

## INDUSTRY OVERVIEW

*The information and statistics set out in this section and other sections of this document were extracted from the report prepared by Frost & Sullivan, which was commissioned by us, and from various official government publications and other publicly available publications. We engaged Frost & Sullivan to prepare the Frost & Sullivan Report, an independent industry report, in connection with the [REDACTED]. The information from official government sources has not been independently verified by us, the Sole Sponsor, [REDACTED], [REDACTED], [REDACTED], any of their respective directors and advisers, or any other persons or parties involved in the [REDACTED], and no representation is given as to its accuracy.*

### ENVIRONMENTAL CLEANING AND MAINTENANCE SERVICE MARKET ANALYSIS IN THE PRC

#### Definition and classification

Environmental cleaning and maintenance service is a type of service that encompasses effective cleaning, sanitation, and maintenance through the use of water, detergent, equipment, and any other resources to improve the overall hygiene level of the environment. In the Industry Report, environmental cleaning and maintenance service represents cleaning and maintenance in various commercial, domestic, and environmental contexts, and it can be categorised into three major types, namely property cleaning, public space cleaning and other cleaning. The public space cleaning category mainly includes public hygienic cleaning service, which is also referred as "environmental hygiene service". Each major type contains three sub-types or fields of service, which are general cleaning, waste management, and other services. General cleaning is referred to cleaning and maintenance of area or surface; waste management represents waste collection, disposal and transportation; other service represents any extended service that is exclusive from the previous two types.

#### *Types of services*

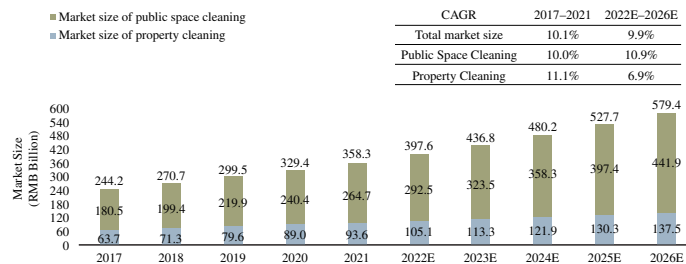
Property cleaning is cleaning service performed in any areas of their ancillary, such as buildings, parking lots, garden and public area, belonging to the facilities. Property refers to integrated property categories including residential, commercial, public, industrial, government-related property, shopping malls, schools, hospitals, airports, and others. Public space cleaning represents cleaning of any urban and rural public areas except for property that is accessible by the public, such as street, public squares, parks and beaches. Other cleaning includes cleaning services provided in area that does not belong to property or public space, waste collection and transportation as well as value-added service including road construction and maintenance and properties' cistern cleaning.

#### Market size of property and public space cleaning sectors in the PRC

The environmental cleaning and maintenance market in the PRC mainly comprise and is largely dominated by property cleaning and public space cleaning sectors. The market size of these two sectors combined is expected to increase from RMB 244.2 billion in 2017 to RMB579.4 billion by 2026. The market size of property cleaning is expected to increase significantly from RMB63.7 billion from 2017 to RMB137.5 billion in 2026. The CAGR of the market size of property cleaning from 2017 to 2021 is 10.1%, indicating an overall stable growth, and the growth is expected to sustain with a CAGR from 2022 to 2026 to be 6.9%. The CAGR of the combined market size from 2017 to 2021 is 10.1%, with a CAGR from 2022 to 2026 of 9.9% in the predicted period.

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### Market size of property and public space cleaning sectors (2017 – 2026E)



*Note:* The market size of the other cleaning sector, including services such as river and water surface cleaning, animal corpse disposal, pest control and fumigation, one-off post construction cleaning, and etc., is excluded for being relatively small in size.

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

The market demand for public space cleaning services in the PRC is mainly driven by the need of public services and increasing consciousness toward public health. Thus, the procurement of public services is widely encouraged, and public-private partnership models have been primarily promoted in more aspects of public product and public service fields, which includes the public space cleaning services. The size of the public space cleaning sector recorded an increase with a CAGR of 10.0% from RMB180.5 billion in 2017 to RMB264.7 billion in 2021. Meanwhile, COVID-19 outbreak has also presented the PRC government with challenges in public health, consequently leading to the need to enhance the current suppliers’ capabilities to ensure public health and safety. The market size of public cleaning sector in the PRC is forecasted to reach RMB441.9 billion in 2026, representing a CAGR of 10.9% from 2022 to 2026.

