue of City Services Market (China), 2019 – 2028E

Market Size of City Services Market	*CAGR (2019-2023)*	*CAGR (2023-2028E)*
China	5.3%	6.7%



Source: National Bureau of Statistics of China, Frost & Sullivan Analysis

The expected CAGR of the city services market in China was based on the following assumptions: (i) the demand for city services has maintained a steady increase in recent years with the continuous increase of urbanization rate in China, which gradually increase the supporting public infrastructures and the treated number of domestic wastes. Meanwhile, as there are a growing number of market participants in city services market, the operation and management of city services projects have gradually shifted to third-party enterprises. Therefore, the growing demand for city services promoted the development of city services market; (ii) a series of policies from Chinese government encouraged the development of city services market. For instance, the "Implementation Opinions on Promoting the Use of Government and Social Capital Cooperation Model" (《關於進一步加強城市精細化管理工作的實施意見》), issued by the Beijing local government points out that government will guide and encourage social capital to actively participate in the investment and operation of city services, and promote the use of Public-Private Partnership (PPP) model; and (iii) the increasing demand for city services has prompted the emergence of professional city service providers who could provide high quality of city services in this market, such as property management service providers with excellent management capabilities and professional staffs. Consequently, the requirements for high quality of city services drive the development of city services market.

Competitive Landscape

In the city services market of China, the top fifteen property management service companies accounted for approximately 13.4% of the total revenue of city services market in China. In 2023, our Group ranked ninth in terms of the revenue of city services, accounting for approximately 0.4% of the total revenue of city services market in China.

Top Fifteen Property Management Service Companies by the Revenue of City Services in China, 2023

Ranking	Company	Background Information	Market Share (%)
1	Company A	A listed and leading company which focuses on providing residential property management services in China with strong brand recognition and large and extensive property management portfolio, with the total revenue of approximately RMB42.6 billion in 2023.	3.7%
2	Company K	A listed property management service provider in China and focuses on providing services for mid- to high-end properties and offering a comprehensive portfolio of services, with the total revenue of approximately RMB15.4 billion in 2023.	2.1%
3	Company B	A listed company which provides residential property management services, and shopping mall and office building operational services in China, with the total revenue of approximately RMB15.6 billion in 2023.	1.5%
4	Company L	A listed and leading comprehensive property management service provider in China with extensive property management scale and state-owned background, with the total revenue of approximately RMB15.1 billion in 2023.	1.1%
5	Company M	A listed and leading comprehensive property management service provider in China who manages a diverse portfolio of properties, including mid-to high-end residential properties to office buildings and commercial properties, with the total revenue of approximately RMB12.5 billion in 2023.	0.7%
…			
11	**Our Group**	**See "Business"**	**0.4%**
…			
Top 15			13.4%
Others			86.6%
Total			100.0%

Source: Annual Reports, Frost & Sullivan Analysis

Future Opportunities and Challenges

Improvement in Breadth and Depth of Services: With the introduction of a series of incentive policies by national and local governments to promote the development of city appearance, city greening and garbage treatment, which shows that in recent years, consumers would require not only the traditional municipal services, for example urban road cleaning services, greening and municipal public toilet maintenance, but also more in-depth services requirements covering full services lifecycle to increase citizens' life qualities, including garbage classification, city appearance inspection, landscaping of the public buildings and others.

Application of new technologies: The development of information technology, for example, 5G, AI and IOT related technologies, has been promoting city service providers to improve service quality and to effectively reduce costs. For example, the intelligent building integration management system and intelligent comments platform have been embedded into the city services in a more effective way.

Integration of city services and property management services: Due to the vigorous development of the city services market and the attention and promotion of city services from the government, more and more property management service providers with refined management capabilities and staff advantages have set up long-term business strategy to enter into the city services market and formed healthy competition with the existing competitors such as sanitation service providers.

Service Experience: Due to increasing concentration of city service market and the improvement in breadth and depth of services in the market, mature operation and management experience and successful project experiences are particularly important for city service providers to shape their brand image. Furthermore, in terms of relatively high requirements from governments, the rich and mature management experience has a guiding role for the city service providers in the actual operation and management process, which is one of the challenges for city service providers that lack rich service experiences.

Entry Barriers

Qualification Barrier: There is a qualification management system for enterprises who engage in city services market in China. The professional contracting qualification of city services activities is divided into three levels, with different requirements in terms of the net asset of the service providers, the number of professional staffs and the characteristics of the programs undertaken in the last five years. The different levels of the qualifications possessed by the city operational service providers would allow them to participate in the city services projects at the corresponding level. It is also a challenge for new entrants to obtain these qualifications in the short term.

Partnerships and Relationships: In the city services market, the government tends to establish long-term partnerships with its service providers. Customer relationships remain one of the key determinants in the operation of city services market. The current leading service providers have already accumulated abundant customer resources and mutual trust has already been built. It is difficult for new market entrants to secure long-term customer relationships in a short time.

Technology Barrier: With the development of IOT, cloud computing, big data, artificial intelligence and other related technologies, city services are showing digitalization and intelligence trends, which require the market players to equip with technology capabilities in order to obtain competitive advantages in the market. The establishment of technological advantage has high capital commitment requirements. Efficient information systems can help both service providers and the government integrate resources, improve management efficiency and save costs. While the establishment of technological system has high capital commitment requirements, it is challenging for new entrants to build mature technology capabilities since they require significant capital and operating experience to be built.

Professional Staff: City services market remains a labor-intensive field. Talented people with rich experience and professional skills are crucial for the city services market. It is difficult for new entrants to recruit a certain number of professional and technical personnel in a short period of time and maintain a high degree of co-operation with existing employees, thus making it difficult for new entrants to adapt to the continuously-changing market environment.

INDUSTRIAL PARK PROPERTY MANAGEMENT SERVICES MARKET IN CHINA

Overview

The participants in the industrial park property management services market generally offer these services: (1) basic property management services; and (2) value-added services. Basic property management services primarily include cleaning, greening, maintenance, security and disinfection, etc.. Value-added services primarily include bespoke industry analysis, consultancy services, car parking management services, canteen services, corporate administration and employee welfare support services, and special engineering renovation services, etc.

Market Size

From 2019 to 2023, the total revenue of industrial park property management services market increased from RMB18.5 billion to RMB28.9 billion, with a CAGR of 11.8%. In 2028, the total revenue of industrial park property management services market is expected to reach RMB36.5 billion, with a CAGR of 4.8% from 2023 to 2028.

Future Opportunities and Challenges

Demand for High Quality and Professional Services: Compared to non-residential properties, the industrial parks, particularly high-tech parks, have more stringent requirements for property management services, such as high standard for technical maintenance for equipment, and more stringent security services, etc.

Extended Service Scope: With the development of industrial parks, the industrial park property management service providers in China have been devoted to extend service scopes on value-added services such as shuttle bus services, corporate administration support services, and special engineering renovation services, etc.

Increased the Application of Intelligent Software: With the construction of intelligent industrial parks, the industrial park property management service providers focused on offering intelligent services by combining online applications and offline services, such as intelligent access control system, intelligent maintenance system, and intelligent management system. The increased application of intelligent software can improve the services quality and management efficiency, and expand the service scope of industrial park property management service providers.

Talent Reserves for Professional Service Offerings: The industrial park, especially high-tech parks, have higher requirements for talent of property management services, such as security guards, cleaning staff and maintenance personnel. Therefore, it is a challenge for industrial park property management service providers to have sufficient talent reserve and establish effective training systems.

SHOPPING MALL OPERATIONAL SERVICES MARKET IN CHINA

Overview

Shopping mall operational services refer to a full range of services provided to shopping mall owners, tenants and consumers throughout the lifecycle from the pre-opening period to the post-opening period of shopping malls to determine the appropriate positioning and design of shopping malls, optimize the tenant and brand mix for property owners, solicit a variety of tenants from brand reserves, assist tenants in improving the operation of stores, provide professional property management services, create a unique lifestyle experience to attract customers with daily operation and management, and improve routine management capability of shopping malls and reduce operational risk through advanced energy consumption control scheme and fire protection system.

City-level businesses refer to commercial complexes that are located in city centers, providing high-end consumer experience and representing the image of the city, which typically have comprehensive functions such as shopping, entertainment, catering and leisure. The main functions of city-level businesses are: (i) showing the image of the city; (ii) cultivating and displaying domestic famous brands; (iii) providing a foreign trade display platform for domestic cultural brands and (iv) establishing consumption channels for international brands.

Community businesses are business centers that are relatively smaller in scale as compared to city-level businesses, focused on serving residents in local communities and promoting local consumptions such as shopping and dining. Modern community businesses are also venues for business, leisure, entertainment, and social for the residents.

Service Scope

During the pre-opening stage of shopping malls, the shopping mall operational services provided to property owners primarily include (i) positioning and design consultancy services; (ii) tenant sourcing services; and (iii) other pre-opening preparation services. During the post-opening stage of shopping malls, the shopping mall operational services provided to property owners or tenants mainly include (i) operational management services; (ii) tenant management services; (iii) brand licensing; (iv) consumer services; (v) property management services to shopping malls; and (vi) other value-added services.

Market Size

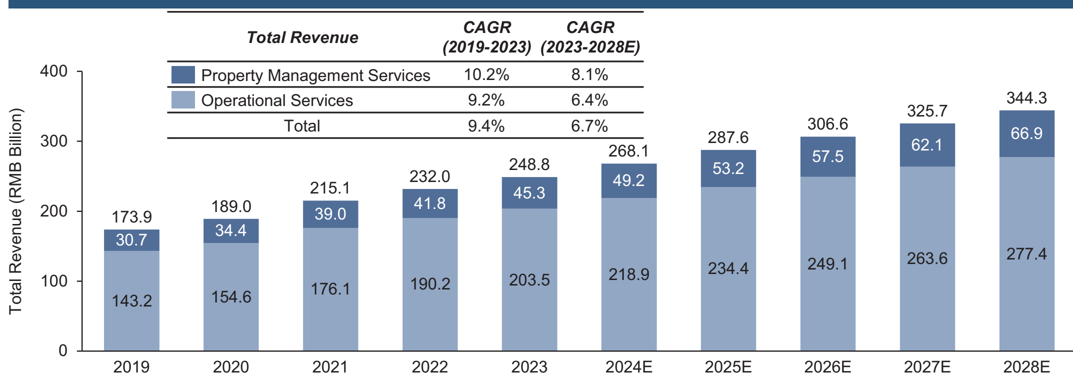
GFA under management refers to the aggregate of gross floor area of shopping malls managed and operated by shopping mall operational service providers. From 2019 to 2023, the total GFA under management in shopping mall operational services market increased from 534.6 million sq.m. in 2019 to 690.6 million sq.m. in 2023, with a CAGR of 6.6% from 2019 to 2023. In the future, the total GFA under management in shopping mall operational services market is expected to grow continuously, reaching 886.0 million sq.m., with a CAGR of 5.1% from 2023 to 2028.

Note: Shopping malls only include malls whose GFA are equal or higher than 20,000 sq.m.

Source: *National Bureau of Statistics of China, Frost & Sullivan Analysis*

From 2019 to 2023, the total revenue of shopping mall operational service providers in China increased from RMB173.9 billion to RMB248.8 billion, with a CAGR of 9.4%. From 2019 to 2023, the revenue derived from property management services and operational services grew at a CAGR of 10.2% and 9.2%, respectively. In 2028, the total revenue of shopping mall operational services market is projected to reach RMB344.3 billion, with an expected CAGR of 6.7% from 2023 to 2028. The revenue derived from property management services and operational services is expected to reach RMB66.9 billion and RMB277.4 billion in 2028, representing a CAGR of 8.1% and 6.4% from 2023 to 2028, respectively.

Total Revenue of Shopping Mall Operational Service Providers (China), 2019 – 2028E



Note: 1. Shopping malls only include malls whose GFA are equal or higher than 20,000 sq.m.

2. The total revenue include property management services of shopping malls and operational services (include the rental of shopping malls under the sublease service model)

Source: National Bureau of Statistics of China, Frost & Sullivan Analysis

The expected CAGR of the shopping mall operational services market in China was based on the following assumptions: (i) favorable policies. In early 2020, the Chinese government issued the "Implementation Opinions on Promoting Consumption and Quality Improvement and Accelerating the Formation of a Strong Domestic Market (《關於促進消費擴容提質加快形成強大國內市場的實施意見》)", which aims to promote consumption and quality improvement from six aspects including market supply, consumption upgrading, consumption network, consumption ecology, consumption capacity and consumption environment. In addition, in 2021, the Ministry of Commerce issued the "Notice on Further Improving the Current Key Work of Promoting Consumption in the Commercial Sector" (《關於進一步做好當前商務領域促消費重點工作的通知》), which states that the implementation of policies to promote urban business activities will be accelerated and the upgrading of commercial centers will be promoted. These favorable policies are driving the development of the shopping mall operation service market; (ii) increasing number of shopping malls in operation. With the acceleration of urbanization and the improvement of consumption level, consumers' demand for shopping malls is growing continuously. From 2019 to 2023, the total number of shopping malls in operation in China increased from 5,077 to 6,808, with a CAGR of 7.6%. In the future, the number of shopping malls in operation in China is expected to increase and reach 8,822 in 2028, with a CAGR of 5.3% from 2023 to 2028; and (iii) accelerated urbanization and continuous growth of per capita disposable income of urban households. During the period from 2019 to 2023, with the steady development of China's economy, the urbanization rate in China increased from 60.6% to 66.2%. Meanwhile, per capita annual disposable income of urban households observed an increase from RMB42,359 to RMB51,821 with a CAGR of 5.2%. The accelerated urbanization and continuous growth of per capita disposable income of urban households, especially in the third and fourth-tier cities, stimulated the demands for commercial operational services and promoted the development of the commercial operational services market in China.

Future Opportunities and Challenges

Integrated Development of Online and Offline Platforms: An increasing number of shopping mall operational service providers are committed to rolling out platforms such as APPs and WeChat mini programs. Such platforms can direct the online traffic to offline malls, providing consumers with more information and better shopping experiences, which can in turn help the tenants improve their customer acquisition efficiency and reduce the relevant costs.

Diversification in Service Offerings: Shopping mall operational service providers will increase the profitability of shopping mall operational services by offering more diversified value-added services. In addition to the continuous growth of the number of paid members, shopping mall operational service providers have created new revenue models by offering services and gifts related to membership benefits. Furthermore, shopping mall operational service providers can utilize their tenant and consumer resources to promote Software-as-a-Service (SaaS) solutions to realize growth in revenue. The shopping mall operational service providers have a wide range of merchants and consumer resources, which can realize the reasonable allocation of advertising resources and accurate advertising delivery.

Popularization of Asset-light Models: With the development of China's shopping mall operational services market, asset-light models are expected to become more common in the industry. Under asset-light models, shopping mall commercial operational service providers do not need to invest capital in land acquisitions or the development of retail commercial properties. Thus, such models can reduce their financial burdens and optimize their resource allocation.

Demand for High Quality Services and Professional Shopping Mall Operational Services: With consumers' higher requirements on shopping experience and service qualities resulted from consumption upgrading, there are growing demands for immersive shopping experience and diversified consumption scenarios. However, China's shopping mall operational services market is facing challenges, such as weak commercial operation capability, weak technology empowerment capabilities of malls and homogeneous services. Such challenges have presented great development opportunities for shopping mall operational service providers who are able to offer customized shopping scenarios, immersive shopping experience and professional operational services.

Weak Technology Capability: A number of shopping mall operational service providers in China are unable to integrate the online and offline channels of the mall due to the lack of related resources and technological expertise. As a result, they cannot build an integrated online and offline consumption ecosystem to attract consumers, nor can they reduce labor cost through intelligent management or help tenants improve operating efficiency through data analysis.

OFFICE BUILDING PROPERTY MANAGEMENT SERVICES MARKET IN CHINA

Overview

The participants in the office building property management services market generally offer these services: (i) basic property management service, and (ii) value-added services. Basic property management services primarily include security services, cleaning services, repair and maintenance, gardening, and landscaping services. Value-added services primarily include car park management, asset services, customer services provided to property owners and corporate customers, and other customized services such as concierge services.

Market Size

From 2019 to 2023, the total GFA of under management in office building property management services market in China increased from 589.6 million sq.m. to 741.5 million sq.m., with a CAGR of 5.9%. Going forward, with the further development of commercial real estate industry, the total GFA of office buildings under management is expected to reach 943.7 million sq.m. in 2028, with an expected CAGR of 4.9% from 2023 to 2028.

From 2019 to 2023, the total revenue of office building property management services market in China increased from RMB46.2 billion to RMB66.8 billion, with a CAGR of 9.7%. In 2028, the total revenue of office building property management services market in China is expected to reach RMB93.6 billion, with an expected CAGR of 7.0% from 2023 to 2028.

Future Opportunities and Challenges

The future opportunities of office building management services market include (i) office building management services market, especially high-end office building property management services market, will be further developed; (ii) the service scopes of the service providers will be extended to customized office buildings operational services such as asset management services and corporate administration services, with a focus on the integration of internet and services; (iii) the concentration level of the office building property management services market will be increased by the consolidation of resources. However, rising labor and operation costs are the major challenges that may reduce the profit margin of office building property management service providers.

HOTEL MANAGEMENT MARKET IN CHINA

Overview

The hotel management industry mainly deals with guest accommodation or lodgings. Hotels are defined as establishments which offer overnight accommodation, meals and other services. Hotel industry can be classified into several categories based on the quality and brand levels of hotels. We classified hotels into five categories based on the definitions and standards, including economy, midscale, upper midscale, upscale, and luxury.

Market Size

The total revenue of hotel chains in China increased from RMB450.0 billion in 2019 to RMB653.0 billion in 2023, representing a CAGR of 9.8%. In the future, the total revenue of hotel chains in China is expected to reach RMB1,132.7 billion in 2028, representing a CAGR of 11.6% from 2023 to 2028.

Future Opportunities and Challenges

The future opportunities of hotel management market include (i) a number of leading hotel groups have launched "Brand Diversification Strategy" that operate various levels of hotel brands with differentiated brands positioning to meet the personalized demands of hotel customers; (ii) technology-empowered hotel operation is likely to be widely adopted by the market through the new technologies such as artificial intelligence, cloud computing, self-check-in/-check-out system, AI-assistant-embedded hotel mobile APPs and smart robots; (iii) the penetration rate of chained operation in China's hotel industry is anticipated to further increase. However, the increasing hotel operation costs, such as labor cost, have become one of the major challenges for hotel operators to achieve sustainable growth and profitability.

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

LEGAL SUPERVISION OVER FOREIGN INVESTMENT

The Interim Provisions on Investment Made by Foreign-Invested Enterprises in PRC (《關於外商投資企業境內投資的暫行規定》) which was promulgated on July 25, 2000, came into effect on September 1, 2000, and was amended on October 28, 2015, stipulates that the domestic investment of foreign-invested enterprises shall comply with the requirements set out in the (i) Interim Provisions on Guiding the Direction of Foreign Investment (《指導外商投資方向暫行規定》) that was promulgated on June 20, 1995, came into effect on the same day and was replaced by the Provisions on Guiding the Direction of Foreign Investment (《指導外商投資方向規定》), which was promulgated on February 11, 2002 and came into effect on April 1, 2002, and (ii) the Catalog for the Guidance of Foreign Investment Industries (《外商投資產業指導目錄》) (the "**Guidance Catalog**") promulgated in 1995 and amended or restated from time to time.

Pursuant to the Guidance Catalog which was most recently amended on June 28, 2017 and came into effect on July 28, 2017, the industries invested by foreign investors are classified into two categories: encouraged industries and the industries included in special administrative measures for the access of foreign investment (including restricted industries and prohibited industries). The Special Administrative Measures for the Access of Foreign Investment (Negative List) (Version 2021) (《外商投資准入特別管理措施(負面清單)》(2021年版)) (the "**Negative List**") promulgated on June 2, 2018, restated on June 30, 2019, June 23, 2020 and December 27, 2021, and came into effect on January 1, 2022, which was further amended on September 6, 2024, with the latest amendments taking effect on November 1, 2024 replaced the portion of special administrative measures for the access of foreign investment in the Guidance Catalog. The Catalog of Industries for Encouraging Foreign Investment (《鼓勵外商投資產業目錄》) (the "**Encouraged Catalog**") which was promulgated on June 30, 2019, amended on December 27, 2020, October 26, 2022 and came into effect on January 1, 2023, replaced the encouraged industries in the Guidance Catalog. Foreign investors shall not invest in the fields for which foreign investment is prohibited in the Negative List. Investment in restricted fields of investment in the Negative List shall obtain foreign investment access permit. Unless otherwise prescribed by the PRC laws, any industries not falling into any of the encouraged, restricted or prohibited industries set out in the Encouraged Catalog and the Negative List are generally deemed as permitted for foreign investment. Accordingly, property management service industry is a permitted foreign investment industry.

On March 15, 2019, the Foreign Investment Law of the PRC (《中華人民共和國外商投資法》) was adopted at the Second Session of the 13th National People's Congress and came into effect on January 1, 2020. The Foreign Investment Law of the PRC has replaced the Law on Chinese-Foreign Equity Joint Ventures of the PRC (《中華人民共和國中外合資經營企業法》), the Law on Chinese Foreign Cooperative Joint Ventures of the PRC (《中華人民共和國中外合作經營企業法》) and the Law on Wholly Foreign-Owned Enterprises of the PRC (《中華人民共和國外資企業法》) to become the legal foundation for foreign investment in the PRC. According to the Foreign Investment Law of the PRC, foreign investment refers to any investment activity directly or indirectly carried out by foreign natural persons, enterprises or other organizations (hereinafter "**Foreign Investors**"). The State adopts the management system of pre-establishment national treatment and negative list for foreign investment.

The negative list refers to special administrative measures for access of foreign investment in specific fields as stipulated by the State. The State will give national treatment to foreign investments outside the negative list.

The Measures on Reporting of Foreign Investment Information (《外商投資信息報告辦法》) was issued by MOFCOM and State Administration for Market Regulation on December 30, 2019, which came into effect on January 1, 2020 and replaced the Interim Administrative Measures for the Record filling of the Establishment and Modification of Foreign-invested Enterprises (《外商投資企業設立及變更備案管理暫行辦法》). Since January 1, 2020, for foreign investors carrying out investment activities directly or indirectly in China, the foreign investors or foreign-invested enterprises shall submit investment information to the commerce authorities pursuant to such measures.

LEGAL SUPERVISION OVER PROPERTY MANAGEMENT SERVICES

Qualification of Property Management Enterprises

According to the Regulations on Property Management (《物業管理條例》) which was promulgated on June 8, 2003, came into effect since September 1, 2003, and was amended on August 26, 2007, February 6, 2016 and March 19, 2018, respectively, a qualification system for enterprises engaging in property management activities has been adopted.

According to the Decision of the State Council on Canceling the Third Batch of Administrative Licensing Items Designated by the Central Government for Implementation by Local governments (《國務院關於第三批取消中央指定地方實施行政許可事項的決定》) (Guo Fa [2017] No. 7), which was promulgated and came into effect on January 12, 2017, province and city level second class or below property management enterprise qualifications acknowledged by provincial and municipal government departments of Housing and Urban-Rural were canceled.

According to the Decision of the State Council on Canceling a Group of Administrative Licensing Items (《國務院關於取消一批行政許可事項的決定》) (Guo Fa [2017] No. 46), which was promulgated and came into effect on September 22, 2017, qualification accreditation for property management enterprises of first class was canceled.

According to the Notice of the General Office of Ministry of Housing and Urban-Rural Development on Effectively Implementing the Work of Canceling the Qualification Accreditation for Property Management Enterprises (《住房城鄉建設部辦公廳關於做好取消物業服務企業資質核定相關工作的通知》) (Jian Ban Fang [2017] No. 75), which was promulgated and came into effect on December 15, 2017, application, change, renewal or re-application of the qualifications of property management enterprises shall not be accepted, and the qualifications obtained already shall not be a requirement for property management enterprises to undertake new property management services.

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

(《物業管理條例》) was amended. The Regulations on Property Management (2018 revision) (《物業管理條例》(2018年修正)) has removed all the qualification requirements for the property management enterprises.

Appointment of the Property Management Enterprises

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

According to the Civil Code, a quorum for the general meeting of the property owners to engage or dismiss a property management enterprise shall consist of the property owners who holding more than two-thirds of exclusive areas and representing more than two-thirds of the total number of property owners and shall have affirmative votes of property owners who participate in the voting and hold more than half of the exclusive area owned by the voting owners and who represent more than half of the total number of property owners participating in voting. In addition, the Civil Code clarifies that where the property owners have jointly decided on renewal of appointment pursuant to the law prior to expiry of the term of property management services, they shall enter into a new property management contract with the original property services provider prior to expiry of the contract period. Where the property management services provider does not agree on renewal of appointment prior to expiry of the term of property management services, it shall notify the property owners or the owners' committee in writing 90 days before expiry of the contract period, unless the contract stipulates otherwise on the notice period. If property owners do not renew the property management contract or engage a new property service provider upon expiration of the term of property management services and the property service provider continues to provide property services, the original property service contract shall continue to be valid without a fixed term. Each party may rescind the contract by sixty days' advance written notice to the other parties.

According to the Regulations on Property Management (《物業管理條例》), a general meeting of the property owners can engage or dismiss the property management enterprise with affirmative votes of owners who exclusively own more than half of the total construction area of the building(s) and who account for more than half of the total number of the property owners. The property owners' association may enter into a property management service contract on behalf of owners with the property management enterprise engaged in the owners' general meeting. Before the engagement of a property management enterprise by property owners and a general meeting of the property owners, a written preliminary property management service contract should be entered into between the developer and the selected and engaged property management enterprise. The preliminary property management service contract may stipulate the contract term. However, if the property management service contract entered into by and between the property owners association and the property management enterprise comes into force within the term of the preliminary property management service, the preliminary property management service contract shall be terminated automatically.

According to the Regulations on Property Management and the Interim Measures for Tender and Bidding Management of Preliminary Property Management (《前期物業管理招標投標管理暫行辦法》) (Jian Zhu Fang [2003] No. 130) which was promulgated on June 26, 2003 and came into effect on September 1, 2003, developer of residential buildings and non-residential buildings units in the same property management area shall engage qualified property management enterprises by inviting bid or publish announcement on public media. In case where there are less than three bidders or for small scale properties, the developer can hire qualified property management enterprises by signing an agreement with the approval of the real estate administrative department of the local government in the district or county where the property is located. Where the developer fails to hire the property management enterprise through a tender and bidding process or hire the property management enterprise by signing agreement without the approval of relevant government authority, the competent real estate administrative department of the local government at the county level or above shall order it to make correction within a prescribed time limit, issue a warning and impose with the penalty of no more than RMB100,000.

In accordance with the Government Procurement Law of the People's Republic of China (《中華人民共和國政府採購法》) (the "**Government Procurement Law**"), which was promulgated on June 29, 2002 and amended on August 31, 2014, government procurement refers to behaviors of state organs at various levels, undertakings and social organizations that procure with fiscal funds commodities, engineering works and related services within the catalog made for centralized procurement according to law or procure them in excess of their quotas. Where procurement parties should purchase goods or services in the form of public bidding, the specific quotas shall be stipulated by the State Council if they fall into those to be procured under central budget, or by the people's governments of province, autonomous region and centrally administered municipality if they are included in the catalog for local government procurement under local budget. In special cases where forms other than public bidding have to be adopted, approval should, before start of the procurement activity, be obtained from the procurement supervisory and administrative department of the people's government of city or autonomous prefecture with administrative districts. In cases where procurement parties procure in the form other than public bidding without approval, they shall be dealt with separately in light of the following circumstances: (1) termination of the procurement activity if the bid winning and conclusive supplier are not yet determined; (2) cancelation of the contract and re-determination of the bid winner and conclusive supplier from qualified bid winners and candidate conclusive suppliers after the bid winner and conclusive supplier are determined but the procurement contract has not yet been performed; and (3) loss caused to the procurement party and the supplier after performance of the procurement contract, the compensation liability shall be assumed by the responsible people.

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

According to the Regulations on Property Management (《物業管理條例》) and Interpretation of the Supreme People's Court on Several Issues concerning the Application of Law in the Trial for Cases of Disputes over Property Services (Amended in 2020) (《最高人民法院關於審理物業服務糾紛案件適用法律若干問題的解釋(2020修正)》), which was amended on December 29, 2020 and came into effect on January 1, 2021, the preliminary property management service contract entered into by a developer and a property management enterprise pursuant to relevant laws and regulations and the property management service contract entered into by the owners' association and the property management enterprise hired by the owners' general meeting pursuant to relevant laws and regulations shall be binding on the property owners. Where any property owner pleads against such contract as he/she is not the contract party thereto, it shall not be supported by the people's court. The court shall support a claim if property owners' association or property owners appealed for the court to confirm the clause of property management service contracts which exempt the responsibility of property management enterprise, or which aggravate the responsibility or exclude the rights of property owners' association or property owners are invalid.

Property Management Service Charges

According to the Regulations on Property Management (《物業管理條例》), the property owners shall pay property management fee based on the property management service contract. As for the properties which have been completed but have not been sold or delivered to the purchasers of the properties, property management fee shall be paid by the developer.

According to Administrative Measures on Property Management Service Charges (《物業服務收費管理辦法》) (Fa Gai Jia Ge [2003] No. 1864), which was promulgated on November 13, 2003 and came into effect on January 1, 2004, property management service charges shall be priced under the government's guidance and market regulation respectively based on the nature and characteristics of different properties. In what way the charges are priced shall be determined by the competent administrative departments of price under the people's governments of provinces, autonomous regions and municipalities, in concert with the competent departments of real estate.

The property management service fees charged nationwide are supervised and regulated by the competent price administration department and construction administration department of the State Council. The competent price administration department of the local people's governments at or above the county level and the competent construction administration departments at the same level are responsible for supervising and regulating the property management service fees charged in their respective administrative regions.

As agreed between the property owners and property management enterprises, the fees for the property management services can be charged either on a lump sum basis or a commission basis. The lump sum basis refers to the charging mode requiring property owners to pay fixed property management expenses and allowing property management enterprises to enjoy or assume the surplus or deficit. The commission basis refers that property management enterprises may collect its service fee in the proportion or amount as agreed from the property management income in advance, the rest of which shall be exclusively used on the items as stipulated in the property management service contract, and property owners shall enjoy or assume the surplus or deficit.

Except the circumstance where the government guidance price shall be implemented, the market-based price applies to the property management service fees. The standard of such fees is determined by the property management enterprise and the developer or property owners through negotiation.

Property management enterprises shall mark expressly the prices according to the regulations of competent price department of the people's government, revealing the service information, standards, charging items and standards to the public at prominent positions within the property management region.

According to the Regulation on Clearly Marking the Prices of Property Services (《物業服務收費明碼標價規定》) (Fa Gai Jia Jian [2004] No. 1428), which was promulgated on July 19, 2004 and came into effect on October 1, 2004, property management enterprises, during their provision of services to the property owners (including the property management services as stipulated in the property service contract as well as other services requested by property owners), shall charge service fees at expressly marked prices, and display their service items, standards and other related contents. In case there is any change to the pricing standard, the property management enterprise shall adjust the related contents displayed and indicate the execution date of new standards one month prior to the implementation of the new standards.

According to the Measures for Property Management Service Pricing Costs Supervision and Examination (Trial) (《物業服務定價成本監審辦法(試行)》) (Fa Gai Jia Ge [2007] No. 2285), which was jointly issued by the NDRC and the Ministry of Construction on September 10, 2007 and came into effect on October 1, 2007, the competent price administration departments of people's government shall formulate and regulate the property management service charging standard and conduct pricing cost supervision and examination on relevant property management service enterprises. Property management service pricing cost is determined according to the social average cost of property management services verified by the competent price administration department of people's government. With the assistance of competent real estate administrative departments, competent price administration departments are responsible to organize the supervision and examination of the property management service pricing cost. Property management service pricing cost shall include staff costs, expenses for daily operation and maintenance on public facilities and equipment located at public places, green conservation costs, sanitation fee, order maintenance cost, insurance premiums for public facilities and equipment located at public places of the property and for public liability, office expenses, shared administration fee, fixed assets depreciation and other fees approved by property owners.

According to the Circular of NDRC on the Opinions for Decontrolling the Prices of Some Services (《國家發展和改革委員會關於放開部分服務價格意見的通知》) (Fa Gai Jia Ge [2014] No. 2755), which was promulgated and came into effect on December 17, 2014, the price control on property management service fee of non-government-supported houses was canceled. The competent price administration departments at provincial level and the administrative departments of housing and urban-rural development have the authority to decide whether to implement government guidance prices for charges of property management fees for government-supported houses, housing-reform properties and properties in old residential areas and service fees under preliminary property management based on actual situation.

For example, in Guangdong, according to the Notice of Price Bureau and Housing and Urban Construction Department of Guangdong Province on the Measures of Property Service Fee (《廣東省物價局、廣東省住房和城鄉建設廳關於物業服務收費管理辦法的通知》) (Yue Jia [2010] No. 1), government guidance prices or market-regulated price shall be implemented for charges of property management in light of the nature and characteristics of different properties. The government guidance prices shall be implemented for the charges of property service of a residential property (including self-owned parking space and garages) before the establishment of the general meeting of property owners and market-regulated prices shall be implemented for the service fee of villas, residential properties (including self-owned parking space and garages) after the establishment of the general meeting of property owners and other non-residential properties. According to the Notice on Further Standardization on Property Management Services Fees of Guangdong Provincial Development and Reform Commission and Guangdong Provincial Housing and Urban Construction Department (《廣東省發展改革委廣東省住房城鄉建設廳關於進一步規範物業服務收費的通知》) (Yue Fa Gai Jia Ge Han [2019] No. 2897) issued by the Development and Reform Commission of Guangdong Province and the Guangdong Provincial Bureau of Housing and Urban-rural Development which has taken effect on August 1, 2019, the property service charging standards for which government guidance prices are carried out will be determined by the property service companies and the property owners through negotiation, and will no longer be required to report to the local Development and Reform Commission for filing.

Parking Service

According to the Guidance on the Planning, Construction and Management of Urban Parking Facilities (《關於城市停車設施規劃建設及管理的指導意見》) jointly promulgated by the MOHURD, the NDRC and the Ministry of Public Security of the PRC and came into effect on 19 May 2010, a licensed management system shall be adopted with market access and exit standards and open, fair and equitable selection of professional urban parking service enterprises.

Pursuant to Guidance on Further Improving Charging Policies for Motor Vehicle Parking Service (《關於進一步完善機動車停放服務收費政策的指導意見》) jointly promulgated by NDRC, MOHURD and Ministry of Transport on 15 December 2015 and came into effect on the same day, the fees charged in parking service shall be determined mainly by the market, and the scope of government guidance prices in parking services shall be gradually reduced.

According to the Notice of NDRC on the Opinions for Relaxing Price Controls of Certain Services (《關於放開部分服務價格意見的通知》) promulgated by NDRC on 17 December 2014 and came into effect on the same day, price control on parking services in residence communities was canceled.

Security and Guarding Service

According to the Regulation on the Administration of Security and Guarding Services (《保安服務管理條例》), which was promulgated by the State Council on 13 October 2009 and was amended on November 29, 2020, March 29, 2022 and came into effect on May 1, 2022, the guarding, patrolling, order maintenance and other services in a property management area conducted by the personnel who are recruited by a property service provider shall, within 30 days after the start of providing security and guarding services, file with the public security organ of the people's government of the local districted city.

Real Estate Brokerage Business

On July 5, 1994, the SCNPC promulgated the Urban Real Estate Administration Law of the PRC (《中華人民共和國城市房地產管理法》) (the "**Urban Real Estate Administration Law**"), which came into effect on January 1, 1995 and was respectively amended on August 30, 2007, August 27, 2009 and August 26, 2019. According to the Urban Real Estate Administration Law, real estate intermediate service agencies include real estate consultants, real estate evaluation agencies, real estate brokerage agencies, etc. Real estate intermediate agencies shall meet the following conditions: (i) have their own names and organizations; (ii) have fixed business sites; (iii) have the necessary assets and funds; (iv) have sufficient number of professionals; and (v) other conditions specified by laws and administrative regulations.

According to the Administrative Measures for Real Estate Brokerage (《房地產經紀管理辦法》), which was promulgated by the MOHURD, NDRC and Ministry of Human Resources and Social Security (the "**MOHRSS**") on January 20, 2011, came into effect on April 1, 2011 and was amended on March 1, 2016, real estate brokerage refers to the acts of providing intermediary and agency services to and collecting commissions from clients by real estate brokerage institutions and real estate brokers for the purpose of promoting real estate transactions. Sufficient real estate agents are required to establish real estate brokerage agencies and their branches. Real estate brokerage agencies and their branches shall file with the competent housing and urban-rural development (real estate) authority within 30 days from the date of obtaining their business licenses.

Catering Service

In accordance with the Food Safety Law of the PRC (《中華人民共和國食品安全法》) (issued by the SCNPC on February 28, 2009, came into effect on June 1, 2009, and amended on April 24, 2015, December 29, 2018 and April 29, 2021) and the Administrative Measures for Food Operation Licensing and Record-filing (《食品經營許可和備案管理辦法》) (issued by the State Administration for Market Regulation ("**SAMR**") on June 15, 2023, came into effect on December 1, 2023), food sales and catering business in the PRC are subject to obtaining the food operation license in accordance with the laws. The principle of one license for one place shall apply to the licensing for food operation, that is, a food business operator shall obtain a food operation license for each operation site at which it carries out the food business. Food business operator failing to obtain a food operation license may be subject to: (i) confiscation of illegal gains, food illegally produced for sale and tools, facilities and raw materials used for illegal production; and (ii) fines ranged from RMB50,000 to RMB100,000 if the value of food illegally produced is less than RMB10,000 or fines equal to 10 to 20 times of the value of food if such value is equal to or more than RMB10,000.

Proposed the Three Red Lines Standard in Controlling the Scale of Interest-Bearing Debts of Property Developers

The PBOC and the MOHURD introduced in August 2020 a newly proposed standard in the assessment of the debt burden of property developers, namely the Three Red Lines Standard, for real estate companies. The Three Red Lines Standard restricts the financing activities of property developers and the scale of interest-bearing debts of property developers in China by applying: (i) a 70% ceiling on liabilities to assets, excluding advance proceeds from projects sold on contract, (ii) a 100% cap on net debt to equity ratio, (iii) a cash to short-term borrowing ratio of at least one. Developers will be categorized based on the number of "red lines" met and their debt growth will be capped accordingly. If a property developer is able to meet all the Three Red Lines Standard, it will be labeled as "Green", and can increase its debt by a maximum of 15% in the next year; if a property developer meets two of the red lines, it will be labeled as "Yellow", and can increase its debt by a maximum of 10% in the next year; if a property developer meets one of the red lines, it will be labeled as "Orange", and can increase its debt by a maximum of 5% in the next year; and if a property developer meets none of the red lines, it will be labeled as "Red", and cannot increase any debt in the next year. Therefore, the Three Red Lines Standard applies to property developers instead of property management service providers.

Shenzhen Investment, our Controlling Shareholder and a subsidiary of Shum Yip Group, whose shares are listed on the Stock Exchange (stock code: 00604), is engaged in property development as one of its principal businesses. Assuming the Three Red Lines Standard is implemented in its current form, as of December 31, 2022, Shenzhen Investment recorded a gearing ratio (excluding prepayments) of 68.3%, a net gearing ratio of 60.20% and a cash to short-term borrowing ratio of 1.11. As of December 31, 2023, Shenzhen Investment recorded a gearing ratio (excluding prepayments) of 68.35%, a net gearing ratio of 51.8% and a cash to short-term borrowing ratio of 1.02. As of December 31, 2023, Shenzhen Investment recorded total assets of HKD174,413.4 million, total liabilities of HKD126,933.2 million, and net assets, or total equity of HKD47,480.2 million. Additionally, as of June 30, 2024, Shenzhen Investment recorded a gearing ratio (excluding prepayments) of 68.9%, a net gearing ratio of 68.3% and a cash to short-term borrowing ratio of 0.7. As of June 30, 2024, Shenzhen Investment recorded total assets of HKD173,077.7 million, total liabilities of HKD127,953.6 million, and net assets, or total equity of HKD45,124.1 million.

On November 11, 2022, the People's Bank of China and the China Banking and Insurance Regulatory Commission issued the "Notice on Improving the Steady and Healthy Development of the Real Estate Market Supported by Finance" (《關於關於做好當前金融支持房地產市場平穩健康發展工作的通知》), and introduced 16 measures to support the stable and healthy development of the real estate market, which specifically includes measures to maintain stable and orderly real estate financing, actively provide financial services for "guaranteed housing deliveries", actively cooperate with distressed real estate companies to deal with risks, protect the legitimate rights and interests of housing finance consumers in accordance with law, adjust some financial management policies in stages, and increase housing leasing financial support. The notice emphasizes to insist on treating state-owned, private and other real estate enterprises equally, meet the reasonable financing requirements of real estate projects, maintain the continuous and stable financing of construction enterprises, and support the reasonable extension of development loans and trust loans. For those loans due within the next six months, an extension of one year beyond the original regulations and without adjusting the loan classification can be allowed. The notice also emphasizes to support high-quality real estate enterprises to issue bonds for financing, maintain stable financing of trust and other asset management products, and encourage to introduce trust and other asset management products which can support the reasonable financing needs of real estate market.

LEGAL SUPERVISION OVER LABOR PROTECTION AND SOCIAL INSURANCE

According to the Labor Law of the PRC (《中華人民共和國勞動法》), which was promulgated on July 5, 1994, came into effect on January 1, 1995, and was amended on August 27, 2009 and December 29, 2018, employers shall establish and improve their system of work place safety and sanitation, strictly abide by State rules and standards on work place safety, educate employee in labor safety and sanitation in the PRC. Labor safety and sanitation facilities shall comply with national standards. Employers shall provide employees with workplace safety and sanitation conditions which are in compliance with State stipulations and relevant articles of labor protection.

According to the Labor Contract Law of the PRC (《中華人民共和國勞動合同法》), which was promulgated on June 29, 2007, came into effect on January 1, 2008, and was amended on December 28, 2012, employment contracts shall be concluded in writing if employment relationships are to be or have been established between employers and the employees. Employers are forbidden to force the employees to work beyond the statutory time limit and employers shall pay employees for overtime work in accordance with national regulations. In addition, the wages shall not be lower than local standards on minimum wages and shall be paid to the employees timely. And the Implementation Regulation on Labor Contract Law of the PRC (《中華人民共和國勞動合同法實施條例》) (Order No. 535 of the State Council) which was issued by the State Council on September 18, 2008 and came into effect on the same day, regulates both parties through a labor contract, namely the employers and the employees, and contains specific articles involving the terms of the labor contract. Meanwhile, it is stipulated that labor contracts must be concluded in written forms, upon reaching an agreement after due negotiation, an employer and an employee may enter into a fixed-term labor contract, a non-fixed-term labor contract or a labor contract that concludes upon the completion of certain work assignments. After reaching an agreement upon due negotiation with employees or by fulfilling other circumstances in line with legal conditions, an employer may legally terminate a labor contract and dismiss its employees. Labor contracts concluded before the enactment of Labor Contract Law and existing during its effective term shall continue to be honored. With respect to circumstances where an employment relationship has already been established without the conclusion of a written labor contract, the written labor contract shall be concluded within one month from the date when the employee commences work.

According to the Interim Provisions on Labor Dispatch (《勞務派遣暫行規定》) (Order No. 22 of the Ministry of Human Resources and Social Security), which was promulgated on January 24, 2014 and came into effect on March 1, 2014, employers may use dispatched laborers only for temporary, auxiliary or substitutable positions. And the employer shall strictly control the number of dispatched laborers which shall not exceed 10% of the total number of its workers.

According to the Measures of the Ministry of Labor on Examination and Approval for the Flexible Working Hour System and the Working Hour System of Comprehensive Calculation Adopted by Enterprise (《勞動部關於企業實行不定時工作制和綜合計算工時工作制的審批辦法》) (勞部發[1994]

No. 503), which was promulgated on December 14, 1994, and came into effect on January 1, 1995, enterprises, due to the nature of their operation, may adopt the flexible working hour system or the working hour system of comprehensive-calculated working hours and other methods of work and rest.

According to the Social Insurance Law of the PRC (《中華人民共和國社會保險法》), which was promulgated on October 28, 2010 and came into effect on July 1, 2011 and was amended on December 29, 2018, the Interim Regulations on Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》), which was promulgated and came into effect on January 22, 1999, and was amended on March 24, 2019, the Regulations on Work-Related Injury Insurance (《工傷保險條例》), which was promulgated on April 27, 2003, came into effect on January 1, 2004 and was amended on December 20, 2010, the Regulations on Unemployment Insurance (《失業保險條例》) (Order No. 258 [1999] of the State Council), which was promulgated and came into effect on January 22, 1999, and the Trial Measures on Employee Maternity Insurance of Enterprises (《企業職工生育保險試行辦法》) (Lao Bu Fa [1994] No. 504), which was promulgated on December 14, 1994 and came into effect on January 1, 1995, employers in the PRC shall provide their employees with benefit programs including basic pension insurance, unemployment insurance, maternity insurance, work injury insurance and basic medical insurance. Employers must carry out social insurance registration at the local social insurance agency, provide social insurance and pay or withhold the relevant social insurance premiums for or on behalf of employees. For employers failing to conduct social insurance registration, the administrative department of social insurance shall order them to make corrections within a prescribed time limit; if they fail to do so within the time limit, employers shall have to pay a penalty over one time but no more than three times of the amount of the social insurance premium payable by them, and their executive staffs and other directly responsible persons shall be fined RMB500 to RMB3,000. Where an employer fails to pay social insurance premiums in full or on time, the social insurance premium collection agency shall order it to pay or make up the balance within a prescribed time limit, and shall impose a daily late fee at the rate of 0.05% of the outstanding amount from the due date; if still failing to pay within the time limit prescribed, a fine of one time to three times the amount in default will be imposed on them by the relevant administrative department.

Pursuant to the Regulation on the Administration of Housing Provident Fund (《住房公積金管理條例》) (Order No. 262 of the State Council), which was promulgated on April 3, 1999, became effective on the same day, and was amended on March 24, 2002 and March 24, 2019, respectively, the housing provident fund contributions made by an individual employee and housing provident fund contributions made by his or her employer shall be owned by the individual employee. Employers shall timely pay the housing provident fund in full and overdue or insufficient payment shall be prohibited. Employers shall process the housing fund deposit registrations with the housing provident fund administrative center. For enterprises who violate the above laws and regulations and fail to apply for housing provident fund deposit registration or open housing provident fund accounts for their employees, the housing provident fund administrative center shall order the relevant enterprises to make corrections within a designated period. Those enterprises failing to process the deposit registration provident fund accounts for their employees within the designated period shall be subject to a fine ranging from RMB10,000 to RMB50,000. When enterprises violate those provisions and fail to pay the housing provident fund in full amount as due, the housing provident fund administrative center may order such enterprises to pay up the amount within a prescribed period; if those enterprises still fails to comply with the regulations upon the expiration of the above-mentioned time limit, further application may be made to the People's Court for mandatory enforcement.

According to the Reform Plan of the State Tax and Local Tax Collection Administration System (《國稅地稅徵管體制改革方案》), which was issued by the General Office of the Communist Party of China (中共中央辦公廳) and the General Office of the State Council (國務院辦公廳) of the PRC on July 20, 2018, from January 1, 2019, all the social insurance premiums including the premiums of the basic pension insurance, unemployment insurance, maternity insurance, work injury insurance and basic medical insurance will be collected by the tax authorities. Furthermore, according to the Notice by the General Office of the State Administration of Taxation on Conducting the Relevant Work Concerning the Administration of Collection of Social Insurance Premiums in a Steady, Orderly and Effective Manner (《國家稅務總局辦公廳關於穩妥有序做好社會保險費徵管有關工作的通知》) ([2018] No. 142 of the General Office of the SAT) issued on September 13, 2018 and the Urgent Notice of the General Office of the Ministry of Human Resources and Social Security on Implementing the Spirit of the Executive Meeting of the State Council in Stabilizing the Collection of Social Security Contributions (《人力資源社會保障部關於貫徹落實國務院常務會議精神切實做好穩定社保費徵收工作的緊急通知》) (Ren She Ting Han [2018] No. 246) issued on September 21, 2018, the local authorities still responsible for the collection of social insurance are strictly forbidden to conduct self-collection of historical unpaid social insurance contributions from enterprises. Notice of the State Administration of Taxation on Implementing Measures to Further Support and Serve the Development of Private Economy (《國家稅務總局關於實施進一步支持和服務民營經濟發展若干措施的通知》) (Shui Zong Fa [2018] No. 174) issued on November 16, 2018 repeats that tax authorities at all levels may not organize self-collection of arrears of taxpayers including private enterprises in the previous years.

LEGAL SUPERVISION OVER INTELLECTUAL PROPERTY RIGHTS

Patent Law

According to the Patent Law of the PRC (《中華人民共和國專利法》) (Order No. 11 of the President of the PRC) which was promulgated by the Standing Committee of the National People's Congress on March 12, 1984, came into effect on April 1, 1985, revised on September 4, 1992, August 25, 2000, December 27, 2008 and October 17, 2020, the State Intellectual Property Office is responsible for managing patent work of the whole nation. The patent management departments of the people's governments of each province, autonomous region and municipality directly under the central government are responsible for the patent management in their respective administrative regions. Chinese patent system adopts the principle of "prior application," i.e. where two or more applicants file applications for patent for the identical invention or creation respectively, the patent right shall be granted to the applicant whose application was filed first. If one wishes to file application for patent for invention or utility models, the following three standards must be met: novelty, creativity and practicability. The validity period of a patent for invention is 20 years, while the validity period of utility models and design is 10 years. Others may use the patent after obtaining the permit or proper authorization of the patent holder, otherwise such behavior will constitute an infringing act of the patent right.

Trademark Law

Trademarks are protected by the Trademark Law of the PRC (《中華人民共和國商標法》) (Order No. 29 of the President of the PRC) which was issued by the Standing Committee of the National People's Congress on August 23, 1982, came into effect on March 1, 1983 with latest amended on April

23, 2019, and became effective on November 1, 2019 and the PRC Trademark Law Implementing Regulations (《中華人民共和國商標法實施條例》) (Order No. 651 of the State Council), which was issued by the State Council on August 3, 2002, came into effect on September 15, 2002, amended on April 29, 2014 and came into effect on May 1, 2014. The trademark bureaus under the State Administration for Market Regulation are responsible for trademark registration and authorizing registered trademarks for a validity period of 10 years. Trademarks may be renewable every ten years where a registered trademark needs to be used after the expiration of its validity period. Trademark registrants may license, authorize others to use their registered trademark by signing up a trademark license contract. The trademark license agreements shall be submitted to the trademark office for recording. For trademarks, trademark law adopts the principle of "prior application" with respect to trademark registration. Where a trademark under registration application is identical with or similar to another trademark that has, in respect of the same or similar commodities or services, been registered or, after preliminary examination and approval, this application for such trademark registration may be rejected. Anyone applying for trademark registration shall not prejudice the existing right first obtained by anyone else, or forestall others in registering a trademark which others have already begun to use and which has "sufficient degree of reputation."

Copyright Law

The Copyright Law of the PRC (《中華人民共和國著作權法》) (Order No. 31 of the President of the PRC) which was issued by the Standing Committee of the National People's Congress on September 7, 1990, revised on October 27, 2001, February 26, 2010, November 11, 2020 and came into effect on June 1, 2021 provides that works of PRC citizens, legal persons or other organizations, which include, works of literature, art, natural sciences, social sciences, engineering technologies and computer software created in writing or oral or other forms, whether published or not, enjoy copyright in their works. Copyright holders may enjoy multiple rights, which include the right of publication, the right of authorship and the right of reproduction.

The Computer Software Copyright Registration Measures (《計算機軟件著作權登記辦法》) (Order No. 1 of the National Copyright Administration) which was promulgated by the National Copyright Administration on February 20, 2002, and came into effect on the same day, regulates the registration of software copyright, the exclusive licensing contracts and transfer contracts of software copyright. The National Copyright Administration of PRC shall be competent authority for the registration and management of national software copyright and the Copyright Protection Center of China is the software registration organization authority. The Copyright Protection Center of China shall grant registration certificates to the computer software copyright applicants which conforms to the regulations of both the Computer Software Copyright Registration Measures and the Regulations on Protection of Computers Software (《計算機軟件保護條例》) (No. 84 Order of the State Council) which was issued by the State Council on June 4, 1991, came into effect on October 1, 1991 and revised on December 20, 2001, January 8, 2011 and January 30, 2013.

Domain Names

According to the Administrative Measures for Internet Domain Names (《互聯網域名管理辦法》) (Order No. 43 of the Ministry of Industry and Information Technology), which was issued on August 24, 2017 and came into effect on November 1, 2017, the Ministry of Industry and Information

Technology shall be responsible for managing internet network domain names in the PRC. The principle of "first-to-file" is adopted for domain name services. The applicant of domain name registration shall provide the agency of domain name registration with the true, accurate and complete information relating to the domain name to be applied for, and sign the registration agreements as well. Upon the completion of the registration process, the applicant will become the holder of the relevant domain name.

LEGAL SUPERVISION OVER CYBER SECURITY

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

On December 28, 2012, the SCNPC promulgated the Decision on Strengthening Information Protection on Networks (《關於加強網絡信息保護的決定》) to enhance the protection of information security and privacy on the internet. On July 16, 2013, the Ministry of Industry and Information Technology ("**MIIT**") promulgated the Provisions on Protection of Personal Information of Telecommunication and the Internet Users (《電信和互聯網用戶個人信息保護規定》), which became effective on September 1, 2013, to regulate the collection and use of personal information of users in the provision of telecommunication service and the internet information service.

According to the Several Provisions on Regulating the Market Order of the Internet Information Services (《規範互聯網信息服務市場秩序若干規定》), which was promulgated by the MIIT on December 29, 2011, and came into effect on March 15, 2012, without the consent of users, the internet information service providers shall neither collect information which is relevant to users and can serve to identify users solely or in combination with other information (the "**personal information of users**") nor shall they provide personal information of users to others, unless otherwise provided by laws and administrative regulations. The Several Provisions on Regulating the Market Order of the Internet Information Services also require that the internet information service providers shall properly preserve the personal information of users.

The Data Security Law (《中華人民共和國數據安全法》) was promulgated on June 10, 2021 and became effective on September 1, 2021. It establishes a data protection system based on the category and security level of the data in terms of its importance for economic and social development and the potential harm caused by illegal use of such data to national security, public interest or rights and interests of individuals and organizations. Competent governmental authorities shall be responsible to formulate lists for "important data." Higher level of protection shall apply to "national core data" which refers to data that are vital to national security, economy, people's livelihood and major public interests.

According to the Data Security Law, data activities affecting or likely to affect national security will be subject to national security review under the data security review system. The data relating to safeguarding national security and interests and performance of international obligations shall be subject to export control of China. In addition, the Data Security Law provides that important data processors shall appoint a data security officer and establish a management department to take charge of data security, and such processors shall evaluate the risk of their data activities periodically and file assessment reports with the relevant regulatory authorities. Furthermore, data transaction intermediary service providers shall check the sources of the data, the identities of parties involved in the data transactions and keep records accordingly. Violation of Data Security Law may subject the relevant entities or individuals to warning, fines, suspension of business for rectification, revocation of permits or business licenses, and/or even criminal liabilities. According to the Data Security Law, the maximum monetary fine imposed on the breaching party is RMB10 million. Since the Data Security Law is relatively new, uncertainties still exist in relation to its interpretation and implementation.

For purposes of ensuring the security of the supply chain for critical information infrastructure, guaranteeing the cyber security and data security and safeguarding national security, the Measures for Cyber Security Review (2021) (《網絡安全審查辦法》(2021)) (the "**Cybersecurity Review Measures**") was amended by the Cyberspace Administration of China (CAC), the NDRC, the MIIT, the Ministry of Public Security, the Ministry of State Security, the Ministry of Finance, the MOFCOM, the People's Bank of China, the State Administration for Market Regulation, the National Radio and Television Administration, the National Administration of State Secrets Protection and the State Cryptography Administration on December 28, 2021 and took effect on February 15, 2022. The Cybersecurity Review Measures specifies that the procurement of network products and services by operator of critical information infrastructure and the activities of data process carried out by online platform operator that raise or may raise "national security" concerns are subject to cyber security review by Office of Cyber Security Review established by the CAC. Before such critical information infrastructure operator purchases internet products and services, it should assess the potential risk of national security that may be caused by the use of such products and services. If such use of products and services may give raise to national security concerns, it should apply for a cyber security review by the Cyber Security Review Office and a report of analysis of the potential effect on national security shall be submitted when the application is made. In addition, online platform operators that possess the personal data of at least one million users must apply for a cybersecurity review by the Cyber Security Review Office before "foreign" listing (國外上市). The Cybersecurity Review Office may voluntarily conduct cyber security review if any network products and services, activities of data process or listing of companies overseas affects or may affect national security. Pursuant to the Cybersecurity Review Measures, any violation shall be punished in accordance with the Cyber Security Law and the Data Security Law of the PRC, the sanctions under which include, among others, government enforcement actions and investigations, fines, penalties, suspension of non-compliant operations.

The cyber security review focuses on the assessment of risk related to procurement activities, data process and listing of companies overseas and the major factors that are taken into consideration includes (i) the risk of critical information infrastructure being illegally controlled, interfered or destroyed as a result of the use of the products or services; (ii) the continuous harm to the business of critical information infrastructure by the interruption of provision of products or services; (iii) the security, openness, transparency, diversity of sources, reliability of supply and potential supply interruptions of products and services due to political, diplomatic or international trade issues; (iv) whether the products and services provider comply with PRC laws and regulations; (v) the risk of core data, important data or a large amount of personal information being stolen, leaked, destroyed, illegally utilized or exited the country; (vi) the risk that critical information infrastructure, core data, important data or a large amount of personal information will be affected, controlled, or maliciously utilized by foreign governments after listing overseas and the risk of internet information security; and (vii) other factors that may endanger the security of critical information infrastructure, cyber security, and data security. It may take approximately 70 business days in maximum for the general cyber security review upon the delivery of their applications, which may be subject to extensions for a special review. Nevertheless, the exact scope of operator under the Cybersecurity Review Measures and the current regulatory regime remains unclear, and the PRC governmental authorities may have wide discretion in the interpretation and enforcement of these laws. Article 16 of the Cybersecurity Review Measures provides that the cyber security review work mechanism can initiate cybersecurity review if it considers that a network product or service or a data processing activity will or may affect national security.

In addition, CAC had promulgated the Measures for the Security Assessment of Outbound Data (《數據出境安全評估辦法》) on July 7, 2022, which will become effective from September 1, 2022, and the Administration Regulations on Cyber Data Security (Draft for Comments) (《網絡數據安全管理條例(徵求意見稿)》) (the "**Draft Cyber Data Security Regulation**") on November 14, 2021. The Draft Cyber Data Security Regulation requires the data processors that carry out the following activities to apply for cybersecurity review in accordance with the relevant laws and regulations: (i) the merger, reorganization or division of internet platform operators that have gathered a large number of data resources related to national security, economic development and public interests affects or may affect national security; (ii) the listing of the data processor in foreign countries process the personal information of more than one million individuals; (iii) the listing of the data processor in Hong Kong affects or may affect the national security; and (iv) other data processing activities that affect or may affect national security. In addition, the Draft Cyber Data Security Regulation also regulates other specific requirements in respect of the data processing activities conducted by data processors in the view of personal information protection, important data safety, data cross-border safety management and obligations of internet platform operators. The processors of important data or data processors who are listed overseas shall carry out data security assessments by themselves or by entrusting data security service agencies every year, and submit the previous year's data security assessment report to the cyberspace administration at the districted city level before January 31 of each year. When providing overseas data collected and generated within the PRC, if such data includes important data, or if the data processor is a critical information infrastructure operator or processes personal information of more than one million individuals, or such data amounts to more than 100,000 individuals' personal information or 10,000 individuals' sensitive personal information since January 1 of the previous year, the data processors shall go through the security assessment of data cross-border transfer organized by the national cyberspace administration. Any failure to comply with such requirements may subject us to, among others, suspension of services, fines, revoking relevant business permits or business licenses and penalties. As of the Latest Practicable Date, the Draft Cyber Data Security Regulation has not been formally adopted, some provisions in the Draft Cyber Data Security Regulation are still unclear, such as no explanation or interpretation for what kind of data will be considered as impacting national security is still subject to clarification, and are still subject to the finalization or clarifications by relevant authorities.

LEGAL SUPERVISION OVER INTERNET PRIVACY

In recent years, PRC government authorities have enacted legislation on internet use to protect personal information from any unauthorized disclosure. PRC law does not prohibit internet information service providers from collecting and analyzing personal information from their users. However, the Administrative Measures on Internet Information Services (《互聯網信息服務管理辦法》) prohibits an internet information service provider from insulting or slandering a third party or infringing the lawful rights and interests of a third party.

The Several Provisions on Regulating the Market Order of Internet Information Services (《規範互聯網信息服務市場秩序若干規定》), promulgated by the MIIT on December 29, 2011 and became effective on March 15, 2012, stipulates that internet information service providers must not, without user consent, collect user personal information, which is defined as user information that can be used alone or in combination with other information to identify the user, and may not provide any such information to third parties without user's consent. Internet information service providers may only collect user personal information necessary to provide their services and must expressly inform the users of the method, content and purpose of the collection and processing of such user personal information. In addition, an internet information service provider may only use such user personal information for providing the service. Internet information service providers are also required to properly keep users' personal information, and take immediate remedial measures if user's personal information is or is likely to be disclosed. If the consequences of any such disclosure are expected to be serious, internet information service providers must immediately report the incident to the telecommunications regulatory authority and cooperate with the authorities in their investigations.

On July 16, 2013, the MIIT issued the Provisions on the Protection of Personal Information of Telecommunications and Internet Users (《電信和互聯網用戶個人信息保護規定》). Most requirements under the said Provisions that are relevant to internet information service providers are consistent with pre-existing requirements but the requirements under the Provisions are more stringent and have a wider scope. If an internet information service provider wishes to collect or use personal information, it may do so only if such collection is necessary for the services it provides. Further, it must disclose to its users the purpose, method and scope of any such collection or use, and must obtain consent from its users whose information is being collected or used. Internet information service providers are also required to establish and publish their rules relating to personal information collection or use, keep any collected information strictly confidential, and take technological and other measures to maintain the security of such information. Internet information service providers are required to cease any collection or use of the user personal information, and de-register the relevant user account, when a given user stops using the relevant internet service. Internet information service providers are further prohibited from divulging, distorting or destroying any such personal information, or selling or providing such information unlawfully to other parties.

On May 28, 2020, the National People's Congress issued the Civil Code, which takes effect from January 1, 2021. The Civil Code requires that personal information of a natural person shall be processed under the principles of lawfulness, justification and necessity, shall not be excessively processed, and shall meet the following conditions: (1) The consent of the natural person or his or her guardian is obtained, unless as otherwise prescribed by laws and administrative regulations; (2) The rules for information processing are published; (3) The purpose, method, and scope of information processing are explicit; (4) The provisions of laws and administrative regulations and the agreement between both parties are not violated. It clarifies that a natural person has the right to access or reproduce his or her personal information from the information processor; and upon discovery of any error in the information, he or she has the right to raise an objection and request correction and other necessary measures to be taken in a timely manner. The Civil Code also stipulates that information processors shall take technical measures and other necessary measures to ensure the security of the personal information collected and stored thereby and prevent information leakage, tampering, and loss.

On August 20, 2021, the SCNPC issued the Personal Information Protection Law (《中華人民共和國個人信息保護法》) (the "**Personal Information Protection Law**"), which takes effect from November 1, 2021. The Personal Information Protection Law reiterates the circumstances under which a personal information processor could process personal information and the requirements for such circumstances, such as when (1) the individual's consent has been obtained; (2) the processing is necessary for the conclusion or performance of a contract to which the individual is a party or is necessary for carrying out human resources management pursuant to the labor rules and regulations formulated according to the law or the collective contracts signed according to the law; (3) the processing is necessary to fulfill statutory duties and statutory obligations; (4) the processing is necessary to respond to public health emergencies or protect natural persons' life, health and property safety under emergency circumstances; (5) the personal information that has legally been made public by the relevant individual or otherwise is processed within a reasonable scope; (6) personal information is processed within a reasonable scope to conduct news reporting, public opinion-based supervision, and other activities in the public interest; or (7) under any other circumstance as provided by any law or regulation. It also stipulates the obligations of a personal information processor. No organization or individual may illegally collect, use, process or transmit personal information, illegally buy or sell, provide or make personal information public, or engage in the processing of personal information that endangers the national security or public interests. The Personal Information Protection Law clarifies the definition of "Sensitive Personal Information," which means personal information that, once leaked or illegally used, may give rise to discrimination against individuals or seriously endanger personal or property security, including information on biometrics, religious beliefs, specific identity, medical health, financial accounts, and personal whereabouts, among others. To process sensitive personal information based on an individual's consent, a personal information processor shall obtain the separate consent from the individual. Where any law or administrative regulation provides that written consent shall be obtained for processing sensitive personal information, such provision shall prevail. In terms of cross-border transmission of personal information, pursuant to the Personal Information Protection Law, a personal information processor, providing personal information to any party outside the territory of the PRC, shall notify individuals of the overseas recipient's identity, contact information, processing purposes, processing methods, categories of personal information, the methods in which individuals exercise the rights over the overseas recipient, and other matters, and obtain individuals' separate consent. Furthermore, critical information infrastructure operators and the personal information processors that process the personal information reaching the threshold specified by the national cyberspace administration in terms of quantity shall store domestically the personal information collected and generated within the territory of the PRC. Where it is truly necessary to provide the information abroad, the security assessment organized by the national cyberspace administration shall be passed, unless otherwise regulated by laws, administrative regulations, or provisions issued by the national cyberspace administrative authorities. The Personal Information Protection Law provides that if an overseas organization or individual engages in personal information processing activities that damage the rights and interests relating to personal information of citizens of the PRC or compromise national security or public interests of the PRC, the national cyberspace administration may include it or him in a list of those the provision of personal information to whom is restricted or prohibited, make an announcement, and take measures such as restricting or prohibiting the provision of personal information to it or him.

The Cyber Security Law requires that personal information collected and produced by critical information infrastructure operators during their operations within the territory of the People's Republic of China shall be stored within China. If it is indeed necessary to provide such data to overseas parties due to business requirements, security assessment shall be conducted. The Cyber Security Law imposes certain data protection obligations on network operators, including that network operators shall follow the principles of legality, rightfulness and necessity when collecting and using personal information; network operators may not divulge, tamper with, or damage users' personal information that they have collected, and are obligated to delete unlawfully collected information and to amend incorrect information; network operators shall take technical measures and other necessary measures to ensure the security of personal information collected by them, and prevent information leakage, damage and loss; network operators may not provide users' personal information to others without consent. Moreover, if personal information has been or is likely to be divulged, damaged or lost, the network operator has the obligation to report the event to the competent department.

On May 8, 2017, the Supreme People's Court and the Supreme People's Procuratorate released the Interpretations of the Supreme People's Court and the Supreme People's Procuratorate on Several Issues Concerning the Application of Law in the Handling of Criminal Cases Involving Infringement of Citizens' Personal Information (《最高人民法院、最高人民檢察院關於辦理侵犯公民個人信息刑事案件適用法律若干問題的解釋》) (the "**Interpretations**"), effective from June 1, 2017. The Interpretations clarify several concepts regarding the crime of "infringement of citizens' personal information" stipulated by Article 253A of the Criminal Law of the PRC (《中華人民共和國刑法》), including "citizens' personal information," "provision of citizens' personal information" and "**illegally obtaining any citizen's personal information by other methods**." In addition, the Interpretations specify the standards for determining "serious circumstances" and "particularly serious circumstances" of this crime.

The Method for Identifying the Illegal Collection and Use of Personal Information by Apps (《App違法違規收集使用個人信息行為認定方法》) (the "**Method**") issued by the CAC, MIIT, the Ministry of Public Security and SAMR takes effect from November 28, 2019. The Method provides a detailed list of what practices will be considered as (1) non-disclosure of collection and use rules; (2) failure to expressly state the purpose, method and scope of personal information collection and use; (3) collecting or using personal information without the consent of users; (4) collecting personal information unrelated to the services which personal information processors provide in violation of the principle of necessity; (5) providing others with personal information without the consent of users; (6) failure to provide the function of deleting or correcting personal information or failure to disclose the method of complaints and reports.

Considering the nature of our business, we are not a critical information infrastructure operator, network platform operator or a data processor whose purchase of network products and services or data processing activities affect or may affect national security.

During the Track Record Period and up to the Latest Practicable Date, we have collected data for the purpose of provision of property management services, such as property management fees collection, service complaints and work orders for cleaning, security patrolling, facilities maintenance and logistics. Our collection of personal information collected by us is based on the customers' prior consent and only limited to user name, contact number, gender, repair report data etc., and we do not share such information with third parties. Our Directors confirmed the type and nature of the data that we had gathered were primarily related to our property management services, which have relatively low national security relevancy. In addition, during the Track Record Period, the mobile application and systems that we used were only for enhancing internal and business operation management and improving the customers' experience. Therefore, the number of users of the mobile application and systems was relatively small. As of the Latest Practicable Date, the total user number of our mobile application is below 90,000, which is unlikely to exceed one million in the near and mid-term future.

We have also engaged the PRC Legal Advisors to conduct an assessment on the data held by us assuming the Draft Management Regulations become effective in the current form. Our PRC Legal Advisors are of the view that we would be able to comply with the Cybersecurity Regulations in all material aspects, based on the reasons that (i) in accordance with the online-searching results, as of the Latest Practicable Date, our Company had not been subject to any punishment, investigation, inquiry, notice, warning or sanction in relation to cybersecurity or data privacy from the CAC or any other relevant government authority; (ii) as verified by our PRC Legal Advisors, as of the Latest Practicable Date, there had been no material cybersecurity, data and personal information protection incidents or infringement upon any third parties, or other administrative or legal proceedings, pending or, to the best of the knowledge of us, threatened against or relating to us; (iii) we have taken appropriate and necessary measures, policies and procedures that include file management provisions, data access permissions, and network information security management rules; (iv) our Directors confirmed that we will pay close attention to the legislation and regulatory development in respect of cybersecurity, data and personal information protection and continuously improve the operating behaviors and internal control system for the purpose of constantly complying with relevant regulatory requirements; (v) pursuant to the verbal consultation (through the department's official enquiry line accessed through, and published on, its official website) with the CAC, an authorized and competent person to provide the respective confirmation as advised by our PRC Legal Advisors, in February 2023, the officer opined that under the Revised Cybersecurity Review Measures, cybersecurity review process will not apply to public **[REDACTED]** in Hong Kong; and (vi) pursuant to the verbal consultation with the Cybersecurity Review Technology and Certification Center (CCRC), an authorized and competent person to provide the respective confirmation as advised by our PRC Legal Advisors, in June 2023, the officer opined that there was no objection to the Company's **[REDACTED]** or any specific instruction to the Company for voluntary application for cybersecurity review.

Based on the above, our PRC Legal Advisors are of the view, and the Joint Sponsor concur, that (i) the **[REDACTED]** will not be subject to the cybersecurity review process under the abovementioned cybersecurity regulations (assuming to be implemented in their current form); (ii) there is no data security and privacy concerns on part of us in providing its services since the personal information collected by us is limited to user name, contact number, gender, repair report data etc., which are related to the property management services provided by us only. It does not involve the processing of national core data, important data or large amount of personal information with "risk of being stolen, leaked, damaged, illegally used, or illegally exiting the country" or "risk of being stolen, leaked, damaged, illegally used, or illegally exported by foreign governments" as mentioned in the Revised Cybersecurity Review Measures; (iii) we do not foresee any impediment for us to comply with the abovementioned cybersecurity regulations in any material respect; (iv) the abovementioned cybersecurity regulations (assuming to be implemented in their current form) will not materially affect our business operations, outlook and financial performance; (v) our business operations or its proposed **[REDACTED]** in Hong Kong will not give rise to national security risks based on the factors set out in Article 10 of the Cybersecurity Review Measures; and (vi) we will establish an information grading system and improve the related internal control mechanisms, including a risk appraisal mechanism, a risk pre-warning mechanism and an emergency response plan mechanism, which will make us capable of complying with the relevant laws and regulations over internet privacy.

LEGAL SUPERVISION OVER FOREIGN EXCHANGE

According to the PRC Foreign Currency Administration Rules (《中華人民共和國外匯管理條例》) promulgated by the State Council on January 29, 1996, taking effect on April 1, 1996 and amended on January 14, 1997 and August 5, 2008, the RMB is generally freely convertible for current account items, including the distribution of dividends, trade and service related foreign exchange transactions, but not for capital account items, such as direct investment, loan, repatriation of investment and investment in securities outside the PRC, unless the prior approval of the SAFE is obtained.

According to the Notice of the State Administration of Foreign Exchange on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Accounts (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) (the "**Notice**") which was promulgated by the SAFE on June 9, 2016, amended on December 4, 2023 and came into effect on the same day, the settlement of foreign exchange receipts under the capital account (including but not limited to foreign exchange capital, external debts and funds recovered from overseas listing, etc.) may convert from foreign currency into RMB on self-discretionary basis. The RMB funds obtained by a domestic entity from its discretionary settlement of foreign exchange receipts under the capital account shall be included in the account pending for foreign exchange settlement and payment. The Notice reiterates the principle that RMB converted from foreign currency capital may not directly or indirectly used for the purpose beyond the business scope of the domestic entity and investments in securities with the exception of banks' principal-secured products. The ratio of the discretionary exchange rate of foreign exchange receipts under domestic capital account is tentatively set at 100%. The SAFE may adjust the above ratio in due time according to the balance of payment status.

In accordance with the Notice by the State Administration of Foreign Exchange on Facilitating Promoting Cross-border Trade and Investment (《國家外匯管理局關於進一步促進跨境貿易投資便利化的通知》) which was promulgated by the SAFE on October 23, 2019, amended on December 4, 2023, and became effective on the same day, foreign-invested enterprises engaged in non-investment business are permitted to settle foreign exchange capital in RMB and make domestic equity investments with such RMB funds according to law under the condition that the current Special Administrative Measures (Negative List) for Foreign Investment Access are not violated and the relevant domestic investment projects are true and compliant.

LEGAL SUPERVISION OVER TAXATION IN THE PRC

Enterprise Income Tax

According to the EIT Law, which was promulgated by the NPC on March 16, 2007 and came into effect on January 1, 2008 and was amended on February 24, 2017 and December 29, 2018, and the Regulation on the Implementation of the EIT Law of the PRC (《中華人民共和國企業所得稅法實施條例》) (the "**Implementing Regulations of the EIT Law**") which was issued by the State Council on December 6, 2007, came into effect on January 1, 2008, and was amended on April 23, 2019, the tax rate of 25% will be applied to the income related to all PRC enterprises, foreign-invested enterprises and foreign enterprises which have established production and operation facilities in the PRC. These enterprises are classified into as either resident enterprises or non-resident enterprises. Enterprises which are established in accordance with the law of the foreign country or region, but whose actual administration institutions (referring to the institutions conducting substantive and all-around management and control over the enterprises production, operation, personnel, accounting matters, finance, etc.) are in PRC, are deemed as resident enterprise. Thus, the tax rate of 25% applies to their income originating from both inside and outside PRC.

According to the EIT Law and the Implementing Regulations of the EIT Law, for dividends payable to investors that are non-resident enterprises (who do not have institutions or places of business in the PRC, or that have institutions and places of business in PRC but to whom the relevant income tax is not effectively connected), 10% of the PRC withholding tax shall be paid, unless there are any applicable tax treaties are reached between the jurisdictions of non-resident enterprises and the PRC which may reduce or provide exemption to the relevant tax. Similarly, any gain derived from the transfer of shares by such investor, if such gain is regarded as income derived from sources within the PRC, shall be subject to 10% PRC income tax rate or a lower tax treaty rate (if applicable).

The PRC and the government of Hong Kong entered into the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) (the "**Arrangement**") on August 21, 2006 and implemented the Arrangement since December 8, 2006. If the beneficiary of the dividends is a Hong Kong resident enterprise, which directly holds no less than 25% equity interests in a PRC company, the tax levied shall be 5% of the distributed dividends. The 10% withholding tax rate applies to dividends paid by a PRC company to a Hong Kong resident if such Hong Kong resident holds less than 25% of the equity interests in the PRC company.

According to the Announcement on Several Issues concerning the Enterprise Income Tax on Income from the Indirect Transfer of Assets by Non-Resident Enterprises (《關於非居民企業間接轉讓財產企業所得稅若干問題的公告》) ("**Announcement**"), issued by the SAT on February 3, 2015, came into effect on the same day and revised on October 17, 2017 and December 29, 2017, where a non-resident enterprise indirectly transfers equities and other assets of a PRC resident enterprise to avoid the enterprise income tax payment obligation by making an arrangement with no reasonable business purpose, such indirect transfer shall be redefined and recognized as a direct transfer in accordance with the provisions of the EIT Law. Where the enterprise income tax on the income from the indirect transfer of real estate or equities shall be paid in accordance with the provisions of this

Announcement, the entity or individual that directly assumes the obligation to make relevant payments to the transferor according to the provisions of the relevant laws or as agreed upon in the contract shall be the withholding agent.

In accordance with the Measures for Administration of Non-Resident Taxpayers' Enjoyment of Treaty Benefits (《非居民納稅人享受協定待遇管理辦法》) which was promulgated by the SAT on October 14, 2019, and came into effect on January 1, 2020, if non-resident taxpayers consider they are eligible for treatments under the tax treaties through self-assessment, they may, at the time of filing tax returns or making withholding tax filings through withholding agents, enjoy the treatments under the tax treaties, and shall concurrently collect and retain the relevant documents for inspection according to relevant regulations, and accept tax authorities' post-filing administration.

Value-added Tax

According to the Interim Regulations on Value-Added Tax of the PRC (《中華人民共和國增值稅暫行條例》), which was promulgated on December 13, 1993 by the State Council, came into effect on January 1, 1994 and was respectively amended on November 10, 2008 and February 6, 2016 and November 19, 2017, and the Detailed Rules for the Implementation of the Provisional Regulations of the PRC on Value-added Tax (《中華人民共和國增值稅暫行條例實施細則》), which was promulgated by the MOF on December 25, 1993, became effective on the same day and was respectively amended on December 15, 2008 and October 28, 2011 (collectively, the "**VAT Law**"), taxpayers who engaged in the sale of goods, the provision of processing, repairing and replacement services, leasing service of tangible movable property or import goods within the territory of the PRC shall pay value-added tax. Except those specified listed in the VAT law, tax rate for selling services or intangible assets is 6%.

Furthermore, in accordance with the Notice on Fully Launch of the Pilot Scheme for the Conversion of Business Tax to Value-Added Tax (《關於全面推開營業稅改徵增值稅試點的通知》), promulgated by the MOF and the SAT on March 23, 2016 and taking effect on May 1, 2016, the state started to fully implement the pilot program from business tax to value-added tax on May 1, 2016. All taxpayers of business tax in construction industry, real estate industry, financial industry and living service industry have been included in the scope of the pilot and should pay value-added tax instead of business tax.

According to the Notice on the Adjustment to VAT Rates (《關於調整增值稅稅率的通知》), which was promulgated by the MOF and the SAT on April 4, 2018 and became effective on May 1, 2018, the applicative rate of VAT has adjusted, and the taxpayer who is previously subject to 17% and 11% respectively on VAT-taxable sales activities or imported goods shall have the applicable tax rates adjusted to 16% and 10% respectively.

According to the Announcement on Relevant Policies for Deepening Value-Added Tax Reform (《關於深化增值稅改革有關政策的公告》), which was issued by the MOF, the SAT and the General Administration of Customs on March 20, 2019 and came into effect on April 1, 2019, for VAT taxable sales or imported goods of a VAT general taxpayer where the VAT rate of 16% applies currently, it shall be adjusted to 13%, the currently applicable VAT rate of 10% shall be adjusted to 9%.

City Maintenance and Construction Tax and Educational Surcharges

According to the Urban Maintenance and Construction Tax Law of the PRC (《中華人民共和國城市維護建設稅法》), which was promulgated by the SCNPC on August 11, 2020 and became effective on September 1, 2021, all entities and individuals paying VAT or consumption tax within the territory of the PRC are taxpayers of urban maintenance and construction tax, and shall pay urban maintenance and construction tax in accordance with the Urban Maintenance and Construction Tax Law. The rates of urban maintenance and construction tax shall be as follows: (i) 7% for a taxpayer who is located in a city; (ii) 5% for a taxpayer who is located in a county or town; and (iii) 1% for a taxpayer who is located in a place other than a city, county or town.

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

According to the Interim Provisions on the Collection of Educational Surcharges (《徵收教育費附加的暫行規定》), which was promulgated by the State Council on April 28, 1986, came into effect on July 1, 1986 and was respectively amended on June 7, 1990, August 20, 2005 and January 8, 2011, the tax rate of education surcharges shall be 3% of the actual amount of consumption tax, value-added tax and business tax paid by the entities and individuals and paid at the same time along with the above taxes.

REGULATIONS RELATED TO OVERSEAS [REDACTED]

On February 17, 2023, China Securities Regulatory Commission (the "**CSRC**") published the Trial Administrative Measures of 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**"), which came into effect on March 31, 2023, together with five relevant guidelines (together with the Overseas Listing Trial Measures, collectively referred to as the "**New Regulations on Filing**"). Under New Regulations on Filing, PRC domestic companies that seek to offer and list securities in overseas markets, either in direct or indirect means, are required to fulfill the filing procedure with the CSRC and report relevant information. According to the Notice on the Administrative Arrangements for the Filing of the Overseas Securities Offering and Listing by Domestic Companies (《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 "**Notice**") published by the CSRC on February 17, 2023 and effective on the same date, PRC domestic companies that have already been **[REDACTED]** overseas before March 31, 2023 shall be deemed as existing issuers (the "**Existing Issuers**"). Existing Issuers are not required to go through filing immediately but shall be required to do so if they involve in re-financing and other filing matters in the future. Further, PRC domestic companies that have obtained the approval documents issued by the CSRC for overseas **[REDACTED]** (including new issuance) by joint-stock companies may continue their overseas **[REDACTED]** during the valid term of the approval documents. If they fail to complete overseas **[REDACTED]** upon expiry of the said term, they shall go through filing as per relevant regulations.

According to the Provisions on Strengthening Confidentiality and Archives Administration in Respect of Overseas Issuance and Listing of Securities 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》), which were issued by the CSRC, Ministry of Finance of China, National Administration of State Secrets Protection and National Archives Administration of China on February 24, 2023 and came into effect on March 31, 2023, where a PRC domestic company provides or publicly discloses to the relevant securities companies, securities service institutions, overseas regulatory authorities and other entities and individuals, or provides or publicly discloses through its overseas listing subjects, documents and materials involving state secrets and working secrets of state organs, shall first obtain approval from competent authorities according to law, and file with the secrecy administrative department at the same level. PRC domestic companies providing accounting archives or copies thereof to entities and individuals concerned such as securities companies, securities service institutions and overseas regulatory authorities shall perform the corresponding procedures in compliance with applicable national regulations.

OUR HISTORY

Our history can be traced back to May 1985 and our Company was established in China on July 17, 1992 as a limited liability company with a registered capital of RMB5 million and subsequently commenced to undertake the internal residential property management business of Shum Yip Group in China. At the time of our establishment, our Company was named Shum Yip Group (Shenzhen) Property Management Company* (深業集團(深圳)物業管理公司) and was directly wholly-owned by Southern Land (formerly known as Shum Yip Group (Shenzhen) Co., Ltd.* (深業集團(深圳)有限公司)). On September 19, 2022, our Company was converted from a limited liability company into a joint stock company with limited liability upon registration with SCMSAB.

MILESTONES

The table below sets forth a list of key milestones in the founding and development of our Group:

Year	Millstones
1985	Pengji PM Service, one of our principal operating subsidiaries, was established as a company with limited liability in China under the name of Shangbu Industrial Zone Management Service Co.* (上步工業區管理服務公司).
1987	Wansha Household, one of our principal operating subsidiaries, was established as a company with limited liability in China under the name of Shenzhen Housing Construction Service Co.* (深圳市房屋修建服務公司).
1992	Our Company was established.
1997	Pengji PM, one of our principal operating subsidiaries, was established as a company with limited liability in China.
	Our Company commenced providing property management services for industrial parks.
2001	Our Company became the first batch of the First-Grade Property Management Qualification (一級物業管理資質企業) announced by MOHURD.
	Wansha Household was reckoned as the first batch of enterprises granted with the First-Grade Property Management Qualification (一級物業管理資質企業) by MOHURD.
2009	Pengji PM was awarded the TOP 10 Service Quality of Top 100 Property Service Companies in China in 2009 (二零零九中國物業服務百強企業服務質量TOP 10) by China Real Estate Top 10 Research Team* (中國房地產TOP 10研究組).
2010	Our Company was reckoned as the Shenzhen Well-known Brand (深圳知名品牌), the 2009 Top 30 Comprehensive Strength Property Service Companies in Shenzhen (二零零九年度深圳市物業服務綜合實力三十強企業) and the 2009 Leading Companies in Owner Satisfaction Index of Property Management in Shenzhen (二零零九年度深圳物業管理業主滿意度指數(抽樣單位)領先企業) by Shenzhen Famous Brands Evaluation Committee* (深圳市知名品牌評價委員會).
2015	Pengji PM was reckoned as the Top 50 Comprehensive Strength Property Service Companies in 2014 (二零一四年度深圳市物業服務企業綜合實力50強) by SZPMA.

Year	Millstones
2019	Pengji PM was awarded the Top 50 Comprehensive Strength Property Service Companies in Shenzhen in 2018 (二零一八年度深圳市物業服務企業綜合實力50強) by SZPMA and 2019 Top 500 Property Management Companies (2019物業服務企業綜合實力500強) by CPMI, Shanghai E-house Real Estate R&D Institute* (上海易居房地產研究院) and China Real Estate Appraisal Centre (中國房地產測評中心).
	Our Company started our municipal services and participated in the first "Municipal Property Management (物業管理城市)" project in Shenzhen featuring our butler-style services.
2020	Pengji PM was granted the honorary certificate of Top 100 Comprehensive Strength Property Service Companies in Shenzhen in 2019 (二零一九年度深圳市物業服務企業綜合實力百強企業) issued by SZPMA.
2021	Our Company completed internal integration and upgraded to a comprehensive property management services provider.
2022	Our Company was converted from a limited liability company into a joint stock company with limited liability.
	Our Company connected our business segments through the *Shenxiang* (深享) service series to deliver full-service experience to different kinds of customers.
2023	Shum Yip CM launched its first self-owned hotel brand "*Jingju*" (憬居), including Jingju Hotel, Jingju Selected, Jingju Resort and Jingju Residence.

OUR PRINCIPAL OPERATING SUBSIDIARIES

As of the Latest Practicable Date, we had twelve principal operating subsidiaries in China which were material to our performance during the Track Record Period.

Wansha Household

Wansha Household was established as an enterprise owned by the whole people (全民所有制企業) in China on June 10, 1987 with an initial registered capital of RMB3.5 million. It is principally engaged in property management services. On June 27, 2002, Wansha Household was converted to a limited liability company.

As of January 1, 2021, Wansha Household was wholly-owned by our Company, and its registered capital was RMB15 million. As of January 1, 2021 and up to the Latest Practicable Date, the shareholding structure and registered capital of Wansha Household remained unchanged.

Pengji PM Service

Pengji PM Service was established in China on May 11, 1985 with an initial registered capital of RMB0.25 million. It is principally engaged in property management services. At the time of establishment, Pengji PM Service was held as to 95% and 5% equity interests by Shenzhen Pengji Industrial Development Corporation* (深圳市鵬基工業發展總公司) and Shenzhen Shang Lin Yuan Hotel Co., Ltd.* (深圳市上林苑酒店有限公司), respectively.

As of January 1, 2021, Pengji PM Service was wholly-owned by our Company, and its registered capital was RMB10.3 million. As of January 1, 2021 and up to the Latest Practicable Date, the shareholding structure and registered capital of Pengji PM Service remained unchanged.

Pengji PM

Pengji PM was established in China on December 17, 1997 with an initial registered capital of RMB1.5 million. It is principally engaged in property management services. At the time of establishment, Pengji PM was held as to 85% and 15% equity interests by Shenzhen Pengji Industrial Development Corporation* (深圳市鵬基工業發展總公司) and Shenzhen Pengji Industrial Park Management and Service Co., Ltd.* (深圳市鵬基工業區管理服務公司), respectively.

As of January 1, 2021, Pengji PM was wholly-owned by our Company and its registered capital was RMB10 million. As of January 1, 2021 and up to the Latest Practicable Date, the shareholding structure and registered capital of Pengji PM remained unchanged.

Shum Yip CM

Shum Yip CM was established in China on February 27, 2019 with an initial registered capital of RMB50 million. It is principally engaged in commercial property operational and management services. At the time of establishment, Shum Yip CM was wholly-owned by Shum Yip Investment (Shenzhen).

As of January 1, 2021, Shum Yip CM was wholly-owned by Shum Yip Land. As part of the reorganization, Shum Yip CM became our wholly-owned subsidiary on September 18, 2021. See "— Reorganization." As of September 18, 2021 and up to the Latest Practicable Date, the shareholding structure and registered capital of Shum Yip CM remained unchanged.

Shum Yip Smart Park

Shum Yip Smart Park was established in China on December 18, 2017 with an initial registered capital of RMB58.15 million. It is principally engaged in property management services. At the time of establishment and up to September 28, 2021, Shum Yip Smart Park was wholly-owned by Terra Group.

As of January 1, 2021, the registered capital of Shum Yip Smart Park was RMB12 million. As part of the reorganization, Shum Yip Smart Park became our wholly-owned subsidiary on September 18, 2021. See "— Reorganization." As of September 18, 2021 and up to the Latest Practicable Date, the shareholding structure and registered capital of Shum Yip Smart Park remained unchanged.

Nongke PM

Nongke PM was established in China on May 19, 2003 with an initial registered capital of RMB1 million. It is principally engaged in property management services. At the time of establishment, Nongke PM was held as to 80% and 20% equity interests by Nongke Group and Shenzhen Agriculture Technology Park Co. Ltd.* (深圳市農業科技園發展有限公司), respectively.

As of January 1, 2021, Nongke PM was wholly-owned by Nongke Group, and its registered capital was RMB5.86 million. As part of the reorganization, Nongke PM became our wholly-owned subsidiary on September 18, 2021. See "— Reorganization." As of September 18, 2021 and up to the Latest Practicable Date, the shareholding structure and registered capital of Nongke PM remained unchanged.

Land PM

Land PM was established in China on November 12, 1999 with an initial registered capital of RMB1.2 million. It is principally engaged in property management services. At the time of establishment, Land PM was held as to approximately 58.33% equity interests by Suzhou Henghe Investment Development Management Co., Ltd.* (蘇州恆和投資開發管理有限公司) and approximately 41.67% equity interests by Suzhou Hengchang Real Estate Development Co., Ltd.* (蘇州恆昌房地產開發有限公司).

As of January 1, 2021, Land PM was wholly-owned by Shum Yip Land, and its registered capital was RMB5 million. As part of the reorganization, Land PM became our wholly-owned subsidiary on September 18, 2021. See "— Reorganization." As of September 18, 2021 and up to the Latest Practicable Date, the shareholding structure and registered capital of Land PM remained unchanged.

Shum Yip City Operation

Shum Yip City Operation was established in China on August 28, 2020, and it is principally engaged in property management services. At the time of its establishment and up to the Latest Practicable Date, Shum Yip City Operation was wholly-owned by our Company. Its registered capital was RMB10 million.

Taifu CM

Taifu CM was established in China on January 3, 2008 with an initial registered capital of RMB3 million. It is principally engaged in property management services. At the time of establishment and as of September 28, 2021, Taifu CM was wholly-owned by Taifu Logistics.

As part of the reorganization, Taifu CM became our wholly-owned subsidiary on September 18, 2021. See "— Reorganization." As of September 18, 2021 and up to the Latest Practicable Date, the shareholding structure and registered capital of Taifu CM remained unchanged.

Nanjing Pengji

Nanjing Pengji was established in China on February 20, 2006 with an initial registered capital of RMB1.0 million. It is principally engaged in property management services. At the time of establishment and as of August 12, 2022, Nanjing Pengji was wholly-owned by Pengji PM Service.

On August 12, 2022, Pengji PM Service transferred its all equity interests in Nanjing Pengji to our Company at the consideration of RMB2.25 million, which was determined by reference to the audited net assets of Nanjing Pengji as of June 30, 2022. As of August 12, 2022 and up to the Latest Practicable Date, the shareholding structure and registered capital of Nanjing Pengji remained unchanged.

Hunan Shum Yip

Hunan Shum Yip was established in China on June 29, 2022, and it is principally engaged in property management services. At the time of establishment and up to the Latest Practicable Date, Hunan Shum Yip was wholly-owned by our Company. Its registered capital was RMB5 million.

Longhua Shum Yip

Longhua Shum Yip was established in China on April 8, 2024, and it is principally engaged in property management services. At the time of establishment and up to the Latest Practicable Date, Longhua Shum Yip was wholly-owned by our Company. Its registered capital was RMB5.0 million.

REORGANIZATION

In preparation for the **[REDACTED]**, the following steps are implemented to establish our Group.

Acquisitions of equity interest and capital increase in September 2021

On September 18, 2021, in order to align the various entities containing the business groups into our Group, Southern Land, Terra Group, Taifu Logistics, Shum Yip Land, Nongke Group and our Company (formerly known as Shum Yip Property Group Co., Ltd.* (深業物業集團有限公司)) entered into a capital increase agreement, pursuant to which:

(i) our Company purchased and Terra Group sold (i) 100% equity interests of Shum Yip Smart Park; and (ii) 50% equity interests of Shenzhen Tian'an Intelligent Park Operation Company Limited* (深圳天安智慧園區運營有限公司) ("**Tian'an Intelligent**") for a consideration of RMB199,135,400 and RMB263,405,200, respectively. The considerations were determined after arm's length negotiation and with reference to the net asset value of Shum Yip Smart Park and Tian'an Intelligent as of April 30, 2021 as verified by a qualified PRC asset and real estate appraiser, and settled by selling the above equity interests by Terra Group (equivalent to a transaction consideration of approximately RMB462,540,600) to subscribe for our Company's increased registered capital of RMB35,837,108;

(ii) our Company purchased and Shum Yip Land sold (i) 100% equity interests of Shum Yip CM; and (ii) 100% equity interests of Land PM for a consideration of RMB169,408,600 and RMB43,525,300, respectively. The considerations were determined after arm's length negotiation and with reference to the net asset value of Shum Yip CM and Land PM as of April 30, 2021 as verified by a qualified PRC asset and real estate appraiser, and settled by selling the above equity interests by Shum Yip Land (equivalent to a transaction consideration of approximately RMB212,933,900) to subscribe for our Company's increased registered capital of RMB16,497,871;

(iii) our Company purchased and Taifu Logistics sold 100% equity interests of Taifu CM for a consideration of RMB65,532,600. The consideration was determined after arm's length negotiation and with reference to the net asset value of Taifu CM as of April 30, 2021 as verified by a qualified PRC asset and real estate appraiser, and settled by selling the above equity interests by Taifu Logistics (equivalent to a transaction consideration of approximately RMB65,532,600) to subscribe for our Company's increased registered capital of RMB5,077,389; and

(iv) our Company purchased and Nongke Group sold 100% equity interests of Nongke PM for a consideration of RMB50,020,100. The consideration was determined after arm's length negotiation and with reference to the net asset value of Nongke PM as of April 30, 2021 as verified by a qualified PRC asset and real estate appraiser, and settled by selling the above equity interests by Terra Group (equivalent to a transaction consideration of approximately RMB50,020,100) to subscribe for our Company's increased registered capital of RMB3,875,499.

The settlement of the above acquisitions was completed on September 29, 2021. Upon the completion of the above acquisitions, each of Shum Yip Smart Park, Shum Yip CM, Land PM, Taifu CM and Nongke PM became our wholly-owned subsidiary, and Tian'an Intelligent became a joint venture and owned as to 50% by our Company. The financial information of Shum Yip Smart Park, Shum Yip CM, Land PM, Taifu CM and Nongke PM since the completion of the respective acquisitions have been reflected in our consolidated financial statements for the Track Record Period. Our Directors confirmed that none of the applicable percentage ratios under the Listing Rules of the acquisition of 50% equity interests of Tian'an Intelligent exceeds 25%. Accordingly, such acquisition during the Track Record Period would not have been classified as a major transaction under Rule 4.05A of Listing Rules, and the pre-acquisition financial information of Tian'an Intelligent is not required to be disclosed pursuant to Rule 4.05A of the Listing Rules.

Disposal of equity interest in December 2021

On December 24, 2021, given that Shenzhen Pengji Property Operation Co., Ltd.* (深圳市鵬基物業經營有限公司) ("**Pengji Operation**") is a property holding company, which was not related to our business, our Company entered into an equity transfer agreement with Shenzhen Shum Yip Asset Management Co., Ltd.* (深圳深業資產管理有限公司), an indirect wholly-owned subsidiary of Shenzhen Investment, pursuant to which Shenzhen Shum Yip Asset Management Co., Ltd. acquired and our Company sold 100% equity interests of Pengji Operation, for a consideration of RMB9,850,000, which was determined after arm's length negotiation and with reference to the net asset value of Pengji Operation as of April 30, 2021 as verified by a qualified PRC asset and real estate appraiser and the settlement was completed on January 21, 2022. The change of industrial and commercial registration for the disposal of equity interests of Pengji Operation was completed on March 11, 2022.

Since December 24, 2021, Pengji Operation ceased to be a subsidiary of our Company.

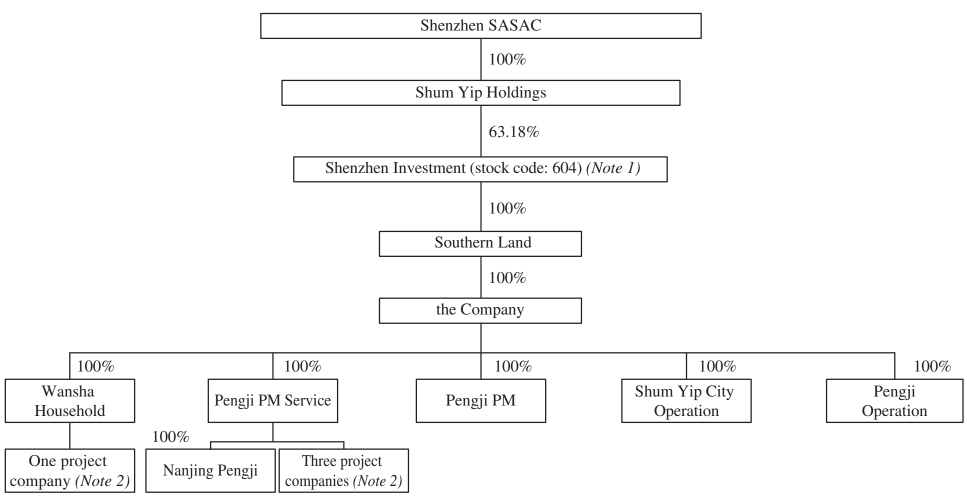
Conversion into a joint stock company in September 2022

On August 23, 2022, Southern Land, Terra Group, Shum Yip Land, Taifu Logistics and Nongke Group, the then shareholders of our Company, entered into a promoters agreement of Shum Yip Property Operations Group Co., Ltd (深業物業運營集團股份有限公司發起人協議), pursuant to which they agreed to convert our Company into a joint stock company with limited liability with a registered capital of RMB121,287,867 divided into 121,287,867 Domestic Shares with a par value of RMB1.00 each, which was determined with reference to the net asset value of our Company as of September 30, 2021 appraised and verified by an independent accountant with the remaining sum being recognized as capital reserve. Upon the said conversion approved at the founding meeting held on September 15, 2022, our Company was converted into a joint stock company with limited liability on September 19, 2022, and we were established under the name of Shum Yip Property Operations Group Co., Ltd (深業物業運營集團股份有限公司). The then shareholders and their respective equity interests in our Company remained unchanged immediately before and after the conversion of our Company into a joint stock company with limited liability.

CORPORATE STRUCTURE

Immediately before the Reorganization

The corporate chart below illustrates our simplified shareholding and corporate structure including our principal subsidiaries immediately before the Reorganization:



(1) Shum Yip Holdings directly held approximately 62.32% interests in Shenzhen Investment and indirectly held approximately 0.86% interests in Shenzhen Investment through its indirect wholly-owned subsidiary Goldclass Industrial Limited. Goldclass Industrial Limited was wholly-owned by Successful Years Holdings Limited, which was wholly-owned by Shum Yip Finance Company Limited. Shum Yip Finance Company Limited was a wholly-owned subsidiary of Shum Yip Holdings.

(2) Immediately before the Reorganization, the four project companies were all our subsidiaries and their principal businesses were property management. The information of the four project companies is set out as below:

(i) Guangzhou Pengji Property Management Service Co., Ltd.* (廣州鵬基物業管理服務有限公司), a company established in China with limited liability on May 23, 2006, was wholly-owned by Pengji PM Service.

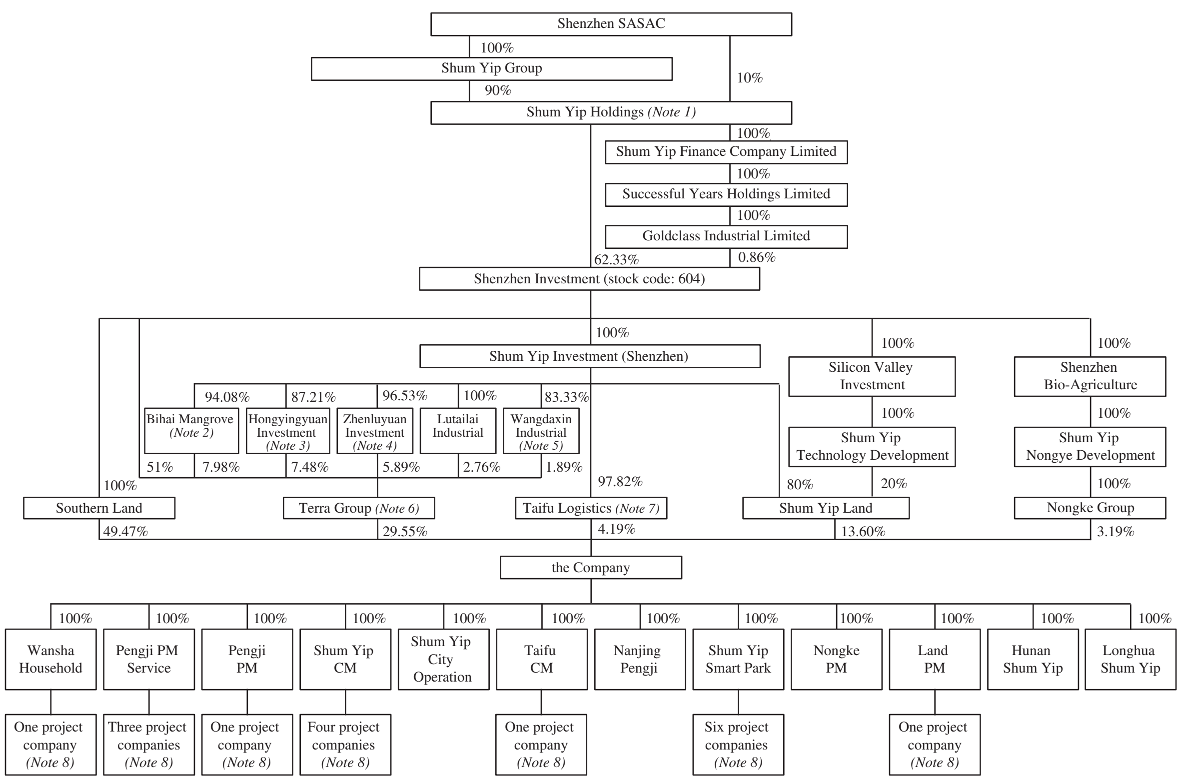
(ii) Shenzhen Pengji Labor Service Co., Ltd.* (深圳市鵬基勞動服務有限公司), a company established in China with limited liability on March 26, 1993, and was owned as to 95% and 5% respectively by Pengji PM Service and Shenzhen Pengji Garden Co., Ltd.* (深圳鵬基園林有限公司). Shenzhen Pengji Garden Co., Ltd. was owned as to 25% and 75% respectively by Pengji PM and eight individuals who were independent third parties.

(iii) Beihai Yida Trading Co., Ltd.* (北海宜達貿易有限公司), a company established in China with limited liability on June 23, 1998, was owned as to approximately 75%, 11.2%, 10.7% and 3.1% respectively by Pengji PM Service and independent third parties, namely, Sichuan Yibin Zhongtai Wujiao Chemical Co., Ltd.* (四川省宜賓市中泰五交化工有限公司), Sichuan Yibin Wuliangye Jingmei Printing Co., Ltd.* (四川省宜賓五糧液精美印務有限責任公司) and Rongzhou City Credit Cooperative in Cuiping District, Yibin City* (宜賓市翠屏區戎州城市信用合作社).

(iv) Shenzhen Wansha Environmental Service Co., Ltd.* (深圳市萬廈環境服務有限公司), a company established in China with limited liability on March 26, 1999, and was owned as to 50% and 50% respectively by Wansha Household and labor union committee of Wansha Household, which was an independent third party.

Immediately prior to the [REDACTED]

The corporate chart below illustrates our simplified shareholding and corporate structure including our principal subsidiaries immediately prior to the **[REDACTED]**:



(1) Shenzhen Investment Holdings Co., Ltd.* (深圳市投資控股有限公司) and Shenzhen State-Owned Equity Management Co., Ltd.* (深圳市國有股權經營管理有限公司), wholly-owned subsidiaries of Shenzhen SASAC, held 10% equity interests in Shum Yip Holdings.

(2) As of the Latest Practicable Date, Terra Group was held as to approximately 7.98% by Bihai Mangrove, which was held as to approximately 94.08% by Shum Yip Investment (Shenzhen). The industrial and commercial registration of the equity interests of Bihai Mangrove held by Shum Yip Investment (Shenzhen) was not completed. As of the Latest Practicable Date, the remaining equity interests of approximately 5.91% of Bihai Mangrove was held as to approximately 2.12%, 2.00% and 1.79% by three former employees respectively, who were independent third parties.

(3) As of the Latest Practicable Date, the remaining equity interests of approximately 12.79% of Hongyingyuan Investment were held as to approximately 2.85%, 2.82%, 2.79%, 2.78% and 1.55% by five former employees respectively, who were independent third parties.

(4) As of the Latest Practicable Date, the remaining equity interests of approximately 3.47% of Zhenluyuan Investment were held by one former employee, who was an independent third party.

(5) As of the Latest Practicable Date, the remaining equity interests of approximately 16.67% of Wangdaxin Industrial were held as to approximately 9.68% and 6.99% by two former employees respectively, who were independent third parties.

(6) As of the Latest Practicable Date, the remaining equity interests of 23.00% of Terra Group were held by Sino Super Investment Limited (信超投資有限公司), which were directly held by Yip Lai Shing (葉黎成), who is a former senior management of Ping An Insurance (Group) Company of China, Ltd. (中國平安保險(集團)股份有限公司), as to approximately 51.00%, Lau Meiling (劉美鈴), who is the spouse of Yip Lai Shing (葉黎成), as to approximately 24.00%, and other five individuals as to approximately 7.50%, 7.50%, 3.33%, 3.33% and 3.33%, respectively, who were not former or existing employees or senior management of the Group and were independent third parties.

(7) As of the Latest Practicable Date, the remaining equity interests of approximately 2.32% of Taifu Logistics were held by employees of Taifu Logistics.

(8) The 17 project companies were all our subsidiaries and their principal businesses were property management. The information of 13 project companies is set out as below:

(i) Shum Yip Industrial Park Catering Management (Shenzhen) Co., Ltd.* (深業園區餐飲管理(深圳)有限公司), a company established in China with limited liability on November 2, 2020, was wholly-owned by Shum Yip Smart Park.

(ii) Shenzhen Terra Property Management Service Co., Ltd.* (深圳市泰然物業管理服務有限公司), a company established in China with limited liability on October 11, 1993, was wholly-owned by Shum Yip Smart Park.

(iii) Shenzhen Shum Yip Wisdom Hengming Operation Co., Ltd.* (深圳市深業智慧恒明運營有限公司), a company established in China with limited liability on October 13, 2020, was owned as to 51% and 49% respectively by Shum Yip Smart Park and Shenzhen Hengming Investment Development (Group) Co., Ltd.* (深圳市恒明投資發展(集團)有限公司), which was an independent third party.

(iv) Guangzhou Shum Yip Smart Park Operation Management Co., Ltd.* (廣州深業智慧園區運營管理有限公司), a company established in China with limited liability on July 6, 2021, was owned as to 51% and 49% respectively by Shum Yip Smart Park and Guangzhou Shangyun Real Estate Co., Ltd.* (廣州尚雲置業有限公司), which was an independent third party.

(v) Xi'an Shum Yip Smart Park Operation Management Co., Ltd.* (西安深業智慧園區運營管理有限公司), a company established in China with limited liability on September 20, 2019, was owned as to 51%, 34% and 15% respectively by Shum Yip Smart Park and independent third parties, namely, Shenzhen Yongwang Operation Management Co., Ltd.* (深圳永旺運營管理有限公司) and Shaanxi Shengkun Real Estate Co., Ltd.* (陝西盛坤置業有限公司).

(vi) Shenyang Shum Yip Smart Park Operation Management Co., Ltd.* (瀋陽深業智慧園區運營管理有限公司), a company established in China with limited liability on December 18, 2020, was owned as to 51%, 39%, 5% and 5% respectively by Shum Yip Smart Park and independent third parties, namely, Shenyang Zhonggang Investment Co., Ltd.* (瀋陽中港投資有限公司), Liaoning Yong'an Construction Development Co., Ltd.* (遼寧永安建設發展有限公司) and Liaoning Tongwei Intelligent Industrial Technology Co., Ltd.* (遼寧同為智能工業科技有限公司).

(vii) Shum Yip Taifu (Chengdu) Property Management Co., Ltd.* (深業泰富(成都)物業管理有限公司), a company established in China with limited liability on July 3, 2008, was wholly-owned by Taifu CM.

(viii) Shum Yip Commercial Management (Shenzhen) Co., Ltd.* (深業商業管理(深圳)有限公司), a company established in China with limited liability on December 26, 2016, was wholly-owned by Shum Yip CM.

(ix) Shenzhen Shum Yip Hotels Management Co., Ltd.* (深圳深業酒店管理有限公司), a company established in China with limited liability on January 20, 2010, was wholly-owned by Shum Yip CM.

(x) Shenzhen Shum Yip Wenlv Co., Ltd.* (深圳深業文旅有限公司), a company established in China with limited liability on July 28, 2023, was wholly-owned by Shum Yip CM.

(xi) Shum Yip Commercial Management (Zhongshan) Co., Ltd.* (深業商業管理(中山)有限公司), a company established in China with limited liability on May 14, 2024, was wholly-owned by Shum Yip CM.

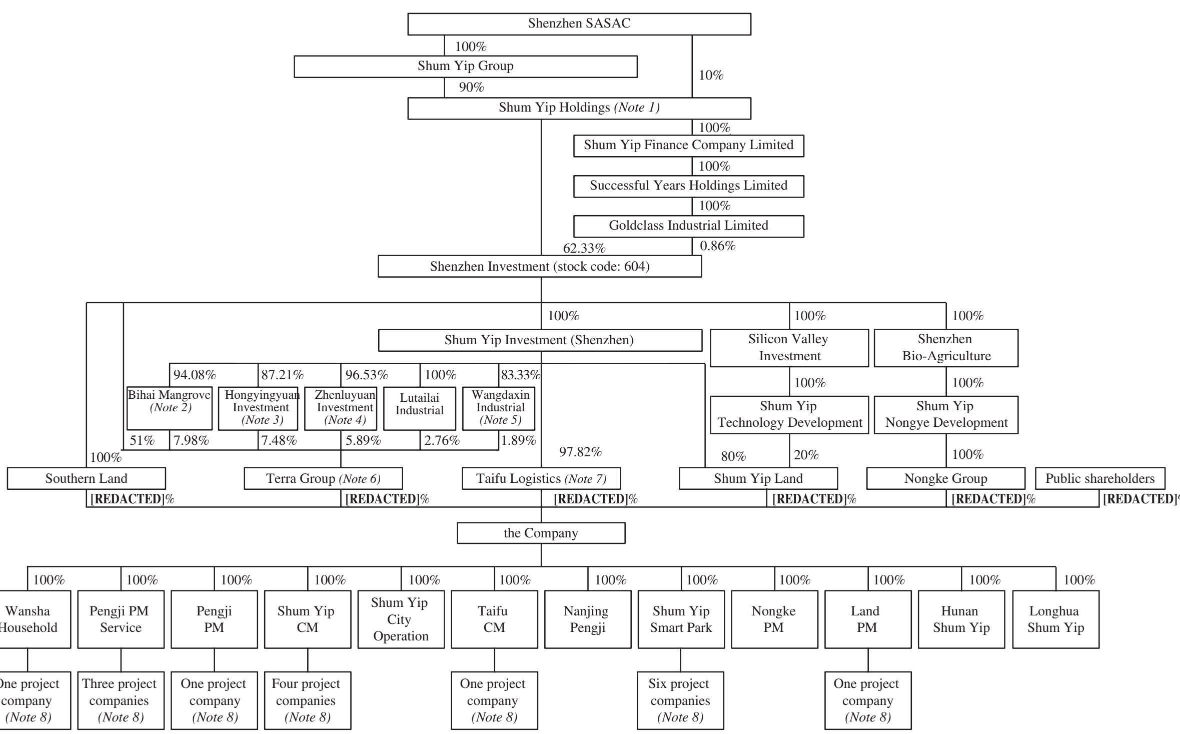
(xii) Qingdao Pengji Property Management Co., Ltd.* (青島鵬基物業管理有限公司), a company established in China with limited liability on December 16, 2022, was wholly-owned by Pengji PM.

(xiii) Henan Shum Yip Property Management Co., Ltd.* (河南深業物業管理有限公司), a company established in China with limited liability on October 9, 2023, was wholly-owned by Land PM.

See note 2 under "— Corporate Structure — Immediately before the Reorganization" for the information of the other four project companies.

Immediately upon completion of the [REDACTED]

The corporate chart below illustrates our simplified shareholding and corporate structure including our principal subsidiaries immediately upon completion of the **[REDACTED]** (assuming no exercise of the **[REDACTED]** and no change in shareholding by each of our Shareholders listed below subsequent to the Latest Practicable Date):



(1)-(8) See notes under "— Corporate Structure — Immediately upon completion of the Reorganization and immediately prior to the **[REDACTED]**."

PRC LEGAL COMPLIANCE

As advised by our PRC Legal Advisors, the establishment and the conversion of nature of our Company and each change in the shareholding structure of our Company (including the acquisitions and equity transfer as described in "— Reorganization") were legally and properly completed and settled and complied with all the then valid applicable laws, rules and regulations in China. As of the Latest Practicable Date, we had obtained all necessary approvals, permits, authorizations and consents from the relevant PRC authorities with respect to such changes in all material aspects and such approvals, permits, authorizations and consents are valid, current, subsisting and not revoked and the equity interest held by our Company in each of our subsidiaries is valid.

PUBLIC FLOAT

Our Company will, at the time of the **[REDACTED]** and at all times thereafter, maintain the minimum prescribed percentage of at least 25% of the total number of issued Shares in the hands of the public under Rule 8.08(1)(a) of the Listing Rules.

REASONS FOR THE SPIN-OFF

The directors of Shenzhen Investment considered that the Spin-off will be beneficial to the Remaining SZI Group and our Group for the following reasons:

(i) the Spin-off is essential to our accelerated development, achieving a rapid and continuous improvement of the revenue and profitability level. With the rise of community economy and the expansion and increase of service content, property management enterprises will play an important role in promoting the development of lifestyle service industry. With the changing situation of capital market, the market prospects of property management enterprises will be huge in the future, and financial support is indispensable to achieve sustainable development;

(ii) the Spin-off will provide new quantifiable standards for management incentives, unify staff incentives and business goals, and enhance staff motivation. A more market-oriented model will help attract and retain talent and create a more professional and highly competitive team to achieve strong operational performance and continuous innovation;

(iii) Shenzhen Investment and our Company, operating in different business segments, are believed to have different growth paths and different business strategies. By delineating clearly between the businesses of the Remaining SZI Group and our Group, the Spin-off allows our business to create a more defined business focus and efficient resource allocation. The Spin-off will also allow separate fund-raising platforms for the businesses of the two groups to fund the growth and expansion of the businesses of the Remaining SZI Group and our Group;

(iv) the Spin-off will potentially provide greater financing capacity due to greater clarity for credit profiling of Shenzhen Investment and our Company respectively by financial institutions that wish to extend credit or financing to Shenzhen Investment and our Company;

(v) the Spin-off will enable the management of Shenzhen Investment and our Company to dedicate the respective time on building the core businesses of the Remaining SZI Group and our Group, respectively, to adopt different business strategies in order to better suit the respective businesses, thereby increasing the responsiveness to market changes and opportunities specific to the business of the relevant group;

(vi) Shenzhen Investment will continue to be the beneficial owner of a majority of equity interests in our Company after completion of the Spin-off and to benefit from any enhanced value of our Group through the Spin-off. By way of the **[REDACTED]**, shareholders of Shenzhen Investment will continue to enjoy the benefits from the future development and growth of our Group;

(vii) the Spin-off will increase our operational and financial transparency and improve the corporate governance of our Group and provide investors, financial institutions and rating agencies with greater clarify on the business and financial status of the Remaining SZI Group and our Group on a stand-alone basis, and such improvements will help to build investor confidence in forming investment decisions based on their assessment of the performance, management, strategy, risks and returns of both the Remaining SZI Group and our Group;

(viii) the Spin-off will enable our Group to enhance our corporate profile, thereby increasing our ability to attract strategic investors, who can produce synergy for our Group, for investment in and forming strategic partnerships with our Group;

(ix) the stock performance of our Company can serve as a separate benchmark for the evaluation of the performance of our Group which could in turn serve as an incentive for the management of our Group to seek improvement and raise management and operating efficiency of our Group on an ongoing basis; and

(x) the Spin-off will allow Shenzhen Investment and its shareholders an opportunity to realize the value of investment in our Group under a separate standalone platform for our business.

