經發物業
KINGFAR PROPERTY

西 安 經 發 物 業 股 份 有 限 公 司
Xi'an Kingfar Property Services Co., Ltd.

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

Stock Code : 1354

GLOBAL OFFERING

Sole Sponsor

光銀國際
CEB INTERNATIONAL

Joint Overall Coordinators, Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

光銀國際
CEB INTERNATIONAL

招银国际
CMB INTERNATIONAL

建银国际
CCB International

IMPORTANT: *If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.*

經發物業
KINGFAR PROPERTY

Xi'an Kingfar Property Services Co., Ltd.
西安經發物業股份有限公司

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

GLOBAL OFFERING

Number of Offer Shares under the Global Offering	:	**16,666,800 H Shares (subject to the Over-allotment Option)**
Number of Hong Kong Offer Shares	:	**1,666,800 H Shares (subject to reallocation)**
Number of International Offer Shares	:	**15,000,000 H Shares (subject to reallocation and the Over-allotment Option)**
Maximum Offer Price	:	**HK$9.30 per H Share, plus brokerage of 1.0%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.00565% and AFRC transaction levy of 0.00015% (payable in full on application in Hong Kong dollars and subject to refund)**
Nominal value	:	**RMB1.00 per H Share**
Stock code	:	**1354**

Sole Sponsor

光銀國際
CEB INTERNATIONAL

Joint Overall Coordinators, Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

光銀國際 CEB INTERNATIONAL　招銀国际 CMB INTERNATIONAL　建銀国际 CCB International

Joint Bookrunners and Joint Lead Managers

農銀國際 ABC INTERNATIONAL　ICBC 工银国际　民銀資本 CMBC CAPITAL HOLDINGS LIMITED　山證國際 SHANXI SECURITIES INTERNATIONAL　光大證券 EVERBRIGHT SECURITIES | 國際 INTERNATIONAL　ZTSC 中泰國際　中國銀河國際 CHINA GALAXY INTERNATIONAL

信達國際 CINDA INTERNATIONAL　老虎證券　富途證券　利弗莫尔证券 LIVERMORE HOLDINGS LIMITED　雅利多證券 ARISTO SECURITIES LIMITED　百惠證券 PATRONS　SUNHIGH　瑞邦證券 RUIBANG

A copy of this prospectus, having attached thereto the documents specified in "Appendix VI – Documents Delivered to the Registrar of Companies and Documents on Display – A. Documents Delivered to the Registrar of Companies" to this prospectus, has been registered with the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The SFC and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other document referred to above.

The final Offer Price is expected to be fixed by agreement between the Joint Overall Coordinators (for themselves and on behalf of the Underwriters) and our Company on the Price Determination Date, which is expected to be on or before Friday, June 28, 2024. The Offer Price will be not more than HK$9.30 per Offer Share and is currently expected to be not less than HK$7.50 per Offer Share. If, for any reason, the final Offer Price is not agreed by 12:00 noon on Friday, June 28, 2024 between the Joint Overall Coordinators (for themselves and on behalf of the Underwriters) and our Company, the Global Offering will not proceed and will lapse.

The H Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States, or to or for the account or benefit of the U.S. persons, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and in accordance with any applicable U.S. state securities laws. The H Shares are being offered and sold only outside the United States in offshore transactions in reliance on Regulation S.

Applicants for Hong Kong Offer Shares may be required to pay, on application (subject to application channel), the maximum Offer Price of HK$9.30 for each Hong Kong Offer Share together with brokerage fee of 1.0%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.00565% and AFRC transaction levy of 0.00015%, subject to refund if the Offer Price as finally determined is less than HK$7.50 per Hong Kong Offer Share.

CEB International Capital Corporation Limited (for itself and on behalf of the Underwriters), with our consent, may reduce the indicative Offer Price range stated in this prospectus and/or reduce the number of Offer Shares being offered pursuant to the Global Offering at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, notices of such reduction will be published on the websites of the Stock Exchange at www.hkexnews.hk and our Company at www.xajfwy.com. Further details are set out in the sections headed "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this prospectus.

Prior to making an investment decision, prospective investors should consider all of the information set out in this prospectus, including the risk factors set out in "Risk Factors".

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement to subscribe for, and to procure applicants for the subscription for, the Hong Kong Offer Shares, are subject to termination by the Joint Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters) if certain grounds arise prior to 8:00 a.m. on the day that trading in the H Shares commences on the Stock Exchange. Such grounds are set out in the section entitled "Underwriting – Underwriting Arrangements and Expenses – Hong Kong Public Offering – Grounds for Termination" in this prospectus. It is important that you refer to that section for further details.

ATTENTION

We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide printed copies of this prospectus to the public in relation to the Hong Kong Public Offering.

This prospectus is available at the website of the Stock Exchange (www.hkexnews.hk) and our Company (www.xajfwy.com). If you require a printed copy of this prospectus, you may download and print from the website addresses above.

June 24, 2024

IMPORTANT NOTICE TO INVESTORS:
FULLY ELECTRONIC APPLICATION PROCESS

We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide printed copies of this prospectus to the public in relation to the Hong Kong Public Offering.

This prospectus is available at the website of the Hong Kong Stock Exchange at www.hkexnews.hk under the "*HKEXnews > New Listings > New Listing Information*" section, and our website at www.xajfwy.com. If you require a printed copy of this prospectus, you may download and print from the website addresses above.

To apply for the Hong Kong Offer Shares, you may:

(1) apply online through the **White Form eIPO** service at **www.eipo.com.hk**; or

(2) apply through **HKSCC EIPO** channels to electronically cause HKSCC Nominees to apply on your behalf by instructing your **broker** or **custodian** who is a HKSCC Participant to submit an **electronic application instructions** on your behalf through HKSCC's FINI system in accordance with your instructions.

We will not provide any physical channels to accept any application for the Hong Kong Offer Shares by the public. The contents of the electronic version of this prospectus are identical to the printed document as registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

If you are an **intermediary**, **broker** or **agent**, please remind your customers, clients or principals, as applicable, that this prospectus is available online at the website addresses above.

See "How to Apply for Hong Kong Offer Shares" in this prospectus for further details on the procedures through which you can apply for the Hong Kong Offer Shares electronically.

Your application through the **White Form eIPO** service or the **HKSCC EIPO** channel must be made for a minimum of 300 Hong Kong Offer Shares and in multiples of that number of Hong Kong Offer Shares as set out in the table below. No application for any other number of Hong Kong Offer Shares will be considered and such an application is liable to be rejected.

If you are applying through the **White Form eIPO** service, you may refer to the table below for the amount payable for the number of Shares you have selected. You must pay the respective amount payable on application in full upon application for Hong Kong Offer Shares.

If you are applying through the **HKSCC EIPO** channel, you are required to pre-fund your application based on the amount specified by your broker or custodian, as determined based on the applicable laws and regulations in Hong Kong.

No. of Hong Kong Offer Shares applied for	Amount payable(2) on application *HK$*	No. of Hong Kong Offer Shares applied for	Amount payable(2) on application *HK$*	No. of Hong Kong Offer Shares applied for	Amount payable(2) on application *HK$*	No. of Hong Kong Offer Shares applied for	Amount payable(2) on application *HK$*
300	2,818.14	3,000	28,181.37	30,000	281,813.71	180,000	1,690,882.29
600	5,636.28	4,500	42,272.05	45,000	422,720.58	210,000	1,972,696.00
900	8,454.41	6,000	56,362.74	60,000	563,627.44	240,000	2,254,509.72
1,200	11,272.55	7,500	70,453.42	75,000	704,534.29	270,000	2,536,323.44
1,500	14,090.69	9,000	84,544.12	90,000	845,441.15	300,000	2,818,137.16
1,800	16,908.83	10,500	98,634.81	105,000	986,348.00	450,000	4,227,205.73
2,100	19,726.96	12,000	112,725.49	120,000	1,127,254.85	600,000	5,636,274.30
2,400	22,545.09	13,500	126,816.17	135,000	1,268,161.72	750,000	7,045,342.88
2,700	25,363.24	15,000	140,906.86	150,000	1,409,068.58	833,400(1)	7,828,785.01

(1) Maximum number of Hong Kong Offer Shares you may apply for.

(2) The amount payable is inclusive of brokerage, SFC transaction levy, the Stock Exchange trading fee and AFRC transaction levy. If your application is successful, brokerage will be paid to the Exchange Participants (as defined in the Listing Rules) and the SFC transaction levy, the Stock Exchange trading fee and AFRC transaction levy are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC; and in the case of the AFRC transaction levy, collected by the Stock Exchange on behalf of the AFRC).

If there is any change in the following expected timetable of the Hong Kong Public Offering, we will issue an announcement in Hong Kong to be published on the websites of the Stock Exchange at ***www.hkexnews.hk*** *and our Company at* ***www.xajfwy.com****.*

Hong Kong Public Offering commences	9:00 a.m. on Monday, June 24, 2024
Latest time for completing electronic applications under **White Form eIPO** service through the designated website **www.eipo.com.hk**[2]	11:30 a.m. on Thursday, June 27, 2024
Application lists for the Hong Kong Public Offering open[3]	11:45 a.m. on Thursday, June 27, 2024
Latest time for completing payment for the **White Form eIPO** applications by effecting internet banking transfer(s) or PPS payment transfer(s) and giving **electronic application instructions** to HKSCC[4]	12:00 noon on Thursday, June 27, 2024

If you are instructing your **broker** or **custodian** who is a HKSCC Participant to apply for the Hong Kong Offer Shares on your behalf through the **HKSCC EIPO** channel, you are advised to contact your **broker** or **custodian** for the latest time for giving such instructions which may be different from the latest time as stated above.