Due to the increasingly complicated cleaning requirements, property management groups, tenants, and owners will outsource the cleaning service to the professional cleaning services providers in order to reduce their overall operation costs. Although there were mild fluctuations in the real estate market over the last five years, the volume of floor space completed per annual construction of property building in the PRC remains robust. This serves as a strong market drive for the development and growth of property cleaning sector, and the market size of property cleaning sector soared from RMB63.7 billion in 2017 to RMB93.6 billion in 2021, at a CAGR of 10.1%. In the future, although there will be less capital investment in new property constructions, the increasing industrial standard toward property cleaning service quality driven by growing public health awareness will continuously contribute to the growth in property cleaning sector. The size of the property cleaning sector services market in the PRC is projected to grow at a CAGR of 6.9% from 2022 to 2026, reaching RMB137.5 billion by 2026.

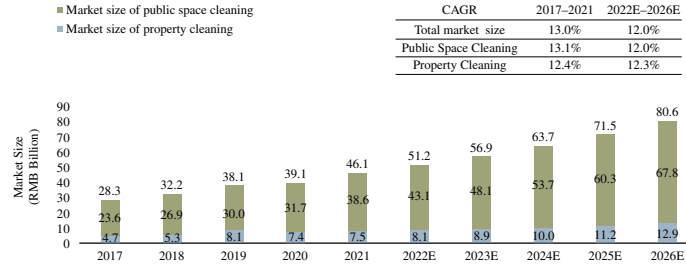
### Market size of property and public space cleaning sectors in Guangdong province

The market size of property and public space cleaning sectors in Guangdong province increased from RMB28.3 billion in 2017 to RMB46.1 billion in 2021, representing a CAGR of 13.0%. The surge in the property cleaning sector was primarily caused by the robust growth in real estate market in Guangdong province, which was driven by the fast-growing local economy, generating enormous demand for related cleaning services.

Growth of the combined market size is expected to keep its momentum in the future, arising from RMB51.2 billion in 2022 to RMB80.6 billion with a CAGR of 12.0%. The market size of public space cleaning sector will still take the majority of the market share, as the expenditure on the public service procurement by Guangdong’s government stays high. In comparison, the property cleaning sector in Guangdong province has experienced a more significant growth from 2017 to 2021 with a CAGR of 12.4%, which is anticipated to sustain with a slightly lower CAGR of 12.3% from 2022 to 2026.

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### Market size of property and public space cleaning sectors in Guangdong province (2017 – 2026E)



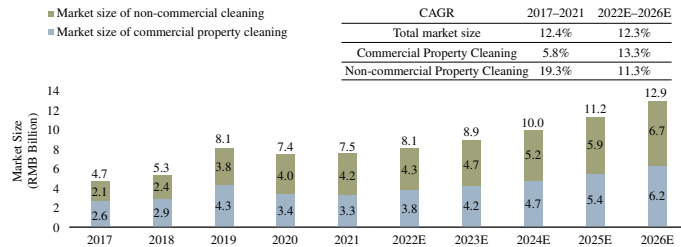
Source: National Bureau of Statistics of the PRC, Frost & Sullivan Analysis

### Market size of property cleaning sector in Guangdong province

Being one of the most prosperous area in the PRC, Guangdong province has cemented its position as the country’s largest provincial economy. The positive economic atmosphere in Guangdong is helping the fast development of the real estate market, hence continuously boosting the market size of property cleaning sector. The market experienced an increase from RMB4.1 billion to RMB7.5 billion from 2017 to 2021, representing a CAGR of 12.4%.

The growth of the real estate markets in major cities in Guangdong is expected to be stable in the future due to the PRC government’s financial regulation. As the PRC’s banking and insurance regulators started restricting the bank loans that flow into the property market, the growth rate was immediately regulated and stabilized. The overall steady growth in real estate market continuously creates demand for property cleaning services. The market size of property cleaning sector in Guangdong province is expected to rise from RMB8.1 to RMB12.9 billion with a CAGR of 12.3% from 2022 to 2026, due to the rapid growth of floor space of commercial buildings sold in Guangdong province. The market size of commercial property cleaning is predicted to increase from RMB3.8 billion in 2022 to RMB6.2 billion in 2026, with a CAGR of 13.3%.

