
HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

OUR HISTORY AND DEVELOPMENT

History

We are members of Zhong An which comprise the Remaining Zhong An Group, the CNC Group and our Group. Zhong An Shares have been listed on the Main Board of the Stock Exchange since November 2007 and the shares of China New City have been listed on the Main Board of the Stock Exchange since July 2014. Both Zhong An and China New City have been under the control of Mr. Shi and he is the ultimate controlling shareholder of Zhong An and China New City throughout the Track Record Period. The Remaining Zhong An Group is principally engaged in the development, sales of and investment in residential properties in the PRC while the CNC Group is principally engaged in the development, sales and leasing of and investment in commercial properties and operation and management of hotel and cinema in the PRC. Prior to the Reorganization, our subsidiaries (excluding Ningbo Zhongan) which provide residential and certain non-residential property management services were under the Zhong An Group and our subsidiaries which provide commercial property management services were under the CNC Group. We are a reputable integrated property management service provider headquartered in Hangzhou with deep roots in Zhejiang province and the Yangtze River Delta Region. We have built up reputable brand recognition in the Yangtze River Delta Region, and have also established strategic presence in cities outside of the Yangtze River Delta Region including Guangzhou, Nanchang, Qingdao, Wuhan and Kunming.

The history of our Group can be traced back to 1998 when Zhong An Management, our major operating subsidiary, was established in Hangzhou, Zhejiang province, the PRC. Upon commencement of our business operation in 1998, we mainly provided our property management services in Zhejiang province with a focus on residential properties, and gradually expanded our service scope to cover various non-residential properties including commercial and office buildings, serviced apartments, public and other properties (such as office buildings of PRC governmental bodies, industrial parks, hospitals and schools).

As of December 31, 2022, the properties we managed are all located in the Yangtze River Delta Region and Shandong province. We provide property management services to 95 projects, with a total GFA under management of approximately 12.8 million sq.m, covering 11 cities and three provinces in China and we had a total of 139 contracted projects with a total contracted GFA of approximately 19.4 million sq.m., covering 19 cities and seven provinces in China.

According to CIA, we have been included in the list of the Top 100 Property Management Companies in China (中國物業服務百強企業) since 2016 and our ranking among the Top 100 Property Management Companies in China (中國物業服務百強企業) in terms of overall strength of property management increased from 82nd in 2016 to 40th in 2023, reflecting our growing property management capabilities. We have also received various honours and awards in the past. See “Business—Awards and Recognition” in this document for further details of the awards that we have obtained during the Track Record Period and up to the Latest Practicable Date.

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Business Development Milestones

The following table sets out the key milestones in the history of our corporate and business development:

Year	Milestones
1998	<ul style="list-style-type: none">• Zhong An Management was established and we commenced to provide residential property management services in Zhejiang province
2003	<ul style="list-style-type: none">• We established our business presence in Anhui province
2005	<ul style="list-style-type: none">• We commenced to provide commercial property management services in Zhejiang province
2009	<ul style="list-style-type: none">• We were accredited ISO9001:2015 quality standard for quality management and ISO14001:2009 quality standard for environmental management
2010	<ul style="list-style-type: none">• We commenced to provide value-added services mainly to property developers and community value-added services to property owners and residents
2016	<ul style="list-style-type: none">• We were accredited OHSAS18001:2007 for occupational health and safety management systems
2018	<ul style="list-style-type: none">• We acquired 80% equity interest of Zhejiang Chengcheng• We were ranked the 69th by CIA among the Top 100 Property Management Companies in China (2018中國物業服務百強企業) in terms of overall strength
2019	<ul style="list-style-type: none">• We were ranked the 63rd by CIA among the Top 100 Property Management Companies in China (2019中國物業服務百強企業) in terms of overall strength
2020	<ul style="list-style-type: none">• We were ranked the 59th by CIA among the Top 100 Property Management Companies in China (2020中國物業服務百強企業) in terms of overall strength• Our aggregated GFA under management reached 10 million sq.m.
2021	<ul style="list-style-type: none">• We were ranked the 50th by CIA among the Top 100 Property Management Companies in China (2021中國物業服務百強企業) in terms of overall strength
2022	<ul style="list-style-type: none">• We were ranked the 42nd by CIA among the Top 100 Property Management Companies in China (2022中國物業服務百強企業) in terms of overall strength
2023	<ul style="list-style-type: none">• We were ranked the 40th by CIA among the Top 100 Property Management Companies in China (2023中國物業服務百強企業) in terms of overall strength

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OUR CORPORATE DEVELOPMENTS

Our Company was incorporated in the Cayman Islands under the Cayman Companies Act as an exempted company with limited liability on November 16, 2020, and became the holding company and [REDACTED] for all members of the Group upon completion of the Reorganization. See “—Reorganization” below for details.

Our Operating Subsidiaries in the PRC

As of the Latest Practicable Date, our business operations had been carried out by our operating subsidiaries established or acquired by our Group in the PRC. Set out below are the major corporate developments including major shareholding changes in the equity interests in our operating subsidiaries in the PRC:

1. Zhong An Management

Zhong An Management was established in the PRC with limited liability on November 18, 1998 with an initial registered capital of RMB500,000 which was fully paid-up in cash. It is principally engaged in (i) property management services; (ii) value-added services mainly to property developers; and (iii) community value-added services. As of the Latest Practicable Date, Zhong An Management is the immediate holding company of 100% equity interest of Anhui Zhongan Property, 80% equity interest of Zhejiang Chengcheng and 100% equity interest of Hefei Green Harbor.

Upon its establishment, Zhong An Management was owned as to 90% by Zhejiang Zhong An and 10% by Hangzhou Zhongqiang, respectively. The beneficial owners of Hangzhou Zhongqiang are also beneficial owners of Yunzhongxia who holds 10% equity interest of Zhejiang Zhong An, which is an indirect non-wholly owned subsidiary of Zhong An.

Subsequent to a series of equity transfers and increase in registered capital between August 20, 2008 and October 13, 2016, Zhong An Management was wholly-owned by Zhong An Service Holding with a registered capital of RMB26 million. On February 20, 2020, the registered capital of Zhong An Management was further increased from RMB26 million to RMB100 million and the then paid-up registered capital of Zhong An Management was RMB10 million. On May 26, 2021, the registered capital of Zhong An Management of RMB100 million was fully paid-up in cash.

Pursuant to an equity transfer agreement dated May 31, 2021, as part of the Reorganization, WFOE acquired the entire equity interest in Zhong An Management from Zhong An Service Holding. For further details, see “Reorganization—8. Acquisition of Zhong An Management by WFOE” in this section. Upon completion of the above equity transfer on June 4, 2021 and up to the Latest Practicable Date, Zhong An Management was wholly-owned by WFOE.

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Branches of Zhong An Management

In order to facilitate the development of its operation in different regions in the PRC, as of the Latest Practicable Date, Zhong An Management has 22 branches in Quzhou City, Cixi City, Hefei City, Wenzhou City, Fuyang District (Hangzhou City), Ningbo City, Yuyao City, Zhoushan City, Yuhang District (Hangzhou City), Huaibei City, Hongdao District (Qingdao City), Kunming City, Lishui City, Shaoxing City, Yiwu City, Taizhou City, Wuhan City, Huangdao District (Qingdao City), Tonglu County (Hangzhou City), Jiangyin City, Chun'an County (Hangzhou City) and Chuzhou City.