Application lists close[3]	12:00 noon on Thursday, June 27, 2024
Expected Price Determination Date[5]	Friday, June 28, 2024
Announcement of the Final Offer Price, the level of applications in the Hong Kong Public Offering, the level of indications of interest in the International Offering and the basis of allocation of the Hong Kong Offer Shares to be published on the websites of the Stock Exchange at **www.hkexnews.hk** and our Company at **www.xajfwy.com** at or before[6][8]	11:00 p.m. on Tuesday, July 2, 2024

Results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels, including:

- in the announcement to be posted on our website and the website of the Stock Exchange at **www.xajfwy.com** and **www.hkexnews.hk**, respectively . . . . .at or before 11:00 p.m. on Tuesday, July 2, 2024

- from the designated results of allocations website at **www.iporesults.com.hk** (alternatively: **www.eipo.com.hk/eIPOAllotment**) from[8] . . . . .11:00 p.m. on Tuesday, July 2, 2024 to 12:00 midnight on Monday, July 8, 2024

- from the allocation results telephone enquiry by calling +852 2862 8555 between 9:00 a.m. and 6:00 p.m. on[8] . . . . Wednesday, July 3, 2024, Thursday, July 4, 2024, Friday, July 5, 2024 and Monday, July 8, 2024

H Share certificates (if applicable) in respect of wholly or partially successful applications to be dispatched or deposited into CCASS on or before[8] . . . . Tuesday, July 2, 2024

White Form e-Refund payment instructions/Refund checks in respect of wholly successful (if applicable) or wholly or partially unsuccessful applications to be dispatched on or before[7][8] . . . . Wednesday, July 3, 2024

Dealings in H Shares on the Stock Exchange to commence at[8] . . . . .9:00 a.m. on Wednesday, July 3, 2024

Notes:

(1) All times refer to Hong Kong local time. Details of the structure of the Global Offering, including its conditions, are set out in the section headed "Structure of the Global Offering."

(2) You will not be permitted to submit your application through the designated website at **www.eipo.com.hk** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

(3) If there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal and/or Extreme Conditions in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, June 27, 2024, the application lists will not open on that day. Further information is set out in the section headed "How to Apply for Hong Kong Offer Shares – E. Severe Weather Arrangements."

(4) Applicants who apply for Hong Kong Offer Shares through the **HKSCC EIPO** channel should refer to the section headed "How to Apply for Hong Kong Offer Shares – A. Application for Hong Kong Offer Shares" for details.

(5) The Offer Price is expected to be determined on or before Friday, June 28, 2024. If, for any reason, the Offer Price is not agreed between the Joint Overall Coordinators, for themselves and on behalf of the Underwriters, and our Company by 12:00 noon on Friday, June 28, 2024, the Global Offering will not proceed.

(6) If the Offer Price is determined on Friday, June 28, 2024, the announcement of the Offer Price, the level of applications in the Hong Kong Public Offering, the level of indications of interest in the International Offering and the basis of allocation of the Hong Kong Offer Shares and the successful applicants' identification document numbers will be published on or before 11:00 p.m. on Tuesday, July 2, 2024.

(7) **White Form** e-Refund payment instructions/refund checks will be issued in respect of wholly or partially unsuccessful applications and in respect of successful applications if the Offer Price is less than the price payable on application. Part of your Hong Kong identity card number/passport number, or, if you are joint applicants, part of the Hong Kong identity card number/passport number of the first-named applicant, provided by you may be printed on your refund check, if any. Such data would also be transferred to a third party to facilitate your refund. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund check. Inaccurate completion of your Hong Kong identity card number/passport number may lead to delay in the encashment of your refund check or may invalidate your refund check. Further information is set out in the section headed "How to Apply for the Hong Kong Offer Shares" in this prospectus.

    Applicants being individuals who are eligible for personal collection may not authorize any other person to collect on their behalf. If you are a corporate applicant which is eligible for personal collection, your authorized representative must bear a letter of authorization from your corporation stamped with your corporation's chop. Both individuals and authorized representatives must produce evidence of identity acceptable to our H Share Registrar at the time of collection.

(8) In case a typhoon warning signal no. 8 or above, a black rainstorm warning signal and/or Extreme Conditions is/are in force in any days between Monday, June 24, 2024 to Wednesday, July 3, 2024, then the day of (i) announcement of results of allocations in the Hong Kong Public Offering; (ii) dispatch of H Share certificates and refund checks/White Form e-Refund payment instructions; and (iii) dealings in the H Shares on the Stock Exchange may be postponed and an announcement may be made in such event.

H Share certificates for the Hong Kong Offer Shares are expected to be issued on Tuesday, July 2, 2024, but will only become valid evidence of title at 8:00 a.m. on the Listing Date, provided that (1) the Global Offering has become unconditional in all respects and (2) the right of termination as described in the section headed "Underwriting – Underwriting Arrangements – Hong Kong Public Offering – Grounds for Termination" has not been exercised. Investors who trade H Shares on the basis of publicly available allocation details before the receipt of H Share certificates and before they become valid evidence of title do so entirely at their own risk.

The above expected timetable is a summary only. For details of the structure of the Global Offering, including the conditions thereof and the procedures for applications for Hong Kong Offer Shares, see the section headed "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this prospectus.

IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by Xi'an Kingfar Property Services Co., Ltd. solely in connection with the Hong Kong Public Offering and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Offer Shares offered by this prospectus pursuant to the Hong Kong Public Offering. This prospectus may not be used for the purpose of, and does not constitute, an offer or a solicitation of an offer to subscribe for or buy, any security in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this prospectus to make your investment decision. We have not authorized anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorized by us, the Sole Sponsor, the Joint Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners and the Joint Lead Managers, any of the Underwriters, any of our or their respective directors, officers or representatives, or any other person or party involved in the Global Offering.

This summary aims to give you an overview of the information contained in this prospectus. Since it is a summary, it does not contain all the information that may be important to you. You should read this prospectus in its entirety before you decide to invest in the Offer Shares.

There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in "Risk Factors" in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

We are a state-owned comprehensive city service and property management service provider in Shaanxi Province with presence in Northwest China. We have, through over 20 years of development, established an important market position and built a renowned brand in the city service and property management industry in Shaanxi Province. According to CIA, in terms of the GFA under management in Shaanxi Province as of December 31, 2023, our market share was approximately 1.8%, ranking third among the property management service providers operating in Shaanxi Province in 2023. Leveraging our market position in Shaanxi Province, we have also expanded our footprint to Northwest China. As of the Latest Practicable Date, our operations had covered Xi'an, Tongchuan, Hancheng and Shihezi.

The table below sets forth (i) our three primary business lines; (ii) the major services that we provided under each business line; (iii) the types of properties to which we provided services under each business line; and (iv) the major customers of each business line during the Track Record Period.

Business Lines	Major Services	Property Profile	Major Customers
City Services	Public property management services	Public properties, such as government buildings, education institutes and hospitals	Government agencies and public authorities
	Municipal management services	Municipal properties, such as public facility and infrastructure	
	Municipal value-added services	Government buildings	
Residential Property Management Services	Basic property management services	Residential properties	Property developers, property owners and residents
	Value-added services		
Commercial Property Management Services	Basic property management services	Office buildings, industrial parks and factories	Property developers, property owners and tenants
	Value-added services		

As of December 31, 2023, we were contracted to provide public property management services, basic residential property management services and basic commercial property management services to 149 projects in China, with a total contracted GFA of 15.0 million sq.m. and a total GFA under management of 14.6 million sq.m.

We achieved steady growth in terms of both business scale and financial performance during the Track Record Period. Our GFA under management grew from 10.8 million sq.m. as of December 31, 2021 to 13.2 million sq.m. as of December 31, 2022, and further to 14.6 million sq.m. as of December 31, 2023, representing a CAGR of 16.0% between 2021 and 2023. Our revenue increased by 19.1% from RMB593.7 million in 2021 to RMB706.8 million in 2022, and further increased by 22.0% to RMB862.2 million in 2023. Our net profit increased by 19.9% from RMB31.2 million in 2021 to RMB37.4 million in 2022, and further increased by 36.4% to RMB51.0 million in 2023.

OUR BUSINESS MODEL

During the Track Record Period, we generated revenue primarily from the following three business lines.

City services	We provide city services primarily to government agencies and public authorities to improve the local environment and local residents' living experience. Our city services primarily include (i) public property management services, under which we provide cleaning, security, as well as common area facility repair and maintenance services for public properties, such as government buildings, education institutes and hospitals; (ii) municipal management services, under which we provide (a) cleaning and maintenance services for public facility and infrastructure; (b) municipal waste collection services through the waste compression stations that we operated; and (c) household garbage collection services to enterprises, residential communities, government agencies and public authorities; and (iii) municipal value-added services, which comprise commissioned administrative services, catering services and public parking management services.

Residential property management services

We provide property developers, property owners and residents with a wide range of residential property management services, which comprise (i) basic property management services, including cleaning services, security services, common area facility repair and maintenance services and pre-delivery services; and (ii) value-added services, including private parking management services, sales office management services, catering services and other services.