OVERVIEW

We are a comprehensive property management, commercial operational and city services provider in China. Since our inception over 30 years ago in Shenzhen, we have established a comprehensive suite of services in these domains. Our initial focus in the Greater Bay Area has fostered our growing footprints across China, supported by favorable regional policies that promote the development of the property management market nationwide. With our full-service business model, emphasis on the Greater Bay Area and business strategies, we are positioned to establish nationwide coverage.

As of June 30, 2024, we had a total contracted GFA of approximately 92.3 million sq.m. and had a total of 498 projects under management, with a total GFA under management of approximately 89.2 million sq.m., covering 46 cities and 14 provinces in China.

Our property management coverage has strengthened our financial standing and market share in the comprehensive property management, commercial operational and city services market in China. According to Frost and Sullivan, in 2023, we ranked ninth in terms of revenue among all comprehensive property management, commercial operational and city services providers in China and fifth among PRC state-owned comprehensive property management, commercial operational and city services providers in China, each with a 0.3% market share. In particular, the top ten companies accounted for approximately 10.9% of the total revenue in this market, which indicates our market presence in the competitive landscape.

In addition to our financial standing and market share, we have been accredited with several industry awards. During the Track Record Period, we ranked:

- 7th in 2022 in the Top 50 State-owned Property Management Companies in China in terms of Overall Strength (2022中國國有物業服務企業綜合實力50強第7名), according to CRIC Property Management and CPMRI;

- 20th in the 2022 Top 100 Property Management Companies in China (2022中國物業服務百強企業第20名), according to China Index Academy;

- 6th in the 2023 Top 100 State-owned Property Management Companies in China in terms of Overall Strength (2023中國國有物業服務企業綜合實力100強第6名), and 30th in the 2023 Top 500 Property Management Companies in China in terms of Overall Strength (2023中國物業服務企業綜合實力500強第30名), according to CRIC Property Management and CPMRI;

- 17th in the 2023 Top 100 Property Management Companies in China (2023中國物業服務百強企業第17名), according to China Index Academy; and

- 15th in the 2024 Top 100 Property Management Companies in China (2024中國物業服務百強企業第15名), according to China Index Academy.

Since 1985, we have been providing property management services in China. With our extensive industry experience and market recognition, we became one of the first enterprises to receive the "First-Grade Property Management Qualification" (一級資質物業管理企業) from the former Ministry of Construction (presently known as MOHURD) in 2001. Building upon our property management capabilities serving residential and commercial properties, we have been capturing the emerging opportunities in city services and commercial operational services and, have expanded our management portfolio to government facilities, public institutions, sub-districts, industrial parks, commercial complexes, office buildings and hotels. Meanwhile, these opportunities have broadened our customer base, which now ranges from property developers, local governments, public institutions and corporations (including Fortune 500 companies) to merchants and residents. We categorize our services into the following three business segments:

- ***City and industrial park services.*** We mainly provide municipal services, public facility management services and industrial park services to local governments, public institutions, corporations in industrial parks and property developers. To cater to the diverse needs of these customers and provide differentiated services, we launched several service series, including *Shenxiang Cheng (深享城)*, *Shenxiang Ye (深享業)*, *Shenxiang Yuan (深享園)* and developed Shum Yip Technical Support, a group of five support companies specializing in elevator maintenance, electrical and mechanical maintenance, greening, environmental services and catering services. As of June 30, 2024, we managed a total of 252 city and industrial parks projects, with a total GFA under management of approximately 55.9 million sq.m., representing 62.7% of our total GFA under management.

- ***Residential property management services.*** We mainly provide property management services, value-added services for non-property owners and community valued-added services to property owners, residents and property developers. In this business segment, we launched *Shenxiang Ju (深享居)* service series, with the assistance from our Shum Yip Technical Support. As of June 30, 2024, we managed a total of 175 residential properties projects, with a total GFA under management of approximately 28.4 million sq.m., representing 31.9% of our total GFA under management.

- ***Commercial property operational and management services***. We provide commercial operational services, property management services and value-added services to corporations, merchants, property developers, property owners and tenants. In this business segment, we established *Shenxiang Shang (深享商)* service series and designated Shum Yip CM to provide services to commercial properties such as large-scale commercial complexes. As of June 30, 2024, we managed a total of 71 commercial properties projects, with a total GFA under management of approximately 4.9 million sq.m., representing 5.4% of our total GFA under management.

The following chart describes the relationships between our business segments, service lines and service series.

Business Segments	**City and industrial park services**	**Residential property management services**	**Commercial property operational and management services**
Service Lines and example of services	• municipal services – cleaning – greening – waste sorting • public facility management services – maintenance – security – car park management • industrial park services – disinfection – value-added services	• property management services – cleaning – greening – repair and maintenance • value-added services for non-property owners – sales office management services – other value-added services • community valued-added services – community living services – space operational services – asset management services	• commercial operational services – leasing – operational services • property management services – cleaning – greening – public facilities and equipment maintenance • value-added services – car park management – venue management – additional air conditioning – for decoration materials waste collection and transportation
Service Series	*Shenxiang Cheng* (深享城) *Shenxiang Ye* (深享業) *Shenxiang Yuan* (深享園)	*Shenxiang Ju* (深享居)	*Shenxiang Shang* (深享商) Shum Yip CM
	Shum Yip Technical Support		

Capitalizing on our reputation, distinctive service portfolio and long operational experience, we are committed to delivering quality services catering to our customers' needs. During the Track Record Period, we achieved stable financial growth as our business scale, number of projects and GFA under management expanded. During the Track Record Period, our revenue increased by 9.1% from RMB2,151.5 million in 2021 to RMB2,348.1 million in 2022, while our revenue increased by 15.5% from RMB2,348.1 million in 2022 to RMB2,712.2 million in 2023.

COMPETITIVE STRENGTHS

Comprehensive property management, commercial operational and city services provider, rooted in the Greater Bay Area with growing footprints across China

We are a comprehensive property management, commercial operational and city services provider in China. Headquartered in Shenzhen and rooted in the Greater Bay Area, we are positioned to establish nationwide coverage. In particular, our business model and service capability are characterized by the following advantages:

- ***Comprehensive services***. We go beyond offering traditional residential property management services and manage a diverse project portfolio with our city and industrial park services and commercial property operational services. The properties we manage include sub-districts, hospitals, schools, industrial parks, residential properties, commercial complexes, office buildings and hotels. As of June 30, 2024, we managed 252 city and industrial park projects, 175 residential property management projects and 71 commercial property operational and management projects.

- ***Strategic geographic focus and coverage***. We are rooted in the Greater Bay Area. According to the Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area (《粵港澳大灣區發展規劃綱要》) promulgated by the State Council, the Greater Bay Area plays a significant strategic role as one of the most open and economically vibrant regions in the overall development of the country and aims to become an international first-class bay area and a world-class city cluster. As a company with decades of operational experience in the Greater Bay Area, we embrace this national strategy. As of June 30, 2024, our GFA under management in the Greater Bay Area amounted to approximately 60.2 million sq.m., representing 67.5% of our total GFA under management. We were named one of the Top 5 Enterprises in terms of "City Service Property Management Service Capability in the Greater Bay Area in 2021" (2021大灣區城市服務物業服務力TOP5). In addition, we have expanded across China and entered into many key first-, new first- and second-tier cities. As of June 30, 2024, our business was present in 21 of these cities in China. As of June 30, 2024, the revenue from the above projects accounted for 91.4% of the total revenue from our projects under management, and their total GFA accounted for 78.2% of our total GFA under management.

- ***Broad customer base***. Our comprehensive service portfolio and geographic coverage have broadened our customer base, which ranges from property developers, local governments, public institutions, corporations (including Fortune 500 companies) to merchants and residents.

- ***Widespread recognition***. Named as an Excellent State-owned Enterprise in China (中國國有物業服務優秀企業) by China Index Academy in 2022, our commercial property project *Upperhills (深業上城)* received the Golden Mall 2022 Award, and our residential property management project *Meilinyicun Community* (梅林一村) won the first place for the Healthy Lifestyle Award (最佳健康生活方式獎第一名), and the silver award of the International Awards for Livable Communities (國際最適宜人居社區銀獎). In addition, our other residential property management project *Lianhuabeicun* (蓮花北村) received multiple accolades, such as the National Model Building (全國優秀示範大廈) and National Outstanding Model Community for City Property Management (全國城市物業管理優秀示範小區).

Diversified non-residential service portfolio with excellent service capabilities

Along with our long operational experience in residential property management services for over three decades, we provide comprehensive customer-centric property management services in a customized manner with an aim to respond to our customers' concerns timely and build cordial customer relationships. With our experience in residential property management services, we have expanded our customized services to non-residential properties according to the management and operational needs of local governments, public institutions, industrial parks and commercial properties.

- ***Municipal services***. Experienced in serving local governments at different levels over the years, we started our municipal services and participated in the first "Municipal Property Management (物業管理城市)" project in Shenzhen in 2019 featuring our "butler-style" services. Due to our wide recognition, in 2021, we were invited to draft the Standards for the Operation of Municipal Property Management (Group Standard) (《物業管理城市運營規範》團體標準) with Shenzhen Futian Urban Management and Law Enforcement (深圳市福田區城市管理和綜合執法局) and the industry association. These consolidated industry standards reflect our industrial insights and our operational experience in providing municipal services and serve as a benchmark and guidance for both local governments and other industry participants in delivering municipal services. In January 2023, we established a joint venture to provide city and industrial park services, and later in May 2023, we were contracted to manage a project in Ma'anshan, with a total contracted GFA of approximately 6.3 million sq.m..

- ***Public facility management services***. During the Track Record Period, we managed a total of 219 property projects for the government and public infrastructures. In particular, we have served the municipal government tower in Changsha, Hunan Province for over 20 years. With our service capability, we have set an example for our market peers and received the National Model Building for Property Management (全國物業管理示範大廈) recognition, the highest national honor in property management services industry, granted by the former Ministry of Construction (presently known as MOHURD).

- ***Industrial park services***. As of June 30, 2024, we managed 35 industrial park projects. As of June 30, 2024, our GFA under management was approximately 6.7 million sq.m.. Our customers comprise state-owned enterprises and private enterprises, including listed companies and Fortune 500 companies.

- ***Commercial property operational and management services***. We manage commercial complexes, office buildings, community businesses and hotels. We serve a number of commercial complexes in Shenzhen, such as *Upperhills (深業上城)* and *Tanglang City* (塘朗城). *Upperhills*, our large-scale landmark city complex and urban multi-functional composite space, ranked as one of the top five outstanding city complexes in Shenzhen (深圳優秀城市

綜合體首五位). We attracted many renowned brands to launch business ventures, such as a global leading luxury department store setting up its first store in South China, and a well-known Japanese homeware retailer opening the door of its first ever three-in-one project (hotel, restaurant and flagship store) in China. As for hotels, we have partnerships with world-renowned hotel brands to enhance our operational and service quality. In 2023, one of our hotels under our management and located in Futian district, Shenzhen was reckoned as "one of the finest five star properties in the world" (also known as the "Five-Star" rating) by Forbes Travel Guide, an independent, global rating system for luxury hotels, restaurant, spas and ocean cruise ships.

We believe that a diversified service portfolio will increase our brand recognition, enhance our business operations and financial performance and enhance our business resilience.

Integrated service and brand portfolio with strong market expansion

We have been providing property management services in China for over 30 years. As a result of our dedication to providing industry-leading and high-quality services, our "*Shum Yip Property Management (深業物管)*" brand has gained market acceptance and industry recognition widely among our customers. We have received various awards and accolades over the years in recognition of our industry-leading brand and competitiveness. See "— Awards" below for details. Furthermore, we have created a suite of bespoke service series that facilitated our strong market expansion. In addition, we introduced our "5+1+1" service series hierarchy. Through our five property management services series, comprising city management (*Shenxiang Cheng* 深享城), public properties (*Shenxiang Ye* 深享業), industrial parks (*Shenxiang Yuan* 深享園), residential properties (*Shenxiang Ju* 深享居) and commercial properties (*Shenxiang Shang* 深享商), together with Shum Yip CM which provides dedicated commercial operational services for commercial complexes and Shum Yip Technical Support, a group of five supporting companies with specialized services, we have successfully formed an integrated brand portfolio. Further, we established *Shenxiang Hui* (*深享匯)*, a digitalized property management platform that enhances our service quality. In particular,

- ***Five service series***:

    - o *Shenxiang Cheng (深享城):* providing quality city services to local governments and public institutions, as well as enhancing city management via systematic, digitalized management;

    - o *Shenxiang Ye (深享業):* focusing on the needs of institutional properties such as government offices, hospitals and various municipal venues, we provide basic services such as energy consumption management, cleaning and security services; we also provide bespoke services such as reception, conference organization, cafeteria operation and renovation according to customers' needs;

    - o *Shenxiang Yuan (深享園):* providing the moving-in-and-out services for corporates in our managed industrial parks via digitalized operation;

- o *Shenxiang Ju (深享居):* providing quality and diversified services to residents, such as gardening, cleaning, repair and maintenance, security and customer services; connecting our staff and residents in our managed properties through our mobile Apps; and

- o *Shenxiang Shang (深享商):* providing bespoke services covering conference organization, commercial leasing, repair and maintenance, cafeteria operation and cultural activities.

- ***Shum Yip CM***: providing whole life-cycle services including planning, design consultation, commercial leasing, promotional and operational services for commercial complexes and other commercial projects, and whole life-cycle services including planning, brand introduction, design consultation, opening preparation and operational services for hotels. In particular, *Upperhills (深業上城)*, our landmark project, has constantly improved our international and local brand operational capability, and built a recognized brand for commercial property operational services.

- ***Shum Yip Technical Support***: providing seamless technical support to our projects in five specialized services, namely elevator maintenance, electrical and mechanical engineering maintenance, greening, environmental services and catering services.

Our diversified brand portfolio and quality services have driven expansion and market acknowledgment. During the Track Record Period, the retention rates of our property management projects were 91.9%, 90.5%, 92.9% and 94.9%, respectively. In addition, during the Track Record Period, our revenue derived from properties developed by independent third parties accounted for 56.6%, 55.9%, 54.7% and 54.5% of our total revenue, respectively, and the GFA of properties developed by independent third parties under our management accounted for 72.6%, 72.1%, 74.4% and 79.2% of the total GFA of our projects, respectively. The high proportion of projects developed by independent third parties have demonstrated our brand value and service quality and bolstered our confidence in our expansion plan.

Strong shareholder support with state-owned enterprise background

Our brand *Shum Yip Property Management (深業物管)* has gained wide recognition in the market. As a market-driven state-owned enterprise, our state-owned background and shareholder backing have established our reputation in the market.

Shum Yip Group, our ultimate Controlling Shareholder, is a large conglomerate wholly-owned by Shenzhen Municipal People's Government and directly managed by the Shenzhen SASAC. Together with its core business in property development, Shum Yip Group strives to create a multi-layered business portfolio of innovation and harmony (打造以地產為核心、多層次協同發展的創新生態和幸福城市業務組合), with an emphasis on six major businesses: property development, industrial park, operational services, wellbeing, capital investment and digitalization (地產、園區、運營、幸福、資本和數字化業務). Based on the unaudited financial statements of Shum Yip Group for the six months ended June 30, 2024 prepared in accordance with PRC GAAP, Shum Yip Group recorded total assets of RMB192.9 billion, total liabilities of RMB143.4 billion, and net assets, or total equity of RMB49.5

billion as of June 30, 2024. As the subsidiary of Shum Yip Group, Shenzhen Investment was listed on the Main Board of the Stock Exchange in 1997 and was listed in the Fortune China 500 in 2022. Shenzhen Investment's core business comprises property development, property investment and comprehensive urban operational services, and it also ventures into high-tech agriculture, high-end manufacturing and other innovative businesses, endeavoring to transform into a technology-based industry group focusing on the development of urban complex and investment in the technology industry. Shenzhen Investment focuses on the Greater Bay Area with strategic planning in Yangtze River Delta, key provincial capitals and cities with abundant land reserves. As of June 30, 2024, its GFA of land reserves were of approximately 6.5 million sq.m., of which 66.2% were located in the Greater Bay Area, which is in line with our positioning. We have maintained a long-term business relationship with Shenzhen Investment, which we believe will position us well to continue to benefit from their extensive and large project reserve, provide clear drivers for the continuing growth of our property management portfolio and further grow our value-added services. In particular, we were able to maintain a tender success rate of 100.0% for properties developed by Shum Yip Group, its subsidiaries, joint ventures and associates during the Track Record Period.

Widely adopted digitalized management

With digitalized management, we continue to optimize our operations by encouraging online interaction with customers and mitigating operating costs. Through our digitalized platforms, we have refined our services, and provided standardized and information-based services on the following platforms:

- ***Basic service platform:*** combining both internal controls and integrated customer services, we enhance our overall service performance by collecting our customer requests, staff services and property facilities and equipment via *Shendaojia (深到家)*, our customer mobile app, and *Yeweihui (業委匯)*, our employee mobile app;

- ***City service platform:*** carrying out city services with systematic management and analysis in response to the citizens' concern and environment needs via *ShumYip City Service Butler (深業城市管家)*, our employee mobile app and *Xunjiantong (巡檢通)*;

- ***Industrial park operational platform:*** allocating service resources, such as automatic adjustment of lighting and air-conditioning, responding to corporate clients' needs in a prompt manner, via *Corporate Service Sub-platform (企業服務子平台)*, our corporate mobile app and *Shenzhihui (深智慧)*, our customer mobile app.

See "— Technology and Digitalized Platform."

Experienced and visionary management team with strong social responsibility

Our Directors and senior management's industry insights and management experience elevate our chances of capturing different market opportunities and help us strengthen our talent pools and implement efficient corporate governance measures.

Our Directors and senior management possess an average of over 20 years of industry-related experience, including experience in property management and commercial operations. See "Directors, Supervisors and Senior Management" for their biographies. With extensive expertise, we believe that our core management team provides insights into the industry trends and ultimately helps us achieve a steady and sustainable business growth.

We operate an effective human resources management system to strengthen our talent pools. To remain agile in our resource planning, particularly on recruitment campaigns, training and reward schemes, we organize campus recruitment and implement various initiatives to hire frontline staff members. Our employees receive regular on-going training tailored to their roles and career goals. Meanwhile, we offer competitive remuneration packages, complemented by a holistic benefits plan, all of which will be assessed and adjusted based on an objective appraisal system.

Further to our corporate endeavors, we recognize the importance of the interactions between environmental protection, social responsibility and corporate governance. In response to the strategic approach of Shum Yip Group in its future development plan, we have facilitated the development of community businesses by cooperating with Shum Yip Group based on project features. For instance, our *Shenyedongling* (深業東嶺), *Tanglang City* (塘朗城) and *Sky Park* (深業中城) have combined childcare and elderly care, which we consider as an effective approach to enhancing community quality. To reduce our environmental impact, we optimized our operational performance by not only managing the classification of community and domestic waste, but also promoting our cleaning services, as well as carrying out various energy-saving initiatives. Examples include replacing the lighting systems with self-assembled fluorescent lamps, equipping energy-efficient machinery with high-pressure cleaning vehicles and electric cleaning sweepers in our city and industrial park projects. Adhering to our sustainability philosophy, we continue to support relevant government initiatives, which includes undertaking numerous government-guaranteed housing. In addition, we have received awards for outstanding contributions to public welfare and charity consecutively because of our charitable endeavors over the years. With our management support, we believe our approach to environmental protection, social responsibility and corporate governance has successfully fostered the connection among government, community workers and residents.

BUSINESS STRATEGIES

We aim to be a leading comprehensive property management, commercial operational and city services provider in China with the following strategies:

Expand our business scale and solidify our market position

In order to achieve a more sustainable and efficient business model, we plan to expand our business scale and market share through the following ways, including securing projects with third parties, making strategic investments and acquisitions, forming strategic alliance with selected companies, as well as cooperating with our Controlling Shareholders and the enterprises under Shenzhen SASAC after the **[REDACTED]**. Specifically:

- ***Advancing participation in independent third parties projects***: we plan to leverage on our PRC state-owned background and inherent capabilities in securing different projects with the independent third parties, such as PRC state-owned enterprises, central government-owned enterprises and private enterprises as well as exploring innovative ways to directly communicate and cooperate with the head offices of those enterprises at central and local levels, as well as undertaking projects adjacent to the Greater Bay Area by virtue of our market recognition, thereby increasing our market share, achieving economy of scale and increasing the proportion in terms of revenue and GFA under management developed by independent third parties.

- ***Advancing strategic investments, acquisitions and strategic alliance***: to enhance our competitive strength, we plan to use approximately **[REDACTED]**% of the **[REDACTED]** from the **[REDACTED]** for investments, acquisitions and forming strategic alliance with the selected property management companies and specialized service and support companies that complement Shum Yip Technical Support. As of the Latest Practicable Date, we did not identify specific acquisition targets or enter into definitive investment or acquisition agreements for any acquisitions. See "Future Plans and **[REDACTED]**" for further details.

- ***Integrating public resources and providing tailored services for cities and industrial parks:*** we plan to use approximately **[REDACTED]**% of the **[REDACTED]** from the **[REDACTED]** to continue to establish joint ventures with state-owned enterprises and form strategic cooperation with local governments to provide tailored and localized services for cities and industrial parks by replicating our successful benchmark projects, such as the municipal government tower in Changsha, Hunan Province, for accelerating business expansion and extending our project portfolio of city services across China, particularly the Greater Bay Area, Jiangsu, Guangxi, Hunan and Jiangxi and other first- and second-tier cities in China to increase our market share.

- ***Organic growth***: we plan to expand our business organically by capitalizing on our synergies with the Controlling Shareholders and proactively winning new mandates from enterprises controlled by Shenzhen SASAC, especially for our city and industrial park services as well as commercial property operational and management services. For example, Shum Yip Group is partnering with the local governments in Shenzhen to develop a national-level science and technology park and an international life science park, among many other city and public projects. We believe these new projects will pose a credible opportunity for us to win new business. In addition, we also plan to improve our service quality, optimize management, improve customer satisfaction and improve the efficiency and profitability of our existing and new projects to maintain sustainable growth.

Enhance service quality and customer satisfaction

We plan to continue to optimize our service quality, expand our service scope and enhance our customer experience.

By enhancing our services under management, we plan to expand our diversified value-added services. Focusing on the growing demand for city and industrial park services and residential property management services, we plan to explore new project opportunities and provide customized service for city and industrial parks. Besides, we will continue to efficiently adjust our services to cater our customers' needs by expanding our service scope. We plan to cooperate with the subsidiaries of Shum Yip Group and launch a "property + elderly care" program in our managed properties. Our staff members will receive training for elderly care, organize home-based elderly care service teams, and provide home visits, emergency assistance, leisure and other services to the elderly in these communities.

As for commercial property operational and management services, we will continue to develop comprehensive services and create quality commercial service space. As for value-added services to non-property owners, we plan to further optimize our offering of comprehensive value-added services to the projects of property developers. We will integrate the *Shenxiang* series and community operation model into our projects, and cooperate closely with non-property owners in various services, such as on-site management and inspection, in order to improve our service efficiency.

Optimize our digitalized service platform and invest in equipment

We intend to increase our continuous investment in technological capabilities and facilities to improve our operational efficiency and service quality in the following ways:

- ***Basic service platform:*** We plan to achieve diversified operations by optimizing our comprehensive service support. We will optimize the full range of service support and realize the diversified operation value. For basic infrastructure, we plan to build an integrated platform base to replace the original SAAS services to achieve secure data management. For service resources management system, we will manage and allocate our resources (such as real estate leasing, advertisement and e-commerce products, etc.) centrally on a top-down level to optimize internal control and customer experience. For service upgrading, we will optimize the operation of *Shenxiang Hui (深享匯)*.

- ***City service platform:*** We plan to maximize the functions of our digitalized management platform by (a) transforming our project-based platform into a comprehensive service platform that addresses the specific needs of local governments, corporations and citizens; and (b) introducing community e-commerce in response to citizens' daily needs;

- ***Industrial park operational platform:*** We will enhance our operation mode and service capabilities and integrate the whole process of real estate leasing (from execution of agreements, renewal to termination of contracts) to our financial system to increase efficiency; and

- ***Equipment:*** We intend to purchase additional equipment, such as automated cleaning vehicles and machinery to ensure orderly operation and reduce labor costs.

We plan to use approximately **[REDACTED]**% of the **[REDACTED]** from the **[REDACTED]** for optimizing our digitalized property management service platform and purchasing new equipment. See "Future Plans and **[REDACTED]**" for details.

Strengthen the influence of our commercial operational services

We will further strengthen our influence of our commercial operational services by cooperating with major brands and cultivating our own brands. Specifically, we plan to (i) build city-level businesses that represent the city's high consumption level and comprise integrated functions such as shopping, entertainment, catering, recreation, cultural tourism etc., and community businesses that mainly respond to the daily needs of local residents, and developing our own hotel brands to meet the diversified market needs, so as to establish a standardized brand system of commercial operation for subsequent market expansion such as strengthening our strategic cooperation with other corporations, promoting the brand of Shum Yip CM and strengthening our commercial property and hotel competitiveness; (ii) construct and upgrade the information technology system to enhance our commercial property and hotel digitalized management, leading to improved overall operational efficiency, and (iii) promote talent training programs in commercial operation and hotel management to strengthen our professionalism. We plan to use approximately **[REDACTED]**% of the **[REDACTED]** from the **[REDACTED]** for enhancing our commercial property operational and management services. See "Future Plans and **[REDACTED]**."

Focusing on service excellence and having high regard for customers' needs, we believe that the above arrangements and strategies are conducive to our business scale, market position and our overall business resilience.

AWARDS

The table below sets forth a selection of the notable award we received during the Track Record Period:

Awarding Year	Award/Recognition	Awarding Entity and Background
2021	Top 100 Enterprises in terms of Property Management Service Capability in the Greater Bay Area in 2021 (No. 21) (2021物業服務力大灣區TOP100企業排名第21名), a ranking focusing on the service capability of property management companies in the Greater Bay Area, in which the awarding entity looks into the industry environment, enterprise performance and service capability model of companies	CRIC Property Management (克而瑞物管), a research platform owned by a Hong Kong listed company which operates a service platform for transactions in China's real-estate industry
	Top 5 Enterprises in terms of City Service Property Management Service Capability in the Greater Bay Area in 2021 (2021大灣區城市服務物業服務力TOP5), a ranking focusing on the service capability of property management companies in the Greater Bay Area, in which the awarding entity looks into the industry environment, enterprise performance and service capability model of companies	CPMRI, a non-profit national and industrial social association in China, engaged in the property management industry and conducts industry-related researches among other matters
	Benchmarking Project of City Service Property Management Service Capability in the Greater Bay Area in 2021 — Qiaoxiang Community, Xiangmihu Sub-district (2021大灣區城市服務物業服務力標杆項目 — 香蜜湖街道僑香村), an award given to outstanding city service property management projects in the Greater Bay Area	
2022	20th in the 2022 Top 100 Property Management Service Enterprises in China (2022中國物業服務百強企業第20名), a recognition focusing on the comprehensive strengths of property management companies in China, in which the awarding entity looks into the business scale, business performance, service quality, developmental potential and social responsibility of the companies	China Index Academy
	11th in the Excellent State-owned Property Management Service Enterprises in China (中國國有物業服務優秀企業第11名), a recognition focusing on the service performance of the state-owned property management companies	
	Leading Smart City Service Enterprise in China (中國智慧城市服務領先企業), a recognition focusing on the leading smart city service property management companies	
	Specialized Property Management Service Capability in China in 2022 — Excellent Residential Property Management Enterprise (2022中國專項物業服務力 — 住宅物業優秀企業), a recognition focusing on the service capability and service quality of residential property management companies	
	2022 Excellence Award of Golden Mall of Mall China Industrial Commerce Management Company (Golden Mall 中購聯購物中心行業二零二二年度商業管理公司卓越榜), a recognition focusing on the business performance of the commercial property management companies	Mall China (中購聯), a shopping mall industry platform in China, it is a founding member of the Asian Shopping Center Association

Awarding Year	Award/Recognition	Awarding Entity and Background
	2022 Excellence Award of Golden Mall of Mall China Industrial Marketing Planning (Golden Mall 中購聯購物中心行業二零二二年度營銷企劃卓越榜), an award focusing on the shopping malls with outstanding marketing planning projects	
2023	17th in the 2023 Top 100 Property Management Companies in China (2023中國物業服務百強企業第17名), a recognition focusing on the comprehensive strengths of property management companies in China, in which the awarding entity looks into the business scale, business performance, service quality, developmental potential and social responsibility of the companies	China Index Academy
	6th in the 2023 Top 100 State-owned Property Management Companies in China in terms of Overall Strength (2023中國國有物業服務企業綜合實力100強第6名), a ranking focusing on the service capability of state-owned property management companies in China, in which the awarding entity looks into the industry environment, enterprise performance and service capability model of companies	CRIC Property Management and CPMRI
	30th in the 2023 Top 500 Property Management Companies in China in terms of Overall Strength (2023中國物業服務企業綜合實力500強第30名), a ranking focusing on the service capability of property management companies in China, in which the awarding entity looks into the industry environment, enterprise performance and service capability model of companies	
	Green Property Management (Three-star) (綠色物業管理評價標識(三星級)), a recognition focusing on the standard of property management companies in providing green property management, in which the awarding entity conducts expert assessment and on-site inspection on the properties in Shenzhen	Shenzhen Construction Technology Promotion Center (深圳市建設科技促進中心), an institution directly under Shenzhen Housing and Construction Bureau (深圳市住房和建設局的直屬機構) in China
	2023 Quality Leading Companies of China in Property Service (2023中國品質物業服務領先企業), an award given to the leading property management company in China	
	2023 Excellent Projects of China Property Management (2023中國物業管理卓越標杆項目(深業上城)), an award given to the outstanding service property management projects in China	
2024	15th in the 2024 Top 100 Property Management Companies in China (2024中國物業服務百強企業第15名), a recognition focusing on the comprehensive strengths of property management companies in China, in which the awarding entity looks into the business scale, business performance, service quality, developmental potential and social responsibility of the companies	China Index Academy

BUSINESS MODEL

During the Track Record Period and up to the Latest Practicable Date, we generated revenue from three business segments, namely (i) city and industrial park services, (ii) residential property management services, and (iii) commercial property operational and management services.

- ***City and industrial park services.*** We mainly provide local governments, public institutions, corporations in industrial parks and property developers with the following services:

    - o *Municipal services*. We mainly provide cleaning, greening, waste sorting, streetscape inspection, street facilities maintenance and disinfection services to sub-districts.

    - o *Public facility management services*. We mainly provide cleaning, greening, maintenance, security, car park management, cafeteria operational services primarily to government buildings, train stations, hospitals, public libraries, museums and schools.

    - o *Industrial park services*. We mainly provide industrial park management services, such as cleaning, greening, maintenance, security, disinfection and value-added services, including community living services, marketing and promotion of facilities in the industrial parks on *Shenzhihui (深智慧)*, our customer mobile app and venue leasing of equipment.

- ***Residential property management services***. We mainly provide property owners, residents and property developers with the following services:

    - o *Property management services*. We mainly provide cleaning, greening, security, maintenance and disinfection services.

    - o *Value-added services to non-property owners*. We mainly provide non-property owners with the following services:

        - ■ sales office management services, including but not limited to cleaning, maintenance, security and reception services in sales offices to property developers; and

        - ■ other value-added services, including but not limited to consultancy services according to requirement of property owners, property inspection, delivery and operational services for property developers, such as post-delivery maintenance, and car park management.

- *Community value-added services*. We mainly provide the following services:

  - community living services, such as repair and maintenance, and waste transportation;

  - space operational services, including but not limited to the operation and leasing of public areas such as advertising spaces, clubhouses and swimming pools, as well as ancillary facilities operation such as parcel lockers and delivery spots; and

  - asset management services, including but not limited to car park management and real estate brokerage services for properties.

• ***Commercial property operational and management services***. We mainly provide corporations, merchants, property developers, property owners and tenants with the following services:

- *Commercial operational services*. We mainly provide comprehensive commercial operational services. We arrange commercial leasing, facilitate leasing for units and shops, support daily management of commercial properties, and organize marketing activities for property owners and tenants. Additionally, we provide hotel operational management and supervision. We manage hotels in Shenzhen and Chaohu City, handling all aspects of operations from staff recruitment to daily management. For hotels in Shenzhen, Suzhou City and Kashgar City that are operated by third parties, we supervise these operations to ensure they meet the property owners' standards. This supervision includes monitoring financial performance, controlling annual budgets and managing renovation plans.

- *Property management services*. We mainly provide cleaning, greening, public facility and equipment maintenance, and security services.

- *Value-added services*. We mainly provide various value-added services, including but not limited to car park management, venue management, additional air conditioning, waste collection and transportation of decoration materials, exhibition and display services, and consultancy services, such as conducting market research and planning for our customers' brand positioning.

The table below sets forth the breakdown of our revenue for the years indicated by segment:

	For the year ended December 31,						For the six months ended June 30,			
	2021		2022		2023		2023		2024	
	(RMB' million)	*(%)*	*(RMB' million)*	*(%)*	*(RMB' million)*	*(%)*	*(RMB' million)*	*(%)*	*(RMB' million)*	*(%)*
							(Unaudited)			
City and industrial park services	857.4	39.9	1,020.2	43.5	1,213.5	44.8	579.5	45.1	637.0	45.2
Residential property management services	783.9	36.4	766.2	32.6	866.2	31.9	401.8	31.3	437.6	31.0
Commercial property operational and management services	510.2	23.7	561.7	23.9	632.5	23.3	302.5	23.6	335.1	23.8
Total	**2,151.5**	**100.0**	**2,348.1**	**100.0**	**2,712.2**	**100.0**	**1,283.8**	**100.0**	**1,409.7**	**100.0**

During the Track Record Period, our city and industrial park services and commercial property operational and management services experienced continued revenue increase, leading to a continual increase in our total revenue. In particular, revenue from city and industrial park services continued to increase both in absolute amount and as a percentage of the total revenue during the Track Record Period, which was primarily driven by the increase in the total GFA under management and more municipal services we provided for districts in the Greater Bay Area.

The table below sets forth the GFA under management and number of projects as of the dates indicated, by segment:

	As of December 31,									As of June 30,		
	2021			2022			2023			2024		
	GFA under management		Number of projects	GFA under management		Number of projects	GFA under management		Number of projects	GFA under management		Number of projects
	(sq.m.'000)	*(%)*		*(sq.m.'000)*	*(%)*		*(sq.m.'000)*	*(%)*		*(sq.m.'000)*	*(%)*	
City and industrial park services	28,598.6	48.7	231	38,829.2	56.7	244	48,182.4	59.9	269	55,938.2	62.7	252
Residential property management services	26,752.2	45.6	161	26,142.9	38.2	158	28,617.3	35.5	173	28,425.0	31.9	175
Commercial property operational and management services	3,358.2	5.7	55	3,490.8	5.1	57	3,669.9	4.6	71	4,850.3	5.4	71
Total	**58,709.0**	**100.0**	**447**	**68,462.9**	**100.0**	**459**	**80,469.6**	**100.0**	**513**	**89,213.5**	**100.0**	**498**

We have experienced continuous expansion in the GFA under our management during the Track Record Period. In particular, we managed to grow the GFA under management of our city and industrial park services, from approximately 28.6 million sq.m. as of December 31, 2021 to approximately 55.9 million sq.m. as of June 30, 2024. The increase in the GFA under management of our city and industrial park services during the Track Record Period was primarily due to (i) the addition of a new project in Longhua sub-district, Shenzhen, with an aggregate GFA under management of approximately 8.7 million sq.m. in 2022; (ii) the addition of two new projects in Yuanling sub-district, Shenzhen, and Yushan District, Ma'anshan, with aggregate GFA under management of 3.8 million sq.m. and approximately 4.9 million sq.m., respectively in 2023; (iii) the project renewal of a project in Baolong sub-district, Shenzhen, with a GFA under management of approximately 8.7 million sq.m. for 2024; (iv) the addition of two new projects in Gongming sub-district, Shenzhen, and Jinping sub-district, Shantou, with an aggregate GFA under management of approximately 6.6 million sq.m. in the first half of 2024; and (v) the addition of a new project across two municipal parks in Futian district, Shenzhen, with an aggregate GFA under management of approximately 0.3 million sq.m. in the first half of 2024.

The table below sets forth a breakdown of our revenue and GFA under management by type of property developers for the years indicated:

	As of/Year ended December 31,									As of/For the six months ended June 30,		
	2021			2022			2023			2024		
	(RMB 'million)	*%*	*(sq.m. '000)*	*(RMB 'million)*	*%*	*(sq.m. '000)*	*(RMB 'million)*	*%*	*(sq.m. '000)*	*(RMB 'million)*	*%*	*(sq.m. '000)*
Shum Yip Group, its subsidiaries, joint ventures and associates	932.8	43.4	16,105.8	1,036.0	44.1	19,096.2	1,229.2	45.3	20,576.7	642.1	45.5	18,529.3
Independent third parties	1,218.7	56.6	42,603.2	1,312.1	55.9	49,366.7	1,483.0	54.7	59,892.9	767.6	54.5	70,684.2
Total	**2,151.5**	**100.0**	**58,709.0**	**2,348.1**	**100.0**	**68,462.9**	**2,712.2**	**100.0**	**80,469.6**	**1,409.7**	**100.0**	**89,213.5**

Our revenue generated from independent third parties accounted for approximately 56.6%, 55.9%, 54.7% and 54.5% of our total revenue in 2021, 2022, 2023 and six months ended June 30, 2024 as we continued to expand our customer base and generate revenue from properties developed by independent third parties.

The table below sets forth our GFA under management and number of projects as of the dates indicated, by type of property developer:

	As of December 31,									As of June 30,		
	2021			2022			2023			2024		
	GFA under management		Number of projects	GFA under management		Number of projects	GFA under management		Number of projects	GFA under management		Number of projects
	(sq.m.'000)	*(%)*		*(sq.m.'000)*	*(%)*		*(sq.m.'000)*	*(%)*		*(sq.m.'000)*	*(%)*	
Shum Yip Group, its subsidiaries, joint ventures and associates	16,105.8	27.4	100	19,096.2	27.9	112	20,576.7	25.6	128	18,529.3	20.8	131
Independent third parties	42,603.2	72.6	347	49,366.7	72.1	347	59,892.9	74.4	385	70,684.2	79.2	367
Total	**58,709.0**	**100.0**	**447**	**68,462.9**	**100.0**	**459**	**80,469.6**	**100.0**	**513**	**89,213.5**	**100.0**	**498**

We experienced growth in the GFA under management developed by the independent third parties during the Track Record Period. In particular, the GFA under management developed by the independent third parties increased from 49.4 million as of December 31, 2022 to 70.7 million as of June 30, 2024. The increase was mainly due to the increase of city and industrial park services projects developed by independent third parties, which included (i) the addition of two new projects in Yuanling sub-district, Shenzhen, and Yushan District, Ma'anshan, with aggregate GFA under management of 3.8

million sq.m. and approximately 4.9 million sq.m., respectively, in 2023; (ii) the project renewal of a project in Baolong sub-district, Shenzhen, with a GFA under management of approximately 8.7 million sq.m. for 2024; (iii) the addition of two new projects in Gongming sub-district, Shenzhen, and Jinping sub-district, Shantou, with an aggregate GFA under management of approximately 6.6 million sq.m. in the first half of 2024; and (iv) the addition of a new project across two municipal parks in Futian district, Shenzhen, with an aggregate GFA under management of approximately 0.3 million sq.m. in the first half of 2024.

In particular, our project involvement is strategically determined based on the overall objectives and operational needs of Shum Yip Group, its subsidiaries, joint ventures, and associates and us. In 2021, 2022 and 2023, we secured 6, 8 and 7 developed by Shum Yip Group, its subsidiaries, joint ventures, and associates, accounting for 85.7%, 88.9% and 77.8% of the total number of projects developed by Shum Yip Group, its subsidiaries, joint ventures, and associates, respectively. Such projects managed by us have a total completed GFA of approximately 0.8 million sq.m., 1.1 million sq.m. and 1.0 million sq.m., representing 91.3%, 96.2% and 89.3% of the total completed GFA of projects developed by Shum Yip Group, its subsidiaries, joint ventures, and associates during the same year, respectively.

The table below sets forth a breakdown of the GFA (contracted and under management) and number of projects (contracted to manage and under management) as of the dates indicated:

	As of December 31,			As of June 30,
	2021	**2022**	**2023**	**2024**
Contracted GFA[1] *(sq.m.'000)*	61,167.6	71,880.4	84,066.9	92,294.2
GFA under management[2] *(sq.m.'000)*	58,709.0	68,462.9	80,469.6	89,213.6
Number of projects contracted to manage	457	475	532	513
Number of projects under management	447	459	513	498

(1) Represents GFA currently being managed or to be managed by us under signed property management service contracts.

(2) Represents GFA currently being managed by us under signed property management service contracts.

During the Track Record Period, we capitalized on our high-quality services and customer loyalty. In 2021, 2022, 2023 and six months ended June 30, 2024, our retention rates were 91.9%, 90.5%, 92.9% and 94.9%, respectively. Meanwhile, our renewal rates were 79.6%, 78.2%, 81.7% and 73.2%, respectively. See "— OUR PORTFOLIO — Renewal Rate" and "— OUR PORTFOLIO — Retention Rate" for details.

During the Track Record Period, we had certain uncollected service fees, which were either fees that were not yet due or overdue but not yet collected, and our collection rates were 93.2%, 84.4%, 96.6% and 98.1% in 2021, 2022, 2023 and six months ended June 30, 2024, respectively. The relatively low collection rate in 2022 compared to 2021 is primarily because our collection activities were restricted during the wave of COVID-19 pandemic in Shenzhen. However, our collection rate increased to 96.6% in 2023, primarily due to our newly formed team that enforced immediate collection of the property management fees upon receipt. See "Financial Information — Trade and Other Receivables and Prepayments — Trade receivables."

Our overall average property management fee was RMB2.6 per sq.m. per month, RMB2.5 per sq.m. per month, RMB2.4 per sq.m. per month and RMB2.4 per sq.m. per month in 2021, 2022, 2023 and six months ended June 30, 2024, respectively. The table below sets forth our average property management fees for the years indicated, by business segment:

	For the year ended December 31,			For the six months ended June 30,
	2021	2022	2023	2024
	(RMB) per sq.m. per month			
City and industrial park services	2.2	2.1	2.0	1.8
Residential property management services	1.8	1.9	2.0	2.1
Commercial property operational and management services	13.0	12.8	13.1	14.8
Overall	2.6	2.5	2.4	2.4

Our average property management fee for city and industrial park services decreased from RMB2.2 per sq.m. per month in 2021 to RMB2.0 per sq.m. per month in 2023, primarily due to the addition of some new projects in Ma'anshan and Shenzhen that occupied a substantial GFA under management and also led to a decline in the average property management fee. Additionally, our average property management fee for city and industrial park services decreased from RMB2.0 per sq.m. per month in 2023 to RMB1.8 per sq.m. per month in the six months ended June 30, 2024, primarily due to the non-renewal of a high-rate museum project.

Our average property management fee for residential property management services increased from RMB1.8 per sq.m. per month in 2021 to RMB2.0 per sq.m. per month in 2023, primarily due to price adjustment and improvement in revenue generated by property management services from certain residential property management projects compared to 2021. Additionally, our average property management fee for residential property management services remained relatively stable at RMB2.1 per sq.m per month in the six months ended June 30, 2024.

Our average property management fee for commercial property operational and management services slightly decreased from RMB13.0 per sq.m. per month in 2021 to RMB12.8 per sq.m. per month in 2022, and increased to RMB13.1 per sq.m. per month in 2023, primarily due to an increase in average property management fee for an office building in Shenzhen under our management. Additionally, our average property management fee for commercial property operational and management services increased from RMB13.1 per sq.m. per month in 2023 to RMB14.8 per sq.m. per month in the six months ended June 30, 2024, primarily due to (i) the addition of a high-rate financial center project in Shenzhen and a telecommunications center project in Haikou; and (ii) the termination of a low-rate commercial building project in Foshan.

In terms of value-added services, we generally charge fees depending on the nature of the services provided. During the Track Record Period, our value-added services under the three business segments included community living services, space operational services, and asset management services. The table below sets forth the breakdown of the revenue generated from our value-added services for the years indicated by nature of services.

	For the year ended December 31,						For the six months ended June 30,			
	2021		2022		2023		2023		2024	
	(RMB'000)	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*
							(Unaudited)			
Community living services	155,296.7	31.8	149,198.9	33.4	172,274.6	31.4	66,852.6	27.8	79,155.9	28.2
Space operational services	72,452.0	14.8	54,615.7	12.2	72,257.2	13.1	35,275.0	14.7	40,263.0	14.3
Asset management services	260,723.1	53.4	242,356.4	54.4	305,509.7	55.5	138,229.6	57.5	161,639.5	57.5
Total	**488,471.8**	**100.0**	**446,171.0**	**100.0**	**550,041.5**	**100.0**	**240,357.2**	**100.0**	**281,058.4**	**100.0**

During the Track Record Period, our asset management services accounted for 53.4%, 54.4%, 55.5% and 57.5% of our total revenue of value-added services. For details, see "— Residential Property Management Services — Revenue Model and Pricing Policy — Revenue Model — Pricing Policy — Service Fees for Value-added Services to Non-Property Owners."

CITY AND INDUSTRIAL PARK SERVICES

Overview

We have provided city and industrial park services for over 20 years. Under city and industrial park services, we mainly provide local governments, public institutions, corporations in industrial parks and property developers with the following services:

- ***Municipal services***. We mainly provide cleaning, greening, waste sorting, streetscape inspection, street facilities maintenance and disinfection services to sub-districts.

- ***Public facility management services***. We mainly provide cleaning, greening, maintenance, security, car park management, cafeteria operational services primarily to government buildings, train stations, hospitals, public libraries, museums and schools.

- ***Industrial park services***. We mainly provide industrial park management services, such as cleaning, greening, maintenance, security, disinfection, and value-added services, including community living services, marketing and promotion of facilities in the industrial parks on *Shenzhihui (深智慧)*, our customer mobile app and venue leasing of equipment.

We are committed to delivering quality city and industrial park services catering to our customers' needs.

During the Track Record Period, we were contracted to manage 233, 244, 272 and 254 projects under city and industrial park services, with contracted GFA of approximately 29.8 million sq.m., 39.2 million sq.m., 48.9 million sq.m., and 56.5 million sq.m., respectively.

Additionally, during the Track Record Period, we managed 231, 244, 269 and 252 projects under city and industrial park services, with GFA under management of approximately 28.6 million sq.m., 38.8 million sq.m., 48.2 million sq.m. and 55.9 million sq.m., respectively.

As of the Latest Practicable Date, our aggregate contracted GFA under city and industrial park services amounted to approximately 56.1 million sq.m.. Additionally, as of the Latest Practicable Date, we managed 251 projects under city and industrial park services, with an aggregate GFA under management of approximately 55.5 million sq.m..

The table below sets forth the breakdown of our revenue from our city and industrial park services for the years indicated, by type of services:

	For the year ended December 31,						For the six months ended June 30,			
	2021		2022		2023		2023		2024	
	(RMB' million)	*(%)*	*(RMB' million)*	*(%)*	*(RMB' million)*	*(%)*	*(RMB' million)*	*(%)*	*(RMB' million)*	*(%)*
							(Unaudited)			
Municipal services	200.4	23.4	293.5	28.8	441.0	36.3	216.0	37.2	237.6	37.3
Public facility management services	384.5	44.8	417.5	40.9	439.1	36.2	213.1	36.8	227.2	35.7
Industrial park services	272.5	31.8	309.2	30.3	333.4	27.5	150.4	26.0	172.2	27.0
Total	**857.4**	**100.0**	**1,020.2**	**100.0**	**1,213.5**	**100.0**	**579.5**	**100.0**	**637.0**	**100.0**

During the Track Record Period, our revenue growth under city and industrial park services was mainly attributable to (i) the increase in the number of our projects; and (ii) the growth in our GFA under management during the Track Record Period.

In 2021, 2022, 2023 and six months ended June 30, 2023 and 2024, our revenue generated from city and industrial park services amounted to RMB857.4 million, RMB1,020.2 million, RMB1,213.5 million, RMB579.5 million and RMB637.0 million, representing 39.9%, 43.5%, 44.8%, 45.1% and 45.2% of our total revenue, respectively.

Our revenue from city and industrial park services increased from RMB857.4 million in 2021 to RMB1,020.2 million in 2022, mainly attributable to (i) a significant increase in municipal services as we continued rolling out our municipal services for Baolong sub-district in Shenzhen and Anmin sub-district in Ma'anshan; (ii) an increase in revenue generated from public facility management services as we expanded our service scope, including services provided for public facilities in Xiangmihu sub-district in Shenzhen; and (iii) an increase in revenue generated from providing industrial park operational services as we provided more services for industrial parks in 2022, including Shenyang Yongan Machine Tool Town.

Our revenue from city and industrial park services increased from RMB1,020.2 million in 2022 to RMB1,213.5 million in 2023, primarily due to revenue increase from municipal services, primarily as a result of the addition of several new projects located in Longhua sub-district, Shenzhen.

Additionally, our revenue from city and industrial park services increased from RMB579.5 million in the six months ended June 30, 2023 to RMB637.0 million in the six months ended June 30, 2024, primarily due to (i) the revenue increase from municipal services, primarily as a result of the renewal of projects in Jihua sub-district, Shenzhen and Baolong sub-district, Shenzhen as well as the addition of a new project in Shantou; and (ii) revenue increase from public facilities management services, primarily as a result of the addition of several new projects in Shenzhen.

The table below sets forth the breakdown of the revenue of our city and industrial park services projects for the years indicated, by type of property developer:

	For the year ended December 31,						For the six months ended June 30,			
	2021		2022		2023		2023		2024	
	(RMB' million)	*(%)*	*(RMB' million)*	*(%)*	*(RMB' million)*	*(%)*	*(RMB' million)*	*(%)*	*(RMB' million)*	*(%)*
							(Unaudited)			
Shum Yip Group, its subsidiaries, joint ventures and associates	167.5	19.5	186.5	18.3	237.7	19.6	101.9	17.6	128.5	20.2
Independent third parties	689.9	80.5	833.7	81.7	975.8	80.4	477.6	82.4	508.5	79.8
Total	**857.4**	**100.0**	**1,020.2**	**100.0**	**1,213.5**	**100.0**	**579.5**	**100.0**	**637.0**	**100.0**

During the Track Record Period, the revenue growth under our city and industrial park services was primarily driven by revenue generated from independent third parties. Revenue from independent third parties continued to increase during the Track Record Period, which was attributable to our enhanced cooperations with management entities of sub-districts and districts in providing more diversified city and industrial park services.

The table below sets forth the breakdown of the total GFA under management and number of projects under our city and industrial park services projects as of the dates indicated, by type of property developer:

	As of December 31,									As of June 30,		
	2021			2022			2023			2024		
	GFA under management		Number of projects	GFA under management		Number of projects	GFA under management		Number of projects	GFA under management		Number of projects
	(sq.m.'000)	*(%)*		*(sq.m.'000)*	*(%)*		*(sq.m.'000)*	*(%)*		*(sq.m.'000)*	*(%)*	
Shum Yip Group, its subsidiaries, joint ventures and associates	2,553.9	8.9	11	5,391.9	13.9	20	5,409.4	11.2	22	3,147.7	5.6	20
Independent third parties	26,044.7	91.1	220	33,437.3	86.1	224	42,773.0	88.8	247	52,790.5	94.4	232
Total	**28,598.6**	**100.0**	**231**	**38,829.2**	**100.0**	**244**	**48,182.4**	**100.0**	**269**	**55,938.2**	**100.0**	**252**

During the Track Record Period, the GFA under management developed by Shum Yip Group, its subsidiaries, joint ventures and associates were mainly from the industrial park services under our city and industrial park services. The GFA under management developed by Shum Yip Group, its subsidiaries, joint ventures and associates increased from approximately 2.5 million sq.m. as of December 31, 2021 to approximately 5.4 million sq.m. as of December 31, 2023, primarily due to the addition of the new industrial park projects in the Eastern China Region and Southern China Region, with an aggregate GFA under management of approximately 2.9 million sq.m.. Additionally, the GFA under management developed by Shum Yip Group, its subsidiaries, joint ventures and associates decreased from 5.4 million sq.m. as of December 31, 2023 to 3.1 million sq.m. as of June 30, 2024, primarily due to the non-renewal of certain industrial park projects upon contract expiry in 2024.

In addition, during the Track Record Period, the GFA under management developed by the independent third parties were mainly from the municipal services under our city and industrial park services. In particular, the GFA under management developed by the independent third parties increased from approximately 26.0 million sq.m. as of December 31, 2021 to approximately 52.8 million sq.m. as of June 30, 2024, primarily due to (i) the addition of a new project in Longhua sub-district, Shenzhen, with an aggregate GFA under management of approximately 8.7 million sq.m. in 2022; (ii) the addition of two new projects in Yuanling sub-district, Shenzhen, and Yushan District, Ma'anshan, with aggregate GFA under management of 3.8 million sq.m. and approximately 4.9 million sq.m., respectively, in 2023; (iii) the project renewal of a project in Baolong sub-district, Shenzhen, with a GFA under management of approximately 8.7 million sq.m. for 2024; (iv) the addition of two new projects in Gongming sub-district, Shenzhen, and Jinping sub-district, Shantou, with an aggregate GFA under management of approximately 6.6 million sq.m. in the first half of 2024; and (v) the addition of a new project across two municipal parks in Futian district, Shenzhen, with an aggregate GFA under management of approximately 0.3 million sq.m. in the first half of 2024.

As of the Latest Practicable Date, our aggregate contracted GFA developed by Shum Yip Group, its subsidiaries, joint ventures and associates amounted to approximately 3.6 million sq.m.. In addition, as of the Latest Practicable Date, we managed 21 projects developed by Shum Yip Group, its subsidiaries, joint ventures and associates, with an aggregate GFA under management of approximately 3.2 million sq.m..

As of the Latest Practicable Date, our aggregate contracted GFA developed by independent third parties amounted to approximately 52.5 million sq.m.. Moreover, as of the Latest Practicable Date, we managed 230 projects developed by independent third parties, with an aggregate GFA under management of approximately 52.3 million sq.m..

The table below sets forth the breakdown of the GFA under management, number of projects and revenue under our city and industrial park services projects as of the dates/for the years/periods indicated, categorized into public projects and private projects:

	As of/For the year ended December 31																		As of/For the six months ended June 30,					
	2021						2022						2023						2024					
	GFA under management		No. of projects		Revenue		GFA under management		No. of projects		Revenue		GFA under management		No. of projects		Revenue		GFA under management		No. of projects		Revenue	
	(sq.m.'000)	*(%)*		*(%)*	*(RMB' million)*	*(%)*	*(sq.m.'000)*	*(%)*		*(%)*	*(RMB' million)*	*(%)*	*(sq.m.'000)*	*(%)*		*(%)*	*(RMB' million)*	*(%)*	*(sq.m.'000)*	*(%)*		*(%)*	*(RMB' million)*	*(%)*
Public (1)	22,766.0	79.6	196	84.9	589.9	68.8	29,387.1	75.7	198	81.2	686.6	67.3	39,449.8	81.9	221	82.2	857.3	70.6	48,984.4	87.6	207	82.1	447.9	70.3
Private (2)	5,832.6	20.4	35	15.1	267.5	31.2	9,442.1	24.3	46	18.8	333.6	32.7	8,732.6	18.1	48	17.8	356.2	29.4	6,953.8	12.4	45	17.9	189.1	29.7
Total	**28,598.6**	**100.0**	**231**	**100.0**	**857.4**	**100.0**	**38,829.2**	**100.0**	**244**	**100.0**	**1,020.2**	**100.0**	**48,182.4**	**100.0**	**269**	**100.0**	**1,213.5**	**100.0**	**55,938.2**	**100.0**	**252**	**100.0**	**637.0**	**100.0**

(1) Public projects comprised projects of municipal services and public facility management services, excluding certain projects that were not contracted with governments, such as banks.

(2) Private projects comprised projects of industry park services and projects that were not contracted with governments, such as banks.

Our Geographical Presence

Echoing our strategic expansion, we maintained a strong focus in the Greater Bay Area in the Southern China Region during the Track Record Period. The map below illustrates the regional coverage of our city and industrial park services as of June 30, 2024. We had a nationwide footprint and expanded our geographic presence to 26 cities and 10 provinces in China as of June 30, 2024, with an aggregate GFA under management of approximately 55.9 million sq.m..

The table below sets forth the total revenue generated from city and industrial park services for the years indicated, by geographic region:

	For the year ended December 31,						For the six months ended June 30,			
	2021		2022		2023		2023		2024	
	(RMB' million)	*(%)*	*(RMB' million)*	*(%)*	*(RMB' million)*	*(%)*	*(RMB' million)*	*(%)*	*(RMB' million)*	*(%)*
							(Unaudited)			
Southern China Region	601.9	70.3	737.4	72.3	946.9	78.0	450.0	77.6	517.7	81.3
— Greater Bay Area	587.4	68.5	723.4	70.9	932.3	76.8	442.6	76.4	511.0	80.2
East China Region	172.7	20.1	175.8	17.2	154.8	12.8	79.9	13.8	63.7	10.0
Central China Region	78.4	9.1	94.6	9.3	93.7	7.7	41.5	7.2	46.7	7.3
Northwest China Region	2.9	0.3	5.9	0.6	7.3	0.6	3.7	0.6	2.1	0.3
Northern China Region	1.5	0.2	—	0.0	—	0.0	—	0.0	—	0.0
Northeast China Region	—	0.0	6.5	0.6	10.8	0.9	4.4	0.8	6.8	1.1
Total	**857.4**	**100.0**	**1,020.2**	**100.0**	**1,213.5**	**100.0**	**579.5**	**100.0**	**637.0**	**100.0**

Our revenue increase for city and industrial park services during the Track Record Period was primarily driven by an increase in the number of municipal service projects in the Greater Bay Area. During the Track Record Period, our newly added municipal services projects primarily included municipal services for Baolong sub-district in Shenzhen starting from 2021, which has become one of our benchmark projects, the municipal services for Longhua sub-district Shenzhen starting from 2022, as well as the addition of two new projects in Gongming sub-district, Shenzhen, and Jinping sub-district, Shantou, with an aggregate GFA under management of approximately 6.6 million sq.m. in the first half of 2024.

The table below sets forth the breakdown of our total GFA under management and number of projects with respect to our city and industrial park services as of the dates indicated, by geographic region:

	As of December 31,									As of June 30,		
	2021			2022			2023			2024		
	GFA under management		Number of projects	GFA under management		Number of projects	GFA under management		Number of projects	GFA under management		Number of projects
	(sq.m.'000)	*(%)*		*(sq.m.'000)*	*(%)*		*(sq.m.'000)*	*(%)*		*(sq.m.'000)*	*(%)*	
Southern China Region	20,023.7	70.0	103	28,530.1	73.5	113	33,463.1	69.5	147	43,231.1	77.3	139
— Greater Bay Area	19,835.1	69.4	94	28,336.7	73.0	103	33,292.3	69.1	137	39,207.0	70.1	129
East China Region	6,722.7	23.5	86	7,175.8	18.5	84	11,704.2	24.3	75	9,877.9	17.7	68
Central China Region	1,287.3	4.5	39	1,458.0	3.8	42	1,502.0	3.1	43	1,247.2	2.2	40
Northwest China Region	564.9	2.0	3	769.9	2.0	4	293.1	0.6	2	293.1	0.5	2
Northeast China Region	0	0.0	0	895.4	2.3	1	1,220.0	2.5	2	1,288.9	2.3	3
Total	**28,598.6**	**100.0**	**231**	**38,829.2**	**100.0**	**244**	**48,182.4**	**100.0**	**269**	**55,938.2**	**100.0**	**252**

During the Track Record Period, the GFA under management under our city and industrial park services were mainly located in the Southern China Region.

In particular, the GFA under management under our city and industrial park services in the Greater Bay Area increased from approximately 19.8 million sq.m. as of December 31, 2021 to approximately 43.2 million sq.m. as of June 30, 2024, primarily due to (i) the addition of a new project in Longhua sub-district, Shenzhen, with an aggregate GFA under management of approximately 8.7 million sq.m. in 2022; (ii) the addition of two new projects in Yuanling sub-district, Shenzhen, and Yushan District, Ma'anshan, with aggregate GFA under management of 3.8 million sq.m. and approximately 4.9 million sq.m., respectively, in 2023; (iii) the project renewal of a project in Baolong sub-district, Shenzhen, with a GFA under management of approximately 8.7 million sq.m. for 2024; and (iv) the addition of a project in Gongming sub-district, Shenzhen, with an aggregate GFA under management of approximately 3.2 million sq.m. in the first half of 2024.

The table below sets forth the revenue from city and industrial park services for the years indicated, by city tier:

	For the year ended December 31,						For the six months ended June 30,			
	2021		2022		2023		2023		2024	
	(RMB' million)	*(%)*	*(RMB' million)*	*(%)*	*(RMB' million)*	*(%)*	*(RMB' million)*	*(%)*	*(RMB' million)*	*(%)*
							(Unaudited)			
First-tier cities	576.3	67.3	708.5	69.5	909.3	74.9	431.9	74.6	496.9	78.0
New first-tier cities	107.5	12.5	116.0	11.4	117.5	9.7	52.7	9.1	57.5	9.0
Second-tier cities	23.2	2.7	27.9	2.7	35.2	2.9	15.3	2.6	21.8	3.4
Others	150.4	17.5	167.8	16.4	151.5	12.5	79.6	13.7	60.8	9.6
Total	**857.4**	**100.0**	**1,020.2**	**100.0**	**1,213.5**	**100.0**	**579.5**	**100.0**	**637.0**	**100.0**

During the Track Record Period, our revenue increase for city and industrial park services was primarily driven by municipal services provided in the first-tier cities, including our projects in Jihua sub-district, Baolong sub-district, Gongming sub-district and Longgang district, Shenzhen and industrial parks in Futian district, Shenzhen. This is due to a higher demand of municipal services as a result of rapid urban development in the first-tier cities, according to the F&S report.

The table below sets forth the breakdown of our total GFA under management and number of projects with respect to our city and industrial park services as of the dates indicated, by city tier:

	As of December 31,									As of June 30,		
	2021			2022			2023			2024		
	GFA under management		Number of projects	GFA under management		Number of projects	GFA under management		Number of projects	GFA under management		Number of projects
	(sq.m.'000)	*(%)*		*(sq.m.'000)*	*(%)*		*(sq.m.'000)*	*(%)*		*(sq.m.'000)*	*(%)*	
First-tier cities	18,454.2	64.5	79	26,977.7	69.5	88	32,078.7	66.6	112	38,144.4	68.2	104
New first-tier cities	2,376.8	8.3	52	3,321.1	8.6	57	2,517.1	5.2	55	1,569.4	2.8	49
Second-tier cities	1,614.8	5.6	14	2,550.0	6.6	15	3,125.1	6.5	25	2,350.1	4.2	28
Others	6,152.8	21.5	86	5,980.4	15.4	84	10,461.5	21.7	77	13,874.3	24.8	71
Total	**28,598.6**	**100.0**	**231**	**38,829.2**	**100.0**	**244**	**48,182.4**	**100.0**	**269**	**55,938.2**	**100.0**	**252**

During the Track Record Period, the GFA under management under our city and industrial park services were mainly located in the first-tier cities.

In particular, the GFA under management under our city and industrial park services in the first-tier cities increased from approximately 18.5 million sq.m. as of December 31, 2021 to approximately 38.1 million sq.m. as of June 30, 2024, primarily due to (i) the addition of a new project in Longhua sub-district, Shenzhen, with an aggregate GFA under management of approximately 8.7 million sq.m. in 2022; (ii) the addition of a new project in Yuanling sub-district, Shenzhen, with aggregate GFA under management of 3.8 million sq.m. in 2023; (iii) the project renewal of a project in Baolong sub-district, Shenzhen, with a GFA under management of approximately 8.7 million sq.m. for 2024; and (iv) the addition of a project in Gongming sub-district, Shenzhen, with an aggregate GFA under management of approximately 3.2 million sq.m. in the first half of 2024.

Expansion of City and Industrial Park Services Project Portfolio

We had been expanding our city and industrial park services during the Track Record Period primarily through obtaining new service contracts from local governments, public institutions, corporations in industrial parks and property developers. The table below sets forth the movement in the number of contracted projects, contracted GFA and GFA under management of our city and industrial park services as of the dates indicated:

	As of December 31,									As of June 30,		
	2021			2022			2023			2024		
	Number of contracted projects	Contracted GFA	GFA under management	Number of contracted projects	Contracted GFA	GFA under management	Number of contracted projects	Contracted GFA	GFA under management	Number of contracted projects	Contracted GFA	GFA under management
		(sq.m.'000)	*(sq.m.'000)*		*(sq.m.'000)*	*(sq.m.'000)*		*(sq.m.'000)*	*(sq.m.'000)*		*(sq.m.'000)*	*(sq.m.'000)*
As of the beginning of the year	218	16,784.9	16,445.0	233	29,848.5	28,598.6	244	39,216.0	38,829.2	272	48,944.6	48,182.4
New engagements[(1)]	55	14,648.7	13,738.7	54	13,392.6	14,256.4	66	12,277.8	12,143.1	16	11,376.0	11,404.2
— Shum Yip Group, its subsidiaries, joint ventures and associates	1	133.2	133.2	9	2,837.9	2,837.9	4	442.4	330.4	2	189.8	118.8
— Independent third parties	54	14,515.5	13,605.5	45	10,554.7	11,418.5	62	11,835.4	11,812.7	14	11,186.2	11,285.4
Termination[(2)]	40	1,585.1	1,585.1	43	4,025.1	4,025.8	38	2,549.2	2,789.9	34	3,838.1	3,648.4
Total	**233**	**29,848.5**	**28,598.6**	**244**	**39,216.0**	**38,829.2**	**272**	**48,944.6**	**48,182.4**	**254**	**56,482.5**	**55,938.2**

(1) New engagements primarily included the service contracts required by our customers to manage new properties and industrial parks, and the service contracts for replacement of previous property management companies.

(2) Termination mainly included certain services contracts expired without renewal as we voluntarily terminated certain property management contracts due to their low profitability and operating loss.

Expiration Schedule of City and Industrial Park Service Contracts

The table below sets forth the expiration schedule of service contracts of our city and industrial park service projects as of June 30, 2024:

	Contracted GFA		Number of projects	
	(sq.m.'000)	*(%)*		*(%)*
Service contracts without fixed term[(1)(2)]	2,107.2	3.7	28	11.0
Service contracts expiring in				
— Year ending December 31, 2024	41,214.6	73.0	126	49.6
— Year ending December 31, 2025 and beyond	13,160.7	23.3	100	39.4
Subtotal	54,375.3	96.3	226	89.0
Total	**56,482.5**	**100.0**	**254**	**100.0**

(1) Service contracts without fixed term primarily refers to (i) service contracts entered into with the local governments, public institutions, corporations in industrial parks and property developers which do not have a fixed term and can be terminated as agreed; and (ii) service contracts entered into with local governments, public institutions, corporations in industrial parks and property developers with whom we had property management service contracts that had fixed terms, but such terms expired and we continue to provide services until a new property management service contract becomes effective. With respect to the second scenario, as advised by our PRC Legal Advisors, so long as we continued to provide our services after contract expiration, an expired contract shall be classified as a de facto service contract without a fixed term, which is enforceable under the PRC law.

(2) During the Track Record Period, our overall retention rates for city and industrial park service contracts were 88.8%, 86.1%, 87.5% and 90.9%, respectively. The retention rate increased from 87.5% in 2023 to 90.9% in the six months ended June 30, 2024, primarily due to our (i) our quality service which reinforces client relationships; and (ii) our improved customer engagement and service accessibility in the Greater Bay Area. In terms of property developers, our retention rates for city and industrial park service contracts developed by Shum Yip Group, its subsidiaries, joint ventures and associates were 100.0%, 100.0%, 95.7% and 85.7%, respectively, and our retention rates for city and industrial park service contracts developed by independent third parties were 88.3%, 84.8%, 86.7% and 91.4%, respectively. During the Track Record Period, our overall renewal rates for city and industrial park service contracts were 79.7%, 77.0%, 77.6% and 70.9%, respectively. The renewal rate decreased from 77.6% in 2023 to 70.9% in the six months ended June 30, 2024, primarily due to the termination and non-renewal of projects as a result of contract expiration or client's commercial decisions. In terms of property developers, our renewal rates for city and industrial park service contracts developed by Shum Yip Group, its subsidiaries, joint ventures and associates were 100.0%, 100.0%, 88.9% and 25.0%, respectively. Our reduction in the renewal rate for city and industrial park service contracts developed by Shum Yip Group, its subsidiaries, joint ventures and associates in 2024 was primarily due to the strategic reallocation of resources, where we concentrated on more profitable projects in the Greater Bay Area and chose not to renew certain lower-margin industrial park projects in non-Greater Bay Area, such as Changzhou and Jiangyin. Our renewal rates for city and industrial park service contracts developed by independent third parties were 79.0%, 76.9%, 76.9% and 73.3%, respectively. As of the Latest Practicable Date, among the 79 service contracts which expired by June 30, 2024, 56 of them were renewed.

Revenue Model and Pricing Policy

Revenue Model

During the Track Record Period, we charged the property management fees for our city and industrial park services on a lump-sum basis with reference to our past experience and industry practice.

The lump-sum basis is a property management service billing method where the customer pays a fixed property management fee to us, and we are entitled to retain any surplus or required to bear any deficit. Under a lump-sum contract, we normally calculate and collect property management fee monthly at the rate agreed in the property management contract, which is the all-inclusive fee for all property management services provided by us. Meanwhile, we also bear the cost of managing the property, which generally includes expenses related to employees providing property management services and subcontracting costs of third party services. As we would be responsible for such expenses, our profit margins are affected by our ability to reduce our cost of services. If the cost of services is greater than anticipated, we would not be able to collect additional amounts from our customers to sustain our profit margins.

Pricing Policy

Under our city and industrial park services, we had different pricing policies for the (i) property management fees and (ii) other service fees during the Track Record Period.

For property management services, we charged the property management fees in all the service lines under our city and industrial park services, namely the municipal services, public facility management services and industrial park services during the Track Record Period. The pricing policy was subject to various factors, including the property type, location and surrounding facilities, the scope and qualities of service, the estimated costs and profitability targets, as well as the pricing of comparable properties. For details, see "— Property Management Fees."

For other services, we mainly charged the other service fees in the industrial park services under our city and industrial park services, such as the community living services (repair and maintenance under request and waste transportation) and venue leasing for equipment during the Track Record Period. The pricing policy was subject to the service requirement of different services. For details, see "— Other Service Fees."

Property Management Fees

Under city and industrial park services, our property management services generally included cleaning, greening, waste sorting, streetscape inspection, street facilities maintenance, disinfection, security and car park management during the Track Record Period. In addition, we charged the property management fees in all the service lines under our city and industrial park services, namely the municipal services, public facility management services and industrial park services during the Track Record Period.

The table below sets forth a comparison of the average property management fees under our city and industrial park services for the years indicated, by type of property developer:

	For the year ended December 31,			For the six months ended June 30,
	2021	2022	2023	2024
	Average property management fee	Average property management fee	Average property management fee	Average property management fee
	(RMB) per sq.m. per month			
City and industrial park services				
— Shum Yip Group, its subsidiaries, joint ventures and associates	3.8	3.9	4.2	4.7
— Independent third parties	2.1	2.0	1.9	1.7

In terms of the property management fees charged by property developers, we charged a higher average property management fee for Shum Yip Group, its subsidiaries, joint ventures and associates than the independent third parties during the Track Record Period, primarily due to the differences in the contribution of GFA under management among the types of services under city and industrial park services. Additionally, our average property management fees for properties developed by Shum Yip Group, its subsidiaries, joint ventures and associates increased from RMB4.2 per sq.m. per month in 2023 to RMB4.7 per sq.m. per month for the six months ended June 30, 2024, primarily due to the increase in the average property management fee of an industrial park project in Guangming district, Shenzhen.

In terms of the independent third parties, the sub-district projects of the municipal services under city and industrial park services, which were developed by local governments, generally occupied substantial GFA with lower property management fee than the other two types of services, namely the public facilities management services and industrial park services. Comparatively, the other two types of services developed by Shum Yip Group, its subsidiaries, joint ventures and associates occupied fewer

GFA under management. In this regard, during the Track Record Period, the substantial GFA under management and lower rate of property management fee of the municipal services developed by the independent third parties resulted in a significant dilution of the average property management fee and the relatively lower average property management fees of the independent third parties than those of Shum Yip Group, its subsidiaries, joint ventures and associates under city and industrial park services.

The table below sets forth a comparison of the average property management fees under our city and industrial park services for the years indicated, by city tier:

	For the year ended December 31			For the six months ended June 30,
	2021	2022	2023	2024
	Average property management fee	Average property management fee	Average property management fee	Average property management fee
	(RMB) per sq.m. per month			
City and industrial park services				
— First-tier cities	2.0	2.1	1.9	1.8
— New first-tier cities	4.8	4.7	4.8	4.8
— Second-tier cities	1.5	0.9	1.2	1.5

In terms of the first-tier cities, we charged a lower average property management fee in the first-tier cities than the new first-tier cities during the Track Record Period, primarily because the addition of public facility management service projects occupied fewer GFA under management in the new first-tier cities. Our average property management fee in the first-tier cities decreased slightly from RMB2.1 per sq.m. per month in 2022 to RMB1.9 per sq.m. per month in 2023, primarily due to the addition of a new project in Yuanling sub-district, Shenzhen, with an aggregate GFA under management of 3.8 million sq.m.. Additionally, our average property management fee increased from RMB1.2 per sq.m. per month in 2023 to RMB1.5 per sq.m. per month in the six months ended June 30, 2024, primarily due to the increase of occupancy rate of an industrial park project in Guangming district, Shenzhen, which commenced and began generating revenue in April 2023 and contributed approximately to RMB9.5 million for the six months ended June 30, 2024, reflecting a full period of revenue contribution and an increase of average property management fee compared to the partial revenue recorded in the same period of 2023.

In terms of the new first-tier cities, our average property management fee remained relatively stable at RMB4.8 per sq.m. per month during the Track Record Period.

In terms of the second-tier cities, our average property management fee decreased from RMB1.5 per sq.m. per month in 2021 to RMB0.9 per sq.m. per month in 2022, primarily due to the addition of a low-rate industrial park project in Shenyang, along with the discontinuation of a high-revenue school project in Jiangxi. Our average property management fee in the second-tier cities increased to RMB1.2 per sq.m. per month in 2023, primarily due to the discontinuation of a low-rate school project in Nanchang in 2022. Additionally, our average property management fee increased from RMB1.2 per sq.m. per month in 2023 to RMB1.5 per sq.m. per month in the six months ended June 30, 2024, primarily due to the addition of a school project in Huizhou and the increase in average property management fee for a school project in Huizhou and an industrial park project in Shenyang.

According to F&S report, during the Track Record Period, the average property management fees we charged for our city and industrial park services generally fell within the range of fees charged by our peers for comparable properties located in the vicinity of our managed properties.

Other Service Fees

For other services under our city and industrial park services, we mainly charged the other services fees in our industrial park services, such as the community living services (repair and maintenance under request and waste transportation), and venue leasing for equipment during the Track Record Period.

- *Community Living Services*

  — *Repair and Maintenance*. For repair and maintenance, during the Track Record Period, we charged our service fees based on the pricing schedules we set out for different repair and maintenance tasks, such as replacing deadbolt locks and plumbing. During the Track Record Period, our service fees for repair and maintenance typically ranged from RMB5.0 to RMB100.0, which is in line with those charged by our industry peers according to Frost & Sullivan.

  — *Waste Transportation*. For waste transportation, during the Track Record Period, we charged our service fees based on various factors, such as the location and surrounding environment. During the Track Record Period, our service fees for waste transportation were typically RMB25.0, which is in line with those charged by our industry peers according to Frost & Sullivan.

- *Venue Leasing for Equipment*. For venue leasing for equipment, during the Track Record Period, we charged our service fees to media companies, parcel delivery solutions and logistics companies based on the type of equipment placed in our venues, such as power bank stations, parcel lockers and delivery spots. During the Track Record Period, our service fees for venue leasing for equipment typically ranged from RMB2,200.0 per unit per year to RMB6,500.0 per unit per year, depending on the type of equipment involved. According to Frost & Sullivan, our service fees for venue leasing of equipment are in line with those charged by industry peers, which typically range from RMB1,200.0 to RMB12,000.0 per unit per year.

Payment and Credit Terms

We usually settle the service charges on a monthly basis with our customers by transferring the current month's service fees to the agreed designated account in the following month.

For city and industrial park services, we charge the service fees on a monthly basis, depending on the terms of our service contracts. Our customers shall pay the service fees once we issue the monthly demand note on a monthly basis. We primarily accept payments for property management fees through bank transfers.

RESIDENTIAL PROPERTY MANAGEMENT SERVICES

Overview

With over 30 years of history in providing residential property management services, we mainly provide property owners, residents and property developers with the following services:

- ***Property management services***. We mainly provide cleaning, greening, security, maintenance and disinfection services.

- ***Value-added services to non-property owners***. We mainly provide non-property owners with the following services:

  - o sales office management services, including but not limited to cleaning, maintenance, security and reception services in sales offices to property developers; and

  - o other value-added services, including but not limited to consultancy services according to the requirements of property owners, property inspection, delivery and operational services for property developers, such as post-delivery maintenance, and car park management.

- ***Community value-added services***. We mainly provide the following services:

  - o community living services, such as repair and maintenance, and waste transportation;

  - o space operational services, including but not limited to the operation and leasing of public areas such as advertising spaces, clubhouses and swimming pools, as well as venue leasing for equipment such as parcel lockers and delivery spots; and

  - o asset management services, including but not limited to car park management and real estate brokerage services for properties.

We are committed to delivering quality residential property management services catering to our customers' needs.

During the Track Record Period, we were contracted to manage 168, 173, 188 and 185 residential property management services projects, with contracted GFA of approximately 27.9 million sq.m., 29.1 million sq.m., 31.3 million sq.m. and 30.7 million sq.m., respectively.

Additionally, during the Track Record Period, we managed 161, 158, 173 and 175 residential property management services projects, with GFA under management of approximately 26.8 million sq.m., 26.1 million sq.m., 28.6 million sq.m. and 28.4 million sq.m., respectively.

As of the Latest Practicable Date, our aggregate contracted GFA under residential property management services amounted to approximately 31.1 million sq.m.. In addition, as of the Latest Practicable Date, we managed 177 projects under residential property management services, with an aggregate GFA under management of approximately 28.5 million sq.m..

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

	For the year ended December 31,						For the six months ended June 30,			
	2021		2022		2023		2023		2024	
	(RMB' million)	*(%)*	*(RMB' million)*	*(%)*	*(RMB' million)*	*(%)*	*(RMB' million)*	*(%)*	*(RMB' million)*	*(%)*
							(Unaudited)			
Property management services	487.4	62.2	513.3	67.0	532.7	61.5	258.9	64.4	276.1	63.1
Value-added services to non-property owners	22.2	2.8	33.9	4.4	44.2	5.1	16.5	4.1	24.5	5.6
Community value-added services	274.3	35.0	219.0	28.6	289.3	33.4	126.4	31.5	137.0	31.3
Total	**783.9**	**100.0**	**766.2**	**100.0**	**866.2**	**100.0**	**401.8**	**100.0**	**437.6**	**100.0**

In 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, our revenue generated from residential property management services amounted to RMB783.9 million, RMB766.2 million, RMB866.2 million, RMB401.8 million and RMB437.6 million, representing 36.4%, 32.6%, 31.9%, 31.3% and 31.0% of our total revenue, respectively.

The table below sets forth the revenue of our residential property management services projects for the years indicated, by type of property developer:

	For the year ended December 31,						For the six months ended June 30,			
	2021		2022		2023		2023		2024	
	(RMB' million)	*(%)*	*(RMB' million)*	*(%)*	*(RMB' million)*	*(%)*	*(RMB' million)*	*(%)*	*(RMB' million)*	*(%)*
							(Unaudited)			
Shum Yip Group, its subsidiaries, joint ventures and associates	409.0	52.2	395.2	51.6	493.6	57.0	213.4	53.1	252.7	57.7
Independent third parties	374.9	47.8	371.0	48.4	372.6	43.0	188.4	46.9	184.9	42.3
Total	**783.9**	**100.0**	**766.2**	**100.0**	**866.2**	**100.0**	**401.8**	**100.0**	**437.6**	**100.0**

Our revenue for residential property management services decreased from RMB783.9 million in 2021 to RMB766.2 million in 2022, primarily due to a decrease in revenue from value added services, primarily car park management services, provided for properties developed by Shum Yip Group, its subsidiaries, joint ventures and associates, as affected by COVID-19.

Our revenue increased from RMB766.2 million in 2022 to RMB866.2 million in 2023, primarily due to three newly added residential property management projects in Shenzhen in 2023.

Our revenue increased from RMB401.8 million in the six months ended June 30, 2023 to RMB437.6 million in the six months ended June 30, 2024, primarily due to the (i) the increase in the number of residential properties we managed in early 2024; and (ii) the overall increase in revenue of our carpark management services.

The table below sets forth the breakdown of the GFA under our management and number of projects under our residential property management service as of the dates indicated, by type of property developer:

	As of December 31,									As of June 30,		
	2021			2022			2023			2024		
	GFA under management		Number of projects	GFA under management		Number of projects	GFA under management		Number of projects	GFA under management		Number of projects
	(sq.m.'000)	*(%)*		*(sq.m.'000)*	*(%)*		*(sq.m.'000)*	*(%)*		*(sq.m.'000)*	*(%)*	
Shum Yip Group, its subsidiaries, joint ventures and associates	11,285.7	42.2	60	11,404.0	43.6	62	12,786.4	44.7	69	12,939.4	45.5	72
Independent third parties	15,466.5	57.8	101	14,738.9	56.4	96	15,830.9	55.3	104	15,485.6	54.5	103
Total	**26,752.2**	**100.0**	**161**	**26,142.9**	**100.0**	**158**	**28,617.3**	**100.0**	**173**	**28,425.0**	**100.0**	**175**

During the Track Record Period, the majority of the GFA under our management was developed by independent third parties. During the Track Record Period, the GFA under management developed by independent third parties experienced a decline from 15.5 million sq.m. as of December 31, 2021 to 14.7 million sq.m. as of December 31, 2022, primarily due to contract expiration of certain residential property management projects in Jiangxi and Shantou. With continuing improvement of our service quality, the GFA under management developed by independent third parties increased from 14.7 million sq.m. as of December 31, 2022 to 15.8 million sq.m. as of December 31, 2023, primarily due to the addition of two projects in Shenzhen and Ma'anshan. The GFA under management developed by independent third parties remained relatively stable at 15.5 million sq.m. as of June 30, 2024.

During the Track Record Period, the GFA under management developed by Shum Yip Group, its subsidiaries, joint ventures and associates experienced a stable increase from 11.3 million sq.m. as of December 31, 2021 to 12.9 million sq.m. as of June 30, 2024.

As of the Latest Practicable Date, our aggregate contracted GFA developed by Shum Yip Group, its subsidiaries, joint ventures and associates amounted to approximately 15.3 million sq.m.. In addition, as of the Latest Practicable Date, we managed 74 projects developed by Shum Yip Group, its subsidiaries, joint ventures and associates, with an aggregate GFA under management of approximately 12.9 million sq.m..

As of the Latest Practicable Date, our aggregate contracted GFA developed by independent third parties amounted to approximately 15.8 million sq.m.. Moreover, as of the Latest Practicable Date, we managed 103 projects developed by independent third parties, with an aggregate GFA under management of approximately 15.6 million sq.m..

The table below sets forth the breakdown of the GFA under management, number of projects and revenue under our residential property management services projects as of the dates/for the years/periods indicated, categorized into public projects and private projects:

	As of/For the year ended December 31																		As of/For the six months ended June 30,					
	2021						2022						2023						2024					
	GFA under management		No. of projects		Revenue		GFA under management		No. of projects		Revenue		GFA under management		No. of projects		Revenue		GFA under management		No. of projects		Revenue	
	(sq.m.'000)	*(%)*		*(%)*	*(RMB' million)*	*(%)*	*(sq.m.'000)*	*(%)*		*(%)*	*(RMB' million)*	*(%)*	*(sq.m.'000)*	*(%)*		*(%)*	*(RMB' million)*	*(%)*	*(sq.m.'000)*	*(%)*		*(%)*	*(RMB' million)*	*(%)*
Public [1]	1,560.4	5.8	15	9.3	27.1	3.5	1,649.3	6.3	15	9.5	45.9	6.0	2,089.1	7.3	15	8.7	47.3	5.5	2,089.1	7.3	15	8.6	24.4	5.6
Private [2]	25,191.8	94.2	146	90.7	756.8	96.5	24,493.6	93.7	143	90.5	720.3	94.0	26,528.2	92.7	158	91.3	818.9	94.5	26,335.9	92.7	160	91.4	413.2	94.4
Total	**26,752.2**	**100.0**	**161**	**100.0**	**783.9**	**100.0**	**26,142.9**	**100.0**	**158**	**100.0**	**766.20**	**100.0**	**28,617.3**	**100.0**	**173**	**100.0**	**866.2**	**100.0**	**28,425.0**	**100.0**	**175**	**100.0**	**437.6**	**100.0**

(1) Public projects comprised projects of residential property management services contracted with governments.

(2) Private projects comprised projects of residential property management services contracted with private companies and property owners' associations.

Our Geographical Presence

As of June 30, 2024, our geographic presence of residential property management services covered 27 cities across 10 provinces in China, with a GFA under management of approximately 28.4 million sq.m. The map below illustrates the regional coverage of our residential property management services as of June 30, 2024.

During the Track Record Period, we generated revenue from providing property management services and value added services across the PRC, with a focus on the Greater Bay Area. The following table sets forth a breakdown of our revenue from providing residential property management services by region for the years indicated:

	Year ended December 31,						Six months ended June 30,			
	2021		2022		2023		2023		2024	
	(RMB'million)	*%*	*(RMB'million)*	*%*	*(RMB'million)*	*%*	*(RMB'million)*	*%*	*(RMB'million)*	*%*
							(Unaudited)			
Southern China	645.9	82.5	633.2	82.7	717.4	82.8	331.5	82.5	362.1	82.7
— Greater Bay Area	609.4	77.7	595.2	77.7	676.2	78.1	314.7	78.3	339.9	77.7
Eastern China	101.3	12.9	93.0	12.1	102.3	11.8	48.6	12.1	51.1	11.7
Central China	28.5	3.6	29.3	3.8	31.9	3.7	15.3	3.8	18.7	4.3
Southwest China	8.2	1.0	10.7	1.4	14.6	1.7	6.4	1.6	5.7	1.3
Total	**783.9**	**100.0**	**766.2**	**100.0**	**866.2**	**100.0**	**401.8**	**100.0**	**437.6**	**100.0**

Our revenue decreased from RMB783.9 million in 2021 to RMB766.2 million in 2022, primarily due to a decrease in revenue from residential properties in Southern China as our value-added services were affected by COVID-19 outbreaks in Shenzhen. Our revenue increased from RMB766.2 million in 2022 to RMB866.2 million in 2023, primarily due to our business expansion in the Greater Bay Area.

The table below sets forth the breakdown of our total GFA under management and number of projects with respect to our residential property management services as of the dates indicated, by geographic region:

	As of December 31,									As of June 30,		
	2021			2022			2023			2024		
	GFA under management		Number of projects	GFA under management		Number of projects	GFA under management		Number of projects	GFA under management		Number of projects
	(sq.m.'000)	*(%)*		*(sq.m.'000)*	*(%)*		*(sq.m.'000)*	*(%)*		*(sq.m.'000)*	*(%)*	
Southern China Region	18,201.6	68.0	124	18,167.7	69.5	122	20,036.8	70.0	131	20,232.7	71.2	131
— Greater Bay Area	14,769.8	55.2	93	15,028.5	57.5	93	16,846.6	58.9	101	17,017.0	59.9	100
East China Region	6,529.2	24.4	30	5,990.8	22.9	28	6,479.4	22.6	33	6,091.2	21.4	34
Central China Region	1,738.9	6.5	5	1,642.8	6.3	5	1,759.5	6.2	6	1,759.5	6.2	6
Southwest China Region	282.5	1.1	2	341.6	1.3	3	341.6	1.2	3	341.6	1.2	4
Total	**26,752.2**	**100.0**	**161**	**26,142.9**	**100.0**	**158**	**28,617.3**	**100.0**	**173**	**28,425.0**	**100.0**	**175**

During the Track Record Period, the GFA under management under our residential property management services were mainly located in the Southern China Region. In particular, the GFA under management under our residential property management services in the Greater Bay Area increased from approximately 14.8 million sq.m. as of December 31, 2021 to approximately 17.0 million sq.m. as of June 30, 2024, primarily due to the addition of two new projects in Shenzhen, with aggregate GFA under management of approximately 0.4 million sq.m. in the six months ended June 30, 2024.

The table below sets forth the revenue from residential property management services for the years indicated, by city tier:

	For the year ended December 31,						For the six months ended June 30,			
	2021		2022		2023		2023		2024	
	(RMB' million)	*(%)*	*(RMB' million)*	*(%)*	*(RMB' million)*	*(%)*	*(RMB' million)*	*(%)*	*(RMB' million)*	*(%)*
							(Unaudited)			
First-tier cities	528.4	67.4	513.4	67.1	582.3	67.2	271.5	67.7	292.6	66.8
New first-tier cities	98.1	12.5	98.4	12.8	114.8	13.3	52.6	13.1	58.9	13.5
Second-tier cities	85.2	10.9	81.3	10.6	96.1	11.1	43.0	10.7	50.4	11.5
Others	72.2	9.2	73.1	9.5	73.0	8.4	34.7	8.5	35.7	8.2
Total	**783.9**	**100.0**	**766.2**	**100.0**	**866.2**	**100.0**	**401.8**	**100.0**	**437.6**	**100.0**

Our revenue in residential property management services decreased from RMB783.9 million in 2021 to RMB766.2 million in 2022 mainly because our value-added services were affected by COVID-19 outbreaks in Shenzhen.

Our revenue for residential property management services increased to RMB866.2 million in 2023, primarily due to an increase in revenue generated from providing newly added residential property management projects in Shenzhen, Sichuan and Nanjing.

Our revenue increased from RMB401.8 million in the six months ended June 30, 2023 to RMB437.6 million in the six months ended June 30, 2024, primarily due to our business expansion in the first-tier, new first-tier and second-tier cities.

The table below sets forth the breakdown of our total GFA under management and number of projects with respect to our residential property management services as of the dates indicated, by city tier:

	As of December 31,									As of June 30,		
	2021			2022			2023			2024		
	GFA under management		Number of projects	GFA under management		Number of projects	GFA under management		Number of projects	GFA under management		Number of projects
	(sq.m.'000)	(%)		(sq.m.'000)	(%)		(sq.m.'000)	(%)		(sq.m.'000)	(%)	
First-tier cities	10,786.5	40.3	76	11,107.3	42.5	78	12,755.4	44.6	85	12,904.7	45.4	84
New first-tier cities	4,352.1	16.3	20	4,320.8	16.5	21	4,607.6	16.1	23	4,628.7	16.3	25
Second-tier cities	5,820.9	21.7	33	5,647.9	21.6	31	5,647.9	19.7	31	5,647.9	19.9	31
Others	5,792.7	21.7	32	5,066.9	19.4	28	5,606.4	19.6	34	5,243.7	18.4	35
Total	**26,752.2**	**100.0**	**161**	**26,142.9**	**100.0**	**158**	**28,617.3**	**100.0**	**173**	**28,425.0**	**100.0**	**175**

During the Track Record Period, the GFA under management under our residential property management services were mainly located in the first-tier cities. In particular, the GFA under management under our residential property management in the first-tier cities increased from approximately 10.8 million sq.m. as of December 31, 2021 to approximately 12.9 million sq.m. as of June 30, 2024, primarily due to the addition of two new projects in Shenzhen.

During the Track Record Period, our total GFA under management experienced a decline in 2022 compared to 2021, primarily due to the contract expiration of certain residential property management projects, comprising two in new first-tier cities, two in second-tier cities, as well as five in other cities. Our total GFA under management increased from 26.1 million sq.m. as of December 31, 2022 to 28.6 million sq.m. as of December 31, 2023, primarily due to the addition of two new projects in Shenzhen and Ma'anshan, with aggregate GFA under management of approximately 0.8 million sq.m..

Expansion of Residential Property Services Project Portfolio

The table below sets forth the movement in the number of contracted projects, contracted GFA and GFA under management of our residential property management services as of the dates indicated:

	As of December 31,									As of June 30,		
	2021			2022			2023			2024		
	Number of Contracted Projects	Contracted GFA	GFA under management	Number of Contracted Projects	Contracted GFA	GFA under management	Number of Contracted Projects	Contracted GFA	GFA under management	Number of Contracted Projects	Contracted GFA	GFA under management
		(sq.m.'000)	(sq.m.'000)		(sq.m.'000)	(sq.m.'000)		(sq.m.'000)	(sq.m.'000)		(sq.m.'000)	(sq.m.'000)
As of the beginning of the year	162	26,955.5	26,763.2	168	27,850.9	26,752.2	173	29,059.8	26,142.9	188	31,344.0	28,617.3
New engagements[(1)]	16	1,697.2	790.8	14	2,319.5	502.8	16	2,354.4	2,544.6	3	430.3	511.0
— Shum Yip Group, its subsidiaries, joint ventures and associates	6	589.6	242.2	9	1,608.3	119.8	7	1,458.3	1,150.9	0	21.1	153.0
— Independent third parties	10	1,107.6	548.6	5	711.2	383.0	9	896.1	1,393.7	3	409.2	358.0
Termination[(2)]	10	801.8	801.8	9	1,110.6	1,112.1	1	70.2	70.2	6	1,037.2	703.3
Total	**168**	**27,850.9**	**26,752.2**	**173**	**29,059.8**	**26,142.9**	**188**	**31,344.0**	**28,617.3**	**185**	**30,737.1**	**28,425.0**

(1) New engagements primarily included the service contracts required by our customers to manage new properties and the service contracts for replacement of previous property management companies.

(2) Terminations mainly includes certain services contracts expired without renewal as we voluntarily terminated certain property management contracts due to their low profitability and operating loss.

Expiration Schedule of Residential Property Management Service Contracts

The table below sets forth the expiration schedule of our residential property management service projects as of June 30, 2024:

	Contracted GFA		Number of projects	
	(sq.m.'000)	*(%)*		*(%)*
Service contracts without fixed term[1][2]	19,429.5	63.2	123	66.5
Service contracts expiring in				
— Year ending December 31, 2024	3,559.1	11.6	20	10.8
— Year ending December 31, 2025 and beyond	7,748.5	25.2	42	22.7
Subtotal	**11,307.6**	**36.8**	**62**	**33.5**
Total	**30,737.1**	**100**	**185**	**100**

(1) Service contracts without fixed term primarily refers to (i) service contracts entered into with the property owners, residents and property developers which do not have a fixed term and can be terminated as agreed; and (ii) service contracts entered into with property owners, residents and property developers with whom we had property management service contracts that had fixed terms, but such terms expired and we continue to provide services until a new property management service contract becomes effective. With respect to the second scenario, as advised by our PRC Legal Advisors, so long as we continued to provide our services after contract expiration, an expired contract shall be classified as a de facto service contract without a fixed term, which is enforceable under the PRC law.

(2) In 2021, 2022, 2023 and six months ended June 30, 2024, our overall retention rates of residential property management services were 97.0%, 96.5%, 98.9% and 99.5%, respectively. In terms of property developers, our retention rates for residential property management service contracts developed by Shum Yip Group, its subsidiaries, joint ventures and associates were 100.0%, 100.0%, 100.0% and 100.0%, respectively, and our retention rates for residential property management service contracts developed by independent third parties were 95.2%, 94.1%, 98.1% and 99.0%, respectively. In 2021, 2022, 2023 and six months ended June 30, 2024, our overall renewal rates for residential property management service contracts were 86.5%, 84.6%, 94.6% and 87.5%, respectively. In terms of property developers, our renewal rates for residential property management service contracts developed by Shum Yip Group, its subsidiaries, joint ventures and associates were 100.0%, 100.0%, 100.0% and 100.0%, respectively, and our renewal rates for residential property management service contracts developed by independent third parties were 81.5%, 79.3%, 92.3% and 83.3%, respectively. As of the Latest Practicable Date, among the 8 service contracts which were expired by June 30, 2024, 7 of them were renewed.

Revenue Model and Pricing Policy

Revenue Model

Property Management Services to Residential Properties

During the Track Record Period, we charged our service fees for property management services to residential properties either on a lump-sum basis or on a commission basis. For property management fees charged on lump-sum basis, see "— City and Industrial Park Services — Revenue Model and Pricing Policy." During the Track Record Period, we mainly charged our property management fees on lump-sum basis.

For property management fees charged on commission basis, the commission is paid to us in an agreed proportion or amount of the property management service funds received in advance, and the rest is used for the expenses agreed in the property management service contract, with the balance or shortfall being obtained or borne by the clients. Under this billing method, we recognize the agreed-upon property management fee as revenue, which is a fixed percentage of the property management fee payable by the client or the related expenses incurred in providing such services, and the remainder of such property management fee is used for working capital purposes to cover the expenses we incur in managing the property.

Under the commission-based system, we are not entitled to any portion of the property management fees paid by clients (after deducting our share of the fees as property manager) more than the costs associated with providing the property management services. Accordingly, we are generally not responsible for any direct costs that are recognized in the property management contract as being charged on a commission basis. Such costs are borne by the clients.

For 2021, 2022, 2023 and six months ended June 30, 2024, 99.9%, 99.8%, 99.9% and 99.8% of our revenue generated from residential property management services was derived from service fees charged on a lump-sum basis, respectively, while 0.1%, 0.2%, 0.1% and 0.2% of our revenue was derived from service fees charged on a commission basis, respectively. For 2021, 2022, 2023 and six months ended June 30, 2024, the property management fees involving 99.2%, 99.2%, 97.6% and 96.6% of our total GFA under management with respect to residential properties were charged on a lump-sum basis, respectively, with the remaining 0.8%, 0.8%, 2.4% and 3.4% of our total GFA under management being charged on a commission basis, respectively.

Value-added Services to Non-Property Owners and Community Value-Added Services

For value-added services to non-property owners, we usually charge fees for sales office management services on a lump sum basis or at a fixed rate. We charge fees based on actual management costs after considering the nature and scope of services, the number of staff to be assigned and their duties, as well as the size, location and positioning of the property.

For community value-added services, we generally charge fees depending on the nature of the community value-added services provided. For community value-added services provided in partnership with third parties, we generally charge such party a specified percentage of its revenue for the related services.

During the Track Record Period, our community value-added services included community living services, space operational services, and asset management services. The table below sets forth the breakdown of the revenue generated from our community value-added services by nature of services for the years indicated.

	For the year ended December 31,						For the six months ended June 30,	
	2021		2022		2023		2024	
	(RMB'000)	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*
Community living services	54,360.3	19.8	31,201.7	14.2	47,742.1	16.5	15,562.2	11.3
Space operational services	39,170.7	14.3	30,795.7	14.1	38,179.9	13.2	19,294.0	14.1
Asset management services	180,792.8	65.9	157,030.9	71.7	203,387.8	70.3	102,191.1	74.6
Total	**274,323.8**	**100.0**	**219,028.3**	**100.0**	**289,309.8**	**100.0**	**137,047.3**	**100.0**

During the Track Record Period, our asset management services accounted for 65.9%, 71.7%, 70.3% and 74.6% of our total revenue of community value-added services under residential property management services. For details, see "— Residential Property Management Services — Revenue Model and Pricing Policy — Revenue Model — Pricing Policy — Service Fees for Value-added Services to Non-Property Owners."

Pricing Policy

Under our residential property management services, we had different pricing policies for the (i) property management fees, (ii) service fees for value-added services to non-property owners and (iii) service fees for community value-added services during the Track Record Period.

For property management services, the pricing policy was subject to various factors, including the type and location of the property, the range and quality of services provided, our budgeted expenses, our target profit margin, owners' and occupiers' profiles, local government's guidelines on property management fees (where applicable), and the pricing of comparable properties. The competent price administration and construction administration departments of the State Council are jointly responsible for supervision and administration of fees charged for property management and related services, and we are also subject to regional guidance prices implemented by the local governments in the PRC. In December 2014, the NDRC issued the Circular of the NDRC on the Opinions of Decontrolling the Prices of Some Services (國家發展改革委關於放開部分服務價格意見的通知) (the "**Circular**"), which requires provincial-level price administration authorities to abolish all price control or guidance policies on residential properties, with certain exceptions. For more information, see "Regulatory Overview — Legal Supervision over Property Management Services — Property Management Service Charges." We expect that pricing controls on residential properties will relax as relevant local authorities pass regulations to implement the Circular. For details, see "— Property Management Fees and Government-guided Price."

For value-added services to non-property owners, we mainly charged the service fees in the value-added services to non-property owners under our residential property management services, such as the sales office management services and other value-added services (car park management) during the Track Record Period. The pricing policy was subject to the market standards. For details, see "— Service Fees for Value-added Services to Non-Property Owners."

For community value-added services, we mainly charged the service fees in the community value-added services under our residential property management services, such as the community living services (repair and maintenance under request, waste transportation), space operational services (operation and leasing of advertising space, operation and leasing of clubhouses and swimming pools, venue leasing for equipment), and asset management services (car park management, real estate brokerage services). The pricing policy was subject to the market standards. For details, see "— Service Fees for Community Value-added Services."

Property Management Fees and Government-guided Price

Under residential property management services, our property management services generally included cleaning, greening, security, maintenance and disinfection during the Track Record Period.

The table below sets forth a comparison of the average property management fees in our residential property management services segment for the years indicated, by type of property developer:

	For the year ended December 31,			For the six months ended June 30,
	2021	**2022**	**2023**	**2024**
	Average property management fee	**Average property management fee**	**Average property management fee**	**Average property management fee**
	(RMB) per sq.m. per month			
Residential property management services				
— Shum Yip Group, its subsidiaries, joint ventures and associates	2.3	2.4	2.6	2.6
— Independent third parties	1.5	1.6	1.5	1.6

During the Track Record Period, the property management fees under our residential property management services remained stable. In particular, the average property management fee for Shum Yip Group, its subsidiaries, joint ventures and associates during the Track Record Period was generally higher compared to that for the independent third parties, mainly because most of the properties we managed for Shum Yip Group, its subsidiaries, joint ventures and associates were located in the Greater Bay Area, where the property value and cost of services were relatively higher compared to the other areas in China, as confirmed by Frost & Sullivan.

In terms of our geographic focus, we mainly provided property management services for properties located in first-tier cities during the Track Record Period. The table below sets forth a comparison of the average property management fees in our residential property management services segment for the years indicated, by city tier:

	For the year ended December 31			For the six months ended June 30,
	2021	2022	2023	2024
	Average property management fee	Average property management fee	Average property management fee	Average property management fee
		(RMB) per sq.m. per month		
Residential property management services				
— First-tier cities	2.5	2.6	2.8	3.0
— New first-tier cities	1.7	1.7	1.6	1.6
— Second-tier cities	1.2	1.1	1.3	1.4

According to Frost & Sullivan, during the Track Record Period, the average property management fees we charged for our residential property management services generally fell within the range of fees charged by our peers for comparable properties located in the vicinity of our managed properties.

In addition, as advised by our PRC Legal Advisors, the government-guided price was implemented for the property management fees of residential properties, such as government-subsidized housing and ordinary residence in the preliminary stage. The property management fee shall be determined based on various factors, such as property level, property GFA, elevator condition, public facility condition, etc.

The table below sets forth the property management fees we charged for residential properties during the Track Record Period and the headroom for further increase based on the respective government-guided price.

No.	Province	Average property management fee(1)	Government-guided Price(2)	Headroom for increase in average property management fee
			(RMB') per sq.m per month	
1.	Guangdong	2.7	0.5-3.9	1.2
2.	Sichuan	2.1	0.4-3.0	0.9
3.	Jiangsu	1.7	0.2-3.6	1.9
4.	Hunan	1.4	0.5-4.0	2.7
5.	Anhui	1.3	0.2-2.0	0.9
6.	Hubei	1.2	0.4-3.8	2.6
7.	Shandong	1.2	3.0	1.8
8.	Guangxi	1.1	1.5	0.4
9.	Jiangxi	1.1	0.2-1.7	0.6
10.	Henan	0.1	0.5-4.0	1.3

(1) During the Track Record Period, the property management fees we charged were subject to various factors, such as the property type, floor of the managed properties, elevator condition, etc.

(2) During the Track Record Period, the government-guided price varied across different cities in the same province. In general, the government-guided price was based on various factors, such as the property type, property GFA, elevator condition, public facility condition, etc.

Service Fees for Value-added Services to Non-Property Owners

For other services under our residential property management services, we mainly charged the service fees for (i) value-added services to non-property owners and (ii) community value-added services, according the service requirement during the Track Record Period.

For service fees for value-added services to non-property owners, we mainly charged the fees in sales office management and other value-added services (car park management).

- *Sales Office Management Services*. For sales office management services, during the Track Record Period, we charged our service fees based on various factors, such as labor costs. During the Track Record Period, our service fees typically ranged from approximately 6.0% to 10.0% of the labor costs, payable on a monthly or quarterly basis. According to Frost & Sullivan, our service fees charged for sales offices management services are in line with those charged by industry peers, which, based on an equivalent cost markup, typically range from approximately 5.0% to 25.0% of the estimated costs to be incurred.

- *Car Park Management.* For car park management, during the Track Record Period, we generally charged our service fees by reaching (i) contracting arrangement, or (ii) profit-sharing arrangement with non-property owners, subject to the service requirement. For (i) contracting arrangement, we generally charged RMB33.0 per parking space per month to RMB150.0 per parking space per month during the Track Record Period. According to Frost & Sullivan, our service fees charged for car park management are in line with those charged by industry peers, which, typically range from approximately RMB25.0 per parking space per month to RMB200.0 per parking space per month. For (ii) profit-sharing arrangement, our service fees typically ranged from 40.0% to 60.0% of the car parking income. According to Frost & Sullivan, our service fees charged for car park management are in line with those charged by industry peers, which, typically range from approximately 40.0% to 60.0% of the car parking income.

Service Fees for Community Value-added Services

For service fees for community value-added services, we mainly charged the service fees in community living services (repair and maintenance under request, waste transportation), space operational services (operation and leasing of advertising space, operation and leasing of clubhouses and swimming pools, venue leasing for equipment), and asset management services (car park management, real estate brokerage services).

- *Community Living Services*. For community living services, during the Track Record Period, we mainly charged the fees in the (i) repair and maintenance; and (ii) waste transportation.

  — *Repair and Maintenance*. For repair and maintenance, see "— City and Industrial Park Services — Revenue Model and Pricing Policy — Pricing Policy — Other Service Fees — Community Living Services — Repair and Maintenance."

— *Waste Transportation*. For waste transportation, during the Track Record Period, we charged our service fees based on various factors, such as location and surrounding environment. During the Track Record Period, our service fees for the waste transportation typically ranged from RMB16.0 per sq.m. to RMB23.0 per sq.m.. According to Frost & Sullivan, our service fees for waste transportation are in line with those charged by industry peers, which typically range from RMB10.0 per sq.m. to RMB30.0 per sq.m..

• *Space Operational Services*. For space operational services, during the Track Record Period, we mainly charged the fees in the (i) operation and leasing of advertising space, (ii) operation and leasing of clubhouses and swimming pools, and (iii) venue leasing for equipment.

— *Operation and Leasing of Advertising Space*. For operation and leasing of advertising space, during the Track Record Period, we charged our service fees based on various factors, such as property location, size of advertisement and market price. During the Track Record Period, our service fees for operation and leasing of advertising space typically ranged from RMB146.0 to RMB501.3 per advertisement space per month as our service fees. According to Frost & Sullivan, our service fees for operation and leasing of advertising space are in line with those charged by industry peers, which typically range from RMB100.0 to RMB2,000.0 per advertisement space per month.

— *Operation and Leasing of Clubhouses and Swimming Pools*. For operation and leasing of clubhouses and swimming pools, during the Track Record Period, we charged our service fees based on the duration of contract. During the Track Record Period, our service fees for operation and leasing of clubhouses typically ranged from RMB2,255.0 to RMB21,201.5 per month, and our service fees for operation and leasing of swimming pools typically ranged from RMB2,773.0 to RMB9,600.0 per month. According to Frost & Sullivan, our service fees for operation and leasing of clubhouses and swimming pools are in line with those charged by industry peers, which typically range from RMB1,500.0 to RMB25,000.0 per month.

— *Venue Leasing for Equipment*. For venue leasing for equipment, see "— City and Industrial Park Services — Revenue Model and Pricing Policy — Pricing Policy — Other Service Fees — Community Living Services — Venue Leasing for Equipment."

• *Asset Management Services*. For asset management services, during the Track Record Period, we mainly charged the fees in the (i) car park management, and (ii) real estate brokerage services.

— *Car Park Management*. For car park management, we charged our service fees based on the type of vehicle. For light vehicles, we generally charged RMB5.0 to RMB10.0 for the first hour of car parking and RMB1.0 to RMB5.0 for each subsequent hour, with the daily maximum charge ranging from RMB10.0 to RMB40.0. According to Frost & Sullivan, our service fees for car park management services (light vehicle) are in line with those charged by industry peers, which typically range from RMB0.0 to

RMB15.0 per hour for the first hour of car parking, and RMB0.0 to RMB10.0 for each subsequent hour, with a daily maximum charge of RMB10.0 to RMB80.0. For heavy vehicles, we generally charged RMB10.0 to RMB20.0 for the first hour of car parking and RMB2.0 to RMB15.0 for each subsequent hour, with the daily maximum charge ranging from RMB20.0 to RMB80.0. According to Frost & Sullivan, our service fees for car park management services (heavy vehicle) are in line with those charged by industry peers, which typically range from RMB0.0 to RMB30.0 per hour for the first hour of car parking, and RMB0.0 to RMB20.0 for each subsequent hour, with a daily maximum charge of RMB20.0 to RMB100.0.

— *Real Estate Brokerage Services*. For real estate brokerage services, during the Track Record Period, we charged our service fees based on various factors, such as market price. During the Track Record Period, our service fees for the real estate brokerage services typically ranged from 50.0% to 95.0% of the monthly rental proceeds. According to Frost & Sullivan, our service fees for asset management services are in line with those charged by industry peers, which typically range from 20.0% to 100.0% of the monthly rental proceeds.

Payment and Credit Terms

We primarily accept payments for property management fees through bank transfer, automatic transfer or credit card. In case of late payment, liquidated damages will be charged according to the terms and conditions in the contract.

Property Management Service Contract

We generally enter into preliminary property management service contracts with property developers. A preliminary property management service contract is a type of property management service contract that we enter into at the construction and pre-delivery stage of property development projects.

In relation to properties that have already been delivered, we typically enter into property management service contracts with property owners' associations. Generally, our preliminary property management service contracts terminate upon the effective date of the property management service contract executed by the representative of the property owner's association.

The table below sets forth a breakdown of our revenue, number of projects and GFA under management by preliminary stage and property owners' association stage during the Track Record Period.

	As of/For the year ended December 31, /December 31									As of/For the six months ended June 30,		
	2021			2022			2023			2024		
	Revenue	GFA under management	Number of projects	Revenue	GFA under management	Number of projects	Revenue	GFA under management	Number of projects	Revenue	GFA under management	Number of projects
	(RMB' million)	*(sq.m. '000)*		*(RMB' million)*	*(sq.m. '000)*		*(RMB' million)*	*(sq.m. '000)*		*(RMB' million)*	*(sq.m. '000)*	
Preliminary stage	429.9	15,202.7	81	380.8	14,594.4	79	441.7	16,683.3	89	235.8	17,011.0	96
Property owners' association stage[(1)]	354.0	11,549.5	80	385.4	11,548.5	79	424.5	11,934.0	84	201.8	11,414.0	79
	783.9	26,752.2	161	766.2	26,142.9	158	866.2	28,617.3	173	437.6	28,425.0	175

(1) This included property management projects where we rendered services pursuant to the terms of property management service contracts signed with property owners' associations, as well as property management projects where we continued to render services pursuant to the terms of preliminary property management service contracts signed with property developers.

As of June 30, 2024, 79 residential properties under our management had established property owners' associations, which accounted for 45.1% of the total number of residential properties under our management. As confirmed by our Directors, property owners' associations were independent from us during the Track Record Period. After the establishment of the property owners' associations, any adjustments to our management fees would be determined through commercial negotiation. As of June 30, 2024, our Directors confirmed there was no material change in property management fees after the establishment of property owners' associations during the Track Record Period.

COMMERCIAL PROPERTY OPERATIONAL AND MANAGEMENT SERVICES

Overview

Under commercial property operational and management services, we mainly provide corporations, merchants, property developers, property owners and tenants with the following services:

- ***Commercial operational services***. We mainly provide comprehensive commercial operational services. We arrange commercial leasing, facilitate leasing for units and shops, support daily management of commercial properties, and organize marketing activities for property owners and tenants. Additionally, we provide hotel operational management and supervision. We manage hotels in Shenzhen and Chaohu City, handling all aspects of operations from staff recruitment to daily management. For hotels in Shenzhen, Suzhou City and Kashgar City that are operated by third parties, we supervise these operations to ensure they meet the property owners' standards. This supervision includes monitoring financial performance, controlling annual budgets and managing renovation plans.

- ***Property management services***. We mainly provide cleaning, greening, public facilities and equipment maintenance, and security services.

- ***Value-added services***. We mainly provide various value-added services, including but not limited to car park management, venue management, additional air conditioning, waste collection and transportation for decoration materials, exhibition and display services, and consultancy services, such as conducting market research and planning for our customers' brand positioning.

We are committed to delivering quality commercial property operational and management services catering to our customers' needs.

During the Track Record Period, we were contracted to manage 56, 58, 72 and 74 commercial property operational and management services projects, with contracted GFA of approximately 3.5 million sq.m., 3.6 million sq.m., 3.8 million sq.m. and 5.1 million sq.m., respectively.

Additionally, during the Track Record Period, we managed 55, 57, 71 and 71 commercial property operational and management services projects, with GFA under management of approximately 3.4 million sq.m., 3.5 million sq.m., 3.7 million sq.m. and 4.9 million sq.m., respectively.

As of the Latest Practicable Date, our aggregate contracted GFA under commercial property operational and management services amounted to approximately 5.4 million sq.m.. In addition, as of the Latest Practicable Date, we managed 76 projects, with an aggregate GFA under management of approximately 5.1 million sq.m..

The table below sets forth a breakdown of our revenue from our commercial property operational and management services for the years indicated, by type of services:

	For the year ended December 31,						For the six months ended June 30,			
	2021		2022		2023		2023		2024	
	(RMB' million)	*(%)*	*(RMB' million)*	*(%)*	*(RMB' million)*	*(%)*	*(RMB' million)*	*(%)*	*(RMB' million)*	*(%)*
							(Unaudited)			
Commercial operational services	30.6	6.0	92.1	16.4	86.7	13.8	39.1	13.0	44.5	13.3
Property management services	394.1	77.2	385.5	68.6	442.4	69.9	215.8	71.3	229.5	68.5
Value-added services	85.5	16.8	84.1	15.0	103.4	16.3	47.6	15.7	61.1	18.2
Total	**510.2**	**100.0**	**561.7**	**100.0**	**632.5**	**100.0**	**302.5**	**100.0**	**335.1**	**100.0**

In 2021, 2022, 2023 and six months ended June 30, 2024, our revenue from commercial property operational and management services amounted to RMB510.2 million, RMB561.7 million, RMB632.5 million, RMB302.5 million and RMB335.1 million, representing 23.7%, 23.9%, 23.3%, 23.6% and 23.8% of our total revenue, respectively.

The table below sets forth the revenue of our commercial property operational and management services projects for the years indicated, by type of property developer:

	For the year ended December 31,						For the six months ended June 30,			
	2021		2022		2023		2023		2024	
	(RMB' million)	*(%)*	*(RMB' million)*	*(%)*	*(RMB' million)*	*(%)*	*(RMB' million)*	*(%)*	*(RMB' million)*	*(%)*
							(Unaudited)			
Shum Yip Group, its subsidiaries, joint ventures and associates	356.3	69.8	454.3	80.9	497.9	78.7	233.3	77.1	260.9	77.9
Independent third parties	153.9	30.2	107.4	19.1	134.6	21.3	69.2	22.9	74.2	22.1
Total	**510.2**	**100.0**	**561.7**	**100.0**	**632.5**	**100.0**	**302.5**	**100.0**	**335.1**	**100.0**

During the Track Record Period, our revenue growth for commercial property operational and management services was primarily driven by an increase in revenue generated from commercial properties developed by Shum Yip Group, its subsidiaries, joint ventures and associates. We generated more revenue from projects developed by Shum Yip Group, its subsidiaries, joint ventures and associates than independent third parties mainly because properties developed by Shum Yip Group, its subsidiaries, joint ventures and associates were of higher value and we charged a higher property management fee.