### Market Size of property cleaning in Guangdong province (2017 – 2026E)



Note: Estimation includes primary service categories such as general cleaning of residential, commercial, and industrial properties

Source: National Bureau of Statistics of the PRC, Frost & Sullivan Analysis

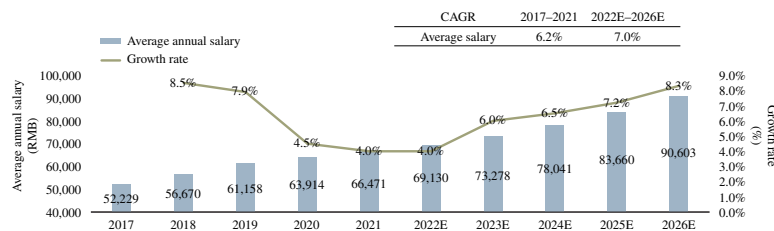
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### Average annual salary in environmental cleaning and maintenance industry in the PRC and Guangdong

Since the environmental cleaning and maintenance services in the PRC are characterised by low-technology and labour-intensive in nature, the labour cost constitutes the major portion of the overall cost. The average annual salary stays at a consistent level for labours working in various environmental cleaning and maintenance scenarios. As a result of steady economic growth and increasing standards of living, the average annual salary for workers in the PRC’s environment cleaning and maintenance service market increased from RMB52,229 in 2017 to RMB66,471 in 2021 at a CAGR of 6.2% from 2017 to 2021. The identical reduction in average salary in 2019 is mainly caused by the declining demand of the downstream market, which is greatly affected by the performance of real estate market.

The growth rate of the PRC’s economy has shown quick recovery after the COVID-19 pandemic. As economy rebounds, the average annual salary is expected to reach RMB90,603 in 2026 at a CAGR of 7.0%.

**Average annual salary in environmental cleaning and maintenance industry (2017 – 2026E)**



*Note:* Data is acquired under “Water conservancy, environment and public facilities management industry” category, which includes the workers from the environmental cleaning and maintenance industry

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

Compared to other areas, the cost structure for environmental cleaning and maintenance industry stays the same as the labour cost still being the major part of the overall operation cost in Guangdong province. Along with the Guangdong’s rapidly growing economy, the average annual salary has recorded an increase from RMB54,617 to RMB61,660 with a CAGR of 3.1% from 2017 to 2021. It is noteworthy that the average annual salary in Guangdong province experienced a huge increase in 2017 since Guangdong government deepened the supply-side structural reform and boosted the performance of service industry significantly.

### Market drivers

#### *Urbanisation enabling market growth*

With the gradual improvement of national urbanisation level, the corresponding area of urban development is increasing rapidly in recent years. As a result, urbanisation construction has released a greater amount of residential and commercial property cleaning, city street cleaning, waste transportation and management, public facility and utility cleaning, as well as other urban area demanding for environmental cleaning and maintenance service. A majority of property owners and government agencies choose to outsource cleaning services to companies with a well-established industrial chain and worker expertise, which further lead to the demand for growth of environmental cleaning and maintenance service providers. In particular, Guangdong province, as one of the most rapidly growing regions in the PRC and where the Greater Bay Area is situated, its urbanisation level and urban population has went through noticeable improvement in the past five years. Along with increasing amount of city streets, facilities and property buildings in the urban area, this will further boost the demand for environmental cleaning and maintenance services in Guangdong province. This will continuously serves as an effective driver for the overall market growth in the near future as well.

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### *Growing demand for environmental cleaning and maintenance services in the society*

Environmental cleaning and maintenance service serves an essential part of public health and cleaning and maintenance condition. As the number of residential, commercial and all other types of properties have been growing in recent years, service receivers including large property management groups and government agencies in the PRC have released numerous environmental cleaning and maintenance projects. As those projects usually hold a high standard in working expertise and service quality, large property management groups and the PRC government agencies will choose to outsource service to third party companies, who are capable of completing those projects with greater efficiency at a more economical cost.

### *Rising complexity and requirements for cleaning service*

With the increasing standard of living, rising awareness toward hygiene level, and growing property market, people increasingly have higher expectations for environmental cleaning and maintenance. Environmental cleaning and maintenance service providers continue to expand their service coverage and quality in order to provide clients with wider service offering to meet customers' needs and requirements. Moreover, the ability in offering a comprehensive range of environmental cleaning and maintenance services could save customers' time and cost from engaging different services providers.