2. *Anhui Zhongan Property*

Anhui Zhongan Property was established in the PRC with limited liability on November 24, 2003 with an initial registered capital of RMB1 million which was fully paid-up in cash. It is principally engaged in (i) property management services; (ii) value-added services mainly to property developers; and (iii) community value-added services. As of the Latest Practicable Date, Anhui Zhongan Property is the immediate holding company of 90% equity interest of Huaibei Zhonghong.

Upon its establishment, Anhui Zhongan Property was owned as to 60% by Mr. Shi and 40% by Ms. Chen Yurong (陳玉蓉) who was previously a director of certain subsidiaries of Zhong An. On March 22, 2007, for administrative efficiency purpose, Mr. Shi transferred 60% equity interest in Anhui Zhongan Property to Mr. Shen Ding (沈定), who was a nominee of Mr. Shi and a former employee of the Zhong An Group, at nil consideration.

On August 26, 2009, to consolidate the property management business of the Zhong An Group, pursuant to the instructions of Mr. Shi, Mr. Shen Ding (沈定) transferred 60% of equity interest in Anhui Zhongan Property at nil consideration to Zhong An Management, while Ms. Chen Yurong (陳玉蓉) transferred 40% of equity interest in Anhui Zhongan Property to Zhong An Management at nil consideration since Anhui Zhongan Property was loss-making. Upon completion of the above equity transfer and up to the Latest Practicable Date, Anhui Zhongan Property was wholly-owned by Zhong An Management. On August 5, 2013, the registered capital of Anhui Zhongan Property was increased from RMB1 million to RMB3 million and such registered capital was fully paid-up in cash.

3. *Huaibei Zhonghong*

Huaibei Zhonghong was established in the PRC with limited liability on March 30, 2020 with an initial registered capital of RMB1 million to be fully paid-up in cash on or before March 25, 2025 pursuant to the articles of association of Huaibei Zhonghong. It is principally engaged in (i) property management services; and (ii) community value-added services. Since the date of its establishment and up to the Latest Practicable Date, Huaibei Zhonghong was owned as to 90% by Anhui Zhongan Property and 10% by Huaibei Hongqiao Property Service Co., Ltd. (淮北宏橋物業服務有限公司), an Independent Third Party (other than being a substantial shareholder of Huaibei Zhonghong).

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4. *Zhejiang Chengcheng*

Zhejiang Chengcheng was established in the PRC with limited liability on January 12, 2009 with an initial registered capital of RMB500,000 which was fully paid-up in cash. It is principally engaged in (i) property management services; (ii) value-added services mainly to property developers; and (iii) community value-added services. In February 2012, the registered capital of Zhejiang Chengcheng was increased from RMB500,000 to RMB10 million which was fully paid-up in cash.

Immediately prior to the acquisition of 80% equity interest in Zhejiang Chengcheng by our Group, Zhejiang Chengcheng was owned as to 80%, 10% and 10% by Mr. Xu Qunfeng (徐群峰) (“**Mr. Xu**”) (husband of Ms. Bao Liyun (包利雲) (“**Ms. Bao**”) who is currently a substantial shareholder of Zhejiang Chengcheng), Mr. Zhang Shuhong (張樹洪) (brother-in-law of Ms. Bao) and Mr. Bao Hongchun (包洪春) (brother of Ms. Bao), respectively. In addition, it had 11 residential property projects under its management which are located in Tonglu County, Hangzhou, Zhejiang province.

For the purpose of expanding its property management business in Tonglu County, Hangzhou, Zhejiang province, on January 1, 2018, Zhong An Management acquired 80% equity interest in Zhejiang Chengcheng from Mr. Xu at a consideration of RMB3.76 million, while Ms. Bao acquired 10% equity interest in Zhejiang Chengcheng from each of Mr. Zhang Shuhong (張樹洪) and Mr. Bao Hongchun (包洪春), each at a consideration of RMB1 million. The consideration for the acquisition of 80% equity interest in Zhejiang Chengcheng by Zhong An Management was determined after arm’s length negotiations with reference to valuation of Zhejiang Chengcheng based on (i) the net asset value of approximately RMB1.2 million as of July 31, 2017; (ii) the amount of consideration of approximately RMB3.9 per sq.m. calculated based on the GFA under management of Zhejiang Chengcheng immediately before the acquisition which is equivalent to approximately five times of RMB0.8 per sq.m., being, to the best knowledge of our Directors, the property management fee of nearby property management projects in 2018; (iii) the profitability of Zhejiang Chengcheng taking into account the average property management fee of approximately RMB0.5 per sq.m. charged by the property management projects of Zhejiang Chengcheng on a monthly basis before the acquisition; and (iv) a net loss of approximately RMB2.3 million for the year ended December 31, 2016. Despite Zhejiang Chengcheng did not meet the Group’s selection criteria of having annual net profit of not less than RMB1 million, the Directors believe that the acquisition of Zhejiang Chengcheng would allow the Group to expand its property management business in Tonglu County, Zhejiang Province and leveraging on our Group’s strength, resources and expertise in property management business, the Directors were of the view that our Group would improve the overall management efficiency and performance of Zhejiang Chengcheng by integrating our Group’s resources to provide standardized procedures and quality standards in provision of property management services.

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Upon completion of the above equity transfers on January 8, 2018 and up to the Latest Practicable Date, Zhejiang Chengcheng was owned as to 80% and 20% by Zhong An Management and Ms. Bao who held such 20% equity interest on behalf of her husband, Mr. Xu, and both Ms. Bao and Mr. Xu are Independent Third Parties (other than being substantial shareholder of Zhejiang Chengcheng), respectively, and Zhejiang Chengcheng became an indirect non-wholly owned subsidiary of our Company.

5. *Hefei Green Harbor*

Hefei Green Harbor was established in the PRC with limited liability on August 1, 2007 with an initial registered capital of RMB500,000 which was fully paid-up in cash. It is principally engaged in (i) property management services; and (ii) community value-added services. At the time of its establishment, it was wholly-owned by Anhui Zhong An Real Estate Co., Ltd. (安徽眾安實業有限公司), a member of the Zhong An Group.

As part of internal restructuring of the Zhong An Group, pursuant to an equity transfer agreement dated November 1, 2007, Anhui Zhong An Real Estate Co., Ltd. (安徽眾安實業有限公司) transferred the entire equity interest in Hefei Green Harbor to Anhui Zhongan Property at a consideration of RMB500,000 with reference to the paid-up registered capital of Hefei Green Harbor at the time of the transfer.

Pursuant to an equity transfer agreement dated June 2, 2009, Anhui Zhongan Property transferred the entire equity interest in Hefei Green Harbor to Zhong An Management at a consideration of RMB500,000 with reference to the paid-up registered capital of Hefei Green Harbor at the time of the transfer. Upon completion of the above equity transfer, and up to the Latest Practicable Date, Hefei Green Harbor was directly wholly-owned by Zhong An Management.