The table below sets forth the breakdown of the GFA under management and number of projects under our commercial property operational and management services as of the dates indicated, by type of property developer:

	As of December 31,									As of June 30,		
	2021			2022			2023			2024		
	GFA under management		Number of projects	GFA under management		Number of projects	GFA under management		Number of projects	GFA under management		Number of projects
	(sq.m.'000)	*(%)*		*(sq.m.'000)*	*(%)*		*(sq.m.'000)*	*(%)*		*(sq.m.'000)*	*(%)*	
Shum Yip Group, its subsidiaries, joint ventures and associates	2,266.2	67.5	29	2,300.3	65.9	30	2,380.9	64.9	37	2,442.2	50.4	39
Independent third parties	1,092.0	32.5	26	1,190.5	34.1	27	1,289.0	35.1	34	2,408.1	49.6	32
Total	**3,358.2**	**100.0**	**55**	**3,490.8**	**100.0**	**57**	**3,669.9**	**100.0**	**71**	**4,850.3**	**100.0**	**71**

During the Track Record Period, the majority of the GFA under our management was developed by Shum Yip Group, its subsidiaries, joint ventures and associates.

During the Track Record Period, the GFA under management developed by the Shum Yip Group, its subsidiaries, joint ventures and associates remained relatively stable at approximately 2.4 million sq.m. as of June 30, 2024. The GFA under management developed by the independent third parties relatively stable at approximately 1.3 million sq.m as of December 31, 2023 and increased to 2.4

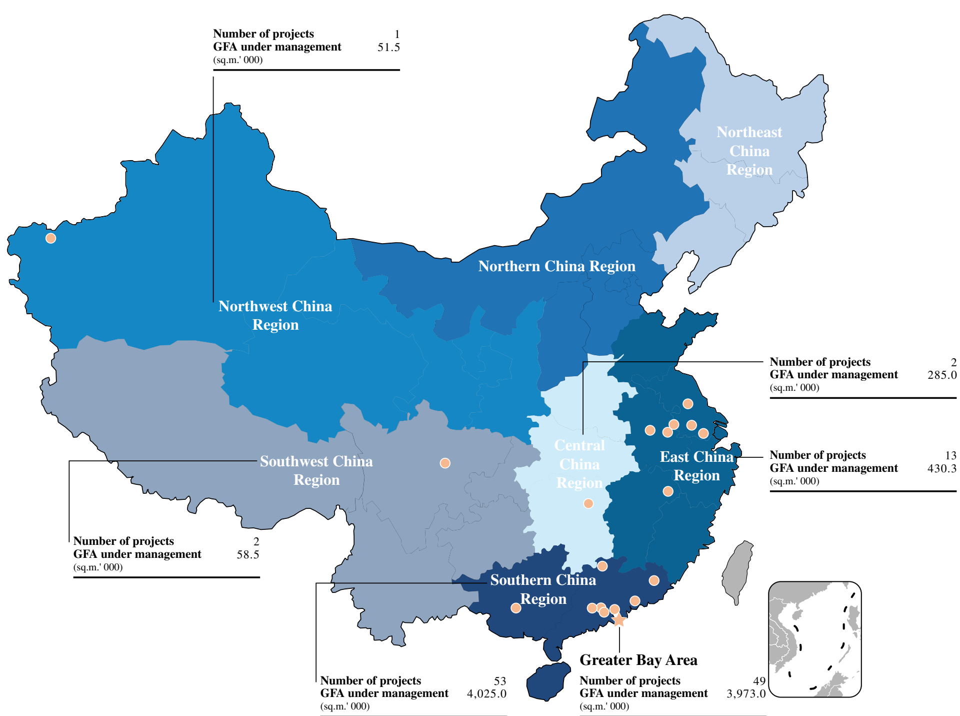
million sq.m., primarily due to the first half of (i) the addition of a financial center project in Shenzhen, with a GFA under management of approximately 0.2 million sq.m. in 2024; and (ii) the addition of a new project, with a GFA under management of approximately 1.1 million sq.m. in early 2024.

As of the Latest Practicable Date, our aggregate contracted GFA developed by Shum Yip Group, its subsidiaries, joint ventures and associates amounted to approximately 2.6 million sq.m.. In addition, as of the Latest Practicable Date, we managed 38 projects developed by Shum Yip Group, its subsidiaries, joint ventures and associates, with an aggregate GFA under management of approximately 2.4 million sq.m..

As of the Latest Practicable Date, our aggregate contracted GFA developed by independent third parties amounted to approximately 2.8 million sq.m.. Moreover, as of the Latest Practicable Date, we managed 38 projects developed by independent third parties, with an aggregate GFA under management of approximately 2.7 million sq.m..

Our Geographical Presence

Our geographical presence covered 21 cities across 9 provinces in China as of June 30, 2024, with a GFA under management of approximately 4.9 million sq.m. as of June 30, 2024. The map below illustrates the regional coverage of our commercial property operational and management services as of June 30, 2024.



The table below sets forth the total revenue generated from commercial property operational and management services for the years indicated, by geographic region:

	For the year ended December 31,						For the six months ended June 30,			
	2021		2022		2023		2023		2024	
	(RMB' million)	*(%)*	*(RMB' million)*	*(%)*	*(RMB' million)*	*(%)*	*(RMB' million)*	*(%)*	*(RMB' million)*	*(%)*
							(Unaudited)			
Southern China Region	441.7	86.6	522.6	93.0	569.3	90.1	275.4	91.1	301.6	90.0
— Greater Bay Area	432.6	84.8	510.6	90.9	554.8	87.7	268.0	88.6	295.2	88.1
East China Region	62.1	12.2	27.6	4.9	35.5	5.6	14.5	4.8	20.0	6.0
Central China Region	1.7	0.3	7.1	1.3	22.4	3.5	11.3	3.7	10.7	3.2
Southwest China Region	4.7	0.9	4.4	0.8	4.0	0.6	1.3	0.4	2.4	0.7
Northwest China Region	—	0.0	—	0.0	1.3	0.2	—	0.0	0.4	0.1
Total	**510.2**	**100.0**	**561.7**	**100.0**	**632.5**	**100.0**	**302.5**	**100.0**	**335.1**	**100.0**

During the Track Record Period, our revenue growth in commercial property operational and management services was primarily driven by revenue generated from commercial property operational and management services provided in the Greater Bay Area, which accounted for 84.8%, 90.9%, 87.7%, 88.6% and 88.1% of our segment revenue in 2021, 2022, 2023 and six months ended June 30, 2023 and 2024, respectively, primarily attributable to our strong presence in the Greater Bay Area and our enhanced efforts in expanding our business in the area. During the Track Record Period, we added several commercial property operational and management projects, primarily included two office buildings in Zhongshan and Jiangmen.

The table below sets forth the breakdown of our total GFA and number of projects under management with respect to our commercial property operational and management services as of the dates indicated, by geographic region:

	As of December 31,									As of June 30,		
	2021			2022			2023			2024		
	GFA under management		Number of projects	GFA under management		Number of projects	GFA under management		Number of projects	GFA under management		Number of projects
	(sq.m.'000)	*(%)*		*(sq.m.'000)*	*(%)*		*(sq.m.'000)*	*(%)*		*(sq.m.'000)*	*(%)*	
Southern China Region	2,609.4	77.7	39	2,779.5	79.6	42	2,844.5	77.5	52	4,025.0	83.0	53
— Greater Bay Area	2,400.0	71.5	35	2,575.1	73.8	38	2,618.2	71.3	45	3,973.0	81.9	49
East China Region	638.8	19.0	13	397.5	11.4	11	430.3	11.7	14	430.3	8.9	13
Central China Region	—	—	0	203.8	5.8	1	285.1	7.8	2	285.0	5.9	2
Southwest China Region	58.5	1.7	2	58.5	1.7	2	58.5	1.6	2	58.5	1.2	2
Northwest China Region	51.5	1.5	1	51.5	1.5	1	51.5	1.4	1	51.5	1.0	1
Total	**3,358.2**	**100.0**	**55**	**3,490.8**	**100.0**	**57**	**3,669.9**	**100.0**	**71**	**4,850.3**	**100.0**	**71**

During the Track Record Period, the GFA under management under our commercial property operational and management services were mainly located in the Southern China Region. In particular, the GFA under management under our commercial property operational and management services in the Greater Bay Area increased from approximately 2.4 million sq.m. as of December 31, 2021 to approximately 4.0 million sq.m. as of June 30, 2024, primarily due to (i) the addition of a financial center project in Shenzhen, with a GFA under management of approximately 0.2 million sq.m. in early 2024; and (ii) the addition of a new project, with a GFA under management of approximately 1.1 million sq.m. in early 2024.

The table below sets forth the revenue from commercial property operational and management services for the years indicated, by city tier:

	For the year ended December 31,						For the six months ended June 30,			
	2021		2022		2023		2023		2024	
	(RMB' million)	*(%)*	*(RMB' million)*	*(%)*	*(RMB' million)*	*(%)*	*(RMB' million)*	*(%)*	*(RMB' million)*	*(%)*
							(Unaudited)			
First-tier cities	412.1	80.7	491.8	87.5	533.7	84.4	258.1	85.3	283.2	84.5
New first-tier cities	14.1	2.8	18.0	3.2	39.1	6.2	16.3	5.4	20.3	6.1
Second-tier cities	30.9	6.1	20.6	3.7	12.4	2.0	5.8	1.9	7.5	2.2
Others	53.1	10.4	31.3	5.6	47.3	7.4	22.3	7.4	24.1	7.2
Total	**510.2**	**100.0**	**561.7**	**100.0**	**632.5**	**100.0**	**302.5**	**100.0**	**335.1**	**100.0**

During the Track Record Period, our revenue growth was primarily driven by revenue from commercial properties located in the first-tier cities, which included *Upperhills* in Shenzhen. This is due to a higher demand of commercial property operational and management services as a result of rapid urban development in the first-tier cities, according to Frost & Sullivan. In particular, our revenue from commercial properties located in the new first-tier cities increased from RMB18.0 million in 2022 to RMB39.1 million in 2023, primarily due to a newly added commercial property operational and management project in Changsha which accounted for the increase of RMB15.8 million.

The table below sets forth the breakdown of our total GFA under management and number of projects with respect to our commercial property operational and management services as of the dates indicated, by city tier:

	As of December 31,									As of June 30,		
	2021			2022			2023			2024		
	GFA under management		Number of projects	GFA under management		Number of projects	GFA under management		Number of projects	GFA under management		Number of projects
	(sq.m.'000)	*(%)*		*(sq.m.'000)*	*(%)*		*(sq.m.'000)*	*(%)*		*(sq.m.'000)*	*(%)*	
First-tier cities	2,262.6	67.4	31	2,324.8	66.6	33	2,292.9	62.5	37	3,735.4	77.0	41
New first-tier cities	214.8	6.4	6	418.6	12.0	7	576.2	15.7	10	501.2	10.3	9
Second-tier cities	217.0	6.5	6	249.7	7.2	5	249.7	6.8	5	259.2	5.4	6
Others	663.8	19.8	12	497.7	14.3	12	551.1	15.0	19	354.5	7.3	15
Total	**3,358.2**	**100.0**	**55**	**3,490.8**	**100.0**	**57**	**3,669.9**	**100.0**	**71**	**4,850.3**	**100.0**	**71**

During the Track Record Period, the GFA under management under our commercial property operational and management services were mainly located in the first-tier cities.

Expansion of Commercial Property Operational and Management Services Project Portfolio

We had been expanding our commercial property operational and management services during the Track Record Period primarily through obtaining new service contracts from Shum Yip Group, its subsidiaries, joint ventures and associates. The table below sets forth the movement in the number of projects, contracted GFA and GFA under management of our commercial property operational and management services as of the dates indicated:

	As of December 31,									As of June 30,		
	2021			2022			2023			2024		
	Number of projects	Contracted GFA	GFA under management	Number of projects	Contracted GFA	GFA under management	Number of projects	Contracted GFA	GFA under management	Number of projects	Contracted GFA	GFA under management
		(sq.m.'000)	*(sq.m.'000)*		*(sq.m.'000)*	*(sq.m.'000)*		*(sq.m.'000)*	*(sq.m.'000)*		*(sq.m.'000)*	*(sq.m.'000)*
As of the beginning of the year	54	3,397.5	3,368.8	56	3,468.2	3,358.2	58	3,604.6	3,490.8	72	3,778.3	3,669.9
New engagements(1)	4	102.6	21.3	11	598.7	598.7	16	332.2	337.6	10	1,576.2	1,460.7
— Shum Yip Group, its subsidiaries, joint ventures and associates	2	89.9	8.6	3	88.2	88.2	7	192.9	198.3	3	115.3	62.4
— Independent Third Parties	2	12.7	12.7	8	510.5	510.5	9	139.3	139.3	7	1,460.9	1,398.3
Termination(2)	2	31.9	31.9	9	462.3	466.1	2	158.5	158.5	8	279.8	280.3
Total	**56**	**3,468.2**	**3,358.2**	**58**	**3,604.6**	**3,490.8**	**72**	**3,778.3**	**3,669.9**	**74**	**5,074.7**	**4,850.3**

(1) New engagements primarily included the service contracts required by our customers to manage new properties and the service contracts for replacement of previous property management companies.

(2) Termination mainly included certain service contracts expired without renewal as we voluntarily terminated certain property management contracts due to their low profitability and operating loss.

Portfolio of Commercial Properties under Operational and Management Services

We have a diverse portfolio of commercial properties, including commercial complexes, office buildings, community businesses and hotels. As of June 30, 2024, we provided commercial property operational and management services to a number of projects, such as *Upperhills* and *Tanglang City*. As of June 30, 2024, we provided hotel operational services to seven hotels located in Shenzhen, Chaohu, Suzhou and Kashgar in China.

Our Signature Projects

The following provides details of the features and strengths of our signature commercial property projects:

Upperhills (深業上城)

Upperhills was launched in Futian district, Shenzhen. Regarded as one of the "20 major urban renewal projects in the 30th anniversary of the establishment of Shenzhen Special Economic Zone" (深圳經濟特區成立30周年20大城市更新項目), *Upperhills* serves as the large-scale urban complex in Shenzhen comprising various shopping space, industrial research and development buildings, cultural and creativity loft, business apartments and a premium hotel, with a total floor area of approximately 1.2 million sq.m..

Upperhills embodies a diversified comprehensive shopping center, well-known characteristic cultural town, renowned fashion brands street, a world-known five-star hotel and several office buildings among which, the Block A office features as the fourth tallest office building in Shenzhen (388 meters in height).

Sky Park (深業中城)

Located in Futian district, Shenzhen, *Sky Park* is an urban benchmark complex property with a GFA of approximately 360,000 sq.m. that embodies high-end residence, 5A office, shopping malls and hotels.

Expiration Schedule of Commercial Property Operational and Management Service Contracts

The table below sets forth the expiration schedule of property management service contracts for our commercial operational and management service projects as of June 30, 2024:

	Contracted GFA		Number of projects	
	(sq.m.'000)	*(%)*		*(%)*
Projects governed by property management service contracts without fixed term[(1)(2)]	969.7	19.1	17	23.0
Projects governed by property management service contracts expiring in				
— Year ending December 31, 2024	1,995.6	39.3	26	35.1
— Year ending December 31, 2025 and beyond	2,109.4	41.6	31	41.9
Subtotal	**4,105.0**	**80.9**	**57**	**77.0**
Total	**5,074.7**	**100**	**74**	**100**

(1) Service contracts without fixed term primarily refers to (i) service contracts entered into with the property developers, property owners and tenants which do not have a fixed term and can be terminated as agreed; and (ii) service contracts entered into with property developers, property owners and tenants with whom we had property management service contracts that had fixed terms, but such terms expired and we continue to provide services until a new property management service contract becomes effective. With respect to the second scenario, as advised by our PRC Legal Advisors, so long as we continued to provide our services after contract expiration, an expired contract shall be classified as a de facto service contract without a fixed term, which is enforceable under the PRC law.

(2) In 2021, 2022, 2023 and six months ended June 30, 2024, our overall retention rates of commercial property operational and management service contracts were 89.3%, 91.4%, 97.2% and 97.3%, respectively. In terms of property developers, our retention rates for commercial property operational and management service contracts developed by Shum Yip Group, its subsidiaries, joint ventures and associates were 93.3%, 96.8%, 97.4% and 100.0%, respectively, and our retention rates for commercial property operational and management service contracts developed by independent third parties were 84.6%, 85.2%, 97.1% and 93.9%, respectively. In 2021, 2022, 2023 and six months ended June 30, 2024, our overall renewal rates for commercial property operational and management service contracts were 62.5%, 73.7%, 89.5% and 80.0%, respectively. In terms of property developers, our renewal rates for commercial property operational and management service contracts developed by Shum Yip Group, its subsidiaries, joint ventures and associates were 71.4%, 87.5%, 92.3% and 100.0%, respectively, and our renewal rates for commercial property operational and management service contracts developed by independent third parties were 55.6%, 63.6%, 83.3% and 66.7%, respectively. The renewal rate for our commercial property operational and management services developed by independent third parties decreased from 83.3% in 2023 to 66.7% in the six months ended June 30, 2024, primarily due to (i) client's decision to terminate a project in Shenzhen prior to expiry of the contract term in response to market conditions; and (ii) non-renewal or termination of certain property management service contracts for projects, driven by contract expiry or clients' commercial decisions. As of the Latest Practicable Date, among the 10 service contracts which were expired by June 30, 2024, 8 of them were renewed.

Revenue Model and Pricing Policy

Revenue Model

Service Fees Charged for Commercial Operational Services

We generally charge service fees depending on the nature of our services rendered. Our commercial operational service fees mainly consist of basic management fee and, subject to projects, profit management fee. As for basic management fee, the fees were generally calculated as a percentage of the monthly rent or operating income of the commercial projects. As for profit management fee, subject to projects, it was calculated as a percentage of the operating profit or gross profit of the commercial projects.

Service Fees Charged for Property Management Services

We adopt a lump-sum basis revenue model when charging property management fees for the provision of our property management services which is similar in nature to those for city and industrial park services. See "— City and Industrial Park Services — Revenue Model and Pricing Policy — Service Fees Charged on a Lump-sum Basis."

Pricing Policy

Under our commercial property operational and management services, we had different pricing policies for the (i) commercial operational service fees; (ii) property management fees; and (iii) service fees for valued-added services during the Track Record Period.

For commercial operational services and property management services, the pricing policy was subject to various factors, including the project positioning and scale, property type, location and surrounding facilities, the property owner and tenants structures, the infrastructure of the property, the service scope and quality, the estimated cost and profit margin targets, and the pricing of similar and comparable properties. For details, see "— Commercial Operational Service Fees" and "— Property Management Fees."

For other services, we mainly charged the other service fees in the value-added services under our commercial property operational and management services, such as the car park management, venue management, additional air conditioning, waste collection and transportation for decoration materials, exhibition and display services, consultancy services during the Track Record Period. The pricing policy was subject to the service requirement of different services. For details, see below " — Service Fees for Value-added Service Fees."

Commercial Operational Service Fees

For commercial operational services under our commercial property operational and management services, we mainly charged our commercial operational service fees in the form of the basic management fee and, subject to projects, profit management fee during the Track Record Period. During the Track Record Period, our basic management fees typically ranged from 3.0% to 5.0% of the customer's operating income, and our profit management fees typically ranged from 4.0% to 7.0% of the customer's profit.

Property Management Fees

Under commercial property and operational services, our property management services generally included cleaning, greening, public facility and equipment maintenance, and security services during the Track Record Period.

The table below sets forth a comparison of the average property management fees in our commercial property operational and management services segment for the years indicated, by type of property developer:

	For the year ended December 31,			For the six months ended June 30,
	2021	2022	2023	2024
	Average Property Management Fee	Average Property Management Fee	Average Property Management Fee	Average Property Management Fee
	(RMB) per sq.m. per month			
Commercial property operational and management services				
— Shum Yip Group, its subsidiaries, joint ventures and associates	16.4	17.0	17.5	16.0
— Independent third parties	8.4	8.0	7.1	13.4

During the Track Record Period, for commercial property operational and management services, our average property management service fee for Shum Yip Group, its subsidiaries, joint ventures, and associates was notably higher compared to that for independent third parties, primarily because the projects we managed for Shum Yip Group, its subsidiaries, joint ventures, and associates were primarily located in the first-tier cities, where the service fees were generally higher, while the projects for independent third parties were mainly located in new first-tier, second-tier and other cities with comparatively lower service fees. In particular, our average property management fees for properties developed by Shum Yip Group, its subsidiaries, joint ventures and associates increased from RMB17.0 per sq.m. per month in 2022 to RMB17.5 per sq.m. per month in 2023, primarily due to the increase in occupancy rate in *Upperhills*.

In addition, our average property management fees for properties developed by independent third parties decreased from RMB8.4 per sq.m. per month in 2021 to RMB8.0 per sq.m. per month in 2022, primarily due to the withdrawal of two projects in Shenzhen and Zhongshan city and the addition of certain low-rate projects in other non first-tier cities. Moreover, our average property management fees for properties developed by independent third parties further decreased to RMB7.1 per sq.m. per month in 2023, primarily due to the addition of a low-rate project in Foshan City and withdrawal of a high-rate project in Shenzhen. Our average property management fees for properties developed by independent third parties significantly increased from RMB7.1 per sq.m. per month in 2023 to RMB13.4 per sq.m. per month in the six months ended June 30, 2024, primarily due to (i) the addition of a high-rate financial center project in Shenzhen and a telecommunications center project in Haikou City; and (ii) the termination of a low-rate commercial building project in Foshan.

In terms of our geographic focus, we mainly provided property management services for properties located in the first-tier cities during the Track Record Period. The table below sets forth a comparison of the average property management fees in our commercial property operational and management services segment for the years indicated, by city tier:

	For the year ended December 31			For the six months ended June 30,
	2021	2022	2023	2024
	Average property management fee	Average property management fee	Average property management fee	Average property management fee
	(RMB) per sq.m. per month			
Commercial property operational and management services				
— First-tier cities	16.1	16.4	17.1	20.6
— New first-tier cities	7.5	8.0	7.5	6.0
— Second-tier cities	9.9	6.1	3.8	4.3

Our average property management fee in first-tier cities increased from RMB16.1 per sq.m. per month in 2021 to RMB17.1 per sq.m. per month in 2023, primarily due to the increase in occupancy rate in *Upperhills*, which led to the increase of the average management fee. Additionally, our average property management fee in first-tier cities increased from RMB17.1 per sq.m. per month in 2023 to RMB20.6 per sq.m. per month in the six months ended June 30, 2024, primarily due to (i) the addition of a high-rate financial center project in Shenzhen and a telecommunications center project in Haikou; and (ii) the termination of a low-rate commercial building project in Foshan.

Our average property management fee in new first-tier cities increased from RMB7.5 per sq.m. per month in 2021 to RMB8.0 per sq.m. per month in 2022, in part due to the addition of a high-revenue project involving an office building located in Changsha in our project portfolio, leading to the rise of the average property management fee. Our average property management fee in the new first-tier cities decreased to RMB7.5 per sq.m. per month in 2023, primarily due to the addition of a low-rate project in Foshan City.

According to Frost & Sullivan, during the Track Record Period, the average property management fees we charged for our commercial property operational and management services generally fell within the range of fees charged by our peers for comparable properties located in the vicinity of our managed properties.

Value-added Services

In addition to our property management services, we provide various value-added services, including but not limited to car park management, venue management, additional air conditioning, waste collection and transportation for decoration materials, exhibition and display services, and consultancy services, such as conducting market research and planning for our customers' brand positioning.

- *Car Park Management*. For car park management, during the Track Record Period, we generally charged our service fees based on the type of vehicle. In *Upperhills (深業上城)*, we charged RMB10.0 for the first hour and RMB5.0 for each subsequent hour, with a daily maximum charge of RMB60.0. In *Tanglang City*, (i) for light vehicles, we charged RMB10.0 for the first hour, RMB5.0 for each subsequent hour with a maximum charge of RMB35.0; and (ii) for heavy vehicles, the first hour of parking was free of charge, the second hour was RMB10.0 and we charged RMB5.0 for each subsequent hour, with a daily maximum charge of RMB50.0. According to Frost & Sullivan, our service fees for car park management services are in line with those charged by industry peers, which typically range from RMB5.0 to RMB20.0 per hour for the first hour of car parking, and RMB5.0 to RMB15.0 for each subsequent hour, with a daily maximum charge of RMB30.0 to RMB200.0.

- *Venue Management*. For venue management, during the Track Record Period, we charged our service fees based on various factors, such as size and type of venue. In *Upperhills*, during the Track Record Period, our service fee ranged from RMB5,050.0 to RMB576,000.0 per month. According to Frost & Sullivan, our service fees for leasing communal spaces are in line with those charged by industry peers, which depending on the type of venue, typically range from RMB2,000.0 to RMB800,000.0 per month.

- *Additional Air Conditioning Services*. For additional air conditioning services, during the Track Record Period, we charged our service fees based on the additional request of the air conditioning services after office hours. During the Track Record Period, we charged RMB300.0 per hour per half-floor or RMB500.0 per hour per floor. According to Frost & Sullivan, our service fees for additional air conditioning services are in line with those charged by industry peers, where the industry charges typically range from RMB250.0 to RMB700.0 per hour per half-floor or RMB500.0 to RMB1,500.0 per hour per floor for office buildings.

- *Waste Collection and Transportation for Decoration Materials*. For waste collection and transportation for decoration materials, during the Track Record Period, we charged our service fees based on various factors, such as property type. During the Track Record Period, our service fees for waste collection and transportation for decoration materials were typically RMB55.0 per sq.m.. According to Frost & Sullivan, our service fees for renovation waste collection and transportation services are in line with those charged by industry peers, which typically range from RMB25.0 to RMB60.0 per sq.m..

- *Exhibition and Display Services*. For exhibition and display services, during the Track Record Period, we charged our service fees based on the property location and pricing schedules we set out for different display equipment, such as hanging flags, light box signs and LED screen display. In *Upperhills*, our service fees for exhibition and display services typically ranged from RMB1,750.0 to RMB200,000.0 during the Track Record Period. In *Tanglang City*, our service fees for exhibition and display services typically ranged from RMB480.0 to RMB10,000.0 during the Track Record Period. According to Frost & Sullivan, our service fees for exhibition and display services are in line with those charged by industry peers, which typically range from RMB200.0 to RMB400,000.0.

- *Consultancy Services*. For consultancy services, during the Track Record Period, we charged our service fees based on various factors, such as property type, property size and service requirement. During the Track Record Period, our service fees for consultancy services typically ranged from RMB10.9 per sq.m. to RMB133.3 per sq.m.. According to Frost & Sullivan, our service fees for consultancy services are in line with those charged by industry peers, which typically range from RMB8.0 to RMB180.0 per sq.m..

Payment and Credit Terms

For commercial property management services, we collect property management fees on a monthly basis or for the period agreed in the property management service contract. Property users are required to pay property management fees by bank transfer. For commercial property operational services, we calculate the operational service fee in accordance with the operational service contract signed with the property owner, and periodically as agreed in the relevant contract send the operational service fee bill and collect the fee. For value-added services, we charge service fees based on the standards and timeframes agreed upon in the value-added service contracts with our merchants.

OUR CONTRACTS

The key terms and arrangements of our contracts typically include the following:

- *Overview of the project*. The clause consists of location, area, building area, property type of services. As for commercial property operational service contract, it typically includes the scope boundary of the target property.

- *Scope of service*

  - for city and industrial park services, we are responsible for municipal services, public facility management services and industrial park services;

  - for residential property management, we are responsible for property management services, value-added services to non-property owners and community value-added services; and

  - o for commercial property operational and management services, we are responsible for commercial operational services, property management services and value-added services.

- *Service standards*. The contract includes relevant quality standards, and equipment and facilities in public areas for requirements for regular inspection and maintenance.

- *Term of services*

  - o for city and industrial park service contracts, we are usually entered into for a fixed term of one to five years;

  - o for residential property management service contracts, most preliminary property management service contracts with property developers are open-ended contracts and to be terminated when the property management contract becomes effective upon the re-selection of another property management service company by the property owners through the property owners' associations. The property owners' associations are usually authorized by the owners to enter into property management contracts with us on behalf of the property owners, which are usually entered into for a fixed term of three to five years; and

  - o for commercial property operational service contracts and commercial property management service contracts, we are generally entered into for a fixed term ranging from one year to five years.

- *Service fees*

  - o for city and industrial park services, residential property management services and commercial property management services, our property management fees would generally be payable on a lump sum basis. When paying on a lump sum basis, our property management fees are generally charged by GFA. For overdue property management fees, property owners pay a penalty equal to a daily-accumulating surcharge at a certain percentage of the overdue amount; and

  - o for commercial property operational services, we generally charge basic management fee (calculated as a percentage of the operating income generated by the commercial project) and, subject to projects, profit management fee (calculated as a percentage of the operating profit or gross profit of the commercial project).

- *Liability for breach of contract*. It contains the agreement of both parties to the contract for the loss caused by the breach of the contract and interruption of the contract due to various reasons.

OUR PORTFOLIO

Renewal Rate

In 2021, 2022, 2023 and the six months ended June 30, 2024, our overall renewal rates were 79.6%, 78.2%, 81.7% and 73.2%, respectively.

Our overall renewal rate decreased from 81.7% in 2023 to 73.2% in the six months ended June 30, 2024, primarily due to (i) client's decision to terminate a project in Shenzhen prior to expiry of the contract term in response to market conditions; and (ii) non-renewal or termination of certain property management service contracts as a result of contract expiry or clients' commercial decisions. The table below sets forth the breakdown of our renewal rate for the years indicated, by type of property developers and business segments:

	For the year ended December 31,			For the six months ended June 30,
	2021	2022	2023	2024
		(%)		
City and industrial park services				
Shum Yip Group, its subsidiaries, joint ventures and associates	100.0	100.0	88.9	25.0
Independent third parties	79.0	76.9	76.9	73.3
Overall	79.7	77.0	77.6	70.9
Residential property management services				
Shum Yip Group, its subsidiaries, joint ventures and associates	100.0	100.0	100.0	100.0
Independent third parties	81.5	79.3	92.3	83.3
Overall	86.5	84.6	94.6	87.5
Commercial property operational and management services				
Shum Yip Group, its subsidiaries, joint ventures and associates	71.4	87.5	92.3	100.0
Independent third parties	55.6	63.6	83.3	66.7
Overall	62.5	73.7	89.5	80.0

For our city and industrial park service contracts, the renewal rates for 2021, 2022, 2023 and the six months ended June 30, 2024 were 79.7%, 77.0%, 77.6%, and 70.9%, respectively. The renewal rate decreased from 77.6% in 2023 to 70.9% in the six months ended June 30, 2024, primarily due to the termination and non-renewal of projects as a result of contract expiration or client's commercial decisions. Our reduction in the renewal rate for city and industrial park service contracts developed by Shum Yip Group, its subsidiaries, joint ventures and associates in 2024 was primarily due to the strategic reallocation of resources, where we concentrated on more profitable projects in the Greater Bay Area and chose not to renew certain lower-margin industrial park projects in non-Greater Bay Area, such as Changzhou and Jiangyin.

The lower renewal rates for our city and industrial park service contracts and residential property management service contracts in 2022 were primarily due to non-renewals or terminations of certain property management service contracts for projects undertaken in 2021, driven by contract expiry or clients' commercial decisions.

For our residential property management service contracts, the renewal rates for 2021, 2022, 2023 and the six months ended June 30, 2024 were 86.5%, 84.6%, 94.6% and 87.5%, respectively.

For our commercial property operational and management service contracts, the renewal rates for 2021, 2022, 2023 and the six months ended June 30, 2024 were 62.5%, 73.7%, 89.5% and 80.0%, respectively. In particular, the renewal rate for our commercial property operational and management services developed by independent third parties decreased from 83.3% in 2023 to 66.7% in the six months ended June 30, 2024, primarily due to (i) client's decision to terminate a project in Shenzhen prior to expiry of the contract term in response to market conditions; and (ii) non-renewal or termination of certain property management service contracts for projects, driven by contract expiry or clients' commercial decisions.

Retention Rate

Our overall retention rate remained consistently high during the Track Record Period. In 2021, 2022, 2023 and the six months ended June 30, 2024, our overall retention rates were 91.9%, 90.5%, 92.9% and 94.9%, respectively.

Our retention rate increased from 92.9% in 2023 to 94.9% in the six months ended June 30, 2024, primarily due to (i) our quality service which reinforces client relationships; and (ii) our improved customer engagement and service accessibility in the Greater Bay Area. The table below sets forth the breakdown of our retention rate for the years indicated, by type of property developers and business segments:

	For the year ended December 31,			For the six months ended June 30,
	2021	2022	2023	2024
		(%)		
City and industrial park services				
Shum Yip Group, its subsidiaries, joint ventures and associates	100.0	100.0	95.7	85.7
Independent third parties	88.3	84.8	86.7	91.4
Overall	88.8	86.1	87.5	90.9
Residential property management services				
Shum Yip Group, its subsidiaries, joint ventures and associates	100.0	100.0	100.0	100.0
Independent third parties	95.2	94.1	98.1	99.0
Overall	97.0	96.5	98.9	99.5

	For the year ended December 31,			For the six months ended June 30,
	2021	2022	2023	2024
	(%)			
Commercial property operational and management services				
Shum Yip Group, its subsidiaries, joint ventures and associates	93.3	96.8	97.4	100.0
Independent third parties	84.6	85.2	97.1	93.9
Overall	89.3	91.4	97.2	97.3

For our city and industrial park service contracts, the retention rates for 2021, 2022, 2023 and the six months ended June 30, 2024 were 88.8%, 86.1%, 87.5% and 90.9% respectively. In particular, the retention rate decreased from 88.8% in 2021 to 86.1% in 2022, primarily due to our decision to terminate contracts for two loss-making projects with independent third parties in 2022. Additionally, the retention rate increased from 87.5% in 2023 to 90.9% in the six months ended June 30, 2024, primarily due to our business expansion in the Greater Bay Area.

For our residential property management service contracts, the retention rates for 2021, 2022, 2023 and the six months ended June 30, 2024 were 97.0%, 96.5%, 98.9% and 99.5%, respectively.

For our commercial property operational and management service contracts, the retention rates for 2021, 2022, 2023 and the six months ended June 30, 2024 were 89.3%, 91.4%, 97.2% and 97.3% respectively. The retention rate for our commercial property operational and management services developed by independent third parties decreased from 97.1% in 2023 to 93.9% in the six months ended June 30, 2024, primarily due to (i) client's decision to terminate a project in Shenzhen prior to expiry of the contract term in response to market conditions; and (ii) non-renewal or termination of certain property management service contracts for projects driven by contract expiry or clients' commercial decisions.

Loss-making projects

During the Track Record Period, we experienced losses related to certain properties managed on a lump sum basis. The management of such properties involves bearing all associated costs, such as employee benefits, cleaning and security expenses and utility costs, which we recognize as our cost of services. Consequently, our profitability is significantly impacted by fluctuations in our cost of services. The table below sets out details of our loss-making property management projects during the Track Record Period by type of property developer and business segment, respectively:

	As of/ For the year ended December 31,			As of/For the six months ended June 30,	
	2021	2022	2023	2023	2024
City and industrial park services					
— Number of loss-making projects					
— Shum Yip Group, its subsidiaries, joint ventures and associates	0	1	3	4	—
— Independent third parties	50	71	36	50	36
Subtotal	**50**	**72**	**39**	**54**	**36**

	As of/ For the year ended December 31,			As of/For the six months ended June 30,	
	2021	**2022**	**2023**	**2023**	**2024**
— Percentage of revenue generated from loss-making projects *(%) (unaudited)*					
— Shum Yip Group, its subsidiaries, joint ventures and associates	0.0	0.1	0.5	0.5	—
— Independent third parties	20.6	35.8	7.5	25.4	17.0
Subtotal	**20.6**	**35.9**	**8.0**	**25.9**	**17.0**
— Amount of revenue generated from loss-making projects *(RMB'000) (unaudited)*					
— Shum Yip Group, its subsidiaries, joint ventures and associates	0.0	378.4	5,482.1	2,956.7	—
— Independent third parties	176,596.7	365,419.4	90,976.6	146,871.7	108,181.3
Subtotal	**176,596.7**	**365,797.8**	**96,458.7**	**149,828.4**	**108,181.3**
— Amount of loss generated from loss-making projects *(RMB'000) (unaudited)*					
— Shum Yip Group, its subsidiaries, joint ventures and associates	0.0	(939.4)	(241.0)	(2,901.3)	—
— Independent third parties	(45,026.1)	(29,404.4)	(13,371.2)	(12,060.3)	(7,538.8)
Subtotal	**(45,026.1)**	**(30,343.8)**	**(13,612.2)**	**(14,961.6)**	**(7,538.8)**
Residential property management services					
— Number of loss-making projects					
— Shum Yip Group, its subsidiaries, joint ventures and associates	12	20	24	19	25
— Independent third parties	35	17	20	31	17
Subtotal	**47**	**37**	**44**	**50**	**42**
— Percentage of revenue generated from loss-making projects *(%) (unaudited)*					
— Shum Yip Group, its subsidiaries, joint ventures and associates	4.9	6.5	9.0	9.6	11.3
— Independent third parties	7.2	6.4	3.5	10.2	5.0
Subtotal	**12.1**	**12.9**	**12.5**	**19.8**	**16.3**
— Amount of revenue generated from loss-making projects *(RMB'000) (unaudited)*					
— Shum Yip Group, its subsidiaries, joint ventures and associates	38,652.7	49,884.1	77,955.0	38,671.8	49,442.2
— Independent third parties	56,524.2	48,951.4	29,907.1	40,881.1	21,773.4
Subtotal	**95,176.9**	**98,835.5**	**107,862.1**	**79,552.9**	**71,215.6**
Amount of loss generated from loss-making projects *(RMB'000) (unaudited)*					
— Shum Yip Group, its subsidiaries, joint ventures and associates	(16,415.3)	(13,412.1)	(18,337.3)	(10,354.2)	(13,687.3)
— Independent third parties	(8,428.2)	(3,778.7)	(3,624.3)	(4,616.9)	(2,892.2)
Subtotal	**(24,843.5)**	**(17,190.8)**	**(21,961.6)**	**(14,971.1)**	**(16,579.5)**

	As of/ For the year ended December 31,			As of/For the six months ended June 30,	
	2021	**2022**	**2023**	**2023**	**2024**
Commercial property operational and management services					
— Number of loss-making projects					
— Shum Yip Group, its subsidiaries, joint ventures and associates	2	7	2	6	4
— Independent third parties	9	9	3	7	4
Subtotal	**11**	**16**	**5**	**13**	**8**
— Percentage of revenue generated from loss-making projects *(%) (unaudited)*					
— Shum Yip Group, its subsidiaries, joint ventures and associates	1.5	3.2	1.2	2.3	0.7
— Independent third parties	8.3	3.6	1.5	5.8	1.7
Subtotal	**9.8**	**6.8**	**2.7**	**8.1**	**2.4**
— Amount of revenue generated from loss-making projects *(RMB'000) (unaudited)*					
— Shum Yip Group, its subsidiaries, joint ventures and associates	7,705.5	18,186.1	7,725.9	6,885.0	2,349.2
— Independent third parties	42,477.5	19,964.9	9,525.8	17,485.3	5,778.0
Subtotal	**50,183.0**	**38,151.0**	**17,251.7**	**24,370.3**	**8,127.2**
Amount of loss generated from loss-making projects *(RMB'000) (unaudited)*					
— Shum Yip Group, its subsidiaries, joint ventures and associates	(1,301.7)	(1,403.1)	(142.5)	(698.2)	(986.7)
— Independent third parties	(2,368.2)	(1,773.3)	(2,261.5)	(1,939.5)	(317.1)
Subtotal	**(3,669.9)**	**(3,176.4)**	**(2,404.0)**	**(2,637.7)**	**(1,303.8)**

During the Track Record Period, the losses incurred by our loss-making projects were primarily due to (i) the rising labor costs and service costs; (ii) the preliminary costs incurred for some newly managed properties such as labor costs and purchase of equipment; and (iii) the relatively high costs associated with aged properties that require more maintenance with lower management fees charged. In terms of property developers, during the Track Record Period, we incurred losses on 14, 28, 29 and 29 projects of properties developed by Shum Yip Group, its subsidiaries, joint ventures and associates, respectively, and 94, 97, 59 and 57 projects of properties developed by independent third parties, respectively. Our Directors are of the view that the larger number of loss-making projects of properties developed by the independent third parties than the projects of properties developed by Shum Yip Group, its subsidiaries, joint ventures and associates was due to a large proportion of our loss-making projects developed by the independent third parties being located in the second-tier cities and other cities, where the service fees were generally lower than the projects in the first-tier cities and new first-tier cities, which led to slimmer profit margins than our projects of properties developed by Shum Yip Group, its subsidiaries, joint ventures and associates in the first-tier cities and new first-tier cities.

In 2021, 2022, 2023 and six months ended June 30, 2024, we terminated 10, 21, 2 and 4 loss-making projects, respectively, and renewed 29, 31, 20 and 8 loss-making projects, respectively. Our decision to renew these loss-making projects was primarily based on the expectation that implementing measures such as increasing management fee rates and expanding revenue from value-added services would improve the financial performance of these projects, ultimately turning losses into profits. As of December 31, 2021, 2022, 2023 and June 30, 2024, 25, 21, 42 and 37 of our loss-making projects in the preceding year turned into profit making and continued to be profitable in 2023, respectively. In terms of profitability, our revenue generated from these projects amounted to RMB276.5 million, RMB74.6

million, RMB253.1 million and RMB49.8 million in 2021, 2022, 2023 and six months ended June 30, 2024, respectively. Furthermore, for newly managed projects that initially incurred substantial investments leading to losses, we expected a significant reduction in costs and a continuous increase in revenue, paving the way for profitability after contract renewal.

The number of loss-making projects represented 24.2%, 27.2%, 17.3% and 17.3% of the total number of projects under our management as of December 31, 2021, 2022, 2023 and six months ended June 30, 2024, respectively, primarily due to our decision to opt out some of the loss-making projects. For details, see "Risk Factors — Risks Relating to our Business and Industry — We may fail to effectively anticipate or control our costs in providing our services, for which we charge our customers on a lump-sum basis."

Going forward, we plan to further improve our service quality and enhance communications with property owners in order to gain their approvals to increase property management fees. To save costs and improve our operational efficiency, we plan to (i) adopt more technological solutions and systems in managing properties in a more cost-effective manner; (ii) broaden our revenue streams by providing value-added services in our existing projects; (iii) continue our strategic outsourcing arrangements by leveraging the human resources and technical expertise of the subcontractors to reduce our operational costs; and (iv) centralize our management system to reduce our labor costs. For instance, in principle, we will not enter into a property management service contract if our relevant personnel anticipates that the projected net profit margin of such project will not meet our minimum requirement, which was generally 5.5% to 6.0% during the Track Record Period, of the total revenue of such project. In addition, we will closely monitor the profitability of our projects. If we identify projects that may result in losses, we will propose service fee adjustments to our customers. During the Track Record Period, we managed to increase our service fees for six properties under management which were once loss-making, with an average growth rate of approximately 18.4%. Meanwhile, to reduce our operational costs, we will continue to outsource certain labor-intensive services, primarily including security, cleaning, gardening and maintenance services, to subcontractors on an as-needed basis. See "— Outsourcing" for details. If the profitability of these loss-making projects could not be optimized in the foreseeable future, we may choose to terminate our service contracts voluntarily or may not renew such agreements upon expiration.

TENDER PROCESS

As advised by our PRC Legal Advisors, certain of our city and industrial park services and residential property management services were required to undergo tender processes during the Track Record Period. Under the PRC laws, the property developers of residential property are typically required to select property management service providers and enter into preliminary property management service contracts through a tender and bidding process. A public tender and bidding process may also be required under the PRC laws and regulations for the PRC government, public institutions and bodies with public fiscal funds to engage property management service providers for properties, such as government buildings and public facilities.

A typical tender process generally includes the following steps:

- *Invitation*. Property developers, property owners' associations or government departments may instruct a tender agent to execute the whole tender process. An announcement may be published to invite potential bidders or extend private invitations to at least three qualified bidders setting out the specifications and requirements for the property management project to be tendered. Tender invitation related documents and governmental approvals in relation to the property project are required to be submitted and filed with the competent local real estate administration department in the PRC in advance.

- *Tender submission*. We submit tender documents to tender agent which generally contain proposed pricing, proposal and plan for property management and other information as specified by the tender invitation. We may be required to provide pre-qualification documents for vetting before the formal tender documents are submitted.

- *Evaluation*. A tender evaluation committee to review and rank the submitted tenders. The tender evaluation process and the composition of the tender evaluation committee must comply with the requirements of relevant PRC laws and regulations. The tender evaluation committee generally considers factors such as credentials, service quality, availability of capital and proposed fee levels.

- *Selection*. Based on its evaluation, the tender evaluation committee recommends to the property developers, property owners' associations or government departments and ranks the top three bidders. They will generally confirm the top bidder as the winner and proceed to arrange for necessary notification.

- *Award and contract signing*. The tender agent shall publish a notice of tender result for seven days. If there are no objections as to the tender result, the tender agent shall assist the property developers, property owners' associations or government departments to file the result of the tender with the relevant local authorities upon confirmation of the award. The property management service contract so awarded to the winner is expected to be signed upon issuing the notification of the award.

The table below sets out our tender success rates for the years indicated:

	For the year ended December 31			For the six months ended June 30,
	2021	2022	2023	2024
For properties developed by Shum Yip Group, its subsidiaries, joint ventures and associates				
Tender submitted	5	13	10	8
Successful tender[1]	5	13	10	8
Relevant contracted GFA *(sq.m.'000)*	2,630.3	3,409.3	861.7	436.7
Tender success rates[1] *(%)*	100.0%	100.0%	100.0%	100.0%
For properties developed by independent third parties				
Tender submitted	193	180	175	85
Successful tender[1]	97	92	69	36
Relevant contracted GFA *(sq.m.'000)*	10,248.4	10,572.4	17,408.6	12,153.5
Tender success rates[1] *(%)*	50.3%	51.1%	39.4%	42.4%

(1) In the above table, the tender success rate for a financial year is calculated by dividing the number of projects awarded (whether the relevant contract was concluded in the same financial year or subsequently) by the number of tenders submitted during the same year.

Our Group was able to maintain a tender success rate of 100.0% for properties developed by Shum Yip Group, its subsidiaries, joint ventures and associates during the Track Record Period, and our Directors believe that we will continue to maintain a high tender success rate for properties developed by Shum Yip Group, its subsidiaries, joint ventures and associates in future, mainly due to our ability to understand and satisfy the business needs of Shum Yip Group, its subsidiaries, joint ventures and associates. Meanwhile, the tender success rates for the properties developed by the independent third parties experienced a decline from 51.1% in 2022 to 39.4% in 2023, primarily because our fee quotations, which were set out with reference to the minimum requirement of our projected net profit (generally 5.5% to 6.0% during the Track Record Period) to optimize our profitability, were not as competitive as our counterparts in the majority of the unsuccessful tender submissions.

During the Track Record Period, we procured our service contracts through (i) tender and bidding procedures regulated by the applicable PRC laws and regulations; and (ii) commercial negotiation. As advised by our PRC Legal Advisors, we did not undergo the tender and bidding process as required under the PRC laws and regulations and the compulsory requirement of relevant local authorities for certain projects ("**Relevant Projects**"). The Relevant Projects accounted for 22.8% of the total number of our newly engaged projects during the Track Record Period and 4.7% of our total revenue in the six months ended June 30, 2024.

The table below sets forth the number of newly engaged projects and GFA managed under these projects attributable to service contracts procured through (i) tender and bidding procedures; and (ii) commercial negotiation during the Track Record Period:

	For the year ended December 31,									For the six months ended June 30,		
	2021			2022			2023			2024		
	Number of projects	GFA under management		Number of projects	GFA under management		Number of projects	GFA under management		Number of projects	GFA under management	
		(sq.m.' 000)	*(%)*		*(sq.m.' 000)*	*(%)*		*(sq.m.' 000)*	*(%)*		*(sq.m.' 000)*	*(%)*
Tender and bidding	102	12,878.7	95.5	105	13,981.6	96.7	79	18,270.4	88.0	44	12,590.2	94.0
Commercial negotiation	9	600.5	4.5	21	482.8	3.3	51	2,492.7	12.0	13	806.7	6.0
Total	**111**	**13,479.2**	**100.0**	**126**	**14,464.4**	**100.0**	**130**	**20,763.1**	**100.0**	**57**	**13,396.9**	**100.0**

The table below sets forth the revenue, gross profit and gross profit margin attributable to service contracts procured through (i) tender and bidding procedures; and (ii) commercial negotiation during the Track Record Period:

	For the year ended December 31,									For the six months ended June 30,					
	2021			2022			2023			2023			2024		
	Revenue	Gross profit	Gross profit margin	Revenue	Gross profit	Gross profit margin	Revenue	Gross profit	Gross profit margin	Revenue	Gross profit	Gross profit margin	Revenue	Gross profit	Gross profit margin
	(RMB' million)		*(%)*	*(RMB' million)*		*(%)*	*(RMB' million)*		*(%)*	*(RMB' million)* (Unaudited)		*(%)*	*(RMB' million)*		*(%)*
Tender and bidding	1,580.9	205.0	13.0	1,135.0	55.9	4.9	1,354.5	113.9	8.4	649.6	43.2	6.7	720.1	68.0	9.4
Commercial negotiation	570.6	74.6	13.1	1,213.1	282.3	23.3	1,357.7	312.2	23.0	634.2	159.1	25.1	689.6	153.7	22.3
Total	**2,151.5**	**279.6**	**13.0**	**2,348.1**	**338.2**	**14.4**	**2,712.2**	**426.1**	**15.7**	**1,283.8**	**202.3**	**15.8**	**1,409.7**	**221.7**	**15.7**

As confirmed by our Directors, the lack of the required tender and bidding process for the selection of property management service providers for the Relevant Projects was because the relevant property developers did not conduct any tender and bidding process. Under the relevant PRC laws and regulations, the property developers is obligated to engage the property management service providers to provide preliminary property management services by going through a tender and bidding process. According to such laws and regulations, a residential property developer may be required to take rectification measures within a prescribed time limit and pay fines up to RMB100,000 if it fails to comply with such tender and bidding requirement. As advised by our PRC Legal Advisors, (i) there are no specific laws and regulations in the PRC which set out administrative penalties upon property management companies for failing to entering into preliminary property management services contracts through a tender and bidding process; and (ii) the lack of tender and bidding process for entering into the preliminary property management services contracts of the Relevant Projects shall not affect the validity of the services provided under these contracts, where circumstances that contracts shall be null and void are stipulated notwithstanding the fact that the local government may require the relevant property developers to rectify within a prescribed time limit, and thus, based on the above, the income generated from the Relevant Projects is not non-compliant income. Our Directors also confirm that, as advised by our PRC Legal Advisors, the fact that the Relevant Projects did not go through the required tender and bidding process will not have any material and adverse impact on our business, financial position or results of operations. See "Risk Factors — Risks Relating to our Business and Industry — We have obtained some of our property management service contracts and city service contracts without going through the required tender and bidding process" and "Regulatory Overview — Legal Supervision over Property Management Service — Appointment of the Property Management Enterprises." To avoid a recurrence of the lack of tender and bidding, we have implemented various internal control measures, including training on the preparation of tender documents and the legal requirements to ensure compliance with the relevant laws and regulations on tender and bidding. Before bidding and contract signing, we conduct feasibility analysis considering factors such as project scale, budget, and other key factors of the project and submit bid-tending and contract-signing requests for the management approval.

As of the Latest Practicable Date, we were not aware of any administrative penalties or any notice of potential administrative penalties from the relevant competent authorities on the relevant property developers in relation to any required tender and bidding process for our preliminary property management services contracts.

CUSTOMERS

Overview

We have a steadily growing customer base primarily consisting of property developers, local governments, public institutions, corporations, merchants and residents. The table below sets forth the types of our major customers for each of our three business segments:

Business Segment	Major Customers
City and industrial park services	Local governments, public institutions, corporations and property developers
Residential property management services	Property developers, property owners and residents
Commercial property operational and management services	Property developers, property owners and tenants (merchants)

For 2021, 2022, 2023 and six months ended June 30, 2024, revenue generated from our five largest customers amounted to RMB373.4 million, RMB496.0 million, RMB682.8 million and RMB373.3 million, respectively, accounting for approximately 17.3%, 21.2%, 25.2% and 26.4% of our total revenue for the corresponding years, respectively. For 2021, 2022, 2023 and six months ended June 30, 2024, revenue generated from our largest customer amounted to RMB136.0 million, RMB228.3 million, RMB262.1 million and RMB143.1 million, respectively, accounting for approximately 6.3%, 9.7%, 9.7% and 10.1% of our total revenue for the corresponding years, respectively. For more information on the typical terms of contracts we entered into with our five largest customers, see "— Our Contracts."

Our Top Five Customers

The table below sets forth certain details of our top five customers in 2021:

	Customer	Background	Business nature	Our services	Business Relationship since	Location	Payment terms	Payment Method	Revenue	
									(RMB' million)	*(%)*
1	Shum Yip Group, its subsidiaries, joint ventures and associates	Related party	Business services, property development and operation	City and industrial park services, Residential property management services, Commercial property operational and management services	1997	PRC	Monthly or quarterly payment, 10 to 90 days	Bank Transfer	136.0	6.3
2	Customer A[(1)]	Independent third party	Neighborhood services	City and industrial park services	2020	PRC	Monthly payment, 15 days	Bank Transfer	109.1	5.1
3	Customer B[(2)]	Independent third party	Telecommunications, radio and television, satellite transmission services	Commercial property operational and management services	2015	PRC	Monthly payment, 20 business days	Bank Transfer	62.8	2.9
4	Customer C[(3)]	Independent third party	Property management and operation of administrative institutions in Futian district	City and industrial park services, Residential property management services, Commercial property operational and management services	2017	PRC	Monthly payment, 25 days	Bank Transfer	33.0	1.5
5	Customer D[(4)]	Independent third party	Government agency services	City and industrial park services	2000	PRC	Monthly payment, 10 days	Bank Transfer	32.5	1.5

(1) Customer A is an administrative office of a sub-district in Shenzhen.

(2) Customer B is a state-owned enterprise, established in the PRC with limited liability and headquartered in Beijing. It is a telecommunications, radio and television, satellite transmission service provider with a registered capital of RMB300 billion which is also one of the Fortune 500 companies.

(3) Customer C is a district-level property management and operation administrative institution in Shenzhen.

(4) Customer D is a government administrative office under a municipal-level government in Hunan Province.

The table below sets forth certain details of our top five customers in 2022:

	Customer	Background	Business nature	Our services	Business Relationship since	Location	Payment terms	Payment Method	Revenue	
									(RMB' million)	*(%)*
1	Shum Yip Group, its subsidiaries, joint ventures and associates . . .	Related party	Business services, property development and operation	City and industrial park services, Residential property management services, Commercial property operational and management services	1997	PRC	Monthly or quarterly payment, 10 to 90 days	Bank Transfer	228.3	9.7
2	Customer A . . .	Independent third party	Neighborhood services	City and industrial park services	2020	PRC	Monthly payment, 15 days	Bank Transfer	121.8	5.2
3	Customer E(1) . .	Independent third party	Neighborhood services	City and industrial park services	2020	PRC	Monthly payment, 10 business days or 28 days	Bank Transfer	53.1	2.3
4	Customer F(2) . .	Independent third party	Neighborhood services	City and industrial park services	2022	PRC	Monthly payment, 30 days	Bank Transfer	49.0	2.1
5	Customer D . . .	Independent third party	Government agency services	City and industrial park services	2000	PRC	Monthly payment, 10 days	Bank Transfer	43.8	1.9

(1) Customer E is an administrative office of a sub-district in Shenzhen.

(2) Customer F is an administrative office of a sub-district in Shenzhen.

The table below sets forth certain details of our top five customers in 2023.

	Customer	Background	Business nature	Our services	Business Relationship since	Location	Payment terms	Payment Method	Revenue	
									(RMB' million)	*(%)*
1	Shum Yip Group, its subsidiaries, joint ventures and associates .	Related party	Business services, property development and operation	City and industrial park services, Residential property management services, Commercial property operational and management services	1997	PRC	Monthly or quarterly payment, 10 to 90 days	Bank Transfer	262.1	9.7
2	Customer F . . .	Independent third party	Neighborhood services	City and industrial park services	2022	PRC	Monthly payment, 30 days	Bank Transfer	197.3	7.3
3	Customer A . . .	Independent third party	Neighborhood services	City and industrial park services	2020	PRC	Monthly payment, 15 days	Bank Transfer	115.1	4.2
4	Customer E . . .	Independent third party	Neighborhood services	City and industrial park services	2020	PRC	Monthly payment, 10 business days or 28 days	Bank Transfer	57.4	2.1
5	Customer B . . .	Independent third party	Telecommunications, radio and television, satellite transmission services	Commercial property operational and management services	2015	PRC	Monthly payment, 20 business days	Bank Transfer	50.9	1.9

The table below sets forth certain details of our top five customers in the six months ended June 30, 2024.

	Customer	Background	Business nature	Our services	Business Relationship since	Location	Payment terms	Payment Method	Revenue	
									(RMB' million)	*(%)*
1	Shum Yip Group, its subsidiaries, joint ventures and associates .	Related party	Business services, property development and operation	City and industrial park services, Residential property management services, Commercial property operational and management services	1997	PRC	Monthly or quarterly payment, 10 to 90 days	Bank Transfer	143.1	10.1
2	Customer F . . .	Independent third party	Neighborhood services	City and industrial park services	2022	PRC	Monthly payment, 30 days	Bank Transfer	90.8	6.4
3	Customer A . . .	Independent third party	Neighborhood services	City and industrial park services	2020	PRC	Monthly payment, 15 days	Bank Transfer	79.7	5.7
4	Customer E . . .	Independent third party	Neighborhood services	City and industrial park services	2020	PRC	Monthly payment, 28 days	Bank Transfer	34.4	2.4
5	Customer B . . .	Independent third party	Telecommunications, radio and television, satellite transmission services	Commercial property operational and management services	2015	PRC	Monthly payment, 20 business days	Bank Transfer	25.3	1.8

As of the Latest Practicable Date, we were not aware of any arrangements or incidents which would lead to cessation or termination of our relationships with any of our five largest customers during the Track Record Period. As of the Latest Practicable Date, save for Shum Yip Group and its subsidiaries, joint ventures and associates which is our Controlling Shareholder, none of our Directors, their close associates or any Shareholders which, to the knowledge of our Directors, owned more than 5% of the number of issued shares of us, had any interest in any of our top five customers during the Track Record Period. As of the Latest Practicable Date, save for Shum Yip Group and its subsidiaries, joint ventures and associates, none of our largest five customers was also our suppliers.

SUPPLIERS

Overview

During the Track Record Period, our suppliers are generally subcontractors providing cleaning, security, greening and maintenance services.

For 2021, 2022, 2023 and six months ended June 30, 2024, purchases from our five largest suppliers amounted to RMB176.3 million, RMB207.7 million, RMB319.9 million and RMB158.4 million, respectively, accounting for approximately 9.5%, 10.3%, 14.0% and 13.4% of our total cost of services for the corresponding years, respectively. For 2021, 2022, 2023 and six months ended June 30, 2024, purchases from our largest supplier amounted to RMB72.8 million, RMB73.8 million, RMB99.3 million and RMB54.0 million, respectively, accounting for approximately 4.0%, 3.7%, 4.3% and 4.5% of our total cost of services for the corresponding years, respectively.

Our Top Five Suppliers

The table below sets forth details of our top five suppliers in 2021:

	Supplier	Background	Business nature	Supplier services	Business Relationship since	Location	Payment terms	Payment Method	Cost of services	
									(RMB' million)	(%)
1	Supplier A[(1)]	Independent third party	Electricity production and supply	Electricity supply	1996	PRC	Monthly payment, 20 days	Bank Transfer	72.8	4.0
2	Shum Yip Group, its subsidiaries, joint ventures and associates	Related party	Business services, property development and operation	Leasing services, green and sanitation services, information technology services	1997	PRC	Monthly payment, 10 to 30 days	Bank Transfer	61.8	3.3
3	Supplier B[(2)]	Independent third party	Security services	Security services	2013	PRC	Monthly payment, 30 days	Bank Transfer	14.4	0.8
4	Supplier C [(3)]	Independent third party	Cleaning services	Cleaning services	2016	PRC	Monthly payment, 10 to 30 business days	Bank transfer or check	13.9	0.7
5	Supplier D[(4)]	Independent third party	Sanitation service, sanitation equipment and vehicle leasing	Leasing services	2020	PRC	Monthly payment, 5 to 15 business days	Bank Transfer	13.4	0.7

(1) Supplier A is a state-owned enterprise established in the PRC with limited liability and headquartered in Guangzhou. It is mainly engaged in the investment, construction and operation management of the power grid in Southern China, operation of power transmission and distribution and power dispatching.

(2) Supplier B is a state-owned enterprise established in the PRC with limited liability and registered capital of RMB60.0 million.

(3) Supplier C is a private entity established in the PRC with limited liability and registered capital of RMB51.8 million.

(4) Supplier D is a private entity established in the PRC with limited liability and registered capital of RMB1.0 million.

The table below sets forth details of our top five suppliers in 2022:

	Supplier	Background	Business nature	Supplier services	Business Relationship since	Location	Payment terms	Payment Method	Cost of services	
									(RMB' million)	(%)
1	Supplier A	Independent third party	Electricity production and supply	Electricity supply	1996	PRC	Monthly payment, 20 days	Bank Transfer	73.8	3.7
2	Shum Yip Group, its subsidiaries, joint ventures and associates	Related party	Business services, property development and operation	Leasing services, green and sanitation services, information technology services	1997	PRC	Monthly payment, 10 to 30 days	Bank Transfer	68.6	3.4
3	Supplier E[(1)]	Independent third party	Property management and cleaning services	Cleaning services, waste collection and transportation services	2022	PRC	Monthly payment, 30 days	Bank Transfer	26.9	1.3
4	Supplier B	Independent third party	Security services	Security services	2013	PRC	Monthly payment, 30 days	Bank Transfer	23.6	1.2
5	Supplier F[(2)]	Independent third party	Cleaning services	Cleaning services	2009	PRC	Monthly payment, 15 days	Bank Transfer	14.8	0.7

(1) Supplier E is a private entity established in the PRC with limited liability and registered capital of RMB30.0 million.

(2) Supplier F is a private entity established in the PRC with limited liability and registered capital of RMB10.0 million.

The table below sets forth certain details of our top five suppliers in 2023.

	Supplier	Background	Business nature	Supplier services	Business Relationship since	Location	Payment terms	Payment Method	Cost of services	
									(RMB' million)	*(%)*
1	Supplier E . . .	Independent third party	Property management and cleaning services	Cleaning services, waste collection and transportation services	2022	PRC	Monthly payment, 30 days	Bank Transfer	99.3	4.3
2	Supplier A . . .	Independent third party	Electricity production and supply	Electricity supply	1996	PRC	Monthly payment, 20 days	Bank Transfer	95.3	4.2
3	Shum Yip Group, its subsidiaries, joint ventures and associates .	Related party	Business services, property development and operation	Leasing services, green and sanitation services, information technology services	1997	PRC	Monthly payment, 10 to 30 days	Bank Transfer	71.1	3.1
4	Supplier B . . .	Independent third party	Security services	Security services	2013	PRC	Monthly payment, 30 days	Bank Transfer	34.2	1.5
5	Supplier F. . . .	Independent third party	Cleaning services	Cleaning services	2009	PRC	Monthly payment, 15 days	Bank Transfer	20.0	0.9

The table below sets forth certain details of our top five suppliers in the six months ended June 30, 2024.

	Supplier	Background	Business nature	Supplier services	Business Relationship since	Location	Payment terms	Payment Method	Cost of services	
									(RMB' million)	*(%)*
1	Supplier E . . .	Independent third party	Property management and cleaning services	Cleaning services, waste collection and transportation services	2022	PRC	Monthly payment, 30 days	Bank Transfer	54.0	4.5
2	Supplier A . . .	Independent third party	Electricity production and supply	Electricity supply	1996	PRC	Monthly payment, 20 days	Bank Transfer	42.2	3.6
3	Shum Yip Group, its subsidiaries, joint ventures and associates .	Related party	Business services, property development and operation	Leasing services, green and sanitation services, information technology services	1997	PRC	Monthly payment, 15 to 30 days	Bank Transfer	34.1	2.9
4	Supplier B . . .	Independent third party	Security services	Security services	2013	PRC	Monthly payment, 30 days or 30 working days	Bank Transfer	16.2	1.4
5	Supplier F . . .	Independent third party	Cleaning services	Cleaning services	2009	PRC	Monthly payment, 30 days	Bank Transfer	11.9	1.0

Our five largest suppliers generally grant us credit periods ranging from 5 to 30 business days per contract during the Track Record Period. Other than Shum Yip Group and its subsidiaries, joint ventures and associates, all of our five largest suppliers during the Track Record Period were independent third parties and we did not experience any material delay, supply shortages or disruptions in our operations relating to our suppliers, or any material product claims attributable to our suppliers. As of the Latest Practicable Date, save for Shum Yip Group, its subsidiaries, joint ventures and associates, none of our Directors, their close associates or any Shareholders which, to the knowledge of our Directors, owned more than 5% of the number of issued shares of us, had any interest in any of our five largest suppliers.

Overlapping customers and suppliers

Shum Yip Group and its subsidiaries, joint ventures and associates, our top five customer during the Track Record Period, was also our top five supplier during the same period.

During the Track Record Period, we provided city and industrial park services, residential property management services, commercial property operational and management services to Shum Yip Group and its subsidiaries, joint ventures and associates. Due to project needs, we also engaged Shum Yip Group and its subsidiaries, joint ventures and associates as our supplier for the provision of leasing, greening, sanitation and information technology services to us. In 2021, 2022, 2023 and six months ended June 30, 2024, revenue generated from Shum Yip Group and its subsidiaries, joint ventures and associates amounted to RMB136.0 million, RMB228.3 million, RMB262.1 million and RMB143.1 million, respectively, representing approximately 6.3%, 9.7%, 9.7% and 10.1% of our total revenue for the corresponding years, respectively. In 2021, 2022, 2023 and six months ended June 30, 2024, purchases from Shum Yip Group and its subsidiaries, joint ventures and associates amounted to RMB61.8 million, RMB68.6 million, RMB71.1 million and RMB34.1 million, respectively, representing approximately 3.3%, 3.4%, 3.1% and 2.9% of our total cost of services for the corresponding years, respectively.

OUTSOURCING

We outsource certain labor-intensive services, primarily including security, cleaning, gardening and maintenance services, to subcontractors on an as-needed basis. According to the labor dispatch agreements and labor outsourcing agreements, (i) we were obligated to provide service fees to the employment agent; (ii) the employment agent was obligated to implement insurance arrangements and other welfare benefits as required by the applicable PRC laws and regulations; and (iii) the employment agent deployed qualified outsourced staff tailored in response to our job specifications. As advised by our PRC Legal Advisors, we were not responsible for making contributions for social insurance or housing provident funds for these outsourced staff under the applicable PRC laws and regulations.

We believe such outsourcing arrangements allow us to utilize our own workforce more efficiently by leveraging the human resources and technical expertise of the subcontractors, reduce our operational costs, improve service quality, contribute more resources to focus on our core businesses and enhance the overall profitability of our operations. During the Track Record Period, our outsourcing costs were RMB311.6 million, RMB393.5 million, RMB554.4 million and RMB310.1 million, accounted for 16.6%, 19.6%, 24.3% and 26.1% of our total cost of services, respectively. See "Financial Information — Principal Components of Our Consolidated Statements of Profit or Loss — Cost of Services."

Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, all of our sub-contractors were independent third parties and we did not have any reliance on any single subcontractor.

Selection Basis and Management of Subcontractors

We aim to create and maintain an effective and comprehensive system for subcontractor management. To ensure that the subcontractors meet our requirements, standards of services and our fee rates are consistent with the prevailing market prices, we select our subcontractors through direct engagement or tender and bidding process regulated by a series of internal rules and regulations, such as the Procurement Management Measures (《採購管理辦法》) and the Professional Services Subcontracting Management Measures (《專業服務分包管理辦法》).

We constantly monitor and evaluate the subcontractors on their ability to meet our requirements. To ensure the overall quality of our subcontractors, we maintain a list of qualified subcontractors, the selection of which are based on factors including, among others, its background, qualifications and past performance in providing subcontracted services to us. We typically inspect the work of subcontractors on a periodic basis and record any issues detected.

During the Track Record Period, all of our subcontractors are independent third parties.

Key Terms of Agreements with Our Subcontractors

The key terms and arrangements of our contracts with subcontractors typically include the following:

- *Service scope*. The subcontractor is responsible for providing the services stipulated in the contract, which may be the security, cleaning, greening and/or maintenance services for public areas and/or provision of related equipment and facilities (as the case may be).

- *Service term*. The contract is mostly signed for one year and can be renewed by way of commercial negotiation.

- *Personnel requirements*. It includes the number of personnel required for the outsourcing services and specific requirements, including age, physiques, professional qualities.

- *Rights and obligations of parties*. It contains the rights and obligations of both parties to the contract during the term of services.

- *Contract fee*. It includes labor costs, insurance, benefits, equipment depreciation, management fees, consumables and taxes.

- *Payment term*. It is usually paid on a monthly basis.

- *Evaluation*. It contains relevant quality and evaluation standards required for the provision of subcontracted services.

QUALITY CONTROL

We put a great emphasis on quality control to ensure the quality and reliability of our services. We have obtained ISO 9001 quality management system certification to further standardize our service procedures, and ensure strict adherence thereto by having in place a comprehensive quality control system and a dedicated quality control team to monitor the service quality of our employees and suppliers. We have also obtained ISO 14001, ISO 45001 and ISO 50001 certifications, the international standard for environmental management system, occupational health and safety management system, as well as energy management system respectively.

Certification	Granting authority	Issuance date	Expiration date
GB/T19001-2016/ISO9001:2015	CTI Certification Co., Ltd.	March 12, 2024	March 11, 2027
GB/T24001-2016/ISO14001:2015	CTI Certification Co., Ltd.	March 12, 2024	March 11, 2027
GB/T45001-2020/ISO45001:2018	CTI Certification Co., Ltd.	March 12, 2024	March 11, 2027
GB/T23331-2020/ISO50001:2018	CTI Certification Co., Ltd.	June 20, 2023	June 19, 2026

Quality Control over Services Provided

Our quality control process comprises two principal aspects;

- we developed manuals, procedures and operating instructions for our branches and subsidiaries. These include Service Quality Assessment Measures (《服務質量考核管理辦法》), Service Quality Inspection Standards (《服務質量檢查評價規範》) and Administration of Service Quality Management Expert Database (《服務質量管理專家庫管理辦法》). This approach enables our management to monitor our service quality through multiple performance indicators and to take prompt corrective action whenever necessary; and

- we devised annual service quality assessment plans and conduct rigorous evaluation of different business segments and service regions. After assessment, the management analyzes the results and rectifies any unsatisfactory performance timely. We believe all these measures serve to confirm our quality service delivered to customers and facilitate the sharing of know-how and best practices across our services.

Quality Control over Subcontractors

We have also implemented strict quality control measures for quality control over our subcontractors.

We formulate different service standards that correspond to our business segments, and set forth uniform quality control measures to ensure our consistent service quality, including Service Quality Assessment and Management Measures (《服務質量考核管理辦法》), Service Quality Inspection and Evaluation Standards (《服務質量檢查評價規範》) and Service Quality Management Expert Database Management Measures (《服務質量管理專家庫管理辦法》). Under these standards, we carry out inspection from time to time and assess the subcontracted service regularly to exclude subcontractors that do not honor their contractual obligations or provide substandard services.

OUR CASH MANAGEMENT MEASURES

We manage cash inflows and outflows applicable to all of our subsidiaries and branches in their ordinary course of business. Set forth below are our cash handling policies and internal control measures for different types of cash flow transactions.

Cash flow transactions	Cash handling and internal control measures
Cash inflows in relation to payments of property management service fees, deposits or service fees from our customers	We usually have designated cashiers or customer service personnel who are responsible for cash collections, and they will verify the correct amount of cash received before issuing the receipt. Each transaction shall be properly recorded and reviewed by the appropriate supervising personnel.
Payments made to suppliers, service providers and subcontractors of our subsidiaries and branches	Payments made by our subsidiaries and branches to their suppliers, service providers and subcontractors shall be pre-approved by the responsible senior supervising personnel. Once approved, such payments shall be made from the bank accounts of our subsidiaries and branches.
Cash inventories	We review cash balances in inventory on a regular basis and will assign accounting personnel to report, analyze and resolve discrepancies or other problems they found, and record the results of their findings.
Cash transfers to the bank accounts of our subsidiaries and branches	We receive cash through methods such as online payment, credit or debit card payment and bank transfers, and cash collected from these methods are directly deposited into the bank accounts of our subsidiaries and branches.
Opening and operation of bank accounts of our subsidiaries and branches	Our subsidiaries and branches shall adhere to our internal procedures in relation to the opening of bank accounts. Generally, they are required to complete an application form before opening any bank accounts. Our subsidiaries and branches usually need to reconcile and check their bank balances on a monthly basis.

INTELLECTUAL PROPERTY

We regard intellectual property rights key to our business. We primarily rely on the applicable laws and regulations on patents, utility models, trademarks, trade secrets as well as confidentiality agreements to protect our intellectual property rights. As advised by our PRC Legal Advisors, as of the Latest Practicable Date, the Company has a total of 105 registered trademarks for exclusive use of trademarks, 21 patents and 63 computer software copyrights and one fine art copyright, and possesses the ownership or use rights of the above trademarks, patents and computer software copyrights. See "Appendix VI — Statutory and General Information — 2. Further Information about our Business — B. our intellectual property rights."

In addition, on [•], we entered into Trademark Licensing Agreement with Shum Yip Holdings, pursuant to which Shum Yip Holdings agreed to grant to our Group a non-transferable license to use several trademarks registered in the PRC for a perpetual term commencing from the **[REDACTED]**, which is subject to the renewal of the licensed trademarks, on a royalty-free basis. See "Continuing Connected Transaction — Continuing Connected Transaction Fully Exempt from the Reporting, Annual Review, Announcement and Independent Shareholders' Approval Requirements — Trademark Licensing Agreement."

As of the Latest Practicable Date, we were not aware of (i) any infringement which could have a material adverse effect on our business operations by us against any intellectual property rights of any third party or by any third party against any of our intellectual property rights; or (ii) any disputes with third parties with respect to intellectual property rights.

TECHNOLOGY AND INTELLIGENT PLATFORM

The use of information technology is critical to our development and future growth and has become one of our competitive edges. We are proactively upgrading the service content and developing our own digitalized platforms to providing services to our customers in each business scenario and further improve customers' experience. Specifically:

- ***Basic Service Platform***

Our basic service platform carries out two major functions — exercising internal control and providing integrated customers' service — that interconnects with our customers' needs, staff services and property facilities and equipment and enhances our overall performance.

In terms of internal control, *Yeweihui (業委匯)*, our employee mobile app, is designed to improve the overall work efficiency with better resource allocation. During the Track Record Period, our app generated the work schedules for our staff to check their daily assignments. Once an abnormality has been reported or found, our platform notified our staff so they can carry out maintenance in time. This approach has optimized our work efficiency.

In terms of integrated customer services, *Shendaojia (深到家)*, our customer mobile app, is designed to address our customers' needs in a timely manner. During the Track Record Period, our customers were able to make renovation application and daily maintenance request with the mobile app. Based on our customers' application, our system generated the assignments to our staff on a real-time basis. This approach allows us to respond to our customers' needs promptly.

- ***City Service Platform***

Our city service platform carries out city services with systematic management and analysis in response to the citizens' concern and environmental needs. During the Track Record Period, we were able to review how our vehicles daily functioned and performed through our sensors, but also discovered piling waste, unauthorized infrastructure and operation, as well as other street problems in real time. These issues would be uploaded to *ShumYip City Service Butler (深業城市管家)*, our employee mobile app or *Xunjiantong (巡檢通)*, the mini program, which allows our management staff to stay aware of the status of our projects. Besides, during the Track Record Period, we incorporated the city environment index into our platform and generated frequency checks on key spots, our staff were able to perform inspection accordingly.

- ***Industrial Park Operational Platform***

Our industrial park operational platform facilitates internal control and integrated customer services with the use of *Corporate Service Sub-platform (企業服務子平台)*, our corporate app and *Shenzhihui (深智慧)*, our customer mobile App.

In terms of digitalized operation, we upgrade our basic facilities and realize the allocation of service resources. During the Track Record Period, once it was reported that the lighting and air conditioning facilities did not function properly, our platform would report to our respective staff for maintenance in time.

In terms of corporate service, we provided bespoke services when corporations convey their needs with the use of *Corporate Service Sub-platform (企業服務子平台)*. In addition, during the Track Record Period, the corporations learned of our promotional activities and made purchases with our coupons in the stores and restaurants located in the industrial parks via *Shenzhihui (深智慧)*, our customer mobile App.

DATA PROTECTION AND PRIVACY

We have developed comprehensive internal control measures in place to protect data stored in our internal database from unauthorized access, and ensure the availability, confidentiality and reliability of the data.

An information security leadership group has been established to review and make decisions regarding our overall strategic guidelines for information security management, information security management structure, and information security construction planning and project development. With the coordination of the information security leadership group, the Information Security Management Measures (《信息安全管理辦法》) have been developed to provide detailed requirements for the collection, storage, use and deletion of data and information.

Firstly, with the consent of the data subjects, we only collect data necessary for our business in a lawful and fair manner. Secondly, all data collected will be erased once our customers canceled their accounts. Appropriate data segregation and encryption is used to restrict both access and means of access. Thirdly, for data transmission, comprehensive information security technical measures are in place to ensure that data information is not compromised during the transmission. As a general rule, data and information collected and generated in the course of operations in China are prohibited from being transferred outside China. Where data information is provided outside of the country for business purposes, it shall be assessed for security in accordance with the methods and relevant standards established by the relevant authorities before it is transmitted. In the event that our products or services cease to operate or are permanently taken offline, we will also cease to collect the relevant data and provide the data subject with an easy procedure to cancel his/her account.

We provide regular training to our staff regarding data and information security, strengthen their awareness of data information security, and manage the process of carrying out annual inspections. If there is any violation or failure to perform in accordance with the relevant systems of the Company, penalties will be imposed or performance appraisals will be evaluated in accordance with the relevant systems.

COMPETITION

According to Frost & Sullivan, there is a limited number of companies that provide property management services, commercial operational services, and city services simultaneously in China. In the comprehensive property management, commercial operational and city services market in China, the top ten companies accounted for approximately 11.3% of the total revenue of the comprehensive property management, commercial operational and city services market in China.

The top five state-owned comprehensive property management, commercial operational and city service companies accounted for approximately 3.9% of the total revenue of the comprehensive property management, commercial operational and city services market in China in 2022. In 2022, our Group ranked fifth in terms of revenue, and accounted for approximately 0.3% of the total revenue of comprehensive property management, commercial operational and city services market.

According to Frost & Sullivan, the concentration of China's comprehensive property management, commercial operational and city services market is expected to increase in the future. It is also expected that players in such market will extend their service scope and provide more value-added services. The recent years also witnessed growing awareness of service quality from the side of property owners and occupiers. The continued development of first and second tier cities as well as the Greater Bay Area and the application of new technologies will further drive the development of the comprehensive property management, commercial operational and city services market in China. Meanwhile, in recent years, many leading service providers have expanded to achieve operational scale by participating in the operational management of diverse property types. Furthermore, these companies exploit synergies between different property types to share customers and increase brand awareness.

However, for many small and medium service providers, the geographical coverage of different property types or the imbalance in business scale results in weak linkages between different property types, thus making it difficult for these companies to link up various property types and build a comprehensive lifestyle service ecosystem. Therefore, expanding the synergy of the property portfolio under management, improving the utilization of both own and third party resources to provide more comprehensive services, and applying information technology efficiently to improve the linkage between different property types and exploit synergies are the key challenges facing the full-service property management, commercial operational and city services market.

Leveraging on our established relationship with our property owners, cooperate with our real estate parent company, strength in operational, management and technical skills, as well as a well-established talent base and training mechanism to cope with fierce market competition, we believe we will continue to expand our services and provide better services to our clients. See "Industry Overview."

EMPLOYEES

We believe high-quality employees with considerable expertise and experience are crucial to our business growth. We have established a series of policies and measures to acquire employees and provided them with systematic training opportunities and internal upward mobility.

As of June 30, 2024, we had a total of 15,399 employees in China. The table below sets forth a breakdown of our employees by function:

Function	Number of employees	Percentage of our employees
		(%)
Management	251	1.6
Administration, human resources and finance	263	1.7
Operating and value-added services management	89	0.6
Strategic management	45	0.3
On-site personnel	14,667	95.3
Others	84	0.5
Total	**15,399**	**100.0**

The table below sets forth the number and breakdown of our employees by geographic region as of June 30, 2024:

Region	Number of employees	Percentage of our employees
		(%)
Southern China Region	11,067	71.9
Central China Region	1,315	8.6
Southeast China Region	2,907	18.9
Southwest China Region	58	0.3
Northwest China Region	19	0.1
Northeast China Region	33	0.2
Total	**15,399**	**100.0**

During the Track Record Period and up to the Latest Practicable Date, we did not experience any significant difficulties in recruiting suitable employees for our business operations, nor did we have any material disputes with our employees, or experience any strike, labor disputes or industrial actions that may have a material adverse effect on our business, financial position and results of operations. In addition, during the Track Record Period and up to the Latest Practicable Date, our employees did not negotiate their terms of employment through any labor union or by way of collective bargaining agreements nor did we experience any material labor disputes or shortages that may have a material adverse effect on our business, financial position and results of operations.

Recruiting

We regard high quality personnel as a key component to the stable development of our business, and therefore, we put a great emphasis on recruiting and training quality employees. Our employees are recruited primarily through independent recruitment methods, such as internal transfer and campus recruitment. Our recruiting processes generally consists of the stages below:

- *Recruitment*. We use a standardized recruiting process for our employees. Usually the departments that have staffing requirements will propose their recruiting plan to our human resources department for review, and the plan will be submitted to the management team for approval, after which the recruitment announcement and advertisement will be released to the public.

- *Screening*. Our screening and selection processes primarily comprise rounds of interviews. We may arrange additional tests for certain positions, the forms of which includes written test, work presentation, and simulation case analysis.

- *Offer*. Once we select a candidate, we send offer letter to the candidate.

Training and Development

We attach great importance to the career development and self-fulfillment of our employees. We provide a diversified training system and a pathway for promotion for our staff, and are committed to nurturing talent and achieving mutual growth.

We have provided comprehensive training programs to our employees. We regularly host comprehensive internal staff training programs for our staff to improve and enhance their technical and service skills, as well as to provide them with the knowledge of industry quality standards and workplace safety standards. We provide training courses and regular seminars on various aspects of our business operations, such as quality control and business development, to our employees. We provide orientation training to new hires, introducing them to our corporate culture, procuring them to adapt to teamwork and showing them videos to visually demonstrate our service standards and procedures. During the Track Record Period, we have developed the New Employee Mentor Training Management Method (《新員工導師培養管理辦法》) and the Fresher Rotation Management Method (《應屆生輪崗管理辦法》) to help new employees adapt to the workplace quickly, and to identify and retain talents through a meritocratic policy. In the meantime, we have formulated the Shum Yip Group "Shenzhen Power" Measures for the Implementation of Rotation, Fixed-Training Management and Training of Talents (Provisional) (《「深動力」輪崗、定培管理及優才培養實施辦法(暫行)》) and the "12345" Talent Scheme Management Method (《"12345"優才計劃管理辦法》) according to the Shum Yip Group "Shenzhen Power" Talent Development and Management Method (《深業集團"深動力"人才發展與管理辦法》, to systematically and effectively train professional management talents with self-management, business management and team management abilities, and to establish a high-quality and young talent reserve pool.

As of the Latest Practicable Date, (i) we had not received any notification from relevant local governments requiring us to pay shortfalls or the penalties with respect to social insurance and housing provident funds; (ii) we had not been subject to any administrative penalties, material litigations and legal proceedings, nor were we aware of any material employee complaints or material labor disputes with our employees with respect to social insurance and housing provident funds; (iii) we had either obtained confirmations from, or interviewed with, relevant local governments which confirmed that no penalties had been imposed on us or certain of our subsidiaries that have substantive operations with respect to social insurance and housing provident funds during the Track Record Period; and (iv) we had made proper provisions for social insurance and housing provident funds in case of underpayment. Based on the foregoing, as advised by our PRC Legal Advisors, the risk that we would be subject to material administrative penalties by relevant authorities is relatively low. As such, our Directors believe that our failure to fully contribute to social insurance and housing provident funds during the Track Record Period and up to the Latest Practicable Date would not have any material adverse effect on our business operations or results of operations, nor such events will constitute a material legal obstacle for the **[REDACTED]**.

ENVIRONMENTAL, SOCIAL AND CORPORATE GOVERNANCE MATTERS

We are committed to operating our business in compliance with applicable PRC laws and regulations in relation to environmental, social, production safety and corporate governance ("**ESG**") matters.

ESG policy and strategy

During the Track Record Period, we abided by the ESG policies of Shum Yip Group, which were designed to strengthen environmental protection, improve the ecological environment and promote energy saving. We have implemented the Energy Saving and Consumption Reduction Management Policy, which stipulated the work allocation of energy conservation management, the approval procedures for energy conservation projects, energy data transcription, analysis and processing, hydropower meter management, and energy data statistics and reporting.

In addition, some of our subsidiaries implemented initiatives to further the cause of environmental protection. For example, Shenzhen Terra Property Management Service Co., Ltd. implemented energy saving guidelines in 2022, which introduced measures such as (i) using more energy saving lighting facilities and optimizing electric consumption by controlling the use of air conditioning, elevators and other electronics; (ii) reducing water consumption by implementing water recycling system and regularly inspecting water facilities; and (iii) managing energy consumption at workplace. Our Directors believe that sound ESG principles and practices will help increase our investment value and provide long-term returns to our stakeholders. During the Track Record Period, our Directors have actively taken up the responsibility of designing annual ESG strategies and targets, monitoring and managing material ESG issues, with the assistance from the management.

Upon **[REDACTED]**, we plan to implement our own set of ESG policies and strategies and to ensure the effectiveness of our ESG measures, our Board will be responsible for overseeing our ESG governance. The principal duties of the Broad will include (i) developing our overall ESG vision, direction and strategy, formulating explicit procedures for ESG; (ii) climate-related risks management, and (iii) reviewing our ESG performance to ensure that it aligns with our initiatives. For the risks that have occurred, we will first seek to control their scale and the number of personnel or assets impacted, and then use compensatory measures to contain losses arising from such risks. Our ESG and climate-related risk management will involve risk assessment, risk monitoring, risks reporting and early warning and crisis handling.

Going forward, we plan to establish comprehensive metrics for ESG-related issues to implement comprehensive environmental compliance schemes and to regularly review our key ESG performance. We also plan to establish an ESG Development Committee as a sub-committee of the Board, which will be led by our chief executive officer. The ESG Development Committee's responsibilities will be to (i) formulate and review climate-related strategies and management approaches, (ii) coordinate climate-related efforts, (iii) assess, manage and monitor climate-related issues to provide analysis, recommendations and updates for Board discussion, (iv) report to the Board, (v) take appropriate corrective measures in a timely manner when problems are identified, and (vi) communicate with different working groups on a regular basis to ensure relevant committees are aware of the latest climate-related issues affecting our business operations.

We also intend to engage an internal control consultant and other professional independent third parties from time to time when necessary. Upon **[REDACTED]**, we will publish the "Environmental, Social and Governance Report" annually in accordance with Appendix C2 of the Listing Rules to comprehensively analyze and disclose important ESG matters, including our ESG related risk management, performance and achievement. We expect to incur an annual cost of RMB0.3 million to RMB0.4 million for complying with applicable environmental policies, including the engagement of an independent third party advisor upon **[REDACTED]** for the compliance of the Listing Rules.

Metrics of Environmental, Social and Climate-related Risks

We value environmental protection and have implemented energy-saving measures as well as waste management in our operation to ensure our compliance with all applicable requirements. Given the nature of our operations, we do not believe we are subject to material environmental liability risk or compliance costs.

During the Track Record Period and up to the Latest Practicable Date, no fines or penalties for non-compliance of PRC environmental laws had been imposed on us. As advised by our PRC Legal Advisors, we were not subject to any material administrative penalties due to any violation of environmental laws in the PRC during the Track Record Period and up to the Latest Practicable Date. We have also obtained the GB/T24001-2016/ISO14001:2015, the international standard for environmental management system and GB/T23331-2020/ISO50001:2018, the energy management system respectively.

Our Directors believe a strong ESG practice translates into greater business sustainability. After the Reorganization in 2021, we reviewed our past efforts and mapped out our ESG strategies on a continuing basis. Since 2022, we have commenced the collection of resource consumption data as a way to better address environmental, social and climate-related risks. The table below sets forth our environmental performance indicators for 2022 and 2023:

	Unit	2022	2023
1. Emissions			
Air pollutants[1]			
Nitrogen oxides	Kilograms	500.4	750.8
Sulphur oxides	Kilograms	1.8	1.9
Respirable suspended particulates	Kilograms	47.9	71.9
Greenhouse gases[2]			
Scope 1 direct emissions	tCO_2eq	441.8	4,146.9
Scope 2 direct emissions	tCO_2eq	5,964.1	29,603.3
Total emissions	tCO_2eq	6,405.9	33,750.2
Greenhouse emission intensity[4]	tCO_2eq/RMB' million	2.7	11.3
Hazardous waste[3]			
Disposed electronics	Pieces	114	919.0
Printer toner cartridge	Units	598	1,504.0
Fluorescent lamps or LED	Tubes	9,656	14,458.0
Total hazardous waste	Kilograms	4,359.2	9,006.4
Hazardous waste intensity[4]	Kilograms/RMB' million	1.9	3.0
Non-hazardous waste[5]			
Paper	Tons	8.4	20.1
Construction waste	Tons	100.5	5,385.0
Kitchen waste	Tons	104.7	334.3
Total non-hazardous waste	Tons	213.6	5,739.4
Non-hazardous waste intensity[4]	Tons/RMB' million	0.1	1.9
Hazardous waste recycles[6]			
Electronics (such as computer)	Sets	54	893.0
Non-hazardous waste recycles[6]			
Metal recycled	Kilograms	0.0	3,685.8
Plastics recycled	Kilograms	14.0	4,486.3
Glass recycled	Kilograms	17.5	44,972.5
Paper recycled	Kilograms	1,442.7	42,284.9
Rebar recycled	Tons	0.0	0.1
Earthworks recycled	Cubic meters	0.0	11.0
2. Use of Resources			
Bricks	Cubic meters	11.1	176.4
Concrete	Cubic meters	115.8	155.9
Rebar	Tons	0.0	2.4
Stone	Tons	6.6	10.7
Wood	Tons	0.3	2.6
Energy consumption and intensity			
Gasoline	Liters	116,436.8	86,127.5
Diesel fuel	Liters	6,455.4	37,893.8
Liquefied petroleum gas	Kilograms	14,394.0	10,354.1
Natural gas	Cubic meters	69,441.7	1,763,633.5
Outsourced heating power	Megajoules	2.0	8.1
Total power consumption	Kilowatt hours	10,457,782.0	51,908,344.7
Total energy consumption	Megawatt hours	12,449.9	70,623.6
Energy consumption intensity[4]	Megawatt hours/RMB' million	5.3	23.7
Water[7]			
Total water consumption	Cubic meters	882,802.6	1,009,098.5
Water consumption intensity[4]	Cubic meters/RMB' million	376.0	338.6

1. The emissions mainly included the exhausts from the use of official vehicles of the Group. The emission data of official vehicles are calculated pursuant to the 'Appendix 2: Reporting Guidance on Environmental KPIs' issued by the Stock Exchange.

2. The disclosed values of greenhouse gas emissions include the consumption of gasoline, diesel, liquefied petroleum gas, natural gas, purchased heat and purchased electricity. Scope 1 emission factors are calculated with reference to the 'Reporting Guidance on Environmental KPIs' of the Stock Exchange of Hong Kong and GHG Protocol; and for Scope 2, both of the greenhouse gas emission factors of power grid in Mainland China and The Special Administrative Region of Hong Kong, the PRC are calculated with reference to the 'Reporting Guidance on Environmental KPIs' of the Stock Exchange of Hong Kong, and the greenhouse gas emission factor of purchased heat is calculated with reference to the 'CO_2 Emissions Accounting and Reporting Requirements-Other Industries' (DB11T1787-2020). The Scope 1 greenhouse gas emissions mainly include the direct greenhouse gas emissions from the fossil fuels (e.g. gasoline, diesel oil and natural gas) consumed during the office, construction and operation process of the Group. The formula for the calculation of the main greenhouse gas emissions from fossil fuel consumption is: carbon dioxide emissions from fossil fuel combustion = fuel consumption × emission factors. The Scope 2 greenhouse gas emissions mainly include the indirect greenhouse gas emissions from the purchased electricity and heat consumed during the office, construction and operation processes of the Group. For the performance data of greenhouse gas emissions in 2022, 0.5703 kg CO2/kWh is adopted for the calculation of the carbon emission coefficient of purchased electricity, and 0.11 tCO_2/GJ is adopted for the calculation of carbon emission coefficient of purchased heat. Since our ESG data collection and analysis was still at a preliminary stage as of the Latest Practicable Date, it is necessary for us to prioritize collecting data of direct emission that are owned or controlled by us for analysis and improvement, rather than collecting data of indirect emissions (such as the Scope 3 emissions) that were heavily dependent on the emissions from our supply chain. Going forward, we plan to compile records of the respective environmental performance of the Scope 3 emissions in a quantitative manner. By the end of 2025, we will endeavor to (i) enhance our quality control system by specifying the selection criteria and assessment of subcontractors, such as their ESG commitment, requisite license, qualification, certificate and ISO standards; and (ii) implement guidance in relation to our business travel, such as prioritizing rail travel over air travel. To align with our ESG commitment, we intend to engage internal control consultant and other professional independent third parties when necessary.

3. The hazardous wastes mainly included the waste electronics & electrical appliances, mercury-containing fluorescent lamps and other hazardous wastes generated during the office and operation process of the Group.

4. The calculation of intensity is emission or consumption/revenue of the year.

5. The non-hazardous wastes mainly included the wastepaper, construction waste, kitchen waste and other non-hazardous wastes generated during the office and operation process of the Group.

6. We are committed to recycling wastes (e.g. glasses and metals) that can be reused in the office, operation and construction process.

7. The scope of statistics of water consumption includes engineering water and domestic water in the office, construction and operation process of the Group.

Utilization of the new energy technologies

In order to comply with applicable laws and regulations such as the Energy Conservation Law of the PRC, we formulate relevant internal management policies and systems to implement energy saving and consumption reduction initiatives.

During the Track Record Period, we implemented electric cleaning machines to replace the traditional manual sweeping operations and improve our work efficiency in our city and industrial park services projects. We also purchased new energy machinery, including but not limited to electric washing and sweeping vehicles, electric high-pressure cleaning vehicles, electric bucket loading vehicles.

During the Track Record Period, we implemented an energy-saving lighting retrofit for an underground carpark by replacing the original lighting system with self-organized intelligent IOT fluorescent lamps. We also implemented green office initiatives by, for example, posting signs to remind our employees to switch off lights and set temperature at around 26°C in the summer. We also promoted a paperless office through the implementation of digitalized business operation.

Going forward, we intend to further optimize our operations and improve our energy consumption. In line with the carbon emissions reduction target of Shum Yip Group, we intend to reduce our carbon emission intensity per unit of revenue (tCO_2eq/HK$ million) by 15% by 2030 compared to 2022 and continuously reduce all energy efficiency improvements in respect of operational projects to maximize energy efficiency. In particular, we intend to reduce our energy consumption by using more energy saving machineries and implement initiatives, such as encouraging staff to take public transportation, to further raise the awareness of environmental issues of our employees. In addition, we intend to streamline our procedures to increase labor and energy efficiency by using digital platforms to closely monitor and respond to issues related to abnormal energy consumption in a timely manner.

Waste management

We have implemented waste management initiatives in order to comply with the waste disposal requirements and treatment regulations of the relevant laws and regulations, such as the Law of the PRC on the Prevention and Control of Air Pollution and Law on the Prevention and control of Environmental Pollution Caused by Solid Waste.

As a property management service provider, promoting waste management is one of our key tasks in the construction of ecological civilization. In compliance with the national and local regulations, we actively improve waste management in our different projects. During the Track Record Period, in order to solve the problem of waste collection, transportation and disposal, to raise the public's awareness of garbage classification and to realize the recycling of resources, we placed facilities for garbage classification, increasing publicity efforts, and setting up on-site supervisors. In addition, for our award winning residential property management project Meilinyicun Community, we also installed smart systems supported by artificial intelligence and radio frequency identification in trash cans to monitor residents' garbage disposal and reclassification, to analyze and increase garbage recycle rate and to transfer garbage to collection centers for disposal. To raise environmental protection awareness in the community, we also organized community events and distribute flyers to promote recycling.

Going forward, we intend to further optimize our waste management by enhancing our efforts in collecting and recycling solid waste. In line with the carbon emissions reduction target of Shum Yip Group, we intend to increase waste separation rate and comprehensive utilization rate and standardize the management of hazardous waste collection and disposal. By the end of 2025, we plan to (i) launch a pilot waste separation program in our 100 managed residential properties; (ii) improve the solid waste treatment system to reduce 3.0% of our hazardous solid waste intensity in our managed properties; (iii) utilize energy-saving products to reduce the number of waste lamps by 50 in our commercial properties under management; and (iv) promote public awareness of recycling to increase our recycling rate of our renewable waste by 5.0% in our managed properties nationwide. In particular, we plan to further analyze waste disposal information and increase efficiency in providing garbage collection services for properties we managed. We also intend to continue our efforts in cultivate sustainable and green lifestyle by organizing more community events for our residents.

Social Responsibility

Social Activities

We actively participated in the social activities and carried out projects with local governments to take our social responsibility. In response to the "Property City" reform pilot project launched by the Futian District Government of Shenzhen, we introduced a package operational model comprising greening, streetscape inspection and cleaning. To effectively manage our team, we obtained 11 utility model patents and one patent during the Track Record Period. At the same time, with the digitalized management platform as the core, we realize online order placement helps our employees stay alert to their daily assignments on a real-time basis and successfully enhance our efficiency.

Meanwhile, to further strengthen community governance in the post-epidemic period and explore a new way for property management companies to participate in community governance, we cooperated with Shenzhen Futian District Social Construction Special Fund and Shenzhen Futian District Wanxia Community Public Service Center to launch the "Better Environment — Enjoy Life" project. The project was officially launched in January 2021 in Qiaoxiang Community focusing on the construction of the "macro" environment in the community, and brought together residents, community organizations, property management companies and other entities to participate deeply in community affairs and governance, stimulating community vitality, and promoting a culture of shared governance. The project advocated a culture of shared governance and shared efforts to create a green environment that benefits the residents.

In response to the strategic approach of Shum Yip Group in its future development plan, we have facilitated the development of community businesses by cooperating with Shum Yip Group based on project features. For instance, our *Shenyedongling* (深業東嶺), *Tanglang City* (塘朗城) and *Sky Park* (深業中城) have combined childcare and elderly care, which we consider as an effective approach to enhance community quality.

We have taken up our commitment as a state-owned enterprise to help businesses overcome the difficulties during the COVID-19 pandemic by granting rent concessions to tenants of our managed properties. See "— Effects of the COVID-19 pandemic — Effects of the COVID-19 Pandemic on Our Business Operations" for details of rent concessions.

We have received awards of outstanding contributions to public welfare and charity successively (公益慈善突出貢獻愛心企業) because of our charitable endeavors over the years.

Work Safety

During the Track Record Period and up to the Latest Practicable Date, we had complied with the PRC laws in relation to production safety in all material respects. As advised by our PRC Legal Advisors, during the Track Record Period and up to the Latest Practicable Date, we have not had any incidents which have materially and adversely affected our operations.

During the Track Record period, we have obtained GB/T19001-2016/ISO9001:2015 quality management system certification to further standardize our service procedures, and ensured strict adherence thereto by having in place a comprehensive quality control system. Besides, we obtained the certification of GB/T45001-2020/ISO45001:2018 occupational health and safety management system.

Employee Care

In a people-oriented manner, we strive to provide employees with a sound and competitive remuneration package. We have adopted internal policies for occupational safety. Our Directors also confirm that we were not subject to significant work safety, social or environmental risks with respect to our business operations during the Track Record Period and up to the Latest Practicable Date. As advised by our PRC Legal Advisors, during the Track Record Period and up to the Latest Practicable Date, we had complied with PRC laws and regulations in relation to workplace safety in all material respects and had not had any incidents that have materially and adversely affected our operations.

We strictly complies with the Labour Contract Law of the PRC (《中華人民共和國勞動合同法》) and relevant laws and regulations where it operates, and have established and amended a series of internal human resources management systems, including the Management System for Recruitment (《招聘管理制度》), the Management System for Internship (《實習生管理制度》) and the Administrative Measures for the Recruit and Departure Staff from the Headquarters (《總部員工入職、離職管理辦法》). Besides, we forbid illegal employment, such as the employment of child labor and forced labor, to protect the basic rights and interests of employees in all aspects. We continue to improve its human resources management system by updating the Administrative Measures for "12345" Talent Management Scheme (《"12345"優才計劃管理辦法》), aiming to help new employees adapt to the workplace quickly, and to identify and retain talents as well as to promote the tenure system and contract management in respect of managers in enterprises at different levels. For more information on the employees training and development, see "— Employees — Training and development."

We provide competitive remuneration package systems to employees. The Employee Remuneration Management System (《員工薪酬管理辦法》) and Management System for Performance Appraisal of Staff (《員工績效考核管理辦法》) and other systems have been established in place to regulate employee evaluation management. It insists on equal pay for equal work, establishes and improves the remuneration package systems, protects the basic benefits of the employees, such as the five required insurances under PRC law and one housing fund and statutory holidays, and provides overtime payment and high temperature subsidies as required. Furthermore, it revised and improved the Management System for Performance Appraisal of Staff from the Headquarters (《總部員工績效考核管理制度》) and other systems and adjusted the employee appraisal and promotion mechanism.

Corporate Governance

During the Track Record Period, we have strictly complied with the corporate governance requirements of national or local laws and regulations and improves the corporate governance structure from time to time. In addition, we have also formed a governance structure in which the powers and responsibilities have been distributed reasonably to ensure the different branches perform their own duties, check and balance each other, make scientific decisions, and coordinate the operations effectively. There are also special committees, including the Audit Committee, the Nomination Committee and the Remuneration Committee, under the Board, actively exerting their functions to provide advice and take action for the continuous improvement of our corporate governance structure.

Internal Controls

We face various risks during our business operations, see "Risk Factors — Risks Relating to Doing Business in China." We have established a risk management system and relevant policies and procedures which we consider appropriate for our business operations. These policies and procedures are essential to the achievement of sound corporate governance and the healthy growth of our business performance. In particular, we have adopted, among other things, the risk management measures below:

- establishing the Audit Committee under the Board to review and monitor financial reporting procedures contained in our annual and interim reports;

- adopting adequate internal control policies to ensure the continuing compliance with the Listing Rules, including but not limited to the detection and administration of notifiable and connected transactions and other disclosure matters;

- establishing the risk management information system in accordance with the overall plan of informatization of us, covering different processes of risk management and internal control system and improving the efficiency and effectiveness of risk management work; and

- providing regular risk management and internal control training for senior management and employees in order to cultivate a good compliance culture.

Anti-corruption and Anti-bribery Measures

To comply with applicable anti-corruption and anti-bribery laws and regulations of the PRC and Hong Kong, we have formulated and implemented an anti-corruption and anti-bribery regime. Key anti-corruption and anti-bribery measures include the following:

- we provide anti-corruption and anti-bribery and commercial ethics training to our employees;

- we require our employees to sign the anti-corruption practice commitment on an annual basis to indicate that each of them are aware of and voluntarily abide by our anti-corruption requirements;

- we have established a set of rules, covering major business activities, such as funding, gift and donating, commercial meeting and activities, and recruiting external third parties, in order to manage corruption and bribery risks;

- we have established Discipline Inspection Office (risk management office) to identify improper conduct of our employees and monitor inter-department activities. The primary duties of the office include investigating potential corruption or fraudulent incidents, and handling the complaint or report of anti-corruption and anti-bribery activities within our Group;

- we have a whistleblowing and complaint handling process through different channels, and we will conduct investigations for any suspected cases of bribery, corruption or other related misconduct or fraudulent activities. In cases we find any misconduct, we may take disciplinary actions as appropriate, report to the relevant regulatory authorities and/or initiate legal actions to recover any losses suffered by us as a result of such misconduct; and

- we have established a set of rules to implement procurement management measures in order to make sure our suppliers also adhere to our anti-corruption and anti-bribery measures.

Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, we were in compliance with anti-corruption and anti-bribery laws and regulations in the PRC in all material respects, and were not subject to any material administrative penalties or investigations from any regulatory authorities in respect of such activities.

EFFECTS OF THE COVID-19 PANDEMIC

Effects of the COVID-19 Pandemic on Our Business Operations

A global pandemic caused by COVID-19 broke out in January 2020 and impacted the global economy. In an effort to contain its spread, stringent measures, such as travel restrictions, mandatory quarantine requirements and social distancing measures had been imposed in the PRC, which adversely affected macroeconomic conditions. Since early 2020, the PRC government implemented a series of fiscal and monetary policies to stabilize the social sentiment and expedite the resumption of economic growth, such as offering provisional relief of social insurance contributions by corporations affected by the COVID-19 pandemic, while state-owned enterprises took the initiative in making rent concessions to merchants (in particular small-and medium-sized enterprises) to help businesses stay afloat.

Since the outbreak of the COVID-19 pandemic and up to the Latest Practicable Date, we did not encounter material disruptions to the services provided by our subcontractors and service providers and the supply of materials from our suppliers. Our Directors confirm that we did not encounter and are not expected to experience any labor shortage as a result of the outbreak of COVID-19 pandemic. Hence, our Directors believe that we can continue to provide our services and discharge our obligations under existing contracts.

Our Contingency Plan and Responses towards the COVID-19 Pandemic

We managed a wide range of properties with a diverse composition for our personnel, including residential, commercial office, parks, public construction, commercial complexes, office buildings, community businesses and hotels. The COVID-19 pandemic was a great test of our crisis management capability. The following are the major outbreak responses measures we had taken for the properties under our management:

- *Pandemic control supplies support*. We regularly stored pandemic control supplies such as sanitizers, surgical masks, plastic gloves, body temperature measurement equipment at each property under our management and designate persons-in-charge to administer the procurement and use thereof;

- *Exit and entry management*. We implemented flexible visitor and vehicle control measures to adapt to the developments of the pandemic. Security guards measured the body temperature of each resident and visitor at the entrance gates. Those with abnormal body temperatures were not allowed to enter into the properties we manage and shall be subject to temporary quarantine measures immediately. Our exit and entry control measures were adjusted according to the situation of the COVID-19 pandemic;

- *Customer services*. We frequently disseminated pandemic control information and health tips to the property owners, residents and tenants at the customer service centers of each property under our management and through social media; and

- *Regular disinfection*. We routinely disinfected and maintained cleanliness and good ventilation of common areas of the properties under our management.

Effects of the COVID-19 Pandemic on Our Business Strategies

Although the outbreak of the COVID-19 pandemic caused short-term economic slowdowns in the PRC, the outlook for the property management services remained positive. With the relaxation of the COVID-19 measures, our core business segments and collection rate remained generally stable. In terms of our commercial property operational and management services, our offline traffic in *Upperhills* increased by 28.0% as of December 31, 2023, comparing to that as of December 31, 2022. Our Directors therefore believe that the COVID-19 pandemic did not cause any major disruptions to the implementation of our business strategies set forth in "— Business Strategies" and we will utilize the **[REDACTED]** from the **[REDACTED]** the same manner as envisaged in "Future Plans and **[REDACTED]**."

INSURANCE

We believe that our insurance coverage is in line with the industry practice and is sufficient to cover our current operation. We maintain insurance policies against major risks and liabilities arising from our business operations, primarily including (i) liability insurance to cover liabilities for property damages or personal injury suffered by our employees and third parties arising out of or in relation to our business operations; (ii) property insurance for damages to property owned by us or in our custody; (iii) social insurance and group life accident insurance.

We believe we have maintained property and liability insurance with coverage in line with the practice of similar companies in the PRC. However, our insurance coverage may not adequately protect us against certain operating risks and other hazards, which may result in adverse effects on our business. See "Risk Factors — Risks Relating to Our Business and Industry — Our insurance coverage may not sufficiently cover the risks related to our business."

PROPERTIES

According to section 6(i) of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, this document is exempted from compliance with the requirements of section 38(i) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, which require a valuation report with respect to all of our interests in land or buildings, for the reason that, during the Track Record Period, we had no single property with a carrying amount of 15% or more of our total assets. Pursuant to Chapter 5 of the Listing Rules, this document is not required to include valuations of our properties.

Owned properties

As of June 30, 2024, we owned 48 properties in the PRC. As advised by our PRC Legal Advisors, as of June 30, 2024, we legally owned the housing ownership of these properties and were entitled to occupy, use, obtain income from and lease such properties for a specified period in accordance with the law and in line with the purposes set forth in the corresponding title certificates, and at the same time, such properties are not subject to judicial compulsory measures such as attachment, seizure and auction.

Leased properties

As of June 30, 2024, as advised by our PRC Legal Advisors, we had 26 leased properties under performance and used in operation, of which: (i) three leased properties with a total floor area of approximately 2,657.7 sq.m. were used for office purposes under the lease agreement while its planned use is stated as industrial and residential respectively, and therefore the contracted use did not conform with its planned use; (ii) eight leased properties with a total floor area of approximately 12,206.7 sq.m. were temporary buildings without the property registration certificates; and (iii) the lease contracts of 22 leased properties had not been registered, had not provided the relevant lease registration or had not proceeded with the filing procedures. Out of these properties, our two properties generated revenue of RMB4.0 million, RMB3.2 million, RMB5.2 million and RMB2.4 million in 2021, 2022, 2023 and six months ended June 30, 2024, respectively.

In particular, the usage of the aforementioned three leased properties, with a total gross floor area of approximately 2,657.7 sq.m., is inconsistent with the purpose stated in the relevant title certificate or relevant authorization documents. With respect to these three leased properties, our PRC Legal Advisors are of the view that if any such lease is challenged by any interested parties or if the lessor is penalized by competent local governments, we may not be able to lease, occupy and use the relevant properties.

In relation to the issue of leased properties without property ownership certificates, our Directors and our PRC Legal Advisors are of the opinion that the abovementioned title defects will not have a material adverse impact on our business for the following reasons: (i) during the Track Record Period and up to Latest Practicable Date, to the best of the Directors' knowledge, the leases for these properties have not been challenged by any third parties, (ii) having considered that such defective leased properties are scattered throughout the PRC and are subject to different local governments, we consider it unlikely that we would simultaneously face claims from various third parties or be required to relocate by local governments in respect of these properties, and (iii) we can find alternative properties in the event that the leases were found to be invalid and we were required to relocate. In the event that we are required to relocate from any of these leased properties as a result of any of the foregoing scenarios, given the nature of our operation, we do not believe that any relocation would result in material disruptions to our business, and suitable replacements are expected to be readily available. Although we may incur additional relocation costs, our Directors are of the view that this would not have any material adverse impact on our business, financial position and results of operation.

As of the Latest Practicable Date, the lessors for some of our leased properties had not provided valid authorization documents evidencing their right to lease the properties, or had not provided valid title certificates or other ownership documents for the leased properties. As a consequence, we may be exposed to a potential relocation risk if our rights to use these properties were to be successfully challenged. In addition, as of the Latest Practicable Date, a number of lease agreements relating to our leased properties had not been registered with the relevant PRC housing administration authorities in accordance with applicable PRC regulations, which could subject us to administrative penalties. As advised by our PRC Legal Advisors, failure to complete the registration and filing of lease agreements will not affect the validity of the lease agreements or result in us being required to vacate the leased properties. However, the relevant PRC authorities may impose a fine ranging from RMB1,000 to RMB10,000 for each unregistered lease.

We believe the defects in the titles of our leased properties and the failure to complete the administrative registrations are primarily attributable to reasons beyond our control because the lessors of these properties are responsible for procuring the necessary ownership certificates and providing documents and information necessary for the administrative filings. Additionally, it is the lessors' responsibility to obtain the title certificates to enter into the leases, and, as a tenant, we will not be subject to any administrative punishment in relation to the failure in obtaining these title certificates. Based on our experience and knowledge, if we are required to cease to occupy any of these leased properties, we believe that we will be able to find suitable replacement locations in a timely manner and at a reasonable cost. As of the Latest Practicable Date, we did not have any material disputes with the lessors over the ownership of the leased properties and the registration and filing of lease agreements, we have not been asked to vacate from any of the leased properties. See "Risk Factors — Risks Relating to Our Business and Industry — Some of our leased properties have title defects, and we may be forced to relocate due to title defects, which may result in a disruption of our operations and subject us to disputes, claims, or even penalties."

After taking into consideration the above factors, our PRC Legal Advisors have confirmed that the legal implications of the defects described above are not likely to have a material adverse impact on our business.

MATERIAL CERTIFICATES, LICENSES, PERMITS AND APPROVALS

As advised by our PRC Legal Advisors, our Directors confirm that, during the Track Record Period and as of the Latest Practicable Date, we had obtained all material certificates, licenses, permits and approvals from relevant authorities for our current operations in all material respects. We are required to renew such certificates, licenses, approvals and permits from time to time, and we do not expect any material legal impediments in such renewals, and our PRC Legal Advisors concur, so long as we comply with the applicable requirements and conditions set by the relevant laws and regulations. The table below sets forth our material certificates, licenses, permits and approvals relating to our operations as of the Latest Practicable Date:

Certificates, licenses, permits and approvals	Holder	Granting authority	Issuance Date	Expiration date
Labor Dispatch Operation License (劳務派遣經營許可證 (440303190037))	Our Company	Human Resources Bureau of Luohu District, Shenzhen Municipality (深圳市羅湖區人力資源局)	December 19, 2022	December 21, 2025
Labor Dispatch Operation License (劳務派遣經營許可證 (4403040020200004)).	Wansha Household	Human Resources Bureau of Futian District, Shenzhen Municipality (深圳市福田區人力資源局)	November 21, 2023	December 18, 2026

Our PRC Legal Advisors advised that save for the abovementioned requirements, no additional qualification and/or license is required for us to provide property management services for hospital and schools, as well as hotel operational management and supervision. In addition, as advised by our PRC Legal Advisors, since our mobile apps and website do not constitute value added telecommunication services, we are not required to obtain an Internet Content Provider certification license from the Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部) to operate and maintain such mobile apps and website.

LEGAL PROCEEDINGS, COMPLIANCE AND RECENT REGULATORY CHANGES

We may from time to time be involved in legal, arbitration or administrative proceedings in the ordinary course of our business. As advised by our PRC Legal Advisors, during the Track Record Period and up to the Latest Practicable Date, we had not been subject to any significant fines or any non-compliance, legal, arbitration or administrative proceedings pending or threatened against us or any of our Directors which could have a material adverse effect on our financial condition or results of operations.

Fire Safety

During the Track Record Period, there were eight administrative penalties imposed on us for non-compliance with fire safety rules and regulations. Reasons for non-compliance include (i) inadequate maintenance of fire safety facilities and equipment in properties; and (ii) vehicles parked on fire access lanes causing obstruction. Our Directors believe that abovementioned incidents of non-compliance were immaterial did not have a significant impact on our operations during the Track Record Period. During the Track Record Period, none of the properties managed by us was involved in any fire accidents.

As of the Latest Practicable Date, we have rectified the abovementioned instances of non-compliance and implemented the following measures to avoid the recurrence of such non-compliance with fire safety rules and regulations:

- *Fire safety policies.* We have implemented fire safety policies and internal control measures, which covered matters such as the maintenance of fire safety facilities, reporting system and inspections of fire safety facilities to ensure compliance with relevant fire safety laws and regulations;

- *Trainings and fire drills.* We have (i) provided trainings to enhance awareness of fire safety; and (ii) conducted fire drills to familiarize and enforce proper evacuation routes and practices; and

- *Collaboration with property owners' association.* We have assisted property owners' associations in applying for maintenance funds to be used for the replacement of fire-fighting appliances.

Our Directors are of the view that, as a whole, these enhanced rectification measures regarding fire safety are adequate and effective in managing fire safety risks and preventing the recurrence of similar non-compliance incidents related to fire safety.

Workplace Safety

During the Track Record Period, there was an incident of a fall from height at *Upperhills*, resulting in one fatality. The individual involved was a territory manager from the Engineering Management Department (the "**Worker**"), who was an employee of our Group. The investigation revealed that the Worker had a lack of safety awareness and violated safety production regulations and operating procedures by not wearing or using protective equipment, such as safety helmet and safety boot, as required while working at heights. As a result, the Group was ordered to pay a fine of RMB220,000 by the relevant government authority. Our Directors believe that this incident did not have a significant impact on our operations during the Track Record Period.

In response to this incident, we have implemented proactive measures to enhance workplace safety, including (i) providing safety training to our frontline workers; (ii) enhancing our safety production system and processes; and (iii) ensuring effective safety supervision by maintaining on-site management team and enhancing safety awareness among our front-line workers. These specific safety measures have been implemented to prevent similar incidents and foster a culture of safety awareness among our employees.

Our Directors confirmed that we were not involved in other material accidents during the Track Record Period.