### **Market trend**

#### *Increasing awareness toward environmental cleaning and maintenance*

Along with the increasing per capita annual disposable income nationwide, many people have experienced a higher standard of living. As people are seeking for a healthier lifestyle due to the rising affordability, they obtain greater awareness toward the overall level of environmental cleaning and maintenance in cities, towns, communities, and households. As it is an industry norm for the PRC's society to outsource service to third party service provider for general cleaning, waste management and other types of service, the demand for these services will increase along with the rising awareness and affordability. Meanwhile, criteria such as service providers' branding, reputation and tracking record will become more essential for clients to choose environmental cleaning and maintenance service providers.

#### *Gradual mechanisations and digitalisation of environmental cleaning and maintenance service market*

Majority of environmental cleaning and maintenance service tasks are performed by human labour. Cleaning robots can be used as a supplement of human workers to complete numerous cleaning works that are simple, highly repetitive or associated with high risk, such as interior wall and window cleaning of residential and commercial buildings. Furthermore, information system is developed and implemented to obtain real-time data of machine and vehicle to improve operational efficiency and service quality. Those technological advanced applications mentioned above are adopted as critical methods to improve on efficiency and quality of service delivery, which enable companies to gain advantages. Nevertheless, Guangdong province is one of the mature and fast-growing regions for the initial development of environmental cleaning and maintenance service industry. As such, the overall trend of mechanical and digital transformation will bring a new growing potential to the industry in the next five years, which will lead to a foreseeable increase in market size of environmental cleaning and maintenance service market in Guangdong province, along with that of the PRC.

#### *Integration of service solution*

It is common application in the environmental cleaning and maintenance service industry for customers to outsource service to a third party service provider. This has led to rising standard as well as intensive market competition among service-providing companies. In order to gain competitive advantage, a growing number of companies are developing and working to provide integrated environmental cleaning and maintenance service solution. Furthermore, some value-added services are additionally provided and help service providers to spread out their power of influence in the current supply chain.



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### Opportunities

#### *Trend in technological advancement*

As the overall level of technological advancement is improving in modern society, numerous applications of information system are applied to improve efficiency and achieve business process automation across industries. This trend provides an opportunity for the informatisation and intelligence of the environmental cleaning and maintenance service. Informatisation and intelligence of environmental cleaning and maintenance will be used to manage daily operation, such as tracking attendance and working hours of staff, along with fleet management system to monitor activities of cleaning vehicles.

#### *Rising standard of environmental cleaning and maintenance service*

The increase in overall standard of living in recent years has contributed to greater public awareness toward hygienic environment. The rising standard for community's environmental cleaning and maintenance level has further led to growing amount of cleaning and maintenance projects. This is mainly due to the lack of professional experience, expertise and capability for individual property management companies and government agencies to meet the rising hygienic standard. Further, it also serves as an opportunity for large companies primarily providing property cleaning services to capture the increasing demand in public space cleaning, through purchasing cleaning vehicles to initially meet the standardized tendering requirements released by government agencies.

### Challenges

#### *Labour shortage*

Environmental cleaning and maintenance service industry in the PRC is highly labour intensive, and labour costs account for a greater proportion of expenses apart from the cost of equipment and machinery. Meanwhile, environmental cleaning and maintenance workers are ageing rapidly with an average age of more than 40 years old. However, the employee turnover rate is relatively high in the industry due to long working hours and low hourly wages. Due to factors such as repetitive and heavy workload, long working hours and lower pay associated with environmental cleaning and maintenance tasks, it is difficult for the industry to attract new entrants. Given the labour shortage, it is common practice to outsource the hiring process to human resource management agencies and to hire retired workers with working experience and expertise, which will reduce cost at the same time.

#### *Increasing operating costs*

Given the fact that projects undertaken by large scale market players are typically sizeable which involves substantial labour force and physical cleaning work, occurrence of accidents resulting in bodily injury and property damages are not uncommon in the industry. Costs may continue to increase due to pressures faced by services providers to implement safety, environmental and health enhancements to maintain a safe work environment, to keep accident rate low, and to improve welfare requirements of workers.