Commercial property management services

We provide property developers, property owners and tenants of commercial properties, including office buildings and industrial parks, with a wide range of commercial property management services, which comprise (i) basic property management services, including cleaning services, security services, common area facility repair and maintenance services and pre-delivery services; and (ii) value-added services, including private parking management services, sales office management services, catering services and other services.

Throughout the Track Record Period, our revenue from all three business lines increased steadily. The following table sets forth a breakdown of our revenue by business line and type of ultimate paying customers for the periods indicated.

	For the year ended December 31,					
	2021		**2022**		**2023**	
	(RMB'000)	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*
City services	**342,064**	**57.6**	**410,002**	**58.0**	**524,908**	**60.9**
– Xi'an ETDZ MC	193,852	32.7	217,703	30.8	224,124	26.0
– Kingfar Holdings Group	6,560	1.1	6,762	1.0	6,113	0.7
– Independent Third Parties other than Xi'an ETDZ MC	141,652	23.9	185,537	26.2	294,671	34.2
Residential property management services[1]	**159,081**	**26.8**	**176,419**	**25.0**	**184,170**	**21.3**
– Xi'an ETDZ MC	–	–	7	–	–	–
– Kingfar Holdings Group	14,872	2.5	19,047	2.7	16,825	1.9
– Independent Third Parties other than Xi'an ETDZ MC	144,209	24.3	157,365	22.3	167,345	19.4

	For the year ended December 31,					
	2021		2022		2023	
	(RMB'000)	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*
Commercial property management services	**91,995**	**15.5**	**119,467**	**16.9**	**149,844**	**17.4**
– Xi'an ETDZ MC	7,650	1.3	6,411	0.9	6,893	0.8
– Kingfar Holdings Group	23,973	4.0	26,787	3.8	30,742	3.6
– Independent Third Parties other than Xi'an ETDZ MC	60,372	10.2	86,269	12.2	112,209	13.0
Others(2)	**520**	**0.1**	**928**	**0.1**	**3,325**	**0.4**
– Xi'an ETDZ MC	–	–	408	0.1	2,383	0.3
– Independent Third Parties other than Xi'an ETDZ MC	520	0.1	520	0.1	942	0.1
Total	**593,660**	**100.0**	**706,816**	**100.0**	**862,247**	**100.0**

Notes:

(1) During the Track Record Period and up to the Latest Practicable Date, all of the residential properties under our management were subject to price control under relevant laws and regulations.

(2) Represents rental income derived from leasing an investment property and certain vehicles owned by the Group. During the Track Record Period, we leased our investment property and vehicles solely to Xi'an ETDZ MC and other Independent Third Parties.

Historically it has been our corporate strategy to primarily focus on providing city services and residential property management services, which, together, contributed 84.4%, 83.0% and 82.2% of our total revenue, respectively, in 2021, 2022 and 2023. Nevertheless, we continuously undertook commercial properties during the Track Record Period, and the number of commercial properties under the Group's management as well as their revenue contribution increased steadily. As of December 31, 2021, 2022 and 2023, the number of commercial properties under our management was 19, 26 and 33, respectively. In 2021, 2022 and 2023, the revenue that we derived from our basic commercial property management services amounted to RMB67.3 million, RMB90.9 million and RMB113.3 million, respectively.

During the Track Record Period, we derived a majority of our revenue from projects developed by Independent Third Parties, and the proportion of revenue that we derived from projects developed by Independent Third Parties increased steadily throughout the Track Record Period, amounting to 62.1%, 65.7% and 70.2%, respectively, in 2021, 2022 and 2023. The following table sets forth a breakdown of our revenue by business line and type of property developers[(1)] for the years indicated.

	For the years ended December 31,					
	2021		2022		2023	
	(RMB'000)	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*
City services	**342,064**	**57.6**	**410,002**	**58.0**	**524,908**	**60.9**
– Kingfar Holdings Group	37,713	6.4	41,210	5.8	44,624	5.2
– Independent Third Parties[(2)]	304,351	51.2	368,792	52.2	480,284	55.7
Residential property management services	**159,081**	**26.8**	**176,419**	**25.0**	**184,170**	**21.3**
– Kingfar Holdings Group	106,068	17.9	109,271	15.5	104,252	12.1
– Independent Third Parties[(2)]	53,013	8.9	67,148	9.5	79,918	9.2
Commercial property management services	**91,995**	**15.5**	**119,467**	**16.9**	**149,844**	**17.4**
– Kingfar Holdings Group	79,874	13.5	91,251	12.9	104,040	12.1
– Independent Third Parties[(2)]	12,121	2.0	28,216	4.0	45,804	5.3
Others[(3)]	**520**	**0.1**	**928**	**0.1**	**3,325**	**0.4**
Total	**593,660**	**100.0**	**706,816**	**100.0**	**862,247**	**100.0**

Notes:

(1) The breakdown of revenue by type of property developers relates to the property source and does not represent revenue directly generated from the property developers.

(2) Xi'an ETDZ MC is not a property developer as it is an administrative agency that does not engage in property development.

(3) Represents rental income derived from leasing an investment property and certain vehicles owned by our Group. During the Track Record Period, we leased our investment property and vehicles solely to Xi'an ETDZ MC and other Independent Third Parties.

The following table sets forth a breakdown of our gross profit and gross profit margin by business line and type of ultimate paying customers for the periods indicated.

	For the year ended December 31,					
	2021		2022		2023	
	Gross Profit	*Gross Profit Margin*	*Gross Profit*	*Gross Profit Margin*	*Gross Profit*	*Gross Profit Margin*
	(RMB'000)	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*
City services	**37,516**	**11.0**	**40,894**	**10.0**	**57,771**	**11.0**
– Xi'an ETDZ MC	31,472	16.2	25,529	11.7	30,230	13.5
– Kingfar Holdings Group	1,466	22.3	1,125	16.6	1,385	22.7
– Independent Third Parties other than Xi'an ETDZ MC	4,578	3.2	14,240	7.7	26,156	8.9
Residential property management services	**26,511**	**16.7**	**29,652**	**16.8**	**26,995**	**14.7**
– Xi'an ETDZ MC	–	–	1	14.3	–	–
– Kingfar Holdings Group	3,921	26.4	4,765	25.0	3,995	23.7
– Independent Third Parties other than Xi'an ETDZ MC	22,590	15.7	24,886	15.8	23,000	13.7
Commercial property management services	**22,038**	**24.0**	**30,265**	**25.3**	**32,668**	**21.8**
– Xi'an ETDZ MC	1,727	22.6	1,506	23.5	1,533	22.2
– Kingfar Holdings Group	4,843	20.2	6,239	23.3	3,799	12.4
– Independent Third Parties other than Xi'an ETDZ MC	15,468	25.6	22,520	26.1	27,336	24.4
Others(1)	**161**	**31.0**	**186**	**20.0**	**602**	**18.1**
– Xi'an ETDZ MC	–	–	18	4.4	399	16.7
– Independent Third Parties other than Xi'an ETDZ MC	161	31.0	168	32.3	203	21.6
Total	**86,226**	**14.5**	**100,997**	**14.3**	**118,036**	**13.7**

Note:

(1) Represents rental income derived from leasing an investment property and certain vehicles owned by the Group. During the Track Record Period, we leased our investment property and vehicles solely to Xi'an ETDZ MC and other Independent Third Parties.

Our overall gross profit margin was affected by the combination effect of our three business lines, namely, city services, residential property management services and commercial property management services. The change in gross profit margin of any business line may have a corresponding impact on our overall gross profit margin. Our overall gross profit margin remained stable at 14.5% and 14.3% in 2021 and 2022, respectively. Our overall gross profit margin decreased from 14.3% in 2022 to 13.7% in 2023, primarily due to the decrease in gross profit margin of (i) our residential property management services from 16.8% in 2022 to 14.7% in 2023, and (ii) our commercial property management services from 25.3% in 2022 to 21.8% in 2023.

Our city services generally had a lower gross profit margin than other business lines, primarily due to the lower gross profit margin of municipal management services and certain loss-making projects under city services. Our gross profit margin of city services was 11.0%, 10.0% and 11.0% in 2021, 2022 and 2023, respectively. The fluctuation of our gross profit margin of city services was attributable to various revenue and cost related factors, which primarily include (i) the commencement and termination of service projects; (ii) whether any loss-making project is involved; (iii) the pricing level of monthly service fees; and (iv) increases in labor and other costs, or alternatively, whether any effective cost control measure was adopted. Our gross profit margin of city services attributable to Independent Third Parties was lower than that of Xi'an ETDZ MC and Kingfar Holdings Group because (i) certain projects of Independent Third Parties were loss-making projects; (ii) we managed several education institutes, such as elementary schools and middle schools, of Independent Third Parties with a comparatively lower average property management fees; and (iii) we devoted more time and resources in meeting the requirements of Independent Third Party customers aiming to expand our customer base and reduce reliance from Xi'an ETDZ MC and Kingfar Holdings Group.