Social Insurance and Housing Provident Fund Enforcement

During the Track Record Period, we did not register for and/or make full contributions to social insurance and housing provident funds for certain employees primarily because (i) some of our employees voluntarily declined to make their social insurance and housing provident fund contributions; (ii) some of our employees entered into labor service contracts with us after their retirement from their previous employment, and we were not required to make insurance and housing provident funds contributions as advised by our PRC Legal Advisors; and (iii) our interns were not required to make their social insurance and housing provident funds contributions as advised by our PRC Legal Advisors.

As advised by our PRC Legal Advisors, under the Regulations on Administration of Housing Provident Fund (住房公積金管理條例), (i) for housing provident fund registrations that we fail to complete before the prescribed deadlines, we may be subject to a fine ranging from RMB10,000 to RMB50,000 for each non-compliant subsidiary or branch; and (ii) for housing provident fund contributions that we fail to pay within the prescribed deadlines, we may be subject to an order by the relevant people's court to make such payments. According to the Social Insurance Law of the PRC (中華人民共和國社會保險法), (i) if we fail to complete social insurance registration before the prescribed deadlines, we may be liable to a fine of one to three times the social insurance premiums payable; and the principals who bear direct responsibilities and other persons with direct responsibilities shall be liable for a fine over RMB500 but less than RMB3,000; and (ii) for outstanding social insurance fund contributions that we did not fully pay within the prescribed deadlines, the relevant PRC authorities may demand that we make the outstanding social insurance contributions within a stipulated deadline and we may be liable for a late payment fee equal to 0.05% of the outstanding contribution amount for each day of delay; if we fail to make such payments, we may be liable to a fine of one to three times the outstanding contribution amount. According to our PRC Legal Advisors, the penalties for failing to complete the housing provident fund registrations and social insurance fund registrations before the prescribed deadlines and make payments for the outstanding housing provident fund and social insurance fund contributions will be decided at the competent authorities' discretion within the fine range, while the sum of the late payment fee for social insurance fund contributions will depend on the number of days lapsed since the payment due date.

As confirmed by the Directors, as of the Latest Practicable Date, we have not received any orders from the social insurance contributions collection agency or the housing provident fund management center to pay or supplement social insurance or housing provident fund contributions within a prescribed time limit.

We made provisions in the amounts of RMB5.7 million, RMB5.4 million, RMB2.3 million and RMB0.6 million, in respect of such potential liabilities in 2021, 2022, 2023 and six months ended June 30, 2024, respectively. In addition, we have implemented various internal policies that specify the eligibility and calculation of social insurance and housing provident funds contributions and the adjustment and retrieval of housing provident funds contributions, as well as various procedural measures to ensure that we make full contributions in relation to social insurance and housing provident funds and monitor our compliance with the Labor Law of the PRC and related regulations upon **[REDACTED]**.

The Three Red Lines Standard

In terms of the recent regulatory changes of the Three Red Lines Standard, according to Frost & Sullivan, in early 2022, the financial institutions in the PRC informed certain large-scale property developers that the Three Red Lines Standard have been relaxed by excluding short-term loans obtained by property developers for the purpose of merger and acquisitions from the calculation of pro forma ratios. Frost & Sullivan is of the view that, if such policy relaxation becomes official, it would be beneficial to the upstream companies within the real estate industry in the short term and long term, including property developers and property construction companies in the PRC as a whole, in particular property developers which have good financial performance. In the short term, these property developers would be able to expand their business by acquiring projects from property developers that have financial difficulties. In the long term, as these property developers have healthy financial performance, they would be able to comply with the requirements under such policy relaxation while sustaining their market share or expanding by merger and acquisition. In addition, as property management service providers typically (i) derive a considerable portion of revenue from their existing property projects under management, and (ii) procure new property management projects from various sources, such as property owners and property owners' associations, instead of relying solely on new property projects procured from property developers, Frost & Sullivan is of the view that the Three Red Lines Standard and the possible relaxation on such policy are not expected to create a significantly adverse impact on property management service providers in general.

To ensure ongoing compliance with the relevant laws and regulations, we have implemented various internal control measures, in which our risk management teams would carry out internal inspection of regulatory compliance and list out the outstanding issues for rectification, if any. In addition, we (i) do not plan to use, directly or indirectly, the **[REDACTED]** from the **[REDACTED]** for financing real estate development; and (ii) plan to use the **[REDACTED]** from the **[REDACTED]** as stated in the section titled "Future Plans and **[REDACTED]**," and relevant laws and regulations under the respective jurisdiction, as well as making disclosure subject to the relevant laws and regulations of Hong Kong Stock Exchange and SFC. See "Future Plans and **[REDACTED]**" in this document for details. Additionally, (i) Shum Yip Group, Shenzhen Investment and Southern Land have collectively assured that the funds raised from the **[REDACTED]** will not be diverted, directly or indirectly, into the real estate sector; and (ii) Southern Land, Terra Group, Taifu Logistics, Shum Yip Land and Nongke Group have collectively assured that they will not request financial assistance from us into the real estate sector. During the Track Record Period, the revenue contribution made by each independent third party property developer was less than approximately 10% to our total revenue of the respective years. This diversified revenue portfolio reduces exposure to risks from regulatory changes that may have an impact on individual property developer, including the Three Red Lines Standard. Based on the foregoing, our Directors are of the view that the Three Red Lines Standard will not have any material adverse impact on our business operations and cooperation with Shum Yip Group, its subsidiaries, joint ventures and associates. Based on the independent due diligence work performed by the Joint Sponsors, and having considered the view of the Directors, and subject to the relevant laws and regulations, which may be further implemented by relevant authorities from time to time, nothing has come to the attention of the Joint Sponsors that would cause the Joint Sponsors to disagree with our Directors' view in any material respect.

We have entered into certain transactions with parties who will, upon completion of the **[REDACTED]**, become our connected persons, and certain transactions will continue following the **[REDACTED]**, thereby constituting connected transactions under Chapter 14A of the Listing Rules.

OUR CONNECTED PERSONS

Upon **[REDACTED]**, the following entities with whom we have entered into certain transactions in our ordinary and usual course of business will become our connected persons:

Shum Yip Group	Shum Yip Group is our Controlling Shareholder, which will indirectly hold **[REDACTED]**% equity interests in Shum Yip Holdings upon completion of the **[REDACTED]** (assuming that the **[REDACTED]** is not exercised)
Shum Yip Holdings	Shum Yip Holdings is our Controlling Shareholder, which will indirectly hold approximately **[REDACTED]**% interests in Shenzhen Investment upon completion of the **[REDACTED]** (assuming that the **[REDACTED]** is not exercised)
Shenzhen Investment	Shenzhen Investment is our Controlling Shareholder, which will hold approximately **[REDACTED]**% equity interests in our Company upon completion of the **[REDACTED]** (assuming that the **[REDACTED]** is not exercised)

OUR CONTINUING CONNECTED TRANSACTIONS

Nature of transaction	Counterparty	Applicable Listing Rules	Waiver sought
Fully exempt continuing connected transaction			
Trademark licensing	Shum Yip Holdings	14A.34, 14A.52, 14A.76	N/A
Non-exempt continuing connected transaction (subject to reporting, annual review and announcement requirements)			
Procurement of goods and services	Shenzhen Investment	14A.34, 14A.35, 14A.49, 14A.52, 14A.53 14A.71, 14A.105	Reporting, annual review and announcement
Non-exempt continuing connected transaction (subject to reporting, annual review, announcement and independent shareholders' approval requirements)			
Property leasing	Shenzhen Investment	14A.34, 14A.35, 14A.36, 14A.49, 14A.52, 14A.53, 14A.71, 14A.105	Reporting, annual review, announcement and independent shareholders' approval
Provision of property management services, value-added services and commercial operational services	Shum Yip Group	14A.34, 14A.35, 14A.36, 14A.49, 14A.52, 14A.53, 14A.71, 14A.105	Reporting, annual review, announcement and independent shareholders' approval

CONTINUING CONNECTED TRANSACTION FULLY EXEMPT FROM THE REPORTING, ANNUAL REVIEW, ANNOUNCEMENT AND INDEPENDENT SHAREHOLDERS' APPROVAL REQUIREMENTS

Trademark Licensing Agreement

Background

On [•], we entered into the Trademark Licensing Agreement with Shum Yip Holdings, pursuant to which Shum Yip Holdings agreed to grant to our Group a non-transferable license to use several trademarks registered in the PRC for a perpetual term commencing from the **[REDACTED]**, which is subject to the renewal of the licensed trademarks, on a royalty-free basis. The termination of the Trademark Licensing Agreement is conditional on that our Company is no longer controlled by Shum Yip Holdings. In addition, if any licensed trademark was not renewed by Shum Yip Holdings, we would not be licensed to use such trademark. The Trademark Licensing Agreement may be terminated under the following circumstances: (i) the license period of all licensed trademarks expires; (ii) where we are no longer controlled by Shum Yip Holdings; and (iii) both parties agree in writing to terminate the Trademark Licensing Agreement. Details of the licensed trademarks are set out in "Appendix VI — Statutory and General Information — 2. Further Information about our Business — B. our intellectual property rights — (b) Trademarks licensed." Our Directors believe that the entering into the Trademark Licensing Agreement with a term of more than three years can ensure the stability of our operations and is beneficial to our Company and our Shareholders as a whole. Considering (i) it is within normal business practice for agreements of this type to be of such duration; (ii) the strategic importance for our Group to use such trademarks; and (iii) such term is sufficiently long to provide better protection to our Group considering the nature of our licensed trademarks, our Directors are of the view that it is normal business practice for the Trademark Licensing Agreement to be of such duration. The Joint Sponsors are of the view that it is normal business practice for agreements of this type to be of such duration.

Listing Rules implications

Shum Yip Holdings, the registered proprietor of the licensed trademarks, is our Controlling Shareholder and, therefore, a connected person of our Company under the Listing Rules. Accordingly, the transactions contemplated under the Trademark Licensing Agreement will constitute continuing connected transactions for our Company under Chapter 14A of the Listing Rules upon **[REDACTED]**.

As the right to use the licensed trademark are granted to us on a royalty-free basis, the transactions contemplated under the Trademark Licensing Agreement will be within the *de minimis* threshold provided under Rule 14A.76 of the Listing Rules, and the entering into of the Trademark Licensing Agreement will be exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

CONTINUING CONNECTED TRANSACTION SUBJECT TO THE REPORTING, ANNUAL REVIEW, ANNOUNCEMENT REQUIREMENTS BUT EXEMPT FROM THE INDEPENDENT SHAREHOLDERS' APPROVAL REQUIREMENT

Procurement Framework Agreement

Background

During the Track Record Period, we procured different types of goods and services from the Remaining SZI Group, including commodities, greening and disinfection services, training services and information technology services.

On [•], we entered into the Procurement Framework Agreement with Shenzhen Investment for procurement of and provision of goods and services, pursuant to which, our Group may, from time to time, during the terms of the Procurement Framework Agreement, procure different types of goods and services from the Remaining SZI Group, including commodities, greening and disinfection services, training services and information technology services, which are aggregated by us to streamline our management of these transactions.

Principal terms of the Procurement Framework Agreement

The table below summarizes the principal terms of the Procurement Framework Agreement:

Date:	[•]
Parties:	(i) Shenzhen Investment (ii) our Company
Term:	From the **[REDACTED]** to December 31, 2026
Scope of goods and services procured by us:	Our Group agreed to procure, and the Remaining SZI Group agreed to provide the following goods and services: • Commodities: procurement of commodities including food, agricultural products, electronic products, gift certificates, etc. to our Group for daily property management, marketing and employee welfare purposes of our Group; • Greening and disinfection services: provision of professional greening and disinfection services to the properties managed by our Group;

- Training services: provision of employee training services, including professional training, skill training, enterprise management training, etc. to our Group; and

- Information technology services: provision of software and website operation and maintenance services, network resources, infrastructure resources, technical services, etc. to our Group.

The Procurement Framework Agreement will be effective on the **[REDACTED]** and binding on the parties to the Procurement Framework Agreement. Relevant entities of both parties will enter into separate agreements which will set out specific provisions which are, in all material aspects, consistent with the binding principles, guidelines, terms and conditions set out in the Procurement Framework Agreement.

Historical transaction amounts

In 2021, 2022, 2023 and the six months ended June 30, 2024, the aggregate historical amounts paid by us for the abovementioned transactions were RMB21.7 million, RMB28.1 million, RMB28.3 million and RMB18.2 million, respectively. During the Track Record Period, the abovementioned aggregate historical amounts constituted approximately 15.0%, 18.2%, 14.0% and 18.0% of the aggregate expenses incurred for procurement of and provision of goods and services by the Group, respectively.

Proposed annual caps and basis of annual caps

In 2024, 2025 and 2026, it is expected that the aggregate annual caps of the amount paid by us under the Procurement Framework Agreement are RMB37.2 million, RMB40.9 million and RMB45.0 million, respectively.

When estimating the annual caps above, our Directors have considered (i) the historical transaction amounts during the Track Record Period; (ii) the expected demand for commodities for our daily property management, marketing and employee welfare purposes as a result of (a) the increase of our contracted GFA, GFA under management, number of projects contracted to manage and number of projects under our management; and (b) the increase of our employee as a result of our expansion; (iii) the expected demand for information technology services due to the expansion of our business and our continuous investment in technological capabilities and facilities to improve our operational efficiency and service quality; (iv) the expected demand for greening and disinfection services as a result of the increase of our contracted GFA, GFA under management, number of projects contracted to manage and number of projects under management where greening and disinfection services would be required under our city and industrial park services, residential property management services and commercial property operational and management services; and (v) general increase of our demand for commodities and training services as a result of the increase in the scale of our business in general. The increase of the annual cap for the year ending December 31, 2024 when comparing to the historical amount for the year ended December 31, 2023 is mainly due to the increase in demand for information technology services in 2024, where 95% of the payment of the total contract sum of approximately RMB7.8 million under the contract for development of our basic service platform for IOT, which was signed with a wholly-owned subsidiary of Shum Yip Land, our Controlling Shareholder, in 2023, was paid in January 2024 and such payment was originally scheduled to be paid in 2023.

Pricing basis

The consideration for the procurement of goods and services under the Procurement Framework Agreement shall be determined on an arm's length basis by the parties with reference to the then prevailing market price and taking into account the quantity and quality of relevant goods and services as well as other terms such as payment terms. The terms are to be no less favorable to our Group than those for transactions between our Group and independent third parties under the same conditions.

Reasons for the transactions

Our Group has historically procured the relevant goods and services from the Remaining SZI Group to facilitate our daily operations in our ordinary course of business and we expect that we will continue to procure such goods and services to meet the above business needs after the **[REDACTED]**. As the Remaining SZI Group is familiar with our business processes and requirements, quality standards and operational requirements, it is able to supply goods and services we required on a continuous basis. Based on the above, our Directors [(including the independent non-executive Directors)] consider that the above continuing connected transactions have been and will be carried out: (i) in the ordinary and usual course of our business; (ii) on normal commercial terms or better; and (iii) in accordance with the respective terms that are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

Our Directors [(including the independent non-executive Directors)] are also of the view that the annual caps of the above continuing connected transactions are fair and reasonable and are in the interests of our Company and our Shareholders as a whole.

Listing Rules implications

Shenzhen Investment is our Controlling Shareholder and, therefore, a connected person of our Company under the Listing Rules. Accordingly, the transactions contemplated under the Procurement Framework Agreement will constitute continuing connected transactions for our Company under Chapter 14A of the Listing Rules upon **[REDACTED]**.

As one or more of the applicable percentage ratios under the Listing Rules in respect of the aggregate annual caps for the transactions contemplated under the Procurement Framework Agreement are expected to exceed 0.1% but are less than 5% on an annual basis, the entering into of the Procurement Framework Agreement constitutes a continuing connected transaction for our Company and will be subject to the reporting, annual review and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

CONTINUING CONNECTED TRANSACTION SUBJECT TO THE REPORTING, ANNUAL REVIEW, ANNOUNCEMENT AND INDEPENDENT SHAREHOLDERS' APPROVAL REQUIREMENTS

Lease Framework Agreement

Background

During the Track Record Period, we leased certain properties and car parks from the Remaining SZI Group for our office, dormitory and operation purposes. In order to ensure that our operations and business are consistent and stable, we intended to continuously lease the relevant properties and car parks from the Remaining SZI Group.

On [•], we entered into the Lease Framework Agreement with Shenzhen Investment, pursuant to which the Remaining SZI Group agreed to lease to our Group certain properties and car parks for our office, dormitory and operation purposes from the **[REDACTED]** until December 31, 2026. The Lease Framework Agreement will be effective on the **[REDACTED]** and binding on the parties to the Lease Framework Agreement. Relevant entities of both parties will enter into separate lease agreements which will set out the specific provisions which are, in all material aspects, consistent with the binding principles, guidelines, terms and conditions set out in the Lease Framework Agreement.

Historical transaction amounts

In 2021, 2022, 2023 and the six months ended June 30, 2024, the historical amounts of rent paid by us for the abovementioned transactions were RMB46.0 million, RMB50.4 million, RMB54.1 million and RMB24.3 million, respectively.

Proposed annual caps and basis of annual caps

In 2024, 2025 and 2026, it is expected that the annual caps of the rent payable by us under the Lease Framework Agreement are RMB[60.4] million, RMB[68.3] million and RMB[77.1] million, respectively.

When estimating the annual caps above, our Directors have considered (i) the historical leases entered into between the Remaining SZI Group and our Group, and the historical amount of rent paid by our Group; (ii) the rent of our leased properties; (iii) the expected needs for the lease areas in relation to office and dormitory resulting from future expansion of our Group; and (iv) the expected increase in our demand for the lease areas in relation to car parks based on our business development plan to expand our business reach. The annual caps are determined based on the estimated total value of right-of-use assets to be newly recognized relating to the applicable leases forecasted by our Company. The accounting treatment for the actual leases will comply with the applicable standards of HKFRS 16.

Pricing basis

The rent, property management fees, public maintenance fund, utilities and air-conditioning fees shall be calculated and paid in the following manner:

(i) the rent is calculated based on the GFA of the subject properties multiplied by the rent per unit area which shall be determined with reference to the rent of similar properties in the vicinity and the local market rental level, subject to adjustment by the parties in accordance with the actual condition of the subject properties.

(ii) our Group shall pay the property management fees, public maintenance fund, utilities and air-conditioning fees in respect of the subject properties.

(iii) our Group shall make rental payment on a monthly or quarterly basis, and the specific payment and settlement could be arranged by negotiation between the parties to the lease.

Reasons for the transactions

In view of the long-standing relationship with the Remaining SZI Group for leasing of certain properties for our office and dormitory uses, the entering into of Lease Framework Agreement can reduce the cost of our Company to identify suitable premises, thereby ensuring a stable working environment of our Group. In addition, we leased certain properties and car parks from the Remaining SZI Group for operation purpose, which would further expand the scale and development of our Group's relevant businesses. Based on the above, our Directors [(including the independent non-executive Directors)] consider that the above continuing connected transactions have been and will be carried out: (i) in the ordinary and usual course of our business; (ii) on normal commercial terms or better; and (iii) in accordance with the respective terms that are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

Our Directors [(including the independent non-executive Directors)] are also of the view that the annual caps of the above continuing connected transactions are fair and reasonable and are in the interests of our Company and our Shareholders as a whole.

Listing Rules implications

Shenzhen Investment is our Controlling Shareholder and, therefore, a connected person of our Company under the Listing Rules. Accordingly, the transactions contemplated under the Lease Framework Agreement will constitute continuing connected transactions for our Company under Chapter 14A of the Listing Rules upon **[REDACTED]**.

As one or more of the applicable percentage ratios under the Listing Rules in respect of the aggregate annual caps for the transactions contemplated under the Lease Framework Agreement are expected to exceed 5% on an annual basis, the entering into of the Lease Framework Agreement constitutes a continuing connected transaction for our Company and will be subject to the reporting, annual review, announcement and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Business Framework Agreement

Background

During the Track Record Period, we provided property management services, value-added services and commercial operational services to Shum Yip Group, its subsidiaries, joint ventures and associates (excluding our Group).

On [•], we entered into the Business Framework Agreement with Shum Yip Group, pursuant to which our Group agreed to provide certain services to Shum Yip Group, its subsidiaries, joint ventures and associates (excluding our Group).

Principal terms of the Business Framework Agreement

The table below summarizes the principal terms of the Business Framework Agreement:

Date:	[•]
Parties:	(i) Shum Yip Group (ii) our Company
Term:	From the **[REDACTED]** to December 31, 2026
Scope of services provided by us:	• Property management services: provision of property management services for industrial park, public facility, residential properties and commercial properties, including (a) provision of cleaning, greening, maintenance, security and disinfection for industrial park; (b) provision of cleaning, greening, security, repair and maintenance and disinfection services for managed residential properties; and (c) provision of cleaning, greening, public facility and equipment maintenance and security services for managed commercial properties ("**Property Management Services**")

- Value-added services: provision of value-added services for industrial park, residential properties and commercial properties, including (a) provision of value-added services for industrial park, including community living services; (b) provision of value-added services for residential properties, including (i) value-added services to non-property owners, such as sales offices management services and other value-added services, and (ii) community value-added services, such as community living services, space operational services and asset management services; and (c) provision of value-added services for commercial properties, including car park management, venue management, waste collection and transportation for decoration materials, exhibition and display services, consultancy services and information technology services ("**Value-added Services**")

- Commercial operational services: provision of commercial operation services for commercial properties, including commercial leasing, operational and promotional services, as well as hotel operational management or supervision ("**Commercial Operational Services**")

The Business Framework Agreement will be effective on the **[REDACTED]** and binding on the parties to the Business Framework Agreement. Relevant entities of both parties will enter into separate agreements which will set out specific provisions which are, in all material aspects, consistent with the binding principles, guidelines, terms and conditions set out in the Business Framework Agreement.

Historical transaction amounts

In 2021, 2022, 2023 and the six months ended June 30, 2024, the aggregate historical amounts of service fees received by us from Shum Yip Group, its subsidiaries, joint ventures and associates (excluding our Group) were RMB136.0 million, RMB228.3 million, RMB262.1 million and RMB143.1 million, respectively. During the Track Record Period, the abovementioned aggregate historical amounts of service fees received by us from Shum Yip Group, its subsidiaries, joint ventures and associates (excluding our Group) constituted approximately 6.3%, 9.7%, 9.7% and 10.1% of the revenue of our Group, respectively. The table below sets forth a breakdown of our historical transaction amounts by types of services for the years indicated:

	For the year ended December 31,			**Six months ended June 30,**
	2021	**2022**	**2023**	**2024**
	RMB million	*RMB million*	*RMB million*	*RMB million*
Property Management Services	64.5	69.0	98.2	58.2
Value-added Services	45.3	67.5	77.8	40.9
Commercial Operational Services	26.2	91.8	86.1	44.0
Total	136.0	228.3	262.1	143.1

Proposed annual caps and basis of annual caps

In 2024, 2025 and 2026, it is expected that the aggregate annual caps of the revenue receivable by us under the Business Framework Agreement are RMB321.2 million, RMB392.4 million and RMB466.3 million, respectively. The table below sets forth a breakdown of the annual caps by types of services to be provided by us to Shum Yip Group, its subsidiaries, joint ventures and associates (excluding our Group) for the years indicated:

	For the year ending December 31,					
	2024		2025		2026	
	RMB million	*%*	*RMB million*	*%*	*RMB million*	*%*
Property Management Services	[124.7]	[38.8]	[157.4]	[40.1]	[202.5]	[43.4]
Value-added Services	[96.6]	[30.1]	[118.2]	[30.1]	[140.0]	[30.0]
Commercial Operational Services	[99.9]	[31.1]	[116.8]	[29.8]	[123.8]	[26.6]
Total	[321.2]	100.0	[392.4]	100.0	[466.3]	100.0

When estimating the annual caps above, our Directors have considered:

(i) the historical amount received by us during the Track Record Period;

(ii) the estimated revenue to be recognized based on the existing signed contracts. The revenue generated from Shum Yip Group, its subsidiaries, joint ventures and associates increased to RMB262.1 million for the year ended December 31, 2023 from RMB228.3 million for the year ended December 31, 2022.

As of June 30, 2024, our contracted GFA of properties developed by Shum Yip Group, its subsidiaries joint ventures and associates amounted to approximately 89.8 million sq.m.. As of June 30, 2024, based on the existing signed property management contracts and the expected delivery schedule of Shum Yip Group, its subsidiaries, joint ventures and associates, 15 properties developed by Shum Yip Group, its subsidiaries, joint ventures and associates, with the contracted GFA of approximately 2.6 million sq.m., are expected to be delivered to the Company in late 2024;

(iii) the expected scope of services to be provided by us;

(iv) the estimated size and number of the properties to be delivered by and the expected expansion in geographical coverage of Shum Yip Group, its subsidiaries, joint ventures and associates in 2024, 2025 and 2026, which is based on the properties under development and the land reserves held by Shum Yip Group, its subsidiaries, joint ventures and associates as of December 31, 2023.

As of December 31, 2023, the capacity building area of the property development of Shum Yip Group, its subsidiaries, joint ventures and associates in Shenzhen, Zhongshan and Shenyang increased when comparing to that as of December 31, 2021. As of June 30, 2024, Shum Yip Group, its subsidiaries, joint ventures and associates had land reserves with an aggregate capacity building area of approximately 6.5 million sq.m;

(v) the expected fees to be charged by us with reference to the historical and comparable market levels;

(vi) the increase of the annual caps of property management services for the three years ending December 31, 2026 is mainly due to (a) the revenue generated under property management services provided to Shum Yip Group, its subsidiaries, joint ventures and associates increased by approximately 42.3% from 2022 to 2023; (b) the increase of the estimated size and number of the properties to be delivered by Shum Yip Group, its subsidiaries, joint ventures and associates in 2024, 2025 and 2026 as mentioned above; and (c) the potential increase of management fees for vacant units from Shum Yip Group, its subsidiaries, joint ventures and associates given the current market sentiment over the residential property purchase;

(vii) the significant increase of the annual cap of value-added services for the year ending December 31, 2024, when comparing to the historical amount for the year ended December 31, 2023 is mainly due to the expected substantial increase in demand for sales offices management services provided to Shum Yip Group, its subsidiaries, joint ventures and associates. Such expected increase in demand is based on (a) the revenue generated under sales offices management services increased by approximately 80.4% from 2022 to 2023; (b) the expected increase in number of sales office, duration for the opening of the sales offices and manpower for maintaining the sales offices to better facilitate sales of residential properties given the sales performance of the properties developed by Shum Yip Group, its subsidiaries, joint ventures and associates and current market sentiment over the residential property purchase, where it is expected that there will be around 40 sales offices for the year ending December 31, 2024 when comparing to 23 sales offices for the year ended December 31, 2023; and (c) the estimated large size of the residential properties to be developed by Shum Yip Group, its subsidiaries, joint ventures and associates of approximately 2.5 million sq.m. for the year ending December 31, 2024 comparing to approximately 0.4 million sq.m. for the year ended December 31, 2023;

(viii) for the six months ended June 30, 2023, despite that revenue of Shenzhen Investment decreased 61% when compared to that for the six months ended June 30, 2022, which was mainly due to that there was no new project completed for the six months ended June 30, 2023, according to the project plan, nine projects, with capacity building area of approximately 1.2 million sq.m., was completed and accepted in the second half of 2023 and the process of delivery will commence gradually thereafter, at which time revenue of the said projects can be booked from inventory sales. Further, Shenzhen Investment achieved contracted sales of approximately RMB26.6 billion for the year ended December 31, 2023, representing an increase of 38.4% when compared to that for the year ended December 31, 2022, and accomplished approximately 115.6% of the annual sales target and contracted sales area of 714,109 sq.m.. According to the current project plan, it is expected that 25 projects, with capacity building area of approximately 3.8 million sq.m., will be completed and accepted in 2024 and 2025; and

(ix) any potential increment of the demands for the services to be provided by us based on the above expected expansion in geographical coverage and the abovementioned expected growth in the property development services business of Shum Yip Group, its subsidiaries, joint ventures and associates in the future.

Pricing basis

Property Management Services

Property management fees shall be determined after arm's length negotiations by the parties after taking into account with reference to the property management fees for similar services provided in similar projects and other factors, including: (i) the type and location of the properties; (ii) the scope and quality of the services provided; (iii) the estimated costs; (iv) our profitability targets; (v) profiles of the property owners and residents; and (vi) the local government's guidelines on property management fees (where applicable).

Value-added Services

The service fees shall be determined based on the actual service provided or the terms of contracts entered into with our customers, which shall in principle be determined after arm's length negotiations by the parties with reference to the prevailing market prices of similar services in the open market and historical charges during the Track Record Period. Our management shall refer to transactions similar to those conducted by independent third party to determine whether the prices and terms of the relevant transactions are fair and reasonable and similar to those provided by the independent third party.

Commercial Operational Services

The service fees shall be determined with reference to the prevailing market standard and the rates charged by our competitors. Our management shall refer to transactions similar to those conducted by independent third party to determine whether the prices and terms of the relevant transactions are fair and reasonable and similar to those provided by the independent third party.

Reasons for the transactions

In view of the long-standing relationship with Shum Yip Group, its subsidiaries, joint ventures and associates (excluding our Group) for provision of the relevant services, the entering into of the Business Framework Agreement could (i) result in satisfaction of synergy effect with Shum Yip Group; and (ii) ensure a stable source of income and also improve our competitiveness in providing consistency and high quality services to other customers of our Group. Based on the above, our Directors [(including the independent non-executive Directors)] consider that the above continuing connected transactions have been and will be carried out: (i) in the ordinary and usual course of our business; (ii) on normal commercial terms or better; and (iii) in accordance with the respective terms that are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

Our Directors [(including the independent non-executive Directors)] are also of the view that the annual caps of the above continuing connected transactions are fair and reasonable and are in the interests of our Company and our Shareholders as a whole.

Listing Rules implications

Shum Yip Group is our Controlling Shareholder and, therefore, a connected person of our Company under the Listing Rules. Accordingly, the transactions contemplated under the Business Framework Agreement will constitute continuing connected transactions for our Company under Chapter 14A of the Listing Rules upon **[REDACTED]**.

As one or more of the applicable percentage ratios under the Listing Rules in respect of the aggregate annual caps for the transactions contemplated under the Business Framework Agreement are expected to exceed 5% on an annual basis, the entering into of the Business Framework Agreement constitutes a continuing connected transaction for our Company and will be subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

APPLICATION FOR WAIVER

The transactions described under "— Continuing Connected Transaction Subject to the Reporting, Annual Review, Announcement Requirements but Exempt from the Independent Shareholders' Approval Requirement" above constitute our continuing connected transactions under the Listing Rules, which are exempt from the independent shareholders' approval requirement but subject to the reporting, annual review and announcement requirements of the Listing Rules.

The transactions described under "— Continuing Connected Transaction Subject to the Reporting, Annual Review, Announcement and Independent Shareholders' Approval Requirements" above constitute our continuing connected transactions under the Listing Rules, which are subject to the reporting, annual review, announcement and independent shareholders' approval requirements of the Listing Rules.

In respect of these continuing connected transactions, pursuant to Rule 14A.105 of the Listing Rules, we have applied for[, and the Stock Exchange has granted], waivers exempting us from strict compliance with (i) the announcement requirement under Chapter 14A of the Listing Rules in respect of the continuing connected transactions as disclosed in "— Continuing Connected Transaction Subject to the Reporting, Annual Review, Announcement Requirements but Exempt from the Independent shareholders' Approval Requirement" above; and (ii) the announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the continuing connected transactions as disclosed in "— Continuing Connected Transaction Subject to the Reporting, Annual Review, Announcement and Independent Shareholders' Approval Requirements" above, subject to the condition that the aggregate amounts of the continuing connected transactions for each financial year shall not exceed the relevant amounts set forth in the respective annual caps (as stated above). Apart from the above waivers sought on the strict compliance of the announcement and independent shareholders' approval requirements, we will comply with the relevant requirements under Chapter 14A of the Listing Rules.

In the event that any terms of the transactions contemplated under the agreements mentioned above are altered or if our Company enters into any new agreements with any connected person in the future, we will fully comply with the relevant requirements under Chapter 14A of the Listing Rules unless we apply for and obtain a separate waiver from the Stock Exchange. Furthermore, in the event of any future amendments to the Listing Rules imposing more stringent requirements than those applicable as of the Latest Practicable Date on the continuing connected transactions referred to above, we will take immediate steps to ensure compliance with such new requirements within reasonable time.

JOINT SPONSORS' VIEW

[The Joint Sponsors are of the view (i) that the continuing connected transactions described under "— Continuing Connected Transaction Subject to the Reporting, Annual Review, Announcement Requirements but Exempt from the Independent Shareholders' Approval Requirement" and "— Continuing Connected Transaction Subject to the Reporting, Annual Review, Announcement and Independent Shareholders' Approval Requirements" above have been and will be entered into in the ordinary and usual course of our business, on normal commercial terms or better, and each of their terms are fair and reasonable and in the interests of our Company and our Shareholders as a whole; and (ii) that the proposed annual caps of such continuing connected transactions are fair and reasonable and in the interests of our Company and our Shareholders as a whole.]

INTERNAL CONTROL MEASURES

In order to further safeguard the interests of the Shareholders as a whole (including the minority Shareholders), our Group has implemented the following internal control measures in relation to the continuing connected transactions:

- our Group will adopt internal guidelines which provide that if the value of any proposed connected transaction is expected to exceed certain thresholds, our Company will commence the necessary additional assessment and approval procedures to ensure that we will comply with the applicable requirements under laws and regulations, the Articles of Associations and the Listing Rules;

- our Company will provide information and supporting documents to the independent non-executive Directors and the auditors in order for them to conduct an annual review of the continuing connected transactions entered into by our Company;

- in accordance with the requirements under the Listing Rules, the independent non-executive Directors will provide an annual confirmation to the Board as to whether the continuing connected transactions have been entered into in the ordinary and usual course of business of our Group, are on normal commercial terms and are in accordance with the agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole; and

- in accordance with the requirements under the Listing Rules, the auditors will provide an annual confirmation to the Board as to whether anything has come to their attention that causes them to believe that the continuing connected transactions have not been approved by the Board, are not in accordance with the pricing policies of our Group in all material respects, are not entered into in accordance with the relevant agreements governing the transactions in all material respects or have exceeded the cap.

BOARD OF DIRECTORS

Upon **[REDACTED]**, our Board will consist of seven Directors, comprising three executive Directors, one non-executive Director and three independent non-executive Directors. Our Directors are elected for a term of three years and are subject to re-election. The table below sets forth certain information regarding our Directors:

Name	Age	Position	Date of appointment as Director	Date of joining our Group	Major roles and duties
Mr. Xiao Wuchun (肖武春)	51	Executive Director, chairman of the Board and secretary of the party committee	September 15, 2022	July 1993	Providing strategic advice to the Board and making recommendations on business plans, strategic development and management decisions
Ms. Lan Xiuqun (藍秀群)	50	Executive Director, general manager and vice secretary of the party committee	September 15, 2022	March 2003	Overall management and operations, and improving business objectives
Ms. Yu Miao (于淼)	47	Executive Director and vice secretary of the party committee	September 15, 2022	October 1997	Human resources, operation management and party relations
Mr. Xu Enli (徐恩利)	49	Non-executive Director	September 15, 2022	September 2021	Advising on the overall development of our Group
Mr. Cao Yang (曹陽)	69	Independent non-executive Director	February 2, 2023	[•] 2024	Providing independent advice on the operation and management of our Group
Dr. Lam Sin Lai Judy (林倩麗)	70	Independent non-executive Director	February 2, 2023	[•] 2024	Providing independent advice on the operation and management of our Group
Ms. Zhang Lijie (張麗傑)	60	Independent non-executive Director	February 2, 2023	[•] 2024	Providing independent advice on the operation and management of our Group

Executive Directors

Mr. Xiao Wuchun (肖武春), aged 51, is the chairman of the Board, an executive Director and the secretary of the party committee of our Company. Mr. Xiao is primarily responsible for providing strategic advice to the Board and making recommendations on business plans, strategic development and management decisions. Mr. Xiao is also a member of the Nomination Committee.

Mr. Xiao has over 29 years of experience in real estate development and property management business. Mr. Xiao joined our Group in July 1993 and worked in various positions within our Group, Shenzhen Investment Group and Shum Yip Group. He served as deputy officer and officer of management department, director of office, manager of quality department and assistant to general manager of our Company from July 1993 to April 1999, primarily responsible for the daily business operations of respective departments; as director and deputy general manager of Qingdao Shum Yip Real Estate Development Co., Ltd.* (青島深業房地產發展有限公司), principally engaged in real estate development, from April 1999 to August 2002, primarily responsible for the overall management and operations; as deputy general manager of Pengji PM Service from August 2002 to August 2003, primarily responsible for the daily business operations; as deputy director of office of Pengji Group from August 2003 to March 2004, primarily responsible for the daily business operations of office; as director and deputy general manager and then promoted to general manager of Xian Shum Yip Real Estate Development Co., Ltd.* (西安深業房地產發展有限公司), principally engaged in real estate development, from March 2004 to August 2006, primarily responsible for the overall management and operations; as deputy general manager of our Company from August 2006 to August 2009, primarily responsible for the daily business operations; as manager of client relationship division of Southern Land from August 2009 to July 2010, primarily responsible for the establishment and maintenance of client relationship; as director, general manager and secretary of party committee (黨總支書記) of our Company from July 2010 to August 2012 and as chairman of the Board and secretary of the party committee (黨委書記) of our Company from August 2012 to July 2013, primarily responsible for the overall management and operations; as chairman of the board and secretary of the party committee of Shenzhen Shum Yip Xinhongcheng Investment Co., Ltd.* (深圳市深業信宏城投資有限公司), principally engaged in investment in real estate development, from August 2013 to December 2018, primarily responsible for the overall management and operations; and as chairman of the board and general manager of Shenzhen Shum Yip Minghong Real Estate Development Co., Ltd.* (深圳市深業明宏地產開發有限公司), principally engaged in real estate development, from April 2014 to December 2018, primarily responsible for the overall management and operations. Mr. Xiao served as Director, general manager, deputy secretary of the party committee and legal representative since December 2018 and was promoted to the secretary of the party committee in April 2019. Mr. Xiao ceased to be the general manager of the Company in April 2022. Mr. Xiao was appointed as the chairman of the Board and Director of the first session of the Board of the Company following its conversion into a joint stock limited company in September 2022.

Mr. Xiao obtained a bachelor's degree in economics majoring in industrial economic from South China University of Technology (華南理工大學) in July 1993. Mr. Xiao also obtained the qualification of intermediate economist from Shenzhen qualification management office (深圳市職稱管理辦公室) in October 1998 and the qualification of certified property manager issued by Human Resources Department of Guangdong Province (廣東省人事廳) (which has been merged into Human Resources and Social Security Department of Guangdong Province (廣東省人力資源和社會保障廳)) in January 2008.

Mr. Xiao was a director and manager of Xi'an Shum Yip Property Management Co., Ltd.* (西安深業物業管理有限責任公司), a company established in China with limited liability principally engaged in property management, which was deregistered on August 20, 2018. Mr. Xiao confirmed that, to the best of his knowledge, the above deregistered company was solvent and inactive at the time of being deregistered. Mr. Xiao further confirmed that there was no wrongful act on his part leading to the deregistration of the above company and he is not aware of any actual claim which had been made against him as a result of the deregistration.

Ms. Lan Xiuqun (藍秀群), aged 50, is an executive Director, general manager and vice secretary of the party committee of our Company. Ms. Lan is primarily responsible for overall management and operations, and improving business objectives of our Group.

Ms. Lan has over 25 years of experience in real estate development and property management business. From July 1997 to March 2003, Ms. Lan successively served as engineer and manager of property management branch of Shenzhen Nongke Real Estate Development Co., Ltd. *(深圳市農科房地產開發有限公司), primarily engaged in real estate development, the predecessor of which is Shenzhen Agriculture Science Research Centre* (深圳市農業科學研究中心), primarily responsible for engineering management and daily operation. Ms. Lan joined our Group in March 2003 and served as assistant to general manager of Nongke PM, primarily responsible for assisting overall management and operations. Since then, she worked in several positions in several companies which are indirectly wholly-owned by Shenzhen Investment, including as deputy general manager of Shenzhen Shum Yip Nongke Intelligent Agricultural Development Co., Ltd.* (深圳市深業農科智慧農業發展有限公司) (formerly known as Shenzhen Xinketai Industrial Co., Ltd.* (深圳市新科泰實業有限公司)), principally engaged in intelligent agriculture related work, from December 2008 to March 2013, primarily responsible for the daily business operations; as deputy general manager, and general manager and secretary of party branch of Shenzhen Nongke Real Estate Development Co., Ltd.* (深圳市農科房地產開發有限公司), principally engaged in real estate development, from March 2013 to October 2017, primarily responsible for the daily business operations and the party committee related work; as general manager, executive director and legal representative of Shenzhen Shum Yip Zhongcheng Co., Ltd.* (深圳市深業中城有限公司), principally engaged in real estate development, from November 2017 to March 2019, primarily responsible for the overall management and operations; and as manager of engineering management department of Nongke Group, from March 2019 to April 2019, primarily responsible for the implementation of engineering projects. Ms. Lan served as Director and deputy secretary of the party committee of our Company in April 2019 and was also appointed as general manager of our Company in April 2022. Ms. Lan was appointed as the Director and general manager of the first session of the Board of the Company following its conversion into a joint stock limited company in September 2022.

Ms. Lan obtained a bachelor's degree in engineering majoring in drainage (給水排水) engineering from Guangdong University of Technology (廣東工業大學) in July 1997. Ms. Lan also obtained the qualification of intermediate engineer in construction engineering technology (建築工程技術) from Shenzhen qualification management office (深圳市職稱管理辦公室) in December 2002 and the qualification of certified property manager issued by Human Resources Department of Guangdong Province (廣東省人事廳) (which has been merged into Human Resources and Social Security Department of Guangdong Province (廣東省人力資源和社會保障廳)) in January 2008. Ms. Lan obtained the qualification of senior engineer from Human Resources and Social Security Department of Shenzhen (深圳市人力資源和社會保障局) in May 2024.

Ms. Lan was a director of Shenzhen Tianai Nongke Base Development Co., Ltd.* (深圳市天愛農科基地發展有限公司), a company established in China with limited liability principally engaged in agricultural science research, and material supply and marketing, which was deregistered on July 11, 2013 by way of resolutions of shareholders' general meeting. Ms. Lan confirmed that, to the best of her knowledge, the above deregistered company was solvent and inactive at the time of being deregistered.

Ms. Lan further confirmed that there was no wrongful act on her part leading to the deregistration of the above company and she is not aware of any actual claim which had been made against her as a result of the deregistration.

Ms. Yu Miao (于淼), aged 47, is an executive Director and vice secretary of the party committee of our Company. Ms. Yu is primarily responsible for company human resources, operation management and party relations.

Ms. Yu has over 25 years of experience in property management business. Ms. Yu joined our Group in October 1997 and since then have been working within our Group. Ms. Yu worked in various positions in Shenzhen Terra Property Management Service Co., Ltd.* (深圳市泰然物業管理服務有限公司) from October 1997 to December 2018, including as an accountant, deputy manager, and manager of finance department from October 1997 to June 2006, primarily responsible for the overall management of finance department; as director and manager of quality department (品質總監兼品質部經理) from July 2006 to May 2016, primarily responsible for quality inspection and supervision of projects; and as deputy general manager from May 2016 to December 2018, primarily responsible for the daily business operations of various departments. Ms. Yu served as deputy general manager of Smart Park in December 2018, primarily responsible for the daily business operations of various departments. Mr. Yu was appointed as deputy secretary of the party committee of our Company in April 2022 and our Director in June 2022. Ms. Yu was appointed as the Director of the first session of the Board of the Company following its conversion into a joint stock limited company, in September 2022.

Ms. Yu obtained a college's degree in accounting from Minzu University of China (中央民族大學) in July 1997 and further obtained a master's degree in electrical engineering from Changchun University of Technology (長春工業大學) in April 2010.

Non-executive Director

Mr. Xu Enli (徐恩利), aged 49, is a non-executive Director of our Company. Mr. Xu is primarily responsible for advising on the overall development of our Group.

Mr. Xu has over 21 years of experience in real estate development, operation and infrastructure. From March 2001 to November 2008, Mr. Xu has been working in Shenzhen Tianjian Real Estate Development Company* (深圳市天健房地產開發公司), principally engaged in real estate development, and successively held various positions, including manager of investment and control department, assistant to general manager, senior engineer, etc., primarily responsible for projects management and investment management related work. From November 2008 to December 2010, Mr. Xu served as deputy general manager of Shum Yip Shahe (Group) Co., Ltd.* (深業沙河(集團)有限公司) (formerly known as Shenzhen Shahe Industrial (Group) Co., Ltd.* (深圳市沙河實業(集團)有限公司)), a non wholly-owned subsidiary of Shum Yip Group and principally engaged in real estate development, primarily responsible for the daily corporate operation and management. From December 2010 to July 2013, Mr. Xu served as deputy general manager of Pengji Group, primarily responsible for the daily corporate operation and management. From July 2013 to April 2014, Mr. Xu served as deputy general manager of Shum Yip Land, primarily responsible for the daily corporate operation and management. From April 2014 to September 2015, Mr. Xu served as director, general manager, and vice secretary of party committee of Shenzhen Science & Industry Park Group Co., Ltd.* (深圳科技工業園(集團)有限公

司) ("**Science & Industry Park**"), a non wholly-owned subsidiary of Shum Yip Group and principally engaged in industry park development, primarily responsible for the overall management and operations. Mr. Xu served as director, general manager, vice secretary of the party committee of Shum Yip Land from September 2015 to December 2019, primarily responsible for the overall management and operations, and as chairman of the board of directors and secretary of the party committee from December 2019 to November 2020, primarily responsible for the overall management and operations and the daily operation of party committee and the board of directors. Since May 2020, Mr. Xu has served as deputy general manager of Shum Yip Group, primarily responsible for the daily operations and management of responsible business segments of Shum Yip Group. Mr. Xu also served as deputy general manager of Shenzhen Investment from June 2020 to December 2022 and was appointed as executive director of Shenzhen Investment in December 2022, primarily responsible for the management and operations of responsible business segments of Shenzhen Investment. Mr. Xu served as chairman of the Board and the Director of our Company from November 2021 to June 2022, and then retired as chairman of the Board in June 2022. In addition, since February 2022, Mr. Xu has served as a non-executive director of Road King Infrastructure Limited, a company listed on the Hong Kong Stock Exchange (stock code: 1098) principally engaged in property development and toll road investment and operation business. Mr. Xu was appointed as the Director of the first session of the Board of the Company following its conversion into a joint stock limited company, in September 2022.

Mr. Xu obtained a master's degree in management from Tianjin University (天津大學) in June 2007. Mr. Xu obtained the qualification of senior engineer from Human Resources Department of Guangdong Province (廣東省人事廳) (which has been merged into Human Resources and Social Security Department of Guangdong Province (廣東省人力資源和社會保障廳)) in December 2005.

Mr. Xu was a director and general manager of Shenzhen Guoye Qianhai Investment Development Consulting Co., Ltd.* (深圳市國業前海投資開發諮詢有限公司), a company established in China with limited liability principally engaged in consultation related work, which was deregistered on November 16, 2018 by way of resolutions. Mr. Xu confirmed that, to the best of his knowledge, the above deregistered company was solvent and inactive at the time of being deregistered. Mr. Xu further confirmed that there was no wrongful act on his part leading to the deregistration of the above company and he is not aware of any actual claim which had been made against him as a result of the deregistration.

Independent Non-executive Directors

Mr. Cao Yang (曹陽), aged 69, was appointed as an independent non-executive Director of our Company with effect from [•] 2024, and is primarily responsible for providing independent advice on the operation and management of our Group. Mr. Cao is also the chairman of the Nomination Committee and a member of the Audit Committee and the Remuneration Committee.

Mr. Cao has over 20 years of experience in property management business. From December 2002 to December 2003, Mr. Cao served as head of teaching and research and minister of academic affairs office of School of Further Education of Shenzhen Real Estate and Property Management (深圳市房地產和物業管理進修學院), primarily responsible for teaching and academic affairs. Mr. Cao served as executive vice president and secretary general of Shenzhen Property Management Association (深圳市物業管理行業協會) from June 2005 to January 2015, primarily responsible for research related work.

Mr. Cao has been the dean of Shenzhen Zhongshen Southern Property Management Research Institute Co., Ltd.* (深圳中深南方物業管理研究院有限公司), principally engaged in the research on the property management industry, primarily responsible for the overall management since October 2015, and the president of Shenzhen Property Management Association (深圳市物業管理行業協會) from January 2015 to January 2024, primarily responsible for the overall management. In addition, from January 2018 to August 2021, Mr. Cao served as an independent director of EIT Environmental Development Group Co., Ltd. (玉禾田環境發展集團股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 300815) principally engaged in building cleaning and greening maintenance management services, primarily responsible for providing independent advice on the operation and management; as an independent director of Shenzhen SDG Service Co., Ltd. (深圳市特發服務股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 300917), principally engaged in property management services, primarily responsible for providing independent advice on the operation and management since October 2018; and as an independent director of Xi'an Kingfar Property Services Co., Ltd. (西安經發物業股份有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 1354), principally engaged in city service and property management services, primarily responsible for providing independent advice on the operation and management since June 2024.

Mr. Cao obtained a secondary school academic qualification in nursing from Xi'an Medical University Affiliated Health School* (西安醫學院附設衛生學校) in September 1984 and completed his studies from the Party School of Shaanxi Provincial Committee of the CPC (中共陝西省委黨校) in December 1987. Mr. Cao was awarded the title of "Excellent Quality Management Worker (優秀質量管理工作者)" by Shenzhen Quality and Technology Supervision Bureau (深圳市質量技術監督局) and Shenzhen Association for Quality (深圳市質量管理協會) in December 1999, the title of "Advanced Individual of Property Management in Shenzhen in 2006 (二零零六年度深圳市物業管理先進個人)" by SZMB in November 2006.

Dr. Lam Sin Lai Judy (林倩麗), aged 70, was appointed as an independent non-executive Director of our Company with effect from [•] 2024, and is primarily responsible for providing independent advice on the operation and management of our Group. Dr. Lam is also the chairlady of the Audit Committee and a member of the Remuneration Committee and the Nomination Committee.

Dr. Lam served as an independent non-executive director of Sino-Ocean Group Holding Limited, a company listed on the Stock Exchange (stock code: 3377) principally engaged in property development in the PRC from August 2017 to June 2023. Since June 2023, Dr. Lam has served as an honorary consultant for Sino-Ocean Group Holding Limited. Dr. Lam has served as a board director and honorary treasurer of Hong Kong International Film Festival Society Limited since October 2014, primarily responsible for the overall development and financial budgets and performance. She served as a board director of Wuhan College since December 2014 and served as its chancellor from June 2015 to December 2017, primarily responsible for overall planning and implementation of strategic academic developments and programs. Dr. Lam is also a member of the Greater China Strategy Advisory Group of the Institute of Chartered Accountants in England and Wales since March 2020.

Dr. Lam obtained a bachelor of commerce degree from the University of British Columbia in Canada in May 1978, a master of science degree in accounting and finance from the London School of Economics and Political Science in the United Kingdom in August 1987 and a Ph.D. degree from the Chinese University of Hong Kong in Hong Kong in December 1994.

Dr. Lam was admitted as a Chartered Accountant of The Institute of Chartered Accountants of British Columbia Canada and a Chartered Professional Accountant of the Chartered Professional Accountants of British Columbia Canada in October 1980 and June 2015, respectively. She has also been a Certified Public Accountant of The Hong Kong Institute of Certified Public Accountants since July 1981 and a Fellow Certified Public Accountant of the same institute since June 1989, a Fellow Certified Public Accountant of CPA Australia since October 2002, an Honorary Member of Chinese Institute of Certified Public Accountants (Shenzhen) since October 2018 and a Fellow Chartered Accountant of the Institute of Chartered Accountants in England and Wales since December 2018. She is also a Fellow Chartered Secretary and Chartered Governance Professional of the Chartered Governance Institute and Hong Kong Chartered Governance Institute since November 2011.

Ms. Zhang Lijie (張麗傑), aged 60, was appointed as an independent non-executive Director of our Company with effect from [•] 2024, and is primarily responsible for providing independent advice on the operation and management of our Group. Ms. Zhang is also the chairlady of the Remuneration Committee and a member of the Audit Committee.

Ms. Zhang has over 30 years of experience in law affairs. Ms. Zhang served as a lawyer in Shenzhen International Business Law Firm (深圳市國際商務律師事務所) from January 1993 to May 1996. From June 1996 to February 2010, Ms. Zhang founded Guangdong V&T Law Firm (廣東萬商律師事務所), serving as its partner, secretary of party branch and chief lawyer (主任律師), and founded V&T (Shenzhen) Law Firm (萬商天勤(深圳)律師事務所), serving as the founding partner, chief lawyer (主任律師) and a member of the management committee, primarily responsible for their establishments and overall management and operations. From February 2010 to December 2015, Ms. Zhang served as the partner of King & Wood Mallesons (北京市金杜(深圳)律師事務所), primarily responsible for the overall management and operations. Since February 2016, Ms. Zhang has been serving as the managing partner of V&T (Shenzhen) Law Firm, primarily responsible for the overall management and operations. In addition, Ms. Zhang also held various positions in Guangdong Lawyers Association and Shenzhen Lawyers Association. She served as the vice president of Guangdong Lawyers Association from December 2012 to December 2016 primarily responsible for cultural and sports activities and female lawyers related work; as vice president of Shenzhen Lawyers Association for July 2003 to December 2005, primarily responsible for female lawyers related work and rights protection work; and as the deputy secretary of the party committee of Shenzhen Lawyers Association from January 2011 to May 2012, was promoted to the secretary of the party committee in May 2012, and has been serving as the first deputy secretary of the party committee of Shenzhen Lawyers Association since May 2018, primarily responsible for party committee related work. Ms. Zhang also served as an arbitrator of China International Economic and Trade Arbitration Commission since May 2014; an arbitrator of Shenzhen International Arbitration Commission since February 2015; a member of the Tenth, Eleventh and Twelfth People's Congress of Guangdong Province since January 2003; and a member of the Third, Fourth, Fifth, and Sixth People's Congress of Shenzhen Municipality since May 2000. Ms. Zhang served as a representative of the Seventh People's Congress of Shenzhen Municipality and a member of the Standing Committee of People's Congress of Shenzhen Municipality.

Ms. Zhang obtained a bachelor's degree in Law from China University of Political Science and Law in July 1985 and a master's degree in Economic Law from China University of Political Science and Law in July 1987. Ms. Zhang further obtained a master's degree in business management from Cheung Kong Graduate School of Business (長江商學院) in September 2011. Ms. Zhang was admitted to practice as a lawyer in China in January 1993.

Ms. Zhang was a partner of Pingxiang Wanshang Tianqin Legal Consulting Partnership (Limited Partnership)* (萍鄉市萬商天勤法律諮詢合夥企業(有限合夥)), a limited partnership established in China principally engaged in legal services, which was deregistered on May 16, 2022 by way of resolutions. Ms. Zhang confirmed that, to the best of her knowledge, the above deregistered partnership was solvent and inactive at the time of being deregistered. Ms. Zhang further confirmed that there was no wrongful act on her part leading to the deregistration of the above partnership and she is not aware of any actual claim which had been made against her as a result of the deregistration.

Save as disclosed above, none of our Directors has been a director of other listed entities for the three years immediately preceding the Latest Practicable Date. Except for such interests disclosed in "Appendix VI — Statutory and General Information — 3. Further Information about Our Directors and Supervisors", none of our Directors has any interest in the Shares within the meaning of Part XV of the SFO or is a director or an employee of a company which has an interest or short position in the Shares and underlying Shares of our Company. Save as disclosed above, there is no other information relating to the relationship of any of our Directors with other Directors, Supervisors, senior management, substantial or Controlling Shareholders of our Company that should be disclosed pursuant to Rule 13.51(2) or paragraph 41(3) of Appendix D1A to the Listing Rules.

SENIOR MANAGEMENT

The table below sets forth certain information regarding our senior management:

Name	Age	Position	Date of appointment as senior management	Date of joining our Group	Major roles and duties
Mr. Yin Yue (尹躍)	53	Deputy general manager and secretary of the Board	September 15, 2022	January 2020	Overall management and daily business operations of our Group
Mr. Sun Jixu (孫繼續)	54	Deputy general manager and Chief Financial Officer	September 15, 2022	January 2022	Overall management and daily business operations of our Group
Mr. Li Zhongdong (李忠東)	55	Deputy general manager	September 15, 2022	December 2018	Overall management and daily business operations of our Group
Mr. Nie Dongwei (聶棟偉)	48	Deputy general manager	September 15, 2022	December 1997	Overall management and daily business operations of our Group

Mr. Yin Yue (尹躍), aged 53, is the deputy general manager and secretary of the Board of the Company. Mr. Yin is primarily responsible for the overall management and daily business operation of our Group.

Mr. Yin joined our Group as deputy general manager of our Company in January 2020. Prior to joining our Group, Mr. Yin served as assistant engineer (助理工程師) of Shenzhen Construction Group Co., Ltd.* (深圳市建設(集團)有限公司) (formerly known as Shenzhen Construction Engineering General Contraction Co., Ltd.* (深圳市建設工程總承包公司)), principally engaged in construction engineering, from July 1994 to January 1997, primarily responsible for site management and handling technical issues. Mr. Yin also served as senior manager in investment and planning center of Centralcon Investment Holding Company Limited (中洲投資控股股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 000042) and formerly known as Shenzhen Changcheng Real Estate (Group) Co., Ltd.* (深圳市長城地產(集團)股份有限公司) principally engaged in property development, from January 1997 to August 2005, primarily responsible for project management and analysis of investment projects. Mr. Yin then worked successively in several positions in Science & Industrial Park from April 2005 to January 2020, including as project manager, primarily responsible for the projects implementation, deputy head of planning and construction department, primarily responsible for assisting in various planning work, head of corporate development department and strategy management department and deputy general manager, primarily responsible for the business and strategy management. In September 2022, Mr. Yin was appointed as the deputy general manager and secretary of the Board of the Company after the Company was converted into a joint stock limited liability company.

Mr. Yin obtained a bachelor's degree in industrial electrical automation (工業電氣自動化) from Chongqing Jianzhu University (重慶建築大學) (which has been merged into Chongqing University (重慶大學)) in July 1994. Mr. Yin further obtained a master's degree in construction and civil engineering (建築與土木工程) from Harbin Institute of Technology (哈爾濱工業大學) in July 2009. Mr. Yin also obtained the qualification of intermediate engineer in construction engineering technology (建築工程技術) from Shenzhen qualification management office (深圳市職稱管理辦公室) in December 1999.

Mr. Sun Jixu (孫繼續), aged 54, is the deputy general manager and chief financial officer of our Company. Mr. Sun is primarily responsible for the overall management and daily business operations of our Group.

Mr. Sun joined our Group as deputy general manager of our Company in January 2022. Prior to joining our Group, Mr. Sun worked in Shenzhen Huawei Technical Service Co., Ltd.* (深圳華為技術有限公司), principally engaged in information and communication technology solution, from July 1998 to September 2000, primarily responsible for cost management of products related work, and served as manager of finance department of Hong Kong Artson Development Limited (香港雅信發展有限公司), principally engaged in financial security payment and product development, from October 2000 to January 2002, primarily responsible for the overall management of finance department. Since February 2002, Mr. Sun has worked in various positions in Science & Industry Park and its subsidiaries, including successively as deputy manager, manager of finance department and head of planning and finance department, head of strategy management department, chief accountant (首席會計師) of Science & Industry Park from November 2003 to February 2019, primarily responsible for the overall management of the respective departments and daily financial management; and as chairman of the board of directors and general manager of Shenzhong (Guangdong) Gaoxin Industrial Development Co., Ltd.* (深中(廣東)高新產業園發展有限公司), principally engaged in industrial park and real estate development, from August 2018 to January 2022, primarily responsible for the overall management and operations and was then re-designated to the deputy general manager of our Company in January 2022. In September 2022, Mr. Sun was appointed as the deputy general manager and Chief Financial Officer of the Company after the Company was converted into a joint stock limited liability company.

Mr. Sun obtained a bachelor's degree in electrical machinery and control (電機電器及其控制) from Hefei University of Technology (合肥工業大學) in July 1995 and further obtained a master's degree in accounting from Jiangxi University of Finance and Economics (江西財經大學) in June 1998. Mr. Sun also obtained the qualification of senior accountant from Human Resources and Social Security Department of Guangdong Province (廣東省人力資源和社會保障廳) in May 2017.

Mr. Li Zhongdong (李忠東), aged 55, is the deputy general manager of our Company. Mr. Li is primarily responsible for the overall management and daily business operations of our Group.

Mr. Li joined our Group as deputy general manager of Shum Yip Smart Park in December 2018. Prior to joining our Group, Mr. Li served as deputy general manager of Shenzhen Chuangrui Industrial Co., Ltd.* (深圳市創銳實業有限公司), principally engaged in the promotion and product sales of intelligent digital audio and video technology, from May 1996 to November 2007, primarily responsible for the daily business operations; as deputy general manager of Shenzhen Taili Real Estate Co., Ltd.* (深圳市泰利置業有限公司), principally engaged in real estate development, from November 2007 to November 2010, primarily responsible for the daily business operations; as manager of general department and commerce department of Shenzhen United Financial Investment Co., Ltd.* (深圳聯合金融投資有限公司), principally engaged in investment business, from December 2010 to November 2015, primarily participating in investment related work; and as director and deputy general manager of Shenzhen Zhongfangxinyihui Assets Management Co., Ltd.* (深圳市中房芯頤匯資產管理有限公司), principally engaged in assets management, from December 2015 to April 2016, primarily responsible for the overall management and operations. Mr. Li then joined the Shenzhen Investment Group and served as the head of project management department of Shenzhen Shum Yip Terra City Renewal Co., Ltd.* (深圳市深業泰然城市更新有限公司), principally engaged in the real estate development, from May 2016 to December 2018, primarily responsible for the implementation of real estate projects. Mr. Li joined our Group, serving as deputy general manager of Shum Yip Smart Park from December 2018 to April 2022, and was then re-designated to the deputy general manager of our Company in April 2022. In September 2022, Mr. Li was appointed as the deputy general manager of our Company after the Company was converted into a joint stock limited liability company.

Mr. Li obtained a bachelor's degree in industrial economics from South China University of Technology (華南理工大學) in July 1991. Mr. Li obtained the qualification of intermediate economists in business management from Shenzhen qualification management office (深圳市職稱管理辦公室) in October 1998.

Mr. Nie Dongwei (聶棟偉), aged 48, is the deputy general manager of our Company. Mr. Nie is primarily responsible for the overall management and daily business operations of our Group.

Mr. Nie joined our Group in December 1997 and since then has been working in various positions within our Group. Mr. Nie served successively as head of security department (秩序部隊長), business assistant (事務助理), publication officer (宣傳幹事), deputy head of cultural department of Lianhuabei management department (蓮花北村管理處) of Wansha Household, and staff in development department of Wansha Household from December 1997 to October 2004, primarily responsible for market expansion and cultural promotion. Mr. Nie was then served as logistics head of preparatory committee (籌備組後勤主管) and deputy manager of Hunan Branch of Wansha Household from October 2004 to May 2005, primarily responsible for the daily business operations and was re-designated to Jiangxi Branch of Wansha Household, during which served successively as deputy general manager and general manager from May 2005 to September 2010, responsible for its establishment and daily business operations. Furthermore, Mr. Nie served as manager of quality management department and marketing director of Wansha Household from September 2010 to August 2017, during which, Mr. Nie also served as head of Lianhuabei management department (蓮花北村管理處) of Wansha Household, from September 2010 to May 2017, primarily responsible for its overall management and operations. Mr. Nie served as manager of operation and management department (work safety office) in July 2017 and was then promoted to deputy general manager of our Company in April 2022. In September 2022, Mr. Nie was appointed as the deputy general manager of the Company after the Company was converted into a joint stock limited liability company.

Mr. Nie obtained a bachelor's degree in business administration (工商管理) from Renmin University of China (中國人民大學) through distance learning in January 2011 and further completed his studies in economics (political and economics) from graduate school of Party School of the Central Committee of the CPC (中共中央黨校研究生院) in July 2021. Mr. Nie also obtained the qualification of certified property manager from MOHURD in January 2015.

SUPERVISORS

Our Supervisory Board consists of three Supervisors, including two Shareholder representative Supervisors and one employee representative Supervisor. Our Supervisors are elected for a term of three years and may be subject to re-election. The table below sets forth certain information regarding our Supervisors:

Name	Age	Position	Date of appointment as Supervisor	Date of joining our Group	Major roles and duties
Mr. Xu Sen (徐森) .	55	Chairman of Supervisory Board, secretary of commission for discipline inspection and Shareholder representative Supervisor	September 15, 2022	April 2022	Responsible for directing the work of the Supervisory Board and supervising the Board and the senior management of our Company
Mr. Fan Tao (樊韜) .	45	Shareholder representative Supervisor	September 15, 2022	October 2021	Responsible for supervising the Board and the senior management of our Company
Mr. Miao Zhong (苗忠)	55	Employee representative Supervisor and president of labor union	August 29, 2022	December 2003	Responsible for supervising the Board and the senior management of our Company

Mr. Xu Sen (徐森), aged 55, is chairman of Supervisory Board, secretary of commission for discipline inspection and a shareholder representative Supervisor of our Company. He is mainly responsible for directing the work of the Supervisory Board and supervising the Board and the senior management of our Company.

Mr. Xu joined our Company in October 2002 and served as general manager, chairman of board of directors and secretary of the party committee of Shenzhen Terra Property Management Service Co., Ltd.* (深圳市泰然物業管理服務有限公司). Prior to joining our Company, Mr. Xu served as secretary of youth league committee and deputy head of engineering development department of Shenzhen Terra Real Estate Co., Ltd.* (深圳泰然實業有限公司), principally engaged in real estate development, from November 1996 to October 2002, primarily responsible for the overall management of engineering development department; and as general manager, chairman of board of directors and secretary of the party committee of Shenzhen Terra Property Management Service Co., Ltd.* (深圳市泰然物業管理服務有限公司) from October 2002 to October 2014, primarily responsible for the overall management and operations. Mr. Xu also served as secretary of the party branch and deputy general manager of Wuhan Terra Biological Valley Co., Ltd.* (武漢泰然生物谷有限公司), a non wholly-owned subsidiary of Terra Group and principally engaged in real estate development, from October 2014 to March 2016, primarily responsible for the daily business operations; as general manager of Wuhan Shum Yip Terra Real Estate Development Co., Ltd.* (武漢市深業泰然房地產開發有限公司), a wholly-owned subsidiary of Terra Group from November 2015 to March 2016; as head of operation and management department, human resources department of Terra Group from March 2016 to January 2020 and was appointed as chief human resources officer in March 2019, primarily responsible for the management of engineering projects and human resources related work; and as deputy general manager of Shenzhen Shum Yip Jijian Holdings Co., Ltd.* (深圳市深業基建控股有限公司), a non wholly-owned subsidiary of Shum Yip Group and principally engaged in investment and development in infrastructure, from January 2020 to April 2022, primarily responsible for the daily business operations. In September 2022, Mr. Xu was appointed as the chairman and Supervisor of the first session of Supervisory Board of the Company after the Company was converted into a joint stock limited liability company.

Mr. Xu obtained a college's degree in water supply and drainage from Benxi University (本溪大學) (which has been merged into Liaoning Institute of Science and Technology (遼寧科技學院)) in July 1990 and further completed his studies in economics from Correspondence Institute of the Central Party School of the CPC (中共中央黨校函授學院) in December 1994 and an MBA degree from Renmin University of China (中國人民大學) in May 2006. Mr. Xu obtained the qualification of senior engineer from Human Resources Department of Guangdong Province (廣東省人事廳) (which has been merged into Human Resources and Social Security Department of Guangdong Province (廣東省人力資源和社會保障廳)) in March 2003, advanced management professionalism (高級職業經理) issued by China National Center for Human Resources and Research Center for Professional Managers (人事部全國人才流動中心職業經理研究中心) in August 2006, and certified property manager jointly issued by the Ministry of Personnel and the Ministry of Construction of PRC in January 2008. Mr. Xu was also a member of the Fourth People's Congress of Futian District of Shenzhen Municipality in May 2003.

Mr. Xu was a director and general manager of Shenzhen Shum Yip Intelligent Stereo Parking Investment Co., Ltd.* (深圳市深業智能立體停車投資有限公司), a company established in China with limited liability principally engaged in car park operation and management, which was deregistered, on November 4, 2021 by way of resolutions. Mr. Xu confirmed that, to the best of his knowledge, the above deregistered company was solvent and inactive at the time of being deregistered. Mr. Xu further confirmed that there was no wrongful act on his part leading to the deregistration of the above company and he is not aware of any actual claim which had been made against him as a result of the deregistration.

Mr. Fan Tao (樊韜), aged 45, is a shareholder representative Supervisor of our Company. He is mainly responsible for supervising the Board and the senior management of our Company.

Mr. Fan joined Shum Yip Holdings in July 2006 as a member of human resources department from July 2006 to July 2007 and since then has been working in the human resources department of Shum Yip Group, including as deputy head from July 2007 to June 2011; as manager from June 2011 to January 2012; as senior manager (高級經理) from January 2012 to January 2016; as senior manager (資深經理) from January 2016 to August 2017; and as deputy general manager since August 2017, primarily responsible for human resources related work and the daily business operations of human resources department.

Mr. Fan obtained a bachelor's degree in business management from Xiangtan University (湘潭大學) in June 2003 and a master's degree in management from the University of Leicester in January 2006. Mr. Fan obtained the qualification of middle human resources issued by the Ministry of Personnel (currently known as the Ministry of Human Resources and Social Security of the PRC) in April 2006.

Mr. Miao Zhong (苗忠), aged 55, is the employee representative Supervisor and president of labor union of our Company. He is mainly responsible for supervising the Board and the senior management of our Company.

Mr. Miao joined our Group and served as assistant to head of office of Wansha Household from December 2003 to June 2004. Mr. Miao then served as deputy head of office and the deputy leader of property leasing management team (物業租賃管理組副組長) of Pengji Group from June 2004 to March 2012, primarily responsible for daily management and operations or property leasing management. Mr. Miao was then re-designated as deputy chairman of board of directors and secretary of party branch of Shenzhen Shum Yip Assets Management Co., Ltd.* (深圳深業資產管理有限公司), an indirectly wholly-owned subsidiary of Shenzhen Investment and principally engaged in assets management, from May 2012 to July 2013, primarily responsible for the overall management and operations. Mr. Miao served as chairman of the Supervisory Board of our Company from July 2013 to May 2019 and re-designated as chairman of labor union of our Company in November 2020. Mr. Miao Zhong was elected as the employee representative Supervisor at the Fifth Meeting of the Sixth Session of the Employee Representative Meeting held in August 2022.

Mr. Miao completed his studies in law from the Correspondence Institute of the Party School of Guangdong Provincial Committee of the CPC (中共廣東省委黨校函授學院) in January 2008.

Save as disclosed above, none of our Supervisors has been a director of other listed entities for the three years immediately preceding the Latest Practicable Date. Except for such interests disclosed in "Appendix VI — Statutory and General Information — 3. Further Information about Our Directors and Supervisors" to this document, none of our Supervisors has any interest in the Shares within the meaning of Part XV of the SFO or is a director or an employee of a company which has an interest or short position in the Shares and underlying Shares of our Company.

Save as disclosed above, there is no other information relating to the relationship of any of our Supervisors with Directors, other Supervisors, senior management, substantial or Controlling Shareholders of our Company that should be disclosed pursuant to Rule 13.51(2) or paragraph 41(3) of Appendix D1A to the Listing Rules.

JOINT COMPANY SECRETARIES

Mr. Tang Jiangtao (唐江濤) is the deputy manager of the administration department of our Company and has been appointed as one of the joint company secretaries of our Company on February 2, 2023 and will take effect on [•], 2024. Mr. Tang was a teacher of No. 2 Senior High School in Luohe City of Henan Province* (河南省漯河市第二高級中學) from September 2004 to August 2008, and a teacher of Xianlie East Primary School in Tianhe District of Guangzhou City of Guangdong Province* (廣東省廣州市天河區先烈東小學) from July 2011 to January 2015. Mr. Tang served as a teacher of Baihua Primary School in Futian District of Shenzhen City* (深圳市福田區百花小學) from September 2015 to August 2016, and a teacher of Liyuan Primary School in Futian District of Shenzhen City* (深圳市福田區荔園小學) from September 2016 to February 2018. Mr. Tang joined our Company as deputy manager of the general management department in July 2020, primarily responsible for the daily business operations of the general management department, and was appointed as deputy director of office in March 2021. Mr. Tang has been serving as the deputy manager of the administration department of our Company since December 2022, primarily responsible for the daily business operations of the administration department.

Mr. Tang obtained a bachelor's degree in Chinese language and literature education* (漢語言文學教育) from College of Chinese Language and Literature of Henan University in July 2004 and obtained a master's degree in ancient Chinese literature from College of Liberal Arts of Jinan University in June 2011.

Ms. Yung Mei Yee (翁美儀) has been appointed as one of the joint company secretaries of our Company on June 28, 2023 and will take effect on [•], 2024. Ms. Yung serves as a vice president of SWCS Corporate Services Group (Hong Kong) Limited, a corporate service provider. She has extensive experience in the corporate secretarial field.

Ms. Yung is currently the joint company secretary of several companies listed on the Hong Kong Stock Exchange, namely Greentown Management Holdings Company Limited (stock code: 09979), principally engaged in project management services; Qingci Games Inc. (stock code: 6633), principally engaged in mobile game operation business and Tong Ren Tang Technologies Co. Ltd. (stock code: 1666), principally engaged in manufacture and sale of traditional Chinese medicine products.

Ms. Yung obtained a bachelor's degree of arts in accountancy and a master's degree of arts in language and law from the City University of Hong Kong (formerly known as City Polytechnic of Hong Kong) in November 1993 and November 2000, and a bachelor's degree of laws from the University of London in August 2010. Ms. Yung has been a fellow of The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom since December 1996.

MANAGEMENT PRESENCE IN HONG KONG

Rule 8.12 of the Listing Rules requires an issuer to have sufficient management presence in Hong Kong. This normally means that at least two of the issuer's executive directors must be ordinarily resident in Hong Kong. Rule 19A.15 of the Listing Rules further provides that the requirement in Rule 8.12 may be waived by having regard to, among other considerations, the applicant's arrangements for maintaining regular communications with the Stock Exchange.

Since our principal business and operations are in China, and all of our executive Directors are based in China as the Board believes that it would be more effective and efficient for its executive Directors to be based in a location where our operations are conducted. It would be practically difficult and commercially unnecessary for us to relocate two of our executive Directors to Hong Kong for the purpose of satisfying the requirement of Rule 8.12 of the Listing Rules. Therefore, we do not and, for the foreseeable future, will not have executive Directors who are ordinarily resident in Hong Kong for the purposes of satisfying the requirements of Rules 8.12 and 19A.15 of the Listing Rules. Accordingly, we have applied to the Stock Exchange for[, and the Stock Exchange has granted us], a waiver pursuant to Rule 19A.15 of the Listing Rules from strict compliance with Rule 8.12 of the Listing Rules. See "Waivers from Strict Compliance with the Listing Rules — Management Presence in Hong Kong."

BOARD COMMITTEES

Our Company has established three board committees, namely the Audit Committee, the Nomination Committee and the Remuneration Committee, in accordance with the relevant PRC laws and regulations and corporate governance practices under the Listing Rules.

Audit Committee

The Audit Committee of our Company consists of three Directors, including Dr. Lam Sin Lai Judy, Mr. Cao Yang and Ms. Zhang Lijie. Dr. Lam Sin Lai Judy is the chairlady of the Audit Committee. The written terms of reference of the Audit Committee is in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code set out in Appendix C1 of the Listing Rules. The primary responsibilities of the Audit Committee are to review and monitor our financial reporting procedures, including (among other things):

- making recommendations to the Board on the appointment, reappointment and removal of the external auditor;
- monitoring and evaluating our internal audit, and coordinating the communication between the internal auditor and the external auditor;
- reviewing financial information of the Company and its disclosure;
- monitoring and considering the adequacy of our internal control, financial reporting and risk management systems; and
- other responsibilities authorized by the Board or required under the relevant laws and regulations.

Nomination Committee

The Nomination Committee of our Company consists of three directors, including Mr. Cao Yang, Mr. Xiao Wuchun and Dr. Lam Sin Lai Judy. Mr. Cao Yang is the chairman of the Nomination Committee. The written terms of reference of the Nomination Committee is in compliance with the Corporate Governance Code set out in Appendix C1 of the Listing Rules. The primary responsibilities of the Nomination Committee include (among other things):

- to review the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board on an annual basis and make recommendations on any proposed changes to the Board to complement our Company's corporate strategy;
- to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;
- to assess the independence of independent non-executive Directors;
- to make recommendations to the Board on the appointment or reappointment of Directors and succession planning for Directors; and
- to consider and implement other matters, as defined or assigned by the Board or otherwise required by the Listing Rules from time to time.

Remuneration Committee

The Remuneration Committee of our Company consists of three Directors, including Ms. Zhang Lijie, Mr. Cao Yang and Dr. Lam Sin Lai Judy. Ms. Zhang Lijie is the chairlady of the Remuneration Committee. The written terms of reference of the Remuneration Committee is in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code set out in Appendix C1 of the Listing Rules. The primary responsibilities of the Remuneration Committee include (among other things):

- to make recommendations to the Board on our Company's policy and structure for all Directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;
- to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;
- to make recommendations to the Board on the remuneration of Directors and senior management of our Company;
- to make recommendations to the Board on the remuneration of non-executive Directors;
- to oversee the implementation of remuneration system for Directors and senior management; and

- to consider and implement other matters, as defined or assigned by the Board or otherwise required by the Listing Rules from time to time.

BOARD DIVERSITY POLICY

We have adopted a board diversity policy (the "**Board Diversity Policy**") effective from the **[REDACTED]** setting out the approach to achieve and maintain diversity on the Board in compliance with the Listing Rules, pursuant to which our Company seeks to achieve Board diversity through consideration of a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge, length of service and any other factors that the Board may consider relevant and applicable from time to time. We will select potential Board candidates based on merit and his/her potential contribution to our Board while taking into consideration our own business model and specific needs from time to time.

Our Board has a balanced mix of knowledge and skills, including overall management and strategic development, human resources, accounting and financial management. We also recognize the particular importance of gender diversity. Upon **[REDACTED]**, our Board will consist of seven Directors, including four female Directors, which contributed to bringing valuable views from a female perspective in managing our Company. We have three independent non-executive Directors with different industry backgrounds, including property management, accounting and legal related. Taking into account our existing business model and the different background of our Directors, the composition of our Board satisfies the Board Diversity Policy.

We will continue to implement measures and steps to promote our Board Diversity Policy. Our nomination and remuneration committee will review the Board composition at least once annually taking into account the benefits of all relevant diversity aspects, and adhering to the Board Diversity Policy when making recommendation to the Board on appointment of new Directors. Our nomination and remuneration committee will also review the Board Diversity Policy, as appropriate, to ensure its continued effectiveness and our Company will take opportunities to increase the proportion of female members over time when selecting and making recommendation on suitable candidates for Board appointments so as to ensure that appropriate gender diversity is achieved with reference to stakeholders' expectation and international and local recommended best practices.

PARTY COMMITTEE

Our Company has established the committee of Communist Party of China (the "**Committee**"). The scope of authority for the Committee includes but not limited to the following:

(i) to ensure and supervise our Company's implementation of guidelines, policies and major deployment promulgated by the Communist Party of China;

(ii) to participate in the decision-making of major issues of our Company, support the Shareholders' meeting, the Board, the board of Supervisors and the management to exercise their functions and powers in accordance with the law, improve our efficiency, enhance our competitive strength, and maintain and increase the value of state-owned assets;

(iii) to implement the principle of management of cadres and talents by the Communist Party of China, to be responsible for establishing and perfecting the mechanism of selecting and employing personnel to meet the requirements of modern enterprise system and market competition, to determine standards, standardized procedures, to organize inspection, and to build a team of high-quality operators and talents;

(iv) to rely on the workers wholeheartedly to support the work of workers' congresses; and

(v) to study other matters which should be decided by the Committee.

CORPORATE GOVERNANCE

Our Company recognizes the importance of incorporating elements of good corporate governance in our management structure and internal control procedures so as to achieve effective accountability.

Our Company will comply with the Corporate Governance Code in Appendix C1 to the Listing Rules. Our Directors will review our corporate governance policies and compliance with the Corporate Governance Code each financial year.

REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The compensation and remuneration of our Directors and Supervisors are determined by our Shareholders' general meetings and the compensation and remuneration of members of the senior management are determined by the Board of Directors. We also reimburse them for expenses which are necessary and reasonably incurred in providing services to us or discharging their duties in relation to our operations. When reviewing and determining the specific remuneration packages for our Directors, Supervisors and members of the senior management, our Shareholders' general meetings and the Board of Directors take into consideration factors such as salaries paid by comparable companies, time commitment, level of responsibilities and desirability of performance-based remuneration. As required by PRC laws and regulations, we also participate in various defined contribution plans organized by relevant provincial and municipal government authorities and welfare schemes for our employees, including medical insurance, injury insurance, unemployment insurance, pension insurance, maternity insurance, housing provident fund and enterprise annuity.

Our Company offers our executive Directors, employees' representative Supervisors and senior management members, who are also our employees, compensation in the form of salaries, social security, housing provident fund, enterprise annuity and other benefits. Our independent non-executive Directors and external Supervisors receive fixed compensation.

The aggregate amounts of remuneration paid by us to our Directors and Supervisors in 2021, 2022, 2023 and the six months ended June 30, 2024 were approximately RMB4.1 million, RMB5.5 million, RMB7.2 million and RMB3.2 million, respectively.

The aggregate amounts of remuneration paid by us to our five highest paid individuals in 2021, 2022 and 2023 and the six months ended June 30, 2024 were approximately RMB6.1 million, RMB6.2 million, RMB7.3 million and RMB2.7 million, including two, three, three and three Directors, respectively.

It is estimated that the total fixed remuneration (excluding bonus) equivalent to approximately RMB2.0 million in aggregate will be paid to the Directors and Supervisors by our Company for the year ending December 31, 2024 based on the arrangements in force as of the date of this document.

No remuneration was paid by us to our Directors, Supervisors or the five highest paid individuals as inducement to join or upon joining us or as a compensation for loss of office during the Track Record Period. Furthermore, none of our Directors or Supervisors had waived or agreed to waive any remuneration during the same periods.

CONFIRMATION FROM OUR DIRECTORS

Rule 8.10 of the Listing Rules

Each of our Directors confirmed that as of the Latest Practicable Date, he or she did not have any interest in a business which competes or is likely to compete, either directly or indirectly, with our Company's business which would require disclosure under Rule 8.10 of the Listing Rules.

Rule 3.09D of the Listing Rules

Each of our Directors confirmed that he or she (i) has obtained legal advice referred to under Rule 3.09D of the Listing Rules in March 2024, and (ii) understood his or her obligations as a director of a listed issuer under the Listing Rules.

Rule 3.13 of the Listing Rules

Each of the independent non-executive Directors confirmed that (i) his or her independence as regards each of the factors referred to under Rules 3.13(1) to (8) of the Listing Rules, (ii) he or she has no past or present financial or other interest in the business of our Group or any connection with any core connected person of the Company under the Listing Rules as of the Latest Practicable Date, and (iii) there are no other factors that may affect his or her independence at the time of his or her appointments.

Save as disclosed above, no other payments have been paid or are payable in 2021, 2022, 2023 and the six months ended June 30, 2024, respectively, by us to our Directors or Supervisors.

COMPLIANCE ADVISOR

Our Company has appointed Guosen Securities (HK) Capital Company Limited as our compliance advisor pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, we shall consult the compliance advisor timely under the following circumstances and, if necessary, seek its advice:

(a) before the publication of any regulatory announcement, circular or financial report;

(b) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;

(c) where our Company proposes to use the **[REDACTED]** of the **[REDACTED]** in a manner that is different from that detailed in this document or where our business activities, developments or results deviate from any forecasts, estimates or other information in this document; and

(d) where the Stock Exchange makes an inquiry of our Company regarding unusual movements in the price or trading volume of our H Shares, the possible development of a false market in our H Shares or any other matters in accordance with Rule 13.10 of the Listing Rules.

Pursuant to Rule 3A.24(1) of the Listing Rules, our compliance advisor shall ensure that our Company is properly guided and advised as to the compliance with the Listing Rules and all other applicable laws, rules, codes and guidelines.

The term of appointment of the compliance advisor will commence on the **[REDACTED]** and end on the date when we distribute the annual report of our financial results for the first full financial year commencing after the **[REDACTED]**, and shall be renewable upon mutual agreement.

OUR CONTROLLING SHAREHOLDERS

Our Company was established in the PRC on July 17, 1992. Given that, upon completion of the **[REDACTED]** (assuming that (i) there will be no change of shareholding between the Latest Practicable Date and the **[REDACTED]** and (ii) the **[REDACTED]** is not exercised), (i) Shum Yip Group will directly hold **[REDACTED]**% equity interests in Shum Yip Holdings; (ii) Shum Yip Holdings will directly and indirectly hold approximately **[REDACTED]**% interests in Shenzhen Investment; and (iii) Shenzhen Investment will indirectly hold approximately **[REDACTED]**% equity interests in our Company, Shum Yip Group, Shum Yip Holdings, Shenzhen Investment and other holdings companies will be a group of Controlling Shareholders, and Southern Land, Terra Group, Taifu Logistics, Shum Yip Land and Nongke Group will directly hold approximately **[REDACTED]**% equity interests in our Company. Our Controlling Shareholders will be comprised of the following entities:

No.	Controlling Shareholder	Relationship with our Company
1	Southern Land	As of June 30, 2024, our Company was held by Southern Land as to approximately 49.47%, which was directly wholly-owned by Shenzhen Investment.
2	Terra Group	As of June 30, 2024, our Company was held by Terra Group as to approximately 29.55%, which was directly and indirectly held by Shenzhen Investment as to approximately 75.05%.
3	Taifu Logistics	As of June 30, 2024, our Company was held by Taifu Logistics as to approximately 4.19%, which was indirectly held by Shenzhen Investment as to approximately 97.82%.
4	Shum Yip Land	As of June 30, 2024, our Company was held by Shum Yip Land as to approximately 13.60%, which was indirectly wholly-owned by Shenzhen Investment.
5	Nongke Group	As of June 30, 2024, our Company was held by Nongke Group as to approximately 3.19%, which was indirectly wholly-owned by Shenzhen Investment.
6	Bihai Mangrove	As of June 30, 2024, each of Bihai Mangrove, Hongyingyuan Investment, Zhenluyuan Investment, Lutailai Industrial and Wangdaxin Industrial was a direct shareholder of Terra Group, which was ultimately controlled by Shenzhen Investment through Shum Yip Investment (Shenzhen). See notes (2) - (5) under "History — Corporate Structure — Immediately prior to the **[REDACTED]**" for information of other shareholders of these companies.
7	Hongyingyuan Investment	
8	Zhenluyuan Investment	
9	Lutailai Industrial	
10	Wangdaxin Industrial	
11	Silicon Valley Investment	As of June 30, 2024, 20% equity interests of Shum Yip Land was held by Shum Yip Technology Development, which was in turn wholly-owned by Silicon Valley Investment. Silicon Valley Investment was wholly-owned by Shenzhen Investment.
12	Shum Yip Technology Development	
13	Shenzhen Bio-Agriculture	As of June 30, 2024, Nongke Group was wholly-owned by Shum Yip Nongye Development, a wholly-owned subsidiary of Shenzhen Bio-Agriculture which was in turn wholly-owned by Shenzhen Investment.
14	Shum Yip Nongye Development	

No.	Controlling Shareholder	Relationship with our Company
15	Shum Yip Investment (Shenzhen)	As of June 30, 2024, Shum Yip Investment (Shenzhen), a wholly-owned subsidiary of Shenzhen Investment, indirectly held approximately 22.08% equity interests in our Company through its interest in (i) Terra Group; (ii) Shum Yip Land; and (iii) Taifu Logistics, respectively.
16	Shenzhen Investment	As of June 30, 2024, Shenzhen Investment, which indirectly held approximately 92.54% equity interests in our Company, was directly and indirectly held by Shum Yip Holdings as to approximately 63.19%, of which approximately 62.33% interests was directly held by Shum Yip Holdings and approximately 0.86% interests was indirectly held by Shum Yip Holdings through its wholly-owned subsidiaries.
17	Shum Yip Finance Company Limited	As of June 30, 2024, approximately 0.86% equity interests of Shenzhen Investment were held by Goldclass Industrial Limited, a wholly-owned subsidiary of Successful Years Holdings Limited, which was in turn wholly-owned by Shum Yip Finance Company Limited. Shum Yip Finance Company Limited was a wholly-owned subsidiary of Shum Yip Holdings.
18	Successful Years Holdings Limited	
19	Goldclass Industrial Limited	
20	Shum Yip Holdings	As of June 30, 2024, Shum Yip Group directly held 90% equity interests in Shum Yip Holdings.
21	Shum Yip Group	

See "History — Corporate Structure" for details in relation to the corporate structure regarding the relationship between our Company and our Controlling Shareholders.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS AND THEIR RESPECTIVE CLOSE ASSOCIATES

Having considered the following factors, our Directors are of the view that our Group are capable of carrying on our business independently of our Controlling Shareholders and their respective close associates (excluding our Group) upon completion of the **[REDACTED]** for the following reasons:

Business and operational independence

Independent business operations

Our business operations are delineated from and independent of those of our Controlling Shareholders and their respective close associates. Save for certain continuing connected transactions conducted in the ordinary course of business of our Group as set out in "Continuing Connected Transactions", our Directors do not expect that there will be any other continuing connected transactions between our Group and our Controlling Shareholders or their respective close associates upon or shortly after completion of the **[REDACTED]**. The continuing connected transactions are determined after arm's length negotiation and will be conducted on normal commercial terms in accordance with the pricing policy of our Group, our Controlling Shareholders and their respective close associates, and are not prejudicial to the interests of any of the parties.

Given that (i) Shenzhen Investment is our Controlling Shareholder, with whom we have a close relationship; (ii) Shum Yip Group, the controlling shareholder of Shenzhen Investment, is a state-owned enterprise under the supervision of Shenzhen SASAC; and we will maintain our state-owned background upon completion of the **[REDACTED]**; (iii) we have been providing the city and industrial park services to the Remaining SZI Group for 27 years; (iv) we have been providing the residential property management services to the Remaining SZI Group for 26 years; and (v) we have been providing the commercial property operational and management services to the Remaining SZI Group for 26 years, we consider that we have gained an in-depth understanding of its needs over the years of our business relationship, and thereby established a win-win cooperation relationship and mutual reliance between our Group and the Remaining SZI Group. Our Directors are of the view that the likelihood that our relationship with the Remaining SZI Group and their respective close associates will be materially and adversely changed or terminated is low. Nonetheless, in the unlikely event that there are changes to our relationship with our Controlling Shareholder, given the measures as shown in "— General increasing trend of GFA under management developed by independent third parties" below and the on-going negotiation with independent third parties for future business opportunities, it is expected that we will be able to effectively mitigate our exposure by diversifying our services provided to independent third parties.

General increasing trend of GFA under management developed by independent third parties

While a portion of our property management projects during the Track Record Period was related to the management of properties developed by our Controlling Shareholders, we experienced growth of the GFA of the properties under our management developed by the independent third parties during the Track Record Period. The GFA of the properties under our management developed by independent third parties increased from approximately 42.6 million sq.m. as of December 31, 2021 to approximately 70.7 million sq.m. as of June 30, 2024. Such increase was mainly due to the increase in GFA under management of our city and industrial park services projects and commercial property operational and management services projects developed by independent third parties, which proved our strong capability in customer development and business expansion. The table below sets forth our GFA under management and number of projects as of the dates indicated, by type of developer:

	As of December 31,						As of June 30,	
	2021		2022		2023		2024	
	GFA under management	Number of projects	GFA under management	Number of projects	GFA under management	Number of projects	GFA under management	Number of projects
	(sq.m.'000)		*(sq.m.'000)*		*(sq.m.'000)*		*(sq.m.'000)*	
Shum Yip Group, its subsidiaries, joint ventures and associates	16,105.8	100	19,096.2	112	20,576.7	128	18,529.3	131
Independent third parties	42,603.2	347	49,366.7	347	59,892.9	385	70,684.2	367
Total	**58,709.0**	**447**	**68,462.9**	**459**	**80,469.6**	**513**	**89,213.5**	**498**

In addition to our existing business cooperation with our Controlling Shareholders, during the Track Record Period, we have been developing our business relationship with independent third parties to reduce our potential reliance on our Controlling Shareholders. For the six months ended June 30, 2024, out of 30 new project contracts, our Company entered into 24 new project contracts with independent third parties with a total contracted GFA of approximately 9.3 million sq.m. and a total GFA under our management of 9.1 million sq.m.. From July 1, 2024 to the Latest Practicable Date, out of 18 new project contracts, our Company entered into 12 new project contracts with independent third parties with a total contracted GFA of approximately 0.6 million sq.m., a total GFA under our management of approximately 0.5 million sq.m. and revenue to be generated from these contracts of approximately RMB57.1 million.

In addition to our current cooperation with our Controlling Shareholders, we endeavor to expand our market share and realize economies of scale. To enhance our competitive advantage, we plan to leverage on our PRC state-owned background and inherent capabilities in serving different projects with the independent third parties, such as PRC state-owned enterprises, central government-owned enterprises and private enterprises as well as exploring innovative ways to directly communicate and cooperate with the head offices of those enterprises at central and local levels, as well as undertaking projects adjacent to the Greater Bay Area by virtue of our market recognition, thereby increasing our market share, achieving economy of scale and increasing the proportion in terms of revenue and GFA under management developed by independent third parties. Further, we have focused and will continuously focus on and strive to improve service quality so as to attract independent third party customers and build bases for future market expansion. See "Business — Business Strategies — Expand our business scale and solidify our market position."

Standard tender process directed by the PRC government

Although approximately 45.5% of the total GFA under our management as of June 30, 2024 were property projects developed by Shum Yip Group, its subsidiaries, joint ventures and associates, our Group is required, according to the industry practice, to obtain initial property management services contracts through the standard tender process under the regulation of the applicable PRC laws and regulations. Our tender bids were required to be considered on the same basis as tender bids submitted by other property management companies and the tender process is a well-established, competitive and fairly structured process where our Controlling Shareholders was not able to exert influence on the selection of property management service providers. Our Directors confirmed that our Group did not enjoy a preferential right to be engaged as the provider of preliminary-stage property management and value-added services for projects developed by our Controlling Shareholders. During the Track Record Period, we have obtained some of our property management service contracts and city service contracts without going through the required tender and bidding process. See "Risk Factors" for details.

Based on the above, the fact that certain amount of GFA under management were property projects developed by our Controlling Shareholders should not be regarded as over reliance of our Group on our Controlling Shareholders. On the contrary, it reflects our experience and ability enabling us to win the tender as the initial property management services provider under a tender process in compliance with the applicable PRC laws and regulations.

Connected transactions with our Controlling Shareholders

The continuing connected transactions between our Group and our Controlling Shareholders or their associates in "Continuing Connected Transactions" will continue after the completion of the **[REDACTED]**. All such transactions have been determined on normal commercial terms after arm's length negotiations. Accordingly, we expect to be able to maintain the aggregate amount of the continuing connected transactions with our Controlling Shareholders or their associates as a reasonable percentage of the total revenue after the **[REDACTED]**. Therefore, it is expected that such continuing connected transactions will not affect our overall operational independence.

Licenses required for operations

We hold all the relevant licenses and permits that are material to our business operations, and enjoy the benefits brought by them.

Operational facilities

As of the Latest Practicable Date and save as disclosed in "Continuing Connected Transactions", all necessary properties and facilities required for our business operations were independent of our Controlling Shareholders and their respective close associates.

Employees

As of the Latest Practicable Date, our full-time employees were recruited primarily through independent recruitment methods, such as internal transfer and promotion, online recruitment, employee referrals and campus recruitment.

Financial independence

Our Group will be able to maintain financial independence from our Controlling Shareholders and their respective close associates for the reasons set out below:

No financial reliance on our Controlling Shareholders and their respective close associates

Subsequent to June 30, 2024, all outstanding balance of amounts due from and/or to our Controlling Shareholders and/or their respective close associates which were not arising out of the ordinary course of our business will be fully settled before **[REDACTED]**. As of the Latest Practicable Date, there was no unsettled financial guarantee given by our Controlling Shareholders.

Our Group's future financial resource requirements will be satisfied through a combination of cash generated from its operating activities, banking facilities made available to it or **[REDACTED]** from equity financing including but not limited to the **[REDACTED]**, and will not be dependent on our Controlling Shareholders for future financing.

Independent financial system

Despite that, during the Track Record Period, there was sharing of financial system between our Group and Shenzhen Investment Group, we have established our own financial and accounting system, which is independent from that of our Controlling Shareholders and their respective close associates. Accounting functions and financial decision making will be carried out by our Group independently and according to our own business needs and financial conditions.

Based on the above, we will be able to finance our own operations and function independently without reliance on our Controlling Shareholders and their respective close associates.

Management Independence

Our Company and our Controlling Shareholders have boards of directors that function independently of each other. Upon **[REDACTED]**, our Board will consist of three executive Directors, one non-executive Director and three independent non-executive Directors. Among the Directors, Mr. Xu Enli, our non-executive Director, holds various directorships or positions in our Controlling Shareholders, including but not limited to a vice president of Shum Yip Group and an executive director of Shenzhen Investment.

Other than Mr. Xu Enli, none of our other Directors holds any directorship or senior management role in our Controlling Shareholders. Since Mr. Xu Enli is our non-executive Director, he will not be involved in the day-to-day management or affairs and operations of our businesses.

Our executive Directors, with over 25 years of working experience in the field of real estate development and/or property management services, have served our Group for many years. They formed part of our core management and have been responsible for overall business strategy, daily management and operation of our Group during the Track Record Period. Save as disclosed above, there was no overlapping personnel between the senior management team of our Group and our Controlling Shareholders as of the Latest Practicable Date.

In the event that Mr. Xu Enli is required to abstain from any meeting of our Board on any matter which may give rise to a potential conflict of interest with our Controlling Shareholders, the remaining non-overlapping Directors will have sufficient expertise and experience to fully consider any such matter. Notwithstanding Mr. Xu Enli, our Directors, including the independent non-executive Directors, are of the view that our Board is able to manage our business independently from our Controlling Shareholders for the following reasons:

(a) save as to the Excluded Companies, namely Land Property Investment, Jinzhi PM and Shenyang Taifu PM, which are property management companies, none of the businesses of our Controlling Shareholders competes, or is likely to compete, with our core business and with the corporate governance measures in place to manage existing and potential conflicts of interest, the dual roles assumed by Mr. Xu Enli in our Controlling Shareholders and our Company in most cases will not affect the requisite degree of impartiality of our Directors in discharging their fiduciary duties owed to our Company;

(b) we will have three independent non-executive Directors, and certain matters of our Company, including continuing connected transactions, must always be referred to the independent non-executive Directors for review and they will confirm in our annual report that our continuing connected transactions have been entered into in our ordinary and usual course of business, are on normal commercial terms or better and on terms that are fair and reasonable and in the interests of our Company and our Shareholders as a whole; and

(c) in an event of conflict of interests, the relevant Director(s) will abstain from voting and will be excluded from deliberation by our Board. We believe our Directors with no overlapping directorships in our Controlling Shareholders have the requisite qualifications, integrity and experience to maintain an effective board and observe their fiduciary duties in an event of conflict of interests. See "Directors, Supervisors and Senior Management — Board of Directors" for the relevant experience and qualifications of our Directors.

DELINEATION OF OUR BUSINESS FROM OUR CONTROLLING SHAREHOLDERS AND THEIR RESPECTIVE CLOSE ASSOCIATES

Each of our Controlling Shareholders and their respective close associates is engaged in separate and distinct business area which does not overlap with our Group's business, save for certain excluded business as explained below.

The Excluded Companies

Land Property Investment, a non wholly-owned subsidiary of Shum Yip Group, was established on July 26, 2004, which is engaged in provision of property management services for an industrial property in Nanshan District, Shenzhen. In 2021, 2022, 2023 and the six months ended June 30, 2024, (i) the revenue of Land Property Investment amounted to approximately RMB2.1 million, RMB1.6 million, RMB1.6 million and RMB0.6 million, respectively; (ii) the net (losses)/profits before tax of Land Property Investment amounted to approximately RMB(1.3) million, RMB0.4 million, RMB0.5 million and RMB0.1 million, respectively; (iii) the net (losses)/profits after tax of Land Property Investment amounted to approximately RMB(1.2) million, RMB0.5 million, RMB0.3 million and RMB0.1 million, respectively. As of December 31, 2021, 2022, 2023 and June 30, 2024, (i) the total assets of Land Property Investment amounted to approximately RMB23.6 million, RMB24.1 million, RMB24.5 million and RMB24.5 million, respectively; and (ii) the net assets of Land Property Investment amounted to approximately RMB23.2 million, RMB23.7 million, RMB24.0 million and RMB24.1 million, respectively. As of December 31, 2021, 2022, 2023 and June 30, 2024, the GFA under its management amounted to 21,962 sq.m., 10,690 sq.m., 10,690 sq.m. and 10,690 sq.m..

Jinzhi PM, a non wholly-owned subsidiary of Shenzhen Investment, was established on December 28, 1998, which is engaged in provision of property management services for residential and commercial properties in Luohu District, Shenzhen. In 2021, 2022, 2023 and the six months ended June 30, 2024, (i) the revenue of Jinzhi PM amounted to approximately RMB12.1 million, RMB9.6 million, RMB8.0 million and RMB0.5 million, respectively; (ii) the net profits/(losses) before tax of Jinzhi PM amounted to approximately RMB2.9 million, RMB2.3 million, RMB2.3 million and RMB(4.8) million, respectively; (iii) the net profits/(losses) after tax of Jinzhi PM amounted to approximately RMB2.8 million, RMB2.2 million, RMB2.2 million and RMB(4.8) million, respectively. As of December 31, 2021, 2022, 2023 and June 30, 2024, (i) the total assets of Jinzhi PM amounted to approximately RMB47.4 million, RMB51.8 million, RMB19.3 million and RMB12.6 million, respectively; and (ii) the net assets of Jinzhi PM amounted to approximately RMB11.0 million, RMB13.3 million, RMB15.4 million and RMB10.5 million, respectively. As of December 31, 2021, 2022, 2023 and June 30, 2024, the GFA under its management amounted to 91,514 sq.m., 20,194 sq.m., 20,194 sq.m., and 20,194 sq.m..

Shenyang Taifu PM, a non wholly-owned subsidiary of Shenzhen Investment, was established on November 24, 2008, which is engaged in provision of property management services for residential, commercial and transportation properties in Shenyang. In 2021, 2022, 2023 and the six months ended June 30, 2024, (i) the revenue of Shenyang Taifu PM amounted to approximately RMB13.8 million, RMB13.6 million, RMB13.9 million and RMB5.3 million, respectively; (ii) the net profits/(losses) before tax of Shenyang Taifu PM amounted to approximately RMB0.9 million, RMB2.3 million, RMB2.0 million and RMB(0.7) million, respectively; (iii) the net profits/(losses) after tax of Shenyang Taifu PM amounted to approximately RMB0.9 million, RMB2.3 million, RMB2.0 million and RMB(0.7) million, respectively. As of December 31, 2021, 2022, 2023 and June 30, 2024, (i) the total assets of Shenyang Taifu PM amounted to approximately RMB7.2 million, RMB9.5 million, RMB15.2 million and RMB13.9 million, respectively; and (ii) the net liabilities of Shenyang Taifu PM amounted to approximately RMB15.6 million, RMB13.3 million, RMB11.2 million and RMB12.0 million, respectively. As of December 31, 2021, 2022, 2023 and June 30, 2024, the GFA under its management amounted to 89,170 sq.m., 89,170 sq.m., 89,170 sq.m., and 89,170 sq.m..

The Excluded Companies are not included in our Group as (a) as of June 30, 2024, approximately 17.2% of the total GFA under management of Land Property Investment and Jinzhi PM were demolished due to aging of the relevant properties and it is expected that the remaining properties managed by Land Property Investment and Jinzhi PM will undergo demolition for urban renewal in the coming years, with the demolition plan for the remaining 82.8% of the total GFA under management of Land Property Investment and Jinzhi PM as of June 30, 2024 subject to determination. The demolition will commence once all households have agreed to the demolition. As of the Latest Practicable Date, there was no concrete timetable for the demolition. Since the demolition plan of the properties managed by Jinzhi PM was under consideration by the relevant authority, there was no concrete timetable for the demolition as of the Latest Practicable Date. Land Property Investment and Jinzhi PM will not be included in our Group because: (i) the contractual relationship with the relevant customers for the remaining properties managed by those two Excluded Companies will end after demolition for urban renewal, and (ii) as a result, the time and expense which would have been incurred for such reorganization would not be justifiable; and (b) the properties managed by Shengyang Taifu PM involve transportation terminal and one of the shareholders (the "**Transportation Shareholder**") of the investment holding company, which holds the entire equity interests in Shenyang Taifu PM, is a subsidiary of the Shenyang transportation department. The current property management contracts of the properties managed by Shengyang Taifu PM will expire in June 2025. Despite that unanimous approval from shareholders of the investment holding company, which holds the entire equity interests in Shenyang Taifu PM, is not required for transfer of the equity interests in Shenyang Taifu PM, given that the Transportation Shareholder is of the view that the nature of the properties managed by Shengyang Taifu PM involves public security in the transportation terminal, Shenzhen Investment was unable to obtain approval from the Transportation Shareholder in relation to the transfer of shareholding of such investment holding company of Shenyang Taifu PM indirectly held by Shenzhen Investment to our Group. Further, the directors and senior management members of the Excluded Companies held no directorate or senior managerial positions in our Company during the Track Record Period. Based on the above, the Excluded Companies are not included in our Group. Further, it is anticipated that the Excluded Companies will not expand their property management services or commence new property management service projects. When these property management service projects currently provided by the Excluded Companies expire or are completed, the Excluded Companies will not provide property management services for these projects (as the case may be) and the Group may provide property management services for the property management projects undertaken by each of the Excluded

Companies (as the case may be). The following approaches in relation to the Excluded Companies will be taken so as to eliminate the potential competition or any material conflicts of interests between the Remaining SZI Group and our Group:

(a) Shenzhen Investment will enter into the Deed of Non-Competition in favor of our Company to eliminate or reduce potential material conflicts of interests between our Group and the Remaining SZI Group, pursuant to which, so long as it remains as our Controlling Shareholder, it will not (except through our Group or otherwise specified therein) engage in the business which competes, or will compete, directly or indirectly with our business, and shall grant our Group the first right of refusal in respect of any new business opportunities that is or may be in direct or indirect competition with our business;

(b) Shenzhen Investment will also procure that each of the Excluded Companies not to expand or engage in any other business which competes, or will compete, directly or indirectly with our business (save for the services currently provided), and when the property management service projects currently provided by the Excluded Companies expire or are completed, the Excluded Companies will not provide property management services for these projects;

(c) Shenzhen Investment will delegate to a special committee formed by its independent non-executive directors to review the enforcement of the Deed of Non-Competition and its compliance situation regularly and comply with the relevant provisions in the Listing Rules and safeguard the interests of the respective shareholders of Shenzhen Investment and our Company; and

(d) Despite that Mr. Xu Enli, our non-executive Director, is also an executive director of Shenzhen Investment, each of Shenzhen Investment and our Company will have a sufficient level of independence of directorship and management and a team of full-time senior management and employees focused exclusively on its respective businesses and continue to operate independently. In case of potential conflict of interests between Shenzhen Investment and our Company where the conflicting director (if any) shall abstain from voting, the independent non-executive Directors will be responsible for making decision and addressing to the potential conflict of interests in accordance with internal corporate governance procedures.

Based on the above, the property management services conducted by the Excluded Companies and our business do not pose any competition between our Controlling Shareholders and our Group.

Save as to the Excluded Companies, the table below sets out the principal business of our Group and the Remaining SZI Group as of the Latest Practicable Date:

	Business of the Remaining SZI Group (excluding the Excluded Companies)	**Business of our Group**
Business line	Property development business, property investment business, industrial manufacturing business and other business.	City and industrial park services, residential property management services and commercial property operational and management services.
Business model . .	• Property development business: principally engaged in property development including, design, development, and sales of various types of properties targeting for a wide customer base with differentiated demands and distinct purchasing powers, in exchange for receiving incomes from sales of properties. • Property investment business: principally engaged in renting out and operation of self-owned properties to obtain rental revenue. • Industrial manufacturing business: principally engaged in the liquid crystal module manufacturing and intelligent electronic control device for human–computer interaction business. • Other business: principally engaged in hotel operations, manufacture and sale of aluminum alloy products and agricultural products, provision of construction services and other businesses.	• City and industrial park services: municipal services, public facility management services and industrial park services. • Residential property management services: property management services, value-added services to non-property owners and community value-added services. • Commercial property operational and management services: commercial operational services, property management services and value-added services.

	Business of the Remaining SZI Group (excluding the Excluded Companies)	Business of our Group
Target customers	• Property development business: property purchasers. • Property investment business: tenants. • Industrial manufacturing business: air conditioner manufacturing enterprises, smart furniture manufacturing enterprises and vehicle screen manufacturing enterprises. • Other business: business travelers, sightseeing tourists, manufacturing enterprises, consumers of agricultural products, real estate enterprises.	• City and industrial park services: mainly local governments, public institutions, corporations and property developers. • Residential property management services: mainly property developers, property owners and residents of managed properties. • Commercial property operational and management services: mainly property developers, property owners and tenants.
Main suppliers . . .	Construction service providers, raw material suppliers and hotel operators.	Subcontractors providing cleaning, security, greening and maintenance services.

As shown in the table above, there is clear business delineation between the respective services, target customers and main suppliers between the Remaining SZI Group and our Group. In practice, the respective business operations are independent from each other.

DEED OF NON-COMPETITION

Shenzhen Investment (our "**Undertaking Controlling Shareholder**") [has unconditionally and irrevocably undertaken] to us in the Deed of Non-Competition that it will not, and will procure its close associates (save for members of our Group) not to, directly or indirectly conduct or be involved in any business (other than our business) that directly or indirectly competes, or may compete, with our business, which includes the provision of city and industrial park services, residential property management services and commercial property operational and management services (collectively referred to as the "**Restricted Businesses**"), or hold shares or interest in any companies or business that compete directly or indirectly with the business engaged by our Group, except where our Undertaking Controlling Shareholder and its close associates hold (i) less than 30% of the total issued share capital of any company (whose shares are listed on the Stock Exchange or any other stock exchange); or (ii) less than 50% of interest of any private company, which is engaged in any business that is or may be in competition with any business engaged by any member of our Group and they do not possess the right to control the board of directors of such company. The above restrictions do not apply when our Group engages in a new business that is not a Restricted Business and at the time of commencement of such new business, our Undertaking Controlling Shareholder had already been conducting or been involved in, or otherwise been interested in, the relevant business.

Further, our Undertaking Controlling Shareholder [has undertaken] that if any new business investment or other business opportunity relating to the Restricted Businesses (the "**Competing Business Opportunity**") is identified by or made available to it or any of its close associates (save for members of our Group), it shall, and shall procure that its close associates shall, refer such Competing Business Opportunity to our Company on a timely basis by giving written notice (the "**Offer Notice**") to our Company within 30 business days of identifying such Competing Business Opportunity, the nature of the Competing Business Opportunity, the investment or acquisition costs and all other details reasonably necessary for our Company to consider whether to pursue such Competing Business Opportunity.

Upon receiving the Offer Notice, our Company shall seek approval from a board committee comprising only our independent non-executive Directors who do not have an interest in the Competing Business Opportunity (the "**Independent Board Committee**") as to whether to pursue or decline the Competing Business Opportunity (any Director who has actual or potential interest in the Competing Business Opportunity shall abstain from attending (unless their attendance is specifically requested by the Independent Board Committee) and voting at, and shall not be counted in the quorum for, any meeting convened to consider such Competing Business Opportunity). The Independent Board Committee shall consider the financial impact of pursuing the Competing Business Opportunity offered, whether the nature of the Competing Business Opportunity is consistent with our Group's strategies and development plans and the general market conditions of our business. If appropriate, the Independent Board Committee may appoint independent financial advisors and legal advisors to assist in the decision-making process in relation to such Competing Business Opportunity. The Independent Board Committee shall, within 30 days of receipt of the Offer Notice, inform our Undertaking Controlling Shareholder in writing on behalf of our Company its decision whether to pursue or decline the Competing Business Opportunity.

Our Undertaking Controlling Shareholder shall be entitled but not obliged to pursue such Competing Business Opportunity if it receives a notice from the Independent Board Committee declining such Competing Business Opportunity, or if the Independent Board Committee fails to respond within the 30-day period as mentioned above. If there is any material change in the nature, terms or conditions of such Competing Business Opportunity, our Undertaking Controlling Shareholder shall refer or procure the referral of such revised Competing Business Opportunity to our Company as if it were a new Competing Business Opportunity.

The Deed of Non-Competition will lapse automatically if our Undertaking Controlling Shareholder ceases to hold, whether directly or indirectly, 30% or above of our Shares with voting rights or if our Shares cease to be **[REDACTED]** on the Stock Exchange. In the event we cease to conduct any of the Restricted Businesses, our Undertaking Controlling Shareholder will no longer be prohibited under the Deed of Non-Competition from conducting such business.

In order to promote good corporate governance practices and to improve transparency, the Deed of Non-Competition also includes the following provisions:

- our Undertaking Controlling Shareholder has undertaken to us that it will provide and procure its close associates (save for members of our Group) to provide on best endeavor basis, all information necessary for the annual review by our independent non-executive Directors on the compliance status of the Deed of Non-Competition; and

- Our Undertaking Controlling Shareholder will make a declaration in each of our annual reports on the compliance with the Deed of Non-Competition in accordance with the principle of voluntary disclosure in the corporate governance report.

In addition, our Company has taken, or will take, the following measures to safeguard good corporate governance standards in respect of the Deed of Non-Competition:

- our independent non-executive Directors shall review on an annual basis the Deed of Non-Competition and compliance with the Deed of Non-Competition by our Undertaking Controlling Shareholder;

- we will disclose in our annual report or by way of announcement in accordance with the requirements of the Listing Rules, the decisions on matters reviewed by the Independent Board Committee (including the reasons for not taking up any Competing Business Opportunity referred to our Company) and the review by our independent non-executive Directors on the compliance with, and the enforcement of, the Deed of Non-Competition; and

- in the event that any of our Directors and/or their respective close associates has material interests in any matter to be deliberated by our Board in relation to the compliance and enforcement of Deed of Non-Competition, he/she may not vote on the resolutions of our Board approving the matter and shall not be counted towards the quorum for the voting pursuant to the applicable provisions in the Articles of Association.

CORPORATE GOVERNANCE MEASURES

Our Directors believe that there are adequate corporate governance measures in place to manage existing and potential conflicts of interest. In order to further avoid potential conflicts of interest, we have implemented the following measures:

(a) as part of our preparation for the **[REDACTED]**, we have amended our Articles of Association to comply with the Listing Rules. In particular, our Articles of Association provided that, unless otherwise provided, a Director shall not vote on any board resolution in respect of any contract or arrangement or any other proposal whatsoever in which such Director or any of his/her close associates has any material interest, and if he/she shall do so his/her vote shall not be counted (nor shall such Director be counted in the quorum for the resolution);

(b) a Director with material interests shall make full disclosure in respect of matters that may have conflict or potentially conflict with any of our interest and abstain from any meetings of our Board on matters in which such Director or his/her associates have a material interest, unless the attendance or participation of such Director at such meeting of the Board is specifically requested by a majority of the independent non-executive Directors;

(c) we are committed that our Board should include a balanced composition of executive Directors, non-executive Directors and independent non-executive Directors. We [have appointed] independent non-executive Directors and we believe our independent non-executive Directors possesses sufficient experience and they are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgment and will be able to provide an impartial, external opinion to protect the interests of our public Shareholders. All members (including the chairladies) of the Audit Committee and the Remuneration Committee and a majority of members of the Nomination Committee will be independent non-executive Directors. Details of our independent non-executive Directors are set out in "Directors, Supervisors and Senior Management — Board of Directors — Independent non-executive Directors";

(d) all of the Directors will receive training on their responsibilities as directors, including their fiduciary duties to act in the best interests of the Company;

(e) we have appointed Guosen Securities (HK) Capital Company Limited as our compliance adviser, which will provide advice and guidance to us in respect of compliance with the applicable laws and the Listing Rules including various requirements relating to Directors' duties and corporate governance; and

(f) as required by the Listing Rules, our independent non-executive Directors shall review continuing connected transactions annually and confirm in our annual report that such transactions have been entered into in our ordinary and usual course of business, are either on normal commercial terms or on terms no less favorable to us than those available to or from independent third parties and on terms that are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

SUBSTANTIAL SHAREHOLDERS

So far as is known to our Directors, immediately upon the completion of the **[REDACTED]**, the following persons will have interests or short positions in our Shares or underlying Shares which would fall to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company:

Interests and Long Positions in our Shares

		Immediately upon the completion of the [REDACTED] (assuming that the [REDACTED] is not exercised) (1)		Immediately upon the completion of the [REDACTED] (assuming that the [REDACTED] is fully exercised) (2)	
Name of Shareholder	Capacity/Nature of interests	Number and class of Shares	Approximate percentage in the total issued share capital of our Company	Number and class of Shares	Approximate percentage in the total issued share capital of our Company
Southern Land	Beneficial owner (3)	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Terra Group	Beneficial owner (3, 4)	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Shum Yip Land	Beneficial owner (3)	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Shum Yip Investment (Shenzhen)	Interested in controlled corporations (3)	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Shenzhen Investment	Interested in controlled corporations (3)	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Shum Yip Holdings	Interested in controlled corporations (5)	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Shum Yip Group	Interested in controlled corporations (6)	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**

(1) The calculation is based on the total number of **[REDACTED]** Shares in issue immediately upon the completion of the **[REDACTED]** (assuming the **[REDACTED]** is not exercised).