6. *Zhejiang Runzhou*

Zhejiang Runzhou was established in the PRC with limited liability on November 27, 2014 with an initial registered capital of USD2 million. On April 9, 2021, the denomination of the registered capital of Zhejiang Runzhou was changed to RMB, following which the registered capital of Zhejiang Runzhou became RMB13.08 million, of which (i) RMB6.54 million was paid-up as of the Latest Practicable Date; and (ii) the remaining RMB6.54 million shall be fully paid-up on or before December 31, 2050 pursuant to the articles of association of Zhejiang Runzhou. It is principally engaged in (i) property management services; and (ii) community value-added services. At the time of its establishment, it was wholly-owned by Bright (Hong Kong), which was in turn an indirect wholly-owned subsidiary of China New City.

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Pursuant to an equity transfer agreement dated February 3, 2021, as part of the Reorganization, WFOE acquired the entire equity interest in Zhejiang Runzhou from Bright (Hong Kong). For further details, see “—Reorganization—7. Amendments to the Existing Non-Compete Undertakings and Acquisition of Zhejiang Runzhou, Yuyao Zhongli and Hangzhou Zhonghong by WFOE” in this section. Upon completion of the above equity transfer on April 13, 2021 and up to the Latest Practicable Date, Zhejiang Runzhou was wholly-owned by WFOE.

7. *Yuyao Zhongli*

Yuyao Zhongli was established in the PRC with limited liability on November 24, 2020 as a result of the demerger of Yuyao Zhong An, the predecessor company of Yuyao Zhongli. Yuyao Zhongli has an initial registered capital of RMB5 million, of which (i) RMB2.5 million was paid-up as of the Latest Practicable Date; and (ii) the remaining RMB2.5 million shall be fully paid-up on or before October 10, 2026 pursuant to the articles of association of Yuyao Zhongli. Yuyao Zhong An’s registered capital was also reduced from RMB10 million to RMB5 million upon completion of the demerger. Yuyao Zhongli is principally engaged in (i) property management services; and (ii) community value-added services.

Upon completion of the demerger of Yuyao Zhong An and the establishment of Yuyao Zhongli, Yuyao Zhong An and Yuyao Zhongli were wholly-owned by Zhong An Commercial, which was directly held as to approximately 54.99% by Zhong An Shenglong and approximately 45.01% by Zhejiang Agricultural Bank of China Phoenix Investment Management Co., Ltd. (浙江農銀鳳凰投資管理有限公司), an Independent Third Party (other than being a substantial shareholder of Zhong An Commercial), and both Yuyao Zhong An and Yuyao Zhongli were indirect non-wholly owned subsidiaries of China New City. For details of the demerger, see “—Reorganization—6. Demerger of two members of the CNC Group” in this section.

Pursuant to an equity transfer agreement dated February 3, 2021, as part of the Reorganization, WFOE acquired the entire equity interest in Yuyao Zhongli from Zhong An Commercial. For further details, see “—Reorganization—7. Amendments to the Existing Non-Compete Undertakings and Acquisition of Zhejiang Runzhou, Yuyao Zhongli and Hangzhou Zhonghong by WFOE” in this section. Upon completion of the above equity transfer on April 13, 2021 and up to the Latest Practicable Date, Yuyao Zhongli was wholly-owned by WFOE.

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8. *Hangzhou Zhonghong*

Hangzhou Zhonghong was established in the PRC with limited liability on November 18, 2020 as a result of the demerger of Hangzhou Zhongan Henglong, the predecessor company of Hangzhou Zhonghong. Hangzhou Zhonghong has an initial registered capital of RMB1 million to be fully paid-up in cash on or before December 31, 2020 pursuant to the articles of association of Hangzhou Zhonghong. Hangzhou Zhongan Henglong’s registered capital was also reduced from RMB2 million to RMB1 million upon completion of the demerger. Hangzhou Zhonghong is principally engaged in (i) property management services; and (ii) community value-added services.

Upon completion of the demerger of Hangzhou Zhongan Henglong and the establishment of Hangzhou Zhonghong, Hangzhou Zhongan Henglong and Hangzhou Zhonghong were wholly-owned by Zhong An Shenglong, which was directly held as to 90% by Qirui Management and 10% by Yunzhongxia, and both Hangzhou Zhongan Henglong and Hangzhou Zhonghong were indirect non-wholly owned subsidiaries of China New City. For details of the demerger, see “— Reorganization—6. Demerger of two members of the CNC Group” in this section.

Pursuant to the equity transfer agreement dated February 3, 2021, as part of the Reorganization, WFOE acquired the entire equity interest in Hangzhou Zhonghong from Zhong An Shenglong. For further details, see “—Reorganization—7. Amendments to the Existing Non-Compete Undertakings and Acquisition of Zhejiang Runzhou, Yuyao Zhongli and Hangzhou Zhonghong by WFOE” in this section. Upon completion of the above equity transfer on April 13, 2021 and up to the Latest Practicable Date, Hangzhou Zhonghong was wholly-owned by WFOE.

9. *Ningbo Zhongan*

Ningbo Zhongan was established in the PRC with limited liability on November 3, 2021 with an initial registered capital of RMB1 million to be fully paid-up in cash on or before October 26, 2021. At the time of its establishment and up to the Latest Practicable Date, Ningbo Zhongan was wholly-owned by Zhong An Management.

As at the Latest Practicable Date, Ningbo Zhongan had not yet commenced any business activity. Ningbo Zhongan will be engaged in provision of property management services in Ningbo, the PRC.