### Impact of COVID-19

The outbreak of COVID-19 in 2020 has a gradual and continuous positive impact on the environmental cleaning and maintenance service market. Due to the outbreak of COVID-19, the PRC government has established related national policies to reinforce and standardised large-scale cleaning and sanitising activities to improve cleaning and maintenance condition at community level. As such, providing a clean and hygienic living environment has become an essential part in pandemic control. Therefore, despite the adverse impact of COVID-19 pandemic on the PRC's economy, the environmental cleaning and maintenance service providers are able to benefit from these unprecedented times. The increasing demand for service from the downstream market will serve as an opportunity for the environmental cleaning and maintenance service industry. The growing demand is anticipated to sustain at the post-pandemic stage as well.

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### Market overview of the property cleaning and public space cleaning sectors in Guangdong province

The market size of property and public space cleaning sectors in Guangdong province increased from RMB28.3 billion in 2017 to RMB46.1 billion in 2021, representing a CAGR of 13.0%. The surge in the property cleaning sector was primarily caused by the robust growth in real estate market in Guangdong province, which was driven by the fast-growing local economy, generating enormous demand for related cleaning services. Growth of the aggregate market size of the two sectors is expected to keep its momentum in the future, rising from RMB51.2 billion in 2022 to RMB80.6 billion in 2026 with a CAGR of 16.4%, with the public space cleaning sector continuing to take up the majority of the market size.

### Competition overview for property cleaning sector in Guangdong province

The property cleaning sector in the Guangdong province undergoes a stable development phase, along with intense market competitions. Comparing to the nationwide environmental cleaning and maintenance service market, Guangdong province is considered as an essential geographical region for industrial development, with a predominantly rapid growth in the property cleaning sector. There are numeral key players in market specialising in property cleaning, though aiming to provide national wide services as independent third party service providers.

Top 5 industry participants accounted for 23.1% of the total market size in this sector. Among the top 5 market participants, our Group achieved first place ranking with a market share of 5.9%. The participants can be classified into two types: large-scale businesses as well as small and medium-scale businesses. The large-scale businesses are able to secure contracts with high-end properties as they have a well-known industry reputation and related professional experiences. The small and medium-scale businesses, which have more flexibility, are able to acquire smaller contracts with typically cheaper pricing and closer relationships with local clients. Comparing to the public cleaning sector, the market of property cleaning sector is much more labour intensive, thus the newcomers are not required to invest heavily on fixed assets, reducing the entry barrier of this market. Therefore, this market sector has more competition compare to the public cleaning sector.

### Ranking and market share of leading companies by revenue in property cleaning sector in Guangdong province (2021)

Ranking	Company	Company profile	Market share
1	Our Group		5.9%
2	Tus Environmental Science and Technology Development Co., Ltd.	a listed company and offers solid wastes disposal and utilisation, environment ecological rehabilitation, renewable resource recycling, and other related services	5.1%
3	Shenzhen Yuhuang Cleaning Service Co., Ltd.	founded in Shenzhen and mainly providing environmental cleaning and maintenance with a strong focus in property cleaning sector	4.1%
4	SYS Group	founded in Shenzhen, it is a comprehensive cleaning company integrating specialisation and diversification	3.8%
5	Dijian Yangguang Development (Shenzhen) Co., Ltd.	based in Shenzhen and focusing on property cleaning services for large-scale high-end landmark buildings in cities	2.2%
	Top five market participants		23.1%
	Others		78.7%

Source: Expert Interviews, Annual Reports of Companies, Frost & Sullivan Analysis

### Competition overview for commercial property cleaning subsector in Guangdong province

The commercial property cleaning sector in the Guangdong province is a highly fragmented market with intense competition, similar to that of Guangdong province’s property cleaning market. Most market participants operate in the property cleaning sector with a critical focus on providing commercial property service to clients, aligning with the visible growth potential of commercial property segment. Commercial property cleaning serves as a rapidly growing and

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predominant sector of property cleaning market in Guangdong province. When it comes to the performance of key players in the sector, their overall ranking in terms of sales revenue breakdown in commercial property cleaning sector stays consistent with that of the property cleaning sector.

The market concentration rate is relatively lower as top 5 industry participants accounted for only 24.8% of the total market size in this sector. Among the top 5 market participants, our Group achieved second place ranking with an estimated revenue of RMB300.4 million, representing a market share of 9.1%. In contrast to the property cleaning sector in Guangdong province, commercial property cleaning service providers in Guangdong province has witnessed significant growth along with development of the overall regional market. However, they have experienced lower concentration rate with other local service providers.