(2) The calculation is based on the total number of **[REDACTED]** Shares in issue immediately upon the completion of the **[REDACTED]** (assuming the **[REDACTED]** is fully exercised).

(3) Upon completion of the **[REDACTED]** (assuming that the **[REDACTED]** is not exercised), the Company will be held as to approximately **[REDACTED]**%, **[REDACTED]**%, **[REDACTED]**%, **[REDACTED]**% and **[REDACTED]**% by Southern Land, Terra Group, Shum Yip Land, Taifu Logistics and Nongke Group respectively. Southern Land is wholly-owned by Shenzhen Investment. Terra Group is held as to approximately 51%, 7.48%, 5.89%, 2.76% and 1.89% by Shenzhen Investment, Hongyingyuan Investment, Zhenluyuan Investment, Lutailai Industrial and Wangdaxin Industrial respectively. Shum Yip Investment (Shenzhen) holds approximately 87.21% equity interests in Hongyingyuan Investment, 96.53% equity interests in Zhenluyuan Investment, 100% equity interests in Lutailai Industrial and 83.33% equity interests in Wangdaxin Industrial. Shum Yip Land is held as to 80% and 20% by Shum Yip Investment (Shenzhen) and Shum Yip Technology Development. Shum Yip Technology Development is wholly-owned by Silicon Valley Investment, which is in turn wholly-owned by Shenzhen Investment. Taifu Logistics is held as to approximately 97.82% by Shum Yip Investment (Shenzhen), which is wholly-owned by Shenzhen Investment. Nongke Group is wholly-owned by Shum Yip Nongye

Development. Shum Yip Nongye Development is wholly-owned by Shenzhen Bio-Agriculture, which is in turn wholly-owned by Shenzhen Investment. Therefore, Shenzhen Investment is deemed to be interested in the Shares in which Southern Land, Terra Group, Shum Yip Land, Taifu Logistics and Nongke Group are interested by virtue of the SFO.

(4) Terra Group is held as to approximately 7.98% by Bihai Mangrove, which is held as to approximately 94.08% by Shum Yip Investment (Shenzhen). The industrial and commercial registration of the equity interests of Bihai Mangrove held by Shum Yip Investment (Shenzhen) was not completed.

(5) Shum Yip Holdings holds a total of approximately 63.19% interests in Shenzhen Investment directly and indirectly through its wholly-owned subsidiaries, namely Shum Yip Finance Company Limited, Successful Years Holdings Limited and Goldclass Industrial Limited. Therefore, Shum Yip Holdings, Shum Yip Finance Company Limited, Successful Years Holdings Limited and Goldclass Industrial Limited are deemed to be interested in the Shares in which Shenzhen Investment is interested by virtue of the SFO.

(6) Shum Yip Group holds 90% equity interests in Shum Yip Holdings. Therefore, Shum Yip Group is deemed to be interested in the Shares in which Shum Yip Holdings is interested by virtue of the SFO.

Except as disclosed in this document, our Directors are not aware of any person will, immediately prior to and following the completion of the **[REDACTED]** (assuming the **[REDACTED]** is not exercised), have interests or short positions in any Shares or underlying Shares, which would fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly interested in 10% or more of the issued voting shares of our Company.

Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

SHARE CAPITAL

Immediately before the [REDACTED]

As of the Latest Practicable Date, our registered capital and issued share capital was RMB121,287,867, divided into 121,287,867 Domestic Shares with a nominal value of RMB1.0 each.

Upon the completion of the [REDACTED]

Immediately upon completion of the **[REDACTED]** and assuming that the **[REDACTED]** is not exercised, our share capital will be as follows:

Description of Shares	Number of Shares	Approximate percentage of issued share capital
Domestic Shares in issue	[121,287,867]	**[REDACTED]**
H Shares to be issued under the **[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Total	**[REDACTED]**	100.0%

Immediately upon completion of the **[REDACTED]** and assuming that the **[REDACTED]** is fully exercised, our share capital will be as follows:

Description of Shares	Number of Shares	Approximate percentage of issued share capital
Domestic Shares in issue	[121,287,867]	**[REDACTED]**
H Shares to be issued under the **[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Total	**[REDACTED]**	100.0%

The above tables assume the **[REDACTED]** becomes unconditional and is completed.

CLASS OF SHARES

Upon completion of the **[REDACTED]**, the Shares will consist of Domestic Shares and H Shares. The H Shares in issue following the completion of the **[REDACTED]** and the Domestic Shares are ordinary Shares in the share capital of our Company. However, apart from certain qualified domestic institutional investors in the PRC, qualified PRC investors under the Shanghai-Hong Kong stock exchanges connectivity mechanism (Shanghai-Hong Kong Stock Connect) and the Shenzhen-Hong Kong stock exchanges connectivity mechanism (Shenzhen-Hong Kong Stock Connect) and other persons entitled to hold our Company's H Shares pursuant to the relevant PRC laws and regulations or upon approval by any competent authorities, H Shares generally may not be subscribed for by, or traded between, legal or natural persons of the PRC. Domestic Shares may only be subscribed for by, and traded between, legal persons of the PRC, certain qualified foreign institution investors and qualified foreign strategic investors. H Shares may only be subscribed for and traded in Hong Kong dollars. Domestic Shares, on the other hand, may only be subscribed for and transferred in Renminbi.

Domestic Shares and H Shares are regarded as different classes of shares under our Articles of Association. The differences between Domestic Shares and H Shares, and the provisions on class rights, the dispatch of notices and financial reports to Shareholders, dispute resolution, registration of Shares on different registers of Shareholders, the method of Share transfer, appointment of dividend receiving agents and circumstances under which general meeting and class meeting are required are set forth in our Articles of Association and summarized in "Appendix V — Summary of the Articles of Association." Under our Articles of Association, the rights conferred on any class of Shareholders may not be varied or abrogated unless approved by a special resolution of the general meeting of Shareholders and by the affected Shareholders at a separate class meeting. The circumstances deemed to be a variation or abrogation of the rights of class Shareholders are listed in "Appendix V — Summary of the Articles of Association."

Save for the **[REDACTED]**, we do not propose to carry out any public or private issue or to place securities simultaneously with the **[REDACTED]** or within the next six months from the **[REDACTED]**. We have not approved any share issue plan other than the **[REDACTED]**.

RANKING

Save as described in this document, Domestic Shares and H Shares shall rank *pari passu* with each other in all other respects and, in particular, will rank equally for dividends or distributions declared, paid or made. All dividends in respect of the H Shares are to be paid by us in Hong Kong dollars whereas all dividends in respect of Domestic Shares are to be paid by us in Renminbi. In addition to cash, dividends may be distributed in the form of Shares. For holders of H Shares, dividends in the form of Shares will be distributed in the form of additional H Shares. For holders of Domestic Shares, dividends in the form of Shares will be distributed in the form of additional Domestic Shares.

CONVERSION OF DOMESTIC SHARES INTO H SHARES

According to the regulations by the securities regulatory authorities of the State Council and our Articles of Association, the Domestic Shares may be converted into overseas listed foreign shares (H Shares), and such converted Shares may be listed and traded on an overseas stock exchange provided that the conversion, listing and trading of such converted Shares have been approved by the securities regulatory authorities of the State Council. In addition, such conversion, trading and listing shall complete any requisite internal approval process and comply with the regulations prescribed by the securities regulatory authorities of the State Council and the regulations, requirements and procedures prescribed by the relevant overseas stock exchange.

If any of the Domestic Shares are to be converted, **[REDACTED]** and traded as H Shares on the Stock Exchange, such conversion, **[REDACTED]** and trading will need the approval of the relevant PRC regulatory authorities, including the CSRC, and the approval of the Stock Exchange. We may apply for the **[REDACTED]** of all or any portion of the Domestic Shares on the Stock Exchange as H Shares to ensure that the conversion process can be completed promptly upon notice to the Stock Exchange and delivery of Shares for entry on the H Share register. Class shareholder voting is not required for the conversion of such Shares or the **[REDACTED]** and trading of such converted Shares on an overseas stock exchange. Any application for **[REDACTED]** of the converted Shares on the Stock Exchange after our initial **[REDACTED]** is subject to prior notification by way of announcement to inform Shareholders and the public of any proposed transfer.

As of the Latest Practicable Date, the Directors were not aware of any intention of any holder of Domestic Shares to convert all or part of their Domestic Shares into H Shares.

TRANSFER OF SHARES PRIOR TO THE [REDACTED]

Pursuant to the PRC Company Law, the Shares issued prior to the **[REDACTED]** shall not be transferred within one year from the **[REDACTED]**.

For details of the lock-up undertaking given by the Controlling Shareholders pursuant to Rule 10.07 of the Listing Rules, see "**[REDACTED]** — Undertakings given to the Stock Exchange pursuant to the Listing Rules — By Our Controlling Shareholders."

REGISTRATION OF SHARES NOT [REDACTED] ON THE OVERSEAS STOCK EXCHANGE

According to the Notice of Centralised Registration and Deposit of Non-overseas Listed Shares of Companies Listed on an Overseas Stock Exchange (《關於境外上市公司非境外上市股份集中登記存管有關事宜的通知》) issued by the CSRC, our Company is required to register the Domestic Shares with the CSDCC within 15 business days upon **[REDACTED]** and provide a written report to the CSRC regarding the centralized registration and deposit of the Domestic Shares as well as the **[REDACTED]** and **[REDACTED]** of the H Shares.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

For details of circumstances under which our Shareholders' general meeting and class Shareholders' meeting are required, see "Appendix V — Summary of the Articles of Association — Shareholders' General Meetings."

SHAREHOLDERS' APPROVAL FOR THE [REDACTED]

Approval from holders of the Shares is required for our Company to issue H Shares and seek the **[REDACTED]** of H Shares on the Stock Exchange. Our Company has obtained such approval at the Shareholders' general meeting held on December 12, 2022.

The following discussion and analysis should be read in conjunction with our consolidated financial statements included in "Appendix I — Accountant's Report," together with the accompanying notes. Our consolidated financial statements have been prepared in accordance with HKFRS.

The following discussion and analysis contain forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analysis that we make 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, our actual results may differ significantly from those projected in the forward-looking statements. Factors that might cause future results to differ significantly from those projected in the forward-looking statements include, but are not limited to, those discussed in "Risk Factors" and "Forward-Looking Statements" and elsewhere in this document.

OVERVIEW

We are a comprehensive property management, commercial operational and city services provider in China. Since our inception over 30 years ago in Shenzhen, we have established a comprehensive suite of services in these domains. Our initial focus in the Greater Bay Area has fostered our growing footprints across China, supported by favorable regional policies that promote the development of the property management market nationwide. With our full-service business model, emphasis on the Greater Bay Area and business strategies, we are positioned to establish nationwide coverage.

We categorize our services into the following three business segments:

- ***City and industrial park services.*** We mainly provide municipal services, public facility management services and industrial park services to local governments, public institutions, corporations in industrial parks and property developers. To cater to the diverse needs of these customers and provide differentiated services, we launched several service series, including *Shenxiang Cheng (深享城)*, *Shenxiang Ye (深享業)*, *Shenxiang Yuan (深享園)* and developed Shum Yip Technical Support, a group of five specialized service and support companies specializing in elevator maintenance, electrical and mechanical maintenance, greening, environmental services and catering services. As of June 30, 2024, we managed a total of 252 city and industrial parks projects, with a total GFA under management of 55.9 million sq.m., representing 62.7% of our total GFA under management.

- ***Residential property management services.*** We mainly provide property management services, value-added services for non-property owners and community valued-added services to property owners, residents and property developers. In this business segment, we launched *Shenxiang Ju (深享居)* service series, with the assistance from our Shum Yip Technical Support. As of June 30, 2024, we managed a total of 175 residential properties projects, with a total GFA under management of 28.4 million sq.m., representing 31.9% of our total GFA under management.

- ***Commercial property operational and management services***. We provide commercial operational services, property management services and value-added services to corporations, merchants, property developers, property owners and tenants. In this business segment, we established *Shenxiang Shang (深享商)* service series and designated Shum Yip CM to provide services to commercial properties such as large-scale commercial complexes. As of June 30, 2024, we managed a total of 71 commercial properties projects, with a total GFA under management of 4.9 million sq.m., representing 5.4% of our total GFA under management.

In 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, our total revenue was RMB2,151.5 million, RMB2,348.1 million and RMB2,712.2 million, RMB1,283.8 million and RMB1,409.7 million, respectively.

RECENT DEVELOPMENTS

Subsequent to June 30, 2024 and up to the Latest Practicable Date, we continued to grow our business. During this period, we entered into 18 new service contracts with an aggregate contracted GFA of approximately 1.0 million sq.m., which increased our GFA under management by approximately 0.1 million sq.m. as of the Latest Practicable Date. These newly acquired contracts include 12 contracts related to properties developed by independent third parties, along with six additional contracts related to properties developed by Shum Yip Group, its subsidiaries, joint ventures and associates. During the Track Record Period and up to the Latest Practicable Date, our business model remained stable and was in line with past trends and our expectations. After due and careful consideration, our Directors confirm that, since June 30, 2024 (being the date on which the latest consolidated financial information of our Group was prepared) and up to the date of this document, there has been no material adverse change in our financial, operational or trading positions, or prospects.

BASIS OF PRESENTATION

In September 2022, the Company became the holding company of the entities now comprising our Group pursuant to the Reorganization. In preparation for the **[REDACTED]**, we have undergone a series of corporate reorganization transactions. Accordingly, the historical financial information has been prepared as if the Reorganization had been completed as of the beginning of the Track Record Period. See "History."

Our consolidated financial information has been prepared in accordance with HKFRS issued by the Hong Kong Institute of Certified Public Accountants. Our consolidated financial information has been prepared under the historical cost convention, except for financial assets at fair value through other comprehensive income. For more information on the basis of presentation and preparation of the historical financial information, see note 2.1 of the Accountant's Report in Appendix I.

The preparation of our consolidated financial information in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to our consolidated financial information are disclosed in note 4 of the Accountant's Report in Appendix I.

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 beyond our control, including the following:

Regulatory and Market Conditions of the Real Estate and Property Services Industry

Our business and results of operations are substantially affected by our ability to obtain new service engagements from property developers, institutional clients, and local government authorities. The number of new property development projects is dependent on the performance of the real estate market in the PRC, which is subject to the general economic conditions, the rate of urbanization, and consequently, the demand for properties in the PRC. For example, our business operations and financial results in the Track Record Period were affected by the impact of COVID-19. See "Business — Effects of the COVID-19 Pandemic" for details.

In addition, the number of facility management services projects and urban space operation services projects are also subject to the general economic conditions in the PRC. Any economic downturn in the PRC could adversely affect our business, results of operations and financial position.

The regulatory environment in the PRC and policies and measures taken by the PRC government have also affected the development of the real estate market and property management market, which in turn affects our business and results of operations. See "Risk Factors — Risks Relating to Our Business and Industry — We are susceptible to changes in the regulatory landscape of the PRC property management services industry and commercial operational services industry" "Risk Factors — Risks Relating to Our Business and Industry — We are affected by government regulations on the real estate industry."

Contracted GFA and GFA under Management

Our results of operations are affected by our GFA and our ability to increase such amounts. In 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, we generated the majority of our revenue from our property management services. We expanded our business by obtaining new service contracts. Our contracted GFA amounted to 61.2 million sq.m., 71.9 million sq.m., 84.0 million sq.m and 92.3 million sq.m.. as of December 31, 2021, 2022, 2023 and June 30, 2024, respectively. In addition, the demand of our value-added services was also driven by our GFA. The GFA under our management amounted to 58.7 million sq.m., 68.5 million sq.m., 80.5 million sq.m. and 89.2 million sq.m. as of December 31, 2021, 2022, 2023 and the six months ended June 30, 2024, respectively, from which we generated a total revenue of RMB2,151.5 million, RMB2,348.1 million, RMB2,712.2 million and RMB1,409.7 million.

In particular, as of December 31, 2021, 2022, 2023 and June 30, 2024, the GFA of our public properties under management for the city and industrial park services amounted to 28.6 million sq.m., 38.8 million sq.m., 47.8 million sq.m. and 55.9 million sq.m., respectively, from which we generated revenue of RMB857.4 million, RMB1,020.2 million, RMB1,213.5 million and RMB637.0 million, accounting for 39.9%, 43.5%, 44.8% and 45.2% of our total revenue, respectively. The GFA of our residential properties under management for the residential property management services amounted to

26.8 million sq.m., 26.1 million sq.m., 28.6 million sq.m. and 28.4 million sq.m. as of December 31, 2021, 2022, 2023 and June 30, 2024, respectively, from which we generated revenue of RMB783.9 million, RMB766.2 million, RMB866.2 million and RMB437.6 million, accounting for 36.4%, 32.6%, 31.9% and 31.0% of our total revenue, respectively. The GFA of commercial properties under management amounted to 3.4 million sq.m., 3.5 million sq.m., 3.7 million sq.m. and 4.9 million sq.m. as of December 31, 2021, 2022, 2023 and June 30, 2024, respectively, from which we generated revenue of RMB510.2 million, RMB561.7 million, RMB632.5 million and RMB335.1 million, accounting for 23.7%, 23.9%, 23.3% and 23.8% of our total revenue for the periods, respectively.

Our Brand Positioning and Pricing Ability

As a state-owned enterprise with market-oriented operational capability, we have solidified our position as a reputable and experienced property management service provider with our strong shareholder support and state-owned enterprise background. As we derived the majority of our revenue from our property management services provided to city and industrial park services, residential property management services and commercial property operational and management services, our results of operations and financial position are affected by our pricing ability for providing such services. We generally price our services by taking into account various factors that affect our competitiveness in the market, such as characteristics and locations of the properties, our estimated service costs, target profit margins, customer profiles, government budgets, the scope and quality of our services and the prices charged by our competitors for comparable properties and the local government guidance prices for property management fees (where applicable). Our contracts with government authorities for managing public facilities might also be affected by the requirements of government bidding. We must also balance multiple considerations, including competitiveness, profitability as well as our ability to shape and preserve our image as a quality property management service provider. Failure to effectively balance the aforementioned considerations may materially and adversely affect our business operations, financial conditions and results of operations.

Business Mix

During the Track Record Period, our business and results of operations were affected by our business mix and our ability in consolidating our resources and strengths in providing different service products. Our gross profit margins of different business lines vary and generally depend on the types of services provided, fees received and costs borne by us under different contractual arrangements. During the Track Record Period, our profit margins varied across our three business lines, including (i) city and industrial park services, (ii) residential property management services and (iii) commercial property operational and management services. Any change in the structure of revenue contribution from our three business lines or change in the gross profit margin of any business line may have a corresponding impact on our overall gross profit margin.

The following table sets forth a breakdown of our revenue, gross profit, gross profit margin by business line for the years/periods indicated:

	Year ended December 31,												Six months ended June 30,							
	2021				2022				2023				2023				2024			
	Revenue	% of total revenue	Gross profit	Gross profit margin	Revenue	% of total revenue	Gross profit	Gross profit margin	Revenue	% of total revenue	Gross profit	Gross profit margin	Revenue	% of total revenue	Gross profit	Gross profit margin	Revenue	% of total revenue	Gross profit	Gross profit margin
	(RMB'million)	%	*(RMB'million)*	%	*(RMB'million)*	%	*(RMB'million)*	%	*(RMB'million)*	%	*(RMB'million)*	%	*(RMB'million)*	%	*(RMB'million)*	%	*(RMB'million)*	%	*(RMB'million)*	%
													(Unaudited)							
City and industrial park services	857.4	39.9	72.2	8.4	1,020.2	43.5	117.7	11.5	1,213.5	44.8	168.2	13.9	579.5	45.1	72.0	12.4	637.0	45.2	85.3	13.4
Residential property management services	783.9	36.4	90.3	11.5	766.2	32.6	73.5	9.6	866.2	31.9	92.6	10.7	401.8	31.3	38.5	9.6	437.6	31.0	44.9	10.3
Commercial property operational and management services	510.2	23.7	117.1	23.0	561.7	23.9	147.0	26.2	632.5	23.3	165.3	26.1	302.5	23.6	91.8	30.3	335.1	23.8	91.5	27.3
Total	**2,151.5**	**100.0**	**279.6**	**13.0**	**2,348.1**	**100.0**	**338.2**	**14.4**	**2,712.2**	**100.0**	**426.1**	**15.7**	**1,283.8**	**100.0**	**202.3**	**15.8**	**1,409.7**	**100.0**	**221.7**	**15.7**

In general, the gross profit margins generated from our commercial property operational and management services was higher than those generated from the other two business lines during the Track Record Period, which is consistent with industry trend. See "— Principal Components of Our Consolidated Statements of Profit or Loss — Gross Profit and Gross Profit Margins."

Ability to Mitigate the Impact of Employee Benefit Expenses and Outsourcing Costs

Our results of operation and financial position are affected by labor related costs. As property management is a labor-intensive industry, we incurred substantial employee benefit expenses and outsourcing costs in our provision of property management services. In 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, our total employee benefit expenses were RMB1,325.0 million, RMB1,395.8 million, RMB1,456.9 million, RMB704.7 million and RMB713.6 million, which accounted for 64.3%, 62.5%, 57.9%, 59.3% and 55.3% of our total cost of services and administrative expenses, respectively.

In addition, in 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, we respectively incurred outsourcing costs of RMB311.6 million, RMB393.5 million, RMB554.4 million, RMB269.8 million and RMB310.1 million, which accounted for 16.6%, 19.6%, 24.3%, 24.9% and 26.1% of our total cost of services, respectively. See "— Principal Components of Our Consolidated Statements of Profit or Loss — Cost of Services."

Our outsourcing costs as a percentage of our total cost of services increased during the Track Record Period, primarily attributable to our business expansion and an increase in labor-intensive services outsourced to subcontractors. We have implemented cost-saving measures, such as using more intelligent equipment and technology platforms to reduce our reliance on manual labor and mitigate the general increase in average staff compensation. For example, during the Track Record Period, in our city and industrial park services projects, we deployed self-developed small electric sanitation operations machinery to replace the traditional manual sweeping operations, significantly improving our work efficiency. At the same time, the sanitation operations of our city and industrial park service projects have been equipped with new energy machinery, including electric washing and sweeping vehicles, electric high-pressure cleaning vehicles and electric bucket loading vehicles. In addition, by implementing digitalized platforms we developed on our own to provide services to our customers in each business scenario, we were able to optimize the completion time of each task and increase our labor efficiency. As such, our expenses as a percentage of our cost of services remained relatively stable during the Track Record Period. See "Business."

However, any significant increase in our employee benefit expenses or outsourcing costs may negatively affect our profit and reduce our profitability.

For illustration purposes only, the following table sets forth a sensitivity analysis of our profit for the periods with references to fluctuations in our total employee benefit expenses included in the cost of services and administrative expenses in 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, with all other factors remaining constant.

	Year ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
	(RMB'million)	*(RMB'million)*	*(RMB'million)*	*(RMB'million)* (Unaudited)	*(RMB'million)*
Profit for the year/period	74.5	120.7	160.3	82.9	92.5
Assuming 5% increase in our total employee benefit expenses included in the cost of services and administrative expenses					
Impact on the total of cost of services and administrative expense	66.3	69.8	72.8	35.2	35.7
Impact on profit for the year/period[(1)]	(49.7)	(52.3)	(54.6)	(26.4)	(26.8)
Assuming 10% increase in our total employee benefit expenses included in the cost of services and administrative expenses					
Impact on the total of cost of services and administrative expense	132.5	139.6	145.7	70.5	71.4
Impact on profit for the year/period[(1)]	(99.4)	(104.7)	(109.3)	(52.9)	(53.5)

(1) Impact on profit for the year/period was calculated assuming EIT of 25%.

For illustration purposes only, the following table sets forth a sensitivity analysis of our profit for the year/period with references to fluctuations in our outsourcing costs included in the cost of services in 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, with all other factors remaining constant.

	Year ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
	(RMB'million)	*(RMB'million)*	*(RMB'million)*	*(RMB'million)* (Unaudited)	*(RMB'million)*
Profit for the year/period	74.5	120.7	160.3	82.9	92.5
Assuming 5% increase in our outsourcing costs included in the cost of services					
Impact on cost of services	15.6	19.7	27.7	13.5	15.5
Impact on profit for the year/period[(1)]	(11.7)	(14.8)	(20.8)	(10.1)	(11.6)
Assuming 10% increase in our outsourcing costs included in the cost of services					
Impact on cost of services	31.2	39.4	55.4	27.0	31.0
Impact on profit for the year/period[(1)]	(23.4)	(29.5)	(41.6)	(20.2)	(23.3)

(1) Impact on profit for the year/period was calculated assuming EIT of 25%.

Competition

The property management industry in the PRC is highly competitive with numerous market participants. Our property management services primarily compete with large national, regional and local property management companies. According to Frost & Sullivan, the concentration of China's comprehensive property management, commercial operational and city services market is expected to increase in the future. It is also expected that players in such market will extend their service scope and provide more value-added services. The recent years also witnessed growing appreciation and demand for service quality on the part of property owners and occupiers. The continued development of first and second tier cities as well as the Greater Bay Area and the application of new technologies will further drive the development of the comprehensive property management, commercial operational and city services market in China.

Meanwhile, in recent years, many leading service providers have expanded to achieve operational scale by participating in the operational management of diverse property types. Furthermore, these companies exploit synergies between different property types to share customers and increase brand awareness. However, we believe that we are able continue competing with other industry players due to our competitive strengths. Moreover, new market entrants are faced with entry barriers such as brand value, capital requirements, quality of management and availability of talent and technical expertise, all of which we believe we have and will continue to overcome. In addition, benefiting from our experience in cooperations with government entities in providing city and industrial park services, we believe we can continue our business growth. See "Industry Overview" and "Risk Factors — Risks Relating to our Business and Industry — We may experience intense competition and fail to compete effectively."

MATERIAL ACCOUNTING POLICIES AND CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES

We have identified certain material accounting policies and critical accounting judgments and estimates, which we consider significant in the preparation of our financial statements in accordance with HKFRSs. These material accounting policies and critical accounting judgments and estimates are set forth in notes 6 and 4 to the Accountant's Report in Appendix I to this document, which are important for an understanding of our financial condition and results of operations.

Some of our accounting policies involve subjective assumptions, estimates and judgments that are discussed in the Accountant's Report in Appendix I to this document. The preparation of our financial statements requires our management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Our management has identified below the accounting policies, judgments and estimates that they believe are critical to the preparation of our financial statements.

Revenue recognition

We provide city and industrial park services, residential property management services and commercial property operational and management services. Revenue is recognized in the accounting period in which the services are rendered or goods are delivered, and the collectability of related consideration is probable. Depending on the terms of the contracts and the laws that apply to the contract, control of services and goods may be transferred over time or at a point in time.

We distinguish whether we are a principal or an agent in the transactions with its customers. When we are acting as a principal, the associated revenue is recognized in gross amount and when we are acting as an agent, the associated revenue is recognized in net amount.

When either party to a contract has performed, we present the contract in the consolidated statement of financial position as a contract asset or a contract liability, depending on the relationship between our performance and the customer's payment.

A contract asset is our right to consideration in exchange for services that we have transferred to a customer. Incremental costs incurred to obtain a contact, if recoverable, are capitalized and presented as assets under "contract assets" and subsequently amortized when the related revenue is recognized.

If a customer pays consideration or we have a right to an amount of consideration that is unconditional, before the services are provided to the customer, we present the amount as a contract liability when the payment is received or a receivable is recorded (whichever is earlier).

A receivable is recorded when we have an unconditional right to consideration. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due.

Types of services

(a) City and industrial park services

We mainly provide city and industrial park services to local governments, public institutions, property developers and industrial park, including (i) municipal services, such as provision of (a) urban road sanitation services, (b) cleaning, greening, waste sorting, streetscape inspection, street facilities and disinfection, (c) management of sub-district lights, cityscape inspection and disinfection services; (ii) public facilities (such as public museums, libraries, schools, hospitals and office buildings of public institutions) basic property management services, including cleaning, greening, maintenance and security; and (iii) industrial park services, basic property management service, such as greening, gardening and maintenance of common areas, cleaning, security as well as repair and maintenance for public facilities and value-added services, such as community living services.

(b) Residential property management services

We also provide a range of residential property management services to property owners and residents of the managed properties, as well as property developers, including (i) basic property management services, such as greening, gardening and maintenance of common areas, cleaning, security as well as repair and maintenance for public facilities; (ii) value-added services, such as car park management services, community living services, public resources management services and other value-added services, in exchange for receiving property management fees for such services.

(c) Commercial property operational and management services

We also provide a range of commercial property management services to property owners and tenants as well as property developers, including (i) commercial property operational services, such as commercial tenant sourcing, operational and promotional services, hotel operational management or supervision; (ii) basic property management services, such as cleaning, greening, public facility and equipment maintenance and security services; and (iii) value-added services, such as car park management services, venue management, additional air conditioning, waste collection and transportation for decoration materials, and other value-added services. Commercial properties under management comprise office buildings, commercial complexes, hotels and commercial apartment buildings.

Revenue recognition policies

(a) For basic property management services, we bill a fixed amount for services provided on a monthly basis and recognize as revenue in the amount to which we have a right to bill and that corresponds directly with the value of performance completed.

For property management service income provided under lump sum basis, where we act as a principal and are primarily responsible for providing the property management services, we recognize the fees received or receivable from the customers as our revenue and all related property management costs as our cost of services.

For property management service income provided under commission basis, where we act as an agent and are primarily responsible for arranging and monitoring the services as provided by other suppliers, we recognize the commission, which is calculated by certain fixed amount or percentage of the total property management fees received or receivable from the property units managed.

(b) For operation services, we bill a fixed amount or a percentage of the basis agreed for services provided on a regularly basis, and recognize as revenue the amount to which we have a right to invoice and that corresponds directly with the value of performance completed.

(c) Value-added services provided to property developers, property residents and tenants of the managed properties as stated above mainly include (i) revenue from community living services; (ii) revenue from sales assistance services and pre-delivery support services; (iii) revenue from car park management services; (iv) revenue from public resources management services and (v) other value-added services.

Except for revenue from canteen service, intermediary services, sales of agricultural and sideline products, etc., which are recognized at a point in time upon the acceptance of the services and products by the customers, revenue is mainly recognized over time when the related services are rendered. Revenue from sales of products is based on the price specified and a receivable is recognized immediately when the goods are accepted as this is the point in time that the consideration is unconditional.

Expected credit losses on financial assets

We make allowances on financial assets based on assumptions about risk of default and expected loss rates. We used judgment in making these assumptions and selecting the inputs to the impairment calculations, based on our 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 management's estimate, such difference will impact the carrying amount of the financial assets and the related loss allowances in the period in which such estimate is changed.

Current and deferred income tax

Significant judgments are required in determining the provision for income tax. There are many transactions and calculations for which the ultimate determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the income tax and deferred income tax provision in the period in which such determination is made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognized when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilized. The outcome of their actual utilization may be different.

PRINCIPAL COMPONENTS OF OUR CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

The following table sets forth a summary of our consolidated statements of profit or loss for the years/period indicated:

	Year ended December 31,			**Six months ended June 30,**	
	2021	**2022**	**2023**	**2023**	**2024**
	(RMB'million)	*(RMB'million)*	*(RMB'million)*	*(RMB'million)* (Unaudited)	*(RMB'million)*
Revenue	2,151.5	2,348.1	2,712.2	1,283.8	1,409.7
Cost of services	(1,871.9)	(2,009.9)	(2,286.1)	(1,081.5)	(1,188.0)
Gross profit	**279.6**	**338.2**	**426.1**	**202.3**	**221.7**
Administrative expenses	(189.4)	(222.6)	(230.2)	(106.1)	(103.0)
Net impairment losses on financial assets	(10.5)	(10.5)	(7.6)	(3.1)	(13.7)
Other income	19.2	34.2	16.1	9.5	8.0
Other gains/(losses) — net	3.1	2.5	(3.2)	(2.6)	0.4
Operating profit	**102.0**	**141.8**	**201.2**	**100.0**	**113.4**
Finance income	5.6	6.1	6.3	3.4	2.9
Finance costs	(3.0)	(3.1)	(1.7)	(1.0)	(0.7)
Finance income-net	**2.6**	**3.0**	**4.6**	**2.4**	**2.2**
Share of results of joint ventures and associates	4.3	11.1	10.9	6.9	7.7
Profit before income tax	**108.9**	**155.9**	**216.7**	**109.3**	**123.3**
Income tax expense	(34.4)	(35.2)	(56.4)	(26.4)	(30.8)
Profit for the year	**74.5**	**120.7**	**160.3**	**82.9**	**92.5**

Revenue

During the Track Record Period, we generated our revenue from three business segments, namely (i) city and industrial park services, (ii) residential property management services, and (iii) commercial property operational and management services.

The following table sets forth a breakdown of our revenue by business segment for the years/periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2021		2022		2023		2023		2024	
	(RMB'million)	*%*	*(RMB'million)*	*%*	*(RMB'million)*	*%*	*(RMB'million)*	*%*	*(RMB'million)*	*%*
							(Unaudited)			
City and industrial park services	857.4	39.9	1,020.2	43.5	1,213.5	44.8	579.5	45.1	637.0	45.2
Residential property management services	783.9	36.4	766.2	32.6	866.2	31.9	401.8	31.3	437.6	31.0
Commercial property operational and management services	510.2	23.7	561.7	23.9	632.5	23.3	302.5	23.6	335.1	23.8
Total	**2,151.5**	**100.0**	**2,348.1**	**100.0**	**2,712.2**	**100.0**	**1,283.8**	**100.0**	**1,409.7**	**100.0**

During the Track Record Period, our city and industrial park services, residential property management services, and commercial property operational and management services experienced continued revenue increase, leading to a continual increase in our total revenue. In particular, revenue from city and industrial park services continued to increase both in absolute amount and as a percentage of the total revenue during the Track Record Period, which was primarily driven by the increase in the total GFA under management and more municipal services we provided for districts in the Greater Bay Area.

During the Track Record Period, we also generated more revenue from independent third-party property developers, which proved our strong capability in customer development and business expansion.

The table below sets forth a breakdown of our revenue and GFA under management by type of property developers for the years/period indicated:

	Year ended December 31,									Six months ended June 30,					
	2021			2022			2023			2023			2024		
	(RMB'million)	*%*	*(sq.m. '000)*	*(RMB'million)*	*%*	*(sq.m. '000)*	*(RMB'million)*	*%*	*(sq.m. '000)*	*(RMB'million)*	*%*	*(sq.m. '000)*	*(RMB'million)*	*%*	*(sq.m. '000)*
											(Unaudited)				
Shum Yip Group, its subsidiaries, joint ventures and associates	932.8	43.4	16,105.8	1,036.0	44.1	19,096.2	1,229.2	45.3	20,576.7	548.6	42.7	19,226.3	642.1	45.5	18,529.3
Independent third parties	1,218.7	56.6	42,603.2	1,312.1	55.9	49,366.7	1,483.0	54.7	59,892.9	735.2	57.3	52,601.3	767.6	54.5	70,684.2
Total	**2,151.5**	**100.0**	**58,709.0**	**2,348.1**	**100.0**	**68,462.9**	**2,712.2**	**100.0**	**80,469.6**	**1,283.8**	**100.0**	**71,827.6**	**1,409.7**	**100.0**	**89,213.5**

Our revenue generated from independent third-party property developers was RMB1,218.7 million, RMB1,312.1 million, RMB1,483.0 million, RMB735.2 million and RMB767.6 million in 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, respectively, as we continued to expand our customer base and generate revenue from properties developed by independent third-party property developers.

In addition, during the Track Record Period, we managed a diversified property portfolio of public, residential and commercial properties across China.

The following table sets forth a breakdown of our total revenue by geographic region for the years/periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2021		2022		2023		2023		2024	
	(RMB'million)	%	*(RMB'million)*	%	*(RMB'million)*	%	*(RMB'million)* (Unaudited)	%	*(RMB'million)*	%
Southern China	1,689.5	78.6	1,893.1	80.6	2,233.6	82.3	1,056.9	82.4	1,181.4	83.7
— Greater Bay Area	1,629.3	75.7	1,829.3	77.9	2,163.3	79.8	1,025.3	79.9	1,146.1	81.3
Eastern China	336.1	15.6	296.4	12.6	292.6	10.8	143.0	11.1	134.8	9.6
Northern China	1.5	0.1	—	0.0	—	0.0	—	—	—	0.0
Central China	108.6	5.0	131.1	5.6	148.0	5.5	68.1	5.3	76.1	5.4
Southwest China	12.9	0.6	15.1	0.6	18.6	0.7	7.7	0.6	8.1	0.6
Northwest China	2.9	0.1	5.9	0.3	8.6	0.3	3.7	0.3	2.5	0.2
Northeast China	—	0.0	6.5	0.3	10.8	0.4	4.4	0.3	6.8	0.5
Total	**2,151.5**	**100.0**	**2,348.1**	**100.0**	**2,712.2**	**100.0**	**1,283.8**	**100.0**	**1,409.7**	**100.0**

During the Track Record Period, our revenue growth was primarily driven by our business operations in Southern China. In particular, our services provided in the Greater Bay Area contributed RMB1,629.3 million, RMB1,829.3 million, RMB2,163.3 million, RMB1,025.3 million and RMB1,146.1 million to our total revenue in 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, accounting for 75.7%, 77.9%, 79.8%, 79.9% and 81.3% of our total revenue, respectively.

Our revenue generated from Eastern China decreased from RMB336.1 million in 2021 to RMB292.6 million in 2023, primarily due to a decrease in revenue from commercial property operational and management services as a result of the expiry of service contracts for managing office buildings of a major mobile communications operator in Ganzhou city and Ji'An city.

Our revenue generated from Southern China increased from RMB1,056.9 million in the six months ended June 30, 2023 to RMB1,181.4 million in the six months ended June 30, 2024, primarily due to the revenue increase from municipal services.

The following table sets forth a breakdown of our total revenue by city tier for the years/periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2021		2022		2023		2023		2024	
	(RMB'million)	%	*(RMB'million)*	%	*(RMB'million)*	%	*(RMB'million)*	%	*(RMB'million)*	%
							(Unaudited)			
First-tier cities	1,516.8	70.5	1,713.7	73.0	2,025.3	74.7	961.5	74.9	1,072.7	76.0
New First-tier cities	219.8	10.2	232.4	9.9	271.4	10.0	121.6	9.5	136.7	9.7
Second-tier cities	139.3	6.5	129.8	5.5	143.7	5.3	64.1	5.0	79.7	5.7
Others	275.6	12.8	272.2	11.6	271.8	10.0	136.6	10.6	120.6	8.6
Total	**2,151.5**	**100.0**	**2,348.1**	**100.0**	**2,712.2**	**100.0**	**1,283.8**	**100.0**	**1,409.7**	**100.0**

During the Track Record Period, our revenue increase was primarily due to our continuous business expansion in first-tier cities.

Our revenue generated from non-first-tier cities decreased in 2022, primarily due to a decrease in revenue from commercial property and operational services as a result of the expiry of service contracts for managing an office building in Zhongshan City.

Revenue from City and Industrial Park Services

During the Track Record Period, we generated revenue from providing city and industrial park services to government entities, public institutions and property developers, which included (i) municipal services where we provided cleaning, greening, waste sorting, street scape inspection, street facilities maintenance and disinfection services to sub-districts; (ii) public facility management services where we typically provided cleaning, greening, maintenance, security, car park management, cafeteria operational services primarily for government buildings, train stations, hospitals, public libraries, museums and schools; and (iii) industrial park services, where we mainly provided cleaning, greening, maintenance, security, disinfection and value-added services, including community living services, marketing and promotion of facilities in the industrial parks on *Shenzhihui (深智慧)*, our customer mobile app and leasing of equipment.

The following table sets forth a breakdown of our revenue from city and industrial park services by business segment for the years/periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2021		2022		2023		2023		2024	
	(RMB'million)	%	*(RMB'million)*	%	*(RMB'million)*	%	*(RMB'million)*	%	*(RMB'million)*	%
							(Unaudited)			
Municipal services	200.4	23.4	293.5	28.8	441.0	36.3	216.0	37.2	237.6	37.3
Public facility management services	384.5	44.8	417.5	40.9	439.1	36.2	213.1	36.8	227.2	35.7
Industrial park operational services	272.5	31.8	309.2	30.3	333.4	27.5	150.4	26.0	172.2	27.0
Total	**857.4**	**100.0**	**1,020.2**	**100.0**	**1,213.5**	**100.0**	**579.5**	**100.0**	**637.0**	**100.0**

In 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, our revenue generated from city and industrial park services amounted to RMB857.4 million, RMB1,020.2 million, RMB1,213.5 million, RMB579.5 million and RMB637.0 million, respectively, accounting for 39.9%, 43.5%, 44.8%, 45.1% and 45.2% of our total revenue, respectively.

During the Track Record Period, our revenue growth for this business segment was mainly attributable to (i) the increase in the number of our projects; and (ii) the growth in our GFA under management during the Track Record Period.

Our revenue from city and industrial park services increased from RMB857.4 million in 2021 to RMB1,020.2 million in 2022, mainly attributable to (i) a significant increase in municipal services as we continued rolling out our municipal services for Baolong sub-district in Shenzhen and Anmin sub-district in Ma'anshan City; (ii) an increase in revenue generated from public facility management services as we expanded our service scope, including services provided for public facilities in Xiangmihu sub-district in Shenzhen, and (iii) an increase in revenue generated from providing industrial park operational services as we provided more services for industrial parks in 2022, including Shenyang Yongan Machine Tool Town.

Our revenue from city and industrial park services increased from RMB1,020.2 million in 2022 to RMB1,213.5 million in 2023 primarily due to revenue increase from municipal services, primarily as a result of the addition of several new projects located in Longhua sub-district, Shenzhen.

Additionally, our revenue from city and industrial park services increased from RMB579.5 million in the six months ended June 30, 2023 to RMB637.0 million in the six months ended June 30, 2024, primarily due to (i) the revenue increase from municipal services, primarily as a result of the renewal of projects in Jihua sub-district, Shenzhen and Baolong sub-district, Shenzhen as well as the addition of a new project in Shantou; and (ii) revenue increase from public facilities management services, primarily as a result of the addition of several new projects in Shenzhen.

In addition, our revenue growth for this business segment during the Track Record Period was primarily driven by revenue generated from independent third parties. Revenue from independent third parties continued to increase during the Track Record Period, which was attributable to our enhanced cooperations with management entities of sub-districts and districts in providing more diversified city and industrial park services. The table below sets forth a breakdown of our revenue from city and industrial park services and GFA under management by type of property developers for the years/periods indicated:

	Year ended December 31,									Six months ended June 30,					
	2021			2022			2023			2023			2024		
	(RMB'million)	*%*	*(sq.m. '000)*	*(RMB'million)*	*%*	*(sq.m. '000)*	*(RMB'million)*	*%*	*(sq.m. '000)*	*(RMB'million)*	*%*	*(sq.m. '000)*	*(RMB'million)*	*%*	*(sq.m. '000)*
											(Unaudited)				
Shum Yip Group, its subsidiaries, joint ventures and associates	167.5	19.5	2,553.9	186.5	18.3	5,391.9	237.7	19.6	5,409.4	101.9	17.6	5,454.7	128.5	20.2	3,147.7
Independent third parties	689.9	80.5	26,044.7	833.7	81.7	33,437.3	975.8	80.4	42,773.0	477.6	82.4	36,534.3	508.5	79.8	52,790.5
Total	**857.4**	**100.0**	**28,598.6**	**1,020.2**	**100.0**	**38,829.2**	**1,213.5**	**100.0**	**48,182.4**	**579.5**	**100.0**	**41,989.0**	**637.0**	**100.0**	**55,938.2**

During the Track Record Period, we generated revenue from providing municipal services, public facility management services and industrial park services across the PRC, with a focus on the Greater Bay Area. The following table sets forth a breakdown of our revenue from providing city and industrial park services by region for the years/periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2021		2022		2023		2023		2024	
	(RMB'million)	*%*	*(RMB'million)*	*%*	*(RMB'million)*	*%*	*(RMB'million)*	*%*	*(RMB'million)*	*%*
							(Unaudited)			
Southern China	601.9	70.3	737.4	72.3	946.9	78.0	450.0	77.6	517.7	81.3
— Greater Bay Area	587.4	68.5	723.4	70.9	932.3	76.8	442.6	76.4	511.0	80.2
Eastern China	172.7	20.1	175.8	17.2	154.8	12.8	79.9	13.8	63.7	10.0
Northern China	1.5	0.2	—	0.0	—	0.0	—	0.0	—	0.0
Central China	78.4	9.1	94.6	9.3	93.7	7.7	41.5	7.2	46.7	7.3
Northwest China	2.9	0.3	5.9	0.6	7.3	0.6	3.7	0.6	2.1	0.3
Northeast China	—	0.0	6.5	0.6	10.8	0.9	4.4	0.8	6.8	1.1
Total	**857.4**	**100.0**	**1,020.2**	**100.0**	**1,213.5**	**100.0**	**579.5**	**100.0**	**637.0**	**100.0**

Our revenue increase for this business segment during the Track Record Period was primarily driven by an increase in the number of municipal service projects in the Greater Bay Area. During the Track Record Period, our newly added municipal services projects primarily included municipal services for Baolong sub-district in Shenzhen starting from 2021, which has become one of our benchmark projects, municipal services for Longhua sub-district Shenzhen starting from 2022, as well as the addition of two new projects in Gongming sub-district, Shenzhen, and Jinping sub-district, Shantou, with an aggregate GFA under management of approximately 6.6 million sq.m. in the first half of 2024.

The following table sets forth a breakdown of our revenue from providing city and industrial park services by city tier for the years/periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2021		2022		2023		2023		2024	
	(RMB'million)	%	*(RMB'million)*	%	*(RMB'million)*	%	*(RMB'million)* (Unaudited)	%	*(RMB'million)*	%
First-tier cities	576.3	67.3	708.5	69.5	909.3	74.9	431.9	74.6	496.9	78.0
New First-tier cities.	107.5	12.5	116.0	11.4	117.5	9.7	52.7	9.1	57.5	9.0
Second-tier cities	23.2	2.7	27.9	2.7	35.2	2.9	15.3	2.6	21.8	3.4
Others	150.4	17.5	167.8	16.4	151.5	12.5	79.6	13.7	60.8	9.6
Total	**857.4**	**100.0**	**1,020.2**	**100.0**	**1,213.5**	**100.0**	**579.5**	**100.0**	**637.0**	**100.0**

During the Track Record Period, our revenue increase for city and industrial park services was primarily driven by municipal services provided in the first-tier cities, including our projects in Jihua sub-district, Baolong sub-district, Gongming sub-district and Longgang district, Shenzhen and industrial parks in Futian district, Shenzhen. This is due to a higher demand of municipal services as a result of rapid urban development in the first-tier cities, according to the F&S report.

Revenue from Residential Property Management Services

During the Track Record Period, we generated revenue from providing residential property management services, which included (i) property management services, where we mainly provided cleaning, greening, security, repair and maintenance and disinfection services; and (ii) value-added services, which included value-added services to non-property owners, such as sales offices management services and other value-added services, and community value-added services, such as community living services, space operational services and asset management services. The following table sets forth a breakdown of our revenue from providing residential property management services by business segments for the years/periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2021		2022		2023		2023		2024	
	(RMB'million)	%	*(RMB'million)*	%	*(RMB'million)*	%	*(RMB'million)* (Unaudited)	%	*(RMB'million)*	%
Property management services	487.4	62.2	513.3	67.0	532.7	61.5	258.9	64.4	276.1	63.1
Value-added services	296.5	37.8	252.9	33.0	333.5	38.5	142.9	35.6	161.5	36.9
Total	**783.9**	**100.0**	**766.2**	**100.0**	**866.2**	**100.0**	**401.8**	**100.0**	**437.6**	**100.0**

In 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, our revenue generated from providing residential property management services amounted to RMB783.9 million, RMB766.2 million, RMB866.2 million, RMB401.8 million and RMB437.6 million, respectively, accounting for 36.4%, 32.6%, 31.9%, 31.3% and 31.0% of our total revenue in 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, respectively.

Our revenue from residential property management services decreased from RMB783.9 million in 2021 to RMB766.2 million in 2022, primarily due to a decrease in value-added services as our car parking management services were affected by COVID-19 outbreaks in Shenzhen. However, this decrease was partially offset by an increase in property management services in 2022, which was primarily due to an increase in the number of residential properties we managed in 2022, especially projects outside the Greater Bay Area, such as Shum Yip Siji Huating in Chengdu.

Our revenue from residential property management services increased from RMB766.2 million in 2022 to RMB866.2 million in 2023, primarily due to (i) provision of more residential property management services in 2023; and (ii) recovery of business from the impact of COVID-19. In particular, our revenue from value-added services increased from RMB252.9 million in 2022 to RMB333.5 million in 2023, a 31.9% increase from 2022. It was primarily due to (i) an increase in the number of residential properties we managed in 2023; and (ii) an increase in our car parking management services resulting from the recovery of business from the impact of COVID-19.

Our revenue from property management services under our residential property management services increased from RMB258.9 million in the six months ended June 30, 2023 to RMB276.1 million in the six months ended June 30, 2024, primarily due to the provision of more residential property management services in early 2024.

Additionally, our revenue from value-added services under our residential property management services increased from RMB142.9 million in the six months ended June 30, 2023 to RMB161.5 million in the six months ended June 30, 2024, primarily due to (i) the increase in the number of residential properties we managed in early 2024; and (ii) the overall increase in our carpark management services.

During the Track Record Period, we generated revenue from both Shum Yip Group, its subsidiaries, joint ventures and associates, and independent third parties for this business segment. The following table sets forth a breakdown of our revenue from residential properties and GFA under management by type of property developers for the years/periods indicated:

	Year ended December 31,/As of December 31,									Six months ended June 30,/As of June 30,					
	2021			2022			2023			2023			2024		
	(RMB'million)	*%*	*(sq.m'000)*	*(RMB'million)*	*%*	*(sq.m'000)*	*(RMB'million)*	*%*	*(sq.m'000)*	*(RMB'million)*	*%*	*(sq.m'000)*	*(RMB'million)*	*%*	*(sq.m'000)*
											(Unaudited)				
Shum Yip Group, its subsidiaries, joint ventures and associates	409.0	52.2	11,285.7	395.2	51.6	11,404.0	493.6	57.0	12,786.4	213.4	53.1	11,777.1	252.7	57.7	12,939.4
Independent third parties	374.9	47.8	15,466.5	371.0	48.4	14,738.9	372.6	43.0	15,830.9	188.4	46.9	14,660.2	184.9	42.3	15,485.6
Total	**783.9**	**100.0**	**26,752.2**	**766.2**	**100.0**	**26,142.9**	**866.2**	**100.0**	**28,617.3**	**401.8**	**100.0**	**26,437.3**	**437.6**	**100.0**	**28,425.0**

Our revenue decrease in this segment from RMB783.9 million in 2021 to RMB766.2 million in 2022 was primarily due to a decrease in revenue from value added services, primarily car park management services, provided for properties developed by Shum Yip Group, its subsidiaries, joint ventures and associates, due to the impact of COVID-19.

Our revenue increased from RMB766.2 million in 2022 to RMB866.2 million in 2023, primarily due to three residential property management projects in Shenzhen that we added in late 2022 and 2023.

Our revenue increased from RMB401.8 million in the six months ended June 30, 2023 to RMB437.6 million in the six months ended June 30, 2024, primarily due to the (i) the increase in the number of residential properties we managed in early 2024; and (ii) the overall increase in revenue of our carpark management services.

During the Track Record Period, we generated revenue from providing residential property management services and value added services across the PRC, with a focus on the Greater Bay Area. The following table sets forth a breakdown of our revenue from providing residential property management services by region for the years/periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2021		2022		2023		2023		2024	
	(RMB'million)	*%*	*(RMB'million)*	*%*	*(RMB'million)*	*%*	*(RMB'million)*	*%*	*(RMB'million)*	*%*
							(Unaudited)			
Southern China	645.9	82.5	633.2	82.7	717.4	82.8	331.5	82.5	362.1	82.7
— Greater Bay Area	609.4	77.7	595.2	77.7	676.2	78.1	314.7	78.3	339.9	77.7
Eastern China	101.3	12.9	93.0	12.1	102.3	11.8	48.6	12.1	51.1	11.7
Central China	28.5	3.6	29.3	3.8	31.9	3.7	15.3	3.8	18.7	4.3
Southwest China	8.2	1.0	10.7	1.4	14.6	1.7	6.4	1.6	5.7	1.3
Total	**783.9**	**100.0**	**766.2**	**100.0**	**866.2**	**100.0**	**401.8**	**100.0**	**437.6**	**100.0**

Our revenue decreased from RMB783.9 million in 2021 to RMB766.2 million in 2022, primarily due to a decrease in revenue from residential properties in Southern China as our value-added services were affected by COVID-19 outbreaks in Shenzhen.

Our revenue increased to RMB866.2 million in 2023, primarily due to our business expansion in the Greater Bay Area, as COVID-19 restrictions were lifted. Our revenue increased from RMB401.8 million in the six months ended June 30, 2023 to RMB437.6 million in the six months ended June 30, 2024, primarily due to our business expansion in the Greater Bay Area.

The following table sets forth a breakdown of our revenue from providing residential property management services by city tier for the years/periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2021		2022		2023		2023		2024	
	(RMB'million)	*%*	*(RMB'million)*	*%*	*(RMB'million)*	*%*	*(RMB'million)*	*%*	*(RMB'million)*	*%*
							(Unaudited)			
First-tier cities	528.4	67.4	513.4	67.1	582.3	67.2	271.5	67.7	292.6	66.8
New first-tier cities	98.1	12.5	98.4	12.8	114.8	13.3	52.6	13.1	58.9	13.5
Second-tier cities	85.2	10.9	81.3	10.6	96.1	11.1	43.0	10.7	50.4	11.5
Others	72.2	9.2	73.1	9.5	73.0	8.4	34.7	8.5	35.7	8.2
Total	**783.9**	**100.0**	**766.2**	**100.0**	**866.2**	**100.0**	**401.8**	**100.0**	**437.6**	**100.0**

Our revenue for this business segment decreased from RMB783.9 million in 2021 to RMB766.2 million in 2022, primarily because our value-added services were affected by COVID-19 outbreaks in Shenzhen.

Our revenue increased to RMB866.2 million in 2023, primarily due to an increase in revenue generated from providing newly added residential property management projects in Shenzhen, Sichuan and Nanjing.

Our revenue increased from RMB401.8 million in the six months ended June 30, 2023 to RMB437.6 million in the six months ended June 30, 2024, primarily due to our business expansion in the first-tier, new first-tier and second-tier cities.

Revenue from Commercial Property Operational and Management Services

During the Track Record Period, we also provided a range of commercial property operational and management services, which included (i) commercial property operational and management services, where we provided comprehensive commercial operational services, including but not limited to commercial leasing, operational services, promotional services and hotel operational management or supervision, and property management services, including cleaning, greening, public facility and equipment maintenance and security services; and (ii) value-added services, where we provided various value added services, including but not limited to car park management, venue management, additional air conditioning, waste collection and transportation for decoration materials, exhibition and display services and consultancy services.

The following table sets forth a breakdown of our revenue from commercial property operational and management services by type of service for the years/periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2021		2022		2023		2023		2024	
	(RMB'million)	*%*	*(RMB'million)*	*%*	*(RMB'million)*	*%*	*(RMB'million)* (Unaudited)	*%*	*(RMB'million)*	*%*
Commercial property operational and management services	424.7	83.2	477.6	85.0	529.1	83.7	254.9	84.3	274.0	81.8
Value-added services	85.5	16.8	84.1	15.0	103.4	16.3	47.6	15.7	61.1	18.2
Total	**510.2**	**100.0**	**561.7**	**100.0**	**632.5**	**100.0**	**302.5**	**100.0**	**335.1**	**100.0**

In 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, our revenue generated from providing commercial property operational and management services amounted to RMB510.2 million, RMB561.7 million, RMB632.5 million, RMB302.5 million and RMB335.1 million, respectively, accounting for 23.7%, 23.9%, 23.3%, 23.6% and 23.8% of our total revenue for those periods, respectively.

Our continued revenue growth for this business segment during the Track Record Period was primarily driven by an increase in commercial property operational and management services mainly attributable to continuous increase in the GFA under management.

Our revenue for this business segment increased from RMB510.2 million in 2021 to RMB561.7 million in 2022, mainly attributable to a revenue increase in commercial property operational and management services as a result of our business expansion and the signing of new contracts that adjusted our fee model to align with market practice. Our revenue for value added services slightly decreased in 2022, mainly due to a decrease in car park management services, which was impacted by COVID-19.

Our revenue from commercial property operational and management services further increased from RMB561.7 million in 2022 to RMB632.5 million in 2023, primarily due to (i) provision of more commercial property operational and management services as a result of business expansion; and (ii) recovery of business from the impact of COVID-19.

Our revenue for commercial property operational and management services under commercial property operational and management services increased from RMB254.9 million in the six months ended June 30, 2023 to RMB274.0 million in the six months ended June 30, 2024, primarily due to (i) the addition of a financial center project in Shenzhen and a telecommunications center project in Haikou; and (ii) the increase in occupancy rates at *Upperhills*, Shenzhen.

Additionally, our revenue for the value-added services under commercial property operational and management services increased from RMB47.6 million in the six months ended June 30, 2023 to RMB61.1 million in the six months ended June 30, 2024, primarily due to (i) the addition of new metro exits connecting to a shopping mall in Shenzhen under our management, which commenced and began generating revenue in March 2023 and contributed approximately to RMB1.6 million for the six months ended June 30, 2024, reflecting a full period of contribution compared to the partial revenue recorded in the same period of 2023; (ii) the increase of RMB2.4 million from car park management services; and (iii) the increase in commercial advisory services and occupancy rates.

During the Track Record Period, we generated revenue from both Shum Yip Group, its subsidiaries, joint ventures and associates and independent third parties for this business segment.

The following table sets forth a breakdown of our revenue from commercial properties and GFA under management by type of property developers for the years/periods indicated:

	Year ended December 31,									Six months ended June 30,					
	2021			2022			2023			2023			2024		
	(RMB'million)	%	*(sq.m'000)*	*(RMB'million)*	%	*(sq.m'000)*	*(RMB'million)*	%	*(sq.m'000)*	*(RMB'million)*	%	*(sq.m'000)*	*(RMB'million)*	%	*(sq.m'000)*
										(Unaudited)					
Shum Yip Group, its subsidiaries, joint ventures and associates	356.3	69.8	2,266.2	454.3	80.9	2,300.3	497.9	78.7	2,380.9	233.3	77.1	5,454.7	260.9	77.9	2,442.2
Independent third parties	153.9	30.2	1,092.0	107.4	19.1	1,190.5	134.6	21.3	1,289.0	69.2	22.9	36,534.3	74.2	22.1	2,408.1
Total	**510.2**	**100.0**	**3,358.2**	**561.7**	**100.0**	**3,490.8**	**632.5**	**100.0**	**3,669.9**	**302.5**	**100.0**	**41,989.0**	**335.1**	**100.0**	**4,850.3**

During the Track Record Period, our revenue growth for this business segment was primarily driven by an increase in revenue generated from commercial properties developed by Shum Yip Group, its subsidiaries, joint ventures and associates, including *Upperhills* developed by Shum Yip Land. We generated more revenue from projects developed by Shum Yip Group, its subsidiaries, joint ventures and associates than independent third parties mainly because properties developed by Shum Yip Group, its subsidiaries, joint ventures and associates were of higher value and we charged a higher property management fee.

During the Track Record Period, we generated revenue from providing commercial property operational and management services and value-added services across China.

The following table sets forth a breakdown of our revenue from providing commercial property operational and management services by region for the years/periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2021		2022		2023		2023		2024	
	(RMB'million)	*%*	*(RMB'million)*	*%*	*(RMB'million)*	*%*	*(RMB'million)*	*%*	*(RMB'million)*	*%*
							(Unaudited)			
Southern China	441.7	86.6	522.6	93.0	569.3	90.1	275.4	91.1	301.6	90.0
— Greater Bay Area	432.6	84.8	510.6	90.9	554.8	87.7	268.0	88.6	295.2	88.1
Eastern China	62.1	12.2	27.6	4.9	35.5	5.6	14.5	4.8	20.0	6.0
Central China	1.7	0.3	7.1	1.3	22.4	3.5	11.3	3.7	10.7	3.2
Southwest China	4.7	0.9	4.4	0.8	4.0	0.6	1.3	0.4	2.4	0.7
Northwest China	—	0.0	—	0.0	1.3	0.2	—	—	0.4	0.1
Total	**510.2**	**100.0**	**561.7**	**100.0**	**632.5**	**100.0**	**302.5**	**100.0**	**335.1**	**100.0**

During the Track Record Period, our revenue growth in this segment was primarily driven by revenue generated from commercial property operational and management services provided in the Greater Bay Area, which accounted for 84.8%, 90.9%, 87.7%, 88.6% and 88.1% of our segment revenue in 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, respectively, primarily attributable to our strong presence in the Greater Bay Area and our enhanced efforts in expanding our business in the area. During the Track Record Period, we added several commercial property operational and management projects, primarily included two office buildings in Zhongshan and Jiangmen.

The following table sets forth a breakdown of our revenue from providing commercial property operational and management services by city tier for the years/periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2021		2022		2023		2023		2024	
	(RMB'million)	*%*	*(RMB'million)*	*%*	*(RMB'million)*	*%*	*(RMB'million)*	*%*	*(RMB'million)*	*%*
							(Unaudited)			
First-tier cities	412.1	80.7	491.8	87.5	533.7	84.4	258.1	85.3	283.2	84.5
New First-tier cities	14.1	2.8	18.0	3.2	39.1	6.2	16.3	5.4	20.3	6.1
Second-tier cities	30.9	6.1	20.6	3.7	12.4	2.0	5.8	1.9	7.5	2.2
Others	53.1	10.4	31.3	5.6	47.3	7.4	22.3	7.4	24.1	7.2
Total	**510.2**	**100.0**	**561.7**	**100.0**	**632.5**	**100.0**	**302.5**	**100.0**	**335.1**	**100.0**

During the Track Record Period, our revenue growth was primarily driven by revenue from commercial properties located in the first-tier cities, which included *Upperhills* in Shenzhen. This is due to higher demand for commercial property operational and management services as a result of rapid urban development in the first-tier and new first-tier cities, according to Frost & Sullivan. In particular, our revenue from commercial properties located in the new first-tier cities increased from RMB18.0 million in 2022 to RMB39.1 million in 2023, primarily due to a newly added commercial property operational and management project in Changsha which accounted for the increase of RMB15.8 million.

Cost of Services

Our cost of services consists principally of (i) employee benefit expenses, (ii) cleaning and security expenses, (iii) maintenance costs, (iv) utility costs and (v) leasing expenses.

The following table sets forth a breakdown of our cost of services by nature for the years/periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2021		2022		2023		2023		2024	
	(RMB'million)	*%*	*(RMB'million)*	*%*	*(RMB'million)*	*%*	*(RMB'million)*	*%*	*(RMB'million)*	*%*
							(Unaudited)			
Employee benefit expenses	1,182.8	63.2	1,228.6	61.1	1,282.1	56.1	624.1	57.7	635.2	53.5
Cleaning and security expenses	249.1	13.3	301.7	15.0	491.6	21.5	226.2	20.9	279.2	23.5
Maintenance costs	113.5	6.1	121.9	6.1	128.5	5.6	54.8	5.1	66.0	5.6
Utility costs	96.7	5.2	109.5	5.4	131.2	5.7	58.0	5.4	62.6	5.3
Leasing expenses	71.7	3.8	68.0	3.4	79.2	3.5	39.9	3.7	48.9	4.1
Depreciation and amortization	37.3	2.0	35.9	1.8	25.3	1.1	12.2	1.1	13.2	1.1
Greening and gardening expenses	36.2	1.9	30.9	1.5	27.4	1.2	15.2	1.4	17.7	1.5
Other expenses[(1)]	84.6	4.5	113.4	5.7	120.8	5.3	51.1	4.7	65.2	5.4
Total	**1,871.9**	**100.0**	**2,009.9**	**100.0**	**2,286.1**	**100.0**	**1,081.5**	**100.0**	**1,188.0**	**100.0**

(1) Primarily include office expenses, advertising and promotion expenses, taxes and surcharges.

During the Track Record Period, our employee benefit expenses, cleaning and security expenses, maintenance costs and utility costs continued to increase as a result of our business expansion.

Employee benefit expenses contributed a majority of our cost of services during the Track Record Period. The increase in employee benefit expenses during the Track Record Period was mainly due to (i) increases in the average salary level as a result of increased minimum wage in areas where we operated our business; and (ii) increase in the number of our employees due to our business expansion. Despite the increases in absolute amounts of cost of services during the Track Record Period, the percentage of employee benefit expenses decreased from 63.2% in 2021 to 61.1% in 2022 and 56.1% in 2023. The decrease in percentage in 2023 was primarily due to our improved employee productivity and efficiency through a series of cost control measures, such as the implementation of digitalized platform to streamline our provision of services in each business scenario, standardized employee responsibilities and work process. We also enjoyed deduction in or exemption of payment of social security contributions as a result of the regulatory supportive policies in response to the COVID-19 outbreak.

Cleaning and security expenses mainly included the subcontracting costs for cleaning and security services provided to the property projects under our management. Cleaning costs were mainly related to removal and transport of garbage, street sweeping and wiping and sanitizing facilities. Security expenses were mainly related to protection and safety procedures for residential properties and commercial properties. Our cleaning and security expenses increased from RMB249.1 million in 2021 to RMB491.6 million in 2023, mainly due to (i) our business expansion; (ii) procedures implemented for the COVID-19 mandates in 2022; and (iii) an increase in the proportion of cleaning and security services outsourced to subcontractors in 2023.

Maintenance costs mainly included costs for the maintenance of public facilities, elevators, fire extinguisher equipment, air conditioning, water pumps and vehicles. Our maintenance costs increased from RMB113.5 million in 2021 to RMB121.9 million in 2022, primarily due to our increased GFA under management and business expansion during the Track Record Period. Our maintenance costs increased to RMB128.5 million in 2023, primarily due to (i) increased property management projects and GFA under management as a result of recovery of business from the impact of COVID-19; and (ii) implementation of lighting enhancement. Our maintenance costs increased from RMB54.8 million in the six months ended June 30, 2024 to RMB66.0 million in the six months ended June 30, 2024, primarily due to the increased property management projects and GFA under management.

In addition, for the optimization of our costs, we also outsourced certain basic property management services, such as cleaning and greening services, to third-party subcontractors. The amount was included in our cost of services as part of our employee benefit expenses, cleaning and security expenses and maintenance costs, which amounted to RMB311.6 million, RMB393.5 million, RMB554.4 million, RMB269.8 million and RMB310.1 million in 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, respectively. The increases in our outsourcing costs in the Track Record Period were mainly due to our business expansion and an increase in the proportion of specialized services outsourced to subcontractors as part of our cost optimization efforts.

The following table sets forth the breakdown of our cost of services by business line for the years/periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2021		2022		2023		2023		2024	
	(RMB'million)	*%*	*(RMB'million)*	*%*	*(RMB'million)*	*%*	*(RMB'million)*	*%*	*(RMB'million)*	*%*
							(Unaudited)			
City and industrial park services	785.2	41.9	902.5	44.9	1,045.3	45.8	507.5	46.9	551.7	46.4
Residential property management services	693.6	37.1	692.7	34.5	773.6	33.8	363.3	33.6	392.7	33.1
Commercial property operational and management services	393.1	21.0	414.7	20.6	467.2	20.4	210.7	19.5	243.6	20.5
Total	**1,871.9**	**100.0**	**2,009.9**	**100.0**	**2,286.1**	**100.0**	**1,081.5**	**100.0**	**1,188.0**	**100.0**

During the Track Record Period, our cost of services continued to increase as we continuously expanded our business and increased our GFA under management. We incurred a higher cost of services in providing city and industrial park services and residential property management services because these two business segments are more labor intensive as compared to the commercial property operational and management services, which was consistent with industry trend, according to the F&S report.

The following table sets forth a breakdown of our cost of services by type of property developer for the years/periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2021		2022		2023		2023		2024	
	(RMB'million)	*%*	*(RMB'million)*	*%*	*(RMB'million)*	*%*	*(RMB'million)* (Unaudited)	*%*	*(RMB'million)*	*%*
Shum Yip Group, its subsidiaries, joint ventures and associates	731.2	39.1	794.8	39.5	935.8	40.9	412.6	38.2	489.8	41.2
Independent third parties	1,140.7	60.9	1,215.1	60.5	1,350.3	59.1	668.9	61.8	698.2	58.8
Total	**1,871.9**	**100.0**	**2,009.9**	**100.0**	**2,286.1**	**100.0**	**1,081.5**	**100.0**	**1,188.0**	**100.0**

During the Track Record Period, our cost of services incurred from providing property management services for independent third parties was higher than the costs for providing the services to Shum Yip Group, its subsidiaries, joint ventures and associates because we provided more city and industrial park services and residential property management services (which tend to be more costly) for independent third parties and provided more commercial property operational and management services (which in comparison are less costly) for Shum Yip Group, its subsidiaries, joint ventures and associates.

Gross Profit and Gross Profit Margin

In 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, our overall gross profit was RMB279.6 million, RMB338.2 million, RMB426.1 million, RMB202.3 million and RMB221.7 million, respectively, and our overall gross profit margin was 13.0%, 14.4%, 15.7%, 15.8% and 15.7%, respectively.

The following table sets forth our gross profit and gross profit margin by business line for the years/periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2021		2022		2023		2023		2024	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	(RMB 'million)	*(%)*	*(RMB 'million)*	*(%)*	*(RMB 'million)*	*(%)*	*(RMB 'million)* (Unaudited)	*(%)*	*(RMB 'million)*	*(%)*
City and industrial park services	72.2	8.4	117.7	11.5	168.2	13.9	72.0	12.4	85.3	13.4
Residential property management services	90.3	11.5	73.5	9.6	92.6	10.7	38.5	9.6	44.9	10.3
Commercial property operational and management services	117.1	23.0	147.0	26.2	165.3	26.1	91.8	30.3	91.5	27.3
Overall	**279.6**	**13.0**	**338.2**	**14.4**	**426.1**	**15.7**	**202.3**	**15.8**	**221.7**	**15.7**

During the Track Record Period, our gross profit margin for commercial property operational and management services was generally higher than that for residential property management service and city and industrial park services, primarily because (i) we charged a relatively higher average property management fee for our commercial property operational and management services, which was consistent with industry trends, according to the F&S report; and (ii) we incurred higher costs for services in providing the city and industrial park services and the residential property management services than providing commercial property operational and management services, because the commercial property operational and management services are relatively less labor intensive, thereby incurring less costs, which was consistent with industry trends, according to the F&S report.

During the Track Record Period, our gross profit margin for residential property management services experienced variability. Our gross profit margin decreased from 11.5% in 2021 to 9.6% in 2022, but then increased to 10.7% in 2023, primarily due to (i) price adjustment; and (ii) implementation of cost saving measures, such as outsourcing. Additionally, our gross profit margin remained relatively stable at 9.6% in the six months ended June 30, 2023 and 10.3% in the six months ended June 30, 2024.

Our overall gross profit and gross profit margin are primarily affected by our business mix, average property management fee charged, extent of economies of scale achieved from increased GFA under management and cost control measures. Our overall gross profit margin increased from 13.0% in 2021 to 14.4% in 2022, primarily because we optimized our costs as the costs for servicing new properties under management gradually stabilized. Our overall gross profit margin increased to 15.7% in 2023, primarily due to increased gross profit from our commercial property operational and management services, primarily as a result of a rise in our average service fees.

The table below sets forth a breakdown of our overall gross profit and gross profit margin for each business line by type of property developer for the years/periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2021		2022		2023		2023		2024	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	(RMB' million)	*(%)*	*(RMB' million)*	*(%)*	*(RMB' million)*	*(%)*	*(RMB' million)* (Unaudited)	*(%)*	*(RMB' million)*	*(%)*
City and industrial park services										
Shum Yip Group, its subsidiaries, joint ventures and associates	58.7	35.0	65.6	35.2	88.1	37.1	34.9	34.2	44.2	34.4
Independent third parties	13.5	2.0	52.1	6.3	80.1	8.2	37.1	7.8	41.1	8.1
Residential property management services										
Shum Yip Group, its subsidiaries, joint ventures and associates	55.6	13.6	38.5	9.7	54.3	11.0	20.6	9.7	26.8	10.6
Independent third parties	34.7	9.2	35.0	9.4	38.3	10.3	17.9	9.5	18.1	9.8
Commercial property operational and management services										
Shum Yip Group, its subsidiaries, joint ventures and associates	87.3	24.5	137.1	30.2	151.0	30.3	80.5	34.5	81.3	31.2
Independent third parties	29.8	19.4	9.9	9.2	14.3	10.6	11.3	16.3	10.2	13.7

City and industrial park services

During the Track Record Period, our projects with Shum Yip Group, its subsidiaries, joint ventures and associates consistently showed higher gross profit margins than those for projects involving independent third parties. This is mainly because projects developed by Shum Yip Group, its subsidiaries, joint ventures and associates are primarily industrial parks projects in Shenzhen, which usually have prime locations, high fee standards and advanced maturity, all of which tended to contribute to higher gross profit margin. In contrast, projects involving independent third parties primarily included municipal and government buildings spread across the country. Their profitability is influenced by various factors such as government budgets, market competition and the project's location and maturity, and therefore, when compared against projects developed by the Shum Yip Group, tend to be lower.

The gross profit margin of projects with Shum Yip Group, its subsidiaries, joint ventures and associates was 35.0%, 35.2%, 37.1%, 34.2% and 34.4% in 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, respectively.

The gross profit margin for projects with independent third parties experienced an overall upward trend during the Track Record Period. This improvement in gross profit margin is primarily attributable to (i) our enhanced organizational control and streamlined management practices; and (ii) the diminishing impact of COVID-19 on industrial park properties.

Residential property management services

Projects developed by Shum Yip Group, its subsidiaries, joint ventures and associates, primarily located in the first-tier and new first-tier cities, consistently yielded higher gross profit margins as compared to those of projects involving independent third parties throughout the Track Record Period. These projects benefited from their prime locations, high fee standards and high maturity level. However, projects developed by independent third parties, which are primarily located in second-tier cities, faced challenges in achieving similar levels of profitability due to their less central locations and the influence of external factors such as greater market competition.

The gross profit margin for projects with Shum Yip Group, its subsidiaries, joint ventures and associates decreased from 13.6% in 2021 to 9.7% in 2022, primarily due to the decrease in profitability for several projects, including the Shum Yip New Shoreline, Shum Yip Dongsheng Times Garden, Shunde Shum Yip City, Guanlan Rose Garden, Shum Yip Garden, Shum Yip Zilin Mountain and Wanlin Lake projects, mainly because the impact of COVID-19 led to reduced revenue and an increase in various costs such as utilities, labor and maintenance costs. Gross profit margin for our projects with Shum Yip Group, its subsidiaries, joint ventures and associates rose slightly to 11.0% in 2023 due to the recovery of business from the impact of COVID-19.

The gross profit margin for projects with independent third parties remained relatively stable at 9.2%, 9.4%, 10.3%, 9.5% and 9.8% in 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, respectively.

Commercial property operational services

The gross profit margins for projects developed by Shum Yip Group, its subsidiaries, joint ventures and associates were consistently higher than those for projects developed by independent third parties during the Track Record Period. This is mainly because projects with Shum Yip Group, its subsidiaries, joint ventures and associates primarily involved premium commercial properties located in Shenzhen, which generally enjoy high fee standards compared to projects developed by independent third parties, which were primarily located in non-first-tier cities.

The gross profit margin for projects of Shum Yip Group, its subsidiaries, joint ventures and associates improved from 24.5% in 2021 to 30.3% in 2023, primarily due to (i) the rising occupancy rate for *Upperhills*, leading to increased management fees; and (ii) the overall increased revenue and profit margins from Shum Yip CM. Additionally, the gross profit margin of Shum Yip Group, its subsidiaries, joint ventures and associates decreased from 34.5% in the six months ended June 30, 2023 to 31.2% in the six months ended June 30, 2024, primarily due to the allocation of administrative department expenses to individual projects, resulting in increased costs and a reduced profit margin.

Projects involving independent third parties experienced variability in their gross profit margins during the Track Record Period. Due to the relatively small number of projects in this business segment compared with other segments, the profitability of any individual project can significantly influence the overall gross profit margin. The gross profit margin for projects with independent third parties decreased from 19.4% in 2021 to 9.2% in 2022, primarily due to decreased revenue and/or increased costs for some projects in 2022 as well as the addition of projects with negative gross margins, such as the Wanxin Huating and New Hunan Building projects. Gross profit margin for our projects with independent third parties rose slightly from 9.2% in 2022 to 10.6% in 2023, primarily due to the revenue generated from New Hunan Building. Additionally, the gross profit margin of independent third parties decreased from 16.3% in the six months ended June 30, 2023 to 13.7% in the six months ended June 30, 2024, primarily due to the allocation of administrative department expenses to individual projects, resulting in increased costs and a reduced profit margin.

The table below sets forth a breakdown of our overall gross profit and gross profit margin by type of property developers for the years/periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2021		2022		2023		2023		2024	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	(RMB'million)	*(%)*	*(RMB'million)*	*(%)*	*(RMB'million)*	*(%)*	*(RMB'million)*	*(%)*	*(RMB'million)*	*(%)*
							(Unaudited)			
Shum Yip Group, its subsidiaries, joint ventures and associates	201.6	21.6	241.2	23.3	293.4	23.9	136.0	24.8	152.3	23.7
Independent third parties	78.0	6.4	97.0	7.4	132.7	8.9	66.3	9.0	69.4	9.0
Total	**279.6**	**13.0**	**338.2**	**14.4**	**426.1**	**15.7**	**202.3**	**15.8**	**221.7**	**15.7**

During the Track Record Period, the gross profit margin for services provided to Shum Yip Group, its subsidiaries, joint ventures and associates was higher than the gross profit margin for services provided to independent third parties, primarily because (i) services for projects developed by independent third-party property developers mainly focused on city and industrial park services and residential property management services, which command a relatively lower gross profit margin and accounted for the majority of the projects we managed for independent third parties in terms of both the number of projects and GFA under management; (ii) projects with Shum Yip Group, its subsidiaries, joint ventures and associates primarily involved premium commercial properties located in Shenzhen, which generally enjoy high fee standards compared to projects developed by independent third parties, which were primarily located in non-first-tier cities; and (iii) we engaged in new city and industrial park services during the Track Record Period and incurred more costs at their early stage of operations to ensure smooth roll out of the projects.

Our gross profit margin for properties developed by Shum Yip Group, its subsidiaries, joint ventures and associates increased from 21.6% in 2021 to 23.3% in 2022, primarily because we achieved greater economies of scale as we further increased our GFA under management. Our gross profit margin for properties developed by Shum Yip Group, its subsidiaries, joint ventures and associates remained stable at 23.9% in 2023, primarily attributed to increased profit margin we achieved from the services provided for *Upperhills*.

Our gross profit margin for properties developed by independent third parties increased from 6.4% in 2021 to 7.4% in 2022, primarily because of greater economies of scale achieved as we continued to expand our city and industrial park services. Our gross profit margin for properties developed by independent third parties remained relatively stable at 8.9% in 2023.

Administrative Expenses

Our administrative expenses mainly comprise (i) employee benefit expenses, (ii) depreciation and amortization, (iii) leasing expenses, (iv) office expenses, and (v) traveling and entertainment expenses.

The following table sets forth a breakdown of our administrative expenses for the years/periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2021		2022		2023		2023		2024	
	(RMB'million)	*%*	*(RMB'million)*	*%*	*(RMB'million)*	*%*	*(RMB'million)* (Unaudited)	*%*	*(RMB'million)*	*%*
Employee benefit expenses	142.2	75.1	167.2	75.1	174.7	75.9	80.6	76.0	78.4	76.1
Depreciation and amortization	10.3	5.4	14.9	6.7	17.7	7.7	8.7	8.2	8.6	8.3
Leasing expenses	4.5	2.4	8.4	3.8	4.0	1.7	3.0	2.8	1.5	1.5
Office expenses	10.6	5.6	10.8	4.9	10.9	4.8	4.7	4.4	5.7	5.5
Traveling and entertainment expenses	5.4	2.9	4.8	2.2	6.1	2.6	2.8	2.6	2.2	2.1
Maintenance costs	3.2	1.7	3.7	1.7	2.6	1.1	1.2	1.1	1.4	1.4
Professional services fee	3.4	1.8	4.7	2.1	4.4	1.9	1.6	1.5	1.4	1.4
Other expenses[1]	9.8	5.1	8.1	3.5	9.8	4.3	3.5	3.4	3.8	3.7
Total	**189.4**	**100.0**	**222.6**	**100.0**	**230.2**	**100.0**	**106.1**	**100.0**	**103.0**	**100.0**

(1) Primarily include bank charges, cleaning and security expenses, advertising and promotion expenses and auditor's remuneration.

In 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, the main component affecting our administrative expenses was employee benefit expenses, which accounted for 75.1%, 75.1%, 75.9%, 76.0% and 76.1% of our total administrative expenses, respectively. The increase in employee benefit expenses during the Track Record Period was primarily due to an increase in the number of employees as we expanded our business and increased the number of properties and GFA we managed and an increase in average salary level.

Net Impairment Losses on Financial Assets

Our net impairment losses on financial assets are provisions for losses arising from potential bad debts in respect of our trade receivables and other receivables in the ordinary course of business. We assess impairment losses on financial assets based on a number of factors, including external credit rating, historical settlement records and past experience. In 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, we recorded net impairment losses on financial assets of RMB10.5 million, RMB10.5 million, RMB7.6 million, RMB3.1 million and RMB13.7 million, respectively.

Our net impairment losses on financial assets increased from RMB3.1 million in the six months ended June 30, 2023 to RMB13.7 million in the six months ended June 30, 2024, primarily due to (i) the significant increase in trade receivables, particularly from third parties with balances over one year, which increased to RMB68.5 million in the six months ended June 30, 2024 from RMB35.6 million in the six months ended June 30, 2023, which results in an increase in trade receivables aging; and (ii) the increase in trade receivables from third parties within one year, adding approximately RMB2.0 million in impairment loss.

Other Income

Our net other income mainly consists of (i) government grants, which mainly included government subsidies to support local corporate and economic development and to encourage our effort of stabilizing employment and providing high standard property management services; and (ii) value-added tax refund as a result of implementation of Announcement on Policies for Deepening the VAT Reform, a tax regulation issued in April 2019 that allows the taxpayers engaged in production or livelihood services to enjoy additional 10% input value-added tax deduction in the current period from the tax amount payable.

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

	Year ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
	(RMB'million)	*(RMB'million)*	*(RMB'million)*	*(RMB'million)* (Unaudited)	*(RMB'million)*
Government grants	6.3	21.5	5.5	4.3	5.2
Value-added tax refund	10.9	12.2	10.4	4.9	2.5
Interest income on loans to Shum Yip Group, its subsidiaries, joint ventures and associates	1.2	—	—	—	—
Others(1)	0.8	0.5	0.2	0.3	0.3
Total	**19.2**	**34.2**	**16.1**	**9.5**	**8.0**

(1) mainly include handling fee income for withholding and payment of personal income tax of our employees.

During the Track Record Period, our government grants experienced variability. Due to the significant decline in government subsidies as a result of recovery of business from the impact of COVID-19, our government grants decreased from RMB21.5 million in 2022 to RMB5.5 million in 2023. Our government grants increased from RMB4.3 million in the six months ended June 30, 2023 to RMB5.2 million in the six months ended June 30, 2024, primarily due to the substantial increase in one-off community construction subsidies, increasing from RMB1.5 million to RMB3.4 million. Additional contributions came from subsidies related to electricity, waste management, employment stabilization, and maternity allowances.

Our value-added tax refund decreased from RMB4.9 million in the six months ended June 30, 2023 to RMB2.5 million in the six months ended June 30, 2024, primarily due to the expiration of the additional deduction policy for input VAT as per the latest tax regulation changes.

Other Gains/(losses) — Net

Our net other gains/(losses) mainly consist of (i) net loss on disposal of property, plant and equipment and (ii) income from overdue fine, which was in relation to liquidated damage incurred in the provision of our property management services. The following table sets forth a breakdown of our net other gains/(losses) for the years/periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
	(RMB'million)	*(RMB'million)*	*(RMB'million)*	*(RMB'million)* (Unaudited)	*(RMB'million)*
Net losses on disposal of property, plant and equipment	(0.1)	(0.1)	(0.0)	—	(0.0)
Net losses of termination of leases	—	—	(0.4)	(0.5)	—
Income from overdue fine	2.0	1.1	1.2	0.7	0.5
Others[(1)]	1.2	1.5	(4.0)	(2.8)	(0.1)
Total	**3.1**	**2.5**	**(3.2)**	**(2.6)**	**0.4**

(1) primarily include late fees, one-time refund and compensations.

In particular, our other items under the net other gains or losses decreased from RMB1.2 million in 2021 to RMB(4.0) million in 2023, primarily reflecting the decrease of one-time refund gains and the increase of compensation loss resulting from contract termination as part of our strategic initiative in *Upperhills*.

Finance Income — Net

Our finance income mainly comprises of (i) interest income on bank deposits and (ii) other finance income, which is mainly related to income from leased properties, including an industrial park in Xi'an. Our finance costs mainly include (i) interest expenses on lease liabilities, (ii) interest expense on loans from Shum Yip Group, its subsidiaries, joint ventures and associates, and (iii) other finance cost. The following table sets forth a breakdown of our net finance income for the years/periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
	(RMB'million)	*(RMB'million)*	*(RMB'million)*	*(RMB'million)* (Unaudited)	*(RMB'million)*
Finance income					
Interest income on bank deposits	5.3	5.2	6.1	3.1	2.9
Other finance income	0.3	0.9	0.2	0.3	—
Subtotal	**5.6**	**6.1**	**6.3**	**3.4**	**2.9**
Finance costs					
Interest expense on lease liabilities	(2.2)	(2.5)	(1.7)	(0.9)	(0.7)
Interest expense on loans from Shum Yip Group, its subsidiaries, joint ventures and associates	(0.6)	(0.6)	—	—	—
Other finance cost	(0.2)	—	—	(0.1)	0.0
Subtotal	**(3.0)**	**(3.1)**	**(1.7)**	**(1.0)**	**(0.7)**
Finance income — net	**2.6**	**3.0**	**4.6**	**2.4**	**2.2**

Share of Results of Joint Ventures and Associates

In 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, we had share of results of joint ventures and associates of RMB4.3 million, RMB11.1 million, RMB10.9 million, RMB6.9 million and RMB7.7 million, respectively, which included share of profits from (i) our joint venture, Shenzhen Tian'an Intelligent Park Operation Company Limited ("**Shenzhen Tian'an**") in relation to the provision of industrial park services and Anhui Liangjiang Holding Group Co., Ltd.* (安徽兩江控股集團有限公司) in relation to the provision of municipal services; and (ii) our associates, such as Henan Wansha Property Management Company Limited, Shenzhen Women and Children Building Operation Management Company Limited and Shenzhen Pengji Garden Co., Ltd.

Income Tax Expenses

In 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, we are subject to the income tax law of the PRC and certain of our subsidiaries enjoyed preferential tax treatment. The general EIT rate in the PRC is 25.0%. Some of our subsidiaries were qualified as "small low-profit enterprise" and were taxed in accordance with a two-tiered profit tax rate regime. Under the two-tiered tax regime, the first RMB1.0 million of the taxable income of qualified entities are taxed at 5.0% and the taxable income above RMB1.0 million and less than RMB3.0 million are taxed at 10.0%.

Our income tax expenses consist of current income tax and deferred income tax. The following table sets forth a breakdown of our income tax expenses for the years/periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
	(RMB'million)	*(RMB'million)*	*(RMB'million)*	*(RMB'million)* (Unaudited)	*(RMB'million)*
Current income tax	39.5	44.5	57.6	30.7	34.8
Deferred income tax	(5.1)	(9.3)	(1.2)	(4.3)	(4.0)
Income tax expense	34.4	35.2	56.4	26.4	30.8

In 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, our effective tax rate, calculated by dividing income tax expense by profit before income tax, was 31.6%, 22.6%, 26.0%, 24.2% and 25.0%, respectively. Our effective tax rate was 31.6% in 2021 in excess of the statutory corporate tax rate of 25% in the PRC, primarily due to tax losses and temporary differences in relation to certain subsidiaries for which we did not recognize deferred income tax assets for the respective accounting periods. See notes 4(ii) and 13 to the Accountant's Report set out in Appendix I of this document for further information. Our effective tax rate decreased to 22.6% in 2022, primarily due to changes in profits attributable to a joint venture and associates and recognition of previously unrecognized tax losses. During the Track Record Period, we have completed tax registration and tax declaration and have not had any administrative penalties, disputes or unresolved disputes under the law and regulations of the jurisdictions in which we operated our business.

RESULTS OF OPERATIONS

Six Months Ended June 30, 2024 Compared to the Six Months ended June 30, 2023

Revenue

Our revenue increased by 9.8% to RMB1,409.7 million in the six months ended June 30, 2024 from RMB1,283.8 million in the six months ended June 30, 2023, primarily due to business growth. In particular,

City and Industrial Park Services. Our revenue generated from city and industrial park services increased by 9.9% to RMB637.0 million in the six months ended June 30, 2024 from RMB579.5 million in the six months ended June 30, 2023. Our revenue generated from municipal services increased by 10.0% to RMB237.6 million in the six months ended June 30, 2024 from RMB216.0 million in the six months ended June 30, 2023, primarily due to (i) the addition of two new projects in Gongming sub-district, Shenzhen, and Jinping sub-district, Shantou, which generated approximately RMB8.4 million in revenue for the six months ended June 30, 2024; and (ii) the addition of a new project across two municipal parks in Futian district, Shenzhen, which generated approximately RMB4.2 million in revenue for the six months ended June 30, 2024. Our revenue generated from public facility management services increased by 6.6% to RMB227.2 million in the six months ended June 30, 2024 from RMB213.1 million in the six months ended June 30, 2023, primarily due to the addition of an integrated maternal and child wellness complex project in Futian district, Shenzhen which commenced and began generating revenue in May 2023 and contributed approximately to RMB2.3 million for the six months ended June 30, 2024, reflecting a full period of revenue contribution compared to the partial revenue recorded in the same period of 2023. Our revenue generated from industrial park services significantly increased by 14.5% to RMB172.2 million in the six months ended June 30, 2024 from RMB150.4 million in the six months ended June 30, 2023, primarily due to (i) the addition of an industrial park project in Guangming district, Shenzhen, which commenced and began generating revenue in April 2023 and contributed approximately to RMB9.5 million for the six months ended June 30, 2024, reflecting a full period of revenue contribution compared to the partial revenue recorded in the same period of 2023; (ii) the addition of two industrial park projects in Ma'anshan City and Yichun City, as well as two energy infrastructure projects in Shenzhen, which generated approximately RMB4.0 million in revenue for the six months ended June 30, 2024; and (iii) the addition of a new project in Shenyang, which generated approximately RMB1.6 million in revenue for the six months ended June 30, 2024.

Residential Property Management Services. Our revenue generated from residential property management services increased by 8.9% to RMB437.6 million in the six months ended June 30, 2024 from RMB401.8 million in the six months ended June 30, 2023. Our revenue generated from property management services increased by 6.6% to RMB276.1 million in the six months ended June 30, 2024 from RMB258.9 million in the six months ended June 30, 2023, primarily due to the the addition of three new projects in Shenzhen in early 2024. Our revenue generated from value-added services significantly increased by 13.0% to

RMB161.5 million in the six months ended June 30, 2024 from RMB142.9 million in the six months ended June 30, 2023, primarily due to (i) the addition of several sales offices for residential projects in Shenzhen; and (ii) the overall increase in our car park management services.

Commercial Property Operational and Management Services. Our revenue generated from commercial property operational and management services increased by 10.8% to RMB335.1 million in the six months ended June 30, 2024 from RMB302.5 million in the six months ended June 30, 2023, primarily due to (i) the addition of a financial center project in Shenzhen and a telecommunications center project in Haikou City; and (ii) the increase in occupancy rates at *Upperhills*, Shenzhen.

Cost of Services

Our cost of services increased by 9.8% to RMB1,188.0 million in the six months ended June 30, 2024 from RMB1,081.5 million in the six months ended June 30, 2023, primarily due to increased employee benefit expenses, particularly for our city and industrial park services and commercial property and management services segments.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased by 9.6% to RMB221.7 million in the six months ended June 30, 2024 from RMB202.3 million in the six months ended June 30, 2023. Our gross profit margin slightly decreased to 15.7% in the six months ended June 30, 2024 from 15.8% in the six months ended June 30, 2023, primarily due to the increase in business revenue attributable to city and industrial park services, primarily due to our price adjustment and cost management measures. In particular,

City and Industrial Park Services. Our gross profit margin for city and industrial park services increased to 13.4% in the six months ended June 30, 2024, compared to 12.4% in the six months ended June 30, 2023, primarily due to the increase in number of projects.

Residential Property Management Services. Our gross profit margin for residential property management services increased at 10.3% in the six months ended June 30, 2024, compared to 9.6% in the six months ended June 30, 2023, primarily due to the addition of three new projects in Shenzhen in early 2024.

Commercial Property Operational and Management Services. Our gross profit margin for commercial property operational and management services remained relatively stable at 27.3% in the six months ended June 30, 2024 compared to 30.3% in the six months ended June 30, 2023.

Administrative Expenses

Our administrative expenses decreased by 2.9% to RMB103.0 million in the six months ended June 30, 2024 from RMB106.1 million in the six months ended June 30, 2023, primarily due to measures implemented that enabled us to control our administrative expenses while achieving revenue growth.

Net Impairment Losses on Financial Assets

Our net impairment losses on financial assets significantly increased to RMB13.7 million in the six months ended June 30, 2024 from RMB3.1 million in the six months ended June 30, 2023, primarily due to (i) the significant increase in trade receivables, particularly from third parties with balances over one year, which rose to RMB68.5 million from RMB35.6 million, which results in an increase in trade receivables aging; and (ii) the increase in trade receivables from third parties within one year, adding approximately RMB2.0 million in impairment loss.

Other Income

Our net other income significantly decreased to RMB8.0 million in the six months ended June 30, 2024 from RMB9.5 million in the six months ended June 30, 2023, primarily due to the decrease in government grants and refund of value added taxes.

Other Gains/(Losses) Net

In the six months ended June 30, 2024, we had net other losses of RMB0.4 million, compared to net other gains of RMB2.6 million in the six months ended June 30, 2023, primarily due to the decrease of one-time refund gains and the increase of compensation loss resulting from contract termination as part of our strategic initiative in *Upperhills*.

Finance Income Net

Our net finance income decreased to RMB2.2 million in the six months ended June 30, 2024 from RMB2.4 million in the six months ended June 30, 2023, primarily due to the decreased interest income on bank deposits.

Share of Results of Joint Ventures and Associates

Our share of results of joint ventures and associates significantly increased to RMB7.7 million in the six months ended June 30, 2024 from RMB6.9 million in the six months ended June 30, 2023, primarily due to increased profitability of our joint venture.

Income Tax Expenses

Our income tax expenses significantly increased to RMB30.8 million in the six months ended June 30, 2024 from RMB26.4 million in the six months ended June 30, 2023, primarily due to the increase in our profit before income tax.

Profit for the Period

As a result of the foregoing, our profit for the period significantly increased by 11.6% to RMB92.5 million in the six months ended June 30, 2024 from RMB82.9 million in the six months ended June 30, 2023.

2023 Compared to 2022

Revenue

Our revenue increased by 15.5% to RMB2,712.2 million in 2023 from RMB2,348.1 million in 2022, primarily due to business growth. In particular,

- *City and Industrial Park Services.* Our revenue generated from city and industrial park services increased by 18.9% to RMB1,213.5 million in 2023 from RMB1,020.2 million in 2022. Our revenue generated from municipal services increased by 50.3% to RMB441.0 million in 2023 from RMB293.5 million in 2022, primarily due to the addition of several new projects located in Longhua sub-district, Shenzhen. Our revenue generated from public facility management services increased by 5.2% to RMB439.1 million in 2023 from RMB417.5 million in 2022, primarily due to the addition of some new projects involving provision of services to reservoir, museum, schools and other public facilities in Shenzhen. Our revenue generated from industrial park services increased by 7.8% to RMB333.4 million in 2023 from RMB309.2 million in 2022.

- *Residential Property Management Services.* Our revenue generated from residential property management services increased by 13.1% to RMB866.2 million in 2023 from RMB766.2 million in 2022. Our revenue generated from property management services increased by 3.8% to RMB532.7 million in 2023 from RMB513.3 million in 2022, primarily due to the increase in the GFA under management of residential properties. Our revenue generated from value-added services increased by 31.9% to RMB333.5 million in 2023 from RMB252.9 million in 2022, primarily due to the heightened demand for these services driven in large part by the recovery from the impact of COVID-19, particularly in car parking management services.

- *Commercial Property Operational and Management Services.* Our revenue generated from commercial property operational and management services increased by 12.6% to RMB632.5 million in 2023 from RMB561.7 million in 2022, primarily due to (i) business recovery from the relaxation of restrictions due to COVID-19; and (ii) increased revenue from the addition of property management projects for several office buildings of one telecommunication operators across multiple cities such as Zhaoqing, Shenzhen and Zibo in 2023.

Cost of Services

Our cost of services increased to RMB2,286.1 million in 2023 from RMB2,009.9 million in 2022, primarily due to increased employee benefit expenses and cleaning and security expenses, particularly for our city and industrial park services and commercial property operational and management services segments.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased by 26.0% to RMB426.1 million in 2023 from RMB338.2 million in 2022. Our gross profit margin increased to 15.7% in 2023 from 14.4% in 2022, primarily due to the increase in business revenue attributable to city and industrial park services, primarily due to our price adjustment and cost management measures. In particular,

- *City and Industrial Park Services.* Our gross profit margin for city and industrial park services increased to 13.9% in 2023, compared to 11.5% in 2022, primarily due to the addition of several new projects located in Longhua sub-district, Shenzhen.

  Residential Property Management Services. Our gross profit margin for residential property management services remained relatively stable at 10.7% in 2023, compared to 9.6% in 2022.

- *Commercial Property Operational and Management Services.* Our gross profit margin for commercial property operational and management services remained relatively stable at 26.1% in 2023 compared to 26.2% in 2022.

Administrative Expenses

Our administrative expenses remained relatively stable at RMB230.2 million in 2023, compared to RMB222.6 million in 2022, primarily due to measures we implemented that enabled us to better control our administrative expenses while achieving revenue growth.

Net Impairment Losses on Financial Assets

Our net impairment losses on financial assets significantly decreased to RMB7.6 million in 2023 from RMB10.5 million in 2022, primarily due to enhanced collection of trade receivables and other receivables as a result of the recovery from the impact of COVID-19.

Other Income

Our net other income significantly decreased to RMB16.1 million in 2023 from RMB34.2 million in 2022, primarily due to the decreases in one-off government grants of RMB10 million and refund of value added taxes.

Other Gains/(Losses) — Net

In 2023, we had net other losses of RMB3.2 million, compared to net other gains of RMB2.5 million in 2022, primarily due to compensations of approximately RMB3.2 million paid by us for the early termination of contracts with tenants, as part of our efforts to optimize the tenant mix in the commercial properties under our management.

Finance Income — Net

Our net finance income significantly increased to RMB4.6 million in 2023 from RMB3.0 million in 2022, primarily due to the increased interest income on bank deposits and the decreased interest expenses on lease liabilities and loans from Shum Yip Group, its subsidiaries, joint ventures and associates.

Share of Results of Joint Ventures and Associates

Our share of results of joint ventures and associates significantly decreased to RMB10.9 million in 2023 from RMB11.1 million in 2022, primarily due to the reduced profitability of our joint venture, Shenzhen Tian'an.

Income Tax Expenses

Our income tax expenses significantly increased to RMB56.4 million in 2023 from RMB35.2 million in 2022, primarily due to the increase in our profit before income tax.

Profit for the Period

As a result of the foregoing, our profit for the period significantly increased to RMB160.3 million in 2023 from RMB120.7 million in 2022.

2022 Compared to 2021

Revenue

Our revenue increased by 9.1% to RMB2,348.1 million in 2022 from RMB2,151.5 million in 2021, primarily due to our business expansion and an increase in the number of properties and GFA we managed. In particular,

- *City and Industrial Park Services*. Our revenue generated from city and industrial park services increased by 19.0% to RMB1,020.2 million in 2022 from RMB857.4 million in 2021, attributable to the increases in providing municipal services to more sub-districts, public facility management services and industrial park services. Our revenue from municipal services increased by RMB93.1 million, a 46.5% increase from 2021 and primarily due to an increase in the number of projects we managed. In particular, we expanded the scope our municipal services for Baolong Sub-district in Shenzhen, and our newly engaged municipal services for Anmin sub-district in Ma'anshan City which were attributable to our growing synergy of providing municipal services in various geographic areas.

Our revenue from public facility management service increased by RMB33.0 million in 2022, an 8.6% increase from 2021, primarily due to (i) expanded service scope for Xiangmihu Park and (ii) additional mandates for government projects including, in particular, a new government property managed by Shenzhen Wansha.

Our revenue from industrial park services increased by RMB36.7 million in 2022, a 13.5% increase from 2021, primarily due to an increased number of industrial park projects and our continued provision of diversified services to industrial parks.

- *Residential Property Management Services*. Our revenue generated from residential property management services decreased slightly to RMB766.2 million in 2022 from RMB783.9 million in 2021, primarily due to a decrease in value-added services we provided for residential properties. Our revenue generated from property management services increased to RMB513.3 million from RMB487.4 million, which was in line with our business growth in this segment. However, the increase was offset by a decrease of RMB43.6 million in our revenue from value-added services, which was primarily due to a decrease in revenue from car park management services as affected by the COVID-19 related public measures and stringent government health mandates implemented in Shenzhen, a major city where many of our residential properties under management are located.

- *Commercial Property Operational and Management Services*. Our revenue generated from commercial property operational and management services increased by 10.1% to RMB561.7 million in 2022 from RMB510.2 million in 2021, mainly attributable to an increase in our revenue from providing commercial property operational and management services as we expanded our business during the period, including an increase in revenue generated from our services for *Upperhills*, an upscale business and commercial complex.

Cost of Services

Our cost of services increased slightly to RMB2,009.9 million in 2022 from RMB1,871.9 million in 2021, primarily due to increases in employee benefit expenses, cleaning and security expenses, maintenance costs, utility costs, advertising and promotion expenses in relation to our business expansion and an increased number of properties and GFA we managed, as well as an increase in the number of employees and their average salary level.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased by 21.0% to RMB338.2 million in 2022 from RMB279.6 million in 2021. Our gross profit margin increased to 14.4% in 2022 from 13.0% in 2021, primarily due to the improved gross profit margin of our city and industrial park services and commercial property operational and management services. In particular,

- *City and Industrial Park Services*. Our gross profit margin for city and industrial park services increased to 11.5% in 2022 from 8.4% in 2021, primarily due to our increased labor efficiency and greater economies of scale achieved as a result of our expanded city and industrial park services.

- *Residential Property Management Services*. Our gross profit margin for residential property management services slightly decreased to 9.6% in 2022 from 11.5% in 2021, primarily because we had higher employee benefit expenses in 2022, which was primarily due to higher labor costs and a decrease in the value-added services such as car park management services that had a relatively higher gross profit margin, as affected by COVID-19 pandemic.

- *Commercial Property Operational and Management Services*. Our gross profit margin of commercial property operational and management services slightly increased to 26.2% in 2022 from 23.0% in 2021, as we continuously grew our commercial property operational and management services and adjusted our pricing policy for this business segment. See "Business — Commercial Property Operational and Management Services — Revenue Model and Pricing policy."

Administrative Expenses

Our administrative expenses increased by 17.5% to RMB222.6 million in 2022 from RMB189.4 million in 2021, primarily due to an increase in employee benefit expenses in association with our business expansion and an increased number of properties and GFA we managed and an increase in average staff cost.

Net Impairment Losses on Financial Assets

Our net impairment losses on financial assets remained relatively stable at RMB10.5 million in 2021 and 2022.

Other Income

Our net other income increased by 78.1% to RMB34.2 million in 2022 from RMB19.2 million in 2021, primarily due to (i) an increase in government grants to RMB21.5 million in 2022 from RMB6.3 million in 2021 as the local government provided one-off subsidies for our business operations during COVID-19 and government subsidies we received for waste sorting, and (ii) an increase in one-off value-added tax refund to RMB12.2 million in 2022 from RMB10.9 million in 2021.

Other Gains/(losses) — Net

Our net other gains decreased by 19.4% to RMB2.5 million in 2022 from RMB3.1 million in 2021, primarily due to a decrease in income from overdue fines generated in the provision of our property management services.

Finance Income — Net

Our net finance income remained relatively stable at RMB2.6 million in 2021 and at RMB3.0 million in 2022.

Share of Results of Joint Ventures and Associates

Our share of results of joint ventures and associates increased significantly to RMB11.1 million in 2022 from RMB4.3 million in 2021, primarily due to our acquisition and shared results of a new joint venture, Shenzhen Tian'an, in late 2021.

Income Tax Expense

Our income tax expense remained relatively stable at RMB34.4 million in 2021 and RMB35.2 million in 2022.

Profit for the Year and Net Profit Margin

As a result of the foregoing, our profit for the period increased by 62.0% to RMB120.7 million in 2022 from RMB74.5 million in 2021.

DESCRIPTION OF CERTAIN COMPONENTS OF OUR CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The following table sets forth the components of our consolidated statements of financial position as of the dates indicated:

	As of December 31,			As of June 30,
	2021	**2022**	**2023**	**2024**
	(RMB'million)	*(RMB'million)*	*(RMB'million)*	*(RMB'million)*
ASSETS				
Non-current assets				
Property, plant and equipment	220.1	207.3	197.3	192.3
Right-of-use assets	32.3	27.0	29.6	23.9
Intangible assets	1.4	4.7	5.6	12.8
Investment properties	—	—	—	—
Investments in joint ventures and associates	273.6	270.2	276.1	283.7
Financial assets at fair value through other comprehensive income	1.0	1.1	1.0	1.0
Other receivables and prepayments	12.1	11.2	4.1	0.7
Deferred income tax assets	26.2	35.5	36.7	40.7
Subtotal	**566.7**	**557.0**	**550.4**	**555.1**
Current assets				
Inventories	1.1	1.1	1.0	1.1
Trade and other receivables and prepayments	477.4	683.9	755.7	921.0
Restricted cash and term deposits	90.4	45.1	49.2	40.1
Cash and cash equivalents	627.5	635.3	636.4	553.4
Subtotal	**1,196.4**	**1,365.4**	**1,442.3**	**1,515.6**
Total assets	**1,763.1**	**1,922.4**	**1,992.7**	**2,070.7**
EQUITY				
Share capital	121.3	121.3	121.3	121.3
Reserves	312.2	413.1	437.8	437.8
Retained earnings	240.8	259.5	333.9	426.2
Capital and reserves attributable to owners of the Company	674.3	793.9	893.0	985.3
Non-controlling interests	7.2	8.9	10.0	9.4
Total equity	681.5	802.8	903.0	994.7
LIABILITIES				
Non-current liabilities				
Lease liabilities	26.8	29.8	18.5	14.5
Current liabilities				
Trade and other payables	935.4	982.2	974.6	958.7
Contract liabilities	75.2	68.9	58.2	66.5
Current income tax liabilities	24.0	26.6	24.9	24.4
Lease liabilities	20.2	12.1	13.5	11.9
Subtotal	**1,054.8**	**1,089.8**	**1,071.2**	**1,061.5**
Total liabilities	**1,081.6**	**1,119.6**	**1,089.7**	**1,076.0**
Total equity and liabilities	**1,763.1**	**1,922.4**	**1,992.7**	**2,070.7**

Property, Plant and Equipment

Our property, plant and equipment mainly consist of buildings, motor vehicles and office equipment. Our property, plant and equipment decreased from RMB220.1 million as of December 31, 2021 to RMB192.3 million as of June 30, 2024, primarily due to depreciation during the year.

Right-of-use Assets

Our right-of-use assets mainly consist of buildings, equipment and machinery and car parking space leasing. The following table sets forth our right-of-use assets as of the dates indicated:

	As of December 31,			As of June 30,
	2021	2022	2023	2024
	(RMB'million)	*(RMB'million)*	*(RMB'million)*	*(RMB'million)*
Right-of-use assets				
— Buildings	38.7	36.7	28.6	23.4
— Equipment and machinery	3.7	0.2	0.4	0.3
— Car parking space leasing	2.8	1.4	0.6	0.2
Subtotal	45.2	38.3	29.6	23.9
Less: sub-lease of right-of-use assets[(1)]	(12.9)	(11.3)	—	—
Total	**32.3**	**27.0**	**29.6**	**23.9**

(1) primarily comprised of sub-leases as finance lease.

Our right-of-use assets decreased from RMB32.3 million as of December 31, 2021 to RMB27.0 million as of December 31, 2022, primarily due to our normal depreciation charges. Our right-of-use assets increased to RMB29.6 million as of December 31, 2023, primarily due to the new assets of RMB17.5 million outpacing amortization of RMB13.9 million.

Our right-of-use assets significantly decreased to RMB23.9 million as of June 30, 2024 from RMB29.6 million as of December 31, 2023, primarily due to our normal depreciation charges and lease expirations.

Investments in Joint Ventures and Associates

Our investments in joint ventures and associates amounted to RMB273.6 million, RMB270.2 million, RMB276.1 million and RMB283.7 million as of December 31, 2021, 2022, 2023 and June 30, 2024, respectively. The following table sets forth a breakdown of our investments in joint ventures and associates as of the dates indicated:

	As of December 31,			As of June 30,
	2021	2022	2023	2024
	(RMB'million)	*(RMB'million)*	*(RMB'million)*	*(RMB'million)*
Investments in joint ventures	266.1	263.8	270.0	278.1
Investments in associates	7.5	6.4	6.1	5.6
Total	**273.6**	**270.2**	**276.1**	**283.7**

Investment in joint ventures

In September 2021, as part of our Reorganization to establish our Group in preparation for the **[REDACTED]**, our Company acquired 50% of the total equity interest in Shenzhen Tian'an from Terra Group, our Controlling Shareholder. Shenzhen Tian'an is primarily engaged in the provision of industrial park services in the PRC. For further details, see "History — Reorganization."

Our investments in joint ventures decreased slightly from RMB266.1 million as of December 31, 2021 to RMB263.8 million as of December 31, 2022, primarily due to dividend payouts of RMB12.9 million from our joint venture. This was partially offset by our share of profits of RMB10.7 million from our joint venture.

Our investment in joint ventures increased to RMB270.0 million as of December 31, 2023, primarily driven by (i) the addition of a new joint venture, Anhui Liangjiang Shum Yip City Operation Service Co., Ltd.* (安徽兩江深業城市運營服務有限公司) ("**Anhui Liangjiang**"), as part of our efforts to expand our presence in the local municipal services sector in Ma'anshan, and (ii) our share of profits from our joint ventures. In January 2023, Anhui Liangjiang was incorporated by our Company and Anhui Liangjiang Holding Group Co., Ltd.. Our Company and Anhui Liangjiang Holding Group Co., Ltd. hold a 49% and 51% equity interest in Anhui Liangjiang, respectively. Anhui Liangjiang is primarily in engaged in provision of municipal services.

Our investment in joint ventures increased to RMB278.1 million as of June 30, 2024, primarily due to the profit generated by Anhui Liangjiang, resulting in a corresponding share of investment income.

Investments in associates

During the Track Record Period, our investments in associates consisted of our equity interests in Henan Wansha Property Management Company Limited* (河南萬廈物業管理有限公司) ("**Henan Wansha**"), Shenzhen Women and Children Building Operation Management Company Limited* (深圳市婦兒大廈運營管理有限公司), and Shenzhen Pengji Garden Co., Ltd.* (深圳鵬基園林有限公司) ("**Shenzhen Pengji**").

The carrying amount of our investments in associates decreased from RMB7.5 million as of December 31, 2021 to RMB5.6 million as of June 30, 2024, primarily due to dividend payouts from Henan Wansha.

We have established policies and controls regarding our investment decisions. Under our articles of association, our investments, including those in joint ventures and associates, require prior approval from the Board and/or our Shareholders. The Board has the responsibility to determine the authority for external investments and ensure that strict review and decision-making procedures are in place. Furthermore, major investments are required to be subjected to evaluation by relevant experts and professionals before being presented to the shareholders' meeting for final approval.

Upon **[REDACTED]**, we will establish an investment review committee under our Board if deemed necessary. This committee will be tasked with assessing and reviewing potential investment projects, subsequently forwarding their conclusions and investment recommendations to the Board. Our investments will be subject to the relevant requirements of the Listing Rules where applicable, including those under Chapter 14 in the Listing Rules, upon **[REDACTED]**.

Our Board possesses extensive management experience and expertise. See "Directors, Supervisors and Senior Management" for more information. Our Directors believe that their experience and expertise will sufficiently guide our Company in making investment decisions and managing investments.

Investment policies and strategies

Our investment activities, including investments in joint ventures and associates, are guided by the following key policies:

(i) alignment with relevant national and municipal industrial policies in Shenzhen;

(ii) adherence to strategic layout requirements for city-owned state enterprises;

(iii) consistency with the Company's development strategy and operational growth needs;

(iv) generation of substantial economic returns; and

(v) avoiding high-risk investments as a general principle.

In terms of investment strategies, our investment decisions are taken with prudence, especially concerning joint ventures and associates where we do not exercise full control. This strategy is largely due to the inherent risks associated with such investments. See "Risk Factors — Risks Relating to Our business and Industry — We are subject to the risks associated with our investments in joint ventures and associates." For instance, our acquisition of an interest in Shenzhen Tian'an was primarily aimed at reorganizing our corporate structure and facilitating the formation of our Group upon **[REDACTED]**. Additionally, as an investment strategy, our investments in joint ventures and associates typically complement our current operations and form synergy with our existing business lines. For instance, our investment in Anhui Liangjiang paved the way for our entry into the local municipal services sector in Ma'anshan. In 2023, Anhui Liangjiang secured contracts to provide road cleaning services in the Yushan District of Ma'anshan.

Furthermore, we have established policies, which will take effect upon **[REDACTED]**, to ensure compliance with corporate policies and applicable Listing Rules in relation to investments directed by our investment strategies and policies, including:

(i) the authority and procedures for investment decisions at the levels of the shareholders' meeting, the Board, chairman and general manager must comply with the Listing Rules, the Articles of Association and other relevant corporate policies.

(ii) in accordance with the Listing Rules, investments that may fall under the category of notifiable transactions, as defined in Chapter 14 of the Listing Rules, must undergo thorough review by, and receive approval from, the Board and/or the shareholders' meeting, and be promptly disclosed.

Trade and Other Receivables and Prepayments

Trade receivables

Our trade receivables are amounts due from (i) independent third parties and (ii) Shum Yip Group, its subsidiaries, joint ventures and associates, for the property management and value-added services we provided in the ordinary course of business.

Our trade receivables increased from RMB292.9 million as of December 31, 2021 to RMB469.0 million as of December 31, 2022 primarily due to our business expansion and an increase in the number of properties we managed and the negative impact of COVID-19 on trade receivables turnover. Our trade receivables increased from RMB469.0 million as of December 31, 2022 to RMB635.6 million as of June 30, 2024, primarily due to project expansion.

The following table sets forth a breakdown of our trade receivables by Shum Yip Group, its subsidiaries, joint ventures and associates and independent third parties as of the dates indicated:

	As of December 31,			As of June 30,
	2021	2022	2023	2024
	(RMB'million)	*(RMB'million)*	*(RMB'million)*	*(RMB'million)*
Trade receivables				
Shum Yip Group, its subsidiaries, joint ventures and associates	101.5	157.0	199.7	249.7
Independent third parties	236.3	366.3	370.7	462.7
Subtotal	**337.8**	**523.3**	**570.4**	**712.4**
Less: allowance for impairment of trade receivables	(44.9)	(54.3)	(63.5)	(76.8)
Total	**292.9**	**469.0**	**506.9**	**635.6**

During the Track Record Period, our trade receivables due from Shum Yip Group, its subsidiaries, joint ventures and associates were mainly payments due from Shum Yip Land to Shum Yip CM in the provision of commercial property operational and management services for properties such as *Upperhills*, which accounted for 35.2%, 48.0%, 42.1% and 45.1% of our total trade receivables from Shum Yip Group, its subsidiaries, joint ventures and associates as of December 31, 2021, 2022, 2023 and June 30, 2024 respectively. Our trade receivables due from Shum Yip Group, its subsidiaries, joint ventures and associates increased from RMB101.5 million as of December 31, 2021 to RMB157.0 million as of December 31, 2022, as we steadily grew our property management services. Our trade receivables due from Shum Yip Group, its subsidiaries, joint ventures and associates grew slightly from RMB157.0 million as of December 31, 2022 to RMB199.7 million as of December 31, 2023, primarily due to project expansion. Our trade receivables due from Shum Yip Group, its subsidiaries, joint ventures and associates increased from RMB199.7 million as of December 31, 2023 to RMB249.7 million as of June 30, 2024, primarily due to (i) project expansion; and (ii) extension of the settlement cycle from semi-annual to annual for certain projects as part of our strategic alignment.