Our gross profit margin of residential property management services is primarily affected by the combined effect of property management fees we charge for our residential property management services, the GFA under management and our cost of sales for providing such services. Our gross profit margin of residential property management services remained stable at 16.7% and 16.8% in 2021 and 2022, respectively, but then decreased to 14.7% in 2023. The fluctuation of our gross profit margin of residential property management services is primarily affected by the gross profit margin of services provided to Kingfar Holdings Group and Independent Third Parties. We only provided residential property management services to one project of Xi'an ETDZ MC that was relatively small in scale during the Track Record Period. Our gross profit margin of residential property management services attributable to Independent Third Parties was lower than that of Kingfar Holdings Group because we provided services to certain resettlement housing projects, the majority of which were loss-making projects during the Track Record Period.

Our gross profit margin of commercial property management services is also affected by the combined effect of property management fees we charge for our commercial property management services and our cost of sales for providing such services. Our gross profit margin of commercial property management services was 24.0%, 25.3% and 21.8% in 2021, 2022 and 2023, respectively. The fluctuation of our gross profit margin of commercial property management services was attributable to various revenue and cost related factors, which primarily include (i) the commencement, expansion and termination of service projects; (ii) whether any loss-making project is involved; and (iii) increases in labor and other costs, or alternatively, whether any effective cost control measure was adopted. Our gross profit margin attributable to Independent Third Parties for commercial property management services was slightly higher than that of Xi'an ETDZ MC and Kingfar Holdings Group, primarily because we managed more office buildings of Independent Third Parties, where we were able to charge higher service fees and generally achieve higher gross profit margins.

Please refer to "Financial Information—Gross Profit and Gross Profit Margin" for further details.

The following table sets forth a breakdown of (i) the number of projects under our management; (ii) the GFA under our management; (iii) the number of projects that we were contracted to manage; (iv) our contracted GFA; (v) our revenue by project location; and (vi) our average property management fee during the Track Record Period.

	As of/for the year ended December 31,																	
	2021						2022						2023					
	Number of projects under management	GFA under management	Number of contracted projects	Contracted GFA	Revenue	Average property management fee	Number of projects under management	GFA under management	Number of contracted projects	Contracted GFA	Revenue	Average property management fee	Number of projects under management	GFA under management	Number of contracted projects	Contracted GFA	Revenue	Average property management fee
		(sq.m.'000)		*(sq.m.'000)*	*(RMB'000)*	*(RMB/sq.m.)*		*(sq.m.'000)*		*(sq.m.'000)*	*(RMB'000)*	*(RMB/sq.m.)*		*(sq.m.'000)*		*(sq.m.'000)*	*(RMB'000)*	*(RMB/sq.m.)*
Shaanxi	96	10,748	104	11,666	303,829	2.98	116	12,936	122	14,576	375,755	3.10	137	14,088	138	14,467	484,492	3.33
Xinjiang	2	101	2	101	2,604	3.75	5	304	5	304	6,305	1.95	11	519	11	519	9,507	1.89
Total	**98**	**10,849**	**106**	**11,767**	**306,838**	**2.98**	**121**	**13,240**	**127**	**14,880**	**382,060**	**3.08**	**148**	**14,607**	**149**	**14,986**	**494,012**	**3.28**

The following table sets forth the breakdown of our (i) number of contracted properties; (ii) contracted GFA; and (iii) undelivered GFA by type of properties as of the dates indicated.

	As of December 31,		
	2021	**2022**	**2023**
Number of contracted properties	**106**	**127**	**149**
– Public properties	66	72	88
– Residential properties	21	28	28
– Commercial properties	19	27	33
Contracted GFA ('000 sq.m.)	**11,767**	**14,880**	**14,986**
– Public properties	3,543	4,031	4,512
– Residential properties	5,906	7,565	6,893
– Commercial properties	2,318	3,284	3,511
Undelivered GFA ('000 sq.m.)	**918**	**1,640**	**148**
– Public properties	580	777	–
– Residential properties	308	770	148
– Commercial properties	30	93	–

Among the 148 property management service agreements that we had entered into and commenced service provision as of December 31, 2023, 107 would expire by the end of 2024, 10 would expire by 2025, 6 would expire by 2026 and the years beyond, and the rest had no fixed terms. For an expiration schedule of our property management service agreements reflecting our project pipeline with Xi'an ETDZ MC, Kingfar Holdings Group and Independent Third Parties by number of agreements and GFA to be managed under each business line as of December 31, 2023, see "Business—Portfolio of Properties Under Management."

During the Track Record Period, our agreement retention rates remained relatively stable. The following table sets forth a breakdown of our agreement retention rate by business line and type of property developers for the years indicated.

	For the years ended December 31,		
	2021	**2022**	**2023**
		(%)	
Public property management services	**100.0**	**100.0**	**100.0**
– Kingfar Holdings Group	100.0	100.0	100.0
– Independent Third Parties[1]	100.0	100.0	100.0
Residential property management services	**100.0**	**100.0**	**87.1**
– Kingfar Holdings Group	100.0	100.0	80.0

	For the years ended December 31,		
	2021	2022	2023
		(%)	
– Independent Third Parties[1]	100.0	100.0	100.0
Commercial property management services	**100.0**	**100.0**	**94.3**
– Kingfar Holdings Group	100.0	100.0	100.0
– Independent Third Parties[1]	100.0	100.0	91.7
Total	**100.0**	**100.0**	**96.1**

Note:

(1) Refers to third-party property developers that were neither Xi'an ETDZ MC nor connected persons of our Company within the meaning of the Listing Rules.

See "Business—Portfolio of Properties Under Management—Retention Rate."

OUR COMPETITIVE STRENGTHS

We believe the following competitive strengths have contributed and will continue to contribute to our success, and differentiated us from our competitors:

- A state-owned city service and property management service provider in Shaanxi province with presence in Northwest China and a track record of steady growth;
- Diversified services and properties under management as well as in-depth cooperation with government agencies and public authorities;
- Long-term and stable cooperation with Kingfar Holdings Group contributing to continuous and sustainable business growth;
- Strong brand image supported by our high-quality professional services; and
- Sustainable growth supported by our management team and human resource system.

OUR BUSINESS STRATEGIES

To achieve our mission and further solidify our leadership, we intend to implement the following business strategies:

- Further expand our business scale, increase our market share and advance our market position;
- Continue to diversify our city services;
- Further enhance customer experience and operational efficiency through investments in technologies; and
- Continue to attract, cultivate and retain talent.

CONTROLLING SHAREHOLDERS AND CONTINUING CONNECTED TRANSACTIONS

Immediately following the Global Offering (without taking into account the exercise of the Over-allotment Option), our Company will be owned as to (i) approximately 67.5% by Kingfar Group, which is in turn owned as to approximately 88.5% by Kingfar Holdings, a company wholly owned by Xi'an ETDZ MC, and (ii) approximately 7.5% by Kingfar Holdings. Accordingly, Kingfar Group and Kingfar Holdings will be our Controlling Shareholders under the Listing Rules.

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 which would require disclosure under Rule 8.10 of the Listing Rules. To ensure that competition will not exist in the future, each of our Controlling Shareholders has entered into the Deed of Non-competition in favor of our Company. See "Relationship with Our 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 Listing. See "Connected Transactions" for more information.

RELATIONSHIP WITH KINGFAR HOLDINGS GROUP

Kingfar Holdings Group, our parent group, is one of the reputable urban construction and operation service providers in Xi'an and an affiliate of Xi'an ETDZ MC. According to its 2023 audit report dated April 19, 2024, Kingfar Holdings' consolidated revenue, gross profit and net profit in 2023 amounted to RMB10,796.8 million, RMB331.9 million and RMB93.4 million, respectively. As advised by CIA, Kingfar Holdings Group had a market share of 0.7% in terms of sales revenue in 2023 in the property development industry in Shaanxi as of December 31, 2023, and ranked 23rd among the property developers in Shaanxi in terms of sales revenue in Shaanxi in 2023.

As confirmed by Kingfar Holdings, as of December 31, 2023, save for four resettlement housing projects that either incurred losses or to which we charged relatively low property management service fees, from which we withdrew in 2023, all projects developed by Kingfar Holdings Group were managed by us. See "Business—Portfolio of Properties under Management—Our Pricing Policy" and "Connected Transactions" for more details. During the Track Record Period and up to the Latest Practicable Date, Kingfar Holdings Group had never terminated any of the contracts with us. As of December 31, 2023, Kingfar Holdings Group had (i) a total land bank for future development of 0.6 million sq.m.; (ii) completed 28 residential and commercial projects with a total sales area of 3.8 million sq.m., including four industrial parks and one affordable housing project; and (iii) eight residential and commercial projects under development with a total planned GFA of over 2.1 million sq.m., including two industrial parks and one affordable housing project. All of the projects were located in Xi'an.

We have maintained a long-term strategic relationship with Kingfar Holdings Group since 2002, and the diverse property portfolio of Kingfar Holdings Group provides us with potential business development opportunities. Throughout the Track Record Period, Kingfar Holdings Group was our second largest customer. In 2021, 2022 and 2023, the revenue that we derived from properties developed by Kingfar Holdings Group amounted to RMB224.2 million, RMB242.3 million and RMB253.4 million, respectively, accounting for 37.8%, 34.3% and 29.4% of our total revenue, respectively. In 2021, 2022 and 2023, the revenue that we derived from projects to which Kingfar Holdings Group was the ultimate paying customer amounted to RMB45.4 million, RMB52.6 million and RMB53.7 million, respectively, accounting for 7.6%, 7.4% and 6.2% of our total revenue, respectively. See "Business—Our Strategic Business Relationship with Kingfar Holdings Group—Overview" for details. In 2021, 2022 and 2023, we also leased properties and procured greening and other services from Kingfar Holdings Group, which amounted to RMB4.4 million, RMB5.4 million and RMB14.8 million, respectively, accounting for 3.2%, 3.1% and 5.1% of our total purchase, respectively.