### Ranking and market share of leading companies by revenue in commercial property cleaning subsector in Guangdong province (2021)

Ranking	Company	Company profile	Market share
1	our Group		9.1%
2	Tus Environmental Science and Technology Development Co., Ltd.	a listed company and offers solid wastes disposal and utilisation, environment ecological rehabilitation, renewable resource recycling, and other related services	6.4%
3	SYS Group	founded in Shenzhen, it is a comprehensive cleaning company integrating specialisation and diversification	3.5%
4	Shenzhen Yuhuang Cleaning Service Co., Ltd.	founded in Shenzhen and mainly providing environmental cleaning and maintenance with a strong focus in property cleaning sector	3.2%
5	Dijian Yangguang Development (Shenzhen) Co., Ltd.	based in Shenzhen and focusing on property cleaning services for large-scale high-end landmark buildings in cities	2.3%
	Top five market participants		24.8%
	Others		75.2%

Source: Expert Interviews, Annual Reports of Companies, Industry Report

### Entry barriers

#### *Human resource management*

Labour, tools, equipment and public space cleaning vehicles are major resources that are necessary for companies to carry out environmental cleaning and maintenance service. Prior to performing demanded service, substantial cash outlays at this initial stage for inquiring resources, such as labour recruitment and training, wage payment, raw material and equipment procurement. Sufficient fund and cash flow is required to cover those upfront expenses, regardless of the variation in company size. As a result, capital capacity serves as a critical requirement and potentially a barrier for new companies to enter into environmental cleaning and maintenance service market. For instance, sufficient amount of machinery, equipment and vehicles, such as garbage collection vehicles and waste suction vehicles, are necessary for delivering services.

Moreover, it is essential to implement management strategies to achieve effective labour allocation, increase the overall operational productivity, and eventually to deliver high-quality service efficiently.

#### *Client relationship and reputation*

In environmental service industry, existing companies have well-established, stable and long-term relationship with major clients in the PRC, mainly property management companies and the PRC government bodies. Additionally, they have already earned outstanding reputation and track record with strong expertise in providing high quality service. Thus, clients are likely to have greater intention to inquire service from these companies, which has become an entry barrier for new entrants.



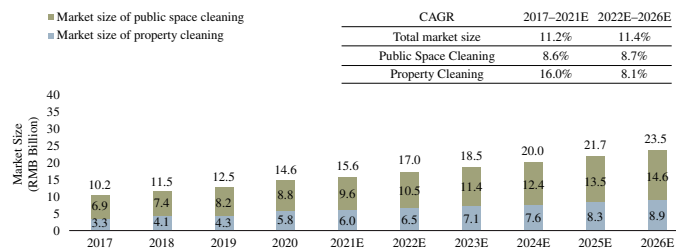
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### Market size of property and public space cleaning sectors in Beijing

The environmental cleaning and maintenance market in Beijing is similar to that of the PRC, which is largely dominated by property cleaning and public space cleaning sectors. The market size of these two sectors combined is expected to reach RMB23.5 billion by 2026. The market size of property cleaning is expected to increase significantly from RMB3.3 billion from 2017 to RMB8.9 billion in 2026.

The CAGR of the market size of property cleaning from 2017 to 2021 is 16.0%, indicating an overall stable growth, and the growth is expected to sustain with a CAGR from 2022 to 2026 to be 8.1%. The CAGR of the combined market size from 2017 to 2021 is 11.2%, with a CAGR from 2022 to 2026 of 11.4%. In the next five years, the environmental cleaning and maintenance service market will release substantial market demand.

#### Market size of property and public space cleaning sectors in Beijing (2017– 2026E)



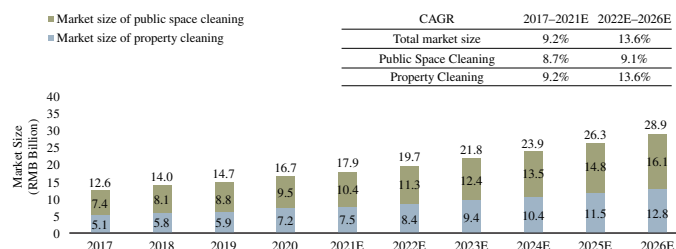
Source: Industry report

### Market size of property and public space cleaning sectors in Shanghai

The market size of property and public space cleaning sectors in Shanghai increased from RMB12.6 billion in 2017 to RMB17.9 billion in 2021, representing a CAGR of 9.2%. The market share of the property cleaning sector increased from 9.2% in 2017 to 13.6% in 2021, and the proportion is anticipated to further grow to 44.3% in 2026. The overall development of the property cleaning sector is primarily affected by the growth in real estate market in Shanghai in the past five years, which is expected to sustain from 2022 to 2026. As such, the overall growth will generate enormous market demand for environmental cleaning and maintenance market.