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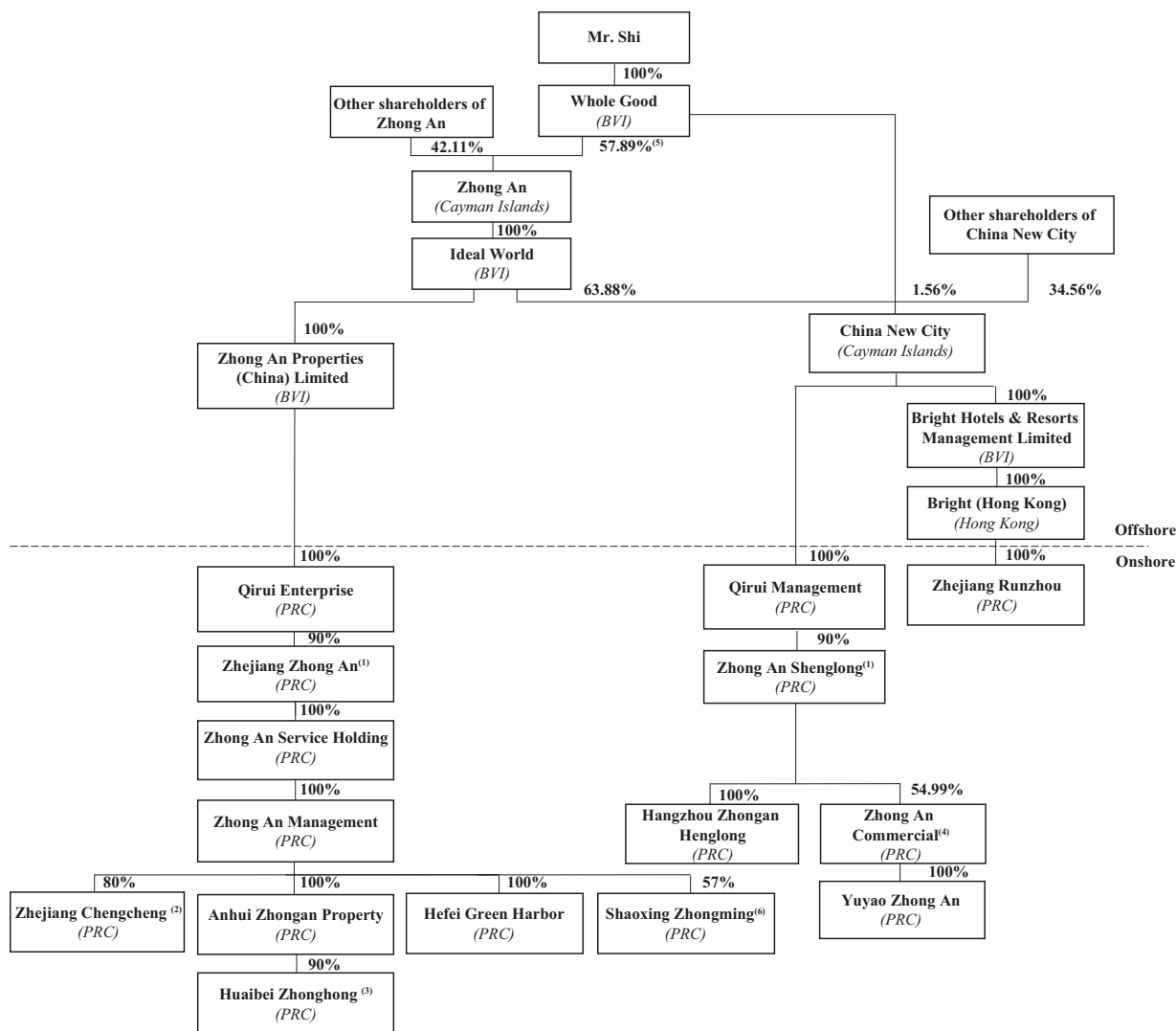
10. Shaoxing Zhongming

Shaoxing Zhongming was established in the PRC with limited liability on July 20, 2022 with an initial registered capital of RMB500,000 to be fully paid up in cash on or before July 19, 2052. At the time of its establishment and up to the Latest Practicable Date, Shaoxing Zhongming was owned as to 57% by Zhong An Management and 43% by Zhejiang Minglan Property Co., Ltd. (浙江明瀾物業有限公司) (“**Zhejiang Minglan**”). Zhejiang Minglan is a wholly-owned subsidiary of Zhejiang Riyue Jewelry Group Co., Ltd. (浙江日月首飾集團有限公司) (“**Zhejiang Riyue**”). Zhejiang Riyue is owned as to 48.24% and 41.21%% equity interest by Yu Tuliang (虞兔良) and Yu Awu (虞阿五), respectively. Shaoxing Zhongming is established to provide property management service to residential property developed by a joint venture company whose equity interests are owned as to 57% by a subsidiary of Zhong An and 43% is indirectly owned by Zhejiang Riyue. As at the Latest Practicable Date, Shaoxing Zhongming had not commenced any business activity.

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REORGANIZATION

The following diagram shows our shareholding structure immediately before the Reorganization:



Notes:

- Each of the remaining 10% equity interests in Zhejiang Zhong An and Zhong An Shenglong is held by Yunzhongxia, whose equity interests are held as to 60% by Ms. Qi Xiaomin (戚小敏) and 40% by Mr. Chen Junmin (陳軍民). Ms. Qi and Mr. Chen also hold 60% equity interest and 40% equity interest of Hangzhou Zhongqiang, respectively. Hangzhou Zhongqiang is a substantial shareholder of Zhejiang Zhong An Property Development and Zhejiang Zhong An Property Development is an indirect non-wholly owned subsidiary of China New City which is owned as to 90% by Zhong An Shenglong directly. Ms. Qi is an ex-employee and business partner of the Remaining Group.
- The remaining 20% equity interest in Zhejiang Chengcheng is held by Ms. Bao who held such 20% equity interest on behalf of her husband, Mr. Xu, and both Ms. Bao and Mr. Xu are Independent Third Parties (other than being substantial shareholder of Zhejiang Chengcheng).
- The remaining 10% equity interest in Huaibei Zhonghong is held by Huaibei Hongqiao Property Service Co., Ltd. (淮北宏橋物業服務有限公司), an Independent Third Party (other than being a substantial shareholder of Huaibei Zhonghong).

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4. The remaining 45.01% equity interest in Zhong An Commercial is held by China Phoenix Investment Management Co., Ltd. (浙江農銀鳳凰投資管理有限公司), an Independent Third Party (other than being a substantial shareholder of Zhong An Commercial).
5. Pursuant to an exchangeable note (“**Exchangeable Note**”) as secured by certain security documents, entered into between Whole Good, Mr. Shi, Haitong International Finance Company Limited and Fountain I Limited (“**Fountain I**”), an indirect non-wholly owned subsidiary of Haitong Securities Co., Ltd., Fountain I has granted a loan to Whole Good with an outstanding principal amount of HK\$88,000,000 as at the Latest Practicable Date with a right to exchange for such 160,000,000 Zhong An Shares (representing approximately 2.84% of the entire issued share capital of Zhong An as at the Latest Practicable Date) at an initial exchange price of HK\$0.55. As security for such loan, pursuant to the Exchangeable Note, Whole Good has charged 1,008,087,280 Zhong An Shares (representing approximately 17.89% of the entire issued share capital of Zhong An as at the Latest Practicable Date) in favour of Fountain I as onshore security agent. The Exchangeable Note shall expire on June 17, 2023.
6. Shaoxing Zhongming was established on July 20, 2022. The remaining 43% equity interest in Shaoxing Zhongming is held by Zhejiang Minglan Property Co., Ltd. (浙江明瀾物業有限公司). See “—Our Corporate Developments—Our Operating Subsidiaries in the PRC—10. Shaoxing Zhongming” in this section for details.

In preparation for the [REDACTED], the following Reorganization steps were implemented to establish our Group:

1. Incorporation of Zhong An BVI

Zhong An BVI was incorporated in the BVI with limited liability on November 11, 2020 which was authorized to issue a maximum of 50,000 shares of a single class each with a par value of US\$1.00. On the date of its incorporation, one share was allotted and issued at par value to Zhong An.

2. Incorporation of our Company

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on November 16, 2020 with an authorized share capital of HK\$380,000.00 divided into 38,000,000 Shares of a nominal value of HK\$0.01 each. On the date of its incorporation, one Share was allotted and issued to the initial subscriber, an Independent Third Party which was transferred to Zhong An on the same day.

On December 3, 2020, Zhong An transferred one Share to Zhong An BVI at nominal consideration. Upon completion of such share transfer, our Company was wholly-owned by Zhong An BVI.

3. Incorporation of Throng Unity

Throng Unity was incorporated in the BVI with limited liability on November 13, 2020 which was authorized to issue a maximum of 50,000 shares of a single class each with a par value of US\$1.00. On the date of its incorporation, one share was allotted and issued at par value to Zhong An.

On December 3, 2020, Zhong An transferred one share at par value to our Company. Upon completion of such share transfer, Throng Unity was wholly-owned by our Company.