Our long-term strategic relationship with Kingfar Holdings Group has contributed to our development since our inception and laid a solid foundation for our steady growth during the Track Record Period. Going forward, considering (i) the long-standing cooperation between Kingfar Holdings Group and us; (ii) our knowledge of and familiarity with the standards and requirements of Kingfar Holdings Group, which helped reduce the communication costs for Kingfar Holdings Group; (iii) the mutual benefits for Kingfar Holdings Group and us; (iv) the amount of time and efforts required to identify and engage a new service provider with comparable experience and ability to provide services of comparable standard and scope; and (v) Kingfar Holdings Group and we are both state-owned enterprises with relatively stable controlling ownership, our Directors are of the view that our mutually beneficial and complementary relationship with Kingfar Holdings Group is unlikely to be materially or adversely changed and will continue to enable us to secure future engagements from Kingfar Holdings Group, and it would be relatively difficult for Kingfar Holdings Group to select and engage a new service provider to replace us. See "Business—Our Strategic Business Relationship with Kingfar Holdings Group—Mutually Beneficial and Complementary Relationship with Kingfar Holdings Group" for more details.

In 2021, 2022 and 2023, our retention rate for properties developed by Kingfar Holdings Group was 100.0%, 100.0% and 88.2%, respectively, and our tender success rate for properties developed by Kingfar Holdings Group remained at 100.0%. The decrease in our retention rate for properties developed by Kingfar Holdings Group in 2023 was primarily attributable to our voluntary withdrawal from four resettlement housing projects.

While we are able to enjoy the support from Kingfar Holdings Group, we are also capable of identifying and taking advantage of market opportunities independently. Throughout the Track Record Period, we had made continuous efforts to enlarge our customer base by including more Independent Third Parties and to diversify our source of revenue. As a result, we have experienced a general growth in both our GFA under management from properties developed by, and revenue attributable to, Independent Third Parties during the Track Record Period. As of December 31, 2021, 2022 and 2023, the GFA under our management from properties developed by Independent Third Parties other than Xi'an ETDZ MC was 5.1 million sq.m., 7.1 million sq.m. and 9.1 million sq.m., respectively. In 2021, 2022 and 2023, the revenue that we derived from Independent Third Parties other than Xi'an ETDZ MC amounted to RMB346.2 million, RMB429.2 million and RMB574.2 million, respectively, accounting for 58.3%, 60.7% and 66.6% of our total revenue, respectively.

RELATIONSHIP WITH XI'AN ETDZ MC

Xi'an ETDZ MC, our single largest customer throughout the Track Record Period and the sole shareholder of Kingfar Holdings, is an administrative agency established in 1993 by the Xi'an Municipal People's Government to manage the Xi'an Economic and Technology Development Zone on behalf of the Xi'an Municipal People's Government. Xi'an ETDZ MC primarily provides public administration and management, such as company registration, tax registration, land supply and approval of investment projects, to residents and companies in the Xi'an Economic and Technology Development Zone. In 2021, 2022 and 2023, the revenue that we derived from services provided to Xi'an ETDZ MC amounted to RMB201.5 million, RMB224.5 million and RMB233.4 million, respectively, accounting for 33.9%, 31.8% and 27.1% of our total revenue, respectively. See "Business—Relationship with Xi'an ETDZ MC" for details.

Our business relationship with Xi'an ETDZ MC commenced in 2005. During the Track Record Period and up to the Latest Practicable Date, there had not been any interruption or dispute in the services that we provided to Xi'an ETDZ MC, or any termination of our service agreements by Xi'an ETDZ MC. In 2021, 2022 and 2023, our agreement retention rate for projects of which Xi'an ETDZ MC was the ultimate paying customer remained at 100.0%. During the Track Record Period, our tender success rate for Xi'an ETDZ MC's projects remained at 100.0%. Considering that over the years, (i) we have developed a mutual and deep understanding of Xi'an ETDZ MC's business needs; and (ii) our long-term cooperation relationship with, and proven track record of providing services to, Xi'an ETDZ MC have led to our familiarity with the standards and requirements of Xi'an ETDZ MC, which has enabled us to reduce communication costs and build mutual trust with Xi'an ETDZ MC, and constantly provide high quality services that meet its demands and requirements, our Directors are of the view, and the Sole Sponsor concurs after due and careful inquiry, that it is unlikely that our relationship with Xi'an ETDZ MC would be terminated in the foreseeable future.

OUR CUSTOMERS AND SUPPLIERS

Our customers primarily consist of government agencies, public authorities, property developers, property owners, residents and tenants. In 2021, 2022 and 2023, revenue derived from services provided to our five largest customers in each year amounted to RMB291.2 million, RMB328.0 million and RMB354.5 million, respectively, accounting for 49.0%, 46.4% and 41.1% of our total revenue, respectively. In 2021, 2022 and 2023, revenue derived from services provided to our single largest customer, Xi'an ETDZ MC, amounted to RMB201.5 million, RMB224.5 million and RMB233.4 million, respectively, accounting for 33.9%, 31.8% and 27.1% of our total revenue, respectively. Please refer to "Business—Customers" for further details.

Our suppliers primarily include suppliers of petroleum and electricity as well as catering service providers. In 2021, 2022 and 2023, purchases from our five largest suppliers in each year amounted to RMB33.5 million, RMB40.4 million and RMB62.3 million, respectively, accounting for 24.6%, 23.2% and 21.3% of our total purchase, respectively. In 2021, 2022 and 2023, purchases from our single largest supplier in each year amounted to RMB11.2 million, RMB15.2 million and RMB14.8 million, respectively, accounting for 8.2%, 8.7% and 5.1% of our total purchase, respectively. Please refer to "Business—Suppliers" for further details.

EFFECTS OF THE COVID-19 PANDEMIC

According to CIA, during the Track Record Period, the outbreak of COVID-19 pandemic put pressure on city service and property management service providers in the short term as service providers incurred (i) more operational costs in purchasing face masks, disinfectant and other sanitizing equipment, and (ii) additional allowances compensated to their staff and subcontractors for resuming normal working hours during the pandemic. Additionally, as advised by CIA, the impact on revenue derived from commercial properties, such as office buildings, was relatively more adverse as compared to that on residential properties since the tenants of office buildings who experienced continued financial losses might terminate their lease agreements to avoid any further financial loss.

In the long term, however, the COVID-19 pandemic is expected to bring about opportunities to the city service and property management industries, according to CIA. We expect that new government regulations on property management industry may be promulgated from time to time, which offers us a higher degree of regulatory certainty in our long-term business operations. As the government uplifted relatively strict COVID-19 measures, such as lockdown, quarantine and the requirement to maintain health code, leading to more visitors in commercial properties, we also expect our revenue to grow in tandem.

Despite the outbreak of COVID-19, we achieved steady growth during the Track Record Period. The number of properties under our management increased from 98 as of December 31, 2021 to 121 as of December 31, 2022, and further increased to 148 as of December 31, 2023. Our revenue increased from RMB593.7 million in 2021 to RMB706.8 million in 2022, and further increased to RMB862.2 million in 2023.

SUMMARY KEY FINANCIAL INFORMATION

The summary historical data of financial information set forth below have been derived from, and should be read in conjunction with, our consolidated audited financial statements, including the accompanying notes, set forth in the Accountants' Report attached as Appendix I to this prospectus, as well as the information set forth in "Financial Information." Our financial information was prepared in accordance with the IFRS.

Selected Items of Consolidated Statements of Profit or Loss and Other Comprehensive Income

	For the year ended December 31,					
	2021		2022		2023	
	Amount	% of revenue	Amount	% of revenue	Amount	% of revenue
	(RMB'000)	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*
Revenue	593,660	100.0	706,816	100.0	862,247	100.0
Cost of sales	(507,434)	(85.5)	(605,819)	(85.7)	(744,211)	(86.3)
Gross profit	86,226	14.5	100,997	14.3	118,036	13.7
Other income	5,437	0.9	4,281	0.6	3,833	0.4
Administrative and other expenses	(48,721)	(8.2)	(49,937)	(7.1)	(53,137)	(6.2)
Research and development costs	–	–	–	–	(191)	(0.02)
Impairment loss on trade and other receivables	(1,162)	(0.2)	(5,187)	(0.7)	(3,871)	(0.4)

	For the year ended December 31,					
	2021		2022		2023	
	Amount	% of revenue	Amount	% of revenue	Amount	% of revenue
	(RMB'000)	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*
Profit from operations	41,780	7.0	50,154	7.1	64,670	7.5
Finance costs	(2,893)	(0.5)	(1,755)	(0.2)	(1,496)	(0.2)
Profit before taxation	38,887	6.6	48,399	6.8	63,174	7.3
Income tax	(7,732)	(1.3)	(10,960)	(1.6)	(12,156)	(1.4)
Profit and total comprehensive income for the year	31,155	5.2	37,439	5.3	51,018	5.9

Our total revenue increased by 19.1% from RMB593.7 million in 2021 to RMB706.8 million in 2022, which was primarily due to (i) a 19.9% increase in our revenue generated from city services from RMB342.1 million in 2021 to RMB410.0 million in 2022, primarily due to the increased GFA under management of public properties and the expansion of commissioned administrative services and catering services; and (ii) a 10.9% increase in our revenue generated from residential property management services from RMB159.1 million in 2021 to RMB176.4 million in 2022, primarily due to the increase in our total GFA of residential properties under management, and the increase in our sales office management services as we managed certain existing sales office of residential properties for a longer period in 2022 than 2021. Our total revenue increased by 22.0% from RMB706.8 million in 2022 to RMB862.2 million in 2023, which was primarily due to (i) a 28.0% increase in our revenue generated from city services from RMB410.0 million in 2022 to RMB524.9 million in 2023, primarily due to the increased GFA of public properties under management, and (ii) a 25.4% increase in our revenue generated from commercial property management services from RMB119.5 million in 2022 to RMB149.8 million in 2023, primarily due to the increase in our total GFA of commercial properties under management and the uplift of COVID restriction measures in China that led to an increasing number of visitors in commercial properties.