Our trade receivables due from independent third parties increased from RMB236.3 million as of December 31, 2021 to RMB366.3 million as of December 31, 2022, which was primarily due to our continued business growth and an increase in the GFA of properties we managed. Our trade receivables due from independent third parties increased to RMB366.3 million as of December 31, 2022 and RMB370.7 million as of December 31, 2023, primarily due to the increase in number of projects. Our trade receivables due from independent third parties increased to RMB370.7 million as of December 31, 2023 and RMB462.7 million as of June 30, 2024 primarily due to (i) the addition of new public facility management projects in early 2024, including local government buildings and municipal parks; and (ii) the typical year-end payment timing of residential property owners, leading to higher interim receivables.

The following is an aging analysis of trade receivables as of the dates indicated, based on the invoice date:

	As of December 31,			As of June 30,
	2021	2022	2023	2024
	(RMB'million)	*(RMB'million)*	*(RMB'million)*	*(RMB'million)*
Within one year	278.3	471.0	478.8	559.0
— Shum Yip Group, its subsidiaries, joint ventures and associates	70.7	136.0	155.5	164.8
— Independent third parties	207.6	335.0	323.3	394.2
One to two years	29.1	12.6	50.4	96.2
— Shum Yip Group, its subsidiaries, joint ventures and associates	15.0	0.5	25.7	57.0
— Independent third parties	14.1	12.1	24.7	39.2
Two to three years	6.9	15.3	7.0	20.6
— Shum Yip Group, its subsidiaries, joint ventures and associates	0.3	7.9	0.1	9.4
— Independent third parties	6.6	7.4	6.9	11.2
Over three years	23.5	24.4	34.2	36.6
— Shum Yip Group, its subsidiaries, joint ventures and associates	15.5	12.6	18.4	18.5
— Independent third parties	8.0	11.8	15.8	18.1
Total	**337.8**	**523.3**	**570.4**	**712.4**

Our trade receivables aging between one to two years decreased from RMB29.1 million as of December 31, 2021 to RMB12.6 million as of December 31, 2022, primarily due to our enhanced collection efforts. Our trade receivables aging between one to two years increased significantly from RMB12.6 million as of December 31, 2022 to RMB50.4 million as of December 31, 2023, primarily due to increased services provided under our city and industrial park services segment. Our trade receivables aging between one to two years increased significantly from RMB50.4 million as of December 31, 2023 to RMB96.2 million as of June 30, 2024.

Our trade receivables aging between two to three years increased from RMB6.9 million as of December 31, 2021 to RMB15.3 million as of December 31, 2022, primarily due to an increase in the number of city and industrial park service projects in 2022. Our trade receivables aging between two to three years decreased from RMB15.3 million as of December 31, 2022 to RMB7.0 million as of December 31, 2023, mainly due to enhanced collection of trade receivables as a result of the recovery from the impact of COVID-19. Our trade receivables aging between two to three years increased significantly from RMB7.0 million as of December 31, 2023 to RMB20.6 million as of June 30, 2024.

The increases in trade receivables aging between one to two years and two to three years were primarily due to the overall slowdown in market demand in the early 2024 that led to delayed payments from clients or agreement to extend the payment period with clients, which is in line with the market trend during the period according to Frost & Sullivan.

Our trade receivables aging over three years increased from RMB23.5 million as of December 31, 2021 to RMB24.4 million as of December 31, 2022, primarily because of our continued business growth. Our trade receivables aging over three years increased to RMB34.2 million as of December 31, 2023 primarily due to the increase in number of projects. Our trade receivables aging over three years remained relatively stable at RMB36.6 million as of June 30, 2024.

As of December 31, 2021, 2022, 2023 and June 30, 2024, our overall trade receivable turnover days were 56.4 days, 66.9 days, 73.6 days and 82.4 days, respectively.

The following table sets forth the average turnover days of our trade receivables for the years/period indicated:

	Year ended December 31,			Six months ended June 30,
	2021	**2022**	**2023**	**2024**
Trade receivable turnover days				
— Overall[(1)]	56.4	66.9	73.6	82.4
— Shum Yip Group, its subsidiaries, joint ventures and associates[(2)]	324.9	206.6	248.4	284.2
— Independent third parties[(3)]	38.3	51.9	54.9	59.5

(1) The overall trade receivables turnover days is the average of the opening and closing trade receivables divided by our total revenue for that year and multiplied by (i) 365 days for 2021, 2022, 2023; and (ii) 181 days for the six months ended June 30, 2024.

(2) The overall trade receivables turnover days for Shum Yip Group, its subsidiaries, joint ventures and associates is the average of the opening and closing trade receivables attributable to the Shum Yip Group, its subsidiaries, joint ventures and associates divided by our revenue attributable to the Shum Yip Group, its subsidiaries, joint ventures and associates for that year and multiplied by (i) 365 days for 2021, 2022, 2023; and (ii) 181 days for the six months ended June 30, 2024. Shum Yip Group, its subsidiaries, joint ventures and associates included property owners, residents and property developers.

(3) The overall trade receivables turnover days for independent third parties is the average of the opening and closing trade receivables attributable to the independent third parties divided by our revenue attributable to the independent third parties for that year and multiplied by (i) 365 days for 2021, 2022, 2023; and (ii) 181 days for the six months ended June 30, 2024.

Our overall trade receivable turnover days increased from 56.4 days in 2021 to 66.9 days in 2022, primarily due to the relatively low collection rate in 2022 as our collection activities were restricted during the COVID-19 pandemic in Shenzhen. Our overall trade receivable turnover days increased from 66.9 days as of December 31, 2022 to 82.4 days as of June 30, 2024, primarily due to the increased services provided under our city and industrial services segment. Most of these services were related to government projects, which typically have a relatively longer payment cycle due to the government processes and approvals required. As a result, while the volume of services rendered increased, the longer payment cycle associated with government projects led to a higher overall average number of trade receivables turnover days.

In terms of our average trade receivables turnover days of Shum Yip Group, its subsidiaries, joint ventures and associates, during the Track Record Period, our average trade receivables turnover days of Shum Yip Group, its subsidiaries, joint ventures and associates were longer than those of independent third parties. It was primarily due to (i) different nature of services we provided for Shum Yip Group, its subsidiaries, joint ventures and associates and independent third parties; and (ii) a change in our fee models. The trade receivables of the independent third parties are mainly income from fixed property management fees, which can be collected regularly based on the contract terms, usually within 30 days after the due date, whereas the trade receivables of Shum Yip Group, its subsidiaries, joint ventures and associates are mainly from commercial operational service fees, which were based on fixed rates. Unlike fixed management fees, these fees are subject to our agreements requiring business owners to submit detailed revenue reports at the end of each accounting period. The absolute fee amounts are contingent on these revenue figures and often necessitate additional verification and adjustments to align with contractual terms. This process may delay the confirmation and collection of fees, thereby extending our trade receivables turnover days. As such, it typically takes us a longer period of time to issue the invoices and settle the payments for services provided for Shum Yip Group, its subsidiaries, joint ventures and associates. Besides, we adjusted the revenue model of certain commercial property operational and management service contracts with Shum Yip Group, its subsidiaries, joint ventures and associates in 2022. We transitioned from a straightforward to a more complex fee calculation method, which inherently delays fee confirmation and collection. Previously, the fee model was simpler, comprising a basic management fee calculated as a lump sum based on the rental value, and a profit management fee also based on the rental value. This straightforward calculation allowed for quicker verification and billing processes. Starting January 1, 2022, we adopted a dual-component fee structure at *Upperhills*. The basic management fee is computed based on the fluctuating monthly income of commercial projects, introducing variability and necessitating regular financial performance reviews. The profit management fee is derived from the operational profits of these projects, which requires detailed and periodic auditing of financial records to ensure accuracy. This shift from rental-based to performance-based calculations demands more time-consuming verification processes, particularly as profits must be confirmed through a thorough examination of operational metrics rather than fixed rental values.

These changes, combined with decreased business activities due to the outbreak of COVID-19 in Shenzhen in 2022, have significantly lengthened the timeline for confirming due amounts and collecting payments from Shum Yip Group, its subsidiaries, joint ventures and associates. As a result, the average trade receivables turnover days have increased, reflecting the more complex and extended financial reconciliation required under the new fee structure.

In addition, we typically grant longer credit periods for Shum Yip Group, its subsidiaries, joint ventures and associates than for independent third parties, as we consider the risk of default of Shum Yip Group, its subsidiaries, joint ventures and associates to be relatively lower. Having taken into account the creditworthiness and past collection history of Shum Yip Group, its subsidiaries, joint ventures and associates, we believe the relatively longer average trade receivables turnover days of Shum Yip Group, its subsidiaries, joint ventures and associates did not and would not expose us to significant credit risk.

During the Track Record Period, we did not experience any difficulties in collecting trade receivables from Shum Yip Group, its subsidiaries, joint ventures and associates. During the Track Record Period, our average trade receivables turnover days of Shum Yip Group, its subsidiaries, joint ventures and associates decreased from 324.9 days in 2021 to 206.6 days in 2022. This improvement was primarily due to the optimization of our trade receivable management, which involved streamlining invoicing procedures and enhanced collection efforts through proactive communication and dedicated follow-up teams.

Our average trade receivables turnover days of Shum Yip Group, its subsidiaries, joint ventures and associates increased from 206.6 days in 2022 to 248.4 days in 2023, primarily due to the adjustments made to the revenue models of our projects in *Shenyedongling* in 2022. Specifically, we shifted from a basic management fee to a combination of basic management fee and profit management fees based on their operating profit or gross profit, respectively. While this adjustment aimed to better align revenue streams with project performance, it necessitated verification of financial data for these projects, thereby extending the accounts receivable cycle. This transitional period of validation contributed to the observed increase in trade receivables turnover days. Nonetheless, these changes enhance transparency and align financial practices with project profitability for long-term sustainability. Additionally, our average trade receivables turnover days of Shum Yip Group, its subsidiaries, joint ventures and associates increased to 284.2 days in the six months ended June 30, 2024. The increase in average trade receivables turnover days was primarily due to the overall slowdown in market demand in the early 2024 that led to delayed payments from clients or agreement to extend the payment period with clients, which is in line with the market trend during the period according to Frost & Sullivan.

We have been exerting more efforts in settling related party receivables so as to narrow the gap between the average trade receivables turnover days of Shum Yip Group, its subsidiaries, joint ventures and associates and those of independent third parties. The measures we formulated and implemented include (i) sending reminders through various channels such as phone calls, text messages and emails on a more frequent basis; (ii) designating relevant personnel to closely monitor the collection status of related party receivables; and (iii) proactively initiating communications with Shum Yip Group, its subsidiaries, joint ventures and associates to settle long-term uncollected accounts receivable, issuing invoice and reconciliation letters to Shum Yip Group, its subsidiaries, joint ventures and associates on a regular basis, and communicating with the Shum Yip Group in a timely manner about any approaching overdue or payment day for any accounts receivable. Going forward, we intend to timely issue payment notifications and invoices following the settlement date every month. We may also assess the historical collectability of property management fees before accepting new engagements. We expect that the average trade receivables turnover days of Shum Yip Group, its subsidiaries, joint ventures and associates will be shortened and better collection will be achieved in the forthcoming years as a result of our continuous efforts.

In terms of our average trade receivables turnover days of independent third parties, during the Track Record Period, our average trade receivables turnover days of independent third parties increased from 38.3 days in 2021 to 59.5 days in the six months ended June 30, 2024.

Our Directors believe that the discrepancy in trade receivable turnover days between Shum Yip Group, its subsidiaries, joint ventures, and associates and independent third parties is due to our longstanding cooperative relationships with Shum Yip Group, its subsidiaries, joint ventures and associates. To facilitate ongoing projects and continuous collaboration, Shum Yip Group, its subsidiaries, joint ventures and associates received extended credit periods during the Track Record Period. According to Frost & Sullivan, such arrangements are common in the industry, especially for companies engaged in long-term business relationships. In particular, under our commercial property operational services, the trade receivables of Shum Yip Group, its subsidiaries, joint ventures and associates consist of a combination of basic management fee and profit management fee based on customers' operating profit or gross profit, respectively. While this approach aimed to better align revenue streams with project performance, it necessitated verification of financial data for these projects, thereby extending the accounts receivable cycle and contributed to the discrepancy in trade receivables turnover days of Shum Yip Group, its subsidiaries, joint ventures and associates comparing to those of independent third parties.

We seek to maintain strict control over our outstanding receivables. Overdue balances are reviewed regularly by our management. We have also implemented corporate policies to manage our trade receivables. Our Directors are of the view that there are no indicators for impairment of the outstanding trade receivables from Shum Yip Group, its subsidiaries, joint ventures and associates. After review of the credit period discrepancies between Shum Yip Group, its subsidiaries, joint ventures and associates and independent third parties, we, along with our Controlling Shareholders, undertake to conduct structured review of our credit periods with customers and align the credit period for Shum Yip Group, its subsidiaries, joint ventures, and associates with those of independent third parties upon Listing. Furthermore, this alignment will involve adjustment process that includes timely updates and systematic assessment to ensure efficiency.

Additionally, we, along with our Controlling Shareholders, undertake to implement measures to expedite the collection of trade receivables from the Shum Yip Group, its subsidiaries, joint ventures and associates. These measures will include more stringent payment follow-ups and enhanced contract enforcement to match those offered to independent third parties. For details, see "— Related Party Transactions — Related Party Balances."

As of the Latest Practicable Date, RMB254.7 million, or 35.8% of our trade receivables outstanding as of June 30, 2024, were subsequently settled. As of the same date, RMB41.1 million of our trade receivables due from Shum Yip Group, its subsidiaries, joint ventures and associates, representing 16.5% of our trade receivables due from Shum Yip Group, its subsidiaries, joint ventures and associates as of June 30, 2024, were subsequently settled. As of the same date, RMB213.6 million of our trade receivables due from independent third parties, representing 46.2% of our trade receivables due from independent third parties as of June 30, 2024, were subsequently settled.

The Directors believe there are no recoverability issues with the trade receivables, both from Shum Yip Group, its subsidiaries, joint ventures and associates and independent third parties, and sufficient provision has been made given: (i) the provision for trade receivables is determined using an appropriate expected credit loss assessment model. This model incorporates various considerations, including the historical payment pattens, creditworthiness assessments, prevailing economic conditions, and other relevant factors; and (ii) we have taken proactive steps to collect our trade receivables. These steps range from regular communication with debtors through various channels, such as reminders via emails and phone calls. In particular, we may require intervention or adjustment of collection strategies early on when we identify potential payment issues based on tenants' payment accounts and histories. Additionally, specialized teams are tasked with overseeing payment and collection activities, ensuring diligent follow-up and resolution of outstanding balances. These efforts are aimed at maintaining robust credit management practices and safeguarding the company's financial health.

For trade receivables from Shum Yip Group, its subsidiaries, joint ventures and associates, which was mainly related to the commercial operational services we provided, we promptly calculate the fees in accordance with contractual provisions to avoid any delays on our end. We urge Shum Yip Group, its subsidiaries, joint ventures and associates to confirm amounts due promptly and request payment within the specified period after we have issued the invoice. Furthermore, we monitor the payment performance of Shum Yip Group, its subsidiaries, joint ventures and associates closely to aid our collection efforts. We conduct weekly checks on the balance and settlement progress of such trade receivables in accordance with the Company's financial management requirements. Specifically, trade receivables from Shum Yip Group, its subsidiaries, joint ventures and associates are categorized into different types, each subject to tailored collection measures:

(i) for trade receivables related to routine services provided, such as property management fees and hotel management fees, we adopt the collection measures applicable to independent third parties. This includes issuing payment notices and invoices on a monthly basis, with dedicated follow-up by our service personnel to ensure timely recovery;

(ii) for amounts with contractually defined settlement processes and periods that require extensive payment documentation, such as commercial operation profit management fees, which require us to provide materials to Shum Yip Group, its subsidiaries, joint ventures and associates for the confirmation of amounts due, we ensure timely collection of all necessary materials. A designated individual maintains close communication with the Shum Yip Group, its subsidiaries, joint ventures and associates, provides verification materials and facilitates engagement with specialized auditing firms when required, while also monitoring the approval progress of amounts due from Shum Yip Group, its subsidiaries, joint ventures and associates on a weekly basis;

(iii) for aged trade receivables, we take a proactive approach by reviewing historical accounts and documents and holding special meetings for communication and coordination with Shum Yip Group, its subsidiaries, joint ventures and associates to expedite payment.

To complement these efforts, all trade receivables from Shum Yip Group, its subsidiaries, joint ventures and associates are subject to monthly transaction verification with Shum Yip Group, its subsidiaries, joint ventures and associates through our financial system. We also have a written reconciliation mechanism in place, enabling us to conduct written confirmations with Shum Yip Group, its subsidiaries, joint ventures and associates regarding transaction inquiries on a quarterly basis to ensure the accuracy of the amounts due for payment.

Furthermore, with respect to trade receivables from independent third parties, to enhance our management over the payment collection process, we have implemented several measures, such as conducting meetings for our staff to address challenges associated with late payments and regularly monitoring the financial background of the third party customers. In addition, we closely monitor and analyze the payment collection progress. Moreover, we have established guidelines and training programs to our staff for payment reminder and collection. In respect of recoverability of receivables from independent third parties, given the notably shorter trade receivable turnover days compared with those for Shum Yip Group, its subsidiaries, joint ventures and associates during the Track Record Period and considering the subsequent settlement of trade receivables due from independent third parties as of June 30, 2024, which represented a recoverability rate of 46.2% as of Latest Practicable Date, along with our diligent collection efforts, our Directors believe that there are no concerns regarding the recoverability of receivables from independent third parties going forward.

Other Receivables

Our other receivables mainly consist of (i) payments of utilities expenses on behalf of tenants and property owners and housing maintenance funds, (ii) amount due from Shum Yip Group, its subsidiaries, joint ventures and associates incurred during the course of provision of property management services, and (iii) deposits which represent performance guarantee placed by us with third parties for business control and deposit for participants in the tender and bidding process. The following table sets forth a breakdown of our other receivables as of the dates indicated:

	As of December 31,			As of June 30,
	2021	2022	2023	2024
	(RMB'million)	*(RMB'million)*	*(RMB'million)*	*(RMB'million)*
Other receivables				
Included in current assets				
Payments on-behalf of third parties	46.2	61.3	82.9	89.9
Amounts due from Shum Yip Group, its subsidiaries, joint ventures and associates	90.8	101.4	112.2	135.2
Deposits paid	22.1	21.5	22.7	23.3
Advance to employees	2.0	3.9	2.6	2.8
Deductible input value-added tax	13.9	3.6	2.8	4.4
Loans to Shum Yip Group, its subsidiaries, joint ventures and associates	3.3	3.3	—	—
Receivables related to sub-lease income	1.0	1.8	1.2	1.2
Notes receivable	—	—	0.1	—
Others	4.1	6.2	4.6	5.5
Subtotal	**183.4**	**203.0**	**229.1**	**262.3**
Less: allowance for impairment of other receivables	(14.2)	(15.2)	(13.9)	(14.3)
	169.2	***187.8***	***215.2***	***248.0***
Included in non-current assets				
Long-term receivables related to sub-lease income	12.3	11.4	—	—
Less: allowance for impairment of other receivables	(0.2)	(0.2)	—	—
Subtotal	**12.1**	**11.2**	**—**	**—**
Total	**181.3**	**199.0**	**215.2**	**248.0**

Our Directors confirm that, based on the current circumstance, we have no plans to provide financial support to Shum Yip Group and its affiliates. While we cannot completely rule out the possibility of providing financial assistance to Shum Yip Group and its affiliates in the future, any such transactions will be executed in full compliance with the Listing Rules upon **[REDACTED]**. Furthermore, Southern Land, Terra Group, Taifu Logistics, Shum Yip Land and Nongke Group have collectively assured that they will not request financial assistance from us into the real estate sector, and the **[REDACTED]** from the **[REDACTED]** will not directly or indirectly be used to finance real estate development.

The following table sets forth details of our interest-bearing loans to Shum Yip Group, its subsidiaries, joint ventures and associates during the Track Record Period:

	As of/for the year ended December 31,			As of/for the six months ended June 30,
	2021	**2022**	**2023**	**2024**
Interest-bearing loans to Shum Yip Group, its subsidiaries, joint ventures and associates				
Outstanding balance as of the year/period-end *(RMB in million)*	—	—	—	—
Weighted average interest rate for the year/period (%)[1]	3.2	N/A	N/A	N/A

Note:

(1) Weighted average interest rate = (Sum of interest incurred during the year/period ÷ Weighted average principal of the loan) × 100%

The weighted average principal of each interest-bearing loan is calculated by multiplying the principal of the loan by the ratio of the number of days that the loan is outstanding during the year/period to the total number of days covered in the corresponding accounting period.

As of December 31, 2021, 2022, 2023 and June 30, 2024, the aggregate balance of loans to Shum Yip Group, its subsidiaries, joint ventures and associates, which include both interest-bearing and non-interest-bearing loans, was RMB3.3 million, RMB3.3 million, nil and nil, respectively. Our Directors believe that these loans to Shum Yip Group, its subsidiaries, joint ventures and associates had no significant impact on our Group's financial performance during the Track Record Period.

Our other receivables increased from RMB181.3 million as of December 31, 2021 to RMB199.0 million as of December 31, 2022, primarily due to a significant increase in payments on behalf of third parties, mainly due to the expansion of our business and increased number of properties we provided services for, partially offset by a decrease in amounts due from Shum Yip Group, its subsidiaries, joint ventures and associates as we received payments from Shum Yip Group, its subsidiaries, joint ventures and associates and decrease in deductible input value-add tax. Our other receivables increased from RMB199.0 million as of December 31, 2022 to RMB248.0 million as of June 30, 2024, primarily due to (i) the increases in payments on behalf of third parties representing utilities payments for property owners; and (ii) increasing amounts due from Shum Yip Group, its subsidiaries, joint ventures and associates.

As of the Latest Practicable Date, RMB54.9 million, or 20.9% of our other receivables outstanding as of June 30, 2024, were subsequently settled.

Prepayments

During the Track Record Period, our prepayments consisted of prepayments to Shum Yip Group, its subsidiaries, joint ventures and associates and prepayments to independent third parties. The following table sets forth a breakdown of our prepayments as of the dates indicated:

	As of December 31,			As of June 30,
	2021	2022	2023	2024
	(RMB'million)	*(RMB'million)*	*(RMB'million)*	*(RMB'million)*
Prepayments				
Included in current assets				
Shum Yip Group, its subsidiaries, joint ventures and associates	1.1	0.7	0.3	0.3
Independent third parties	14.2	16.4	13.9	16.6
Subtotal	**15.3**	**17.1**	**14.2**	**16.9**
Included in non-current assets				
Shum Yip Group, its subsidiaries, joint ventures and associates	—	—	3.4	—
Independent third parties	—	—	0.7	0.7
Subtotal	**—**	**—**	**4.1**	**0.7**
Total	**15.3**	**17.1**	**18.3**	**17.6**

Our prepayments slightly increased from RMB15.3 million as of December 31, 2021 to RMB17.1 million as of December 31, 2022, primarily due to an increase in prepayments to third parties of RMB2.2 million due to our business expansion and an increased number of new projects to which we provided services since we typically made a prepayment for services provided at the beginning of a new project. Our prepayments increased from RMB17.1 million as of December 31, 2022 to RMB18.3 million as of December 31, 2023, primarily due to an increase in prepayments to Shum Yip Group, its subsidiaries, joint ventures and associates on long-term assets. Our prepayments remained relatively stable at RMB17.6 million as of June 30, 2024.

Restricted Cash and Term Deposits

Our restricted cash and term deposits primarily consist of bidding guarantee deposits, performance guarantee deposits for procurements of government contracts and time deposits. We had restricted cash and term deposits of RMB90.4 million, RMB45.1 million, RMB49.2 million and RMB40.1 million as of December 31, 2021, 2022, 2023 and June 30, 2024, respectively. Our restricted cash and term deposits decreased from RMB90.4 million as of December 31, 2021 to RMB45.1 million as of December 31, 2022, primarily due to a significant decrease in restricted cash due to release of certain performance guarantees and bank deposits that were temporarily frozen for pending litigation. The increase in restricted cash and term deposits from RMB45.1 million as of December 31, 2022 to RMB49.2 million as of December 31, 2023 was primarily due to increased bank deposits. Our restricted cash and term deposits decreased from RMB49.2 million as of December 31, 2023 to RMB40.1 million as of June 30, 2024, primarily due to decreased fixed deposits.

Trade and Other Payables

Trade Payables

Our trade payables primarily represent our obligations to pay for goods or services we acquired in the ordinary course of business from suppliers. The following table sets forth a breakdown of our trade payables as of the dates indicated:

	As of December 31,			As of June 30,
	2021	2022	2023	2024
	(RMB'million)	*(RMB'million)*	*(RMB'million)*	*(RMB'million)*
Trade payables				
Shum Yip Group, its subsidiaries, joint ventures and associates	4.6	14.4	27.6	34.3
Independent third parties	120.1	162.2	165.3	183.1
Total	**124.7**	**176.6**	**192.9**	**217.4**

Our trade payables increased from RMB124.7 million as of December 31, 2021 to RMB176.6 million as of December 31, 2022, primarily due to our business expansion and increased GFA under our management. Our trade payables increased to RMB217.4 million as of June 30, 2024, primarily due to (i) the increase in car park leasing from Shum Yip Group, its subsidiaries, joint ventures and associates; and (ii) the increased cost of services resulting from project expansion.

The following table sets forth the aging analysis of our trade payables based on the invoice date, as of the dates indicated:

	As of December 31,			As of June 30,
	2021	2022	2023	2024
	(RMB'million)	*(RMB'million)*	*(RMB'million)*	*(RMB'million)*
Less than 60 days	93.5	122.9	111.7	115.7
61 to 180 days	13.1	31.6	34.7	47.2
181 to 365 days	12.4	11.7	21.4	17.9
Over 1 year	5.7	10.4	25.1	36.6
Total	**124.7**	**176.6**	**192.9**	**217.4**

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

	Year ended December 31,			Six months ended June 30,
	2021	2022	2023	2024
Average trade payables turnover days				
— Overall[1]	21.6	27.4	29.5	31.3
— Shum Yip Group, its subsidiaries, joint ventures and associates[2]	23.1	52.4	121.0	151.4
— Independent third parties[3]	21.6	26.5	26.9	27.4

(1) The overall trade payables turnover days is the average of the opening and closing trade payables divided by our total cost of services for that year and multiplied by (i) 365 days for 2021, 2022, 2023; and (ii) 181 days for the six months ended June 30, 2024.

(2) The overall trade payables turnover days is the average of the opening and closing trade payables attributable to the Shum Yip Group, its subsidiaries, joint ventures and associates divided by our cost of services attributable to the Shum Yip Group, its subsidiaries, joint ventures and associates for that year and multiplied by (i) 365 days for 2021, 2022, 2023; and (ii) 181 days for the six months ended June 30, 2024.

(3) The overall trade payables turnover days is the average of the opening and closing trade payables attributable to the independent third parties divided by our cost of services attributable to the independent third parties for that year and multiplied by (i) 365 days for 2021, 2022, 2023; and (ii) 181 days for the six months ended June 30, 2024.

In 2021, 2022, 2023 and the six months ended June 30, 2024, our overall average trade payables turnover days were 21.6 days, 27.4 days, 29.5 days and 31.3 days. The continued increase was in line with the increase in our cost of services during the Track Record Period.

In 2021, 2022, 2023 and the six months ended June 30, 2024, our average trade payables turnover days of Shum Yip Group, its subsidiaries, joint ventures and associates were longer than those of independent third parties. Our trade payables turnover days of Shum Yip Group, its subsidiaries, joint ventures and associates increased from 23.1 days in 2021 to 52.4 days in 2022. Our trade payables turnover days of Shum Yip Group, its subsidiaries, joint ventures and associates increased from 23.1 days in 2021 to 151.4 days in the six months ended June 30, 2024, primarily due to the procurement of several digitalized platforms of Shum Yip Group, its subsidiaries, as well as the increased usage of car park management services of Taifu CM and Terra Group, which necessitated larger payments to suppliers and lengthening the trade payables turnover days.

As of the Latest Practicable Date, RMB113.3 million, or 52.1% of our trade payables outstanding as of June 30, 2024, were subsequently settled.

Other payables

Our other payables primarily consist of (i) payroll payable, (ii) due to Shum Yip Group, its subsidiaries, joint ventures and associates incurred during the course of provision of our property management services, (iii) receipts on behalf of third parties, and (iv) deposits received. The following table sets forth a breakdown of our other payables as of the dates indicated:

	As of December 31,			As of June 30,
	2021	**2022**	**2023**	**2024**
	(RMB'million)	*(RMB'million)*	*(RMB'million)*	*(RMB'million)*
Other payables				
Payroll payable	219.0	224.3	231.1	215.4
Receipts on behalf of third parties	173.6	161.9	160.9	168.8
Deposits received	149.4	157.4	167.3	178.5
Due to Shum Yip Group, its subsidiaries, joint ventures and associates	136.3	134.1	119.2	102.2
Loans from Shum Yip Group, its subsidiaries, joint ventures and associates	42.2	19.6	9.6	—
Other taxes payables	27.6	35.8	34.4	30.9
Dividends payable	13.5	13.5	13.5	13.5
[REDACTED] expenses	—	10.2	8.0	3.3
Accruals and others	49.1	48.8	37.7	28.7
Total	**810.7**	**805.6**	**781.7**	**741.3**

Our other payables decreased from RMB810.7 million as of December 31, 2021 to RMB805.6 million as of December 31, 2022, primarily due to the decrease in loans from Shum Yip Group, its subsidiaries, joint ventures and associates and the decrease in receipts on behalf of third parties as we optimized our operations and payable management. Our other payables decreased from RMB805.6 million as of December 31, 2022 to RMB781.7 million as of December 31, 2023, mainly due to a decrease in loan payable from Shum Yip Group, its subsidiaries, joint ventures and associates.

Our other payables decreased from RMB781.7 million as of December 31, 2023 to RMB741.3 million, mainly due to the payment of bonuses in the early 2024, leading to a reduction in payroll payable.

The following table sets forth details of our interest-bearing loans from Shum Yip Group, its subsidiaries, joint ventures and associates during the Track Record Period:

	As of/for the year ended December 31,			As of/for the six months ended June 30,
	2021	**2022**	**2023**	**2024**
Interest-bearing loans from Shum Yip Group, its subsidiaries, joint ventures and associates				
Outstanding balance as of the year-end *(RMB in million)*	20.0	—	—	—
Weighted average interest rate for the year (%)[1]	3.9	3.9	N/A	N/A

Note:

(1) Weighted average interest rate = (Sum of interest incurred during the year/period ÷ Weighted average principal of the loan) × 100%

The weighted average principal of each interest-bearing loan is calculated by multiplying the principal of the loan by the ratio of the number of days that the loan is outstanding during the year/period to the total number of days covered in the corresponding accounting period.

As of December 31, 2021, 2022, 2023 and June 30, 2024, the aggregate balance of loans from Shum Yip Group, its subsidiaries, joint ventures and associates, which include both interest-bearing and non-interest-bearing loans, was RMB42.2 million, RMB19.6 million, RMB9.6 million and nil, respectively. Our Directors believe that these loans from Shum Yip Group, its subsidiaries, joint ventures and associates had no significant impact on our Group's financial performance during the Track Record Period.

As of the Latest Practicable Date, RMB180.2 million, or 24.3% of our other payables outstanding as of June 30, 2024, were subsequently settled.

Contract Liabilities

Our contract liabilities during the Track Record Period mainly arose from the advance payments made by customers while the underlying services were yet to be provided.

Our contract liabilities consist of contract liabilities to Shum Yip Group, its subsidiaries, joint ventures and associates and contract liabilities to independent third parties. The following table sets forth a breakdown of our contract liabilities as of the dates indicated:

	As of December 31,			As of June 30,
	2021	**2022**	**2023**	**2024**
	(RMB'million)	*(RMB'million)*	*(RMB'million)*	*(RMB'million)*
Contract liabilities				
Shum Yip Group, its subsidiaries, joint ventures and associates	—	—	0.3	—
Independent third parties	75.2	68.9	57.9	66.5
Total	**75.2**	**68.9**	**58.2**	**66.5**

Our contract liabilities decreased by 22.6% from RMB75.2 million as of December 31, 2021 to RMB58.2 million as of December 31, 2023, primarily due to less advance contract payments we received at the end of 2022 and 2023, and a reduction in the amounts of car parking fees. Our contract liabilities increased to RMB66.5 million as of June 30, 2024, primarily due to (i) the upfront payments received for a project in Hong Kong; and (ii) the typical year-end payment timing of residential property owners.

As of the Latest Practicable Date, approximately RMB25.1 million, or 37.7%, of our contract liabilities as of June 30, 2024 were subsequently recognized as revenue.

Net Current Assets

The following table sets forth a summary of our current assets and current liabilities as of the dates indicated:

	As of December 31,			As of June 30,	As of August 31,
	2021	2022	2023	2024	2024
	(RMB'million)	*(RMB'million)*	*(RMB'million)*	*(RMB'million)*	*(RMB'million)* (unaudited)
Current assets					
Inventories	1.1	1.1	1.0	1.1	1.0
Trade and other receivables and prepayments	477.4	683.9	755.7	921.0	969.5
Restricted cash and term deposits	90.4	45.1	49.2	40.1	40.1
Cash and cash equivalents	627.5	635.3	636.4	553.4	537.2
Total current assets	**1,196.4**	**1,365.4**	**1,442.3**	**1,515.6**	**1,547.8**
Current liabilities					
Trade and other payables	935.4	982.2	974.6	958.7	988.7
Contract liabilities	75.2	68.9	58.2	66.5	55.8
Current income tax liabilities	24.0	26.6	24.9	24.4	15.6
Lease liabilities	20.2	12.1	13.5	11.9	10.8
Total current liabilities	**1,054.8**	**1,089.8**	**1,071.2**	**1,061.5**	**1,070.9**
Net current assets	**141.6**	**275.6**	**371.1**	**454.1**	**476.9**

We recorded net current assets of RMB141.6 million, RMB275.6 million, RMB371.1 million and RMB454.1 million as of December 31, 2021, 2022, 2023 and June 30, 2024, respectively.

Our net current assets increased significantly from RMB141.6 million as of December 31, 2021 to RMB275.6 million as of December 31, 2022, mainly due to (i) the increase in trade and other receivables and prepayments of RMB206.5 million; (ii) the increase in cash and cash equivalents to RMB7.8 million; (iii) the decrease in lease liabilities of RMB8.1 million; (iv) the decrease in contract liabilities of RMB6.3 million; and partially offset by (v) the increase in trade and other payables of RMB46.8 million.

Our net current asset increased from RMB275.6 million as of December 31, 2022 to RMB454.1 million as of June 30, 2024, mainly due to (i) the increase in trade and other receivables and prepayments of RMB237.1 million; and (ii) the decrease in trade and other payables of RMB23.5 million.

Indebtedness

Our indebtedness as of December 31, 2021, 2022, 2023, June 30, 2024 and August 31, 2024 were as follows:

	As of December 31,			As of June 30,	As of August 31,
	2021	**2022**	**2023**	**2024**	**2024**
	(RMB'million)	*(RMB'million)*	*(RMB'million)*	*(RMB' million)*	*(RMB' million)*
Non-current liabilities					
Lease liabilities	26.8	29.8	18.5	14.5	13.1
Current liabilities					
Loans from Shum Yip Group, its subsidiaries, joint ventures and associates	42.2	19.6	9.6	—	—
Lease liabilities	20.2	12.1	13.5	11.9	10.8
Total	**89.2**	**61.5**	**41.6**	**26.4**	**23.9**

As of December 31, 2021, 2022, 2023 and June 30, 2024, our lease liabilities (including both current and non-current liabilities) amounted to RMB47.0 million, RMB41.9 million, RMB32.0 million and RMB26.4 million, respectively.

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. As of the Latest Practicable Date, we did not have any bank borrowings or any unutilized banking facilities.

Our Directors confirm that as of the Latest Practicable Date, there was no material covenant on any of our outstanding debt and there was no breach of any covenant during the Track Record Period and up to the Latest Practicable Date. Our Directors further confirm that our Group 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.

Except as disclosed above, as of June 30, 2024, we did not have any debt securities issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptable credits or hire purchase commitments, mortgages, charges, contingent liabilities or guarantees. Our Directors confirm that there has not been any material change in our indebtedness since the Latest Practicable Date up to the date of this document.

Our PRC Legal Advisors advised us that Article 61 of the General Lending Provisions (《貸款通則》) issued by the PBOC prohibits any financing arrangements or lending transactions between non-financial institutions, and that pursuant to Article 73 of the General Lending Provisions, the PBOC may impose on the non-compliant lender a fine of one to five times the income received by the lender from such loans. Our PRC Legal Advisors further advised that, notwithstanding the General Lending Provisions, the Supreme People's Court has made new interpretations concerning financing arrangements and lending transactions between non-financial institutions in the Provisions of the Supreme People's Court on Several Issues concerning the Application of Law in the Trial of Private Lending Cases (《最高人民法院關於審理民間借貸案件適用法律若干問題的規定》) (the "**Judicial Interpretations on Private Lending Cases**") which came into effect on September 1, 2015 and was amended on December 29, 2020. According to Article 10 of the Judicial Interpretations on Private Lending Cases, the Supreme People's Court recognizes the validity and legality of financing arrangements and lending transactions between non-financial institutions so long as certain requirements, such as the interest rates charged, are satisfied and there is no violation of relevant provisions of laws and regulations.

As of the Latest Practicable Date, we had not received any notice of claim and were not subject to any investigation or penalty relating to the interest-bearing loans to Shum Yip Group, its subsidiaries, joint ventures and associates and based on the public searches conducted by our PRC Legal Advisors, we had not been subject to any administrative penalty in respect of such interest-bearing loans by government authorities as of the Latest Practicable Date. As advised by our PRC Legal Advisors, under the Provisions of the Supreme People's Court on Several Issues concerning the Application of Law in the Trial of Private Lending Cases (《最高人民法院關於審理民間借貸案件適用法律若干問題的規定》), PRC courts will support a company's claim for interest from the date of engagement of contract to August 19, 2020 with relevant judicial interpretation at the time, and from August 20, 2020 to the date of repayment of the loan as long as the annual interest rate does not exceed four times the loan prime rate for one-year loan published by the National Interbank Funding Center when the related lawsuit is brought. Based on the above, our PRC Legal Advisors are of the view that the risk that we would be subject to any penalty with respect to such interest-bearing loans pursuant to the General Lending Provisions by the relevant regulatory authorities is remote, and that the interest-bearing loans to Shum Yip Group, its subsidiaries, joint ventures and associates do not constitute material non-compliance of laws and regulations and do not have a material adverse impact on the **[REDACTED]**. Based on the foregoing, we considered that we were not required to make any provision in relation to the potential violation of the General Lending Provision during the Track Record Period.

LIQUIDITY AND CAPITAL RESOURCES

Overview

During the Track Record Period, our principal use of cash has been for working capital. We finance our operations mainly from cash flows from our operations. In the foreseeable future, we expect working capital to continue to be our principal requirements of liquidity. After the **[REDACTED]**, we intend to finance our future capital requirements through the same sources of funds as above, together with the **[REDACTED]** we will receive from the **[REDACTED]**. We do not anticipate any changes to the availability of financing to fund our operations in the future.

Working Capital Sufficiency

Taking into account the **[REDACTED]** from the **[REDACTED]** and the financial resources available to us, our Directors believe that we have sufficient working capital for our present requirements, that is, for at least 12 months from the date of this document.

Cash Flows

The following table sets forth selected cash flow statement information for the years/periods indicated:

	Years ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
	(RMB'million)	*(RMB'million)*	*(RMB'million)*	*(RMB'million)* (Unaudited)	*(RMB'million)*
Operating cash flow before changes in working capital	159.0	203.2	252.3	124.5	149.1
— Changes in working capital	(64.6)	(140.8)	(79.9)	(57.5)	(171.3)
— income tax paid	(47.8)	(41.9)	(59.3)	(38.7)	(35.5)
Net cash from/(used in) operating activities	46.6	20.5	113.1	28.3	(57.7)
Net cash from/(used in) investing activities	98.1	35.2	(12.5)	(17.5)	(3.0)
Net cash used in financing activities	(37.8)	(48.2)	(99.6)	(20.1)	(22.3)
Net (decrease)/increase in cash and cash equivalents	106.9	7.5	1.0	(9.3)	(83.0)
Exchange (losses)/gain on cash and cash equivalents	(0.1)	0.3	0.1	0.2	0.0
Cash and cash equivalents at the beginning of the year/period	520.7	627.5	635.3	635.3	636.4
Cash and cash equivalents at the end of the year/period	**627.5**	**635.3**	**636.4**	**626.2**	**553.4**

Net Cash Generated from/(Used in) Operating Activities

Our cash flows from operating activities reflect our profit before taxation adjusted for (i) non-cash and non-operating items (such as depreciations, amortization of intangible assets, net impairment loss on financial assets finance income, finance cost, losses/gains on disposal of plant, property and equipment, gain on disposal of a subsidiary, share of operating performances of a joint venture and associates); (ii) the effects of movement in working capital (such as restricted cash and term deposits, inventories, trade and other receivables and prepayments, contract liabilities and trade and other payables); and (iii) other cash items (such as interest income on loans to Shum Yip Group, its subsidiaries, joint ventures and associates).

During the Track Record Period, our cash inflows from operating activities were primarily attributable to our profit before taxation in relation to our provision of city and industrial park services, residential property management services, commercial property operational and management services, while the cash outflows for our operating activities primarily reflect payments for working capital needs and increases in trade and other receivables and prepayments.

In the six months ended June 30, 2024, we had net cash used in operating activities of RMB57.7 million, which was primarily attributable to profit before income tax of RMB123.3 million, adjusted for non-cash and non-operating items such as (i) depreciation of property, plant and equipment of RMB13.9 million; and (ii) depreciation of right-of-use assets of RMB7.0 million, as partially offset by share of results of joint ventures and associates of RMB7.7 million. The amount was adjusted by changes in working capital, primarily including (i) increase in trade and other payables of RMB1.8 million and increase in trade and other receivables of RMB179.1 million.

In 2023, we had net cash generated from operating activities of RMB113.1 million, which was primarily attributable to profit before income tax of RMB216.7 million, adjusted for non-cash and non-operating items such as (i) depreciation of property, plant and equipment of RMB28.3 million; and (ii) depreciation of right-of-use assets of RMB13.9 million, as partially offset by share of results of joint ventures and associates of RMB10.9 million. The amount was adjusted by changes in working capital, primarily including (i) increase in trade and other payables of RMB7.9 million and increase in trade and other receivables of RMB72.7 million.

In 2022, we had net cash generated from operating activities of RMB20.5 million, which represented our profit before income tax of RMB155.9 million, as adjusted by non-cash and non-operating items such as (i) depreciation of property, plant and equipment of RMB27.3 million; (ii) depreciation of right-of-use assets of RMB23.1 million; and (iii) net impairment losses on financial assets of RMB10.5 million, as partially offset by finance income of RMB6.1 million, and negative movements in working capital mainly due to an increase of RMB216.1 million in trade and other receivables and prepayments as a result of the increase in our revenue and business scale, delayed payments of our government projects resulting from their extended payment cycle amid the regional resurgence of COVID-19 pandemic in the same periods, as partially offset by an increase of RMB59.4 million in trade and other payables as we continued to increase our GFA under management and expand our service scope.

In 2021, we had net cash generated from operating activities of RMB46.6 million, which represented our profit before income tax of RMB108.9 million, as adjusted by non-cash and non-operating items such as (i) depreciation of property, plant and equipment of RMB25.9 million; (ii) depreciation of right-of-use assets of RMB19.2 million; and (iii) net impairment losses on financial assets of RMB10.5 million, and negative movements in working capital mainly due to (i) an increase of RMB44.1 million in trade and other receivables and prepayments as a result of the increase in our revenue and business scale and (ii) an increase of RMB15.7 million in restricted cash in relation to increased guarantee deposits due to our increased revenue and business scale.

Net Cash Generated from/(Used in) Investing Activities

During the Track Record Period, our cash inflows from investing activities primarily consisted of interest received and withdrawal of term deposits and repayments of loans made by Shum Yip Group, its subsidiaries, joint ventures and associates. Our cash outflows from investing activities primarily consisted of purchases of intangible assets, purchases of property, plant and equipment and payments for loans to Shum Yip Group, its subsidiaries, joint ventures and associates.

In the six months ended June 30, 2024, we had net cash used in investing activities of RMB3.0 million, which was primarily attributable to purchases of property, plant and equipment of RMB9.3 million, partially offset by interest received of RMB2.8 million.

In 2023, we had net cash used in investing activities of RMB12.5 million, which was primarily attributable to purchases of property, plant and equipment of RMB23.1 million, partially offset by interest received of RMB5.9 million and dividends received from a joint venture of RMB14.2 million.

In 2022, we had net cash generated from investing activities of RMB35.2 million, which was primarily attributable to withdrawal of term deposits of RMB23.3 million and dividends received from a joint venture of RMB12.9 million, partially offset by purchases of property, plant and equipment of RMB15.5 million.

In 2021, we had net cash generated from investing activities of RMB98.1 million, which was primarily attributable to repayments of loans from Shum Yip Group, its subsidiaries, joint ventures and associates of RMB372.8 million, partially offset by advance of loans to Shum Yip Group, its subsidiaries, joint ventures and associates of RMB220.7 million.

Net Cash Used in Financing Activities

During the Track Record Period, our financing activities primarily included loans from Shum Yip Group, its subsidiaries, joint ventures and associates and capital injection from non-controlling interests.

In the six months ended June 30, 2024, we had net cash used in financing activities of RMB22.3 million, which was primarily attributable to **[REDACTED]** expense paid of RMB4.2 million and payments on leases of RMB7.7 million.

In 2023, we had net cash used in financing activities of RMB99.6 million, which was primarily attributable to dividends paid to the owners of the company of RMB59.8 million, payments on leases of RMB16.5 million and **[REDACTED]** expense paid of RMB13.0 million.

In 2022, we had net cash used in financing activities of RMB48.2 million, which was primarily attributable to repayments of loans to Shum Yip Group, its subsidiaries, joint ventures and associates of RMB22.0 million and payments on leases of RMB25.4 million.

In 2021, we had net cash used in financing activities of RMB37.8 million, which was primarily attributable to repayments of loans to Shum Yip Group, its subsidiaries, joint ventures and associates of RMB80.0 million and dividends paid to the owners of the Company of RMB35.1 million, partially offset by **[REDACTED]** from loans from Shum Yip Group, its subsidiaries, joint ventures and associates of RMB100.0 million.

CAPITAL EXPENDITURES

During the Track Record Period, we incurred capital expenditures mainly for the acquisition of property, plant and equipment and intangible assets. The following table sets forth the components of our capital expenditure for the years/periods indicated:

	Years ended December 31,			Six months ended June 30,
	2021	**2022**	**2023**	**2024**
	(RMB'million)	*(RMB'million)*	*(RMB'million)*	*(RMB'million)*
Property, plant and equipment	191.8	15.6	19.4	9.3
Right-of-use assets	32.8	17.8	17.5	1.4
Intangible assets	0.4	3.7	1.7	8.1
Total	**225.0**	**37.1**	**38.6**	**18.8**

CAPITAL COMMITMENTS

We had property, plant and equipment, intangible assets and investment in a joint venture that were contracted for at the end of the reporting period but not recognized as liabilities. The following table sets forth our significant capital commitments in 2021, 2022, 2023 and June 30, 2024:

	Years ended December 31,			Six months ended June 30,
	2021	**2022**	**2023**	**2024**
	(RMB'million)	*(RMB'million)*	*(RMB'million)*	*(RMB'million)*
Property, plant and equipment	—	—	4.2	—
Intangible assets	—	7.6	8.3	1.4
Investment in a joint venture	—	9.8	—	—
Total:	**—**	**17.4**	**12.5**	**1.4**

CONTINGENT LIABILITIES

As of the Latest Practicable Date, we did not have any material contingent liabilities, guarantees or any other litigations or claims of material importance, pending or threatened against us that is likely to have a material and adverse effect on our business, financial condition or results of operations.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the Latest Practicable Date, we did not have any outstanding off-balance sheet commitments or arrangements.

RELATED PARTY TRANSACTIONS

During the Track Record Period, we had certain related party transactions, mainly in relation to (i) provision of services; (ii) acquisition of properties, (iii) purchase of goods or services; and (iv) interest expense and interest income.

Provision of Services

In 2021, 2022, 2023 and the six months ended June 30, 2024, we had provided services, namely, city and industrial park services, residential property management services and commercial property operational and management services, to Shum Yip Group, its subsidiaries, joint ventures and associates, in an aggregate amount of RMB136.0 million, RMB228.3 million, RMB262.1 million and RMB143.1 million, respectively.

Acquisition of Properties

In 2021, we acquired office space from Taifu Logistics for a total consideration of RMB141.8 million.

Purchase of Goods or Services

In 2021, 2022, 2023 and the six months ended June 30, 2024, we purchased goods and services from Shum Yip Group, its subsidiaries, joint ventures and associates, which amounted to RMB21.7 million, RMB28.1 million, RMB28.3 million and RMB10.3 million, respectively.

Interest Expense and Interest Income

In 2021, we lent Shum Yip Group, its subsidiaries, joint ventures and associates RMB220.7 million and Shum Yip Group, its subsidiaries, joint ventures and associates have repaid RMB372.8 million in 2021, respectively. We had interest income from such loans in the amount of RMB1.2 million.

We also borrowed additional RMB100.0 million from Shum Yip Group, its subsidiaries, joint ventures and associates in 2021 and we have repaid the subsidiaries of Shum Yip Group RMB80.0 million and RMB22.0 million in 2021 and 2022, respectively. We have incurred interest expense of RMB0.6 million and RMB0.6 million, respectively.

Related Party Balances

The following table sets forth the breakdown of our related party balances as of the dates indicated:

	As of December 31,			As of June 30,
	2021	2022	2023	2024
	(RMB'million)	*(RMB'million)*	*(RMB'million)*	*(RMB'million)*
Trade receivables due from (trade in nature)				
Entities controlled by Shum Yip Group	91.5	146.8	187.9	235.7
Joint ventures and associates of Shum Yip Group	10.0	10.2	11.8	14.0
Total	**101.5**	**157.0**	**199.7**	**249.7**
Prepayments to (trade in nature)				
Entities controlled by Shum Yip Group	1.1	0.7	3.7	0.3
Other receivables due from				
Trade in nature				
Entities controlled by Shum Yip Group	90.6	101.1	111.0	135.1
Associates of Shum Yip Group	0.2	0.3	1.2	0.1
Subtotal	90.8	101.4	112.2	135.2
Non-trade in nature				
Entities controlled by Shum Yip Group	3.3	3.3	—	—
Total	**94.1**	**104.7**	**112.2**	**135.2**
Trade payables due to (trade in nature)				
Entities controlled by Shum Yip Group	4.4	12.5	24.9	30.9
Associates of Shum Yip Group	0.2	1.9	2.7	3.4
Total	**4.6**	**14.4**	**27.6**	**34.3**
Other payables due to				
Trade in nature				
Entities controlled by Shum Yip Group	136.2	133.0	118.2	101.2
Joint ventures and associates of Shum Yip Group	0.1	1.1	1.0	1.0
Subtotal	136.3	134.1	119.2	102.2
Non-trade in nature				
Entities controlled by Shum Yip Group	42.2	19.6	9.6	—
Dividends payable (non-trade in nature)				
Entities controlled by Shum Yip Group	13.5	13.5	13.5	13.5
Total	**192.0**	**167.2**	**142.3**	**115.7**
Contract liabilities (trade in nature)				
Entities controlled by Shum Yip Group	—	—	0.3	—
Lease liabilities (trade in nature)				
Entities controlled by Shum Yip Group	9.8	15.0	19.3	15.1

Our trade receivables from Shum Yip Group, its subsidiaries, joint ventures and associates mainly arose from our provision of property management services and value-added services to such parties during the Track Record Period. Our prepayments to Shum Yip Group, its subsidiaries, joint ventures and associates were our prepayment for purchases of property, plant and equipment. Meanwhile, our trade payables to Shum Yip Group, its subsidiaries, joint ventures and associates represented our obligation to pay for the goods or services we acquired in the ordinary course of our business from Shum Yip Group, its subsidiaries, joint ventures and associates as our suppliers.

Our non-trade balances due from Shum Yip Group, its subsidiaries, joint ventures and associates consist of: (i) loans due from Shum Yip Group, its subsidiaries, joint ventures and associates, which amounted to RMB3.3 million, RMB3.3 million, nil and nil as of December 31, 2021, 2022 and 2023, and June 30, 2024 respectively; and (ii) dividends receivable, which amounted to nil, nil, nil and nil as of December 31, 2021, 2022 and 2023 and June 30, 2024 respectively.

Our non-trade balances due to Shum Yip Group, its subsidiaries, joint ventures and associates consist of: (i) loans due to Shum Yip Group, its subsidiaries, joint ventures and associates, which amounted to RMB42.2 million, RMB19.6 million, RMB9.6 million, and nil as of December 31, 2021, 2022, 2023 and June 30, 2024 respectively; and (ii) dividends payable, which amounted to RMB13.5 million, RMB13.5 million, RMB13.5 million, and RMB13.5 million as of December 31, 2021, 2022, 2023 and June 30, 2024 respectively. All non-trade balances due to Shum Yip Group, its subsidiaries, joint ventures and associates will be settled prior to the **[REDACTED]**.

Our Directors are of the view that each of the related party transactions set out above and in Note 30 to the Accountant's Report 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.

Upon **[REDACTED]**, we plan to expedite the collection of trade receivables from Shum Yip Group, its subsidiaries, joint ventures and associates by adopting various collection measures. For trade receivables aged over three months, we will send fee reminders through text messages, emails or letters and request outstanding fees to be paid within a prescribed time period. If we do not receive the payment within the prescribed time, we will call or visit relevant residents or tenants in person to collect property management fees and issue fee notice. When trade receivables become aged over six months, we will send demand letters or attorney letters to Shum Yip Group, its subsidiaries, joint ventures and associates. When trade receivables aged over 12 months, we will seek assistance from our shareholders in collecting these trade receivables and our legal department will consider initiating legal proceedings to claim outstanding trade receivables. Our finance management department, administration department and legal department will work collaboratively to collect trade receivables within our prescribed credit term.

Our Directors respectfully submit that save as disclosed herein, there is no other financing arrangement between the Group and Shum Yip Group, its subsidiaries, joint ventures and associates during the Track Record Period nor the Group foresees any such other financing arrangement going forward.

KEY FINANCIAL RATIOS

The following table sets forth our key financial ratios as of the dates or for the year or period indicated:

	As of/for the year ended December 31,			As of/for the six months ended June 30,	
	2021	2022	2023	2023	2024
Return on total assets(1)	4.7%	6.5%	8.2%	8.6%	9.1%
Return on equity(2)	14.2%	16.3%	18.8%	19.6%	19.5%
Current ratio(3)	1.1	1.3	1.3	1.3	1.4
Liabilities to assets ratio(4)	0.6	0.6	0.5	0.5	0.5

(1) Return on total assets is calculated based on our profit for the year/period divided by our average total assets as of the beginning and end of the corresponding year/period and multiplied by 100%.

(2) Return on equity is calculated as our profit for the year/period divided by our average total equity as of the beginning and the end of the corresponding year/period and multiplied by 100%.

(3) Current ratio is calculated as our total current assets as of the end of the relevant year/period divided by our total current liabilities as of the end of the corresponding year/period.

(4) Liabilities to assets ratio is calculated based on our total liabilities as of the end of the relevant years or period divided by our total assets as of the end of the corresponding years/period.

Return on Total Assets

Our return on total assets increased from 4.7% as of December 31, 2021 to 6.5% as of December 31, 2022, because both of our profit for the year and total assets increased in 2021, as a result of our increased GFA under management and service scope, representing that the growth of our profit for the year outpaced that of our total assets. Our return on total assets increased to 8.2% as of December 31, 2023 and further increased to 9.1% as of June 30, 2024.

Return on Equity

Our return on equity increased from 14.2% in 2021 to 16.3% in 2022, because both of our profit for the year and total equity increased in 2021, as a result of our business expansion and the growth of the average balance of our total equity as of the beginning and the end of 2022 outpaced that of our total equity. Our return on equity increased to 18.8% in 2023 and further increased to 19.5% as of June 30, 2024.

Current Ratio

Our current ratio remained at 1.1 as of December 31 2021 and increased to 1.3 as of December 31, 2023, the increase of which was primarily because both of our total current assets and total current liabilities increased as of December 31, 2022, and the growth of our total current assets outpaced that of our total current liabilities, which were attributable to our business growth. Our current ratio increased to 1.4 as of June 30, 2024.

Liabilities to Assets Ratio

Our return on total assets remained stable at 0.6 as of December 31, 2021 and December 31, 2022. Our liabilities to assets ratio decreased to 0.5 as of December 31, 2023, primarily due to a decrease in the total liabilities and an increase in the total assets as of December 31, 2023, compared to the balances as of December 31, 2022. Our liabilities to assets ratio remained stable at 0.5 as of June 30, 2024.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT FINANCIAL RISKS

We are exposed to various types of financial risks in the ordinary course of business, including market risks, credit risk and liquidity risk. Our overall risk management strategy focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on our financial performance. See note 3 to the Accountant's Report in Appendix I.

DIVIDENDS

Our Company does not have a formal dividend policy or a fixed dividend distribution ratio. The decision to declare or pay dividends in the future, as well as the amount of any dividends, will be contingent upon several factors including the results of our operations, cash flows, financial conditions, and other relevant factors as deemed by our Board.

Historically, our Company and/or subsidiaries declared dividends of RMB38.5 million, RMB0.1 million, RMB60.1 million and RMB0.8 million in 2021, 2022, 2023 and June 30, 2024, respectively, all of which have been paid in full as of the Latest Practicable Date. Specifically, regarding these dividends, we paid RMB42.6 million, RMB0.1 million, RMB60.1 million and RMB0.8 million in 2021, 2022, 2023 and June 30, 2024, respectively. In addition, our Company and/or subsidiaries declared and paid dividends of RMB0.8 million in the six months ended June 30, 2024. Past payments of dividends are not indicative of our future dividend policy. Our Board may declare dividends in the future after taking into account our operations, earnings, financial condition, cash requirements and availability and other factors as it may deem relevant at such time. Any declaration and payment as well as the amount of dividends will be subject to our Articles of Association and the applicable laws, including the approval of our Shareholders. Our future declarations of dividends may or may not reflect our historical declarations of dividends and will be at the absolute discretion of our Board.

DISTRIBUTABLE RESERVES

As of June 30, 2024, we had RMB426.2 million of retained earnings available for distribution to our shareholders.

UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

See Appendix II to this document for the unaudited pro forma statement of 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 holders of our Company as of June 30, 2024 as if the **[REDACTED]** had taken place on that date.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

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

NO MATERIAL ADVERSE CHANGE

During the Track Record Period and up to the Latest Practicable Date, our business model remained stable which was in line with the past trends and our expectations. After due and careful consideration, our Directors confirmed that, after June 30, 2024 and up to the date of this document, there has been no material adverse change in our financial, operational or trading positions, or prospects.

[REDACTED] EXPENSES

[REDACTED] expenses represent professional fees, **[REDACTED]** commissions and other fees incurred. The total estimated **[REDACTED]** expenses in connection with the **[REDACTED]** are RMB**[REDACTED]** million, representing **[REDACTED]**% of the gross **[REDACTED]** from the **[REDACTED]** (based on the mid-point of the **[REDACTED]** of HK$**[REDACTED]** per **[REDACTED]** and assuming no **[REDACTED]** will be exercised), among which (i) **[REDACTED]** expenses, including **[REDACTED]** commission and other expenses fees, are expected to be approximately RMB**[REDACTED]** million and (ii) **[REDACTED]** expenses are expected to be approximately RMB**[REDACTED]** million, such as fees and expenses of legal advisors and reporting accountants.

During the Track Record Period, we incurred RMB**[REDACTED]** million of **[REDACTED]** expenses which was charged to our consolidated statements. Our **[REDACTED]** expenses of RMB**[REDACTED]** million are expected to be charged to our consolidated statements of comprehensive income for 2024 and RMB**[REDACTED]** million are expected to be deducted from equity following the **[REDACTED]**. The **[REDACTED]** expenses above are the latest practicable estimate and are for reference only. The actual amount may differ from this estimate.

FUTURE PLANS

See "Business — Business Strategies" for a detailed description of our future plans.

USE OF [REDACTED]

Assuming an **[REDACTED]** of HK$**[REDACTED]** per Share (being the mid-point of the **[REDACTED]** of between HK$**[REDACTED]** and HK$**[REDACTED]** per Share), we estimate that we will receive **[REDACTED]** of approximately HK$**[REDACTED]** million from the **[REDACTED]** after deducting the **[REDACTED]** commissions and other estimated expenses payable by us in connection with the **[REDACTED]** and assuming that the **[REDACTED]** is not exercised. We intend to use our **[REDACTED]** from the **[REDACTED]** for the following purposes:

- Approximately **[REDACTED]**% (or HK$**[REDACTED]** million) will be used for making strategic investments and acquisitions, as well as forming strategic alliance with selected companies. We believe the below plans would enhance our competitive advantage, expand our market share and realize economies of scale. Specifically,

  o approximately **[REDACTED]**% (or HK$**[REDACTED]** million) will be used for investments, acquisitions and forming strategic alliance with (i) selected property management companies that could consolidate our market position and form synergy with us; and (ii) specialized service and support companies that could complement our Shum Yip Technical Support. Our selection criteria include:

    (i) *Business type and nature:* we seek companies that provide quality basic property management and value-added services, with business segments covering park, residence, commerce and public construction, as well as specialized service and support companies, such as elevator maintenance and greening service providers, that complement the operations of our Shum Yip Technical Support;

    (ii) *Geographic location:* our primary focus is on the cities in the Yangtze River Delta and the Greater Bay Area, while our secondary focus is on the cities in the Beijing-Tianjin-Hebei region, Chengdu-Chongqing region and Central China region;

    (iii) *Business performance:* the aggregate GFA under management of the target company should exceed 2.0 million sq.m. in the three years immediately preceding our evaluation process;

    (iv) *Financial performance:* for the most recent financial year before the acquisition or business combination, the target company should have (i) annual operating revenue of not less than RMB40.0 million, or net profit margin of not less than 7.0%, and (ii) the compound annual growth rate of operating revenue and net profit of not less than 5.0%; and

(v) *Others:* the target company should have an established internal control system and sound compliance record, without any liabilities, administrative penalties, pending legal proceedings or disputes and other relevant factors.

Based on these criteria, our strategy is to acquire six to seven target companies by investing approximately RMB28.6 million to RMB65.0 million in each target company in the next three to five years. We believe that there are potential target companies in the market that may not present significant challenges to our acquisition efforts. However, we cannot guarantee that we will be able to acquire or invest in our preferred targets. For details, see "Risk Factors — Future acquisitions, joint ventures and investments may expose us to new risks or fail to perform as expected."

As of the Latest Practicable Date, we have not identified any potential acquisition targets or entered into any final agreements on investment or acquisition.

o approximately **[REDACTED]**% (or HK$**[REDACTED]** million) will be used for establishing joint ventures with state-owned enterprises and forming strategic cooperation with local government, to provide tailored and localized services for cities and industrial parks by replicating our successful benchmark projects, such as the municipal government tower in Changsha, Hunan Province, for accelerating business expansion and extending our project portfolio of city services across China, particularly the Greater Bay Area, Jiangsu, Guangxi, Hunan and Jiangxi and other first- and second-tier cities in China to increase our market share.

We cannot guarantee that we will be able to acquire or invest in our preferred targets. See "Risk Factors — Future acquisitions, joint ventures and investments may expose us to new risks or fail to perform as expected." As of the Latest Practicable Date, we have not identified any potential acquisition targets or entered into any final agreements on investment or acquisition.

- Approximately**[REDACTED]**% (or HK$**[REDACTED]** million) will be used for optimizing our digitalized service platform and purchase new equipment. Specifically,

o *Basic service platform*: approximately **[REDACTED]**% (or HK$**[REDACTED]** million) will be used for building an integrated service platform base, allocating our service resources and upgrading our services. In the next three years, we primarily plan to (a) develop our own integrated service platform base in replacement of the existing SAAS services, which would optimize our operation, and reduce our management costs in future; (b) allocate our service resources by pairing advertisement, products, childcare and elderly care services according to our customers' preference; and (c) upgrade our services by improving our label management system (標籤化管理系統) in our service platform in response to the property owners, tenants and residents' needs;

- o *City service platform*: approximately **[REDACTED]**% (or HK$**[REDACTED]** million) will be used for maximizing the functions of our digitalized management platform. In the next three years, we plan to upgrade our city service platform, such as keeping real-time updates of our services and promoting community e-commerce to our customers, standardize our service and connect our service platform with the service platform of Shum Yip Group.

- o *Industrial park operational platform*: approximately **[REDACTED]**% (or HK$**[REDACTED]** million) will be used for enhancing our operation mode and optimizing our real estate leasing system. In the next three years, we plan to (a) enhance our operation by adding sensors to our vehicles and machines; and (b) optimize our real estate leasing system by managing the signing, amendment, renewal and termination of the leasing agreements and incorporating the data into our financing system.

- o *Equipment*: approximately **[REDACTED]**% (or HK$**[REDACTED]** million) will be used for purchasing additional equipment, such as washing vehicles (沖洗車), fast-cleaning vehicles (快速保潔車), electronic sweeping vehicles (機掃車), small-scale inspection vehicles (小型巡查車) and small assembly machines (組裝小型機械). to ensure the orderly operation and reduce labor costs.

- Approximately **[REDACTED]**% (or HK$**[REDACTED]** million) will be used for strengthening the influence of our commercial operational services, of which:

  - o approximately **[REDACTED]**% (or HK$**[REDACTED]** million) will be used for the brand promotion of Shum Yip CM and strengthening our commercial and hotel competitiveness. Specifically, we plan to build city-level businesses that represent the city's high consumption level and comprise integrated functions such as shopping, entertainment, catering, recreation, cultural tourism etc., meanwhile building community businesses that mainly respond to the daily needs of local residents, and developing our own hotel brands to meet the diversified market needs, so as to establish a standardized brand system of commercial operation for subsequent market expansion. See "Business — Business Strategies — Strengthen the influence of our commercial operational services" for further details.

  - o approximately **[REDACTED]**% (or HK$**[REDACTED]** million) will be used for constructing and upgrading our information technology system to enhance our commercial and hotel digitalized management.

  - o approximately **[REDACTED]**% (or HK$**[REDACTED]** million) will be used for promoting talent training program in commercial operation and hotel management.

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

In the event that the **[REDACTED]** is set at the Maximum **[REDACTED]** or the Minimum **[REDACTED]** of the indicative **[REDACTED]**, the **[REDACTED]** of the **[REDACTED]** will increase or decrease by approximately HK$**[REDACTED]** million, respectively.

The additional **[REDACTED]** that we would receive if the **[REDACTED]** were exercised in full would be (i) HK$**[REDACTED]** million (assuming an **[REDACTED]** of HK$**[REDACTED]** per Share, being the Maximum **[REDACTED]**), (ii) HK$**[REDACTED]** million (assuming an **[REDACTED]** of HK$**[REDACTED]** per Share, being the mid-point of the **[REDACTED]**) and (iii) HK$**[REDACTED]** million (assuming an **[REDACTED]** of HK$**[REDACTED]** per Share, being the Minimum **[REDACTED]**).

To the extent that the **[REDACTED]** from the **[REDACTED]** (including the **[REDACTED]** from the exercise of the **[REDACTED]**) are either more or less than expected, we will adjust our allocation of the **[REDACTED]** for the above purposes on a pro rata basis.

To the extent that the **[REDACTED]** of the **[REDACTED]** are not immediately required for the above purposes or if we are unable to put into effect any part of our plan as intended, we may hold such funds in short-term interest-bearing accounts at licensed commercial banks and/or other financial institutions as defined under the SFO or applicable laws and regulations in other jurisdictions, so long as it is deemed to be in the best interests of the Company. In such event, we will comply with the appropriate disclosure requirements under the Listing Rules.

[REDACTED]

[REDACTED]

[REDACTED]

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[REDACTED]

The following is the text of a report set out on pages I-[1] to I-[3] received from the Company's reporting accountant, [PricewaterhouseCoopers], Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document. It is prepared and addressed to the directors of the Company and to the Joint Sponsors pursuant to the requirements of Hong Kong Standard on Investment Circular Reporting Engagements 200 Accountants' Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.

[Letterhead of PricewaterhouseCoopers] **[DRAFT]**

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF SHUM YIP PROPERTY OPERATIONS GROUP CO., LTD, CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LIMITED, CITIC SECURITIES (HONG KONG) LIMITED AND CCB INTERNATIONAL CAPITAL LIMITED

Introduction

We report on the historical financial information of Shum Yip Property Operations Group Co., Ltd (the "**Company**") and its subsidiaries (together, the "**Group**") set out on pages I-[4] to I-[93], which comprises the consolidated statements of financial position as at December 31, 2021, 2022 and 2023 and June 30, 2024, the statements of financial position of the Company as at December 31, 2021, 2022 and 2023 and June 30, 2024, and the consolidated statements of profit or loss, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024 (the "**Track Record Period**") and material accounting policy information and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages I-[4] to I-[93] forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [Date] (the "**Document**") in connection with the initial **[REDACTED]** of H shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountant's responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant's judgment, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the financial position of the Company as at December 31, 2021, 2022 and 2023 and June 30, 2024 and the consolidated financial position of the Group as at December 31, 2021, 2022 and 2023 and June 30, 2024 and of its consolidated financial performance and its consolidated cash flows for the Track Record Period in accordance with the basis of presentation and preparation set out in Note 2 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Group which comprises the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six months ended June 30, 2023 and other explanatory information (the "**Stub Period Comparative Financial Information**"). The directors of the Company are responsible for the presentation and preparation of the Stub Period Comparative Financial Information in accordance with the basis of presentation and preparation set out in Note 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued* by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountant's report, is not prepared, in all material respects, in accordance with the basis of presentation and preparation set out in Note 2 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-[4] have been made.

Dividends

We refer to Note 15 to the Historical Financial Information which contains information about the dividends paid by the Company in respect of the Track Record Period.

[PricewaterhouseCoopers]
Certified Public Accountants
Hong Kong
[Date]

I. HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountant's report.

The financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "**Underlying Financial Statements**").

The Historical Financial Information is presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand (RMB'000), unless otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

		Year ended December 31,			Six months ended June 30,	
	Note	**2021**	**2022**	**2023**	**2023**	**2024**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Revenue	*6*	2,151,482	2,348,103	2,712,172	1,283,770	1,409,708
Cost of services	*8*	(1,871,910)	(2,009,906)	(2,286,096)	(1,081,536)	(1,187,996)
Gross profit		279,572	338,197	426,076	202,234	221,712
Administrative expenses	*8*	(189,374)	(222,645)	(230,157)	(106,085)	(102,835)
Net impairment losses on financial assets	*3*	(10,491)	(10,485)	(7,613)	(3,129)	(13,741)
Other income	*9*	19,175	34,227	16,070	9,488	7,982
Other gains/(losses) — net	*10*	3,078	2,521	(3,190)	(2,649)	395
Operating profit		101,960	141,815	201,186	99,859	113,513
Finance income	*12*	5,595	6,100	6,334	3,403	2,863
Finance costs	*12*	(2,950)	(3,135)	(1,715)	(964)	(724)
Finance income — net	*12*	2,645	2,965	4,619	2,439	2,139
Share of results of joint ventures and associates	*19*	4,258	11,144	10,943	6,897	7,662
Profit before income tax		108,863	155,924	216,748	109,195	123,314
Income tax expense	*13*	(34,362)	(35,181)	(56,479)	(26,276)	(30,857)
Profit for the year/period		74,501	120,743	160,269	82,919	92,457
Profit is attributable to:						
— Owners of the Company		74,677	119,617	158,861	82,027	92,274
— Non-controlling interests		(176)	1,126	1,408	892	183
		74,501	120,743	160,269	82,919	92,457
Earnings per share for profit attributable to owners of the Company (expressed in RMB per share)						
— Basic and diluted	*14*	0.62	0.99	1.31	0.68	0.76

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Profit for the year/period	74,501	120,743	160,269	82,919	92,457
Other comprehensive income/(loss)					
Items that will not be reclassified to profit or loss:					
Changes in fair value of financial assets at fair value through other comprehensive income/(loss), net of tax	15	13	(63)	(44)	—
Total comprehensive income for the year/period	74,516	120,756	160,206	82,875	92,457
Total comprehensive income attributable to:					
— Owners of the Company	74,692	119,630	158,798	81,983	92,274
— Non-controlling interests	(176)	1,126	1,408	892	183
	74,516	120,756	160,206	82,875	92,457

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	As at December 31,			As at June 30,
		2021	2022	2023	2024
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
ASSETS					
Non-current assets					
Property, plant and equipment	*16*	220,109	207,296	197,311	192,308
Right-of-use assets	*17*	32,270	27,012	29,580	23,949
Intangible assets	*18*	1,426	4,735	5,609	12,800
Investments in joint ventures and associates	*19*	273,563	270,238	276,060	283,722
Financial assets at fair value through other comprehensive income		1,035	1,052	968	968
Other receivables and prepayments	*22*	12,115	11,150	4,072	717
Deferred income tax assets	*26*	26,187	35,515	36,678	40,712
		566,705	556,998	550,278	555,176
Current assets					
Inventories		1,098	1,057	1,000	1,141
Trade and other receivables and prepayments	*22*	477,386	683,906	755,679	921,029
Restricted cash and term deposits	*23*	90,391	45,058	49,239	40,094
Cash and cash equivalents	*23*	627,461	635,320	636,408	553,425
		1,196,336	1,365,341	1,442,326	1,515,689
Total assets		1,763,041	1,922,339	1,992,604	2,070,865
EQUITY					
Share capital	*24*	121,288	121,288	121,288	121,288
Reserves	*25*	312,245	413,136	437,750	437,750
Retained earnings		240,779	259,518	333,893	426,167
Capital and reserves attributable to owners of the Company		674,312	793,942	892,931	985,205
Non-controlling interests		7,218	8,920	10,039	9,441
Total equity		681,530	802,862	902,970	994,646
LIABILITIES					
Non-current liabilities					
Lease liabilities	*17*	26,807	29,848	18,522	14,512
Current liabilities					
Trade and other payables	*27*	935,309	982,067	974,479	958,909
Contract liabilities	*7*	75,209	68,862	58,210	66,541
Current income tax liabilities		24,022	26,616	24,932	24,365
Lease liabilities	*17*	20,164	12,084	13,491	11,892
		1,054,704	1,089,629	1,071,112	1,061,707
Total liabilities		1,081,511	1,119,477	1,089,634	1,076,219
Total equity and liabilities		1,763,041	1,922,339	1,992,604	2,070,865

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

	Note	As at December 31,			As at June 30,
		2021	2022	2023	2024
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
ASSETS					
Non-current assets					
Property, plant and equipment	*16*	164,583	158,251	155,581	154,510
Right-of-use assets		4,261	237	338	253
Intangible assets	*18*	1,170	1,650	1,312	8,692
Investments in joint ventures	*19(a)*	266,071	263,824	269,972	278,155
Investments in subsidiaries	*20*	294,549	301,799	304,799	313,299
Financial assets at fair value through other comprehensive income		910	927	843	843
Other receivables and prepayments	*22*	—	—	3,355	—
Deferred income tax assets		8,765	10,056	11,725	14,849
		740,309	736,744	747,925	770,601
Current assets					
Inventories		611	670	720	848
Trade and other receivables and prepayments	*22*	155,031	255,351	336,344	402,179
Restricted cash and term deposits	*23*	44,858	30,076	30,212	30,235
Cash and cash equivalents	*23*	112,917	236,996	233,998	201,925
		313,417	523,093	601,274	635,187
Total assets		1,053,726	1,259,837	1,349,199	1,405,788
EQUITY					
Share capital	*24*	121,288	121,288	121,288	121,288
Reserves	*25*	396,928	495,363	513,767	513,767
Retained earnings		97,791	45,776	152,176	163,992
Total equity		616,007	662,427	787,231	799,047
LIABILITIES					
Non-current liabilities					
Lease liabilities		—	—	177	104
Current liabilities					
Trade and other payables	*27*	423,708	584,968	552,325	582,659
Contract liabilities		3,136	4,453	4,688	20,064
Current income tax liabilities		6,519	7,746	4,594	3,726
Lease liabilities		4,356	243	184	188
		437,719	597,410	561,791	606,637
Total liabilities		437,719	597,410	561,968	606,741
Total equity and liabilities		1,053,726	1,259,837	1,349,199	1,405,788

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Note	Attributable to owners of the Company				Non-controlling interests	Total equity
		Paid-in capital/ share capital	Reserves	Retained earnings	Total		
		RMB'000 *(Note 24)*	*RMB'000* *(Note 25)*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at January 1, 2021		30,000	123,230	211,782	365,012	1,277	366,289
Comprehensive income							
Profit/(loss) for the year		—	—	74,677	74,677	(176)	74,501
Other comprehensive income		—	15	—	15	—	15
		—	15	74,677	74,692	(176)	74,516
Transactions with owners of the Company							
Dividends declared	*15*	—	—	(35,108)	(35,108)	(63)	(35,171)
Dividend declared to former equity holders of subsidiaries	*15(b)*	—	—	(3,311)	(3,311)	—	(3,311)
Deemed contribution from the owners of the Company	*24, 25*	61,288	211,739	—	273,027	—	273,027
Capitalization of reserves	*1.2*	30,000	(30,000)	—	—	—	—
Capital injection from non-controlling interests		—	—	—	—	6,180	6,180
Appropriation to statutory reserves		—	7,261	(7,261)	—	—	—
Total transactions with owners		91,288	189,000	(45,680)	234,608	6,117	240,725
Balance at December 31, 2021		121,288	312,245	240,779	674,312	7,218	681,530

		Attributable to owners of the Company					
	Note	**Paid-in capital/ share capital**	**Reserves**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total equity**
		RMB'000 (*Note 24*)	*RMB'000* (*Note 25*)	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at January 1, 2022		121,288	312,245	240,779	674,312	7,218	681,530
Comprehensive income							
Profit for the year		—	—	119,617	119,617	1,126	120,743
Other comprehensive income		—	13	—	13	—	13
		—	13	119,617	119,630	1,126	120,756
Transactions with owners of the Company							
Dividends declared	*15*	—	—	—	—	(104)	(104)
Appropriation to statutory reserves		—	7,097	(7,097)	—	—	—
Capital injection from non-controlling interests		—	—	—	—	680	680
Appropriation to reserves upon joint-stock reform	*25*	—	93,781	(93,781)	—	—	—
Total transactions with owners		—	100,878	(100,878)	—	576	576
Balance at December 31, 2022		121,288	413,136	259,518	793,942	8,920	802,862
Balance at January 1, 2023		121,288	413,136	259,518	793,942	8,920	802,862
Comprehensive income							
Profit for the year		—	—	158,861	158,861	1,408	160,269
Other comprehensive loss		—	(63)	—	(63)	—	(63)
		—	(63)	158,861	158,798	1,408	160,206
Transactions with owners of the Company							
Dividends declared	*15*	—	—	(59,809)	(59,809)	(289)	(60,098)
Appropriation to statutory reserves		—	24,677	(24,677)	—	—	—
Total transactions with owners		—	24,677	(84,486)	(59,809)	(289)	(60,098)
Balance at December 31, 2023		121,288	437,750	333,893	892,931	10,039	902,970

		Attributable to owners of the Company					
	Note	**Paid-in capital/ share capital**	**Reserves**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total equity**
		RMB'000 *(Note 24)*	*RMB'000* *(Note 25)*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
(Unaudited)							
Balance at January 1, 2023		121,288	413,136	259,518	793,942	8,920	802,862
Comprehensive income							
Profit for the period		—	—	82,027	82,027	892	82,919
Other comprehensive loss		—	(44)	—	(44)	—	(44)
		—	(44)	82,027	81,983	892	82,875
Transactions with owners of the Company							
Dividends declared	*15*	—	—	—	—	(289)	(289)
Balance at June 30, 2023		121,288	413,092	341,545	875,925	9,523	885,448
Balance at January 1, 2024		121,288	437,750	333,893	892,931	10,039	902,970
Comprehensive income							
Profit for the period		—	—	92,274	92,274	183	92,457
		—	—	92,274	92,274	183	92,457
Transactions with owners of the Company							
Dividends declared	*15*	—	—	—	—	(781)	(781)
Balance at June 30, 2024		121,288	437,750	426,167	985,205	9,441	994,646

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	Year ended December 31,			Six months ended June 30,	
		2021	2022	2023	2023	2024
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Cash flows from operating activities						
Cash generated from/(used in) operations	*28(a)*	94,356	62,432	172,364	66,924	(22,227)
Income taxes paid		(47,762)	(41,919)	(59,305)	(38,709)	(35,458)
Net cash generated from/(used in) operating activities		46,594	20,513	113,059	28,215	(57,685)
Cash flows from investing activities						
Purchases of property, plant and equipment		(74,607)	(15,484)	(23,090)	(14,212)	(9,299)
Purchases of intangible assets		(444)	(3,750)	(2,018)	(603)	(4,709)
Acquisition of a subsidiary under common control		(1,200)	—	—	—	—
Disposal of a subsidiary		(4,001)	9,850	—	—	—
Proceeds from disposal of property, plant and equipment		513	990	1,048	136	428
Payments for investment in a joint venture	*19*	—	—	(9,800)	(4,900)	—
Net decrease/(increase) in term deposits		7,000	23,282	500	(1,500)	7,755
Dividends received from a joint venture	*19*	—	12,946	14,243	—	—
Dividends received from associates	*19*	1,343	1,523	678	653	—
Interest received		16,607	4,977	5,946	2,948	2,833
Sub-lease income received		807	867	—	—	—
Advance of loans to related parties		(220,682)	—	—	—	—
Repayments of loans from related parties		372,790	—	—	—	—
Net cash generated from/(used in) investing activities		98,126	35,201	(12,493)	(17,478)	(2,992)
Cash flows from financing activities						
Principle elements of lease payments		(20,476)	(23,456)	(15,198)	(7,344)	(7,086)
Interest elements of lease payments		(987)	(1,904)	(1,258)	(694)	(650)
Proceeds from loans from related parties		100,000	—	—	—	—
Repayments of loans to related parties		(80,000)	(22,000)	(10,000)	—	(9,630)
Dividends paid to the owners of the Company	*15(a)*	(35,108)	—	(59,808)	—	—
Dividend paid to former equity holders of subsidiaries	*15(b)*	(7,371)	—	—	—	—
Dividends paid to non-controlling interests	*15(c)*	(63)	(104)	(289)	(289)	(781)
Loan interest paid		—	(1,209)	—	—	—
Capital injection from non-controlling interests		6,180	680	—	—	—
[REDACTED] expenses paid		—	(170)	(13,025)	(11,747)	(4,158)
Net cash used in financing activities		(37,825)	(48,163)	(99,578)	(20,074)	(22,305)
Net increase/(decrease) in cash and cash equivalents		106,895	7,551	988	(9,337)	(82,982)
Cash and cash equivalents at beginning of the year/period		520,681	627,461	635,320	635,320	636,408
Exchange differences on cash and cash equivalents		(115)	308	100	189	(1)
Cash and cash equivalents at end of the year/period	23	627,461	635,320	636,408	626,172	553,425

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 GENERAL INFORMATION, HISTORY AND REORGANIZATION OF THE GROUP

1.1 General information

Shum Yip Property Operations Group Co., Ltd. (previously named as Shum Yip Group (Shenzhen) Property Management Company (深業集團(深圳)物業管理公司), Shum Yip Group (Shenzhen) Property Management Co., Ltd. (深業集團(深圳)物業管理有限公司), Shum Yip Property Group Co., Ltd. (深業物業集團有限公司), the "**Company**") was incorporated in the People's Republic of China (the "**PRC**") on July 17, 1992, as a limited liability company and was converted into a joint stock company with limited liability on September 19, 2022. The address of the Company's registered office is Unit 1701, Block A, Shum Yip Taifu Square, Tianxin Community, Sungang Subdistrict, Luohu District, Shenzhen, the PRC.

The Company and its subsidiaries (collectively, the "**Group**") are principally engaged in the provision of city and industrial park services, residential property management services, commercial property operational and management services in the PRC (the "**[REDACTED] Business**").

The intermediate holding company of the Company is Shenzhen Investment Limited ("**Shenzhen Investment**"), a limited liability company incorporated in Hong Kong and its shares are listed on Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The ultimate holding company of the company is Shum Yip Group Limited ("**Shum Yip Group**") (the "**Ultimate Controlling Shareholder**"), which is a state-owned company established in Shenzhen, the RPC.

1.2 History and reorganization of the Group

On July 17, 1992, Shum Yip Group (Shenzhen) Property Management Company was incorporated in the PRC as a limited liability company with registered capital of RMB5,000,000. The paid-in capital of the Company was increased from RMB5,000,000 to RMB30,000,000 in 2010 and further increased from RMB30,000,000 to RMB60,000,000, through the capitalization of reserves in January 2021 (Notes 24 and 25).

In 2021, Shenzhen Investment underwent a group reorganization (the "**Reorganization**"), pursuant to which the companies engaged in the **[REDACTED]** Business were transferred to the Group, the Reorganization involved the followings:

The immediate holding company of the Company, Shum Yip Terra Group Co., Ltd. (深業泰然(集團)股份有限公司) ("**Terra**"), Shum Yip Taifu Logistics Group Holdings Co., Ltd. (深業泰富物流集團股份有限公司), Shum Yip Land Co., Ltd. (深業置地有限公司) and Shenzhen Nongke Group Co., Ltd. (深圳市農科集團有限公司) (collectively, the "**Sellers**") entered into an equity transfer and share subscription agreement with the Company respectively, pursuant to which, in September 2021, the Sellers sold the equity interests in several subsidiaries (the "**Transferred Subsidiaries**") and a joint venture to the Company in exchange for 61,287,867 new ordinary shares as issued and allotted by the Company. The Sellers, the Transferred Subsidiaries and the Company were under the common control of Shum Yip Group before and after the Reorganization. Upon the completion of the Reorganization, each of Shum Yip Smart Park (Shenzhen) Operation Co., Ltd. (深業智慧園區運營(深圳)有限公司), Shum Yip Commercial Management Co., Ltd. (深業商業管理有限公司), Shum Yip Land (Shenzhen) Property Management Co., Ltd. (深業置地(深圳)物業管理有限公司), Shenzhen Shum Yip Taifu Commerce Property Management Co., Ltd. (深圳市深業泰富商業物業管理有限公司) and Shenzhen Nongke Property Management Co., Ltd. (深圳市農科物業管理有限公司) became a wholly-owned subsidiary of the Group, and Shenzhen Tian'an Intelligent Park Operation Company Limited (深圳天安智慧園區運營有限公司) ("**Tian'an**") became a joint venture owned as to 50% by the Company (the "**Joint Venture**"). For completing the Reorganization, the registered capital of the Company has been increased from RMB60,000,000 to RMB121,288,000 (Note 24).

In December 2021, the Group has also disposed of certain assets and its entire 100% equity interest in a subsidiary, Shenzhen Pengji Property Operational Co., Ltd. (深圳市鵬基物業經營有限公司) ("**Shenzhen Pengji**"), to certain indirect wholly-owned subsidiaries of Shenzhen Investment. The cash consideration from the disposal of equity interest in Shenzhen Pengji has been received in January 2022 (Note 33(i)).

In August 2022, the then owners of the Company entered into a promoters agreement of the Shum Yip Property Group Co., Ltd. (深業物業運營集團股份有限公司發起人協議), pursuant to which they agreed to convert the Company into a joint stock company with limited liability with a registered capital of RMB121,287,867 divided into 121,287,867 ordinary shares with a par value of RMB1 each. Since then, the Company was converted into a joint stock company with limited liability and was renamed to Shum Yip Property Operations Group Co., Ltd. (深業物業運營集團股份有限公司) in September 2022. The then shareholders and their respective equity interests in the Company remained unchanged immediately before and after the conversion of the Company into a joint stock company with limited liability.

2 BASIS OF PRESENTATION AND PREPARATION

Basis of presentation

Immediately prior to the Reorganization and during the Track Record Period, the **[REDACTED]** Business was operated by the Company and its subsidiaries (including the Transferred Subsidiaries).

The companies now comprising the Group, engaging in the **[REDACTED]** Business, were under the common control of Shenzhen Investment (an indirect non-wholly owned subsidiary of Shum Yip Group), the controlling shareholder, immediately before and after the Reorganization. Accordingly, the Reorganization is regarded as business combinations under common control, and for the purpose of this report, the Historical Financial Information has been prepared using the principles of merger accounting, as prescribed in Hong Kong Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

Accordingly, the Historical Financial Information has been prepared by including the historical financial information of the companies engaged in the **[REDACTED]** Business, under the common control of Shenzhen Investment immediately before and after the Reorganization and now comprising the Group as if the current group structure had been in existence throughout the periods presented, or since the date when the Transferred Subsidiaries first came under the control of Shenzhen Investment, whichever is as shorter period.

The net assets of the Transferred Subsidiaries were combined using the existing book values from Shenzhen Investment's perspective. No amount is recognized in consideration for goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of business combination under common control, to the extent of the continuation of the controlling party's interest.

See note 34.1.6 for the other accounting policies relevant to business combinations under common control.

Inter-company transactions, balances and unrealized gains/losses on transactions between the Company and its subsidiaries (including the Transferred Subsidiaries) are eliminated on consolidation.

The investment in the Joint Venture is accounted for using equity method of accounting (Note 34.1.4) from the date when the Company's joint control over the Joint Venture has been established. On acquisition of the Joint Venture, any difference between the cost of investment and the Company's share of the net fair value of the Joint Venture's identifiable assets and liabilities is accounted for as goodwill which contributes part of the carrying amount of the investment in the Joint Venture.

Basis of preparation

(i) Compliance with HKFRS and Hong Kong Companies Ordinance

The Historical Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") as issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance Cap. 622.

HKFRS comprise the following authoritative literature:

- Hong Kong Financial Reporting Standards
- Hong Kong Accounting Standards
- Interpretations developed by the HKICPA.

(ii) Historical cost convention

The Historical Financial Information has been prepared on a historical cost basis, except for the financial assets at fair value through other comprehensive income (FVOCI), which are measured at fair value.

(iii) Accounting policies

The material accounting policies applied in the preparation of the Historical Financial Information have been consistently applied to all the years presented, unless otherwise stated.

Based on the Hong Kong Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the Hong Kong Institute of Certified Public Accountants, merger accounting is applied for business combinations under common control. Meanwhile, Hong Kong Financial Reporting Standards 3 defines business combinations involving entities or businesses under common control as "a business combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory". Before and after the acquisition, Tian'an is the joint venture of Terra and the Company, respectively. This transaction does not fall within the definition of a business combination under common control under HKFRS, because the joint venture is not a business and is not ultimately controlled by the same party or parties both before and after the transaction. Therefore, the acquisition of the joint venture was not restated at the beginning of the Track Record Period.

Other than those material accounting policies information as disclosed elsewhere in this Historical Financial Information, a summary of the other potentially material accounting policies information has been set out in Note 34 to this Historical Financial Information.

New/amended standards not yet adopted

Up to the date of issuance of this report, the HKICPA has issued the following amended standards and interpretation which are not yet effective and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
Amendments to HKAS 21	Lack of Exchangeability	January 1, 2025
Amendments to HKFRS 9 and HKFRS 7	Financial Instruments Standards	January 1, 2026
Amendments to HKFRS Accounting Standards	Annual Improvements to HKFRS Accounting Standards — Volume 11	January 1, 2026
HKFRS 18	Presentation and Disclosure in Financial Statements	January 1, 2027
HKFRS 19	Subsidiaries without Public Accountability: Disclosures	January 1, 2027
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The Group has already commenced an assessment of the impact of these new/amended standards, certain of which are relevant to the Group's operations. According to the preliminary assessment made by the directors of the Company, no significant impact on the financial performance and position of the Group is expected when they become effective.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

3.1.1 Market risk

(i) Foreign exchange risk

The Group's normal operating activities are principally conducted in RMB since most of the operating entities are based in the PRC. The Group collects all of its revenue in RMB and most of its expenditures are also denominated in RMB. The foreign exchange risk mainly arises from cash and cash equivalents of certain subsidiaries denominated in Hong Kong dollars ("**HKD**").

The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of each reporting period are as follows:

	As at December 31,			As at June 30,
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Assets				
Cash and cash equivalents denominated in HKD	3,775	4,083	4,183	4,182
Liabilities				
Other payables denominated in HKD	455	839	806	806

The following table details the Group's sensitivity to a 5% increase and decrease in the exchange rate of RMB against the HKD. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represent management's assessment of the reasonably possible change in foreign exchange rates.

	As at December 31,			As at June 30,
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
RMB appreciate by 5% against HKD				
— Decrease in profit before income tax for the year/period	(166)	(162)	(169)	(169)
RMB depreciate by 5% against HKD				
— Increase in profit before income tax for the year/period	166	162	169	169

(ii) Price risk

The Group is exposed to equity securities price risk in its financial assets at FVOCI. The Group is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio in accordance with the limits set by the Group.

The financial assets at FVOCI are mainly unlisted equity instruments in the PRC and at December 31, 2021, 2022 and 2023 and June 30, 2024, if the fair value of these equity investments increased or decreased by 10%, the Group's equity would have been increased or decreased by approximately RMB104,000, RMB105,000, RMB97,000 and RMB97,000.

3.1.2 Credit risk

Credit risks refer to the risk of losses incurred by the inabilities of debtors or counterparties to fulfill their contractual obligations or by the adverse changes in their credit conditions. The Group is exposed to credit risk in relation to its trade and other receivables, restricted cash and term deposits, and cash and cash equivalents.

The carrying amounts of trade and other receivables, restricted cash and term deposits, and cash and cash equivalents represent the Group's maximum exposure to credit risk in relation to these financial assets.

Impairment assessment

The Group formulates the credit losses of cash and cash equivalents, restricted cash and term deposits, trade and other receivables using the expected credit losses ("**ECL**") models according to HKFRS 9 requirements.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires lifetime expected credit losses to be recognized from initial recognition of the receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics.

For financial assets (other than trade receivables) that impairment losses are measured using three-stages general approach ECL assessment, the Group assesses whether their credit risk has increased significantly since their initial recognition, and applies a three-stage impairment model to calculate their impairment allowance and recognize their ECL, as follows:

Stage 1: If the credit risk has not increased significantly since its initial recognition, the financial asset is included in stage 1.

Stage 2: If the credit risk has increased significantly since its initial recognition but is not yet deemed to be credit-impaired, the financial instrument is included in stage 2. The description of how the Group determines when a significant increase in credit risk has occurred is disclosed in the following section of "Judgment of significant increase in credit risk".

Stage 3: If the financial instruments are credit-impaired, the financial instrument is included in stage 3. The definition of credit-impaired financial assets is disclosed in the following section of "The definition of credit-impaired assets".

The Group considers the credit risk characteristics of different financial instruments when determining if there is significant increase in credit risk. For financial instruments with or without significant increase in credit risk, 12-month or lifetime expected credit losses are provided for respectively.

The expected credit loss is the result of discounting the product of exposure at default, probabilities of default ("**PD**") and loss given default ("**LGD**"). According to whether the credit risk has increased significantly or whether the assets have been impaired, the Group measures the loss allowance with the expected credit losses of 12-month or the lifetime due to the credit risk characteristics of different assets.

*Judgment of significant increase in credit risk ("**SICR**")*

Under HKFRS 9, when considering the impairment stages for financial assets, the Group evaluates the credit risk at initial recognition and also whether there is any significant increase in credit risk for each reporting period. The Group considers various reasonable supporting information to judge if there is significant increase in credit risk when determining the ECL staging for financial assets. Major factors being considered include solvency and operational capabilities. The Group could base on individual financial instruments or portfolios of financial instruments with similar credit risk characteristics to determine ECL staging by comparing the credit risks of the financial instruments at the reporting date with those at initial recognition.

The Group set quantitative and qualitative criteria to judge whether the credit risk has SICR after initial recognition. The judgment criteria mainly include the PD changes of the debtors, changes of credit risk categories and other indicators of SICR, etc.

The definition of credit — impaired assets

Under HKFRS 9, in order to determine whether credit impairment occurs, the defined standards adopted by the Group are consistent with the internal credit risk management objectives for relevant financial assets, while considering quantitative and qualitative indicators. When the Group assesses whether the debtor has credit impairment, the following factors are mainly considered:

- The lender gives the debtor concessions for economic or contractual reasons due to the debtor's financial difficulties, where such concessions are normally reluctant to be made by the lender.

- The debtor has significant financial difficulties.

- The debtor is likely to go bankrupt or needs other financial restructuring.

The credit impairment of financial assets may be caused by the joint effects of multiple events, and may not be caused by separately identifiable events.

Forward-looking information

The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the debtors to settle the receivables.

The Group comprehensively considers internal and external data, expert forecasts and statistical analysis to determine the relationship between economic indicators with PD and LGD. The Group evaluates and forecasts these economic indicators at least annually, provides the best estimates for the future, and regularly evaluates the results. The Group has identified the consumer CPI and M2 in China, etc. to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

Similar to other economic forecasts, the estimates of economic indicators have high inherent uncertainties, actual results may have significant difference with estimates. The Group considered the estimates above represented the optimal estimation of possible outcomes.

Credit risk exposure of financial assets

Without considering the impact of collateral and other credit enhancement, the maximum exposures are based on net carrying amounts as reported in the consolidated statements of financial position.

(i) Cash and cash equivalents, restricted cash and term deposits

The Group expects that there is no significant credit risk associated with restricted cash, term deposits and cash and cash equivalents since they are substantially deposited at state-owned banks and other medium or large-sized listed banks of which the credit rating is high. Management does not expect that there will be any significant losses from non-performance by the counterparties.

(ii) Other receivables

The Group's other receivables mainly include amounts or loans due from third parties and related parties. To measure the expected credit losses of other receivables, management makes periodic collective assessments as well as individual assessments. Other receivables have been grouped based on shared credit risk characteristics and the days past due.

Individual assessments are made on the recoverability of outstanding balances based on historical settlement records and past experience.

The Group

Other receivables (excluding deductible input value-added tax)	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
As at December 31, 2021				
Expected loss rate	2.32%	N/A	100.00%	
Gross carrying amount *(RMB'000)*	171,313	—	10,454	181,767
Loss allowance provision *(RMB'000)*	(3,968)	—	(10,454)	(14,422)
As at December 31, 2022				
Expected loss rate	2.45%	N/A	100.00%	
Gross carrying amount *(RMB'000)*	200,304	—	10,514	210,818
Loss allowance provision *(RMB'000)*	(4,917)	—	(10,514)	(15,431)
As at December 31, 2023				
Expected loss rate	1.56%	N/A	100.00%	
Gross carrying amount *(RMB'000)*	215,746	—	10,493	226,239
Loss allowance provision *(RMB'000)*	(3,376)	—	(10,493)	(13,869)
As at June 30, 2024				
Expected loss rate	1.56%	N/A	100.00%	
Gross carrying amount *(RMB'000)*	247,538	—	10,458	257,996
Loss allowance provision *(RMB'000)*	(3,871)	—	(10,458)	(14,329)

Movement in the loss allowance account in respect of other receivables during the year/period are as follows:

The Group

	Year ended December 31,			Six months ended June 30,
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of the year/period	14,194	14,422	15,431	13,869
Impairment provision	1,768	1,907	213	629
Reversal of impairment provision	(1,540)	(898)	(1,775)	(169)
At end of the year/period	14,422	15,431	13,869	14,329

(iii) Trade receivables

The Group applies the simplified approach to providing for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for trade receivables.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables.

Third parties — assessed based on grouping

As at December 31, 2021	Within 1 year	1 to 2 years	2 to 3 years	Over 3 years	Total
Expected loss rate	2.13%	32.86%	56.26%	100.00%	
Gross carrying amount *(RMB'000)*	207,623	12,975	4,319	6,915	231,832
Loss allowance provision *(RMB'000)*	(4,432)	(4,264)	(2,430)	(6,915)	(18,041)

As at December 31, 2022	Within 1 year	1 to 2 years	2 to 3 years	Over 3 years	Total
Expected loss rate	2.41%	33.73%	67.18%	100.00%	
Gross carrying amount *(RMB'000)*	333,237	12,121	6,268	8,524	360,150
Loss allowance provision *(RMB'000)*	(8,038)	(4,088)	(4,211)	(8,524)	(24,861)

As at December 31, 2023	Within 1 year	1 to 2 years	2 to 3 years	Over 3 years	Total
Expected loss rate	2.61%	36.94%	73.37%	100.00%	
Gross carrying amount *(RMB'000)*	323,341	23,003	6,899	11,372	364,615
Loss allowance provision *(RMB'000)*	(8,444)	(8,497)	(5,062)	(11,372)	(33,375)

As at June 30, 2024	Within 1 year	1 to 2 years	2 to 3 years	Over 3 years	Total
Expected loss rate	2.65%	38.62%	65.69%	100.00%	
Gross carrying amount *(RMB'000)*	394,304	37,435	11,241	13,575	456,555
Loss allowance provision *(RMB'000)*	(10,445)	(14,458)	(7,384)	(13,575)	(45,862)

Expected loss rates are estimated using a provision matrix, taking into account the past due status of the customers. The expected loss rates are adjusted periodically to reflect changes in current economic conditions and the Group's view of forecast economic conditions over the expected lives of the trade receivables.

Third Parties — assessed individually

The Group individually assessed the recoverability of the following balances with certain third-party customers considering the significant increase in their credit risk as identified.

	As at December 31,			As at June 30,
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Expected loss rate	94.66%	99.38%	99.40%	99.40%
Gross carrying amount *(RMB'000)*	4,442	6,141	6,127	6,127
Loss allowance provision *(RMB'000)*	(4,205)	(6,103)	(6,090)	(6,090)

Movement in loss allowance provision:

	Year ended December 31,			Six months ended June 30,
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of the year/period	5,396	4,205	6,103	6,090
Impairment provision	—	1,921	—	—
Reversal of impairment provision	(1,191)	(23)	(13)	—
At end of the year/period	4,205	6,103	6,090	6,090

Third Parties — assessed based on grouping and individually

Movement in loss allowance provision:

	Year ended December 31,			Six months ended June 30,
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of the year/period	18,166	22,246	30,964	39,465
Impairment provision	6,320	8,837	10,090	12,638
Reversal of impairment provision	(2,240)	(119)	(1,589)	(151)
At end of the year/period	22,246	30,964	39,465	51,952

Related parties

To measure the expected credit losses of trade receivables from related parties, the related receivables have been grouped based on shared credit risk characteristics. Management makes periodic collective assessments as well as individual assessment on the recoverability of outstanding balances based on external credit rating, historical settlement records and past experience.

	As at December 31,			As at June 30,
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Expected loss rate	22.27%	14.88%	12.04%	9.95%
Gross carrying amount *(RMB'000)*	101,522	157,006	199,713	249,674
Loss allowance provision *(RMB'000)*	(22,611)	(23,369)	(24,043)	(24,837)

Movement in loss allowance provision:

	Year ended December 31,			Six months ended June 30,
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of the year/period	16,428	22,611	23,369	24,043
Impairment provision	7,336	1,783	1,373	1,005
Reversal of impairment provision	(1,153)	(1,025)	(699)	(211)
At end of the year/period	22,611	23,369	24,043	24,837

Movement in the loss allowance account in respect of the Group's trade receivables during the year/period are as follows:

	Year ended December 31,			Six months ended June 30,
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of the year/period	34,594	44,857	54,333	63,508
Impairment provision	13,656	10,620	11,463	13,643
Reversal of impairment provision	(3,393)	(1,144)	(2,288)	(362)
At end of the year/period	44,857	54,333	63,508	76,789

3.1.3 Liquidity risk

To manage the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the senior management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The table below analyzes the Group's financial liabilities into relevant maturity grouping based on the remaining period to the contractual maturity date.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Total undiscounted contractual cash flows	Carrying amount Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at December 31, 2021						
Trade and other payables (excluding payroll payable and other taxes payables)	688,636	—	—	—	688,636	688,636
Lease liabilities	21,892	8,963	11,497	9,742	52,094	46,971
	710,528	8,963	11,497	9,742	740,730	735,607
As at December 31, 2022						
Trade and other payables (excluding payroll payable and other taxes payables)	722,000	—	—	—	722,000	722,000
Lease liabilities	13,697	10,647	14,646	7,732	46,722	41,932
	735,697	10,647	14,646	7,732	768,722	763,932
As at December 31, 2023						
Trade and other payables (excluding payroll payable and other taxes payables)	708,982	—	—	—	708,982	708,982
Lease liabilities	14,490	8,818	11,430	335	35,073	32,013
	723,472	8,818	11,430	335	744,055	740,995
As at June 30, 2024						
Trade and other payables (excluding payroll payable and other taxes payables)	712,642	—	—	—	712,642	712,642
Lease liabilities	12,346	7,738	7,458	145	27,687	26,404
	724,988	7,738	7,458	145	740,329	739,046

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholder and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholder, issue new shares, or request contributions from owners.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total debt with borrowing in nature less cash and cash equivalents, restricted cash and term deposits. Total capital is calculated as 'Total equity' shown in the consolidated statement of financial position plus net debt.

As at December 31, 2021, 2022 and 2023 and June 30, 2024, the Group has net cash positions.

3.3 Fair value estimation

3.3.1 Fair value hierarchy

To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards.

The table below analyzes financial instruments carried or presented at fair value, by level of the inputs to valuation techniques used to measure fair value. The different levels are defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities. The quoted market price already incorporated the market's assumptions with respect to changes in economic climate such as rising interest rates and inflation, as well was changes due to environmental, social and governance (ESG) risk (level 1).

- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs). This is the case for unlisted equity securities and for instruments where ESG risk gives rise to a significant unobservable adjustment (level 3).

	Level 1	Level 2	Level 3	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at December 31, 2021				
Financial assets				
Financial assets at FVOCI	—	—	1,035	1,035
As at December 31, 2022				
Financial assets				
Financial assets at FVOCI	—	—	1,052	1,052
As at December 31, 2023				
Financial assets				
Financial assets at FVOCI	—	—	968	968
As at June 30, 2024				
Financial assets				
Financial assets at FVOCI	—	—	968	968

There were no transfers between level 1, 2 and 3 of fair value hierarchy classifications during the Track Record Period.

The carrying amount of the Group's other current financial assets, including restricted cash and term deposits, cash and cash equivalents, trade and other receivables, and the Group's financial liabilities, including lease liabilities, trade and other payables approximate their fair values due to their short maturities. The fair values of other non-current financial assets and liabilities approximate their carrying values as the impact of discounting is not significant.

3.3.2 Valuation techniques used to determine fair values

The fair value of the financial assets at FVOCI is determined using the discounted cash flow model and unobservable inputs mainly including assumptions of expected future cash flows and discount rate. There were no changes in valuation techniques during the Track Record Period.

The following table presents the changes in the level 3 financial assets for the Track Record Period.

	As at December 31,			As at June 30,
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets at FVOCI				
— Investments in unlisted entities				
At the beginning of the year/period	1,014	1,035	1,052	968
Changes in fair value	21	17	(84)	—
At the end of the year/period	1,035	1,052	968	968

As at December 31, 2021, 2022 and 2023 and June 30, 2024, the carrying amount of the financial assets used in level 3 fair value measurements was immaterial. The significant unobservable inputs are those related to the underlying net assets value of the investments. The higher the underlying net assets value of the investments, the higher the fair value of the financial assets at FVOCI will be. The directors of the Company are of the view that any possible changes in the key assumptions will not result in any significant impact to the Historical Financial Information.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the Historical Financial Information requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgment in applying the Group's accounting policies.

Estimates and judgments are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Group and that are believed to be reasonable under the circumstances.

(i) Expected credit losses on financial assets

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

Where the expectation is different from the management's estimate, such difference will impact the carrying amount of the financial assets and the related loss allowances in the period in which such estimate is changed. For details of the recognized loss allowance, see Note 3.1.2 above.

(ii) Current and deferred income taxes

Significant judgments are required in determining the provision for income tax. There are many transactions and calculations for which the ultimate determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the current and deferred income tax provision in the period in which such determination is made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognized when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilized. The outcome of their actual utilization may be different.

5 SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by chief operating decision marker ("**CODM**"). The CODM, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the executive directors of the Company.

During the Track Record Period, the Group is principally engaged in the provision of city and industrial park services, residential property management services and commercial property operational and management services in the PRC. CODM reviews the operating results of the business as one operating segment to make decisions about resources to be allocated. Therefore, the CODM regards that there is only one segment which is used to make strategic decisions.

The major operating entities of the Group are domiciled in the PRC and all of the Group's revenue were derived in the PRC during the Track Record Period. As at December 31, 2021, 2022 and 2023 and June 30, 2024, all of the Group's non-current assets were located in the PRC. Therefore, no geographical segment information was presented.

6 REVENUE

Revenue mainly comprises of proceeds from provision of city and industrial park services, residential property management services and commercial property operational and management services.

(a) An analysis of the Group's revenue by category for the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2023 and 2024 was as follows:

	Year ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Types of services					
City and industrial park services					
— Municipal services	200,417	293,481	441,043	216,002	237,555
— Public facilities management services	384,488	417,549	439,126	213,132	227,247
— Industrial park services	272,529	309,161	333,354	150,410	172,248
	857,434	1,020,191	1,213,523	579,544	637,050
Residential property management services					
— Property management services	487,374	513,323	532,713	258,828	276,091
— Value-added services	296,568	252,944	333,433	142,936	161,463
	783,942	766,267	866,146	401,764	437,554
Commercial property operational and management services					
— Commercial operational and management services	424,656	477,563	529,138	254,834	273,967
— Value-added services	85,450	84,082	103,365	47,628	61,137
	510,106	561,645	632,503	302,462	335,104
	2,151,482	2,348,103	2,712,172	1,283,770	1,409,708

(b) Revenue from contracts with customers is recognized:

	Year ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Over time	2,142,240	2,336,736	2,701,281	1,279,744	1,404,305
At a point in time	9,242	11,367	10,891	4,026	5,403
	2,151,482	2,348,103	2,712,172	1,283,770	1,409,708

For the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2023 and 2024, revenue from the entities controlled by the Ultimate Controlling Shareholder and joint ventures and associates of the Ultimate Controlling Shareholder contributed 6.32%, 9.72%, 9.66%, 8.49% and 10.15% of the Group's revenue, respectively. Furthermore, save as the related party transactions disclosed in note 30 and as above, no revenue derived from sales to a single customer or a group of customers under common control accounted for 10% or more of the Group's revenue for the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2023 and 2024.

(c) Accounting policies of revenue recognition

The Group provides city and industrial park services, residential property management services and commercial property operational and management services. Revenue is recognized in the accounting period in which the services are rendered or goods are delivered, and the collectability of related consideration is probable. Depending on the terms of the contracts and the laws that apply to the contract, control of services and goods may be transferred over time or at a point in time.

The Group distinguishes whether the Group is a principal or an agent in the transactions with its customers. When the Group is acting as a principal, the associated revenue is recognized in gross amount and when the Group is acting as an agent, the associated revenue is recognized in net amount.

When either party to a contract has performed, the Group presents the contract in the consolidated statement of financial position as a contract asset or a contract liability, depending on the relationship between the Group's performance and the customer's payment.

A contract asset is the Group's right to consideration in exchange for services that the Group has transferred to a customer. Incremental costs incurred to obtain a contact, if recoverable, are capitalized and presented as assets under "contract assets" and subsequently amortized when the related revenue is recognized.

If a customer pays consideration or the Group has a right to an amount of consideration that is unconditional, before the services are provided to the customer, the Group presents the amount as a contract liability when the payment is received or a receivable is recorded (whichever is earlier).

A receivable is recorded when the Group has an unconditional right to consideration. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due.

Types of services

(i) City and industrial park services

The Group mainly provides municipal/city and industrial park services to local governments, public institutions, property developers and industrial park, including (i) municipal services (i.e. provision of (a) urban road sanitation services, (b) cleaning, greening, waste sorting, streetscape inspection, street facilities and disinfection, (c) management of subdistrict lights, cityscape inspection and disinfection services); (ii) public facilities (i.e. public museums, libraries, schools, hospitals, office buildings of public institutions, etc.) basic property management services, including cleaning, greening, maintenance and security, etc.; and (iii) industrial park operational services, basic property management services (i.e. greening, gardening and maintenance of common areas, cleaning, security as well as repair and maintenance for public facilities etc.) and value-added services (i.e. community living services, etc.).

(ii) Residential property management services

The Group also provides a range of residential property management services to property owners and residents of the managed properties, as well as property developers, including (i) basic property management services (i.e. greening, gardening and maintenance of common areas, cleaning, security as well as repair and maintenance for public facilities, etc.); (ii) value-added services (i.e. car park management services, community living services, public resources management services, etc.) in exchange for receiving property management fees for such services.

(iii) Commercial property operational and management services

The Group also provides a range of commercial property management services to property owners and tenants as well as property developers, including (i) commercial property operational services (i.e. commercial tenant sourcing, operational and promotional services, hotel operational management or supervision, etc.); (ii) basic property management services (i.e. cleaning, greening, public facility and equipment maintenance and security services, etc.); and (iii) value-added services (i.e. car park management services, venue management, waste collection and transportation for decoration materials, etc.). Commercial properties under management comprise office buildings, commercial complexes, hotels and commercial apartment buildings.

Revenue recognition policies

(i) For basic property management services, the Group bills a fixed amount for services provided on a monthly basis and recognizes as revenue in the amount to which the Group has a right to bill and that corresponds directly with the value of performance completed.

For property management service income provided under lump sum basis, where the Group acts as a principal and is primary responsible for providing the property management services, the Group recognizes the fees received or receivable from the customers as its revenue and all related property management costs as its cost of services.

For property management service income provided under commission basis, where the Group acts as an agent and is primarily responsible for arranging and monitoring the services as provided by other suppliers, the Group recognizes the commission, which is calculated by certain fixed amount or percentage of the total property management fees received or receivable from the property units managed.

(ii) For operational services, the Group bills a fixed amount or a percentage of the basis agreed for services provided on a regularly basis, and recognizes as revenue the amount to which the Group has a right to invoice and that corresponds directly with the value of performance completed.

(iii) Value-added services provided to property developers, property residents and tenants of the managed properties as stated above mainly include (i) revenue from community living services; (ii) revenue from sales assistance services and pre-delivery support services; (iii) revenue from car park management services; (iv) revenue from public resources management services and (v) other value-added services.

Except for revenue from canteen service, intermediary services, sales of agricultural and sideline products, etc., which are recognized at a point in time upon the acceptance of the services and products by the customers, revenue is mainly recognized over time when the related services are rendered. Revenue from sales of products is based on the price specified and a receivable is recognized immediately when the goods are accepted as this is the point in time that the consideration is unconditional.

7 CONTRACTS WITH CUSTOMERS

(a) The Group has recognized the following revenue-related contract liabilities:

	As at December 31,			As at June 30,
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contract liabilities				
— Related parties *(Note 30(c))*	—	20	301	42
— Third parties	75,209	68,842	57,909	66,499
	75,209	68,862	58,210	66,541

Contract liabilities of the Group mainly arise from the advance payments made by customers while the underlying services are yet to be provided. As at January 1, 2021, the contract liabilities amounted to RMB83,932,000.

(b) Unsatisfied performance obligations

For city and industrial park services, residential property management services and commercial property operational and management services to customers, the Group recognizes revenue in the amount that equals to the right to invoice which corresponds directly with the value to the customer of the Group's performance to date, on a regular basis. The Group has elected the practical expedient for not to disclose the remaining performance obligations for these types of contracts.

(c) Assets recognized from incremental costs to obtain a contract

During the Track Record Period, there were no significant incremental costs incurred to obtain contracts.

(d) Revenue recognized in relation to contract liabilities:

	Year ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Revenue recognized that was included in the balance of contract liabilities at the beginning of the year/period	83,932	75,209	68,862	42,401	49,319

8 EXPENSES BY NATURE

	Year ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Employee benefit expenses *(Note 11)*	1,324,989	1,395,795	1,456,859	704,721	713,629
Cleaning and security expenses	249,748	303,284	491,612	226,168	279,219
Maintenance costs	116,708	125,573	131,062	55,975	67,374
Utility costs	97,082	109,958	131,884	58,287	62,869
Short-term leasing expenses	76,181	76,425	83,209	42,874	50,424
Advertising and promotion costs	9,491	38,727	45,738	18,112	20,664
Depreciation and amortization	47,613	50,791	42,980	20,891	21,772
Office expenses	38,521	38,605	41,767	19,006	23,815
Greening and gardening expenses	36,262	31,388	27,698	15,292	17,893
Canteen expenses	20,964	19,557	16,245	5,904	10,454
Taxes and surcharges	9,903	9,077	11,580	5,804	6,405
Profession service fee	9,023	10,081	10,751	5,216	4,950
Travelling and entertainment expenses	8,155	8,083	8,715	4,054	3,288
Bank charges	3,625	3,539	3,990	1,925	2,136
[REDACTED] expenses	—	348	1,258	364	342
Auditors' remuneration	565	708	665	—	—
— Audit services	565	708	665	—	—
— Non-audit services	—	—	—	—	—
Others	12,454	10,612	10,240	3,028	5,597
Total cost of services and administrative expenses	2,061,284	2,232,551	2,516,253	1,187,621	1,290,831

9 OTHER INCOME

	Year ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Government grants *(a)*	6,299	21,527	5,453	4,304	5,230
Value-added tax refund	10,914	12,159	10,365	4,932	2,421
Interest income on loans to related parties	1,222	—	—	—	—
Others	740	541	252	252	331
	19,175	34,227	16,070	9,488	7,982

(a) For the year ended December 31, 2022, government grants mainly represent subsidies granted to the Group for the implementation epidemic prevention measures. There are no unfulfilled conditions or other contingencies attached to these grants.