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4. Incorporation of Zhong An Hong Kong

Zhong An Hong Kong was incorporated in Hong Kong with limited liability on November 16, 2020. On the date of its incorporation, one share was allotted and issued at a consideration of HK\$1.00 to Mr. Shi.

On December 2, 2020, Mr. Shi transferred one share to Throng Unity at consideration of HK\$1.00. Upon completion of such share transfer, Zhong An Hong Kong was wholly-owned by Throng Unity.

5. Incorporation of WFOE

WFOE was established in the PRC as wholly foreign-owned enterprise with limited liability on January 14, 2021. Since its establishment, WFOE has been a direct wholly-owned subsidiary of Zhong An Hong Kong.

6. Demerger of two members of the CNC Group

Yuyao Zhongli and Hangzhou Zhonghong were demerged from their respective predecessors which were subsidiaries of China New City. Further details of the demergers of these two members of the CNC Group are set out below:

Yuyao Zhongli

Immediately prior to its demerger, Yuyao Zhong An which is the predecessor of Yuyao Zhongli had a registered capital of RMB10 million, was wholly-owned by Zhong An Commercial, an indirect non-wholly owned subsidiary of China New City. Yuyao Zhong An demerged and established another separate company namely Yuyao Zhongli on November 24, 2020 with an initial registered capital of RMB5 million, whereas the registered capital of Yuyao Zhong An was reduced from RMB10 million to RMB5 million, both companies were wholly-owned by Zhong An Commercial immediately after the demerger.

As a result of the demerger, (i) Yuyao Zhongli would be principally engaged in commercial property management services previously undertaken by Yuyao Zhong An (prior to the demerger) and would take over the assets, rights and liabilities and employees associated with such business; and (ii) Yuyao Zhong An (after the demerger) would be principally engaged in property leasing business previously undertaken by Yuyao Zhong An (prior to the demerger). As advised by our PRC Legal Advisor, the demerger was completed on November 24, 2020 and was in compliance with the applicable laws and regulations in the PRC.

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Hangzhou Zhonghong

Immediately prior to its demerger, Hangzhou Zhongan Henglong which is the predecessor of Hangzhou Zhonghong had a registered capital of RMB2 million, was wholly-owned by Zhong An Shenglong, an indirect non-wholly owned subsidiary of China New City. Hangzhou Zhongan Henglong demerged and established another separate company namely Hangzhou Zhonghong on November 18, 2020 with an initial registered capital of RMB1 million, whereas the registered capital of Hangzhou Zhongan Henglong was reduced from RMB2 million to RMB1 million, both companies were wholly-owned by Zhong An Shenglong immediately after the demerger.

As a result of the demerger, (i) Hangzhou Zhonghong would be principally engaged in commercial property management services previously undertaken by Hangzhou Zhongan Henglong (prior to the demerger) and would take over the assets, rights and liabilities and employees associated with such business; and (ii) Hangzhou Zhongan Henglong (after the demerger) would be principally engaged in property leasing business previously undertaken by Hangzhou Zhongan Henglong (prior to the demerger). As advised by our PRC Legal Advisor, the demerger was completed on November 18, 2020 and was in compliance with the applicable laws and regulations in the PRC.

As advised by our PRC Legal Advisor, under the PRC Company Law and the Civil Code of the PRC (《中華人民共和國民法典》), where a company undergoes a demerger, the demerged companies shall bear joint and several liabilities for the debts of the relevant predecessor companies prior to demerger, unless otherwise agreed between the relevant debtor and creditor. As of the Latest Practicable Date, we have obtained consent from major creditors (i.e. those with a net outstanding amount of RMB500,000 or above) of the predecessor companies namely, Yuyao Zhong An and Hangzhou Zhongan Henglong (collectively, the “**Predecessor Companies**”) to release and discharge the newly established companies, namely, Yuyao Zhongli and Hangzhou Zhonghong, from the Predecessor Companies’ liabilities that are not otherwise allocated to our Group. As advised by our PRC Legal Advisor, the consents obtained from those creditors are legal, valid, binding and enforceable under the relevant PRC laws. The remaining liabilities of the Predecessor Companies mainly comprise prepayments (which in general will be recognized as revenue over time) and deposits (which in general will be returned to tenants upon expiration or forfeited in accordance with the terms of the relevant lease agreements) in relation to tenants of lease agreements (such as rental, utility, renovation and other deposits). As advised by our PRC Legal Advisor, the remaining liabilities of the Predecessor Companies will be extinguished upon the fulfillment of obligations of the Predecessor Companies. In the event that creditors of the Predecessor Companies request Yuyao Zhongli and/or Hangzhou Zhonghong to bear the Predecessor Companies’ liabilities, our Group will direct such creditors to the relevant Predecessor Company for settlement of their liabilities. In the event that the Predecessor Company could not repay its liabilities, the immediate holding company of such Predecessor Companies also agreed to settle such liabilities (if any). Based on the unaudited management accounts of the Predecessor Companies, such remaining liabilities of the Predecessor Companies prior to their respective demergers (which are not otherwise allocated to Yuyao Zhongli and Hangzhou Zhonghong

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and excluding the amounts released pursuant to the consents obtained from the relevant creditors of the Predecessor Companies in releasing Yuyao Zhongli and Hangzhou Zhonghong from debts or liabilities of the Predecessor Companies), as at the Latest Practicable Date, amounted to not more than RMB10.3 million, while approximately RMB8.2 million of such remaining liabilities were prepayments and deposits by tenants of the Predecessor Companies under their respective lease agreements. Since such remaining liabilities of the Predecessor Companies will decrease over time as the relevant leases expire or terminate, the Directors are of the view that default of such remaining liabilities by the Predecessor Companies or failure to repay such remaining liabilities by their respective immediate holding companies is remote. Zhong An has also undertaken to us that it will indemnify and keep us fully indemnified from any losses arising from or in connection with such remaining liabilities in the event that the Predecessor Companies and their relevant immediate holding companies fail to repay such remaining liabilities.

Furthermore, the Predecessor Companies were in the course of novating their property management contracts to the newly established companies. As at the Latest Practicable Date, the property management contracts which are yet to be novated to the Group comprise mainly of tenants of commercial premises (including retail shops, restaurants and supermarkets) and the total revenue under these property management contracts only accounted for approximately 0.14% of the Group’s revenue for the year ended December 31, 2022. Such property management contracts will expire by July 2028. As the revenue in relation to property management contracts yet to be novated to the Group only accounted small portion of the Group’s revenue and such revenue belongs to the Group rather than the Remaining Group, the Group and the Remaining Group have entered into agreement, pursuant to which the revenue received and costs borne arising from such property management contracts yet to be novated to the Group shall be received or borne by the Group. In such circumstances, the Remaining Group (only acting as agent of our Group) will neither receive any returns nor bear any costs in relation to such property management contracts yet to be novated to our Group.

As advised by our PRC Legal Advisor, all approvals necessary to complete and implement such demergers have been duly obtained from the PRC Government authorities and filings with the PRC Government authorities have been duly completed.

Based on the above, the Directors are of the view that there would not be any material and adverse impact on the financial condition of the Group and the Directors are of the view that the equity transfer agreements in relation to the acquisition of Zhejiang Runzhou, Yuyao Zhongli and Hangzhou Zhonghong are entered into on arm’s length basis since it was an internal restructuring of the Remaining Group at the relevant time.