In the next five years, growth of the combined market size is anticipated to keep its momentum, arising from RMB19.7 billion in 2022 to RMB28.9 billion with a CAGR of 13.6% in 2026. The market size of public space cleaning sector will continuously account for a majority of the market share, with a higher level of expenditure on the public service procurement from Shanghai government.

#### Market size of property and public space cleaning sectors in Shanghai (2017– 2026E)



Source: Industry report

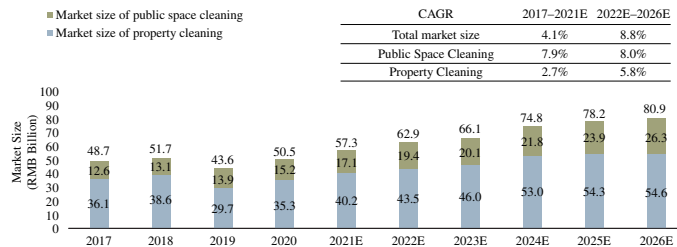
### Market size of property and public space cleaning sectors in Zhejiang Province

The market size of the property cleaning sector will increase by a CAGR of 5.8% from 2022 to 2026. In the next five years, growth of the combined market size is anticipated to keep its momentum, arising from RMB62.9 billion in 2022 to RMB80.9 billion with a CAGR of 8.8%. In comparison to the market of Beijing and Shanghai, the property and public space cleaning market in Zhejiang will witness a greater growth potential.

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Hangzhou, as the capital city of Zhejiang province, contributes greatly to the economic growth of Zhejiang province. It is also the city which experience rapid growth in recent years with its noticeable process of urbanisation. As a result, the demand for property and public space cleaning combined in Hangzhou is continuously increasing.

### Market size of property and public space cleaning sectors in Zhejiang Province (2017– 2026E)



Source: Industry report

Referring to the “2021 National Civil Transport Airport Production Statical Bulletin” released by China’s Civil Aviation Administration, Chongqing Jiangbei International Airport, Guangzhou Baiyun International Airport and Sanya Phoenix International Airport ranked 4th, 1st, and 19th out of 248 airports in the PRC in terms of annual passenger throughput in 2021.

### SOURCE OF INFORMATION

In connection with the [REDACTED], we have engaged Frost & Sullivan to conduct a detailed analysis and to prepare an industry report on the environmental cleaning and maintenance service market. Frost & Sullivan is an independent global market research and consulting company founded in 1961 and is based in the United States. Services provided by Frost & Sullivan include market assessments, competitive benchmarking, and strategic and market planning for a variety of industries.

We have included certain information from the industry report in this document because we believe such information facilitates an understanding of the environmental cleaning and maintenance service market for potential investors. Frost & Sullivan prepared its report based on its in-house database, independent third party reports and publicly available data from reputable industry organisations. Where necessary, Frost & Sullivan contacts companies operating in the industry to gather and synthesise information in relation to the market, prices and other relevant information. Frost & Sullivan believes that the basic assumptions used in preparing the industry report, including those used to make future projections, are factual, correct and not misleading. Frost & Sullivan has independently analysed the information, but the accuracy of the conclusions of its review largely relies on the accuracy of the information collected. Frost & Sullivan research may be affected by the accuracy of these assumptions and the choice of these primary and secondary sources.

We have agreed to pay Frost & Sullivan a fee of RMB210,000 for the preparation of the industry report. The payment of such amount was not contingent upon our successful [REDACTED] or on the content of the industry report. Except for this industry report prepared by Frost & Sullivan, we did not commission any other industry report in connection with the [REDACTED]. We confirm that after taking reasonable care, there has been no adverse change in the market information since the date of the report prepared by Frost & Sullivan, which may qualify, contradict or have an impact on the information set forth in this section in any material respect.