10 OTHER GAINS/(LOSSES) — NET

	Year ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Net losses on disposal of property, plant and equipment and investment properties	(90)	(125)	(37)	(47)	(20)
Net losses of termination of leases	—	—	(439)	(463)	—
Income from overdue fine	2,019	1,060	1,241	728	510
Others(a)	1,149	1,586	(3,955)	(2,867)	(95)
	3,078	2,521	(3,190)	(2,649)	395

(a) Other losses for the year ended December 31, 2023 and the six months ended June 30, 2023 included mainly the compensation paid to a lessee for early termination of a commercial property lease contract.

11 EMPLOYEE BENEFIT EXPENSES

(a) Employee benefit expenses are analyzed as follows:

	Year ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Salaries, wages and bonuses	1,088,855	1,150,186	1,207,617	582,743	587,395
Pension costs — defined contribution plans	99,670	109,872	115,820	54,532	58,317
Social insurance and housing provident funds contribution	73,215	80,278	83,506	39,217	41,651
Other employee benefits	63,249	55,459	49,916	28,229	26,266
	1,324,989	1,395,795	1,456,859	704,721	713,629

Employees of the subsidiaries in the PRC participate in employee social insurance plans established in the PRC, which cover pension, medical and other welfare benefits. The plans are organized and administered by the government authorities. Except for the contributions made to these social insurance plans, the Group has no other commitments owing to the employees. According to the relevant regulations, the contributions that should be borne by the companies within the Group as required by the above social insurance plans are principally determined based on percentages of the basic salaries of employees, subject to certain ceilings imposed. These contributions are expensed as incurred.

During the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2023 and 2024, no forfeited contributions were utilized by the Group to reduce its contributions to the abovementioned social insurance plan for the respective years.

As at December 31, 2021, 2022 and 2023 and June 30, 2024, the contributions payable in respect of the abovementioned social insurance plan amounted to RMB7,177,000, RMB8,704,000, RMB8,184,000 and RMB4,563,000, respectively.

(b) Directors' and supervisors' emoluments

The remuneration of each director and supervisor of the Company is set out below:

Year ended December 31, 2021	Salaries, allowances and benefits	Discretionary bonuses	Retirement scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Executive and non-executive directors				
Xiao Wuchun	647	722	185	1,554
Lan Xiuqun	557	619	141	1,317
Huang Jiong (i) (xi)	—	—	—	—
Qiu Guizhong (ii)	—	—	—	—
Dong Fang (iii) (iv)	—	—	—	—
Xu Enli (iv) (v)	—	—	—	—
Supervisor				
Xu Songkun (vii)	557	526	133	1,216
Fan Tao (viii)	—	—	—	—
	1,761	1,867	459	4,087

Year ended December 31, 2022	Salaries, allowances and benefits	Discretionary bonuses	Retirement scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Executive and non-executive directors				
Xiao Wuchun	658	722	151	1,531
Lan Xiuqun	568	619	135	1,322
Yu Miao (ix)	389	463	94	946
Huang Jiong (i) (xi)	—	—	—	—
Qiu Guizhong (ii)	—	—	—	—
Wu Senfu (vi)	—	—	—	—
Xu Enli (iv) (v)	—	—	—	—
Supervisor				
Xu Songkun (vii)	187	175	42	404
Xu Sen (vii)	426	395	96	917
Fan Tao (viii)	—	—	—	—
Miao Zhong (x)	179	149	40	368
	2,407	2,523	558	5,488

Year ended December 31, 2023	Salaries, allowances and benefits	Discretionary bonuses	Retirement scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Executive and non-executive directors				
Xiao Wuchun	657	829	160	1,646
Lan Xiuqun	627	698	148	1,473
Yu Miao	567	722	145	1,434
Huang Jiong (i) (xi)	—	—	—	—
Qiu Guizhong (ii)	—	—	—	—
Wu Senfu (vi)	—	—	—	—
Xu Enli (v)	—	—	—	—
Supervisor				
Xu Sen	567	722	145	1,434
Fan Tao (viii)	—	—	—	—
Miao Zhong	537	578	131	1,246
	2,955	3,549	729	7,233

Six months ended June 30, 2023	Salaries, allowances and benefits	Discretionary bonuses	Retirement scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
(Unaudited)				
Executive and non-executive directors				
Xiao Wuchun	328	325	72	725
Lan Xiuqun	313	309	70	692
Yu Miao	283	276	65	624
Huang Jiong (i) (xi)	—	—	—	—
Qiu Guizhong (ii)	—	—	—	—
Wu Senfu (vi)	—	—	—	—
Xu Enli (v)	—	—	—	—
Supervisor				
Xu Sen	283	276	65	624
Fan Tao (viii)	—	—	—	—
Miao Zhong	232	223	56	511
	1,439	1,409	328	3,176

Six months ended June 30, 2024	Salaries, allowances and benefits	Discretionary bonuses	Retirement scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Executive and non-executive directors				
Xiao Wuchun	328	236	46	610
Lan Xiuqun	313	190	44	547
Yu Miao	283	207	43	533
Huang Jiong (i) (xi)	—	—	—	—
Qiu Guizhong (ii)	—	—	—	—
Wu Senfu (vi)	—	—	—	—
Xu Enli (v)	—	—	—	—
Supervisor				
Xu Sen	283	207	43	533
Fan Tao (viii)	—	—	—	—
Miao Zhong	268	157	40	465
	1,475	997	216	2,688

(i) In addition to the director emoluments as disclosed above, Ms. Huang Jiong was also the general manager of human resources department of an intermediate holding company, and her emoluments were received from the intermediate holding company during the Track Record Period. The emolument of Ms. Huang Jiong in relation to her services rendered for the Group were borne by the intermediate holding company and not allocated to the Group as management of the Company considers there is no reasonable basis for such allocation.

(ii) In addition to the director emoluments as disclosed above, Mr. Qiu Guizhong is also the general manager of board office of an intermediate holding company, and his emoluments were received from the intermediate holding company during the Track Record Period. The emolument of Mr. Qiu Guizhong in relation to his services rendered for the Group were borne by the intermediate holding company and not allocated to the Group as management of the Company considers there is no reasonable basis for such allocation.

(iii) In addition to the director emoluments as disclosed above, Mr. Dong Fang was also the director of an intermediate company, and his emoluments were received from the intermediate holding company during the Track Record Period. The emolument of Mr. Dong Fang in relation to his services rendered for the Group were borne by the intermediate holding company and not allocated to the Group as management of the Company considers there is no reasonable basis for such allocation.

(iv) In December 2021, Mr. Dong Fang retired and Mr. Xu Enli was appointed as an executive director of the Company. In September 2022, Mr. Xu Enli was appointed as a non-executive director of the Company.

(v) In addition to the director emoluments as disclosed above, Mr. Xu Enli is also a director of an intermediate holding company, and his emoluments were received from the intermediate holding company during the Track Record Period. The emolument of Mr. Xu Enli in relation to his services rendered for the Group were borne by the intermediate holding company and not allocated to the Group as management of the Company considers there is no reasonable basis for such allocation.

(vi) Mr. Wu Senfu was appointed as an executive director of the Company in April 2022. In addition to the director emoluments as disclosed above, Mr. Wu Senfu is also the general manager of capital market department of an intermediate holding company, and his emoluments were received from the intermediate holding company during the Track Record Period. The emolument of Mr. Wu Senfu in relation to his services rendered for the Group were borne by the intermediate holding company and not allocated to the Group as management of the Company considers there is no reasonable basis for such allocation.

(vii) Mr. Xu Songkun retired in April 2022, and Mr. Xu Sen was appointed as a supervisor of the Company in April 2022.

(viii) Mr. Fan Tao was appointed as a supervisor of the Company in October 2021. In addition to the supervisor emoluments as disclosed above, Mr. Fan Tao is also the vice general manager of human resources department of an intermediate holding company, and his emoluments were received from the intermediate holding company during the Track Record Period. The emolument of Mr. Fan Tao in relation to his services rendered for the Group were borne by the intermediate holding company and not allocated to the Group as management of the Company considers there is no reasonable basis for such allocation.

(ix) Ms. Yu Miao was appointed as an executive director of the Company in April 2022.

(x) Mr. Miao Zhong was appointed as a supervisor of the Company in August 2022.

(xi) Ms. Huang Jiong retired in July 2024.

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the Track Record Period include 2, 3, 3, 3 and 3 directors for the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2023 and 2024, respectively, and their emoluments are reflected in the analysis shown in Note 11(b). The emoluments payable to the remaining 3, 2, 2, 2 and 2 five highest paid individuals for the Track Record Period are as follows:

	Year ended December 31,			Six months ended June 30,	
	2021	**2022**	**2023**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Wages, salaries and bonuses	3,334	2,018	2,406	1,038	904
Pension cost — defined contribution plans	91	90	92	127	85
Social insurance and housing provident fund contributions	130	94	99	48	50
Other employee benefits	—	—	—	—	—
	3,555	2,202	2,597	1,213	1,039

Their emoluments fell within the following bands:

	Number of individuals				
	Year ended December 31,			Six months ended June 30,	
	2021	**2022**	**2023**	**2023** (Unaudited)	**2024**
Emoluments bands:					
HKD500,001 to HKD1,000,000	—	—	—	2	2
HKD1,000,001 to HKD1,500,000	3	2	2	—	—

No incentive payment for joining the Group or compensation for loss of office was paid or payable to any of the five highest paid individuals for the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2023 and 2024.

(d) Directors' and supervisors' retirement and termination benefits

No retirement benefits were paid to or receivable by any directors or supervisors in respect of their other services in connection with the management of the affairs of the Company or its subsidiaries' undertaking during the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2023 and 2024.

No payment was made to the directors and supervisors as compensation for early termination of their appointment during the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2023 and 2024.

(e) Consideration provided to third parties for making available directors' and supervisors' services

No payment was made to any former employers of the directors and supervisors for making available their services as a director or a supervisor of the Company during the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2023 and 2024.

(f) Information about loans, quasi-loans and other dealings in favor of directors, controlled bodies corporate by and connected entities with such directors and supervisors

There were no other loans, quasi-loans and other dealings in favor of the directors, controlled bodies corporate by and connected entities with such directors during the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2023 and 2024.

(g) Directors' and supervisors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Group was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the respective year/period or at any time during the Track Record Period.

12 FINANCE INCOME — NET

	Year ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Finance income:					
Interest income on bank deposits	5,267	5,169	6,086	3,067	2,863
Other finance income	328	931	248	336	—
	5,595	6,100	6,334	3,403	2,863
Finance costs:					
Interest expense on lease liabilities	(2,220)	(2,499)	(1,697)	(900)	(713)
Interest expense on loans from related parties	(615)	(594)	—	—	—
Other finance costs	(115)	(42)	(18)	(64)	(11)
	(2,950)	(3,135)	(1,715)	(964)	(724)
Finance income — net	2,645	2,965	4,619	2,439	2,139

13 INCOME TAX EXPENSE

	Year ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Current income tax	39,515	44,513	57,621	30,571	34,891
Deferred income tax *(Note 26)*	(5,153)	(9,332)	(1,142)	(4,295)	(4,034)
Income tax expense	34,362	35,181	56,479	26,276	30,857

(a) Corporate income tax

Income tax provision of the Group in respect of its operations in the PRC has been calculated at the applicable tax rate (i.e. ranging from 2.5% to 25%) on the estimated assessable profits for the respective years/periods, based on the existing legislation, interpretations and practices in respect thereof. The statutory corporate income tax rate in the PRC is 25% for the Track Record Period. Certain subsidiaries and branches of the Group in the PRC are qualified as small and micro businesses and therefore enjoy preferential income tax rate of 2.5%, 5% or 10% in certain years.

(b) The income tax expense for the Track Record Period can be reconciled to the profit before income tax as follows:

	Year ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Profit before income tax	108,863	155,924	216,748	109,195	123,314
Notional tax on profit before income tax, calculated at the respective applicable tax rates	26,208	36,520	52,966	25,829	29,684
Profits attributable to joint ventures and associates	(1,065)	(2,786)	(2,736)	(1,724)	(1,916)
Tax effect of tax losses and temporary differences not recognized	6,621	1,447	1,394	847	565
Recognition and utilization of previous unrecognized tax losses and temporary differences	—	(6,238)	—	—	—
Expenses not deductible for tax and others	2,598	6,238	4,855	1,324	2,524
Income tax expense	34,362	35,181	56,479	26,276	30,857

14 EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the Track Record Period.

	Year ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
				(Unaudited)	
Profit attributable to owners of the Company *(RMB'000)*	74,677	119,617	158,861	82,027	92,274
Weighted average number of ordinary shares outstanding *(thousand)*	121,288	121,288	121,288	121,288	121,288
Basic earnings per share *(in RMB per share)*	0.62	0.99	1.31	0.68	0.76

In determining the weighted average number of ordinary shares in issue, the total of 121,287,867 shares issued upon the joint-stock reform were deemed to have been issued since January 1, 2021.

(b) Diluted earnings per share

Diluted earnings per share were the same as the basic earnings per share as there were no potentially dilutive ordinary shares outstanding during the Track Record Period.

15 DIVIDENDS

Dividends declared by the Group during the Track Record Period consist of:

(a) On July 16, 2021 and September 22, 2023, the board of directors of the Company recommended final dividends amounting to RMB35,108,000 and RMB59,808,000 for the year ended December 31, 2020 and 2022, respectively, which were fully paid in cash. The final dividends were calculated on the basis of profit attributed to the owners of the Company.

(b) Dividends declared by the Transferred Subsidiaries acquired during the Reorganization to the respective then owners during the year ended December 31, 2021 were RMB3,311,000.

(c) Dividends declared by the subsidiaries to the non-controlling interests during the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2023 and 2024 were RMB63,000, RMB104,000, RMB289,000, RMB289,000 and RMB781,000, respectively.

16 PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings	Motor vehicles	Office equipment and others	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2021					
Cost	23,892	13,664	99,148	6,416	143,120
Accumulated depreciation	(20,335)	(10,853)	(56,209)	—	(87,397)
Net book amount	3,557	2,811	42,939	6,416	55,723

	Buildings	Motor vehicles	Office equipment and others	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended December 31, 2021					
Opening net book amount	3,557	2,811	42,939	6,416	55,723
Transfers	—	—	6,416	(6,416)	—
Additions	148,052	5,383	38,338	—	191,773
Disposal	(1,078)	(29)	(345)	—	(1,452)
Depreciation charge	(4,531)	(1,247)	(20,157)	—	(25,935)
Closing net book amount	146,000	6,918	67,191	—	220,109
At December 31, 2021					
Cost	156,301	18,790	137,117	—	312,208
Accumulated depreciation	(10,301)	(11,872)	(69,926)	—	(92,099)
Net book amount	146,000	6,918	67,191	—	220,109
Year ended December 31, 2022					
Opening net book amount	146,000	6,918	67,191	—	220,109
Additions	—	1,479	14,093	—	15,572
Disposal	—	(291)	(824)	—	(1,115)
Depreciation charge	(4,055)	(2,481)	(20,734)	—	(27,270)
Closing net book amount	141,945	5,625	59,726	—	207,296
At December 31, 2022					
Cost	156,301	19,251	144,331	—	319,883
Accumulated depreciation	(14,356)	(13,626)	(84,605)	—	(112,587)
Net book amount	141,945	5,625	59,726	—	207,296
Year ended December 31, 2023					
Opening net book amount	141,945	5,625	59,726	—	207,296
Additions	—	3,209	16,145	—	19,354
Disposal	—	(180)	(905)	—	(1,085)
Depreciation charge	(3,916)	(2,835)	(21,503)	—	(28,254)
Closing net book amount	138,029	5,819	53,463	—	197,311
At December 31, 2023					
Cost	156,301	21,707	134,398	—	312,406
Accumulated depreciation	(18,272)	(15,888)	(80,935)	—	(115,095)
Net book amount	138,029	5,819	53,463	—	197,311
Six months ended June 30, 2024					
Opening net book amount	138,029	5,819	53,463	—	197,311
Additions	—	1,600	7,546	153	9,299
Disposal	—	(143)	(305)	—	(448)
Depreciation charge	(1,953)	(1,514)	(10,387)	—	(13,854)
Closing net book amount	136,076	5,762	50,317	153	192,308

	Buildings	Motor vehicles	Office equipment and others	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At June 30, 2024					
Cost	156,301	22,730	140,828	153	320,012
Accumulated depreciation	(20,225)	(16,968)	(90,511)	—	(127,704)
Net book amount	136,076	5,762	50,317	153	192,308

(a) Depreciation of the Group's property, plant and equipment has been recognized as follows:

	Year ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Cost of services	19,803	18,455	17,973	8,998	8,825
Administrative expenses	6,132	8,815	10,281	4,768	5,029
	25,935	27,270	28,254	13,766	13,854

(b) As at December 31, 2021, the Group was still in the course of obtaining the ownership certificates for the building with carrying amounts of RMB143,592,000, and the related ownership certificates have been obtained in 2022.

(c) No property, plant and equipment is restricted or pledged as security for liabilities as at December 31, 2021, 2022 and 2023 and June 30, 2024.

(d) Depreciation method and useful lives

Depreciation is calculated using the straight-line method to allocate their costs, net of their residual values, over their estimated useful lives as follows:

- Buildings 20-40 years
- Motor vehicles 3-10 years
- Office equipment and others 1-5 years

See note 34.4 for the other accounting policies relevant to property, plant and equipment.

The Company

	Buildings	Motor vehicles	Office equipment and others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2021				
Cost	778	3,253	13,708	17,739
Accumulated depreciation	(427)	(2,890)	(7,735)	(11,052)
Net book amount	351	363	5,973	6,687
Year ended December 31, 2021				
Opening net book amount	351	363	5,973	6,687
Additions	146,026	4,453	13,175	163,654
Disposal	—	—	(122)	(122)
Depreciation charge	(2,452)	(533)	(2,651)	(5,636)
Closing net book amount	143,925	4,283	16,375	164,583
At December 31, 2021				
Cost	146,804	7,706	25,942	180,452
Accumulated depreciation	(2,879)	(3,423)	(9,567)	(15,869)
Net book amount	143,925	4,283	16,375	164,583
Year ended December 31, 2022				
Opening net book amount	143,925	4,283	16,375	164,583
Additions	—	660	4,445	5,105
Disposal	—	(163)	(267)	(430)
Depreciation charge	(3,799)	(1,395)	(5,813)	(11,007)
Closing net book amount	140,126	3,385	14,740	158,251
At December 31, 2022				
Cost	146,804	8,175	29,661	184,640
Accumulated depreciation	(6,678)	(4,790)	(14,921)	(26,389)
Net book amount	140,126	3,385	14,740	158,251
Year ended December 31, 2023				
Opening net book amount	140,126	3,385	14,740	158,251
Additions	—	2,254	8,686	10,940
Disposal	—	(14)	(489)	(503)
Depreciation charge	(3,799)	(1,999)	(7,309)	(13,107)
Closing net book amount	136,327	3,626	15,628	155,581
At December 31, 2023				
Cost	146,804	10,318	36,466	193,588
Accumulated depreciation	(10,477)	(6,692)	(20,838)	(38,007)
Net book amount	136,327	3,626	15,628	155,581

	Buildings	Motor vehicles	Office equipment and others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Six months ended June 30, 2024				
Opening net book amount	136,327	3,626	15,628	155,581
Additions	—	1,321	4,787	6,108
Disposal	—	(101)	(89)	(190)
Depreciation charge	(1,901)	(1,120)	(3,968)	(6,989)
Closing net book amount	134,426	3,726	16,358	154,510
At June 30, 2024				
Cost	146,804	11,444	40,785	199,033
Accumulated depreciation	(12,378)	(7,718)	(24,427)	(44,523)
Net book amount	134,426	3,726	16,358	154,510

17 LEASES

The statements of financial position show the following amounts relating to leases:

The Group

	As at December 31,			As at June 30,
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Right-of-use assets				
— Buildings	38,654	36,730	28,523	23,411
— Equipment and machinery	3,695	187	434	315
— Car parking space leasing	2,786	1,422	623	223
	45,135	38,339	29,580	23,949
Less: sub-lease of right-of-use assets	(12,865)	(11,327)	—	—
	32,270	27,012	29,580	23,949
Lease liabilities				
— Current	20,164	12,084	13,491	11,892
— Non-current	26,807	29,848	18,522	14,512
	46,971	41,932	32,013	26,404

(a) Additions to the right-of-use assets for the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2023 and 2024 were RMB32,770,000, RMB17,822,000, RMB17,523,000, RMB13,495,000 and RMB1,414,000, respectively.

(b) Depreciation charge of right-of-use assets for the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2023 and 2024 were RMB19,215,000, RMB23,080,000, RMB13,914,000, RMB6,739,000 and RMB7,045,000, respectively. Expenses relating to short-term leases of buildings, equipment and machinery for the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2023 and 2024 were RMB76,181,000, RMB76,425,000, RMB83,209,000, RMB42,874,000 and RMB50,424,000, respectively.

(c) For the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2023 and 2024, the total cash outflows from financing activities for leases amounted to approximately RMB21,463,000, RMB25,360,000, RMB16,456,000, RMB8,038,000 and RMB7,736,000, respectively and the total cash outflows from operating activities for short-term leases amounted to approximately RMB65,185,000, RMB72,565,000, RMB79,920,000, RMB35,150,000 and RMB48,749,000, respectively.

(d) The Group leases various buildings, equipment and machinery and car parking space. Rental contracts are typically made for fixed periods of 1 to 11 years without extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets have not been used as security for borrowing purposes.

(e) During the six months ended June 30, 2023, the Group has early terminated the buildings sub-leasing arrangements and certain leases and more details have been set out in Note 28(b).

18 INTANGIBLE ASSETS

The Group

	Software	Brand	Total
	RMB'000	*RMB'000*	*RMB'000*
At January 1, 2021			
Cost	2,285	—	2,285
Accumulated amortisation	(1,029)	—	(1,029)
Net book amount	1,256	—	1,256
Year ended December 31, 2021			
Opening net book amount	1,256	—	1,256
Additions	445	—	445
Amortisation charge	(275)	—	(275)
Closing net book amount	1,426	—	1,426
At December 31, 2021			
Cost	2,730	—	2,730
Accumulated amortisation	(1,304)	—	(1,304)
Net book amount	1,426	—	1,426
Year ended December 31, 2022			
Opening net book amount	1,426	—	1,426
Additions	3,721	29	3,750
Amortisation charge	(440)	(1)	(441)
Closing net book amount	4,707	28	4,735
At December 31, 2022			
Cost	6,451	29	6,480
Accumulated amortisation	(1,744)	(1)	(1,745)
Net book amount	4,707	28	4,735
Year ended December 31, 2023			
Opening net book amount	4,707	28	4,735
Additions	1,669	17	1,686
Amortisation charge	(808)	(4)	(812)
Closing net book amount	5,568	41	5,609
At December 31, 2023			
Cost	8,120	46	8,166
Accumulated amortisation	(2,552)	(5)	(2,557)
Net book amount	5,568	41	5,609
Six months ended June 30, 2024			
Opening net book amount	5,568	41	5,609
Additions	8,064	—	8,064
Amortisation charge	(871)	(2)	(873)
Closing net book amount	12,761	39	12,800
At June 30, 2024			
Cost	16,184	46	16,230
Accumulated amortisation	(3,423)	(7)	(3,430)
Net book amount	12,761	39	12,800

(a) Amortisation of intangible assets were charged to the following categories in the consolidated statement of profit or loss:

	Year ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Cost of services	—	54	108	54	56
Administrative expenses	275	387	704	332	817
	275	441	812	386	873

(b) Amortisation methods and useful lives

The Group amortises intangible assets with a limited useful life, using the straight-line method over the following periods:

- Software 3−10 years
- Brand 5−10 years

See note 34.6 for the other accounting policies relevant to intangible assets.

The Company

	Software
	RMB'000
At January 1, 2021	
Cost	1,225
Accumulated amortisation	(174)
Net book amount	1,051
Year ended December 31, 2021	
Opening net book amount	1,051
Additions	321
Amortisation charge	(202)
Closing net book amount	1,170
At December 31, 2021	
Cost	1,546
Accumulated amortisation	(376)
Net book amount	1,170

	Software
	RMB'000
Year ended December 31, 2022	
Opening net book amount	1,170
Additions	799
Amortisation charge	(319)
Closing net book amount	1,650
At December 31, 2022	
Cost	2,345
Accumulated amortisation	(695)
Net book amount	1,650
Year ended December 31, 2023	
Opening net book amount	1,650
Additions	—
Amortisation charge	(338)
Closing net book amount	1,312
At December 31, 2023	
Cost	2,345
Accumulated amortisation	(1,033)
Net book amount	1,312
Six months ended June 30, 2024	
Opening net book amount	1,312
Additions	7,913
Amortisation charge	(533)
Closing net book amount	8,692
At June 30, 2024	
Cost	10,258
Accumulated amortisation	(1,566)
Net book amount	8,692

19 INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

The Group

	As at December 31,			As at June 30,
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Investments in joint ventures *(a)*	266,071	263,824	269,972	278,155
Investments in associates *(c)*	7,492	6,414	6,088	5,567
	273,563	270,238	276,060	283,722

(a) Investments in joint ventures

	Year ended December 31,			Six months ended June 30,
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of the year/period	—	266,071	263,824	269,972
Addition (i) (ii)	263,405	—	9,800	—
Dividends	—	(12,946)	(14,243)	—
Share of results	2,666	10,699	10,591	8,183
At end of the year/period	266,071	263,824	269,972	278,155

As at December 31, 2021, 2022 and 2023 and June 30, 2024, the joint ventures of the Group, which was accounted for using equity method, was as follows:

			Proportion of equity interests held by the Group			
			As at December 31,			As at June 30,
Company name	**Place of incorporation and operation**	**Principal activities**	**2021**	**2022**	**2023**	**2024**
Tian'an*[(i)]	PRC	Industrial park operation management	50%	50%	50%	50%
Anhui Liangjiang City Operation Service Company Limited (安徽兩江城市運營服務有限公司)* ("**Anhui Liangjiang**")[(ii)]	PRC	Property management	N/A	N/A	49%	49%

* The English name of the above entity represents the best efforts made by the management of the Company in translating the Chinese name of the entity as it does not have official English name.

(i) In September 2021, Terra and the Company entered into a share subscription agreement, pursuant to which the Company purchased 50% equity interests of Tian'an from Terra at a consideration of RMB263,405,000 during the Reorganization.

(ii) In January 2023, Anhui Liangjiang was incorporated by the Company and Anhui Liangjiang Holding Group Co., Ltd. (安徽兩江控股集團有限公司). The Company and Anhui Liangjiang Holding Group Co., Ltd. hold 49% and 51% equity interests of Anhui Liangjiang, respectively, which is jointly controlled by both shareholders through their representatives in the board of shareholders and board of directors of the joint venture. The Company has contributed capital of RMB9,800,000 to Anhui Liangjiang as of June 30, 2024.

(iii) As at December 31, 2021, 2022 and 2023 and June 30, 2024, there were no significant contingent liabilities and commitments relating to the Group's interests in the joint ventures.

(b) The table below provide summarized financial information of Tian'an which is a material joint venture of the Group. The information disclosed reflects the amounts presented in the financial statements of Tian'an not the Group's share of those amounts. They have been amended to reflect adjustments made by the Group when using the equity method, including fair value adjustments and modifications for differences in accounting policy.

	As at December 31,			As at June 30,
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Total assets	406,315	435,049	446,329	448,185
Total liabilities	(307,713)	(330,941)	(341,082)	(325,063)
Net assets	98,602	104,108	105,247	123,122

	From acquisition date to December 31,	Year ended December 31,		Six months ended June 30,
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Reconciliation to carrying amount:				
Opening net assets	90,770	98,602	104,108	105,247
Profit for the year/period	7,832	31,398	29,625	17,875
Dividends paid	—	(25,892)	(28,486)	—
Closing net assets	98,602	104,108	105,247	123,122
Proportion of the Group's ownership	50%	50%	50%	50%
Group's share	49,301	52,054	52,624	61,561
Appraised value of identifiable net assets and goodwill	216,770	211,770	206,870	204,420
Carrying amount	266,071	263,824	259,494	265,981
Revenue	104,812	511,811	516,873	251,277
Profit for the year/period	7,832	31,398	29,625	17,875

(c) Investments in associates

	Year ended December 31,			Six months ended June 30,
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of the year/period	7,243	7,492	6,414	6,088
Dividends	(1,343)	(1,523)	(678)	—
Share of results	1,592	445	352	(521)
At end of the year/period	7,492	6,414	6,088	5,567

As at December 31, 2021, 2022 and 2023 and June 30, 2024, the principal associates of the Group, which were accounted for using equity method, were as follows:

			Proportion of equity interests held by the Group			
			As at December 31,			As at June 30,
Company name	Place of incorporation and operation	Principal activities	2021	2022	2023	2024
Henan Wansha Property Management Company Limited (河南萬廈物業管理有限公司)* ("**Henan Wansha**")	PRC	Property management	26.7%	26.7%	26.7%	26.7%
Shenzhen Women and Children Building Operation Management Company Limited (深圳市婦兒大廈運營管理有限公司)* ("**Women and Children Building**")(i)	PRC	Property development	4%	4%	4%	4%
Shenzhen Pengji Garden Co., Ltd. (深圳鵬基園林有限公司)*	PRC	Garden maintenance	25%	25%	25%	25%

* The English names of the above entities represent the best efforts made by the management of the Company in translating the Chinese names of these entities as they do not have official English names.

(i) Women and Children Building is accounted for as an associate of the Group due to the Group's significant influence over the entity through its representative in the board of directors of the entity.

The directors of the Company consider that the associates were not significant to the Group and thus the summarized financial information of the associates was not disclosed.

As at December 31, 2021, 2022 and 2023 and June 30, 2024, there were no significant contingent liabilities and commitments relating to the Group's interests in the associates.

20 INVESTMENTS IN SUBSIDIARIES

The Company

	As at December 31,			As at June 30,
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Investments in subsidiaries (a).	294,549	301,799	304,799	313,299

(a) See Note 33 for detailed information of subsidiaries.

21 FINANCIAL INSTRUMENTS BY CATEGORY

The Group

	As at December 31,			As at June 30,
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
Financial assets at amortized cost				
Trade and other receivables (excluding deductible input value-added tax, prepayments and deferred **[REDACTED]** expense) *(Note 22)* . . .	460,284	664,351	719,317	879,234
Cash and cash equivalents *(Note 23)*. . . .	627,461	635,320	636,408	553,425
Restricted cash and term deposits *(Note 23)*.	90,391	45,058	49,239	40,094
	1,178,136	1,344,729	1,404,964	1,472,753
Financial assets at FVOCI.	1,035	1,052	968	968
	1,179,171	1,345,781	1,405,932	1,473,721
Financial liabilities				
Financial liabilities at amortized cost				
Trade and other payable (excluding payroll payable and other taxes payables) *(Note 27)*	688,636	722,000	708,982	712,642
Lease liabilities *(Note 17)*	46,971	41,932	32,013	26,404
	735,607	763,932	740,995	739,046

The Group's exposure to various risks associated with the financial instruments have been set out in Note 3. The maximum exposure to credit risk at the end of each reporting period is the carrying amount of each class of financial assets mentioned above.

The Company

	As at December 31,			As at June 30,
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
Financial assets at amortized cost				
Trade and other receivables (excluding deductible input value-added tax, prepayments and deferred **[REDACTED]** expense) *(Note 22)*	137,398	236,356	308,591	372,109
Cash and cash equivalents *(Note 23)*	112,917	236,996	233,998	201,925
Restricted cash and term deposits *(Note 23)*	44,858	30,076	30,212	30,235
	295,173	503,428	572,801	604,269
Financial assets at FVOCI	910	927	843	843
	296,083	504,355	573,644	605,112
Financial liabilities				
Financial liabilities at amortized cost				
Trade and other payable (excluding payroll payable and other taxes payables) *(Note 27)*	332,555	476,609	436,498	464,891
Lease liabilities	4,356	243	361	292
	336,911	476,852	436,859	465,183

22 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

The Group

	As at December 31,			As at June 30,
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Included in current assets:				
Trade receivables *(a)*				
— Related parties *(Note 30(c))*	101,522	157,006	199,713	249,674
— Third parties	236,274	366,291	370,742	462,682
	337,796	523,297	570,455	712,356
Less: allowance for impairment of trade receivables	(44,857)	(54,333)	(63,508)	(76,789)
	292,939	468,964	506,947	635,567
Other receivables				
— Payments on-behalf of third parties *(c)*	46,152	61,344	82,934	89,890
— Amounts due from related parties *(Notes c and 30(c))*	90,801	101,394	112,150	135,187
— Deposits paid	22,114	21,532	22,714	23,314
— Advance to employees	2,006	3,898	2,641	2,768
— Deductible input value-added tax	13,944	3,602	2,810	4,435
— Loans to related parties *(Notes b and 30(c))*	3,319	3,319	—	—
— Receivables related to sub-lease income	1,040	1,750	1,165	1,165
— Notes receivable	—	—	70	—
— Others	4,025	6,232	4,565	5,672
	183,401	203,071	229,049	262,431
Less: allowance for impairment of other receivables	(14,227)	(15,232)	(13,869)	(14,329)
	169,174	187,839	215,180	248,102
Prepayments				
— Related parties *(Note 30(c))*	1,080	700	300	300
— Third parties	14,193	16,400	13,865	16,589
	15,273	17,100	14,165	16,889
Deferred **[REDACTED]** expense	—	10,003	19,387	20,471
Total	477,386	683,906	755,679	921,029

	As at December 31,			As at June 30,
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Included in non-current assets:				
Other receivables				
— Long-term receivables related to sub-lease income	12,310	11,349	—	—
Less: allowance for impairment of other receivables	(195)	(199)	—	—
	12,115	11,150	—	—
Prepayments for purchases of property, plant and equipment and intangible asset				
— Related parties *(Note 30(c))*	—	—	3,355	—
— Third parties	—	—	717	717
	—	—	4,072	717
Total	12,115	11,150	4,072	717

The Company

	As at December 31,			As at June 30,
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Included in current assets:				
Trade receivables *(a)*				
— Related parties	17,824	18,646	29,561	33,789
— Third parties	94,700	176,382	136,908	201,360
	112,524	195,028	166,469	235,149
Less: allowance for impairment of trade receivables	(13,232)	(16,353)	(16,988)	(20,751)
	99,292	178,675	149,481	214,398
Other receivables				
— Dividends receivable	—	17,558	112,862	105,206
— Payments on-behalf of third parties *(c)*	11,473	12,565	21,861	25,424
— Deposits paid	11,990	12,733	14,136	13,725
— Amounts due from subsidiaries	274	8,703	9,862	11,282
— Amounts due from other related parties	17,020	6,917	5,974	6,066
— Loans to related parties	3,319	3,319	—	—
— Deductible input value-added tax	13,518	2,457	1,011	1,583
— Advance to employees	1,231	2,011	1,689	1,808
— Others	2,251	3,835	2,259	3,749
	61,076	70,098	169,654	168,843
Less: allowance for impairment of other receivables	(9,452)	(9,960)	(9,533)	(9,549)
	51,624	60,138	160,121	159,294
Prepayments				
— Related parties	—	4	—	—
— Third parties	4,115	6,531	7,355	8,016
	4,115	6,535	7,355	8,016
Deferred **[REDACTED]** expense	—	10,003	19,387	20,471
Total	155,031	255,351	336,344	402,179
Included in non-current assets:				
Prepayments for property, plant and equipment and intangible asset				
— Related parties	—	—	3,355	—

(a) Trade receivables

Trade receivables are amounts due from customers in the ordinary course of business. The aging analysis of trade receivables based on invoice date is as follows:

The Group

	As at December 31,			As at June 30,
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	278,386	470,962	478,801	558,975
1 to 2 years	29,056	12,638	50,408	96,197
2 to 3 years	6,893	15,336	7,038	20,647
Over 3 years	23,461	24,361	34,208	36,537
	337,796	523,297	570,455	712,356

The Company

	As at December 31,			As at June 30,
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	98,739	181,448	144,060	203,992
1 to 2 years	1,474	2,619	11,135	11,033
2 to 3 years	336	262	750	9,006
Over 3 years	11,975	10,699	10,524	11,118
	112,524	195,028	166,469	235,149

As at December 31, 2021, 2022 and 2023 and June 30, 2024, trade receivables were all denominated in RMB.

There is no concentration of credit risk with respect to trade receivables as the Group has a large number of customers.

(b) The loans provided by the Group to related parties were unsecured. The interest-free loans and the loan with interest rates ranging from 1.35% to 4.35% per annum were fully repaid prior to July 13, 2021, while the balances as at December 31, 2021 and 2022 represented the interests receivable.

(c) The amounts mainly represented the payments of utilities expenses on behalf of tenants and property owners and housing maintenance funds which are expected to be recovered on demand.

(d) See Note 3.1.2 for a description of the Group's impairment policies for trade and other receivables.

23 CASH AND CASH EQUIVALENTS

The Group

	As at December 31,			As at June 30,
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash at bank and on hand *(a)*	717,852	680,378	685,647	593,519
Less: Restricted cash *(b)*	(23,044)	(801)	(5,342)	(3,922)
Term deposits *(c)*	(67,347)	(44,257)	(43,897)	(36,172)
Cash and cash equivalents	627,461	635,320	636,408	553,425

The Company

	As at December 31,			As at June 30,
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash at bank and on hand *(a)*	157,775	267,072	264,210	232,160
Less: Restricted cash *(b)*	(14,858)	(1)	(77)	(235)
Term deposits *(c)*	(30,000)	(30,075)	(30,135)	(30,000)
Cash and cash equivalents	112,917	236,996	233,998	201,925

(a) Cash at bank and on hand was denominated in the following currencies:

The Group

	As at December 31,			As at June 30,
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
RMB	714,077	676,295	681,464	589,337
HKD	3,775	4,083	4,183	4,182
	717,852	680,378	685,647	593,519

The Company

	As at December 31,			As at June 30,
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
RMB	157,775	267,072	264,210	232,160

(b) The Group's restricted cash were mainly comprised deposits placed with the banks for certain performance guarantees and bank deposits as temporarily frozen for pending litigations. As at December 31, 2021, 2022 and 2023 and June 30, 2024, the restricted cash of the performance guarantee amounted to RMB18,175,000, RMB762,000, RMB361,000 and RMB1,220,000, respectively. As at December 31, 2021, 2022 and 2023 and June 30, 2024, the bank deposits as temporarily frozen for pending litigations amounted to RMB4,869,000, RMB39,000, RMB4,981,000 and RMB2,702,000, respectively.

(c) These term deposits were with original maturity of more than three months. The effective interest rate of these deposits during the Track Record Period ranged from 1.45% to 3.82% per annum.

(d) As at December 31, 2021, 2022 and 2023 and June 30, 2024, cash and cash equivalents did not include housing maintenance funds of RMB55,234,000, RMB51,492,000, RMB52,938,000 and RMB53,473,000, respectively, which were owned by the property owners but were deposited in the bank accounts in the name of the Group. Such deposits can be used by the Group for the purpose of public maintenance expenditures to be incurred at the sole discretion and approval of the relevant government authorities.

24 SHARE CAPITAL

The Group and the Company

	Number of ordinary shares	Paid-in capital/ share capital
		RMB'000
As at January 1, 2021	—	30,000
Increase of paid-in capital and share capital by capitalization of reserves *(Note 1.2)*	—	30,000
Increase of paid-in capital and share capital by injection of Transferred Subsidiaries and a joint venture to the Group during the Reorganization *(Notes 1.2 and 25(c))*	—	61,288
As at December 31, 2021	—	121,288
Allotment of ordinary shares during the joint-stock reform *(Note 25(b))*	121,287,867	—
As at December 31, 2022 and 2023 and June 30, 2024	121,287,867	121,288

25 RESERVES

The Group

	Statutory reserves	FVOCI reserves	Other reserves	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balance at January 1, 2021	20,621	292	102,317	123,230
Deemed contribution from the owners of the Company *(c)*	—	—	211,739	211,739
Capitalization of reserves *(Note 1.2)*	(7,500)	—	(22,500)	(30,000)
Appropriation to statutory reserves *(a)*	7,261	—	—	7,261
Changes in fair value of financial assets at FVOCI	—	15	—	15
Balance at December 31, 2021	20,382	307	291,556	312,245
Balance at January 1, 2022	20,382	307	291,556	312,245
Capitalization of reserves upon joint-stock reform *(b)*	(10,113)	(275)	104,169	93,781
Changes in fair value of financial assets at FVOCI	—	13	—	13
Appropriation to statutory reserves *(a)*	7,097	—	—	7,097
Balance at December 31, 2022	17,366	45	395,725	413,136
Balance at January 1, 2023	17,366	45	395,725	413,136
Changes in fair value of financial assets at FVOCI	—	(63)	—	(63)
Appropriation to statutory reserves *(a)*	24,677	—	—	24,677
Balance at December 31, 2023 and June 30, 2024	42,043	(18)	395,725	437,750
(Unaudited)				
Balance at January 1, 2023	17,366	45	395,725	413,136
Changes in fair value of financial assets at FVOCI	—	(44)	—	(44)
Balance at June 30, 2023	17,366	1	395,725	413,092

The Company

	Statutory reserves	FVOCI reserves	Other reserves	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balance at January 1, 2021	17,613	292	25,586	43,491
Deemed contribution from the owners of the Company	—	—	378,268	378,268
Capitalization of reserves *(Note 1.2)*	(7,500)	—	(22,500)	(30,000)
Appropriation to statutory reserves *(a)*	5,154	—	—	5,154
Changes in fair value of financial assets at FVOCI	—	15	—	15
Balance at December 31, 2021	15,267	307	381,354	396,928

	Statutory reserves	FVOCI reserves	Other reserves	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balance at January 1, 2022	15,267	307	381,354	396,928
Appropriation to reserves upon joint-stock reform *(b)*	(10,113)	(275)	104,169	93,781
Changes in fair value of financial assets at FVOCI	—	13	—	13
Appropriation to statutory reserves	4,641	—	—	4,641
Balance at December 31, 2022	9,795	45	485,523	495,363
Balance at January 1, 2023	9,795	45	485,523	495,363
Changes in fair value of financial assets at FVOCI	—	(63)	—	(63)
Appropriation to statutory reserves	18,467	—	—	18,467
Balance at December 31, 2023 and June 30, 2024	28,262	(18)	485,523	513,767
(Unaudited)				
Balance at January 1, 2023	9,795	45	485,523	495,363
Changes in fair value of financial assets at FVOCI	—	(44)	—	(44)
Balance at June 30, 2023	9,795	1	485,523	495,319

(a) In accordance with relevant rules and regulations in the PRC, and article of association, all PRC companies are required to transfer 10% of their profit after taxation calculated under the PRC accounting rules and regulations to the statutory reserves, until the accumulated total of the fund reaches 50% of their respective registered capital. The statutory reserve fund can only be used, upon approval by the relevant authority, to offset losses carried forward from previous years or to increase capital of the respective companies.

(b) In September 2022, the Company was converted from a limited liability company into a joint stock limited liability company with share capital of RMB121,287,867, which is the same as the paid-in capital before conversion. The Company issued and allotted 121,287,867 ordinary shares with par value of RMB1 each to the respective owners of the Company in accordance with the proportion of their paid-in capital to the Company. The Company has transferred retained earnings of RMB93,781,000, FVOCI reserves of RMB275,000 and statutory reserve of RMB10,113,000 to capital surplus as included in other reserves for the purpose of the joint-stock reform.

(c) As disclosed in Note 1.2, the Company acquired the equity interests in the Transferred Subsidiaries and the Joint Venture in September 2021 by the issuance of 61,287,867 ordinary shares as the settlement consideration. Meanwhile, to maintain the concentration of the business, the Group also disposed certain assets and a subsidiary to the fellow subsidiaries.

The resulting deemed contributions represented: (i) during the acquisition of Transferred Subsidiaries, RMB41,825,000 was transferred to paid-in capital; (ii) the excess of the aggregated net asset values of the Joint Venture over the nominal value of 19,463,000 ordinary shares issued by the Company as consideration for the acquisition of the Joint Venture of RMB243,942,000; (iii) the Group disposed of certain buildings to the Group's fellow subsidiaries at a nil or notional consideration, which resulted in net gains of RMB8,532,000; and (iv) a gain of RMB1,090,000 arising from the disposal of Shenzhen Pengji Property Operational Co., Ltd. to Shenzhen Shum Yip Asset Management Co., Ltd. (深圳深業資產管理有限公司).

26 DEFERRED INCOME TAX

The analysis of deferred income tax assets and deferred income tax liabilities is as follows:

	As at December 31,			As at June 30,
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deferred income tax assets:				
— To be recovered after more than 12 months	6,327	13,151	6,289	5,873
— To be recovered within 12 months	30,510	32,499	37,869	40,912
	36,837	45,650	44,158	46,785
Set-off of deferred income tax liabilities pursuant to set-off provisions	(10,650)	(10,135)	(7,480)	(6,073)
Net deferred income tax assets	26,187	35,515	36,678	40,712
Deferred income tax liabilities:				
— To be settled after more than 12 months	5,953	7,188	4,275	3,383
— To be settled within 12 months	4,697	2,947	3,205	2,690
	10,650	10,135	7,480	6,073
Set-off of deferred income tax assets pursuant to set-off provisions	(10,650)	(10,135)	(7,480)	(6,073)
Net deferred income tax liabilities	—	—	—	—

The movement in deferred income tax assets and liabilities during the Track Record Period, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

(i) Deferred income tax assets:

	Allowance for impairment of financial assets	Tax losses	Accrued expenses	Lease liabilities	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2021	12,173	2,396	5,344	7,047	1,097	28,057
Credited to profit or loss	2,613	92	1,253	3,690	1,132	8,780
At December 31, 2021	14,786	2,488	6,597	10,737	2,229	36,837
At January 1, 2022	14,786	2,488	6,597	10,737	2,229	36,837
Credited/(charged) to profit or loss	2,653	5,400	(27)	(219)	1,006	8,813
At December 31, 2022	17,439	7,888	6,570	10,518	3,235	45,650
At January 1, 2023	17,439	7,888	6,570	10,518	3,235	45,650
Credited/(charged) to profit or loss	1,902	(3,231)	2,463	(2,516)	(110)	(1,492)
At December 31, 2023	19,341	4,657	9,033	8,002	3,125	44,158
At January 1, 2024	19,341	4,657	9,033	8,002	3,125	44,158
Credited/(charged) to profit or loss	3,435	(2,714)	2,576	(1,401)	731	2,627
At June 30, 2024	22,776	1,943	11,609	6,601	3,856	46,785

Deferred income tax assets are recognized for tax losses carried forward to the extent that the realization of the related tax benefits through future taxable profits is probable. For the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, the unused tax losses not recognized as deferred income tax assets amounting to RMB26,485,000, RMB5,789,000, RMB5,576,000 and RMB2,261,000, respectively, which can be carried forward against future taxable income under the PRC enterprise income tax law and these tax losses will expire at various dates during 2026 to 2028. As at December 31, 2021, 2022 and 2023 and June 30, 2024, the accumulated unused tax losses not recognized as deferred income tax assets amounting to RMB52,170,000, RMB33,737,000, RMB39,176,000 and RMB35,242,000.

(ii) Deferred income tax liabilities:

	Right-of-use assets	Fair value changes of financial assets at FVOCI	Total
	RMB'000	*RMB'000*	*RMB'000*
At January 1, 2021	6,920	97	7,017
Charged to profit or loss	3,627	—	3,627
Charged to other comprehensive income	—	6	6
At December 31, 2021	10,547	103	10,650
At January 1, 2022	10,547	103	10,650
Credited to profit or loss	(519)	—	(519)
Charged to other comprehensive income	—	4	4
At December 31, 2022	10,028	107	10,135
At January 1, 2023	10,028	107	10,135
Credited to profit or loss	(2,634)	—	(2,634)
Credited to other comprehensive loss	—	(21)	(21)
At December 31, 2023	7,394	86	7,480
At January 1, 2024	7,394	86	7,480
Credited to profit or loss	(1,407)	—	(1,407)
At June 30, 2024	5,987	86	6,073

27 TRADE AND OTHER PAYABLES

The Group

	As at December 31,			As at June 30,
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables *(a)*				
— Related parties *(Note 30(c))*	4,595	14,449	27,569	34,343
— Third parties	120,076	162,168	165,327	183,038
	124,671	176,617	192,896	217,381
Other payables				
— Payroll payable	219,061	224,305	231,073	215,368
— Receipts on-behalf of third parties *(c)*	173,580	161,906	160,869	168,799
— Deposits received	149,372	157,445	167,333	178,484
— Due to related parties *(Notes b and 30(c))*	136,327	134,053	119,179	102,227
— Loans from related parties *(Notes b and 30(c))*	42,245	19,630	9,630	—
— Other taxes payables	27,612	35,762	34,424	30,899
— Dividends payable *(Note 30(c))*	13,450	13,450	13,450	13,450
— **[REDACTED]** expense payables	—	10,175	7,979	3,339
— Accruals and others	48,991	48,724	37,646	28,962
	810,638	805,450	781,583	741,528
Trade and other payables	935,309	982,067	974,479	958,909

(a) The aging analysis of trade payables based on the invoice date was as follows:

	As at December 31,			As at June 30,
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Less than 60 days	93,409	122,981	111,707	115,694
61 to 180 days	13,135	31,556	34,738	47,195
181 to 365 days	12,439	11,711	21,371	17,905
Over 365 days	5,688	10,369	25,080	36,587
	124,671	176,617	192,896	217,381

(b) Except for the loans from related parties as at December 31, 2021 of RMB20,000,000 which bear interests at fixed rates of 3.92% per annum, the other payable balances due to related parties are unsecured, interest-free and have no fixed terms of repayment.

(c) The amounts mainly represented utilities expenses temporarily collected from property owners and tenants to be paid to the related utilities operators, appropriated housing maintenance and the rental income as collected from lessees to be returned to the property owners.

The Company

	As at December 31,			As at June 30,
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables *(d)*				
— Related parties	1,525	2,338	1,108	5,110
— Third parties	48,695	72,569	66,773	79,430
	50,220	74,907	67,881	84,540
Other payables				
— Due to subsidiaries *(e)*	177,842	274,745	256,636	274,195
— Payroll payable	82,351	95,279	105,361	109,513
— Receipts on-behalf of third parties *(c)*	37,917	50,838	46,942	48,571
— Deposits received	18,577	20,132	21,500	23,406
— Due to other related parties	33,208	34,618	24,092	21,472
— Other taxes payables	8,802	13,080	10,466	8,255
— **[REDACTED]** expense payables	—	10,175	7,979	3,339
— Accruals and others	14,791	11,194	11,468	9,368
	373,488	510,061	484,444	498,119
Trade and other payables	423,708	584,968	552,325	582,659

(d) The aging analysis of trade payables based on the invoice date was as follows:

	As at December 31,			As at June 30,
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Less than 60 days	42,740	48,417	37,211	54,711
61 to 180 days	953	17,790	15,164	14,187
181 to 365 days	5,943	3,207	2,117	2,105
Over 1 year	584	5,493	13,389	13,537
	50,220	74,907	67,881	84,540

(e) The amounts due to subsidiaries are unsecured, interest-free and repayable on demand.

28 CASH FLOW INFORMATION

(a) Cash generated from operations

	Year ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Profit before income tax	108,863	155,924	216,748	109,195	123,314
Adjustments for:					
— Depreciation of right-of-use assets	19,215	23,080	13,914	6,739	7,045
— Depreciation of property, plant and equipment	25,935	27,270	28,254	13,766	13,854
— Depreciation of investment properties	2,188	—	—	—	—
— Amortization of intangible assets	275	441	812	386	873
— Net impairment losses on financial assets	10,491	10,485	7,613	3,129	13,741
— Finance income *(Note 12)*	(5,595)	(6,100)	(6,334)	(3,403)	(2,863)
— Finance costs *(Note 12)*	2,950	3,135	1,715	964	724
— Interest income on loans to related parties *(Note 9)*	(1,222)	—	—	—	—
— Net losses on disposal of property, plant and equipment and investment properties *(Note 10)*	90	125	37	47	20
— Net losses of termination of leases *(Note 10)*	—	—	439	463	—
— Share of results of joint ventures and associates *(Note 19)*	(4,258)	(11,144)	(10,943)	(6,897)	(7,662)
Changes in working capital:					
— (Increase)/decrease in restricted cash	(15,656)	22,243	(4,541)	(1,089)	1,420
— Decrease/(increase) in inventories	266	41	57	75	(141)
— Increase in trade and other receivables and prepayments	(44,068)	(216,137)	(72,680)	(20,878)	(179,090)
— (Decrease)/increase in contract liabilities	(8,723)	(6,347)	(10,652)	3,489	8,331
— Increase/(decrease) in trade and other payables	3,605	59,416	7,925	(39,062)	(1,793)
Cash generated from/ (used in) operations	94,356	62,432	172,364	66,924	(22,227)

(b) Major non-cash investing and financing activities

During the Track Record Period, the major non-cash investing and financing activities include the followings:

— the additions to right-of-use assets for the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2023 and 2024 are disclosed in Note 17(a) and the additions to lease liabilities for the respective years/periods amounted to RMB32,770,000, RMB17,822,000, RMB17,523,000, RMB13,495,000 and RMB1,414,000, respectively.

— other receivables decreased by nil, nil, RMB12,081,000, RMB12,081,000 and nil and lease liabilities decreased by nil, nil, RMB11,616,000, RMB11,616,000 and nil, respectively, due to the early termination of the head lease arrangement and sub-lease arrangement for the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2023 and 2024; right-of-use assets decreased by nil, nil, RMB1,041,000, RMB722,000 and nil, and lease liabilities decreased by nil, nil, RMB1,067,000, RMB724,000 and nil respectively, due to the early termination of other lease contracts.

— the increase in the Company's registered capital through the capitalization of reserves during the year ended December 31, 2021 (Notes 1.2 and 25).

— the allotment and issuance of shares by the Company as a consideration to acquire the equity interests in the Transferred Subsidiaries and the Joint Venture as part of the Reorganization (Notes 1.2 and 25). Upon the completion of the Reorganization, the Company's paid-in capital and investments in a joint venture increased by RMB61,288,000 and RMB263,405,000, respectively.

(c) Reconciliation of liabilities arising from financing activities

	Lease liabilities	**Loans from related parties**
	RMB'000	*RMB'000*
At January 1, 2021	33,444	21,630
Cash flows		
— Inflow from financing activities	—	100,000
— Outflow from financing activities	(21,463)	(80,000)
Non-cash changes		
— Interest expenses	2,220	615
— Addition due to new lease contracts	32,770	—
At December 31, 2021	46,971	42,245
At January 1, 2022	46,971	42,245
Cash flows		
— Outflow from financing activities	(25,360)	(23,209)
Non-cash changes		
— Interest expenses	2,499	594
— Addition due to new lease contracts	17,822	—
At December 31, 2022	41,932	19,630

	Lease liabilities	Loans from related parties
	RMB'000	*RMB'000*
At January 1, 2023	41,932	19,630
Cash flows		
— Outflow from financing activities	(16,456)	(10,000)
Non-cash changes		
— Interest expenses	1,697	—
— Addition due to new lease contracts	17,523	—
— Early termination of lease contracts	(12,683)	—
At December 31, 2023	32,013	9,630
At January 1, 2024	32,013	9,630
Cash flows		
— Outflow from financing activities	(7,736)	(9,630)
Non-cash changes		
— Interest expenses	713	—
— Addition due to new lease contracts	1,414	—
At June 30, 2024	26,404	—
At January 1, 2023	41,932	19,630
Cash flows		
— Outflow from financing activities	(8,038)	—
Non-cash changes		
— Interest expenses	900	—
— Addition due to new lease contracts	13,495	—
— Early termination of lease contracts	(12,340)	—
At June 30, 2023	35,949	19,630

29 COMMITMENTS

(a) Operating lease commitments

The future aggregate minimum lease payments under non-cancellable short-term leases contracted for but not recognized as liabilities at each reporting date are as follows:

	As at December 31,			As at June 30,	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Within 1 year	30,534	28,698	18,150	19,769	24,108

(b) Capital commitments

Significant capital expenditure contracted for property, plant and equipment, intangible assets and investment in a joint venture at the end of the reporting year but not recognized as liabilities is as follows:

	As at December 31,			As at June 30,	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Property, plant and equipment	—	—	4,199	7,290	—
Intangible assets	—	7,571	8,293	8,039	1,364
Investment in a joint venture	—	9,800	—	—	—

30 SIGNIFICANT RELATED PARTY TRANSACTIONS

The Company is controlled by the Shum Yip Group, which is a government-related enterprise established in the PRC by Shenzhen State-owned Assets Supervision and Administration Commission of the State Council ("**Shenzhen SASAC**"). In accordance with HKAS 24 (Revised), "Related Party Disclosures", issued by the HKICPA, government-related entities and their subsidiaries, directly or indirectly controlled, jointly controlled or significantly influenced by the government are defined as related parties of the Group. On that basis, related parties include Shum Yip Group, its subsidiaries (other than the Group), joint ventures and associates, entities controlled by Shenzhen SASAC, other entities and corporations in which the Group is able to exercise significant influence and key management personnel of the Company and as well as their close family members. The Group's significant transactions and balances with the PRC government and other entities controlled, jointly controlled or significantly influenced by the PRC government mainly include revenue, cost of services, trade and other receivables, trade and other payables, restricted cash and term deposits, cash and cash equivalents. The directors of the Company believe that the meaningful information of related party transactions has been adequately disclosed in this Historical Financial Information.

Apart from those related party transactions disclosed elsewhere in Historical Financial Information, the following is a summary of the Group's significant transactions with related parties:

(a) Related party transactions

	Year ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Revenue from rendering of services to					
— Entities controlled by the Ultimate Controlling Shareholder	130,665	217,244	235,518	95,495	132,020
— Joint ventures and associates of the Ultimate Controlling Shareholder	5,354	11,100	26,580	13,465	11,059
	136,019	228,344	262,098	108,960	143,079
Purchase of property from the immediate holding company	141,773	—	—	—	—
Purchase of intangible assets from the Ultimate Controlling Shareholder	—	2,836	90	90	7,912
Purchase of goods or services from					
— Entities controlled by the Ultimate Controlling Shareholder	6,790	12,565	11,467	9,357	4,817
— Joint ventures and associates of the Ultimate Controlling Shareholder	14,877	15,515	16,873	7,725	5,445
	21,667	28,080	28,340	17,082	10,262
Advance of loans to related parties					
— Entities controlled by the Ultimate Controlling Shareholder	220,682	—	—	—	—

	Year ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Repayments of loans from related parties — Entities controlled by the Ultimate Controlling Shareholder	372,790	—	—	—	—
Repayments of interest from related parties — Entities controlled by the Ultimate Controlling Shareholder	11,486	—	—	—	—
Loan from related parties — Entities controlled by the Ultimate Controlling Shareholder	100,000	—	—	—	—
Repayments of loans to related parties — Entities controlled by the Ultimate Controlling Shareholder	80,000	22,000	10,000	—	9,630
Additions of right-of-use assets — Entities controlled by the Ultimate Controlling Shareholder	1,326	12,826	10,079	10,079	111
Repayments of interest to related parties — Entities controlled by the Ultimate Controlling Shareholder	—	1,209	3,319	—	—
Interest income on loans to related parties — Entities controlled by the Ultimate Controlling Shareholder	1,222	—	—	—	—

	Year ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Interest expenses on loans from related parties					
— Entities controlled by the Ultimate Controlling Shareholder	615	594	—	—	—
Interest expenses on lease liabilities					
— Entities controlled by the Ultimate Controlling Shareholder	606	861	996	459	415
Payments for short-term lease expenses					
— Entities controlled by the Ultimate Controlling Shareholder	40,790	42,244	52,079	20,498	19,447
Disposal of a wholly-owned subsidiary to					
— Entities controlled by the Ultimate Controlling Shareholder	9,850	—	—	—	—
Dividend income from related parties					
— Joint ventures and associates of the Ultimate Controlling Shareholder	1,343	14,469	14,921	14,896	—

(i) The abovementioned transactions with related parties were conducted in accordance with the terms as mutually agreed among the parties in concern.

(b) Key management personnel compensation

The total transaction and payable balances of compensation to key management personnel are,

	Year ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Short term employee benefits	4,286	5,307	6,190	2,733	2,356
Post-employment benefits	464	559	704	320	211
Total compensation paid to key management personnel	4,750	5,866	6,894	3,053	2,567

As at December 31, 2021, 2022 and 2023 and June 30, 2024, the compensation payable to the key management personnel amounted to RMB1,703,000, RMB2,001,000, RMB2,826,000 and RMB528,000 respectively. Key management personnel represent general manager and deputy general managers of the Company.

(c) Year/Period end balances with related parties

All the receivable or payable balances with related parties below were unsecured and repayable on demand.

	As at December 31			As at June 30,
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables due from				
— Entities controlled by the Ultimate Controlling Shareholder	91,580	146,866	187,922	235,707
— Joint ventures and associates of the Ultimate Controlling Shareholder	9,942	10,140	11,791	13,967
	101,522	157,006	199,713	249,674
Prepayments to				
— Entities controlled by the Ultimate Controlling Shareholder	1,080	700	3,655	300
Other receivables due from				
Trade in nature				
— Entities controlled by the Ultimate Controlling Shareholder	90,639	101,134	111,001	135,044
— Associates of the Ultimate Controlling Shareholder	162	260	1,149	143
	90,801	101,394	112,150	135,187

	As at December 31			As at June 30,
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-trade in nature				
— Entities controlled by the Ultimate Controlling Shareholder	3,319	3,319	—	—
Trade payables due to				
— Entities controlled by the Ultimate Controlling Shareholder	4,348	12,540	24,892	30,907
— Associates of the Ultimate Controlling Shareholder	247	1,909	2,677	3,436
	4,595	14,449	27,569	34,343
Other payables due to				
Trade in nature				
— Entities controlled by the Ultimate Controlling Shareholder	136,275	132,986	118,157	101,197
— Joint ventures and associates of the Ultimate Controlling Shareholder	52	1,067	1,022	1,030
	136,327	134,053	119,179	102,227
Non-trade in nature				
— Entities controlled by the Ultimate Controlling Shareholder	42,245	19,630	9,630	—
Dividends payable				
— Entities controlled by the Ultimate Controlling Shareholder	13,450	13,450	13,450	13,450
Contract liabilities				
— Entities controlled by the Ultimate Controlling Shareholder	—	20	301	42
Lease liabilities				
— Entities controlled by the Ultimate Controlling Shareholder	9,781	15,037	19,273	15,129

31 CONTINGENT LIABILITIES

The Group had no material contingent liabilities outstanding as of December 31, 2021, 2022 and 2023 and June 30, 2024.

32 SUBSEQUENT EVENTS

The Group does not have significant events after the end of the Track Record Period which may result in adjustments or additional disclosure to be made in this Historical Financial Information.

33 SUBSIDIARIES

The following is a list of principal subsidiaries as at December 31, 2020, 2021 and 2022 and June 30, 2023 and June 30, 2024, all of these are limited liability companies.

Name of companies	Place and date of incorporation	Principal activities and place of operation	Registered and paid up capital	Effective equity interest held					Note
				As at December 31			As at June 30,	As at the date of this report	
				2021	2022	2023	2024		
深業城市運營服務(深圳)有限公司 (Shum Yip City Operation Service (Shenzhen) Co., Ltd.*)	The PRC, August 28, 2020	Property management in the PRC	RMB10,000,000 /RMB6,500,000	100%	100%	100%	100%	100%	(iii) (v) (x)
深圳市萬廈居業有限公司 (Shenzhen Wansha Household Co., Ltd.*)	The PRC, June 10, 1987	Property management in the PRC	RMB15,000,000 /RMB15,000,000	100%	100%	100%	100%	100%	(iii) (vi) (x)
深圳市萬廈環境服務有限公司 (Shenzhen Wansha Environmental Service Co., Ltd.*)	The PRC, March 26, 1999	Property management in the PRC	RMB600,000 /RMB600,000	50%	50%	50%	50%	50%	(ii) (iv) (vii) (xi)
深圳市鵬基物業管理服務有限公司 (Shenzhen Pengji Property Management Service Co., Ltd.*)	The PRC, May 11, 1985	Property management in the PRC	RMB10,300,803.37 /RMB10,300,803.37	100%	100%	100%	100%	100%	(iv) (vi) (x)
深圳市鵬基勞動服務有限公司 (Shenzhen Pengji Labor Service Co., Ltd.*)	The PRC, March 26, 1993	Property management in the PRC	RMB1,100,000 /RMB1,100,000	95%	95%	95%	95%	95%	(iii) (vi) (x)
廣州鵬基物業管理服務有限公司 (Guangzhou Pengji Property Management Service Co., Ltd.*)	The PRC, May 23, 2006	Property management in the PRC	RMB1,000,000 /RMB1,000,000	100%	100%	100%	100%	100%	(iii) (vi) (x)
南京鵬基物業管理服務有限公司 (Nanjing Pengji Property Management Service Co., Ltd.*)	The PRC, February 20, 2006	Property management in the PRC	RMB1,500,000 /RMB1,500,000	100%	100%	100%	100%	100%	(iii) (vi) (x)
北海宜達貿易有限公司 (Beihai Yida Trading Co., Ltd.*)	The PRC, June 23, 1998	Property management in the PRC	RMB4,200,000 /RMB4,200,000	75%	75%	75%	75%	75%	(iv) (vii) (xi)
深圳市鵬基物業管理有限公司 (Shenzhen Pengji Property Management Co., Ltd.*)	The PRC, December 17, 1997	Property management in the PRC	RMB10,000,000 /RMB10,000,000	100%	100%	100%	100%	100%	(iii) (vi) (x)
深業商業管理有限公司 (Shum Yip Commercial Management Co., Ltd.*)	The PRC, February 27, 2019	Commercial property operation and management in the PRC	RMB50,000,000 /RMB50,000,000	100%	100%	100%	100%	100%	(iii) (v) (ix)
深業商業管理(深圳)有限公司 (Shum Yip Commercial Management (Shenzhen) Co., Ltd.*)	The PRC, December 26, 2016	Commercial property operation and management in the PRC	RMB5,000,000/ RMB5,000,000	100%	100%	100%	100%	100%	(iii) (v) (ix)
深圳深業酒店管理有限公司 (Shenzhen Shum Yip Hotels Management Co., Ltd.*)	The PRC, January 20, 2010	Hotel management in the PRC	RMB2,000,000/ RMB2,000,000	100%	100%	100%	100%	100%	(iii) (v) (ix)
深業置地(深圳)物業管理有限公司 (Shum Yip Land (Shenzhen) Property Management Co., Ltd.*)	The PRC, November 12, 1999	Property management in the PRC	RMB5,000,000/ RMB5,000,000	100%	100%	100%	100%	100%	(iii) (vi) (x)
深業智慧園區運營(深圳)有限公司 (Shum Yip Smart Park (Shenzhen) Operation Co., Ltd.*)	The PRC, December 18, 2017	Property management in the PRC	RMB12,000,000 /RMB12,000,000	100%	100%	100%	100%	100%	(iii) (vi) (x)
深圳市泰然物業管理服務有限公司 (Shenzhen Terra Property Management Service Co., Ltd.*)	The PRC, October 11, 1993	Property management in the PRC	RMB5,060,000 /RMB5,060,000	100%	100%	100%	100%	100%	(iii) (vi) (x)
深業園區餐飲管理(深圳)有限公司 (Shum Yip Industrial Park Catering Management (Shenzhen) Co., Ltd.*)	The PRC, November 2, 2020	Property management in the PRC	RMB5,000,000 /RMB500,000	100%	100%	100%	100%	100%	(iv) (vii) (x)
深圳市深業智慧恒明運營有限公司 (Shenzhen Shum Yip Wisdom Hengming Operation Co., Ltd.*)	The PRC, October 13, 2020	Property management in the PRC	RMB20,000,000 /RMB5,000,000	51%	51%	51%	51%	51%	(iii) (vii) (xi) (xii)
西安深業智慧園區運營管理有限公司 (Xi'an Shum Yip Smart Park Operation Management Co., Ltd.*)	The PRC, September 20, 2019	Property management in the PRC	RMB10,000,000 /RMB4,000,000	51%	51%	51%	51%	51%	(iii) (vi) (x)
瀋陽深業智慧園區運營管理有限公司 (Shenyang Shum Yip Smart Park Operation Management Co., Ltd.*)	The PRC, December 18, 2020	Property management in the PRC	RMB20,000,000 /RMB5,000,000	51%	51%	51%	51%	51%	(iv) (vi) (x)
廣州深業智慧園區運營管理有限公司 (Guangzhou Shum Yip Smart Park Operation Management Co., Ltd.*)	The PRC, July 6, 2021	Property management in the PRC	RMB5,000,000 /RMB2,000,000	51%	51%	51%	51%	51%	(iv) (vii) (viii) (xi)
深圳市農科物業管理有限公司 (Shenzhen Nongke Property Management Co., Ltd.*)	The PRC, May 19, 2003	Property management in the PRC	RMB5,860,000 /RMB5,860,000	100%	100%	100%	100%	100%	(iii) (v) (ix)
深圳市深業泰富商業物業管理有限公司 (Shenzhen Shum Yip Taifu Commerce Property Management Co., Ltd.*)	The PRC, January 3, 2008	Property management in the PRC	RMB3,000,000 /RMB3,000,000	100%	100%	100%	100%	100%	(iii) (v) (ix)
深業泰富(成都)物業管理有限公司 (Shum Yip Taifu (Chengdu) Property Management Co., Ltd.*)	The PRC, July 3, 2008	Property management in the PRC	RMB1,000,000 /RMB1,000,000	100%	100%	100%	100%	100%	(iii) (v) (ix)

Name of companies	Place and date of incorporation	Principal activities and place of operation	Registered and paid up capital	Effective equity interest held As at December 31 2021	2022	2023	As at June 30, 2024	As at the date of this report	Note
湖南深業物業有限公司 (Hunan Shum Yip Property Co., Ltd.*)	The PRC, June 29, 2022	Property management in the PRC	RMB5,000,000 /RMB0	N/A	100%	100%	100%	100%	(vii) (viii) (xi)
青島鵬基物業管理有限公司 (Qingdao Pengji Property Management Co., Ltd.*)	The PRC, December 16, 2022	Property management in the PRC	RMB5,000,000 /RMB5,000,000	N/A	100%	100%	100%	100%	(vii) (viii) (xi)
深圳深業文旅有限公司 (Shum Yip Wenlv Co., Ltd.*)	The PRC, July 28, 2023	Sports and cultural fields operation and management in the PRC	RMB10,000,000 /RMB0	N/A	N/A	100%	100%	100%	(viii) (xi)
河南深業物業管理有限公司 (Henan Shum Yip Property Management Co., Ltd.*)	The PRC, October 9, 2023	Property management in the PRC	RMB5,000,000/ RMB0	N/A	N/A	100%	100%	100%	(viii) (xi)
深圳市龍華深業城市運營有限公司 (Shenzhen Longhua Shum Yip City Operation Service Co., Ltd.*)	The PRC, April 8, 2024	Property management in the PRC	RMB5,000,000/ RMB0	N/A	N/A	N/A	100%	100%	(viii) (xi)
深業商業管理(中山)有限公司 (Shum Yip Commercial Management (Zhongshan) Co., Ltd.*)	The PRC, May 14, 2024	Commercial property operation and management in the PRC	RMB1,000,000/ RMB0	N/A	N/A	N/A	100%	100%	(viii) (xi)

* The English names of the above entities represent the best efforts made by the management of the Company in translating their Chinese names as they do not have official English names.

(i) On December 24, 2021, the Company entered into an equity transfer agreement with Shenzhen Shum Yip Asset Management Co., Ltd. (深圳深業資產管理有限公司), pursuant to which Shenzhen Shum Yip Asset Management Co., Ltd. acquired and the Company sold 100% equity interest of Shenzhen Pengji Operational, for a consideration of RMB9,850,000. The cash consideration was received by the Group in January 2022.

(ii) The Group has 100% shareholders voting right of Shenzhen Wansha Environmental Service Co., Ltd., ("**Shenzhen Wansha**") pursuant to the act in concert agreement is entered into with the non-controlling shareholder of Shenzhen Wansha. Accordingly, Shenzhen Wansha is accounted for as a subsidiary of the Group.

(iii) The financial statements of these companies for the year ended December 31, 2021 were audited by PricewaterhouseCoopers Zhong Tian LLP, Shenzhen Branch (普華永道中天會計師事務所(特殊普通合夥)深圳分所).

(iv) No audited financial statements were issued for these companies for the year ended December 31, 2021 as they were newly incorporated or were not required to issue audited financial statements under the statutory requirements of their places of incorporation.

(v) The financial statements of these companies for the year ended December 31, 2022 were audited by PricewaterhouseCoopers Zhong Tian LLP, Shenzhen Branch (普華永道中天會計師事務所(特殊普通合夥)深圳分所).

(vi) The financial statements of these companies for the year ended December 31, 2022 were audited by Da Hua Certified Public Accountant LLP, Shenzhen Branch (大華會計師事務所(特殊普通合夥)深圳分所).

(vii) No audited financial statements will be issued for these companies for the year ended December 31, 2022 as they were newly incorporated or were not required to issue audited financial statements under the statutory requirements of their places of incorporation.

(viii) These subsidiaries were newly incorporated by the Group during the Track Record Period.

(ix) The financial statements of these companies for the year ended December 31, 2023 were audited by PricewaterhouseCoopers Zhong Tian LLP, Shenzhen Branch (普華永道中天會計師事務所(特殊普通合夥)深圳分所).

(x) The financial statements of these companies for the year ended December 31, 2023 were audited by Da Hua Certified Public Accountant LLP, Shenzhen Branch (大華會計師事務所(特殊普通合夥)深圳分所).

(xi) No audited financial statements will be issued for these companies for the year ended December 31, 2023 as they were newly incorporated or were not required to issue audited financial statements under the statutory requirements of their places of incorporation.

(xii) Shenzhen Shum Yip Wisdom Hengming Operation Co., Ltd was in the liquidation process during the period ended June 30, 2024. As at June 30, 2024, the liquidation process has not been completed.

34 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES

This note provides a list of other potentially material accounting policies adopted in the preparation of the Historical Financial Information. These policies have been consistently applied to all the years presented, unless otherwise stated.

34.1 Principles of consolidation and equity accounting

34.1.1 Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Except for business combination under common control, subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statements of profit or loss, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of financial position, respectively.

34.1.2 Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognized at cost.

34.1.3 Joint arrangements

Under HKFRS 11 Joint Arrangements investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. Currently, the Group only has the joint venture as disclosed in Note 19.

Interest in the joint venture is accounted for using the equity method, after initially being recognized at cost in the consolidated statements of financial position.

34.1.4 Equity method

Under the equity method of accounting, the investments are initially recognized at cost and adjusted thereafter to recognize the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint venture are recognized as a reduction in the carrying amount of the investment.

Where the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealized gains on transactions between the Group and its associates and joint venture are eliminated to the extent of the Group's interest in these entities. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 34.7.

34.1.5 Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognized in a separate reserve within equity attributable to owners of the Company.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognized in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income are reclassified to profit or loss where appropriate.

34.1.6 Business combination

(a) Business combinations under common control

The Historical Financial Information incorporate the financial information of the combining entities in which the common control combination occurs as if they had been combined from the date when the combining entities first came under the control of the controlling party.

The net assets of the combining entities are combined using the existing book values from the controlling parties' perspective. No amount is recognized in consideration for goodwill or excess of acquirers' interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interests.

The consolidated statements of profit or loss include the results of each of the combining entities from the earliest date presented or since the date when the combining entities first came under the common control, where there is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the Historical Financial Information are presented as if the entities had been combined at the previous year end date or when they first came under common control, whichever is shorter.

A uniform set of accounting policies is adopted by those entities. All intra-group transactions, balances and unrealized gains on transactions between combining entities are eliminated on consolidation.

Transaction costs, including professional fees, registration fees, costs of furnishing information to owners, costs or losses incurred in combining operations of the previously separate businesses, etc., incurred in relation to the common control combination that is to be accounted for by using merger accounting, are recognized as expenses in the period in which it is incurred.

(b) Business combinations not under common control

The acquisition method of accounting is used to account for all business combinations (excluding those involving entities under common control), regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the followings (if any):

- fair values of the assets transferred;
- liabilities incurred to the former owners of the acquired business;
- equity interests issued by the Group;
- fair value of any asset or liability resulting from a contingent consideration arrangement; and

- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquired entity, and the acquisition date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognized directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognized in profit or loss.

34.1.7 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

34.2 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker ("**CODM**"), who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors of the Company that make strategic decisions. The Group's customers include property owners, property developers, residents and tenants and they are all located in the PRC. No geographical segment information is therefore disclosed.

34.3 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial information of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). The functional currency of the Company is RMB. The Company's subsidiaries were incorporated in the PRC and these subsidiaries considered RMB as their functional currency. As the operations of the Group are within the PRC, the Group has determined RMB as its presentation currency and presented the Historical Financial Information in RMB (unless otherwise stated).

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognized in profit or loss.

Foreign exchange gains and losses that related to bank deposits are presented in the statement of profit or loss on a net basis within finance income — net.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognized in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as fair value through other comprehensive income are recognized in other comprehensive income.

34.4 Property, plant and equipment

Property, plant and equipment are stated at historical costs less accumulated depreciation and impairment (if any). Historical costs include expenditure that are directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognized when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 34.7).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in "other gains/(losses) — net" in the consolidated statements of profit or loss.

Construction in progress is stated at cost less accumulated impairment losses (if any). Cost includes all attributable costs of bringing the asset to working condition for its intended use. This includes direct costs of construction or installation as well as interest expense capitalized during the period of construction or installation. Capitalization of these costs will cease and the construction in progress is transferred to appropriate categories within property, plant and equipment when the construction activities necessary to prepare the assets for their intended use are completed. No depreciation is provided in respect of construction or installation in progress.

34.5 Investment properties

Investment properties, principally buildings, are held for long-term rental yields and are not occupied by the Group. Investment properties are stated of costs, less accumulated depreciation and impairment (if any). Depreciation is calculated using the straight-line method to allocate their cost over their useful lives or lease terms (if shorter) varying from 15 to 30 years.

34.6 Intangible assets

Acquired software are capitalized on the basis of the costs incurred to acquire and bring to use the specific software.

Costs associated with maintaining software are recognized as an expense as incurred.

34.7 Impairment of non-financial assets

Non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows, which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets (other than goodwill) that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

34.8 Investment and other financial assets

(a) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income ("**OCI**") or through profit or loss), and

- those to be measured at amortized cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(c) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The debt instruments as currently held by the Group are only in the category of assets measured at amortized cost.

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. A gain or loss on a debt investment that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is derecognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in "other gains/(losses) — net" together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated income statements.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognized in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognized in other gains/(losses) — net in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(d) Impairment

The Group assesses on a forward-looking basis the expected credit losses ("**ECL**") associated with its debt instruments carried at amortized cost and fair value through OCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. See Note 3.1.2 for further details.

34.9 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the assets and settle the liabilities simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

34.10 Inventories

Inventories mainly represent low-value consumables and are stated at the lower of cost and net realizable value. Cost is determined using the weighted average method. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

34.11 Trade and other receivables

Trade receivables are amounts due from customers for services provided in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognized initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognized at fair value. The Group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortized cost using the effective interest method.

34.12 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash. Bank deposits with restriction on their uses are included as "restricted cash and term deposits" in the consolidated statements of financial position. Restricted cash and term deposits are excluded from cash and cash equivalents.

34.13 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

34.14 Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares

- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares (if any).

(b) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and

- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

34.15 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

34.16 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred income tax assets and liabilities attributable to temporary differences and to unused tax losses. Current and deferred income tax is recognized in the consolidated statements of profit or loss and the consolidated statements of comprehensive income, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantially enacted at the end of the reporting period in the jurisdictions where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain treatment.

(b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Historical Financial Information. However, deferred income tax liabilities are not recognized if they arise from the initial recognition of goodwill. When the Company and its subsidiaries enter into a lease contract as a lessee and recognizes both a right-of-use asset and a lease liability, they give rise to equal taxable and deductible temporary differences upon entering the transaction. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

Deferred income tax liabilities and assets are not recognized for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Group are able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets and liabilities and when the deferred income tax balances relate to the same taxation authority. Current income tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

34.17 Employee benefits

(a) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognized in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the consolidated statements of financial position.

(b) Pension obligations

The Group only operates defined contribution pension plans. In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organized by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries. The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees' payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administrated funds managed by the governments.

The Group's contributions to the defined contribution retirement scheme are expensed as incurred.

(c) Housing funds, medical insurances and other social insurances

Employees of the Group in the PRC are entitled to participate in various government-supervised housing funds, medical insurances and other social insurances. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group's liability in respect of these funds is limited to the contributions payable in each year. Contributions to the housing funds, medical insurances and other social insurances are expensed as incurred.

34.18 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognized as interest expense.

34.19 Leases

The Group as lessee

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as of the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Payments associated with short-term leases of equipment and vehicles and leases of low value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option.

The Group's right-of-use assets consist of various leases for properties.

Right-of-use assets resulted from lease payments are stated at cost less accumulated depreciation and impairment losses (if any). Cost represents the amount of the initial measurement of lease liability, any lease payments made at or before the commencement date less any lease incentives received, any initial direct costs and restoration costs. Depreciation of lease payments is calculated on a straight-line basis over the lease terms is charged to profit or loss.

The Group as lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Lease income from operating leases where the Group is a lessor is recognized on a straight-line basis over the lease term.

Leases in which the Group transfers substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are classified as finance leases. At the commencement of the lease term, the aggregate of the minimum lease receivable at the inception of the lease and the initial direct costs is recognized as a finance lease receivable, and the unguaranteed residual value is recorded at the same time. The difference between the aggregate of the minimum lease receivable, the initial direct costs and the unguaranteed residual value, and the aggregate of their present values is recognized as unearned finance income.

Unearned finance income is recognized as finance income using the effective interest method over the lease term.

34.20 Government grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognized in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and they are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

34.21 Interest income

Interest income is recognized on a time-proportion basis using the effective interest method. Interest income is presented as financial income where it is earned from financial asset that are held for cash management purpose. Any other interest income is included in other income.

34.22 Dividend income

Dividend income is recognized when the right to receive payment is established.

34.23 Dividend distribution

Provision is made for the amount of any dividend declared, being appropriately authorized and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

II. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to June 30, 2024.

Save as disclosed in this report, no other dividend or distribution has been declared or made by the Company or any of the companies now comprising the Group in respect of any period subsequent to June 30, 2024.

The following information sets out in this appendix does not form part of the Accountant's Report from [PricewaterhouseCoopers], Certified Public Accountants, Hong Kong, as set out in Appendix I to this document, and is included herein for illustrative purpose only.

The unaudited pro forma financial information should be read in conjunction with "Financial Information" and the Accountant's Report set out in Appendix I to this document.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following is an illustrative statement of unaudited pro forma adjusted consolidated net tangible assets of the Group prepared in accordance with paragraph 4.29 of the Listing Rules and on the basis of the notes set out below for the purpose of illustrating the effect of the **[REDACTED]** on the consolidated net tangible assets of the Group attributable to owners of the Company as if the **[REDACTED]** had taken place on June 30, 2024.

This unaudited pro forma statement of adjusted consolidated net tangible assets of the Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group had the **[REDACTED]** been completed as of June 30, 2024 or any future dates:

	Consolidated net tangible assets of the Group attributable to owners of the Company as of June 30, 2024	Estimated [REDACTED] from the [REDACTED]	Unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company	Unaudited pro forma adjusted consolidated net tangible assets per Share	
	RMB'000	*RMB'000*	*RMB'000*	*RMB*	*HK$*
	(note 1)	*(note 2)*		*(note 3)*	*(note 4)*
Based on an **[REDACTED]** of HK$**[REDACTED]** per **[REDACTED]**.	[972,405]	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Based on an **[REDACTED]** of HK$**[REDACTED]** per **[REDACTED]**.	[972,405]	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**

Notes:

1. The consolidated net tangible assets attributable to owners of the Company as at June 30, 2024 is extracted from the Accountant's Report set forth in Appendix I to the document, which is based on the audited consolidated net assets attributable to owners of the Company as at June 30, 2024 of RMB985,205,000 with an adjustment for intangible assets attributable to owners of the Company as at June 30, 2024 of RMB12,800,000.

2. The estimated **[REDACTED]** from the **[REDACTED]** are based on the indicative **[REDACTED]** of HK$**[REDACTED]** and HK$**[REDACTED]** per share, being the low and high end of the indicative **[REDACTED]**, respectively, after deduction of the **[REDACTED]** and other related expenses paid/payable by the Company (excluding the **[REDACTED]** expense that have been charged to profit or loss during the Track Record Period) and takes no account of any Shares which may be issued upon the exercise of the **[REDACTED]**.

3. The unaudited pro forma consolidated net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraph and on the basis that **[REDACTED]** Shares were in issue, assuming that the **[REDACTED]** has been completed on June 30, 2024 but takes no account of any Shares which may be issued upon the exercise of the **[REDACTED]**.

4. For the purpose of this unaudited pro forma adjusted consolidated net tangible assets, the amounts stated in RMB are converted into Hong Kong dollars at a rate of HK$1 to RMB0.90179. No representation is made that Renminbi amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.

5. No adjustment has been made to reflect any trading result or other transactions of the Group entered into subsequent to June 30, 2024.

[REDACTED]

[REDACTED]

[REDACTED]

LEGAL SUPERVISION OVER THE TAX IN THE PRC

EIT

In accordance with the EIT Law ([2007] Order No. 63 of the President of the PRC) which was promulgated on March 16, 2007 and became effective from January 1, 2008 and amended on February 24, 2017 and December 29, 2018 and the Regulation on the Implementation of EIT Law of the PRC (《中華人民共和國企業所得稅法實施條例》) ([2007] Order No. 512 of the State Council) which was promulgated on December 6, 2007 and became effective from January 1, 2008, and amended on April 23, 2019, enterprises are classified as either "resident enterprises" or "non-resident enterprises." Enterprises that are set up in the PRC under the PRC laws, or that are set up in accordance with the law of the foreign country (region) whose actual administration institution is in PRC, shall be considered as "resident enterprises." Enterprises established under the law of the foreign country (region) with "de facto management bodies" outside the PRC, but have set up institutions or establishments in the PRC or, without institutions or establishments set up in the PRC, have income originating from the PRC, shall be considered as "non-resident enterprises."

A resident enterprise shall pay EIT on its income originating from both inside and outside the PRC at an EIT rate of 25%. A non-resident enterprise that has establishments or places of business in the PRC shall pay EIT on its income originating from the PRC obtained by such establishments or places of business, and on its income which deriving outside the PRC but has actual connection with such establishments or places of business, at the EIT rate of 25%. A non-resident enterprise that does not have an establishment or place of business in the PRC, or it has an establishment or place of business in the PRC but the income has no actual connection with such establishment or place of business, shall pay EIT on its income derived from the PRC at a reduced EIT rate of 10%. For dividends payable to investors that are non-resident enterprises (who do not have organizations or places of business in the PRC, or that have organizations and places of business in the PRC but to whom the relevant income tax is not effectively connected), 10% of the PRC EIT shall be paid, unless there are any applicable tax treaties are reached between the jurisdictions of non-resident enterprises and the PRC which may reduce or provide exemption to the relevant tax. Similarly, any gain derived from the transfer of shares by such investor, if such gain is regarded as income derived from sources within the PRC, shall be subject to EIT rate at 10% (or a lower tax treaty rate (if applicable)).

Income Tax Relating To Dividend Distribution

According to the EIT Law and the Implementing Regulations of the EIT Law, for dividends payable to investors of a non-resident enterprise (who do not have institutions or places of business in the PRC, or the income derived or accrued has no de facto relationship with the office or premises established in the PRC, 10% of the PRC withholding tax shall be paid, unless there are any applicable tax treaties reached between the jurisdictions of non-resident enterprises and the PRC subject to which the relevant tax may be reduced or exempted. Similarly, any gain derived from the transfer of shares by such investor, if such gain is regarded as income derived within the PRC, shall be subject to 10% PRC income tax rate or a lower tax treaty rate (if applicable).

According to Agreement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Incomes (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) which was promulgated by State Administration of Taxation on 21 August 2006 and came into effect on 8 December 2006, the withholding tax rate 5% applies to dividends paid by a PRC company to a Hong Kong company if such Hong Kong company directly holds at least 25% of the equity interests in the PRC company, otherwise the 10% withholding tax rate applies.

Pursuant to the Circular of the State Administration of Taxation on Relevant Issues relating to the Implementation of Dividend Clauses in Tax Agreements (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》) (Guo Shui Han [2009] No. 81) which was promulgated by the SAT and became effective on February 20, 2009, all of the following requirements shall be satisfied before a fiscal resident of the other party to a tax agreement can be entitled to such tax agreement treatment as being taxed at a tax rate specified in the tax agreement for the dividends paid to it by a PRC resident company: (i) such a fiscal resident who obtains dividends should be a company as provided in the tax agreement; (ii) the equity interests and voting shares of the PRC resident company directly owned by such a fiscal resident reaches a specified percentage; and (iii) the equity interests of the PRC resident company directly owned by such a fiscal resident, at any time during the twelve months prior to receipt of the dividends, reach a percentage specified in the tax agreement.

According to the Notice of SAT on the Issues Relating to the Beneficial Owners in the Tax Treaty (《國家稅務總局關於稅收協定中「受益所有人」有關問題的公告》) (Notice of SAT [2018] No. 9), which was promulgated by SAT on 3 February 2018 and became effective on 1 April 2018, a comprehensive analysis will be used to determine beneficial ownership based on the actual situation of a specific case combined with certain principles, and if an applicant was obliged to pay more than 50% of its income to a third country (region) resident within 12 months of the receipt of the income, or the business activities undertaken by an applicant did not constitute substantive business activities including substantive manufacturing, distribution, management and other activities, the applicant was unlikely to be recognized as an beneficial owner to enjoy tax treaty benefits.

In accordance with the Measures for Administration of Non-Resident Taxpayers' Enjoyment of Treaty Benefits (《非居民納稅人享受協定待遇管理辦法》) which was promulgated by the State Administration of Taxation on October 14, 2019, and came into effect on January 1, 2020, if non-resident taxpayers consider they are eligible for treatments under the tax treaties through self-assessment, they may, at the time of filing tax returns or making withholding tax filings through withholding agents, enjoy the treatments under the tax treaties, and shall concurrently collect and retain the relevant documents for inspection according to relevant regulations, and accept tax authorities' post-filing administration.

Income Tax Relating to Transfer of Equity Interest

According to the SAT Announcement on Several Issues concerning the Enterprise Income Tax on Income from the Indirect Transfer of Assets by Non-Resident Enterprises (《關於非居民企業間接轉讓財產企業所得稅若干問題的公告》) (GJSWZJGG [2015] No. 7) (issued by the SAT and came into effect on February 3, 2015, Article 8.2 & 13 of this Announcement have been annulled), where a non-resident enterprise indirectly transfers equities and other assets of a PRC resident enterprise to avoid the EIT payment obligation by making an arrangement with no reasonable business purpose, such indirect transfer shall be redefined and recognized as a direct transfer in accordance with the relevant provisions of EIT Law. Where the EIT on the income from the indirect transfer of real estate or equities shall be paid in accordance with the provisions of this Announcement, the entity or individual that directly assumes the obligation to make relevant payments to the transferor according to the provisions of the relevant laws or as agreed upon in the contract shall be the withholding agent. If the equity transferor fails to declare and pay tax payable of indirectly transferred taxable property income in the PRC on time and in full amount, and the withholding agent fails to withhold the tax, in addition to recovering the tax payable, the equity transferor shall be charged with interest on a daily basis according to the relevant provisions of the Regulations on the Implementation of the Enterprise Income Tax Law of the PRC.

Value-added Tax

According to Provisional Regulations on Value-added Tax of the PRC (《中華人民共和國增值稅暫行條例》) (Order No. 134 of the State Council) which was promulgated by the State Council on December 13, 1993 with the latest amended version effective from November 19, 2017, and Implementing Rules to Provisional Regulations on Value-added Tax of the PRC (《中華人民共和國增值稅暫行條例實施細則》) promulgated by Ministry of Finance on December 25, 1993 and revised on December 15, 2008 and October 28, 2011, respectively, tax payers engaging in sale of goods or processing, repair and assembly services (hereinafter referred to as "**labor services**"), sale of services, intangible assets, immovables and importation of goods in the PRC shall be taxpayers of Value-added Tax ("**VAT**"). Unless otherwise stipulated, the tax rate for taxpayers selling goods, labor services, or tangible movable property leasing services or importing goods shall be 17%, and for taxpayers engaging in sale of services or intangible assets shall be 6%. In addition, the tax rate for taxpayers selling real estate leasing services, or real estate, or transferring land use right shall be 11%.

Furthermore, according to the Trial Scheme for the Conversion of Business Tax to Value-added Tax (Cai Shui [2011] No. 110) (《關於印發的通知》) which was promulgated by the Ministry of Finance and the SAT, the State began to launch taxation reforms in a gradual manner with effect from January 1, 2012, whereby the collection of VAT in lieu of business tax items was implemented on a trial basis in regions showing significant radiating effects in economic development and providing outstanding reform examples, beginning with production service industries such as transportation and certain modern service industries.

In accordance with Circular on Comprehensively Promoting the Pilot Program of the Collection of Value-added Tax in Lieu of Business Tax (Cai Shui [2016] No. 36) (《關於全面推開營業稅改徵增值稅試點的通知》), which was promulgated on March 23, 2016 and came into effect on May 1, 2016, upon approval of the State Council, the pilot program of the collection of VAT in lieu of business tax shall be promoted nationwide in a comprehensive manner starting from May 1, 2016, and all business tax payers engaged in the building industry, the real estate industry, the financial industry and the life service industry shall be included in the scope of the pilot program with regard to payment of value-added tax instead of business tax.

According to the Notice on the Adjustment to VAT Rates (《關於調整增值稅稅率的通知》), which was promulgated by Ministry of Finance and the SAT on April 4, 2018 and became effective on May 1, 2018, adjusted the applicative rate of VAT, and the taxpayer who is previously subject to 17% and 11% respectively on VAT-taxable sales activities or imported goods shall have the applicable tax rates adjusted to 16% and 10% respectively.

According to the Announcement on Relevant Policies for Deepening Value-Added Tax Reform (《關於深化增值稅改革有關政策的公告》), which was issued by the Ministry of Finance, the SAT and the General Administration of Customs on March 20, 2019 and came into effect on April 1, 2019, for VAT taxable sales or imported goods of a VAT general taxpayer where the VAT rate of 16% applies currently, it shall be adjusted to 13%, the currently applicable VAT rate of 10% shall be adjusted to 9%.

City Maintenance and Construction Tax and Educational Surcharges

According to the State Council Notice on Unifying the System of Urban Maintenance and Construction Tax and Education Surcharge Paid by Domestic and Foreign-invested Enterprises and Individuals (《關於統一內外資企業和個人城市維護建設稅和教育費附加制度的通知》) (GF [2010] No. 35) (issued by the State Council on October 18, 2010 and came into effect on December 1, 2010), since December 1, 2010, the Temporary Regulation on Urban Maintenance and Construction Tax of the PRC (《中華人民共和國城市維護建設稅暫行條例》) issued by the State Council in 1985 and the Temporary Provisions on the Collection of Educational Surcharges (《徵收教育費附加的暫行規定》) issued by the State Council in 1986 and laws, rules and regulations and policies issued by the State Council and competent departments in charge of relevant financial and tax authorities of the State Council in respect of City Maintenance and Construction Tax and Educational Surcharges since 1985 and 1986 shall apply to foreign-invested enterprises, foreign enterprises and foreign individuals at the same time.

According to the Temporary Regulation on Urban Maintenance and Construction Tax of the PRC (《中華人民共和國城市維護建設稅暫行條例》) (GF [1985] No. 19) (issued by the State Council on February 8, 1985, with retrospective effect from January 1, 1985 and revised on January 8, 2011), entities and individuals who pay consumption tax, VAT and business tax shall pay city maintenance and construction tax. The payment of city maintenance and construction tax is based on the actual amount of consumption tax, VAT and business tax paid by the taxpayers and shall be paid respectively at the same time along with the consumption tax, VAT and business tax. If the location of the taxpayer is in city downtown area, the tax rate shall be 7%; if the location of the taxpayer is in a county or town, the tax rate shall be 5%; the tax rate shall be 1% for taxpayer located out of city downtown area, country or town.

According to the Temporary Provisions on the Collection of Educational Surcharges (GF [1986] No. 50) (issued by the State Council on April 28, 1986, came into effect on July 1, 1986 and revised on June 7, 1990, August 20, 2005 and January 8, 2011), entities and individuals obliged to pay consumption tax, VAT and business tax shall pay educational surcharges, except for entities paying additional charges for rural education. The tax rate of education surcharges shall be 3% of the actual amount of consumption tax, VAT and business tax paid by the entities and individuals and paid at the same time respectively along with the VAT, business tax and consumption tax.

STAMP DUTY

In accordance with the Interim Regulations of the People's Republic of China on Stamp Duty (《中華人民共和國印花稅暫行條例》) promulgated by the State Council on August 6, 1988 and effective as of October 1, 1988 and amended on January 8, 2011 as well as the Implementing Rules of the Interim Regulations of the People's Republic of China on Stamp Duty (《中華人民共和國印花稅暫行條例施行細則》) promulgated by the Ministry of Finance on September 29, 1988 and effective as of October 1, 1988, the PRC Stamp Duty shall only apply to specific taxable vouchers executed or received within the territory of the PRC, which are legally binding within the territory of the PRC and protected by the PRC laws.

LAWS AND REGULATIONS RELATING TO FOREIGN EXCHANGE CONTROL IN THE PRC

According to Regulations on Foreign Exchange Administration of the PRC (《中華人民共和國外匯管理條例》) (Order No. 193 of the State Council) (the "**Foreign Exchange Administration Regulations**"), which was promulgated by the State Council of on 29 January 1996 and came into effect since 1 April 1996 and was amended on 14 January 1997 and 5 August 2008, PRC imposes no restrictions on regular international payments and transfers, such as trade and service-related foreign exchange transactions and dividend payments, but it shall be based on true and legitimate transactions and financial institutions engaging in conversion and sale of foreign currencies shall carry out reasonable examination, and the foreign exchange control authorities shall have the right to carry out supervision and inspection. For capital account items, such as capital transfer, direct investment, investment in securities, derivative products or loans, shall be conducted upon the prior approval by the competent authorities for the administration of foreign exchange.

In accordance with the Provisions on Administration of Settlement, Sale and Payment of Foreign Exchange (《結匯、售匯及付匯管理規定》) (issued by the People's Bank of China on June 20, 1996 and came into effect on July 1, 1996), foreign exchange receipts under the current account of foreign-invested enterprises may be retained within the maximum amount approved by the foreign exchange administration department and the exceeding part shall be sold to a designated foreign exchange bank or sold through the foreign exchange swap center.

According to the Notice of the State Administration of Foreign Exchange on Policies for Reforming and Regulating the Control over Foreign Exchange Settlement under the Capital Account (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) issued by the State Administration of Foreign Exchange on June 9, 2016 and came into effect on the same date, the income from settlement of foreign exchange under the capital account (including but not limited to foreign currency capital and foreign debt) may be converted from foreign currency to RMB at its own discretion. RMB funds obtained by a domestic institution from its discretionary settlement of foreign exchange receipts under the capital account shall be included in the account pending for foreign exchange settlement and payment. The ratio of the discretionary exchange rate of foreign exchange receipts under domestic capital account is tentatively set at 100%. The SAFE may adjust the above ratio in due time according to the balance of payment status.

PRC LEGAL SYSTEM

The PRC legal system is based on the Constitution of the PRC (《中華人民共和國憲法》) (the "**Constitution**") and is made up of written laws, administrative regulations, local regulations, separate regulations, autonomous regulations, rules and regulations of departments, rules and regulations of local governments, international treaties of which the PRC government is a signatory, and other regulatory documents. Court verdicts do not constitute binding precedents. However, they may be used as judicial reference and guidance.

According to the Constitution and the Legislation Law of the PRC (《中華人民共和國立法法》) (the "**Legislation Law**"), the National People's Congress (the "**NPC**") and the Standing Committee of the NPC ("**SCNPC**") are empowered to exercise the legislative power of the State. The NPC has the power to formulate and amend basic laws governing civil and criminal matters, state organs and other matters. The Standing Committee of the NPC is empowered to formulate and amend laws other than those required to be enacted by the NPC and to supplement and amend any parts of laws enacted by the NPC during the adjournment of the NPC, provided that such supplements and amendments are not in conflict with the basic principles of such laws.

The State Council is the highest organ of the PRC administration and has the power to formulate administrative regulations based on the Constitution and laws.

The people's congresses of provinces, autonomous regions and municipalities and their respective standing committees may formulate local regulations based on the specific circumstances and actual requirements of their own respective administrative areas, provided that such local regulations do not contravene any provision of the Constitution, laws or administrative regulations.

The ministries and commissions of the State Council, the People's Bank of China, the State Audit Administration as well as the other organs endowed with administrative functions directly under the State Council may, in accordance with the laws as well as the administrative regulations, decisions and orders of the State Council and within the limits of their power, formulate rules.

The people's congresses of larger cities and their respective standing committees may formulate local regulations based on the specific circumstances and actual requirements of such cities, which will become enforceable after being reported to and approved by the standing committees of the people's congresses of the relevant provinces or autonomous regions but such local regulations shall conform with the Constitution, laws, administrative regulations, and the relevant local regulations of the relevant provinces or autonomous regions. People's congresses of national autonomous areas have the power to enact autonomous regulations and separate regulations in light of the political, economic and cultural characteristics of the nationality (nationalities) in the areas concerned.

The people's governments of the provinces, autonomous regions, and municipalities directly under the central government and the comparatively larger cities may enact rules, in accordance with laws, administrative regulations and the local regulations of their respective provinces, autonomous regions or municipalities.

The Constitution has supreme legal authority and no laws, administrative regulations, local regulations, autonomous regulations or separate regulations may contravene the Constitution. The authority of laws is greater than that of administrative regulations, local regulations and rules. The authority of administrative regulations is greater than that of local regulations and rules. The authority of local regulations is greater than that of the rules of the local governments at or below the corresponding level. The authority of the rules enacted by the people's governments of the provinces or autonomous regions is greater than that of the rules enacted by the people's governments of the comparatively larger cities within the administrative areas of the provinces and the autonomous regions.

The NPC has the power to alter or annul any inappropriate laws enacted by its Standing Committee, and to annul any autonomous regulations or separate regulations which have been approved by its Standing Committee but which contravene the Constitution or the Legislation Law. The SCNPC has the power to annul any administrative regulations that contravene the Constitution and laws, to annul any local regulations that contravene the Constitution, laws or administrative regulations, and to annul any autonomous regulations or local regulations which have been approved by the standing committees of the people's congresses of the relevant provinces, autonomous regions or municipalities directly under the central government, but which contravene the Constitution and the Legislation Law. The State Council has the power to alter or annul any inappropriate ministerial rules and rules of local governments. The people's congresses of provinces, autonomous regions or municipalities directly under the central government have the power to alter or annul any inappropriate local regulations enacted or approved by their respective standing committees. The people's governments of provinces and autonomous regions have the power to alter or annul any inappropriate rules enacted by the people's governments at a lower level.

According to the Constitution and the Legislation Law, the power to interpret laws is vested in the SCNPC. According to the Decision of the Standing Committee of the NPC Regarding the Strengthening of Interpretation of Laws (《全國人民代表大會常務委員會關於加強法律解釋工作的決議》) passed on June 10, 1981, the Supreme People's Court of the PRC (the "**Supreme People's Court**") has the power to give general interpretations on questions involving the specific application of laws and decrees in court trials. The State Council and its ministries and commissions are also vested with the power to give interpretations of the administrative regulations and department rules promulgated by them. At the regional level, the power to give interpretations of the local laws and regulations as well as administrative rules is vested in the regional legislative and administrative organs which promulgate such laws, regulations and rules.

PRC JUDICIAL SYSTEM

Under the Constitution and the PRC Law on the Organization of the People's Courts (《中華人民共和國人民法院組織法》), the PRC judicial system is made up of the Supreme People's Court, the local people's courts, military courts and other special people's courts.

The local people's courts are comprised of the primary people's courts, the intermediate people's courts and the higher people's courts. The primary people's courts are organized into civil, criminal, administrative, supervision and enforcement divisions. The intermediate people's courts are organized into divisions similar to those of the primary people's courts, and are entitled to organize other courts as needed such as the intellectual property division.

The higher people's courts supervise the primary and intermediate people's courts. The people's procuratorates also have the power to exercise legal supervision over the civil proceedings of people's courts of the same level and lower levels. The Supreme People's Court is the highest judicial body in the PRC. It supervises the judicial administration of the people's courts at all levels.

The people's courts apply a two-tier appellate system. A party may appeal against a judgment or order of a local people's court to the people's court at the next higher level. The second judgments or orders given at the next higher level are final. The first judgments or orders of the Supreme People's Court are also final. However, if the Supreme People's Court or a people's court at a higher level finds an error in a judgment or an order which has been given in any people's court at a lower level, or the presiding judge of a people's court finds an error in a judgment which has been given in the court over which he presides, the case may then be retried according to the judicial supervision procedures.

The PRC Civil Procedure Law (《中華人民共和國民事訴訟法》) (the "**Civil Procedure Law**") sets forth the criteria for instituting a civil action, the jurisdiction of the people's courts, the procedures to be followed for conducting a civil action and the procedures for enforcement of a civil judgment or order. All parties to a civil action conducted within the PRC must comply with the Civil Procedure Law. Generally, a civil case is initially heard by a local court of the municipality or province in which the defendant resides. The parties to a contract may, by express agreement, select a judicial court where civil actions may be brought, provided that the judicial court is either the plaintiff's or the defendant's domicile, the place of execution or implementation of the contract or the place of the object of the action, and shall not violate the provisions of this law regarding the level of jurisdiction and exclusive jurisdiction.

A foreign national or enterprise generally has the same litigation rights and obligations as a citizen or legal person of the PRC. If a foreign country's judicial system limits the litigation rights of PRC citizens and enterprises, the PRC courts may apply the same limitations to the citizens and enterprises of that foreign country within the PRC. If any party to a civil action refuses to comply with a judgment or ruling made by a people's court or an award made by an arbitration panel in the PRC, the other party may apply to the people's court for the enforcement of the same.

There are time limits of two years imposed on the right to apply for such enforcement. If a person fails to satisfy a judgment made by the court within the stipulated time, the court will, upon application by either party, enforce the judgment in accordance with the law.

A party seeking to enforce a judgment or ruling of a people's court against a party who is not personally or whose property is not within the PRC may apply to a foreign court with jurisdiction over the case for recognition and enforcement of the judgment or ruling.

A foreign judgment or ruling may also be recognized and enforced by the people's court according to PRC enforcement procedures if the PRC has entered into or acceded to an international treaty with the relevant foreign country, which provides for such recognition and enforcement, or if the judgment or ruling satisfies the court's examination according to the principle of reciprocity, unless the people's court finds that the recognition or enforcement of such judgment or ruling will result in a violation of the basic legal principles of the PRC, its sovereignty or security or against social and public interest.

COMPANY LAW, TRIAL ADMINISTRATIVE MEASURES OF OVERSEAS SECURITIES [REDACTED] AND [REDACTED] BY DOMESTIC COMPANIES, GUIDELINES FOR ARTICLES OF ASSOCIATION OF LISTED COMPANIES

A joint stock limited company which is incorporated in the PRC and seeking a **[REDACTED]** on the Stock Exchange is mainly subject to the following laws and regulations in the PRC:

- The PRC Company Law (《中華人民共和國公司法》) which was promulgated by the SCNPC on December 29, 1993, came into effect on July 1, 1994, revised on December 25, 1999, August 28, 2004, October 27, 2005, December 28, 2013 and respectively and the latest revision of which was implemented on October 26, 2018;

- The Overseas Listing Trial Measures promulgated by the CSRC on 17 February 2023 incorporated, directly and indirectly, all overseas offering and listing activities by domestic companies into the regulatory scope, and formulated a negative list to clarify forbidden circumstances when domestic companies launching an offering and listing overseas. The Measures shifted the method to governing the overseas offering and listing by domestic companies from permission management to filing management, and further stipulated the scope, contents, and procedures of the filing. Overseas Listing Trial Measures entered into force on 31 March 2023 and the Special Regulations and the Mandatory Provisions expired on the same date.

- CSRC issued the Guidelines for the Application of Regulatory Rules — Overseas Issuance and Listing Category No. 1 (《監管規則適用指引 — 境外發行上市類第1號》) on 17 February 2023, which stipulates that domestic enterprises that make direct overseas offering and listing shall comply with the provisions of Article 6 of the Provisional Measures for Administration, formulate their articles of association and standardize their corporate governance by reference to the Guidelines for Articles of Association of Listed Companies (《上市公司章程指引》) (the "**Guidelines for AoA**") and other relevant provisions of the CSRC on corporate governance.

Set out below is a summary of the major provisions of the PRC Company Law and the Overseas Listing Trial Measures applicable to the Company.

General

A joint stock limited company refers to an enterprise legal person incorporated under the PRC Company Law with its registered capital divided into shares of equal par value. The liability of its shareholders is limited to the amount of shares held by them and the company is liable to its creditors for an amount equal to the total value of its assets.

A state-owned enterprise ("**SOE**") that is reorganized into a joint stock limited company shall comply with the conditions and requirements specified by laws and administrative regulations for the modification of its operation mechanisms, the disposal and valuation of the company's assets and liabilities and the establishment of internal management organizations.

A joint stock limited company shall conduct its business in accordance with laws and administrative regulations. It may invest in other limited liability companies and joint stock limited companies and its liabilities with respect to such invested companies are limited to the amount invested. Unless otherwise provided by law, the joint stock limited company may not be a contributor that undertakes joint and several liabilities for the debts of the invested companies.

Incorporation

A joint stock limited company may be incorporated by promotion or public subscription.

A joint stock limited company may be incorporated by a minimum of two but not more than 200 promoters, and at least half of the promoters must have residence within the PRC. According to the Special Regulations, SOEs or enterprises with the majority of their assets owned by the PRC government may be restructured into joint stock limited companies which may issue shares to overseas investors and list its stocks abroad in accordance with the relevant regulations. These companies, if incorporated by promotion, may have less than five promoters and may issue new shares once incorporated.

The promoters must convene an inaugural meeting within 30 days after the issued shares have been fully paid up, and must give notice to all subscribers or make an announcement of the date of the inaugural meeting 15 days before the meeting. The inaugural meeting may be convened only with the presence of promoters or subscribers representing at least half of the shares in the company. At the inaugural meeting, matters including the adoption of articles of association and the election of members of the board of directors and members of the board of supervisors of the company will be dealt with. All resolutions of the meeting require the approval of subscribers with more than half of the voting rights present at the meeting. Within 30 days after the conclusion of the inaugural meeting, the board of directors must apply to the registration authority for registration of the establishment of the joint stock limited company. A company is formally established, and has the status of a legal person, after the business license has been issued by the relevant registration authority. Joint stock limited companies established by the subscription method shall file the approval on the offering of shares issued by the securities administration department of the State Council with the company registration authority for record.

A joint stock limited company's promoters shall be liable for: (i) the payment of all expenses and debts incurred in the incorporation process jointly and severally if the company cannot be incorporated; (ii) the refund of subscription monies to the subscribers, together with interest, at bank rates for a deposit of the same term jointly and severally if the company cannot be incorporated; and (iii) damages suffered by the company as a result of the default of the promoters in the course of incorporation of the company. According to the Interim Provisional Regulations on the Administration of Share Issuance and Trading (《股票發行與交易管理暫行條例》) promulgated by the State Council on April 22, 1993 (which is only applicable to the issuance and trading of shares in the PRC and their related activities), if a company is established by means of public subscription, the promoters of such company are required to sign on this document to ensure that this document does not contain any misrepresentation, serious misleading statements or material omissions, and assume joint and several responsibility for it.

Share Capital

The promoters of a company can make capital contributions in cash or in kind, which can be valued in currency and transferable according to law such as intellectual property rights or land use rights based on their appraised value. If capital contribution is made other than in cash, valuation and verification of the property contributed must be carried out and converted into shares.

A company may issue registered or bearer share. However, shares issued to promoter(s) or legal person(s) shall be in the form of registered share and shall be registered under the name(s) of such promoter(s) or legal person(s) and shall not be registered under a different name or the name of a representative.

There is no restriction under the PRC Company Law as to the percentage of shareholding a single shareholder may hold in a company.

Transfers of shares may not be entered in the register of shareholders within 20 days before the date of a shareholders' meeting or within five days before the record date set for the purpose of distribution of dividends.

Allotment and Issue of Shares

The issuance of shares shall be conducted in a fair and equitable manner. Each share of the same class must carry equal rights. Shares issued at the same time and within the same class must be issued on the same conditions and at the same price. The same price per share shall be paid by any share subscriber (whether an entity or an individual). The share offering price may be equal to or greater than the nominal value of the share, but may not be less than the nominal value.

A company must obtain the approval of or file with the CSRC to offer its shares to the overseas public.

Under the PRC Company Law, a company issuing registered share certificates shall maintain a shareholder registry which sets forth the following matters: (1) the name and domicile of each shareholder; (2) the number of shares held by each shareholder; (3) the serial numbers of shares held by each shareholder; and (4) the date on which each shareholder acquired the shares.

Registered Shares

Under the PRC Company Law, when the company issues shares in registered form, it shall maintain a register of shareholders, stating the following matters:

- the name and domicile of each shareholder;
- the number of shares held by each shareholder;
- the serial numbers of shares held by each shareholder; and
- the date on which each shareholder acquired the shares.

Increase of Share Capital

According to the PRC Company Law, when the joint stock limited company issues new shares, resolutions shall be passed by a shareholders' general meeting, approving the class and number of the new shares, the issue price of the new shares, the commencement and end of the new share issuance and the class and amount of new shares to be issued to existing shareholders.

When the company launches a public issuance of new shares with the approval of the securities regulatory authorities of the State Council, it shall publish a document and financial and accounting reports, and prepare the share subscription form. After the new share issuance has been paid up, the change shall be registered with the company registration authorities and an announcement shall be made.

Reduction of Share Capital

A company may reduce its registered capital in accordance with the following procedures prescribed by the PRC Company Law:

- it shall prepare a balance sheet and a property list;
- the reduction of registered capital shall be approved by a shareholders' general meeting;
- it shall inform its creditors of the reduction in capital within 10 days and publish an announcement of the reduction in the newspaper within 30 days after the resolution approving the reduction has been passed;

- creditors may within 30 days after receiving the notice, or within 45 days of the public announcement if no notice has been received, require the company to pay its debts or provide guarantees covering the debts;

- it shall apply to the relevant administration of industry and commerce for the registration of the reduction in registered capital.

Repurchase of Shares

According to the PRC Company Law, a joint stock limited company may not purchase its shares other than for one of the following purposes: (i) to reduce its registered capital; (ii) to merge with another company that holds its shares; (iii) to grant its shares to its employees as incentives; (iv) to purchase its shares from shareholders who are against the resolution regarding the merger or division with other companies at a shareholders' general meeting; (v) where its shares are used to convert corporate bonds issued by a listed company that can be converted into stocks; or (vi) where it is necessary for a listed company to maintain its corporate value and stockholders' equity.

The purchase of shares on the grounds set out in (i) to (ii) above shall require approval by way of a resolution passed by the shareholders' general meeting. Following the purchase of shares in accordance with the foregoing, such shares shall be canceled within 10 days from the date of purchase in the case of (i) above and transferred or canceled within six months in the case of (ii) or (iv) above, or in the event of a purchase made pursuant to (iii), (v) or (vi), hold a total number of its own shares not more than 10% of the total shares issued by the company and transfer or cancel within three years of the purchase.

Transfer of Shares

Shares held by shareholders may be transferred in accordance with the relevant laws and regulations. Pursuant to the PRC Company Law, transfer of shares by shareholders shall be carried out at a legally established securities exchange or in other ways stipulated by the State Council. No modifications of registration in the share register caused by transfer of registered shares shall be carried out within 20 days prior to the convening of shareholder's general meeting or five days prior to the base date for determination of dividend distributions. However, where there are separate provisions by law on alternation of registration in the share register of listed companies, those provisions shall prevail.

Under the PRC Company law, shares issued prior to the public issuance of shares shall not be transferred within one year from the date of the joint stock limited company's listing on a stock exchange. Directors, supervisors and the senior management shall declare to the company their shareholdings in the company and any changes of such shareholdings. They shall not transfer more than 25% of all the shares they hold in the company annually during their tenure. They shall not transfer the shares they hold within one year from the date on which the company's shares are listed and commenced trading on a stock exchange, nor within six months after their resignation from their positions with the company.

Shareholders

Under the PRC Company Law, the rights of holders of ordinary shares of a joint stock limited company include:

- the right to attend or appoint a proxy to attend shareholders' general meetings and to vote thereat;

- the right to transfer shares in accordance with laws, administrative regulations and provisions of the articles of association;

- the right to inspect the company's articles of association, share register, counterfoil of company debentures, minutes of shareholder's general meetings, resolutions of meetings of the board of directors, resolutions of meetings of the board of supervisors and financial and accounting reports and to make proposals or enquires on the company's operations;

- the right to bring an action in the people's court to rescind resolutions passed by shareholder's general meetings and board meetings where the articles of association is violated by the above resolutions;

- the right to receive dividends and other types of interest distributed in proportion to the number of shares held;

- in the event of the termination or liquidation of the company, the right to participate in the distribution of residual properties of the company in proportion to the number of shares held; and

- other rights granted by laws, administrative regulations, other regulatory documents and the company's articles of association.