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7. Amendments to the Existing Non-Compete Undertakings and Acquisition of Zhejiang Runzhou, Yuyao Zhongli and Hangzhou Zhonghong by WFOE

In order to consolidate the property management business to the Zhong An Group, on February 3, 2021, each of the CNC Controlling Shareholders and China New City entered into the amended deed of non-compete undertakings (the “**Amended Non-Compete Undertakings**”) to amend the deed of non-compete undertakings dated May 31, 2014 entered into among the CNC Controlling Shareholders and China New City (the “**Existing Non-Compete Undertakings**”), among other things, to allow any member of Zhong An and its subsidiaries from time to time (excluding China New City and its subsidiaries from time to time) to engage in property management business (including but not limited to residential, commercial or mixed commercial-residential use properties and related ancillary services, and for the avoidance of doubt, does not include operations and management of hotel and cinema in the PRC. The CNC Group would no longer be engaged in any property management business (excluding operations and management of hotel and cinema) in the PRC.

Pursuant to three separate equity transfer agreements all dated February 3, 2021:

- (a) WFOE acquired the entire equity interest in Zhejiang Runzhou from Bright (Hong Kong) at a consideration of approximately RMB35.17 million. The consideration was determined after arm’s length negotiation having taken into account, amongst other things, (i) the valuation of Zhejiang Runzhou of RMB41.01 million based on the price to earnings ratio of comparable transactions, less (ii) dividends declared on January 18, 2021 out of the distributable profits of Zhejiang Runzhou in the amount of RMB5.84 million to Bright (Hong Kong);
- (b) WFOE acquired the entire equity interest in Yuyao Zhongli from Zhong An Commercial at a consideration of approximately RMB12.35 million. The consideration was determined after arm’s length negotiation having taken into account, amongst other things, (i) the valuation of Yuyao Zhongli of RMB17.18 million based on the price to earnings ratio of comparable transactions, less (ii) dividends declared on January 18, 2021 out of the distributable profits of Yuyao Zhongli in the amount of RMB4.83 million to Zhong An Commercial; and
- (c) WFOE acquired the entire equity interest in Hangzhou Zhonghong from Zhong An Shenglong at a consideration of approximately RMB57.13 million. The consideration was determined after arm’s length negotiation having taken into account, amongst other things, (i) the valuation of Hangzhou Zhonghong of RMB81.42 million based on the price to earnings ratio of comparable transactions, less (ii) dividends declared on January 18, 2021 out of the distributable profits of Hangzhou Zhonghong in the amount of RMB24.29 million to Zhong An Shenglong.

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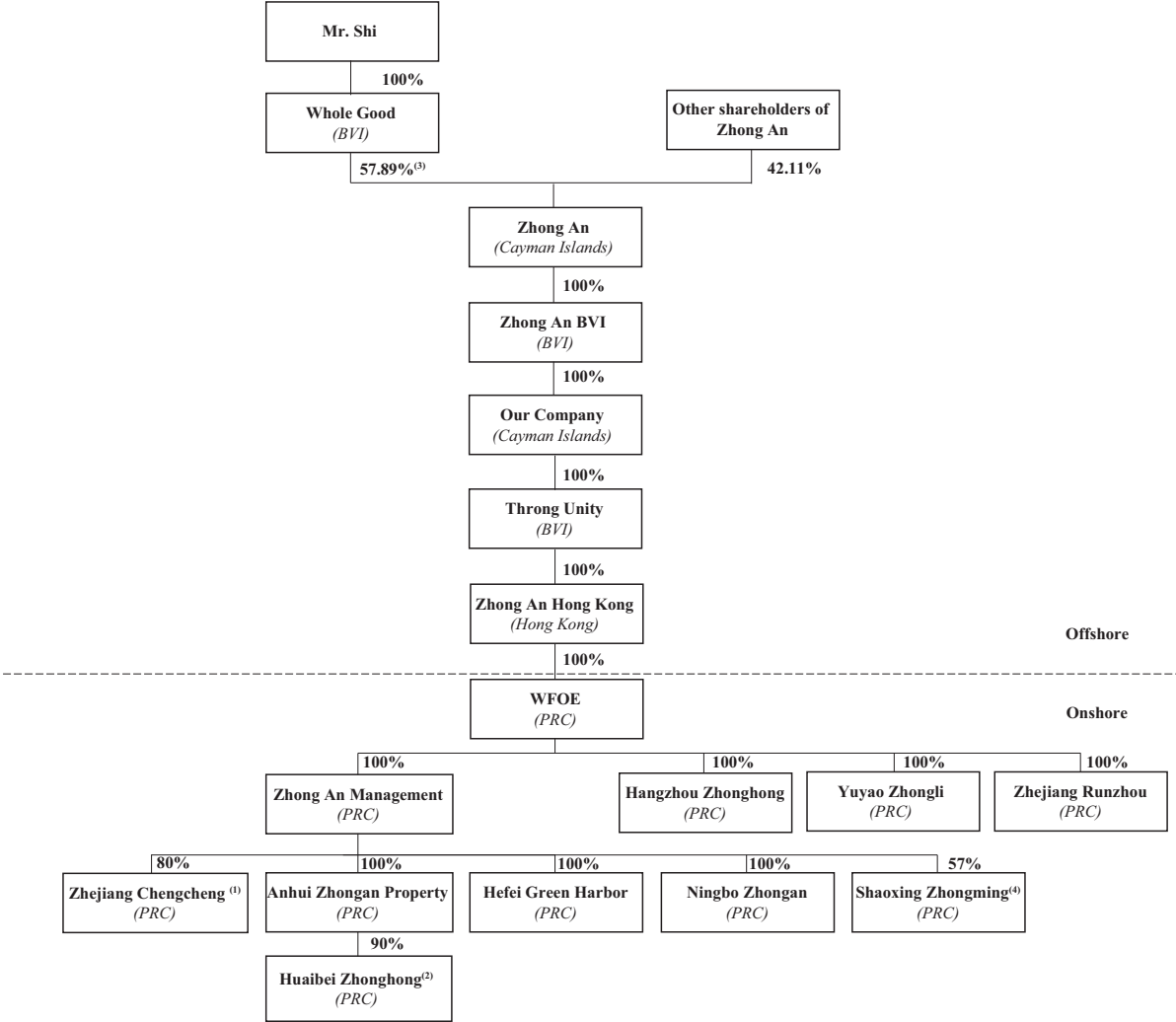
The relevant resolutions in relation to the Amended Non-Compete Undertakings and the acquisition of the entire equity interests in Zhejiang Runzhou, Yuyao Zhongli and Hangzhou Zhonghong have been approved by the independent shareholders of China New City at the extraordinary general meeting of China New City which was held on March 24, 2021. Upon completion of all of the above equity transfers on April 13, 2021 and up to the Latest Practicable Date, Zhejiang Runzhou, Yuyao Zhongli and Hangzhou Zhonghong were wholly-owned by WFOE.