Our overall gross profit increased by 17.1% from RMB86.2 million in 2021 to RMB101.0 million in 2022, which was primarily due to a 37.3% increase in our gross profit generated from commercial property management services. Our overall gross profit increased by 16.9% from RMB101.0 million in 2022 to RMB118.0 million in 2023, which was primarily due to a 41.3% increase in our gross profit generated from city services.

Our profit and total comprehensive income for the year increased from RMB31.2 million in 2021 to RMB37.4 million in 2022, and further to RMB51.0 million in 2023. Such increase was primarily due to (i) an increase in our revenue resulting from the expansion of our GFA under management; and (ii) a decrease in finance costs as we repaid interest-bearing borrowings.

Selected Items of Consolidated Statements of Financial Position

	As of December 31,		
	2021	**2022**	**2023**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Total non-current assets	**78,621**	**79,515**	**121,123**
Investment property and other plant and equipment	56,972	60,418	62,940
Non-current portion of other receivables	7,463	–	–
Deferred tax assets	9,807	11,518	12,388
Total current assets	**395,437**	**459,569**	**528,750**
Trade and other receivables	138,815	243,373	262,307
Cash at bank an on hand	249,240	207,870	258,478
Total current liabilities	**344,643**	**452,813**	**510,372**
Trade and other payables	309,868	402,051	466,515
Net current assets	**50,794**	**6,756**	**18,378**
Total equity	**100,497**	**69,415**	**121,964**
Total equity attributable to equity shareholders of the Company	97,609	67,179	116,982
Non-controlling interests	2,888	2,236	4,982

Our net current assets decreased from RMB50.8 million as of December 31, 2021 to RMB6.8 million as of December 31, 2022, primarily attributable to (i) an increase in trade and other payables of RMB92.2 million; and (ii) a decrease in cash at bank and on hand of RMB41.4 million, partially offset by an increase of RMB104.6 million in trade and other receivables.

Our net current assets increased from RMB6.8 million as of December 31, 2022 to RMB18.4 million as of December 31, 2023, primarily due to (i) an increase in cash at bank and on hand of RMB50.6 million, (ii) an increase in trade and other receivables of RMB18.9 million primarily due to our business expansion and (iii) a decrease in interest-bearing borrowings of RMB12.0 million, partially offset by (i) an increase in trade and other payables of RMB64.5 million and (ii) an increase in contract liabilities of RMB13.1 million. See "—Trade and Other Receivables" for details.

Our net current assets increased from RMB18.4 million as of December 31, 2023 to RMB49.0 million as of April 30, 2024, primarily attributable to (i) an increase in trade and other receivables of RMB39.0 million primarily due to our business expansion; (ii) an increase in prepayments of RMB36.4 million primarily due to our business expansion and listing expenses; and (iii) a decrease in trade and other payables of RMB34.8 million.

Our net assets decreased from RMB100.5 million in 2021 to RMB69.4 million in 2022 primarily attributable to deemed distribution of RMB75.7 million in 2022 as a result of our acquisition of Kingfar City Services from Kingfar Group and simultaneously result in the increased considerations payable to Kingfar Group for business combinations under common control and a decrease in equity, which partially offset by our net profit of RMB37.4 million in 2022. Our net assets increased from RMB69.4 million as at December 31, 2022 to RMB122.0 million as at December 31, 2023 primary due to our net profit of RMB51.0 million in 2023.

Selected Items of Consolidated Statements of Cash Flows

	For the year ended December 31,		
	2021	**2022**	**2023**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Cash generated from/(used in) operations	68,725	(17,557)	182,285
Income tax paid	(8,498)	(7,206)	(21,701)
Net Cash generated from/(used in) operation activities	**60,227**	**(24,763)**	**160,584**
Net cash generated from/(used in) investing activities	9,890	(11,429)	(43,361)
Net cash used in financing activities	(50,332)	(9,516)	(62,670)
Net increase/(decrease) in cash and cash equivalents	**19,785**	**(45,708)**	**54,553**
Cash and cash equivalents as of the beginning of the year	228,800	248,585	202,877
Cash and cash equivalent as of end of the year	248,585	202,877	257,430

We recorded net operating cash outflow of RMB24.8 million in 2022, primarily due to the slow settlement of trade and other receivables from Independent Third Parties in the fourth quarter of 2022, resulting from the COVID-19 lock-down measures in Xi'an. We recorded net operating cash inflow of RMB160.6 million in 2023, primarily because we adopted measures to improve our net operating cash outflow position.

Summary of Key Financial Ratios

The following table sets forth our key financial ratios as of the dates or for the periods indicated:

	As of and/or for the year ended December 31,		
	2021	**2022**	**2023**
Return on equity[1] (%)	31.0	53.9	41.8
Return on total assets[2] (%)	6.6	6.9	7.9
Current ratio[3] *(times)*	1.1	1.0	1.0
Gearing ratio[4] (%)	13.9	17.3	–[5]
Quick ratio[6] *(times)*	1.1	1.0	1.0
Interest coverage ratio[7] *(times)*	14.4	28.6	43.2
Gross profit margin[8] (%)	14.5	14.3	13.7
Net profit margin[9] (%)	5.2	5.3	5.9

(1) Return on equity is calculated based on profit for the year divided by total equity as of the end of that year and multiplied by 100% and arithmetically annualizing the result.

(2) Return on total assets is calculated based on profit for the year divided by total assets as of the end of that year and multiplied by 100% and arithmetically annualizing the result.

(3) Current ratio is calculated based on current assets divided by current liabilities as of the respective date.

(4) Gearing ratio is calculated based on the sum of interest-bearing borrowings as of the respective dates divided by total equity as of the same dates and multiplied by 100%.

(5) We did not have any interest-bearing borrowing as of the date indicated, such that the gearing ratio is not applicable.

(6) Quick ratio is calculated based on current assets less inventories and then divided by current liabilities as of the respective date.

(7) Interest coverage ratio is calculated based on profit before taxation and finance costs and then divided by finance costs.

(8) Gross profit margin is calculated based on gross profit divided by revenue and multiplied by 100%.

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

GLOBAL OFFERING STATISTICS

The statistics in the following table are based on the assumptions that: (i) the Global Offering is completed and 16,666,800 Shares are issued and sold in the Global Offering; (ii) the Over-allotment Option is not exercised; and (iii) 66,666,800 Shares in issue upon completion of the Global Offering.

	Based on an Offer Price of HK$7.50 per H Share	**Based on an Offer Price of HK$9.30 per H Share**
Market capitalization of our Shares	HK$500 million	HK$620 million
Unaudited pro forma adjusted net tangible asset attributable to our equity shareholders per Share(1)	HK$3.13	HK$3.57

Note:

(1) The unaudited pro forma adjusted net tangible asset attributable to our equity shareholders per Share is calculated after making the adjustments referred to in "Appendix II – Unaudited Pro Forma Financial Information."

DIVIDEND POLICY

During the Track Record Period, we did not declare or distribute dividend. Holders of our Shares will be entitled to receive such dividends pro rata according to the amounts paid up or credited as paid up on the shares, subject to the resolution of the shareholder meeting. As of the Latest Practicable Date, we did not set any pre-determined dividend payout ratio after the Listing. The payment and amounts of dividends (if any) depend on our results of operations, cash flows, financial position, statutory and regulatory restrictions on the dividend paid by us, future prospects and other factors which we consider relevant. The declaration, payment and amount of dividends will be subject to our discretion. The proposed payment of dividends is also subject to the absolute discretion of our Board, and, after the Listing, any declaration of final dividend for the year will be subject to the approval of our Shareholders. See "Financial Information—Dividend Policy" and "Financial Information—Distributable Reserves."

USE OF PROCEEDS

We estimate that we will receive net proceeds of approximately HK$105.1 million from the Global Offering, after deducting the underwriting commissions and other estimated expenses payable by us in connection with the Global Offering, assuming that the Over-allotment Option is not exercised and assuming an Offer Price of HK$8.4 per H Share (being the mid-point of the indicative Offer Price range set forth on the cover page of this prospectus). We intend to use such net proceeds from the Global Offering for the purposes and in the amounts set forth below:

- 53.8%, or approximately HK$56.5 million, will be used to pursue selective acquisitions of other property management companies that focus on providing city services and property management services to public, residential and commercial properties, such as schools, hospitals, government buildings, commercial complexes and industrial parks;

- 20.6%, or approximately HK$21.7 million, will be used to replace gasoline vehicles with new energy vehicles to reduce the costs of our city services;

- 10.5%, or approximately HK$11.0 million, will be used to further develop our smart property management systems;

- 5.1%, or approximately HK$5.4 million, will be used to recruit talent from diversified channels;

- 10.0%, or approximately HK$10.5 million, will be used for general business operations and working capital for our expected organic growth and service diversification.

RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGE

Recent Development In Our Business Operations

Subsequent to December 31, 2023 and as of the Latest Practicable Date, we had entered into (i) five additional agreements with Independent Third Parties to provide property management services for (a) a public property with a GFA of 102,953 sq.m. for a monthly property management service fee of RMB2.10 per sq.m.; (b) a public property with a GFA of 74,497 sq.m. for a monthly property management service fee of RMB3.38 per sq.m.; (c) a public property with a GFA of approximately 20,000 sq.m. for a monthly property management service fee of RMB12.47 per sq.m.; (d) a public property with a GFA of 24,460 sq.m. for a monthly property management service fee of RMB1.87 per sq.m.; and (e) a public property with a GFA of 4,449 sq.m. for a monthly property management service fee of RMB11.06 per sq.m.; and (ii) one additional agreement with an Independent Third Party to provide property management services for a commercial property with a GFA of 10,454 sq.m. for a monthly property management service fee of RMB5.80 per sq.m.

The "Three Red Lines" Policy

In August 2020, the MOHURD and the PBOC jointly promulgated the "Three Red Lines" policy to control the scale of interest-bearing debts of major property developers and to facilitate the sustainable development of the real estate industry in China. Pursuant to the "Three Red Lines" policy, (i) the gearing ratio (excluding receipts in advance) of a property developer shall not exceed 70%; (ii) the net gearing ratio of a property developer shall not exceed 100%; and (iii) the cash over short-term interest-bearing loans ratio of a property developer shall not be lower than 1.0. As advised by CIA, our Directors believe that the "Three Red Lines" policy and the possible relaxation thereof would not have a material adverse impact on Kingfar Holdings Group or our business operations and cooperation with Kingfar Holdings Group. Please see "Business—Recent Regulatory Development—The 'Three Red Lines' Policy" for more details.

Regulations Related to Overseas Listing

On February 17, 2023, the CSRC released 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") and five supporting guidelines (collectively, the "Trial Measures and Supporting Guidelines"), which came into effect on March 31, 2023. For more details, please refer to "Regulatory Overview—Regulations on M&A and Overseas Listings." Based on the foregoing, our PRC Legal Advisors are of the view that we need to complete the filing procedures with the CSRC in connection with the Listing pursuant to the Overseas Listing Trial Measures. We submitted a filing to the CSRC for application of the Listing and the Global Offering on September 25, 2023. The CSRC has issued a notification on completion of such filing procedures on February 7, 2024.

No Material Adverse Change

After due and careful consideration, our Directors confirmed that, as of the date of this prospectus, there has been no material adverse change in our financial or trading position, indebtedness, mortgage, contingent liabilities, guarantees or prospects since December 31, 2023 (being the date on which the latest consolidated financial information of our Group was prepared) and there is no event since December 31, 2023 which would materially affect the information shown in our consolidated financial statements included in the Accountants' Report in Appendix I to this prospectus.

COMPETITION

The PRC property management industry is intensely competitive and highly fragmented. Please see "Industry Overview—Trends in the PRC Property Management Industry—Increasing Market Concentration and Competition" for more information on the competitive landscape. According to CIA, in terms of GFA under management in Shaanxi Province as of December 31, 2023, our market share was approximately 1.8%, ranking third among the property management service providers operating in Shaanxi Province, respectively, in 2023.

According to CIA, the average GFA and the average number of properties managed by the Top 100 Property Management Companies has increased between 2018 and 2023. We primarily compete against the Top 100 Property Management Companies, particularly those affiliated with reputable urban construction and operation service providers in China, and Kingfar Holdings Group as a reputable property developer provides a strong foundation for our own advancement. We believe that we are capable of continually competing with other industry players due to our competitive strengths. See "Business—Competition" for more details.

LISTING EXPENSES

The total amount of Listing expenses that will be borne by us in connection with the Global Offering, including underwriting commissions, is estimated to be HK$34.9 million (RMB31.8 million), which includes but not limited to underwriting commissions and underwriting related expenses of approximately HK$3.5 million (RMB3.2 million), and non-underwriting related expenses of approximately HK$31.4 million (RMB28.6 million) which consist of fees and expenses of legal advisors and Reporting Accountants of approximately HK$20.2 million (RMB18.4 million) and other fees and expenses of approximately HK$11.2 million (RMB10.2 million), representing approximately 24.9% of the gross proceeds received by our Company from the Global Offering (based on the mid-point of the indicative Offer Price range), of which HK$34.4 million (RMB31.3 million) will be directly attributable to the issue of our Shares, which is expected to be accounted for as a deduction from equity upon completion of the Listing. The remaining fees and expenses of HK$0.5 million (RMB0.5 million) are expected to be charged to our profit or loss and other comprehensive income after the Track Record Period. The professional fees and other expenses if any related to the preparation of Listing are currently in estimates for reference only and the actual amount to be recognized is subject to adjustment based on audit and the then changes in variables and assumptions. Our Directors do not expect that our Listing Expenses will have a material adverse impact on our financial performance for the year ending December 31, 2024.

SUMMARY OF MATERIAL RISK FACTORS

Our operations involve certain risks, some of which are beyond our control. These risks can be broadly categorized into: (i) risks related to our business and industry; and (ii) risks related to the Global Offering. Some of the risks generally associated with our business and industry include the following:

- Our reliance on Xi'an ETDZ MC and Kingfar Holdings Group and our future growth may be affected by the prospects of Xi'an ETDZ MC and Kingfar Holdings Group;

- We cannot assure you that we can secure new or renew our existing city service agreements, residential property management service agreements or commercial property management service agreements, on favorable terms, or at all;

- Our future growth may not materialize as planned, and any failure to manage our future growth effectively may have a material adverse effect on our business, financial position and results of operations;

- A substantial portion of our operations is concentrated in Xi'an and our business could be adversely affected in the event of any adverse development in business environment in this region; and

- We may not be able to maintain our historical growth rate and our results of operations during the Track Record Period may not be indicative of our future prospects and results of operations.

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

PROPERTY VALUATION REPORT

As at the Latest Practicable Date, we owned one investment property that we leased out to a third-party tenant. Pursuant to Rules 5.01A and 5.01B of the Listing Rules, if the carrying amount (as defined in Rule 5.01(1) of the Listing Rules) of a property interest (as defined in Rule 5.01(3) of the Listing Rules) that forms part of an applicant's property activities is or is above 1% of the applicant's total asset, the prospectus must include the full text of a valuation report for such property interest. As of December 31, 2023, being the date of which the most recent audited consolidated statements of the financial position of our Group, the carrying amount of our investment property exceeds 1% of our total assets. Thus, a property valuation report in respect of our investment property is included in this prospectus. The Property Valuation Report prepared by APAC Asset Valuation and Consulting Limited ("APAC"), an independent property valuer. APAC has made reference to the comparable sales evidences as available on the relevant markets and, where appropriate, valued the investment property on the basis of capitalization of the rental incomes as shown on the leasing agreements provided by the Company. As of April 30, 2024, the valuation of our investment property was RMB11.0 million. Please refer to the Property Valuation Report in Appendix III to this prospectus for further details.

In this prospectus, unless the context otherwise requires, the following words and expressions have the following meanings. Certain technical terms are explained in "Glossary" in this prospectus.

"Accountants' Report"	the accountants' report from the Reporting Accountants, the text of which is set out in Appendix I to this prospectus
"AFRC"	the Accounting and Financial Reporting Council of Hong Kong
"Articles of Association" or "Articles"	the articles of association of our Company conditionally adopted on May 15, 2023 which will come into effect upon Listing, as amended, supplemented or otherwise modified from time to time, a summary of which is set out in Appendix IV to this prospectus
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Audit Committee"	the audit committee of the Board
"Board"	the board of Directors
"business day"	any day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for business
"Capital Market Intermediaries"	the capital market intermediaries participating in the Global Offering and has the meaning ascribed thereto under the Listing Rules
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"China" or "PRC"	the People's Republic of China, but for the purpose of this prospectus and for geographical reference only and except where the context requires, excluding Taiwan, the Macau Special Administrative Region and Hong Kong
"CIA"	China Index Academy, our industry consultant and an Independent Third Party

"CIA Report"	an independent market research report prepared by CIA, which was commissioned by our Company for the purpose of this prospectus
"close associate(s)"	has the meaning ascribed to it under the Listing Rules
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"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
"Company" or "our Company"	Xi'an Kingfar Property Services Co., Ltd. (西安經發物業股份有限公司) (formerly known as Xi'an Kingfar Property Management Co., Ltd. (西安經發物業管理有限公司)), a company incorporated in the People's Republic of China with limited liability on December 5, 2000 and converted into a joint stock company with limited liability on December 29, 2020
"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 and otherwise modified from time to time
"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 unless the context requires otherwise, refers to Kingfar Group and Kingfar Holdings, and a Controlling Shareholder shall mean each or any of them
"core connected person(s)"	has the meaning ascribed to it under the Listing Rules
"COVID-19"	a viral respiratory disease caused by the severe acute respiratory syndrome coronavirus
"CPMRI"	China Property Management Research Institution (中國物業研究協會)