The obligations of a shareholder include the obligation to abide by the company's articles of association, to pay the subscription moneys in respect of the shares subscribed for and in accordance with the form of making capital contributions, to be liable for the company's debts and liabilities to the extent of the amount of his or her subscribed shares and any other shareholders' obligation specified in the company's articles of association.

Shareholders' General Meetings

The shareholders' general meeting is the organ of authority of the company, which exercises its powers in accordance with the PRC Company Law. Under the PRC Company Law, the shareholders' general meeting exercises the following principal powers:

- to decide on the company's operational policies and investment plans;

- to elect or remove the directors and supervisors (other than the supervisor representative of the employees of the company) and to decide on matters relating to the remuneration of directors and supervisors;
- to examine and approve reports of the board of directors;
- to examine and approve reports of the board of supervisors;
- to examine and approve the company's proposed annual financial budget and final accounts;
- to examine and approve the company's proposals for profit distribution plans and loss recovery plans;
- to decide on any increase or reduction of the company's registered capital;
- to decide on the issue of bonds by the company;
- to decide on issues such as merger, division, dissolution and liquidation of the company and other matters;
- to amend the company's articles of association; and
- other powers as provided for in the articles of association.

Shareholders' annual general meetings are required to be held once every year. Under the PRC Company Law, an extraordinary shareholders' general meeting is required to be held within two months after the occurrence of any of the following:

- the number of directors is less than the number stipulated by the law or less than two-thirds of the number specified in the articles of association;
- the aggregate losses of the company which are not recovered reach one-third of the company's total paid-up share capital;
- when shareholders alone or in aggregate holding 10% or more of the company's shares request the convening of an extraordinary general meeting;
- whenever the board of directors deems necessary;
- when the board of supervisors so requests; or
- other circumstances as provided for in the articles of associations

Under the PRC Company Law, shareholders' general meetings shall be convened by the board of directors, and presided over by the chairman of the board of directors. In the event that the chairman is incapable of performing or does not perform his duties, the meeting shall be presided over by the vice chairman. In the event that the vice chairman is incapable of performing or not performing his duties, a director nominated by more than half of directors shall preside over the meeting.

Where the board of directors is incapable of performing or not performing its duties of convening the shareholders' general meeting, the board of supervisors shall convene and preside over such meeting in a timely manner. In case the board of supervisors fails to convene and preside over such meeting, shareholders alone or in aggregate holding more than 10% of the company's shares for 90 days consecutively may unilaterally convene and preside over such meeting.

Under the PRC Company Law, notice of shareholders' general meeting shall state the time and venue and matters to be considered at the meeting and shall be given to all shareholders 20 days before the meeting. Notice of extraordinary shareholder's general meetings shall be given to all shareholders 15 days prior to the meeting.

Under the PRC Company Law, where the company convenes a shareholders' general meeting, shareholders who individually or aggregately hold 3% or more of the Company's shares may submit an interim proposal in writing to the board of directors 10 days before the date of the shareholders' general meeting. The board of directors shall notice other shareholders within 2 days after receiving the interim proposal. The content of the interim proposal shall fall within the scope of shareholders' general meeting and shall have specific topic and involve matters to be decided.

Under the PRC Company Law, shareholders present at shareholders' general meeting have one vote for each share they hold, save that shares held by the company are not entitled to any voting rights.

Pursuant to the provisions of the articles of association or a resolution of the shareholders' general meeting, the accumulative voting system may be adopted for the election of directors and supervisors at the shareholders' general meeting. Under the accumulative voting system, each share shall be entitled to vote equivalent to the number of directors or supervisors to be elected at the shareholders' general meeting and shareholders may consolidate their voting rights when casting a vote.

Motions proposed at the general meeting of shareholders shall be passed by more than half of the voting rights held by shareholders (including their proxies) present at the meeting, but motions with respect to the merger, division, reduction of registered capital, issuance of debentures or short-term bonds, change of corporate form or amendment of the articles of association by the company shall be passed by more than two-thirds of the voting rights held by shareholders (including their proxies) attending the general meeting. Shareholders may appoint proxies to attend the general meeting. The proxies shall submit to the company a power of attorney issued by the shareholders and exercise the right to vote within the scope of the authorization.

Under the PRC Company Law, meeting minutes shall be prepared in respect of decisions on matters discussed at the shareholders' general meeting. The chairman of the meeting and directors attending the meeting shall sign to endorse such minutes. The minutes shall be kept together with the shareholders' attendance register and the proxy forms.

Board of Directors

Under the PRC Company Law, a joint stock limited company shall have a board of directors, which shall consist of 5 to 19 members. Members of the board of directors may include representatives of the employees of the company, who shall be democratically elected by the company's staff at the staff representative assembly, general staff meeting or otherwise. The term of a director shall be stipulated in the articles of association, but no term of office shall last for more than three years. Directors may serve consecutive terms if re-elected. A director shall continue to perform his/her duties in accordance with the laws, administrative regulations and articles of association until a duly re-elected director takes office, if re-election is not conducted in a timely manner upon the expiry of his/her term of office, or if the resignation of directors results in the number of directors being less than the quorum.

Under the PRC Company Law, the board of directors mainly exercises the following powers:

- to convene the shareholders' general meetings and report on its work to the shareholders' general meetings;
- to implement the resolutions passed in shareholders' general meetings;
- to decide on the company's business plans and investment proposals;
- to formulate the company's proposed annual financial budget and final accounts;
- to formulate the company's profit distribution proposals and loss recovery proposals;
- to formulate proposals for the increase or reduction of the company's registered capital and the issuance of corporate bonds;
- to prepare plans for the merger, division, dissolution and change in the form of the company;
- to formulate the company's basic management system; and
- to exercise any other power under the articles of association.

Board Meetings

Under the PRC Company Law, meetings of the board of directors of a joint stock limited company shall be convened at least twice a year. Notice of meeting shall be given to all directors and supervisors 10 days before the meeting. Interim board meetings may be proposed to be convened by shareholders representing more than 10% of voting rights, more than one-third of the directors or the board of supervisors. The chairman shall convene and preside over such meeting within 10 days after receiving such proposal. Board meetings shall be held only if half or more of the directors are present. Resolutions of the board of directors shall be passed by more than half of all directors. Each director shall have one vote for resolutions to be approved by the board of directors. Directors shall attend board meetings in person. If a director is unable to attend a board meeting, he/she may appoint another director by a written power of attorney specifying the scope of the authorization to attend the meeting on his/her behalf.

If a resolution of the board of directors violates the laws, administrative regulations or the articles of association, and as a result of which the company sustains serious losses, the directors participating in the resolution are liable to compensate the company. However, if it can be proved that a director expressly objected to the resolution when the resolution was voted on, and that such objection was recorded in the minutes of the meeting, such director may be released from that liability.

Chairman of the Board

Under the PRC Company Law, the board of directors shall appoint a chairman and may appoint a vice chairman. The chairman and the vice chairman are elected with approval of more than half of all the directors. The chairman shall convene and preside over board meetings and examine the implementation of board resolutions. The vice chairman shall assist the work of the chairman. In the event that the chairman is incapable of performing or not performing his/her duties, the duties shall be performed by the vice chairman. In the event that the vice chairman is incapable of performing or not performing his/her duties, a director nominated by more than half of the directors shall perform his/her duties.

Qualification of Directors

The PRC Company Law provides that the following persons may not serve as a director:

- a person who is unable or has limited ability to undertake any civil liabilities;

- a person who has been convicted of an offense of bribery, corruption, embezzlement or misappropriation of property, or the destruction of socialist market economy order; or who has been deprived of his/her political rights due to his/her crimes, in each case where less than five years have elapsed since the date of completion of the sentence;

- a person who has been a former director, factory manager or manager of a company or an enterprise that has entered into insolvent liquidation and who was personally liable for the insolvency of such company or enterprise, where less than three years have elapsed since the date of the completion of the bankruptcy and liquidation of the company or enterprise;

- a person who has been a legal representative of a company or an enterprise that has had its business license revoked due to violations of the law and has been ordered to close down by law and the person was personally responsible, where less than three years have elapsed since the date of such revocation; or

- a person who is liable for a relatively large amount of debts that are overdue.

Board of Supervisors

A joint stock limited company shall have a board of supervisors composed of not less than three members. The board of supervisors is made up of representatives of the shareholders and an appropriate proportion of representatives of the employees of the company. The actual proportion shall be stipulated in the articles of association, provided that the proportion of representatives of the employees shall not be less than one-third of the supervisors. Representatives of the employees of the company in the board of supervisors shall be democratically elected by the employees at the employees' representative assembly, employees' general meeting or otherwise.

The directors and senior management may not act concurrently as supervisors.

The board of supervisors shall appoint a chairman and may appoint a vice chairman. The chairman and the vice chairman of the board of supervisors are elected with approval of more than half of all the supervisors. The chairman of the board of supervisors shall convene and preside over the meetings of the board of supervisors. In the event that the chairman of the board of supervisors is incapable of performing or not performing his/her duties, the vice chairman of the board of supervisors shall convene and preside over the meetings of the board of supervisors. In the event that the vice chairman of the board of supervisors is incapable of performing or not performing his/her duties, a supervisor nominated by more than half of the supervisors shall convene and preside over the meetings of the board of supervisors.

Each term of office of a supervisor is three years and he or she may serve consecutive terms if re-elected. A supervisor shall continue to perform his/her duties in accordance with the laws, administrative regulations and articles of association until a duly re-elected supervisor takes office, if re-election is not conducted in a timely manner upon the expiry of his/her term of office, or if the resignation of supervisors results in the number of supervisors being less than the quorum.

The board of supervisors exercises the following powers:

- to review the company's financial position;

- to supervise the directors and senior management in their performance of their duties and to propose the removal of directors and senior management who have violated laws, regulations, the articles of association or the resolutions of shareholders' meeting;

- when the acts of directors and senior management are harmful to the company's interests, to require correction of those acts;

- to propose the convening of extraordinary shareholders' general meetings and to convene and preside over shareholders' general meetings when the board of directors fails to perform the duty of convening and presiding over shareholders' general meeting under this law;

- to initiate proposals for resolutions to shareholders' general meeting;

- to initiate proceedings against directors and senior management; and

- other powers specified in the articles of association.

Supervisors may attend board meetings and make enquiries or proposals in respect of board resolutions. The board of supervisors may initiate investigations into any irregularities identified in the operation of the company and, where necessary, may engage an accounting firm to assist their work at the company's expense.

Manager and Senior Management

Under the PRC Company Law, a company shall have a manager who shall be appointed or removed by the board of directors. The manager shall report to the board of directors and may exercise the following powers:

- to supervise the business and administration of the company and arrange for the implementation of resolutions of the board of directors;

- to arrange for the implementation of the company's annual business plans and investment proposals;

- to formulate the general administration system of the company;

- to formulate the company's detailed rules;

- to recommend the appointment and dismissal of deputy managers and person in charge of finance;

- to appoint or dismiss other administration officers (other than those required to be appointed or dismissed by the board of directors); and

- to other powers conferred by the board of directors or the articles of association.

The manager shall comply with other provisions of the articles of association concerning his/her powers. The manager shall attend board meetings. According to the PRC Company Law, senior management shall mean the manager, deputy manager(s), person in charge of finance, board secretary (in case of a listed company) of a company and other personnel as stipulated in the articles of association.

Duties of Directors, Supervisors and Senior Management

Directors, supervisors and senior management of the company are required under the PRC Company Law to comply with the relevant laws, regulations and the articles of association, and have fiduciary and diligent duties to the company. Directors, supervisors and senior management are prohibited from abusing their powers to accept bribes or other unlawful income and from misappropriating of the company's properties. Directors and senior management are prohibited from:

- misappropriation of the company's capital;
- depositing the company's capital into accounts under his own name or the name of other individuals;
- loaning company funds to others or providing guarantees in favor of others supported by the company's assets in violation of the articles of association or without prior approval of the shareholders' general meeting or board of directors;
- entering into contracts or deals with the company in violation of the articles of association or without prior approval of the shareholders' general meeting;
- using their position and powers to procure business opportunities for themselves or others that should have otherwise been available to the company or operating for their own benefits or managing on behalf of others businesses similar to that of the company without prior approval of the shareholders' general meeting;
- accept and possess commissions paid by a third party for transactions conducted with the company;
- unauthorized divulgence of confidential business information of the company; or
- other acts in violation of their duty of loyalty to the company.

A director, supervisor or senior management who contravenes any law, regulation or the company's articles of association in the performance of his duties resulting in any loss to the company shall be personally liable to the company.

Finance and Accounting

Under the PRC Company Law, a company shall establish financial and accounting systems according to laws, administrative regulations and the regulations of the financial department of the State Council and shall at the end of each financial year prepare a financial and accounting report which shall be audited by an accounting firm as required by law. The company's financial and accounting report shall be prepared in accordance with provisions of the laws, administrative regulations and the regulations of the financial department of the State Council.

Pursuant to the PRC Company Law, the company shall deliver its financial and accounting reports to all shareholders within the time limit stipulated in the articles of association and make its financial and accounting reports available at the company for inspection by the shareholders at least 20 days before the convening of an annual general meeting of shareholders. It must also publish its financial and accounting reports.

When distributing each year's after-tax profits, it shall set aside 10% of its after-tax profits into a statutory common reserve fund (except where the fund has reached 50% of its registered capital).

If its statutory common reserve fund is not sufficient to make up losses of the previous year, profits of the current year shall be applied to make up losses before allocation is made to the statutory common reserve fund pursuant to the above provisions.

After allocation of the statutory common reserve fund from after-tax profits, it may, upon a resolution passed at the shareholders' general meeting, allocate discretionary common reserve fund from after-tax profits.

The remaining after-tax profits after making up losses and allocation of common reserve fund shall be distributed in proportion to the number of shares held by the shareholders, unless otherwise stipulated in the articles of association.

Shares held by the Company shall not be entitled to any distribution of profit.

The premium received through issuance of shares at prices above par value and other incomes required by the financial department of the State Council to be allocated to the capital reserve fund shall be allocated to the company's capital reserve fund.

The Company's reserve fund shall be applied to make up losses of the company, expand its business operations or be converted to increase the registered capital of the company. However, the capital reserve fund may not be applied to make up the company's losses. Upon the conversion of statutory common reserve fund into capital, the balance of the statutory common reserve fund shall not be less than 25% of the registered capital of the company before such conversion.

The company shall have no other accounting books except the statutory accounting books. Its assets shall not be deposited in any accounts opened in the name of any individual.

Appointment and Retirement of Accounting Firms

Pursuant to the PRC Company Law, the appointment or dismissal of accounting firms responsible for the auditing of the company shall be determined by shareholders' general meeting or board of directors in accordance with provisions of articles of association. The accounting firm should be allowed to make representations when the shareholders' general meeting or board of directors conducts a vote on the dismissal of the accounting firm. The company should provide true and complete accounting evidences, books, financial and accounting reports and other accounting data to the accounting firm it employs without any refusal, withholding and misrepresentation.

Distribution of Profits

According to the PRC Company Law, a company shall not distribute profits before losses are covered and the statutory common reserve is drawn.

Amendments to Articles of Association

Any amendments to the company's articles of association must be made in accordance with the procedures set out in the company's articles of association. If the amendments to the articles of association approved by the resolution of the general meeting of shareholders are subject to approval by the competent authority, they must be reported to the competent authority for approval; if they involve company registration matters, the modification registration shall be handled according to law. Where the amendments to the articles of association belong to information required to be disclosed by laws and regulations, such amendments shall be announced in accordance with the regulations.

Dissolution and Liquidation

According to the PRC Company Law, a company shall be dissolved by reason of the following: (i) the term of its operations set down in the articles of association has expired or other events of dissolution specified in the articles of association have occurred; (ii) the shareholders' general meeting have resolved to dissolve the company; (iii) the company is dissolved by reason of merger or division; (iv) the business license is revoked; the company is ordered to close down or be dissolved; or (v) the company is dissolved by the people's court in response to the request of shareholders holding shares that represent more than 10% of the voting rights of all its shareholders, on the grounds that the company suffers significant hardship in its operation and management that cannot be resolved through other means, and the ongoing existence of the company would bring significant losses for shareholders.

In the event of (i) above, it may carry on its existence by amending its articles of association. The amendment of the articles of association in accordance with provisions set out above shall require approval of more than two-thirds of voting rights of shareholders attending a shareholders' general meeting.

Where the company is dissolved in the circumstances described in sub-paragraphs (i), (ii), (iv), or (v) above, a liquidation group shall be established and the liquidation process shall commence within 15 days after the occurrence of an event of dissolution. The members of the company's liquidation group shall be composed of its directors or the personnel appointed by the shareholders' general meeting. If a liquidation group is not established within the stipulated period, creditors may apply to the people's court and request the court to appoint relevant personnel to form the liquidation group. The people's court should accept such application and form a liquidation group to conduct liquidation in a timely manner.

The liquidation group shall exercise the following powers during the liquidation period:

- to handle the company's assets and to prepare a balance sheet and an inventory of the assets;

- to notify creditors through notice or public announcement;
- to deal with the company's outstanding businesses related to liquidation;
- to pay any tax overdue as well as tax amounts arising from the process of liquidation;
- to claim credits and pay off debts;
- to handle the company's remaining assets after its debts have been paid off; and
- to represent the company in civil lawsuits.

The liquidation group shall notify the company's creditors within 10 days after its establishment and issue public notices in newspapers within 60 days. A creditor shall lodge his claim with the liquidation group within 30 days after receiving notification, or within 45 days of the public notice if he/she did not receive any notification. A creditor shall state all matters relevant to his creditor rights in making his/her claim and furnish evidence. The liquidation group shall register such creditor rights. The liquidation group shall not make any debt settlement to creditors during the period of claim.

Upon liquidation of properties and the preparation of the balance sheet and inventory of assets, the liquidation group shall draw up a liquidation plan to be submitted to the shareholders' general meeting or people's court for confirmation.

The company's remaining assets after payment of liquidation expenses, wages, social insurance expenses and statutory compensation, outstanding taxes and debts shall be distributed to shareholders according to their shareholding proportion. It shall continue to exist during the liquidation period, although it can only engage in any operating activities that are related to the liquidation. The company's properties shall not be distributed to the shareholders before repayments are made in accordance to the foregoing provisions.

Upon liquidation of the company's properties and the preparation of the balance sheet and inventory of assets, if the liquidation group becomes aware that the company does not have sufficient assets to meet its liabilities, it must apply to the people's court for a declaration for bankruptcy.

Following such declaration, the liquidation group shall hand over all matters relating to the liquidation to the people's court.

Upon completion of the liquidation, the liquidation group shall submit a liquidation report to the shareholders' general meeting or the people's court for verification. Thereafter, the report shall be submitted to the registration authority of the company in order to cancel the company's registration, and a public announcement of its termination shall be issued. Members of the liquidation group are required to discharge their duties honestly and in compliance with the relevant laws. Members of the liquidation group shall be prohibited from abusing their powers to accept bribes or other unlawful income and from misappropriating the company's properties.

A member of the liquidation group is liable to indemnify the company and its creditors in respect of any loss arising from his/her intentional or gross negligence.

Overseas Listing

According to the Overseas Listing Trial Measures, overseas listing of a company shall be filed with CSRC. Where an issuer conducts an overseas initial public offering or listing, it shall file with CSRC within 3 working days after submitting the issuance and listing application documents overseas. The remittance and cross-border flow of funds related to overseas issuance and listing of domestic enterprises shall comply with national regulations on cross-border investment and financing, foreign exchange management and cross-border RMB management.

Pursuant to the Notice on Arrangements for the Filing and Administration of Overseas Listing by Domestic Enterprises (《關於境內企業境外發行上市備案管理安排的通知》), domestic enterprises that have received the instrument of approval from the CSRC for the overseas public offering of shares and listing (including additional issuance) of joint stock companies may continue to promote their overseas listing during the validity period of the instrument of approval. Where the overseas issuance and listing did not complete upon expiration of the instrument of approval, filing shall be carried out as required.

Loss of Share Certificates

If a registered share certificate is lost, stolen or destroyed, the relevant shareholder may apply, in accordance with the relevant provisions set out in the Civil Procedure Law, to a people's court to declare such certificate invalid. After the people's court declares the invalidity of such certificate, the shareholder may apply to the company for a replacement share certificate.

Termination of Listing

The PRC Company Law has deleted provisions governing termination of listing. The PRC Securities Law stipulates that the trading of shares of a company on a stock exchange may be terminated if so decided by the stock exchange.

Merger and Demerger

Companies may merge through merger by absorption or through the establishment of a newly merged entity. If it merges by absorption, the company which is absorbed shall be dissolved. If it merges by forming a new corporation, both companies will be dissolved.

SECURITIES LAW AND REGULATIONS

The PRC has promulgated a number of regulations that relate to the issue and trading of shares and disclosure of information. In October 1992, the State Council established the Securities Committee and the CSRC. The Securities Committee is responsible for coordinating the drafting of securities regulations, formulating securities-related policies, planning the development of securities markets, directing, coordinating and supervising all securities-related institutions in the PRC and administering the CSRC. The CSRC is the regulatory arm of the Securities Committee and is responsible for the drafting of regulatory provisions of securities markets, supervising securities companies, regulating public offers of securities by PRC companies in the PRC or overseas, regulating the trading of securities, compiling securities related statistics and undertaking relevant research and analysis. In April 1998, the State Council consolidated the two departments and reformed the CSRC.

The Interim Provisional Regulations on the Administration of Share Issuance and Trading (《股票發行與交易管理暫行條例》) deals with the application and approval procedures for public offerings of equity securities, trading in equity securities, the acquisition of listed companies, deposit, clearing and transfer of listed equity securities, the disclosure of information with respect to a listed company, investigation, penalties and dispute settlement.

On December 25, 1995, the State Council promulgated and implemented the Regulations of the State Council Concerning Domestic Listed Foreign Shares of Joint Stock Limited Companies (《國務院關於股份有限公司境內上市外資股的規定》). These regulations mainly deal with the issue, subscription, trading and declaration of dividends and other distributions of domestic listed and foreign invested shares and disclosure of information of joint stock limited companies having domestic listed and foreign invested shares.

The PRC Securities Law took effect on July 1, 1999 and revised on August 28, 2004, October 27, 2005, June 29, 2013, August 31, 2014 and December 28, 2019 respectively. This is the first national securities law in the PRC, which is divided into 14 chapters and 226 articles regulating, among other things, the issue and trading of securities, takeovers by listed companies, the duties and responsibilities of securities exchanges, securities companies and the State Council's securities regulatory authorities. The PRC Securities Law comprehensively regulates activities in the PRC securities market. Article 224 of the PRC Securities Law provides that any domestic enterprise that seeks to issue securities oversea either directly or indirectly or to list its stocks in oversea markets shall comply with the relevant provisions of the State Council. Currently, the issue and trading of foreign issued shares (including H shares) are mainly governed by the rules and regulations promulgated by the State Council and the CSRC.

The "Full Liquidity"

According to the CSRC Pilot Program for the Deepening Reforms on Overseas Listing Systems and the "Full Liquidity" of H Shares (《中國證監會深化境外上市制度改革開展H股「全流通」試點》) issued by the CSRC on December 29, 2017 and the Reply to the Press by the CSRC Spokesperson, Chang Depeng Regarding the Implementation of the "Full Liquidity" Pilot Program of H Shares (《中國證監會新聞發言人常德鵬就開展H股「全流通」試點相關事宜答記者問》) issued by the CSRC on December 29, 2017, and as approved by the State Council, the CSRC carried out the "Full Liquidity" Pilot Program of H-share Listed Companies, which required enterprises involved in the pilot program to perform some procedures and meet the following four basic conditions:

(1) to fulfill the relevant legal provisions and policy requirements of foreign investment access, state-owned assets management, state security and industrial policy.

(2) their respective industries are in line with the development concept of innovative, coordinated, green, open and sharing, the development direction of the industrial policy of the state, as well as the national strategy of serving the real economy and supporting the "One Belt, One Road" construction, they also have to be high-quality enterprises.

(3) the equity structures of existing shares are relatively simple and their respective market value will be not less than HK$1 billion.

(4) the corporate governance is standard, the internal decision-making procedures are in compliance with the laws, which can adequately protect shareholders' rights of knowledge, participation and voting.

According to the Guidance of Applying "Full Liquidity" for Domestic Unlisted Shares of H Shares Company (《H股公司境內未上市股份申請「全流通」業務指引》) issued by the CSRC on November 14, 2019 and the Reply to the Press by the CSRC Spokesperson Regarding the Fully Implementation of the "Full Liquidity" Reform of H Shares (《中國證監會新聞發言人就全面推開H股「全流通」改革答記者問》) issued by the CSRC on November 15, 2019, H Shares company can apply for "full liquidity" alone or together with refinance application. Unlisted domestic joint stock limited companies can apply for "full liquidity" together with IPO application. Once approved by the CSRC, shareholders of domestic unlisted shares shall change shares registration according to relevant business rules of the CSDCC, as well as relevant rules of shares registration and shares listing on the Hong Kong market, and shall disclose information lawfully.

ARBITRATION AND ENFORCEMENT OF ARBITRAL AWARDS

The Arbitration Law of the PRC (《中華人民共和國仲裁法》) (the "**Arbitration Law**") was passed by the Standing Committee of the NPC on August 31, 1994, became effective on and was amended on August 27, 2009 and September 1, 2017. Under the Arbitration Law, an arbitration committee may, before the promulgation by the PRC Arbitration Association of arbitration regulations, formulate interim arbitration rules in accordance with the Arbitration Law and the Civil Procedure Law. Where the parties have by agreement provided arbitration as the method for dispute resolution, the people's court will refuse to handle the case except when the arbitration agreement is declared invalid.

A claimant may elect for arbitration to be carried out at either the China International Economic and Trade Arbitration Commission (中國國際經濟貿易仲裁委員會) ("**CIETAC**") in accordance with its rules or the Hong Kong International Arbitration Center ("**HKIAC**") in accordance with its Securities Arbitration Rules (the "**Securities Arbitration Rules**"). Once a claimant refers a dispute or claim to arbitration, the other party shall submit to the arbitral body elected by the claimant. If the claimant elects for arbitration to be carried out at the HKIAC, any party to the dispute or claim may apply for a hearing to take place in Shenzhen in accordance with the Securities Arbitration Rules. In accordance with the Arbitration Regulations of CIETAC (《中國國際經濟貿易仲裁委員會仲裁規則》) which was amended on November 4, 2014 and implemented on January 1, 2015, CIETAC shall deal with economic and trading disputes over contractual or non-contractual transactions, including disputes involving Hong Kong based on the agreement of the parties. The arbitration commission is established in Beijing and its branches and centers have been set up in Shenzhen, Shanghai, Tianjin and Chongqing.

Under the Arbitration Law and the Civil Procedure Law, an arbitral award is final and binding on the parties. If a party fails to comply with an award, the other party to the award may apply to the people's court for enforcement. A people's court may refuse to enforce an arbitral award made by an arbitration commission if there is any irregularity on the procedures or composition of arbitrators specified by law or the award exceeds the scope of the arbitration agreement or is outside the jurisdiction of the arbitration commission.

A party seeking to enforce an arbitral award of PRC arbitration panel against a party who, or whose property, is not within the PRC, may apply to a foreign court with jurisdiction over the case for enforcement. Similarly, an arbitral award made by a foreign arbitration body may be recognized and enforced by the PRC courts in accordance with the principles of reciprocity or any international treaty concluded or acceded to by the PRC. The PRC acceded to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the "**New York Convention**") adopted on June 10, 1958 pursuant to a resolution of the Standing Committee of the NPC passed on December 2, 1986. The New York Convention provides that all arbitral awards made in a state which is a party to the New York Convention shall be recognized and enforced by all other parties to the New York Convention, subject to their right to refuse enforcement under certain circumstances, including where the enforcement of the arbitral award is against the public policy of the state to which the application for enforcement is made. It was declared by the Standing Committee of the NPC simultaneously with the accession of the PRC that (i) the PRC will only recognize and enforce foreign arbitral awards on the principle of reciprocity and (ii) the PRC will only apply the New York Convention in disputes considered under PRC laws to arise from contractual and non-contractual mercantile legal relations.

An arrangement was reached between Hong Kong and the Supreme People's Court for the mutual enforcement of arbitral awards. On June 18, 1999, the Supreme People's Court adopted the Arrangement on Mutual Enforcement of Arbitral Awards between Mainland China and the Hong Kong Special Administrative Region (《關於內地與香港特別行政區相互執行仲裁裁決的安排》), which became effective on February 1, 2000. In accordance with this arrangement, awards made by PRC arbitral authorities under the Arbitration Law can be enforced in Hong Kong, and Hong Kong arbitration awards are also enforceable in the PRC.

On November 26, 2020, the Supreme People's Court promulgated the Supplementary Arrangement of the Supreme People's Court on Mutual Enforcement of Arbitral Awards between Mainland China and the Hong Kong Special Administrative Region (《最高人民法院關於內地與香港特別行政區相互執行仲裁裁決的補充安排》), clarifying the "recognition" procedure, expanding the scope of mutual recognition and enforcement of arbitral awards, and removing the restriction on arbitral bodies. It stipulates that an applicant may apply to courts of Mainland China and Hong Kong for enforcement of arbitral awards, and adds provisions on preservation measures.

Judicial judgment and its enforcement

According to the Arrangement on Mutual Recognition and Enforcement of Judgments in Civil and Commercial Matters by Courts of Mainland China and of the Hong Kong Special Administrative Region Pursuant to Agreed Jurisdiction by Parties Concerned (《最高人民法院關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》) promulgated by the Supreme

People's Court on July 3, 2008 and implemented on August 1, 2008, in the case of final judgment, defined with payment amount and enforcement power, made between the court of China and the court of the Hong Kong Special Administrative Region in a civil and commercial case with written jurisdiction agreement, any party concerned may apply to the People's Court of China or the court of the Hong Kong Special Administrative Region for recognition and enforcement based on this arrangement. "Choice of court agreement in written" refers to a written agreement defining the exclusive jurisdiction of either the People's Court of China or the court of the Hong Kong Special Administrative Region in order to resolve dispute with particular legal relation occurred or likely to occur by the party concerned. Therefore, the party concerned may apply to the Court of China or the court of the Hong Kong Special Administrative Region to recognize and enforce the final judgment made in China or Hong Kong that meet certain conditions of the aforementioned regulations.

SUMMARY OF MATERIAL DIFFERENCES BETWEEN HONG KONG AND PRC COMPANY LAW

The Hong Kong laws applicable to a company incorporated in Hong Kong are the Companies Ordinance and the Companies (Winding up and Miscellaneous Provisions) Ordinance and are supplemented by common law and the rules of equity that are applicable to Hong Kong. As a joint stock limited company established in the PRC that is seeking a **[REDACTED]** of shares on the Stock Exchange, our Company is governed by the PRC Company Law and all other rules and regulations promulgated pursuant to the PRC Company Law.

Set out below is a summary of certain material differences between Companies Ordinance applicable to a company incorporated in Hong Kong and the PRC Company Law applicable to a joint stock limited company incorporated under the PRC Company Law. This summary is, however, not intended to be an exhaustive comparison.

Incorporation of Corporate

Under the Hong Kong Company Law, a company with share capital, is incorporated by the Registrar of Companies in Hong Kong which issues a certificate of incorporation to the company upon its incorporation and the company will acquire an independent corporate existence. A company may be incorporated as a public company or a private company. Pursuant to the Companies Ordinance, the articles of association of a private company incorporated in Hong Kong shall contain certain pre-emptive provisions. A public company's articles of association do not contain such pre-emptive provisions.

Under the PRC Company Law, a joint stock limited company may be incorporated by promotion or stock flotation. The newly amended PRC Company Law which came into effect on October 26, 2018, has no provisions on minimum registered capital of joint stock companies, except that laws, administrative regulations and State Council decisions have separate provisions on paid-in registered capital and the minimum registered capital of joint stock companies, in which case the company should follow such provisions.

Hong Kong law does not prescribe any minimum capital requirement for a Hong Kong company.

Share Capital

The Hong Kong Company Law does not provide for authorized share capital. The share capital of a Hong Kong company would be its issued share capital. The full proceeds of a share issue will be credited to share capital and becomes a company's share capital. The directors of a Hong Kong company may, with the prior approval of the shareholders if required, issue new shares of the company.

The PRC Company Law provides that any increase in our Company's registered capital must be approved by its shareholders' general meeting and the relevant PRC governmental and regulatory authorities.

Under the PRC Company Law, the shares may be subscribed for in the form of money or non-monetary assets (other than assets not entitled to be used as capital contributions under relevant laws and administrative regulations). If capital contribution is made other than in cash, valuation and verification of the assets contributed must be carried out and converted into shares according to the laws. Non-monetary assets used for capital contributions shall not be overvalued or undervalued. Where laws or administrative regulations provide otherwise, those provisions shall prevail. There is no such restriction on a Hong Kong company under Hong Kong Law.

Restrictions on Shareholding and Transfer of Shares

Under the PRC Company Law, a promoter of a joint stock limited company is not allowed to transfer the shares it holds for a period of one year after the date of establishment of the company. Shares issued prior to the public offering cannot be transferred within one year from the listing date of the shares on a stock exchange. Shares transferred each year by the directors, supervisors and senior management of a joint stock limited company during their respective term of office shall not exceed 25% of the total shares they held in the company, and the shares they held in the company cannot be transferred within one year from the listing date of the shares, and also cannot be transferred within half a year after such person leave office. The articles of association may set other restrictive requirements on the transfer of the company's shares held by its directors, supervisors and senior management.

There are no such restrictions on shareholdings and transfers of shares under Hong Kong law apart from the six-month lockup on the company's issue of shares and the 12-month lockup on controlling shareholders' disposal of shares, as illustrated by the undertakings given by the Company and our controlling shareholder to the Stock Exchange.

Financial Assistance for Acquisition of Shares

The PRC Company Law does not prohibit or restrict a joint stock limited company or its subsidiaries from providing financial assistance for the purpose of an acquisition of its own or its holding company's shares. However, the Guidelines for the Articles of Association of Listed Companies stipulate that a company or a subsidiary of a company (including an affiliated enterprise of a company) shall not provide any financial assistance in the form of a gift, advance, guarantee, compensation or loan to a person who purchases or proposes to purchase shares in the company.

Variation of Class Rights

The PRC Company Law has no specific provision relating to variation of class rights. However, the PRC Company Law states that the State Council can promulgate separate regulations relating to other kinds of shares.

Under the Companies Ordinance, no rights attached to any class of shares can be varied except (i) with the passing of a special resolution by the shareholders of the relevant class at a separate meeting sanctioning the variation, (ii) with the written consent of shareholders representing at least three-fourths of the total voting rights of shareholders of the relevant class, or (iii) if there are provisions in the articles of association relating to the variation of those rights, then in accordance with those provisions.

Directors, Senior Management and Supervisors

The PRC Company Law, unlike Companies Ordinance, does not contain any requirements relating to the declaration of directors' interests in material contracts, restrictions on companies providing certain benefits to directors and guarantees in respect of directors' liability and prohibitions against compensation for loss of office without shareholders' approval.

Board of Supervisor

Under the PRC Company Law, a joint stock limited company's directors and members of the senior management are subject to the supervision of board of supervisor. There is no mandatory requirement for the establishment of board of supervisor for a company incorporated in Hong Kong. The Guidelines for the Articles of Association of Listed Companies stipulate that supervisors shall abide by the laws, administrative regulations and the articles of association of the company, owe the company a duty of loyalty and diligence, and shall not use their authority to accept bribes or other illegal income or misappropriate the property of the company.

Derivative Action by Minority Shareholders

Hong Kong law permits minority shareholders to initiate a derivative action on behalf of all shareholders against directors who have committed a breach of their fiduciary duties to the company if the directors control a majority of votes at a general meeting, thereby effectively preventing a company from suing the directors in breach of their duties in its own name.

The PRC Company Law provides shareholders of a joint stock limited company with the right so that in the event where the directors and senior management violate their obligations and cause damages to a company, the shareholders individually or jointly holding more than 1% of the shares in the company for more than 180 consecutive days may request in writing the board of supervisor to initiate proceedings in the people's court. In the event that the board of supervisor violates their obligations and cause damages to company, the above said shareholders may send written request to the board of directors to initiate proceedings in the people's court. Upon receipt of aforesaid written request from the shareholders, if the board of supervisor or the board of directors refuses to initiate such proceedings, or has not initiated proceedings within 30 days from the date of receipt of the request, or if under urgent situations, failure of initiating immediate proceeding may cause irremediable damages to the company, the above said shareholders shall, for the benefit of the company's interests, have the right to initiate proceedings directly to the people's court in their own name.

The Guidelines for the Articles of Association of Listed Companies also provide other remedies against the directors, supervisors and senior management who breach their duties to the company. In addition, as a condition to the listing of shares on the Stock Exchange, each director and supervisor of a joint stock limited company is required to give an undertaking in favor of the company acting as agent for the shareholders. This allows minority shareholders to take action against directors and supervisors of the company in default.

Protection of Minority Shareholders

Under Hong Kong law, the company may be wound up by the court if the court considers that it is just and equitable to do so, in addition, a shareholder who complains that the affairs of a company incorporated in Hong Kong are conducted in a manner unfairly prejudicial to his interests may petition to the court to make an appropriate order regulating the affairs of the company. Furthermore, under certain circumstances, the Financial Secretary of Hong Kong may appoint inspectors who are given extensive statutory powers to investigate the affairs of a company incorporated in Hong Kong. The PRC law does not contain similar safeguards.

The PRC Company Law provides that, a company which encounters substantial operational or management difficulties, and its continuance will cause significant loss to the interests of its shareholders and the situation cannot be resolved by other means, shareholders of the company who hold more than ten percent of the voting rights of all shareholders may apply to a people's court for the dissolution of the company.

However, the Guidelines for the Articles of Association of Listed Companies stipulate that the controlling shareholder or the actual controller of a company shall not use its related party relationship to harm the interests of the company. Those who violate the regulations and caused losses to the company shall be liable for compensation.

Notice of Shareholders' General Meetings

Under the PRC Company Law, notice of a shareholders' annual general meeting and an extraordinary general meeting must be given to shareholders no less than 20 days and 15 days before the date of such meeting, respectively. For a company incorporated in Hong Kong, the notice period for an annual general meeting is at least 21 days and in any other case, at least 14 days for a limited company and at least 7 days for an unlimited company.

Quorum for Shareholders' General Meetings

Under Hong Kong law, the quorum for a general meeting must be at least two members unless the articles of association of the company otherwise provide. For companies with only one member, the quorum must be one member.

The PRC Company Law does not specify the quorum for a shareholders' general meeting.

Voting

Under Hong Kong law, an ordinary resolution is passed by a simple majority of votes cast by members present in person or by proxy at a general meeting and a special resolution is passed by a majority of not less than three-fourths of votes cast by members present in person or by proxy at a general meeting.

Under the PRC Company Law, the passing of any resolution requires affirmative votes of shareholders representing more than half of the voting rights held by the shareholders who attend the general meeting except in cases of proposed amendments to a company's articles of association, increase or decrease of registered capital, merger, division or dissolution, or change of corporation form, which require affirmative votes of shareholders representing more than two-thirds of the voting rights held by the shareholders who attend the general meeting.

Financial Disclosure

Under the PRC Company Law, a joint stock limited company is required to make available at the company for inspection by shareholders its financial report 20 days before its shareholders' annual general meeting. In addition, a joint stock limited company of which the shares are publicly issued must publish its financial report.

The Companies Ordinance requires a company incorporated in Hong Kong to send to every shareholder a copy of its balance sheet, auditors' report and directors' report, which are to be presented before the company in its annual general meeting, not less than 21 days before such meeting.

Information on Directors and Shareholders

The PRC Company Law gives shareholders the right to inspect the company's articles of association, minutes of the shareholders' general meetings and financial and accounting reports. Under the Articles of Association, shareholders have the right to inspect free of charge and the right to make copies, subject to payment of a reasonable fee, of certain information on shareholders and on directors which is similar to the shareholders' rights of Hong Kong companies under Hong Kong law.

Receiving Agent

Under the PRC Company Law and Hong Kong law, dividends once declared become liabilities payable to shareholders. The limitation period for debt recovery action under Hong Kong law is six years, while under the PRC laws this limitation period is three years.

Corporate Reorganization

Corporate reorganization involving a company incorporated in Hong Kong may be effected in a number of ways, such as a transfer of the whole or part of the business or property of the company in the course of voluntary winding up to another company pursuant to Section 237 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance or a compromise or arrangement between the company and its creditors or between the company and its members pursuant to Section 673 and Section 674 of the Companies Ordinance, which requires the sanction of the court. Under the PRC laws, merger, division, dissolution or change the form of a joint stock limited company has to be approved by shareholders at the shareholders' general meeting.

Dispute Arbitration

In Hong Kong, disputes between shareholders on the one hand, and a company incorporated in Hong Kong or its directors on the other hand, may be resolved through legal proceedings in the courts. The Guidelines for the Articles of Association of Listed Companies provide that shareholders may sue shareholders, shareholders may sue directors, supervisors, managers and other senior management of the company, and shareholders may sue the company, and the company may sue its shareholders, directors, supervisors, managers and other senior management personnel.

Mandatory Deductions

Under the PRC Company Law, a joint stock limited company is required to contribute 10% of the profit into their statutory reserve funds upon distribution of their post-tax profits of the current year. There are no corresponding provisions under Hong Kong law.

Remedies of the Company

Under the PRC Company Law, if a director, supervisor or senior management in carrying out his duties infringes any law, administrative regulation or the articles of association of a company, which results in damage to the company, that director, supervisor or senior management should be responsible to the company for such damages. In addition, the Listing Rules require listed companies' articles of association to provide for remedies of the company similar to those available under Hong Kong law (including rescission of the relevant contract and recovery of profits from a director, supervisor or senior management).

Dividends

The Company has the power in certain circumstances to withhold, and pay to the relevant tax authorities, any tax payable under PRC laws on any dividends or other distributions payable to a shareholder. Under Hong Kong law, the limitation period for an action to recover a debt (including the recovery of dividends) is six years, whereas under PRC laws, the relevant limitation period is three years.

Fiduciary Duties

In Hong Kong, there is the common law concept of the fiduciary duty of directors. Under the PRC Company Law, directors, supervisors and senior management should be loyal and diligent.

Closure of Register of Shareholders

The Companies Ordinance requires that the register of shareholders of a company must not generally be closed for the registration of transfers of shares for more than 30 days (extendable to 60 days in certain circumstances) in a year, whereas, as required by the PRC Company Law, registered shares shall be transferred by the shareholders by endorsement or in other manners prescribed by laws and administrative regulations; after the transfer, the company shall record the name or names and domicile of the transferee in the register of shareholders. No change in the register of shareholders as stipulated in the preceding paragraph shall be registered within twenty days prior to the shareholders' meeting or within five days prior to the base date of the company's decision to distribute dividends. However, if the law provides otherwise for the registration of changes in the register of shareholders of a listed company, such provisions shall apply.

Amendment to Articles of Association

A PRC issuer may not permit or cause any amendment to be made to its articles of association which would contravene the PRC Company Law and the Listing Rules.

SUMMARY OF THE ARTICLES OF ASSOCIATION

Increase and Reduction of Share Capital

The Company may, based on its operating and development needs and in accordance with laws and regulations, increase its capital in the following ways, subject to resolutions adopted respectively by the general meeting:

(I) public offering of shares;

(II) non-public offering of shares;

(III) allotting bonus shares to existing shareholders;

(IV) conversion of capital reserve into share capital;

(V) other methods permitted by laws, administrative regulations and the CSRC.

The Company may reduce its registered capital. Such reduction shall be made in accordance with the procedures set out in the Company Law, other relevant requirements and the Articles of Association.

Share Transferred and Pledged

Unless otherwise provided by laws regulations and the securities regulatory authorities of the place where the shares of the Company are listed, the shares of the Company can be freely transferred according to laws and are not subject to any lien.

The Company shall not accept the share certificates of the Company as collaterals of any pledges.

Shares held by the subscribers of the Company shall not be transferred within one year from the date of establishment of the Company. Shares issued by the Company before the share offering shall not be transferred within one year from the date on which the shares of the Company are listed on a stock exchange Directors, supervisors, general manager and other senior management of the Company shall declare their shareholdings in the Company and the changes therein to the Company; and shall not transfer more than 25% of the total number of shares of the same class they held in the Company during their respective term of office or transfer their shares within one year from the date on which the shares of the Company are listed on a stock exchange. The aforesaid persons shall not transfer the shares of the Company held by them within six months of the termination of their service.

Repurchase of Shares

The Company may, in the following circumstances, repurchase its outstanding shares in accordance with the law, administrative regulations, department rules and requirement of the Articles of Association and subject to the approval of securities supervisory authorities of PRC:

(I) to cancel its shares for reducing its share capital;

(II) merging with another company which holds the shares of the Company;

(III) using shares for the purpose of employee stock ownership scheme or for share incentive;

(IV) the shareholders require the Company to repurchase their shares because they object to a resolution of the Company for merger and division adopted in the general meeting;

(V) using shares for the conversion of corporate bonds which are convertible into shares issued by the Company;

(VI) necessary for the Company to safeguard its value and the shareholders' rights and interests;

The Company may repurchase its shares through public centralized trading or other methods recognized by laws, administrative regulations, the CSRC and the stock exchange where the Company's shares are listed, and shall comply with applicable laws, administrative regulations, departmental rules and the securities regulatory rules of the place where the Company's shares are listed.

Where the Company repurchases its shares under the circumstances set out in items 1 and 2 above, a resolution shall be passed at the general meeting of the Company. Where the Company repurchases its shares under the circumstances set out in items 3, 5 and 6 above, a resolution may be passed at a Board meeting attended by more than two-thirds of the directors in accordance with the provisions of the Articles of Association or as authorized by the general meeting.

Where the Company repurchases its shares under the circumstances set out in item 1 above, such shares shall be canceled within 10 days from the date of repurchase; where the Company repurchases its shares under the circumstances set out in items 2 and 4, such shares shall be transferred or canceled within 6 months; where the Company repurchases its shares under the circumstances set out in items 3, 5 and 6, the total number of shares held by the Company shall not exceed 10% of the total issued shares of the Company, and such shares shall be transferred or canceled within 3 years.

Appointment of the Directors

Directors shall be elected or changed at a general meeting and any Director (including a Managing Director or other Executive Director) may be removed, by an ordinary resolution, prior to the expiration of his/her term of office at a general meeting. The term of a Director is three years and is eligible for re-election upon the expiration of the term.

The term of a Director shall start from the date of taking office and end at the expiration of his/her term in the incumbent Board. Where the expiration of a Director's term of office predates his/her reelection, or the resignation of a Director leads to the number of Directors failing to meet the quorum, the former Director shall hold his/her position and perform corresponding duties until the appointment of an alternate Director in accordance with the provisions of laws, administrative regulations, departmental rules and the Articles of Association.

Any person appointed by the directors to fill a casual vacancy on or as an addition to the Board shall hold office only until the first annual general meeting of the Company after his appointment, and shall then be eligible for re-election.

Subject to compliance with relevant laws, a director can be removed by way of an ordinary resolution passed on a general meeting before the expiry of his term of office. Such removal does not prejudice the director's claim for damages pursuant to any contract. The general manager and senior management members may concurrently serve as directors, provided that the total number of directors who concurrently serve as the general manager and senior management members and directors who are employee representatives shall not be more than half of the total number of directors of the Company.

Directors do not need to hold shares of the Company.

The Qualifications of Directors

Directors of the Company shall be natural persons. A natural person who falls into any of the following circumstances shall not serve as Director of the Company:

(I) without capacity or with limited capacity for civil conduct;

(II) has been sentenced to criminal punishment due to corruption, bribery, embezzlement of property, misappropriation of property or disrupting the order of socialist market economy, and less than five years have elapsed since the punishment is fully executed; or has been deprived of political rights due to any criminal offenses and less than five years have elapsed since the punishment is fully executed;

(III) has served as a Director, factory manager or general manager of a company or an enterprise which has entered into insolvent liquidation due to poor operation and management, and is personally liable for the bankruptcy of the company or enterprise because of mismanagement, and less than three years have elapsed since the date of completion of the bankruptcy liquidation of the company or enterprise;

(IV) has served as the legal representative of a company or an enterprise whose Business License was revoked due to illegal activities or was ordered to be wound-up and was personally liable for such punishment, and less than three years has elapsed since the date of revocation of the business license of the company or enterprise;

(V) has large amount of overdue debts;

(VI) has been subject to a penalty of prohibition from engaging in stock market activities imposed by the CSRC, where the term of the penalty has not yet expired; and is under investigation by the judiciary authority for violation of the criminal law;

(VII) is disqualified as corporate leader in laws and administrative regulations;

(VIII) is not a natural person;

(IX) having been convicted of contravention of provisions of relevant securities regulations by a relevant competent authority, and such conviction involves a finding that he has acted fraudulently or dishonestly, where less than five years have elapsed since the date of the conviction;

(X) other circumstances as stipulated by laws, administrative regulations or departmental rules.

In the case of election, appointment or employment of directors in violation of this Article, such election, appointment or employment shall be null and void. Where the directors present circumstances as prescribed in this Article, they shall be dismissed by the company.

The general manager or other senior management may serve as a Director concurrently. However, the total number of such Director positions taking by general manager or other senior management shall not exceed 1/2 of the total number of Directors of the Company.

BOARD OF DIRECTORS

The Board consists of seven Directors, and the promoter shareholders shall have the right to nominate the candidates of Directors who are non-employee representatives at the general meeting and Directors who are non-employee representatives shall be elected at the general meeting. The Board shall have a chairperson elected or removed by the Board by a majority of all Directors.

FUNCTIONS AND POWERS OF THE BOARD OF DIRECTORS

The Board shall exercise the following functions and powers:

(I) convening the general meeting and reporting its work thereto;

(II) implementing resolutions adopted at the general meeting;

(III) deciding the business plans and investment programs of the Company;

(IV) formulating the annual financial budget plan and final accounting plan of the Company (including salary budget and investment budget);

(V) formulating profit distribution plans and loss recovery plans of the Company;

(VI) formulating plans for increasing or reducing the registered capital of the Company and for corporate bond issuance;

(VII) formulating plans for merger, division, dissolution or change of company form;

(VIII) making decisions on the establishment of the Company's internal management bodies;

(IX) appointing or dismissing the Company's general manager and deciding on the matters relating to his/her remuneration, and appointing or dismissing the Company's deputy general manager, financial officer and deciding on the matters relating to their remunerations pursuant to the nomination of the general manager;

(X) formulating the basic management system of the Company;

(XI) formulating proposals for the amendment to the Articles of Association;

(XII) listening to the work report of the general manager and examining and supervising the implementation of the board resolutions by the general manager;

(XIII) considering the laws, administrative regulations, departmental rules, state-owned assets and relevant regulations of the place where the Company is listed and this Articles of Association as well as other matters not expressly decided by the Shareholders' general meeting.

Where any of the directors has any connected relationship with the enterprise involved in the matter to be decided at the meeting of the board of directors, he shall not vote on the relevant resolution, nor may he vote on behalf of any other director. The meeting of the board of directors shall not be held unless more than half of the unconnected directors are present at the meeting. A resolution of the board of directors shall be passed by more than half of the unconnected directors. If the number of unconnected directors in presence is less than 3 persons, the matter shall be submitted to the shareholders' general meeting of the Company for consideration and discussion.

Borrowing Power

The Articles of Association do not contain any special provision in respect of the manner in which borrowing powers may be exercised by the Directors nor do they contain any special provision in respect of the manner in which such power may be raised, other than: (a) provisions which give the Board the power to formulate proposals for the issuance of debentures by the Company; (b) provisions which provide that the issuance of debentures must be approved by the shareholders of the Company in general meeting by way of a resolution.

Register of Members

The Company shall establish a register of shareholders in accordance with the evidence provided by the securities registration authority.

When the Company convenes a general meeting, distributes dividends, conducts liquidation or engages in other activities that require the confirmation of the identity of shareholders, the Board or the convener of the general meeting shall determine the record date in accordance with the provisions of the securities regulatory rules of the place where the Company's shares are listed. Shareholders whose names appear on the register of shareholders after the close of trading on the record date shall be the shareholders entitled to relevant interests.

Shareholders' General Meeting

The shareholders' general meeting is the authority of the Company and shall exercise the following functions and powers in accordance with law:

(I) to determine the operating policies and investment plans of the Company;

(II) to elect and replace a director and a supervisor who is a shareholder representative, and to determine the remuneration of such director and supervisor;

(III) to consider and approve the reports of the board of directors;

(IV) to consider and approve the reports of the supervisory committee;

(V) to consider and approve the annual financial budget and final account of the Company;

(VI) to consider and approve the profit distribution plans and the loss recovery plans of the Company;

(VII) to approve resolutions on increase or reduction of registered capital of the Company;

(VIII) to resolve on the issuance of bonds of the Company;

(IX) to approve resolutions on appointment, removement or ceasing appointment of an accountant firm;

(X) to resolve on matters such as the merger, division, dissolution, liquidation or change of the form of the Company;

(XI) to amend these Articles;

(XII) to examine and approve proposals made by the shareholders representing more than 3% of the voting shares in the Company;

(XIII) to examine and approve the purchase or sale of material assets of more than 30% of the Company's latest audited total assets;

(XIV) to examine and approve the equity incentive plan;

(XV) to examine and approve the matters of providing external guarantee which are subject to approval at the shareholders' general meeting;

(XVI) to examine and approve connected transactions which shall be approved by the shareholders' general meeting in accordance with laws, regulations, rules and provisions of the securities regulatory authority of the places where the shares of the Company are listed;

(XVII) approving a transaction that constitutes a Notifiable Transaction within the meaning of Chapter 14 of the Listing Rules where any applicable percentage is higher than or equal to 25%;

(XVIII) to consider other matters required to be resolved by the shareholders' general meeting pursuant to laws, administrative regulations, departmental rules, relevant regulations of the place where the state-owned assets are located and the Company's shares are listed as well as these Articles, and if no such provisions, such matters shall be considered and resolved by the board of directors of the Company.

Summoning of General Meetings

General meetings shall be summoned by the Board. The publication of the notice of the general meeting (including the supplemental notice) shall comply with the relevant laws and regulations and the securities regulatory rules of the place where the Company's shares are listed.

The independent non-executive Directors are entitled to propose to the Board to convene an extraordinary general meeting. The Board shall, in accordance with the laws, administrative regulations, the securities regulatory rules of the place where the Company's shares are listed and the Articles of Association, give a written reply on whether or not to convene the extraordinary general meeting within 10 days after receiving the proposal from the independent non-executive Directors.

If the Board agrees to convene the extraordinary general meeting, a notice of such meeting shall be issued within five days after the resolution of the Board is passed. If the Board does not agree to convene the extraordinary general meeting, it shall explain the reasons and make an announcement.

The Board of Supervisors shall have the right to propose to the Board to convene an extraordinary general meeting in writing. The Board shall, in accordance with the laws, administrative regulations, the securities regulatory rules of the place where the Company's shares are listed and the Articles of Association, give a written reply on whether to convene the extraordinary general meeting or not within 10 days after receipt of the proposal.

If the Board agrees to convene the extraordinary general meeting, a notice of such meeting shall be issued within 5 days after the resolution of the Board is passed. Any changes to the original proposal made in the notice shall be approved by the Board of Supervisors.

If the Board does not agree to convene the extraordinary general meeting or fails to give a reply within 10 days after receiving the proposal, the Board shall be deemed to be unable or fail to perform the duty of convening the general meeting, and the Board of Supervisors may summon and preside over the meeting on its own.

Shareholders individually or jointly holding 10% or more of the Company's shares shall have the right to request the Board of Directors in writing to convene an extraordinary general meeting. The Board shall, in accordance with the laws, administrative regulations, the securities regulatory rules of the place where the shares of the Company are listed and the Articles of Association, give a written reply on whether to convene the extraordinary general meeting or not within 10 days after receipt of the proposal.

If the Board agrees to convene the extraordinary general meeting, a notice of such meeting shall be issued within five days after the resolution of the Board is passed. Any change to the original request made in the notice shall be subject to the consent of the relevant shareholders.

If the Board does not agree to convene an extraordinary general meeting or does not reply within 10 days upon receipt of the proposal, the shareholders individually or jointly holding more than 10% of the Company's shares shall have the right to propose to the Board of Supervisors to convene an extraordinary general meeting, and such proposal shall be made in writing.

If the Board of Supervisors agrees to convene the extraordinary general meeting, it shall issue a notice of general meeting within 5 days upon receipt of the request. Any changes to the original request in the notice shall be approved by the relevant shareholders.

If the Board of Supervisors fails to issue the notice of the general meeting within the prescribed period, it shall be deemed that the Board of Supervisors will not convene and preside over the general meeting, and shareholders individually or jointly holding 10% or more of the Company's shares for more than 90 consecutive days may summon and preside over the meeting by themselves.

Proposals at General Meetings

When the Company convenes a general meeting, the Board, the Board of Supervisors and shareholders individually or jointly holding more than 3% of the Company's shares shall have the right to submit proposals to the Company.

Shareholders individually or jointly holding 3% or more of the Company's shares may submit ad hoc proposals in writing to the convener 10 days before a general meeting is convened. The convener shall issue a supplementary notice of the general meeting within two days upon receipt of the proposal to announce the contents of the provisional proposal.

Except as provided in the preceding paragraph or the securities regulatory rules of the place where the Company's shares are listed, the convener shall not amend the proposals set out in the notice of the general meeting or add any new proposals after issuing the notice of the general meeting.

Notices of the Shareholders' General Meeting

Notice of a general meeting shall satisfy the following requirements:

(I) it shall specify the time, venue and duration of the meeting;

(II) it shall specify the matters and proposals submitted to the meeting for consideration;

(III) it shall contain a conspicuous statement that shareholders entitled to attend and vote have the right to entrust one or more proxies to attend and vote on their behalf and that such proxy need not be a shareholder;

(IV) it shall specify the shareholding record date of the shareholders entitled to attend the shareholders' general meeting;

(V) it shall specify the name and phone number of permanent contact person for the meeting;

(VI) Time and procedures for voting by network or otherwise.

Resolutions of General Meetings

Resolutions of the general meeting are divided into ordinary resolutions and special resolutions.

Ordinary resolutions shall be passed by votes representing more than half of the voting rights represented by the shareholders (including proxies) present at the meeting.

A special resolution shall be passed by votes representing more than two-thirds of the voting rights represented by the shareholders (including proxies) present at the meeting.

The following matters shall be approved by ordinary resolutions at a general meeting:

(I) work reports of the Board and the Board of Supervisors;

(II) profit distribution plans and loss recovery plans formulated by the Board;

(III) appointment and removal of members of the Board and the Board of Supervisors, their remuneration and method of payment;

(IV) Annual budget and final accounts of the Company;

(V) annual reports of the Company;

(VI) matters other than those required by the laws, administrative regulations, the securities regulatory rules of the place where the shares of the Company are listed or the Articles of Association to be adopted by special resolution.

The following matters shall be approved by special resolutions at a general meeting:

(I) increase or reduction of the registered capital of the Company;

(II) division, division, merger, dissolution and liquidation of the Company;

(III) amendments to the Articles of Association;

(IV) purchase or disposal of material assets or provision of guarantee by the Company within 12 consecutive months with an amount exceeding 30% of the latest audited total assets of the Company;

(V) share incentive scheme;

(VI) other matters stipulated by laws, administrative regulations, the securities regulatory rules of the place where the Company's shares are listed or the Articles of Association, the Rules of Procedure of the General Meeting, and other matters considered by the general meeting, by way of ordinary resolution, to have a material impact on the Company and need to be approved by special resolution.

General Manager

The Company shall have one general manager, several deputy general managers and the secretary to the Board, chief financial officer and other senior management personnel with positions of equal status, who shall be appointed or dismissed by the Board of Directors.

Board of Supervisors

The Company shall have a Board of Supervisors. The Board of Supervisors shall consist of three Supervisors and shall have one chairman. The chairman of the Board of Supervisors shall be elected by more than half of all Supervisors.

The board of supervisors shall comprise shareholder representatives and an appropriate proportion of the company's staff representatives, of which the proportion of staff representatives shall not be less than one-third. The employee representatives of the Board of Supervisors shall be democratically elected by the Company's employees at the employee representative assembly, employee meeting or otherwise.

The Board of Supervisors exercises the following powers:

1. it shall review the regular reports of the Company prepared by the Board and to provide written review opinions;

2. to examine the financial affairs of the Company;

3. to supervise the directors and senior management in their performance of their duties and to propose the removal of directors and senior management who have violated laws, administrative regulations, the Articles of Association or the resolutions of the shareholders' general meetings;

4. to demand rectification from a Director or senior management when the acts of such persons are detrimental to the interests of the Company;

5. to propose the convening of extraordinary general meetings and to summon and preside over general meetings when the Board fails to perform the duty of summoning and presiding over general meetings under the Company Law;

6. to submit proposals to the general meeting;

7. to initiate proceedings against directors and senior management in accordance with the Company Law;

8. To investigate any irregularities identified in the operation of the Company; if necessary, to engage professional institutions such as accounting firms and law firms to assist its work at the expense of the Company.

Resolutions of the Board of Supervisors shall be passed by more than half of the supervisors.

Financial and Accounting System

The Company shall establish its financial and accounting system in accordance with the laws, administrative regulations and the requirements of the relevant state authorities.

The annual reports and interim reports of the Company are prepared in accordance with the relevant laws, administrative regulations, the requirements of the CSRC and the stock exchanges where the Company's shares are listed.

Dissolution and Liquidation of the Company

The Company shall be dissolved for the following reasons:

1. the term of its operations as is stipulated in the Articles of Association has expired or events of dissolution specified in the Articles of Association have occurred;

2. the shareholders' general meeting resolves to dissolve the Company;

3. dissolution is necessary due to merger or division of the Company;

4. the Company's business license is revoked, the Company is ordered to close down or be revoked in accordance with the law;

5. Where the Company encounters serious difficulties in its operation and management and its continuous existence will cause significant losses to the interests of shareholders, and such difficulties cannot be resolved through other means, shareholders holding more than 10% of the voting rights of all shareholders of the Company may request the People's Court to dissolve the Company.

Where the Company is dissolved pursuant to items 1, 2, 4 and 5 above, a liquidation committee shall be established and the liquidation shall commence within 15 days after the occurrence of the cause of dissolution. The liquidation committee shall be composed of directors or persons determined by the shareholders' general meeting. If a liquidation committee is not established within the time limit, the creditors may apply to the people's court to designate relevant personnel to form a liquidation committee to carry out liquidation.

The liquidation committee shall notify creditors within 10 days from the date of its establishment, and publish an announcement in a newspaper recognized by the stock exchange where the Company's shares are listed within 60 days.

If the liquidation committee discovers that the Company's assets are insufficient to repay its debts after cleaning up the Company's assets and preparing a balance sheet and an inventory of assets, it shall apply to the People's Court for a declaration of insolvency in accordance with the law.

Upon completion of the liquidation, the liquidation committee shall prepare a liquidation report which shall be submitted to the shareholders' general meeting or the people's court for confirmation, and shall submit the same to the company registration authority, apply for cancelation of the company's registration, and publish an announcement on the termination of the company.

Amendments to the Articles

The Company shall amend the Articles of Association in any of the following circumstances:

(1) After the amendments are made to the Company Law or relevant laws, administrative regulations, departmental rules and securities regulatory rules of the place where the shares of the Company are listed, the provisions of the Articles of Association are in conflict with the amended laws, administrative regulations, departmental rules and securities regulatory rules of the place where the shares of the Company are listed;

(2) there is a change in the Company's situation, which is inconsistent with the matters recorded in the Articles of Association;

(3) the shareholders' general meeting decides to amend the Articles of Association.

The amendments to the Articles of Association adopted by the shareholders' general meeting shall be submitted to the competent authorities for approval if they are subject to approval by the competent authorities. If there is any change relating to the registered particulars of the Company, application shall be made for registration of the changes in accordance with the laws.

1. FURTHER INFORMATION ABOUT THE COMPANY

A. Establishment of our Company

Our Company was established in China as a limited liability company on July 17, 1992 and was converted into a joint stock company on September 19, 2022. Our registered office is Unit 1701, Block A, Shum Yip Taifu Square, Tianxin Community, Sungang Sub-district, Luohu District, Shenzhen, China.

We have established a place of business in Hong Kong at 8/F., New East Ocean Centre, No. 9 Science Museum Road, Tsim Sha Tsui, Kowloon, Hong Kong and has registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on November 30, 2022. Ms. Yung Mei Yee (翁美儀) is the authorized representative of the Company for the acceptance of service of process and notices on behalf of the Company in Hong Kong.

As the Company was established in China, we are subject to the relevant laws and regulations of China. A summary of the relevant aspects of the PRC and Hong Kong laws and regulations and our Articles of Association is set forth in Appendices IV and V, respectively.

B. Changes in the Share Capital of the Company

Save as disclosed in "History", there has been no alteration in the share capital of our Company within two years immediately preceding the date of this document.

Upon completion of the **[REDACTED]** and assuming that the **[REDACTED]** is not exercised, our total issued share capital will be **[REDACTED]** Shares, consisting of 121,287,867 Domestic Shares and **[REDACTED]** H Shares, which represent approximately **[REDACTED]**% and **[REDACTED]**% of our total issued share capital, respectively.

Upon completion of the **[REDACTED]** and assuming that the **[REDACTED]** is fully exercised, our total issued share capital will be **[REDACTED]** Shares, consisting of 121,287,867 Domestic Shares and **[REDACTED]** H Shares, which represent approximately **[REDACTED]**% and **[REDACTED]**% of our total issued share capital, respectively.

C. Resolutions Passed by Our Shareholders' General Meeting in Relation to the [REDACTED]

Pursuant to the Shareholders' meeting held on December 29, 2022, the following resolutions, among other things, were duly passed:

(a) the issue by our Company of H Shares of nominal value of RMB1.0 each and such H Shares be **[REDACTED]** on the Hong Kong Stock Exchange;

(b) the number of H Shares to be issued before the exercise of the **[REDACTED]** shall not exceed **[REDACTED]**% of the enlarged share capital of our Company upon completion of the **[REDACTED]** and granting the **[REDACTED]** the **[REDACTED]** of no more than 15% of the above number of H Shares to be issued;

(c) subject to the completion of the **[REDACTED]**, the conditional adoption of the Articles of Association, which shall become effective on the **[REDACTED]**; and

(d) authorization of the Board and its authorized persons to handle all matters relating to, among other things, the **[REDACTED]**, the issue and **[REDACTED]** of the H Shares.

D. Changes in the Registered Capital of Our Principal Subsidiaries

A list of our principal subsidiaries is set forth in the Accountant's Report in Appendix I. Save as disclosed in "History — Our Principal Operating Subsidiaries", there has been no alteration in the registered capital of any of our subsidiaries within the two years preceding the date of this document.

E. Restriction on Share Repurchases

For details of the restrictions on share repurchases by our Company, see "Appendix V — Summary of the Articles of Association."

F. Corporate Reorganization

We underwent the Reorganization. See "History." As advised by our PRC Legal Advisors, we had obtained all necessary approvals, permits, authorizations and consents from the relevant PRC authorities in respect of the Reorganization as of the Latest Practicable Date.

2. FURTHER INFORMATION ABOUT OUR BUSINESS

A. Summary of Our Material Contracts

We have entered into the following contracts (not being contracts entered into in the ordinary course of business) within two years immediately preceding the date of this document that are or may be material:

(a) the Deed of Non-Competition; and

(b) the **[REDACTED]**.

B. Our Intellectual Property Rights

As of the Latest Practicable Date, we have registered or have applied for the registration of the following intellectual property rights which are material to the Group's business.

Trademarks — registered

As of the Latest Practicable Date, we have registered the following trademarks which we considered to be material to our business:

No.	Trademark Name	Registered Owner	Registration Number	Class	Period of Validity
1.	深业城市管家	Our Company	52418517	9	August 28, 2021– August 27, 2031
2.	深业城市管家	Our Company	52402740	35	November 28, 2021– November 27, 2031
3.	深享园	Our Company	63698788	36	November 14, 2022– November 13, 2032
4.	深享园	Our Company	63698853	37	November 14, 2022– November 13, 2032
5.	深享业	Our Company	63675027	38	October 21, 2022– October 20, 2032
6.	深享业	Our Company	63700666	36	November 14, 2022– November 13, 2032
7.	深享业	Our Company	63692350	42	November 14, 2022– November 13, 2032
8.	深享业	Our Company	63693542	35	November 14, 2022– November 13, 2032
9.	深享业	Our Company	63697978	9	November 14, 2022– November 13, 2032
10.	深享业	Our Company	63698875	37	November 14, 2022– November 13, 2032
11.	深享商	Our Company	63680705	9	October 21, 2022– October 20, 2032
12.	深享商	Our Company	63674985	37	October 21, 2022– October 20, 2032
13.	深享商	Our Company	63674828	35	October 21, 2022– October 20, 2032
14.	深享商	Our Company	63690215	36	November 14, 2022– November 13, 2032
15.	深享商	Our Company	63694760	38	November 14, 2022– November 13, 2032
16.	深享商	Our Company	63673518	42	October 21, 2022– October 20, 2032
17.	深享居	Our Company	63691020	37	November 14, 2022– November 13, 2032
18.	深享居	Our Company	63703054	36	November 14, 2022– November 13, 2032
19.	深享技	Our Company	63678522	45	November 7, 2022– November 6, 2032
20.	深享技	Our Company	63693512	35	November 14, 2022– November 13, 2032

No.	Trademark Name	Registered Owner	Registration Number	Class	Period of Validity
21.	深享技	Our Company	63674991	36	October 21, 2022–October 20, 2032
22.	深享技	Our Company	63675508	9	October 21, 2022–October 20, 2032
23.	深享技	Our Company	63702308	37	November 14, 2022–November 13, 2032
24.	深享汇	Our Company	49017918	42	June 21, 2021–June 20, 2031
25.	深享汇	Our Company	49027438	16	April 7, 2021–April 6, 2031
26.	深享汇	Our Company	49034848	35	June 14, 2021–June 13, 2031
27.	深享城	Our Company	63684736	9	November 14, 2022–November 13, 2032
28.	深享城	Our Company	63684933	36	November 14, 2022–November 13, 2032
29.	深享城	Our Company	63692443	42	November 14, 2022–November 13, 2032
30.	深享城	Our Company	63700473	35	November 14, 2022–November 13, 2032
31.	深享城	Our Company	63697000	37	November 14, 2022–November 13, 2032
32.	深享城	Our Company	63693884	38	November 14, 2022–November 13, 2032
33.	深到家	Our Company	30539010	9	February 14, 2019–February 13, 2029
34.	朝花集	Shum Yip CM	50395085	35	June 28, 2021–June 27, 2031
35.	All Times Today	Shum Yip CM	47715317	35	April 14, 2021–April 13, 2031
36.	朝花集市	Shum Yip CM	47733425	35	November 28, 2021–November 27, 2031
37.	朝花集市 All Times Today	Shum Yip CM	41695119	35	October 14, 2020–October 13, 2030
38.		Shenzhen Shum Yip Hotels Management Co., Ltd.* (深圳深業酒店管理有限公司)	29973213	37	May 7, 2019–May 6, 2029
39.		Shenzhen Shum Yip Hotels Management Co., Ltd.* (深圳深業酒店管理有限公司)	29973215	43	May 7, 2019–May 6, 2029

No.	Trademark Name	Registered Owner	Registration Number	Class	Period of Validity
40.	LM	Shenzhen Shum Yip Hotels Management Co., Ltd.* (深圳深業酒店管理有限公司)	23201576	43	June 14, 2018– June 13, 2028
41.	LM	Shenzhen Shum Yip Hotels Management Co., Ltd.* (深圳深業酒店管理有限公司)	23201658	37	June 28, 2018– June 27, 2028
42.	LM	Shenzhen Shum Yip Hotels Management Co., Ltd.* (深圳深業酒店管理有限公司)	23202368	45	April 7, 2018– April 6, 2028
43.	柠盟	Shenzhen Shum Yip Hotels Management Co., Ltd.* (深圳深業酒店管理有限公司)	21630985	45	December 7, 2017– December 6, 2027
44.	柠盟	Shenzhen Shum Yip Hotels Management Co., Ltd.* (深圳深業酒店管理有限公司)	21630893	37	December 7, 2017– December 6, 2027
45.	柠盟	Shenzhen Shum Yip Hotels Management Co., Ltd.* (深圳深業酒店管理有限公司)	21630739	36	December 7, 2017– December 6, 2027
46.	憬居	Shenzhen Shum Yip Hotels Management Co., Ltd.* (深圳深業酒店管理有限公司)	64968447	18	December 7, 2022– December 6, 2032
47.	憬居	Shenzhen Shum Yip Hotels Management Co., Ltd.* (深圳深業酒店管理有限公司)	64962259	41	December 7, 2022– December 6, 2032
48.	憬居	Shenzhen Shum Yip Hotels Management Co., Ltd.* (深圳深業酒店管理有限公司)	64971078	44	December 7, 2022– December 6, 2032
49.	憬居	Shenzhen Shum Yip Hotels Management Co., Ltd.* (深圳深業酒店管理有限公司)	64975255	43	December 7, 2022– December 6, 2032
50.	憬居	Shenzhen Shum Yip Hotels Management Co., Ltd.* (深圳深業酒店管理有限公司)	64965026	30	December 7, 2022– December 6, 2032
51.	憬居	Shenzhen Shum Yip Hotels Management Co., Ltd.* (深圳深業酒店管理有限公司)	64954115	3	December 7, 2022– December 6, 2032
52.	憬居	Shenzhen Shum Yip Hotels Management Co., Ltd.* (深圳深業酒店管理有限公司)	64968320	39	December 7, 2022– December 6, 2032
53.	憬居	Shenzhen Shum Yip Hotels Management Co., Ltd.* (深圳深業酒店管理有限公司)	64972453	24	February 7, 2023– February 6, 2033
54.	憬居	Shenzhen Shum Yip Hotels Management Co., Ltd.* (深圳深業酒店管理有限公司)	64977526	36	February 14, 2023– February 13, 2033

No.	Trademark Name	Registered Owner	Registration Number	Class	Period of Validity
55.	憬居	Shenzhen Shum Yip Hotels Management Co., Ltd.* (深圳深業酒店管理有限公司)	64971553	21	February 14, 2023– February 13, 2033
56.		Shenzhen Shum Yip Hotels Management Co., Ltd.* (深圳深業酒店管理有限公司)	66215658	41	January 14, 2023– January 13, 2033
57.		Shenzhen Shum Yip Hotels Management Co., Ltd.* (深圳深業酒店管理有限公司)	66239726	36	January 14, 2023– January 13, 2033
58.		Shenzhen Shum Yip Hotels Management Co., Ltd.* (深圳深業酒店管理有限公司)	66226566	39	January 14, 2023– January 13, 2033
59.		Shenzhen Shum Yip Hotels Management Co., Ltd.* (深圳深業酒店管理有限公司)	66241250	24	January 14, 2023– January 13, 2033
60.		Shenzhen Shum Yip Hotels Management Co., Ltd.* (深圳深業酒店管理有限公司)	66229810	35	January 14, 2023– January 13, 2033
61.		Shenzhen Shum Yip Hotels Management Co., Ltd.* (深圳深業酒店管理有限公司)	66226317	43	January 14, 2023– January 13, 2033
62.		Shenzhen Shum Yip Hotels Management Co., Ltd.* (深圳深業酒店管理有限公司)	66226335	44	January 14, 2023– January 13, 2033
63.		Shenzhen Shum Yip Hotels Management Co., Ltd.* (深圳深業酒店管理有限公司)	66231272	21	January 14, 2023– January 13, 2033
64.		Shenzhen Shum Yip Hotels Management Co., Ltd.* (深圳深業酒店管理有限公司)	66236813	18	January 14, 2023– January 13, 2033
65.		Shenzhen Shum Yip Hotels Management Co., Ltd.* (深圳深業酒店管理有限公司)	66225543	3	January 21, 2023– January 20, 2033
66.		Shenzhen Shum Yip Hotels Management Co., Ltd.* (深圳深業酒店管理有限公司)	66224495	30	March 21, 2023– March 20, 2033
67.	KIN HOTEL	Shenzhen Shum Yip Hotels Management Co., Ltd.* (深圳深業酒店管理有限公司)	66255015	21	June 21, 2023– June 20, 2033

No.	Trademark Name	Registered Owner	Registration Number	Class	Period of Validity
68	憬居 JINGJU HOTEL	Shenzhen Shum Yip Hotels Management Co., Ltd.* (深圳深業酒店管理有限公司)	71247334	43	November 14, 2023– November 13, 2033
69.	JINGJU	Shenzhen Shum Yip Hotels Management Co., Ltd.* (深圳深業酒店管理有限公司)	71261219	43	November 14, 2023– November 13, 2033
70.	憬居 JINGJU HOTEL	Shenzhen Shum Yip Hotels Management Co., Ltd.* (深圳深業酒店管理有限公司)	71261231	43	November 14, 2023– November 13, 2033
71.	gogo-doggy	Shenzhen Shum Yip Hotels Management Co., Ltd.* (深圳深業酒店管理有限公司)	71264584	43	November 21, 2023– November 20, 2033
72.		Shenzhen Shum Yip Hotels Management Co., Ltd.* (深圳深業酒店管理有限公司)	71258291	43	November 14, 2023– November 13, 2033
73.	哒哒犬	Shenzhen Shum Yip Hotels Management Co., Ltd.* (深圳深業酒店管理有限公司)	71264122	43	November 14, 2023– November 13, 2033
74.	深慧之家	Shum Yip Smart Park	59350222	9	March 14, 2022– March 13, 2032
75.	深慧 • 智联	Shum Yip Smart Park	59332217	9	April 7, 2022– April 6, 2032
76.	深智管	Shum Yip Smart Park	59332203	9	April 28, 2022– April 27, 2032
77.	深智惠	Shum Yip Smart Park	58949255	9	July 21, 2022– July 20, 2032
78.	深智慧	Shum Yip Smart Park	58944967	9	July 28, 2022– July 27, 2032
79.	深智惠	Shum Yip Smart Park	53179725	9	October 28, 2021– October 27, 2031
80.	深慧通	Shum Yip Smart Park	44408563	9	December 21, 2021– December 20, 2031
81.	万厦	Wansha Household	16690645	36	June 7, 2016– June 6, 2026

No.	Trademark Name	Registered Owner	Registration Number	Class	Period of Validity
82.	万厦居业	Wansha Household	16690643	36	June 7, 2016–June 6, 2026
83.	万厦居	Wansha Household	16690644	36	June 7, 2016–June 6, 2026
84.	万厦居业	Wansha Household	3815156	6	September 28, 2015–September 27, 2025
85.	万厦居业	Wansha Household	3815130	39	March 21, 2016–March 20, 2026
86.	万厦居	Wansha Household	3815131	39	March 21, 2016–March 20, 2026
87.	万厦居	Wansha Household	3815137	37	May 28, 2016–May 27, 2026
88.	万厦居	Wansha Household	3815142	45	April 7, 2016–April 6, 2026
89.	万厦居	Wansha Household	3815128	44	April 7, 2016–April 6, 2026
90.	万厦	Wansha Household	3815119	6	September 28, 2015–September 27, 2025
91.	万厦居业	Wansha Household	3815141	45	April 7, 2016–April 6, 2026
92.	万厦	Wansha Household	3815143	45	April 7, 2016–April 6, 2026
93.	万厦	Wansha Household	3815148	37	May 28, 2016–May 27, 2026
94.	万厦居	Wansha Household	3815118	6	September 28, 2015–September 27, 2025
95.	万厦	Wansha Household	3815132	39	March 21, 2016–March 20, 2026
96.	万厦	Wansha Household	3815129	44	April 7, 2016–April 6, 2026
97.	万厦居业	Wansha Household	3815136	37	May 28, 2016–May 27, 2026
98.	万厦居业	Wansha Household	3815147	44	April 7, 2016–April 6, 2026
99.	万厦居业	Wansha Household	3170772	36	December 14, 2023–December 13, 2033

No.	Trademark Name	Registered Owner	Registration Number	Class	Period of Validity
100.	万厦	Wansha Household	3170774	36	December 14, 2023– December 13, 2033
101.	万厦居	Wansha Household	3170773	36	December 14, 2023– December 13, 2033
102.	Upper Living 尚上生活	Land PM	68888581	37	November 14, 2023– November 13, 2033
103.	Upper Living 尚上生活	Land PM	68873331	36	October 28, 2023– October 27, 2033
104.	Upper Living 尚上生活	Land PM	68875045	39	November 14, 2023– November 13, 2033
105.	Upper Living 尚上生活	Land PM	68880800	41	October 28, 2023– October 27, 2033

Domain Names

As of the Latest Practicable Date, we have registered the following domain names which we considered to be material to our business:

No.	Registered Proprietor	Domain Name	Registration Date	Expiration Date	Website Filing Number	Filing Review Date
1.	Our Company	sywy.net	April 26, 2002	April 26, 2028	Yue ICP Bei No. 2021074374-4	February 2, 2023
2.	Our Company	sywyjt.com	July 15, 2020	July 15, 2030	Yue ICP Bei No. 2021074374-3	February 2, 2023
3.	Our Company	sywyjt.cn	July 15, 2020	July 15, 2030	Yue ICP Bei No. 2021074374-2	February 2, 2023
4.	Our Company	sywyjt.net	July 15, 2020	July 15, 2030	Yue ICP Bei No. 2021074374-1	February 2, 2023
5.	Our Company	shenyeyunying.net	October 8, 2022	October 8, 2032	Yue ICP Bei No. 2021074374-5	February 9, 2023
6.	Our Company	shenyeyunying.com.cn	October 8, 2022	October 8, 2032	Yue ICP Bei No. 2021074374-6	February 9, 2023
7.	Our Company	shenyeyunying.com	October 8, 2022	October 8, 2032	Yue ICP Bei No. 2021074374-7	February 16, 2023
8.	Our Company	shenyeyunying.cn	October 8, 2022	October 8, 2032	Yue ICP Bei No. 2021074374-8	February 16, 2023
9.	Shenzhen Shum Yip Hotel Management Co., Ltd.* (深圳深業酒店管理有限公司)	shumyiphotels.com	July 28, 2015	July 28, 2025	Yue ICP Bei No. 2020138422-1	December 25, 2020
10.	Shum Yip Smart Park	shenyezhihui.com	April 22, 2020	April 22, 2028	Yue ICP Bei No. 2022000420-1	January 2, 2024
11.	Taifu CM	sytfsywy.com	September 18, 2015	September 18, 2029	Yue ICP Bei No. 08120394-1	August 10, 2020
12.	Wansha Household	wshome.cn	June 28, 2005	June 28, 2031	Yue ICP Bei No. 17107482-1	August 25, 2017

Copyrights

As of the Latest Practicable Date, we have registered the following copyrights which we considered to be material to our business:

(i) Computer Software

No.	Registered Owner	Software Name	Registration Number	First Release Date	Scope of Copyright
1.	Our Company	Intelligent Property Management System	2023SR0737431	October 16, 2022	Full rights
2.	Our Company	Intelligent Energy Efficiency Management System	2023SR0731083	October 16, 2022	Full rights
3.	Our Company	Public Toilet Management System	2022SR0448645	March 22, 2022	Full rights
4.	Our Company	Vector Biological Control Management System	2022SR0448663	March 30, 2022	Full rights
5.	Our Company	Cleaning Management System	2022SR0448660	March 8, 2022	Full rights
6.	Our Company	Transfer Station Management System	2022SR0448659	March 18, 2022	Full rights
7.	Our Company	Garbage Removal Management System	2022SR0448646	March 12, 2022	Full rights
8.	Our Company	Garbage Classification Management System	2022SR0448644	March 26, 2022	Full rights
9.	Our Company	Property Management Energy Consumption Management System	2020SR0774694	August 25, 2019	Full rights
10.	Our Company	Property Management Customer Service Management system	2020SR0774701	July 10, 2019	Full rights
11.	Our Company	Property Management Smart Park Management System	2020SR0775073	October 10, 2019	Full rights
12.	Our Company	Property Management Smart Hospital Management System	2020SR0774293	November 16, 2019	Full rights
13.	Our Company	Property Management Service Quality Management System	2020SR0774301	September 15, 2019	Full rights
14.	Our Company	Property Management Smart Campus Management System	2020SR0774305	December 22, 2019	Full rights
15.	Our Company	Intelligent Material Management System	2020SR0745516	November 9, 2019	Full rights
16.	Our Company	Restaurant Ordering System	2020SR0746496	October 25, 2019	Full rights
17.	Our Company	Equipment Maintenance System for Property Management	2020SR0615867	September 25, 2019	Full rights
18.	Our Company	Patrol Management System for Property Management	2020SR0615859	October 20, 2019	Full rights
19.	Our Company	Yeweihui (業委匯), a property management software of Shum Yip Property Group	2020SRE000108	November 18, 2019	Full rights
20.	Our Company	Shendaojia (深到家), a mobile application software	2018SR603763	July 4, 2018	Full rights
21.	Our Company	Facility Equipment Management System	2024SR0275719	—	Full rights
22.	Our Company	Smart Platform Unified Invoicing System	2024SR0275574	—	Full rights
23.	Our Company	Operation Business Unified Payment Management System	2024SR0275912	—	Full rights
24.	Our Company	Work Order Management System	2024SR0273227	—	Full rights
25.	Our Company	Carparking Management System	2024SR0268104	—	Full rights
26.	Our Company	Meeting Management System	2024SR0273543	—	Full rights
27.	Our Company	Human Resources Management System	2024SR0273414	—	Full rights
28	Our Company	Environmental Data Collection and Analysis System	2024SR0555027	—	Full rights
29	Our Company	Emergency Dispatch and Command System	2024SR0646929	—	Full rights
30.	Shum Yip Smart Park	Shenzhihui (深智慧) APP	2022SR0439600	—	Full rights
31.	Pengji PM	Property Management Service System of Pengji Management	2020SR0732186	May 20, 2019	Full rights
32.	Pengji PM	Service Management System for Mechanical and Electrical Equipment in the Properties of Pengji Management	2020SR0732107	August 24, 2019	Full rights
33.	Pengji PM	Property Services Management System for Garbage Classification and Daily Cleaning of Pengji Management	2020SR0732330	October 8, 2019	Full rights
34.	Pengji PM	Hospital Premises Logistics Service System of Pengji Management	2020SR0732326	June 25, 2019	Full rights
35.	Pengji PM	Property Fire Safety and Security Management System of Pengji Management	2020SR0732117	September 20, 2019	Full rights

No.	Registered Owner	Software Name	Registration Number	First Release Date	Scope of Copyright
36.	Pengji PM	Property Energy Saving and Consumption Reduction Management System of Pengji Management	2020SR0736588	July 15, 2019	Full rights
37.	Pengji PM Service	Equipment Maintenance System for Property Management	2020SR1144170	June 18, 2020	Full rights
38.	Pengji PM Service	Meeting Affairs Management System for Property Management	2020SR1143739	May 10, 2020	Full rights
39.	Pengji PM Service	Inspection Management System for Property Management	2020SR1143801	July 22, 2020	Full rights
40.	Pengji PM Service	Energy Consumption Management System for Property Management	2020SR1143823	April 22, 2020	Full rights
41.	Pengji PM Service	Quality Inspection System for Property Management	2020SR1144185	March 20, 2020	Full rights
42.	Pengji PM Service	Industrial Park Administration System for Property Management	2020SR1143894	August 8, 2020	Full rights
43.	Wansha Household	Energy Consumption Management System	2020SR1246457	November 20, 2019	Full rights
44.	Wansha Household	Sourcing and Warehouse Management System	2020SR1246456	December 8, 2019	Full rights
45.	Wansha Household	Dormitory Management System for Property Management	2020SR1246460	August 18, 2019	Full rights
46.	Wansha Household	Employees' Attendance Management System	2020SR1246459	September 10, 2019	Full rights
47.	Wansha Household	Employees' Wage Management System	2020SR1246458	October 15, 2019	Full rights
48.	Wansha Household	Repair Orders System for Property Management of Wansha Household	2020SR0730940	July 9, 2019	Full rights
49.	Wansha Household	Security and Patrol System for Property Management of Wansha Household	2020SR0731195	March 18, 2019	Full rights
50.	Wansha Household	Equipment Maintenance System for Property Management of Wansha Household	2020SR0731342	June 25, 2019	Full rights
51.	Wansha Household	Service Quality Inspection System for Property Management of Wansha Household	2020SR0731854	May 12, 2020	Full rights
52.	Wansha Household	Intelligent and Information-based System for Property Management of Wansha Household	2020SR0732096	April 24, 2019	Full rights
53.	Shenzhen Terra Property Management Service Co., Ltd.* (深圳市泰然物業管理服務有限公司)	Shenxiang Hui Management System Software Platform-Property Management Quality Inspection Management System	2022SR1420943	June 12, 2022	Full rights
54.	Shenzhen Terra Property Management Service Co., Ltd.* (深圳市泰然物業管理服務有限公司)	Shenxiang Hui Management System Software Platform-Property Management Energy Management System	2022SR1420944	February 18, 2022	Full rights
55.	Shenzhen Terra Property Management Service Co., Ltd.* (深圳市泰然物業管理服務有限公司)	Shenxiang Hui Management System Software Platform-Property Management Inspection Management System	2022SR1420945	July 23, 2022	Full rights
56.	Shenzhen Terra Property Management Service Co., Ltd.* (深圳市泰然物業管理服務有限公司)	Shenxiang Hui Management System Software Platform-Property Management Conference Management System	2023SR0245537	March 24, 2022	Full rights
57.	Shenzhen Terra Property Management Service Co., Ltd.* (深圳市泰然物業管理服務有限公司)	Shenxiang Hui Management System Software Platform-Property Management Industrial Park Management System	2023SR0245469	April 8, 2022	Full rights
58.	Shenzhen Terra Property Management Service Co., Ltd.* (深圳市泰然物業管理服務有限公司)	Shenxiang Hui Management System Software Platform-Property Management Equipment Operation and Maintenance System	2023SR0238460	May 20, 2022	Full rights

No.	Registered Owner	Software Name	Registration Number	First Release Date	Scope of Copyright
59.	Shenyang Shum Yip Smart Park Operation Management Co., Ltd.* (瀋陽深業智慧園區運營管理有限公司)	Data Analysis Management System for Smart Park	2023SR0845188	—	Full rights
60.	Shenyang Shum Yip Smart Park Operation Management Co., Ltd.* (瀋陽深業智慧園區運營管理有限公司)	Property Equipment Management System for Smart Park	2023SR0837641	—	Full rights
61.	Shenyang Shum Yip Smart Park Operation Management Co., Ltd.* (瀋陽深業智慧園區運營管理有限公司)	Construction Management System for Smart Park	2023SR0734183	—	Full rights
62.	Shenyang Shum Yip Smart Park Operation Management Co., Ltd.* (瀋陽深業智慧園區運營管理有限公司)	Property Work Order Processing Information Management System for Smart Park	2023SR0734185	—	Full rights
63.	Shenyang Shum Yip Smart Park Operation Management Co., Ltd.* (瀋陽深業智慧園區運營管理有限公司)	Internet of Things Monitoring and Management Platform for Smart Park	2023SR0734159	—	Full rights

(ii) Works

No.	Registered Owner	Work Name	Work Category	Registration Number	Registration Date
1.	Shenzhen Shum Yip Hotel Management Co., Ltd.* (深圳深業酒店管理有限公司)	噠噠犬	Art	Yue Zuo Deng Zi-2023-F-00000992	January 13, 2023

Patents

As of the Latest Practicable Date, we had registered the following patents which we consider to be material to our business:

No.	Patentee	Patent Name	Patent Type	Patent Number	Application Date	Date of Authorization Proclamation
1.	Our Company	An environmental sanitation cleaning vehicle convenient for loading and taking tools (一種便於裝取工具的環衛清潔車)	Utility Model	202120684505.X	April 6, 2021	November 16, 2021
2.	Our Company	A sanitation cleaning with pull-out socket (一種帶有抽拉式插座的環衛清潔車)	Utility Model	202120684511.5	April 6, 2021	November 16, 2021
3.	Our Company	An environmental sanitation cleaning vehicle with GPS positioning (一種帶有GPS定位的環衛清潔車)	Utility Model	202120684508.3	April 6, 2021	November 16, 2021
4.	Our Company	A sanitation sprinkling with long working time (一種持續工作時間長的環衛灑水車)	Utility Model	202120684510.0	April 6, 2021	January 25, 2022
5.	Our Company	A cleaning vehicle with garbage collection basket (一種帶有垃圾收集籃的清潔車)	Utility Model	202120632979.X	March 29, 2021	November 19, 2021
6.	Our Company	An environmental sanitation cleaning vehicle with water spraying around (一種四周灑水的環衛清潔車)	Utility Model	202120632964.3	March 29, 2021	November 19, 2021

No.	Patentee	Patent Name	Patent Type	Patent Number	Application Date	Date of Authorization Proclamation
7.	Our Company	An environmental sanitation cleaning vehicle that can monitor the road (一種可對道路監控的環衛清潔車)	Utility Model	202120633793.6	March 29, 2021	November 19, 2021
8.	Our Company	A dust collector for cleaning vehicles (一種清潔車用吸塵吸葉器)	Utility Model	202120633789.X	March 29, 2021	November 23, 2021
9.	Our Company	A cleaning that can adjust the storage space structure (一種能調節儲物空間結構的清潔車)	Utility Model	202120633843.0	March 29, 2021	November 5, 2021
10.	Our Company	Installation component for fixing garbage clip and cleaning vehicle with the installation component (用於固定垃圾夾的安裝構件及帶有該安裝構件的清潔車)	Utility Model	202021442204.8	July 21, 2020	February 26, 2021
11.	Our Company	A vacuum dust and leaf cleaning vehicle (一種吸塵吸葉清潔車)	Utility Model	202021443261.8	July 21, 2020	April 2, 2021
12.	Our Company	A sanitation truck for cleaning easily (一種便於清潔的環衛作業車)	Utility Model	202021444864.X	July 21, 2020	April 2, 2021
13.	Our Company	A vacuuming component and cleaning vehicle with such vacuuming component assembly (一種吸塵組件及帶有該吸塵組件的清潔車)	Utility Model	202021442989.9	July 21, 2020	April 2, 2021
14.	Our Company	A cleaning vehicle for cleaning easily (一種便於清洗的保潔車)	Utility Model	202021444570.7	July 21, 2020	March 16, 2021
15.	Our Company	Electro-tricycle for sanitation with multiple functions (具有多種功能的電動三輪環衛車)	Utility Model	202021030400.4	June 7, 2020	August 6, 2021
16.	Our Company	Electro-tricycle for sanitation with temporary power supply device (具有臨時供電裝置的電動三輪環衛車)	Utility Model	202021028470.6	June 7, 2020	March 19, 2021
17.	Our Company	Electro-tricycle for sanitation with rainwater and dandruff comb cleaning device (具有雨水篦子清理裝置的電動三輪環衛車)	Utility Model	202021028414.2	June 7, 2020	April 13, 2021
18.	Our Company	Electro-tricycle for sanitation with folded plate (具有折疊板的電動三輪環衛車)	Utility Model	202021028270.0	June 7, 2020	August 10, 2021
19.	Our Company	Shelf for vehicle (車架置物架)	Design	202030282374.3	June 7, 2020	September 29, 2020
20.	Our Company	Electro-tricycle for sanitation with vacuum cleaner (具有吸塵器的電動三輪環衛車)	Utility Model	202021029388.5	June 7, 2020	May 14, 2021
21.	Our Company	Packaged shelf applied in Electro-tricycle for sanitation and electro-tricycle for sanitation (用於電動三輪環衛車的快裝式置物架及電動三輪環衛車)	Utility Model	202021030397.6	June 7, 2020	May 25, 2021

Trademarks — licensed

As of the Latest Practicable Date, pursuant to the Trademark Licensing Agreement entered into with Shum Yip Holdings, we are entitled to use the following trademarks. For details of the Trademark Licensing Agreement, see "Continuing Connected Transactions."

No.	Trademark Name	Registered Owner	Registration Number	Class	Period of Validity
1.	深業	Shum Yip Holdings	5819294	1	December 14, 2009–December 13, 2029
2.	深業	Shum Yip Holdings	5819293	2	December 14, 2009–December 13, 2029
3.	深業	Shum Yip Holdings	5819292	3	January 28, 2010–January 27, 2030

No.	Trademark Name	Registered Owner	Registration Number	Class	Period of Validity
4.		Shum Yip Holdings	5819291	4	December 14, 2009–December 13, 2029
5.		Shum Yip Holdings	5819290	5	February 7, 2010–February 6, 2030
6.		Shum Yip Holdings	5819289	6	September 28, 2009–September 27, 2029
7.		Shum Yip Holdings	5819288	7	September 28, 2009–September 27, 2029
8.		Shum Yip Holdings	5819287	8	October 14, 2009–October 13, 2029
9.		Shum Yip Holdings	5819286	9	December 28, 2009–December 27, 2029
10.		Shum Yip Holdings	5819305	10	September 21, 2009–September 20, 2029
11.		Shum Yip Holdings	5819304	11	October 14, 2009–October 13, 2029
12.		Shum Yip Holdings	5819303	12	September 28, 2009–September 27, 2029
13.		Shum Yip Holdings	5819302	13	October 7, 2009–October 6, 2029
14.		Shum Yip Holdings	5819301	14	October 21, 2009–October 20, 2029
15.		Shum Yip Holdings	5819300	15	October 21, 2009–October 20, 2029

No.	Trademark Name	Registered Owner	Registration Number	Class	Period of Validity
16.		Shum Yip Holdings	5819299	16	December 28, 2019–December 28, 2029
17.		Shum Yip Holdings	5819298	17	November 28, 2009–November 27, 2029
18.		Shum Yip Holdings	5819297	18	February 14, 2010–February 13, 2030
19.		Shum Yip Holdings	5819296	19	November 28, 2009–November 27, 2029
20.		Shum Yip Holdings	5819315	20	October 21, 2009–October 20, 2029
21.		Shum Yip Holdings	5819314	21	October 21, 2009–October 20, 2029
22.		Shum Yip Holdings	5819313	22	February 14, 2010–February 13, 2030
23.		Shum Yip Holdings	5819312	23	February 14, 2010–February 13, 2030
24.		Shum Yip Holdings	5819311	24	February 14, 2010–February 13, 2030
25.		Shum Yip Holdings	5819310	25	February 14, 2010–February 13, 2030
26.		Shum Yip Holdings	5819309	26	February 14, 2010–February 13, 2030
27.		Shum Yip Holdings	5819308	27	February 14, 2010–February 13, 2030

No.	Trademark Name	Registered Owner	Registration Number	Class	Period of Validity
28.		Shum Yip Holdings	5819307	28	February 14, 2010–February 13, 2030
29.		Shum Yip Holdings	5819306	29	January 7, 2010–January 6, 2030
30.		Shum Yip Holdings	5818266	30	December 21, 2009–December 20, 2029
31.		Shum Yip Holdings	5818267	31	July 7, 2009–July 6, 2029
32.		Shum Yip Holdings	5818268	32	October 28, 2009–October 27, 2029
33.		Shum Yip Holdings	5818269	33	October 21, 2009–October 20, 2029
34.		Shum Yip Holdings	5818270	34	July 7, 2009–July 6, 2029
35.		Shum Yip Holdings	5818271	35	March 28, 2010–March 27, 2030
36.		Shum Yip Holdings	5818272	36	February 7, 2010–February 6, 2030
37.		Shum Yip Holdings	5818273	37	February 7, 2010–February 6, 2030
38.		Shum Yip Holdings	5818274	38	January 28, 2010–January 27, 2030
39.		Shum Yip Holdings	5818275	39	March 28, 2010–March 27, 2030

No.	Trademark Name	Registered Owner	Registration Number	Class	Period of Validity
40.	深業	Shum Yip Holdings	5818585	40	January 28, 2010–January 27, 2030
41.	深業	Shum Yip Holdings	5818584	41	June 7, 2010–June 6, 2030
42.	深業	Shum Yip Holdings	5818583	42	March 28, 2010–March 27, 2030
43.	深業	Shum Yip Holdings	5818582	43	February 7, 2010–February 6, 2030
44.	深業	Shum Yip Holdings	5818581	44	February 7, 2010–February 6, 2030
45.	深業	Shum Yip Holdings	5818580	45	January 21, 2010–January 20, 2030
46.	深業 SHUM YIP	Shum Yip Holdings	5818579	1	December 14, 2009–December 13, 2029
47.	深業 SHUM YIP	Shum Yip Holdings	5818578	2	December 14, 2009–December 13, 2029
48.	深業 SHUM YIP	Shum Yip Holdings	5818577	3	January 28, 2010–January 27, 2030
49.	深業 SHUM YIP	Shum Yip Holdings	5818576	4	December 14, 2009–December 13, 2029
50.	深業 SHUM YIP	Shum Yip Holdings	5818595	5	December 21, 2009–December 20, 2029
51.	深業 SHUM YIP	Shum Yip Holdings	5818594	6	December 21, 2009–December 20, 2029
52.	深業 SHUM YIP	Shum Yip Holdings	5818593	7	September 28, 2009–September 27, 2029
53.	深業 SHUM YIP	Shum Yip Holdings	5818592	8	October 14, 2009–October 13, 2029

No.	Trademark Name	Registered Owner	Registration Number	Class	Period of Validity
54.	深業 SHUM YIP	Shum Yip Holdings	5818591	9	December 28, 2009–December 27, 2029
55.	深業 SHUM YIP	Shum Yip Holdings	5818590	10	September 21, 2009–September 20, 2029
56.	深業 SHUM YIP	Shum Yip Holdings	5818589	11	October 14, 2009–October 13, 2029
57.	深業 SHUM YIP	Shum Yip Holdings	5818588	12	September 28, 2009–September 27, 2029
58.	深業 SHUM YIP	Shum Yip Holdings	5818587	13	October 7, 2009–October 6, 2029
59.	深業 SHUM YIP	Shum Yip Holdings	5818586	14	October 21, 2009–October 20, 2029
60.	深業 SHUM YIP	Shum Yip Holdings	5818515	15	October 21, 2009–October 20, 2029
61.	深業 SHUM YIP	Shum Yip Holdings	5818514	16	December 28, 2009–December 27, 2029
62.	深業 SHUM YIP	Shum Yip Holdings	5818513	17	November 28, 2009–November 27, 2029
63.	深業 SHUM YIP	Shum Yip Holdings	5818512	18	January 7, 2010–January 6, 2030
64.	深業 SHUM YIP	Shum Yip Holdings	5818511	19	November 28, 2009–November 27, 2029
65.	深業 SHUM YIP	Shum Yip Holdings	5818510	20	October 21, 2009–October 20, 2029
66.	深業 SHUM YIP	Shum Yip Holdings	5818509	21	October 21, 2009–October 20, 2029
67.	深業 SHUM YIP	Shum Yip Holdings	5818508	22	December 23, 2009–December 20, 2029
68.	深業 SHUM YIP	Shum Yip Holdings	5818507	23	December 14, 2009–December 13, 2029

No.	Trademark Name	Registered Owner	Registration Number	Class	Period of Validity
69.	深業 SHUM YIP	Shum Yip Holdings	5818506	24	January 7, 2010–January 6, 2030
70.	深業 SHUM YIP	Shum Yip Holdings	5818605	25	January 14, 2010–January 13, 2030
71.	深業 SHUM YIP	Shum Yip Holdings	5818604	26	December 21, 2009–December 20, 2029
72.	深業 SHUM YIP	Shum Yip Holdings	5818603	27	December 14, 2009–December 13, 2029
73.	深業 SHUM YIP	Shum Yip Holdings	5818602	28	December 28, 2009–December 27, 2029
74.	深業 SHUM YIP	Shum Yip Holdings	5818601	29	January 7, 2010–January 6, 2030
75.	深業 SHUM YIP	Shum Yip Holdings	5818600	30	December 21, 2009–December 20, 2029
76.	深業 SHUM YIP	Shum Yip Holdings	5818599	31	July 7, 2009– July 6, 2029
77.	深業 SHUM YIP	Shum Yip Holdings	5818598	32	October 28, 2009–October 27, 2029
78.	深業 SHUM YIP	Shum Yip Holdings	5818597	33	October 21, 2009–October 20, 2029
79.	深業 SHUM YIP	Shum Yip Holdings	5818596	34	July 7, 2009–July 6, 2029
80.	深業 SHUM YIP	Shum Yip Holdings	807831	35	January 14, 1996–January 13, 2026
81.	深業 SHUM YIP	Shum Yip Holdings	799872	36	December 14, 1995–December 13, 2025
82.	深業 SHUM YIP	Shum Yip Holdings	801905	37	December 21, 1995–December 20, 2025
83.	深業 SHUM YIP	Shum Yip Holdings	5818936	37	February 7, 2010–February 6, 2030

No.	Trademark Name	Registered Owner	Registration Number	Class	Period of Validity
84.	深業 SHUM YIP	Shum Yip Holdings	805952	38	January 7, 1996–January 6, 2026
85.	深業 SHUM YIP	Shum Yip Holdings	813869	39	February 7, 1996–February 6, 2026
86.	深業 SHUM YIP	Shum Yip Holdings	807816	40	January 14, 1996–Janauy 13, 2026
87.	深業 SHUM YIP	Shum Yip Holdings	801852	41	December 21, 1995–December 20, 2025
88.	深業 SHUM YIP	Shum Yip Holdings	5818937	41	March 7, 2021–March 6, 2031
89.	深業 SHUM YIP	Shum Yip Holdings	797931	42	December 7, 2015–December 6, 2025
90.	深業 SHUM YIP	Shum Yip Holdings	5818938	43	February 7, 2010–February 6, 2030
91.	深業 SHUM YIP	Shum Yip Holdings	5818939	44	February 7, 2010–February 6, 2030
92.	深業 SHUM YIP	Shum Yip Holdings	5818940	45	January 21, 2010–January 20, 2030

Save as disclosed herein, there are no other trademarks, copyrights, domain names, patents or other intellectual or industrial property rights which are or may be material to our business.

3. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUPERVISORS

A. Particulars of Directors' and Supervisors' Contracts

We will enter into a contract with each of our Directors and Supervisors in respect of, among other things (i) compliance of relevant laws and regulations, and (ii) observance of the Articles of Association.

Save as disclosed above, none of the Directors or Supervisors has or is proposed to enter into a service contract with any member of the Group (other than contracts expiring or determinable by the relevant employer within one year without the payment of compensation other than statutory compensation).

B. Remuneration of Directors and Supervisors

Save as disclosed in "Directors, Supervisors and Parties Involved in the **[REDACTED]**" and "Appendix I — Accountant's Report", none of the Directors or Supervisors received other remuneration or benefits in kind from us during the Track Record Period.

Under the arrangement currently in force, we estimate the total fixed remuneration (excluding bonus) payable to Directors and Supervisors for the year ending December 31, 2024 will be approximately RMB2.0 million, respectively.

4. DISCLOSURE OF INTEREST

A. Disclosure of Interests of Directors, Supervisors or chief executives

(i) Interests in Shares and underlying Shares of our Company

Immediately following the completion of the **[REDACTED]**, none of our Directors, Supervisors or chief executives has any interest and/or short position in the Shares, underlying Shares and debentures of our Company or our associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short position which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set forth in Appendix C3 to the Listing Rules to be notified to our Company, once our H Shares are **[REDACTED]** on the Hong Kong Stock Exchange.

(ii) Directors and Supervisors' positions in substantial shareholders

As of the Latest Practicable Date, the following Directors and Supervisors were in the employment of those companies which had interests or short positions in the Shares or underlying Shares of our Company which are required to be notified to our Company pursuant to Divisions 2 and 3 of Part XV of the SFO:

Name of Director or Supervisor	Name of Shareholder	Positions held
Mr. Xu Enli	Shum Yip Group	Vice president
	Shum Yip Holdings	Vice president
	Shenzhen Investment	Executive director
	Shum Yip Investment (Shenzhen)	Director
	Shum Yip Land	Director
	Southern Land	Director
	Nongke Group	Director

Name of Director or Supervisor	Name of Shareholder	Positions held
	Taifu Logistics	Director
	Terra Group	Director
Mr. Fan Tao	Shum Yip Group	Deputy general manager of human resources department
	Hongyingyuan Investment	Chairman
	Zhenluyuan Investment	Chairman
	Lutailai Industrial	Chairman and general manager
	Wangdaxin Industrial	Chairman and general manager

B. Disclosure of Interests of Substantial Shareholders

(i) Interests of substantial shareholders in our Company

For information on the persons who will, immediately upon completion of the **[REDACTED]**, have interests or short positions in our Shares or underlying Shares which would be required to be disclosed to us and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who will directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying the rights to vote in all circumstances at general meetings of the Company, see "Substantial Shareholders."

(ii) Interests of substantial shareholders of our Group (excluding our Company)

Save as disclosed in "History", as of the Latest Practicable Date, so far as our Directors are aware, the following persons (other than our Directors, Supervisors or chief executive of our Company, or members of our Group) were interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of other members of our Group:

No.	Name of Member of our Group	Name of Shareholder	Approximate Percentage of Shareholding
1.	Shenzhen Tian'an Intelligent Park Operation Company Limited* (深圳天安智慧園區運營有限公司)	Tian'an China Investment Company Limited* (天安中國投資有限公司)	50.00%
2.	Henan Wansha Property Management Company Limited* (河南萬厦物業管理有限公司)	Zhengzhou Zuolong Commerce Company Limited* (鄭州祚隆商貿有限公司)	54.66%
		Zhengzhou Jincheng Real Estate Company Limited* (鄭州金成房地產有限公司)	40.00%
3.	Suzhou New District Fengqiao Wansha Property Management Company Limited* (蘇州新區楓橋萬厦物業管理有限公司)	Suzhou Gaoxinqu Fengqiao Investment Development Company* (蘇州高新區楓橋投資發展總公司)	95.83%
4.	Shenzhen Pengji Garden Co., Ltd.* (深圳鵬基園林有限公司)	Yang Junjian* (楊俊健)	28.77%
		Ai Jianyong* (艾建勇)	18.50%
		Chen Xiaodong* (陳曉東)	15.42%
5.	Shandong Pengji Property Management Company Limited* (山東鵬基物業管理有限公司)	Dongying Tianlong Weiye Technology Development Company Limited* (東營天龍偉業科技開發有限公司)	40.00%
		Jiang Songshan* (姜松山)	20.00%
6.	Anhui Liangjiang Shum Yip City Operation Service Co., Ltd.* (安徽兩江深業城市運營服務有限公司)	Anhui Liangjiang Holdings Group Co., Ltd.* (安徽兩江控股集團有限公司)	51.00%

C. Disclaimers

Save as disclosed in this document:

(a) none of our Directors, Supervisors or experts (see "— 5. Other Information — G. Qualification of Experts") has any direct or indirect interest in the promotion of our Company, or in any assets which have within the two years immediately preceding the date of this document been acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;

(b) none of our Directors or Supervisors is materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to the business of our Group taken as a whole;

(c) without taking into account any Shares which may be taken up under the **[REDACTED]**, none of our Directors knows of any person (not being a Director or chief executive of our Company) who will, immediately following completion of the **[REDACTED]**, have an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of SFO or be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at shareholdings' meetings of any member of our Group in the Shares or underlying Shares of our Company; and

(d) so far as is known to our Directors, except for Shum Yip Group and its subsidiaries, none of our Directors, their respective close associates or Shareholders of our Company who are interested in more than 5% of the issued share capital of our Company has any interests in the top five customers or the top five suppliers of the Group.

5. OTHER INFORMATION

A. Estate Duty

Our Directors have been advised that no material liability for estate duty under the PRC laws is likely to fall on the Company or its subsidiaries.

B. Litigation

As of the Latest Practicable Date, save as disclosed in "Business — Legal Proceedings and Compliance", no member of the Group was engaged in any litigation or arbitration of material importance and, so far as our Directors are aware, no litigation or claim of material importance is pending or threatened by or against any member of our Group.

C. Joint Sponsors

The Joint Sponsors satisfy the independence criteria applicable to sponsors set forth in Rule 3A.07 of the Listing Rules.

Pursuant to the engagement letter entered into between the Company and the Joint Sponsors, we have agreed to pay the Joint Sponsors a total fee of RMB6,600,000 to act as the joint sponsors of the Company in connection with the proposed **[REDACTED]**.

D. Compliance Advisor

The Company has appointed Guosen Securities (HK) Capital Company Limited as the compliance advisor upon **[REDACTED]** in compliance with Rule 3A.19 of the Listing Rules.

E. Preliminary Expenses

We have not incurred any material preliminary expenses.

F. Promoters

Information of our promoters as of the time of our Company's conversion into a joint stock company on September 19, 2022 is as follows:

No.	Name
1.	Shenzhen Nongke Group Co., Ltd.* (深圳市農科集團有限公司)
2.	Shum Yip Land Co., Ltd.* (深業置地有限公司)
3.	Shum Yip Southern Land (Group) Co., Ltd.* (深業南方地產(集團)有限公司)
4.	Shum Yip Taifu Logistics Group Holdings Co., Ltd.* (深業泰富物流集團股份有限公司)
5.	Shum Yip Terra Group Co., Ltd.* (深業泰然(集團)股份有限公司)

Save as disclosed in this document, within the two years immediately preceding the date of this document, no cash, securities or other benefit has been paid, allotted or given nor is proposed to be paid, allotted or given to any promoters in connection with the **[REDACTED]** or the transactions described in this document.

G. Qualification of Experts

The qualifications of the experts, as defined under the Listing Rules, who have given opinions in this document, are as follows:

Name	Qualification
China International Capital Corporation Hong Kong Securities Limited	Licensed corporation to conduct Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts) and Type 6 (advising on corporate finance) of the regulated activities under the SFO
CITIC Securities (Hong Kong) Limited	Licensed corporation to conduct type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO
CCB International Capital Limited	Licensed corporation to conduct Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) of the regulated activities under the SFO
Frost & Sullivan	Industry consultant
King & Wood Mallesons	PRC Legal Advisors

Name	Qualification
PricewaterhouseCoopers	Certified Public Accountants under Professional Accountants Ordinance (Cap. 50) Registered Public Interest Entity Auditor under Accounting and Financial Reporting Council Ordinance (Cap. 588)

H. Consents of Experts

Each of the experts named in paragraph G in this Appendix has given and has not withdrawn its written consent to the issue of this document with the inclusion of its report and/or letter and/or opinion and/or the references to its name included herein in the form and context in which it is respectively included.

As of the Latest Practicable Date, none of the experts named above has any shareholding interests in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

I. Taxation of H Shareholders

The sale, purchase and transfer of H Shares are subject to Hong Kong stamp duty. The current rate chargeable on each of the seller and purchaser is 0.1% of the consideration or, if higher, the fair value of the H Shares being sold or transferred.

J. No Material and Adverse Change

Our Directors confirm that there has been no material and adverse change in the financial or trading position of our Company since June 30, 2024 and up to the Latest Practicable Date.

K. Binding Effect

This document shall have the effect, if an application is made in pursuant hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

L. Related Party Transactions

Our Group entered into the related party transactions within the two years immediately preceding the date of this document as mentioned in "Appendix I — Accountant's Report — 29. Significant Related Party Transactions."

M. Miscellaneous

Save as disclosed in this document:

(a) within the two years immediately preceding the date of this document:

(i) no share or loan capital of our Company has been issued or agreed to be issued or is proposed to be fully or partly paid either for cash or a consideration other than cash;

(ii) no share or loan capital of our Company is under option or is agreed conditionally or unconditionally to be put under option;

(iii) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share of our Group; and

(iv) no commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription for any share in or debentures of our Company;

(b) there are no founder, management or deferred shares or any debentures in the Group;

(c) there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this document;

(d) our Company has no outstanding convertible debt securities or debentures;

(e) there is no arrangement under which future dividends are waived or agreed to be waived;

(f) none of our equity and debt securities is **[REDACTED]** or dealt with in any other stock exchange nor is any **[REDACTED]** or permission to list on any stock exchange other than the Stock Exchange being or proposed to be sought; and

(g) all necessary arrangements have been made to enable the H Shares to be admitted into **[REDACTED]** for clearing and settlement.

N. Bilingual Document

The English language and Chinese language versions of this document are being published separately, in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

1. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this document delivered to the Registrar of Companies in Hong Kong for registration were:

(a) a copy of each of the material contracts referred to in "Appendix VI — Statutory and General Information — 2. Further Information About Our Business — A. Summary of Our Material Contracts"; and

(b) the written consents referred to "Appendix VI — Statutory and General Information — 5. Other Information — H. Consents of Experts."

2. DOCUMENTS AVAILABLE ON DISPLAY

The following documents will be published on the websites of the Stock Exchange (**www.hkexnews.hk**) and our Company (**www.sywy.net**) up to and including the date which is 14 days from the date of this document:

(a) the Articles of Association;

(b) the Accountant's Report from PricewaterhouseCoopers, the text of which is set forth in Appendix I;

(c) the report from PricewaterhouseCoopers relating to the unaudited pro forma financial information of our Group, the text of which is set forth in Appendix II;

(d) the audited consolidated financial statements of our Group for the years ended December 31, 2021, 2022, 2023 and the six months ended June 30, 2024;

(e) the material contracts referred to in "Appendix VI — Statutory and General Information — 2. Further Information About Our Business — A. Summary of Our Material Contracts";

(f) the written consents referred to in "Appendix VI — Statutory and General Information — 5. Other Information — H. Consents of Experts";

(g) the service contracts of our Directors and Supervisors referred to in "Appendix VI — Statutory and General Information — 3. Further Information About Our Directors and Supervisors — A. Particulars of Directors' and Supervisors' Contracts";

(h) the legal opinions issued by King & Wood Mallesons, our PRC Legal Advisors, in respect of our general matters and property interests of our Group in the PRC;

(i) the PRC Company Law, the Mandatory Provisions and the Special Regulations together with their unofficial English translations; and

(j) the industry report issued by Frost & Sullivan, the summary of which is set out in "Industry Overview."