8. Acquisition of Zhong An Management by WFOE

Pursuant to the equity transfer agreement dated May 31, 2021, WFOE acquired the entire equity interest in Zhong An Management from Zhong An Service Holding at a consideration of RMB100 million. The consideration was determined after arm’s length negotiation with reference to the paid-up registered capital of Zhong An Management. Upon completion of the above equity transfer on June 4, 2021 and up to the Latest Practicable Date, Zhong An Management was wholly-owned by WFOE.

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The following diagram shows the shareholding structure of our Group immediately after the completion of the Reorganization but before completion of the [REDACTED] and the [REDACTED] (assuming the [REDACTED] is not exercised):



Notes:

1. The remaining 20% equity interest in Zhejiang Chengcheng is held by Ms. Bao who held such 20% equity interest on behalf of her husband, Mr. Xu, and both Ms. Bao and Mr. Xu are Independent Third Parties (other than being substantial shareholder of Zhejiang Chengcheng).

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2. The remaining 10% equity interest in Huaibei Zhonghong is held by Huaibei Hongqiao Property Service Co., Ltd. (淮北宏橋物業服務有限公司), an Independent Third Party (other than being a substantial shareholder of Huaibei Zhonghong).
3. Pursuant to an exchangeable note (“**Exchangeable Note**”) as secured by certain security documents, entered into between Whole Good, Mr. Shi, Haitong International Finance Company Limited and Fountain I Limited (“**Fountain I**”), an indirect non-wholly owned subsidiary of Haitong Securities Co., Ltd., Fountain I has granted a loan to Whole Good with an outstanding principal amount of HK\$88,000,000 as at the Latest Practicable Date with a right to exchange for such 160,000,000 Zhong An Shares (representing approximately 2.84% of the entire issued share capital of Zhong An as at the Latest Practicable Date) at an initial exchange price of HK\$0.55. As security for such loan, pursuant to the Exchangeable Note, Whole Good has charged 1,008,087,280 Zhong An Shares (representing approximately 17.89% of the entire issued share capital of Zhong An as at the Latest Practicable Date) in favour of Fountain I as onshore security agent. The Exchangeable Note shall expire on June 17, 2023.
4. Shaoxing Zhongming was established on July 20, 2022. The remaining 43% equity interest in Shaoxing Zhongming is held by Zhejiang Minglan Property Co., Ltd. (浙江明瀾物業有限公司). See “—Our Corporate Developments—Our Operating Subsidiaries in the PRC—10. Shaoxing Zhongming” in this section for details.

INCREASE OF AUTHORIZED SHARE CAPITAL

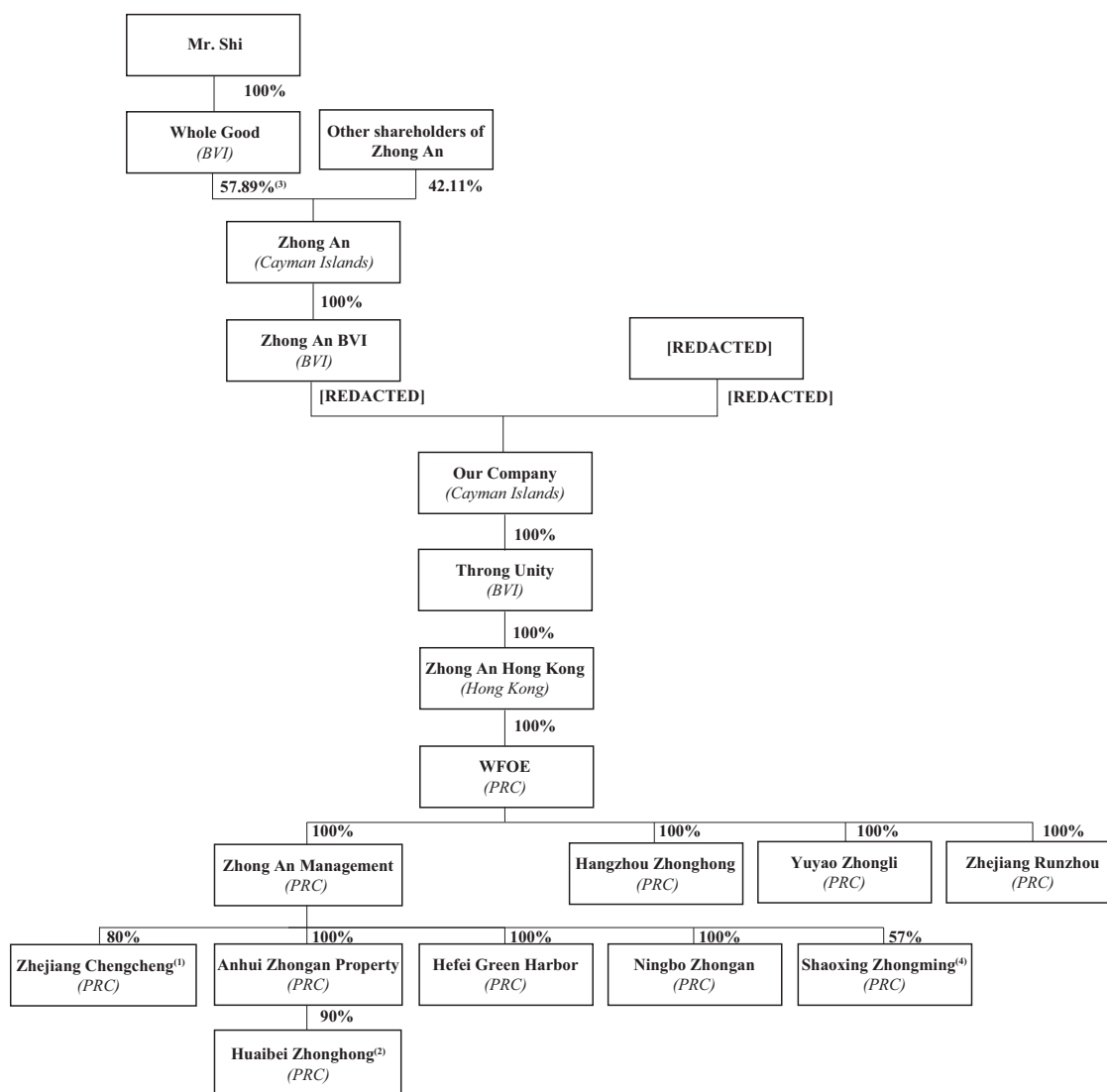
On April 19, 2022, our Company increased its authorized share capital to HK\$10,000,000 through the creation of 962,000,000 additional Shares of nominal value of HK\$0.01 each.

[REDACTED]

Pursuant to the written resolutions of our sole Shareholder passed on December 19, 2022, conditional on the share premium account of our Company being credited as a result of the [REDACTED], our Directors are authorized to capitalize HK\$[REDACTED] standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par [REDACTED] Shares for [REDACTED] and allotment to holders of Shares whose names appear on the register of members of our Company on the date of passing such resolution in proportion (as near as possible without involving fractions so that no fraction of a share shall be issued and allotted) to their then existing respective shareholdings in our Company. Our Shares to be issued and allotted pursuant to such resolution shall carry the same rights in all respects with the existing issued Shares.

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The following diagram shows the shareholding structure of our Group immediately after the completion of the Reorganization, the [REDACTED] and the [REDACTED]:



Notes:

- The remaining 20% equity interest in Zhejiang Chengcheng is held by Ms. Bao who held such 20% equity interest on behalf of her husband, Mr. Xu, and both Ms. Bao and Mr. Xu are Independent Third Parties (other than being substantial shareholder of Zhejiang Chengcheng).
- The remaining 10% equity interest in Huaibei Zhonghong is held by Huaibei Hongqiao Property Service Co., Ltd. (淮北宏橋物業服務有限公司), an Independent Third Party (other than being a substantial shareholder of Huaibei Zhonghong).
- Pursuant to an exchangeable note (“**Exchangeable Note**”) as secured by certain security documents, entered into between Whole Good, Mr. Shi, Haitong International Finance Company Limited and Fountain I Limited (“**Fountain I**”), an indirect non-wholly owned subsidiary of Haitong Securities Co., Ltd., Fountain I has granted a loan to Whole Good with an outstanding principal amount of HK\$88,000,000 as at the Latest Practicable Date with a right to exchange for such 160,000,000 Zhong An Shares (representing approximately 2.84% of the entire issued share capital of Zhong An as at the Latest Practicable Date) at an initial exchange price of HK\$0.55. As security for such loan, pursuant to the Exchangeable Note, Whole Good has charged 1,008,087,280 Zhong An Shares (representing approximately 17.89% of the entire issued share capital of Zhong An as at the Latest Practicable Date) in favour of Fountain I as onshore security agent. The Exchangeable Note shall expire on June 17, 2023.
- Shaoxing Zhongming was established on July 20, 2022. The remaining 43% equity interest in Shaoxing Zhongming is held by Zhejiang Minglan Property Co., Ltd. (浙江明瀾物業有限公司). See “—Our Corporate Developments—Our Operating Subsidiaries in the PRC—10. Shaoxing Zhongming” in this section for details.

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PRC REGULATORY REQUIREMENTS

Our PRC Legal Advisor is of the view that the Reorganization, equity transfers and increases in registered capital in relation to our PRC subsidiaries disclosed in this section has been conducted in compliance with applicable laws and regulations of the PRC and has been legally completed and duly registered with local registration authorities of the PRC and all necessary regulatory approvals have been obtained.

The Rules on the Mergers and Acquisitions of Domestic Enterprises by Foreign Investors in the PRC

According to the “Provisions Regarding Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》) (the “**M&A Rules**”) jointly issued by the MOFCOM, the State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會), the SAT, the CSRC, the SAIC and the SAFE on August 8, 2006 and effective as of September 8, 2006 and amended in June 2009, where a domestic company, enterprise or natural person intends to acquire its or his/her affiliated domestic company in the name of an offshore company which it or he/she lawfully established or controls, the acquisition shall be subject to the examination and approval of the MOFCOM; and where a domestic company or natural person holds an equity interest in a domestic company through an offshore special purpose company by paying the acquisition price with equity interests of such special purpose company, the overseas listing of that special purpose company shall be subject to approval by the CSRC.

As advised by our PRC Legal Advisor, since Mr. Shi is a Hong Kong permanent resident but not a domestic natural person under the M&A Rules; neither the establishment of WFOE nor the acquisitions of Zhejiang Runzhou, Yuyao Zhongli, Hangzhou Zhonghong and Zhong An Management by WFOE constitutes a foreign merger or acquisition specified in the M&A Rules which shall be subject to examination and approval by the MOFCOM or CSRC. On the aforesaid basis, our PRC Legal Advisor advised that, unless new laws and regulations are enacted, or MOFCOM and CSRC or other competent authorities make new regulations or interpretations on the M&A Rules in the future, such acquisitions in this paragraph and the application by our Company for the issuance and [REDACTED] of its Shares on the Stock Exchange is not subject to the approval from the MOFCOM or the CSRC under the M&A Rules.

SAFE REGISTRATION IN THE PRC

Pursuant to the Circular of the SAFE on Foreign Exchange Administration of Overseas Investment, Financing and Round-trip Investments Conducted by Domestic Residents through Special Purpose Vehicles (關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知) (the “**SAFE Circular No. 37**”), promulgated by SAFE and which became effective on July 4, 2014, (a) a PRC resident must register with the local SAFE branch before he or she contributes assets or equity interests in an overseas special purpose vehicle (the “**Overseas SPV**”) that is directly established or indirectly controlled by the PRC resident for

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the purpose of conducting investment or financing, and (b) following the initial registration, the PRC resident is also required to register with the local SAFE branch for any major change, in respect of the Overseas SPV, including, among other things, a change of Overseas SPV’s PRC resident shareholder(s), the name of the Overseas SPV, terms of operation, or any increase or reduction of the Overseas SPV’s capital, share transfer or swap of the PRC resident shareholder(s), and merger or division. Pursuant to SAFE Circular No. 37, failure to comply with these registration procedures may result in penalties.

Pursuant to the Circular of the SAFE on Further Simplification and Improvement in Foreign Exchange Administration on Direct Investment (關於進一步簡化和改進直接投資外匯管理政策的通知) (the “SAFE Circular No. 13”), promulgated by SAFE and which became effective on June 1, 2015, the power to accept SAFE registration was delegated from local SAFE to local banks where the assets or interest in the domestic entity was located.

Our PRC Legal Advisor has confirmed that since Mr. Shi is a Hong Kong permanent resident but not a PRC resident, he is not subject to the registration procedures of the foreign exchange for his overseas investment under SAFE Circular No. 37 and SAFE Circular No. 13.

REASONS FOR THE [REDACTED]

Pursuant to the Listing Rules and in accordance with the corporate structure and ownership of our Company, the [REDACTED] will constitute a [REDACTED] from Zhong An.

The board of directors of Zhong An considers that the [REDACTED] is commercially beneficial and in the interest of Zhong An and its shareholders as a whole as the [REDACTED] is expected to create greater value for them for the following reasons:

- (a) the [REDACTED] will allow Zhong An an opportunity to realise the value of investment in our Group through [REDACTED] of a standalone platform for our business;
- (b) the [REDACTED] will enable our Group to build its identity as a separately [REDACTED] group, and have a separate fund-raising platform and to broaden its investor base through the [REDACTED]. Our Group may acquire or invest in other property management services providers to further expand our business and brand awareness in the market. The [REDACTED] would allow our Group to gain direct access to the capital market for equity and/or debt financing to fund our existing operations and future expansion without reliance on Zhong An, thereby improving our operating and financial management efficiencies;
- (c) the [REDACTED] will enable our Group to enhance our corporate profile, thereby increasing our ability to attract strategic investors, which could provide synergy for our Group, for investment in and forming strategic partnerships directly with our Group;

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- (d) the [REDACTED] will enable a more focused development, strategic planning and better allocation of resources for the Remaining Group and our Group with respect to their respective businesses. Both the Remaining Group and our Group will benefit from the efficient decision-making process under the separate management structure for seizing emerging business opportunities, especially with a dedicated management team for our Group to focus on our development;
- (e) Zhong An will continue to be the beneficial owner of a majority of shares in our Group upon the [REDACTED] and to benefit from any enhanced value of our Group through the [REDACTED]; and
- (f) the stock performance of our Group 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.

The [REDACTED] by Zhong An complies with the requirements of Practice Note 15 of the Listing Rules.