"CRIC"	Shanghai CRIC Information Technology Co., Ltd. (上海克而瑞信息技術有限公司)
"CSRC"	the China Securities Regulatory Commission (中國證券監督管理委員會)
"Deed of Indemnity"	the deed of indemnity dated June 13, 2024 and executed by our Controlling Shareholders and our Company, details of which are set out in "Statutory and General Information – D. Other information – 2. Tax and other indemnities" in Appendix V to this prospectus
"Deed of Non-competition"	the deed of non-competition dated June 13, 2024 and executed by our Controlling Shareholders and our Company, details of which are set out in "Relationship with Our Controlling Shareholders – Deed of Non-competition" in this prospectus
"Director(s)" or "our Directors"	the director(s) of our Company
"E-House"	Shanghai E-House Real Estate Research Institute (上海易居房地產研究院)
"EIT Law"	the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》), as amended, supplemented or otherwise modified from time to time
"Extreme Conditions"	the occurrence of "extreme conditions" as announced by any government authority of Hong Kong due to serious disruption of public transport services, extensive flooding, major landslides, large-scale power outage or any other adverse conditions before Typhoon Signal No. 8 or above is replaced with Typhoon Signal No. 3 or below
"FINI"	Fast Interface for New Issuance, an online platform operated by HKSCC that is mandatory for admission to trading and, where applicable, the collection and processing of specified information on subscription in and settlement for all new listings
"General Rules of HKSCC"	General Rules of HKSCC published by the Stock Exchange and as amended from time to time

"Global Offering"	the Hong Kong Public Offering and the International Offering
"Group", "our Group", "our", "we" or "us"	our Company and our subsidiaries or, where the context so requires, in respect of the period before our Company became the holding company of our present subsidiaries, the business operated by such subsidiaries or their predecessors (as the case may be)
"Guide"	the Guide for New Listing Applicants, as published by the Stock Exchange on November 29, 2023 and effective on January 1, 2024, as amended or supplemented or otherwise modified from time to time
"H Share(s)"	Shares of our Company which will be listed and traded on the Stock Exchange
"H Share Registrar"	Computershare Hong Kong Investor Services Limited
"Hancheng Kingfar"	Hancheng Chengtou Kingfar Property Service Co., Ltd. (韓城市城投經發物業服務有限公司), a company established in the PRC with limited liability on June 24, 2021 and a non-wholly owned subsidiary of our Company, which is owned as to 51% by our Company and 49% by Hancheng Urban Space Development Operation Management Co., Ltd. (韓城市城市空間開發運營管理有限公司), an Independent Third Party (other than being a substantial shareholder of Hancheng Kingfar)
"HKICPA"	Hong Kong Institute of Certified Public Accountants
"HKSCC"	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited

"HKSCC EIPO"	the application for the Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your designated HKSCC Participant's stock account through causing HKSCC Nominees to apply on your behalf by instructing your broker or custodian who is a HKSCC Participant to submit an electronic application instructions on your behalf through HKSCC's FINI system in accordance with your instructions
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"HKSCC Operational Procedures"	the operational procedures of HKSCC, containing the practices, procedures and administrative or other requirements relating to HKSCC's services and the operations and functions of CCASS, FINI or any other platform, facility or system established, operated and/or otherwise provided by or through HKSCC, as from time to time in force
"HKSCC Participant"	a participant admitted to participate in CCASS as a direct clearing participant, a general clearing participant or a custodian participant
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong dollars" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong Offer Shares"	the 1,666,800 H Shares initially being offered by our Company for subscription pursuant to the Hong Kong Public Offering, subject to reallocation as described in "Structure of the Global Offering" in this prospectus
"Hong Kong Public Offering"	the offer of the Hong Kong Offer Shares for subscription by the public in Hong Kong at the Offer Price (plus brokerage of 1.0%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.00565% and AFRC transaction levy of 0.00015%), on and subject to the terms and conditions set out in this prospectus, as further described in "Structure of the Global Offering" in this prospectus

"Hong Kong Underwriters"	the underwriters of the Hong Kong Public Offering, whose names are set out in "Underwriting – Hong Kong Underwriters" in this prospectus
"Hong Kong Underwriting Agreement"	the underwriting agreement dated June 21, 2024 relating to the Hong Kong Public Offering and entered into by our Company, our Controlling Shareholders, the Sole Sponsor, the Joint Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, and the Hong Kong Underwriters, as further described in "Underwriting – Underwriting Arrangements and Expenses – Hong Kong Public Offering – Hong Kong Underwriting Agreement" in this prospectus
"IAS"	International Accounting Standards
"IFRS"	International Financial Reporting Standards
"Independent Third Party(ies)"	an individual(s) or a company(ies), who or which, 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 Listing Rules
"International Offer Shares"	the 15,000,000 H Shares initially being offered by our Company for subscription at the Offer Price pursuant to the International Offering, together with, where relevant, any additional H Shares to be issued pursuant to the exercise of the Over-allotment Option, subject to reallocation as described in "Structure of the Global Offering" in this prospectus
"International Offering"	the conditional offering of the International Offer Share(s) by the International Underwriters outside the United States in offshore transactions in reliance on Regulation S, as further described in "Structure of the Global Offering" in this prospectus
"International Underwriters"	the underwriters of the International Offering

"International Underwriting Agreement"	the underwriting agreement relating to the International Offering and expected to be entered into, by, among others, our Company, our Controlling Shareholders, the Joint Overall Coordinators and the International Underwriters on or about the Price Determination Date, as further described in "Underwriting – Underwriting Arrangements and Expenses – International Offering" in this prospectus
"Joint Bookrunner(s)"	the joint bookrunner(s) as named in the section headed "Directors, Supervisors and Parties Involved in the Global Offering" of this prospectus
"Joint Global Coordinator(s)"	the joint global coordinator(s) as named in the section headed "Directors, Supervisors and Parties Involved in the Global Offering" of this prospectus
"Joint Lead Manager(s)"	the joint lead manager(s) as named in the section headed "Directors, Supervisors and Parties Involved in the Global Offering" of this prospectus
"Joint Overall Coordinator(s)"	the joint overall coordinator(s) as named in the section headed "Directors, Supervisors and Parties Involved in the Global Offering" of this prospectus
"Kingfar City Service"	Xi'an Kingfar City Service Co., Ltd. (西安經發城市服務有限公司) (formerly known as Xi'an Kingfar Cleaning Co., Ltd. (西安經發保潔有限公司)), a company established in the PRC with limited liability on September 7, 2006 and a wholly-owned subsidiary of our Company
"Kingfar Environment"	Xi'an Kingfar Environment Co., Ltd. (西安經發環境有限公司), a company established in the PRC with limited liability on April 27, 2009 and a wholly-owned subsidiary of our Company
"Kingfar Intelligent"	Xi'an Kingfar Facilities and Equipment Intelligent Management Co., Ltd. (西安經發設施設備智慧管理有限公司) (formerly known as Xi'an Kingfar Fire Protection Technology Service Co., Ltd. (西安經發消防技術服務有限公司)), a company established in the PRC with limited liability on June 29, 2021 and a wholly-owned subsidiary of our Company

"Kingfar Group"	Xi'an Kingfar Group Co., Ltd. (西安經發集團有限責任公司), a company established in the PRC with limited liability on September 5, 2001 and one of our Controlling Shareholders, which is owned as to approximately 88.5% by Kingfar Holdings, 7.1% by Shaanxi Financial Asset Management Co., Ltd. (陝西金融資產管理股份有限公司), an Independent Third Party, and 4.4% by CCB Financial Asset Investment Co., Ltd. (建信金融資產投資有限公司), an Independent Third Party
"Kingfar Holdings"	Xi'an Kingfar Holdings (Group) Co., Ltd. (西安經發控股(集團)有限責任公司), a company established in the PRC with limited liability on May 4, 2010 and one of our Controlling Shareholders, which is wholly owned by the Xi'an ETDZ MC
"Kingfar Holdings Group"	Kingfar Holdings, its subsidiaries and its associates, excluding our Group
"Kingfar Human Resources"	Xi'an Kingfar Human Resources Service Co., Ltd. (西安經發人力資源服務有限公司), a company established in the PRC with limited liability on June 29, 2021 and a wholly-owned subsidiary of our Company
"Kingfar Security Service"	Xi'an Kingfar Security Service Co., Ltd. (西安經發保安服務有限公司), a company established in the PRC with limited liability on May 25, 2022 and a wholly-owned subsidiary of our Company
"Kingfar Training School"	Xi'an Jingkai Kingfar Art Training School Co., Ltd. (西安經開經發藝術培訓學校有限公司), a company established in the PRC with limited liability on July 28, 2020, which is wholly owned by Xi'an Kingfar Chengyun Culture and Sports Industry Co., Ltd. (西安經發城運文化體育產業有限公司), a wholly-owned subsidiary of Kingfar Group
"Latest Practicable Date"	June 14, 2024, being the latest practicable date for the purpose of ascertaining certain information in this prospectus prior to its publication
"Listing"	the listing of the H Shares on the Main Board

"Listing Date"	the date on which dealings in the H Shares on the Main Board first commence
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with Growth Enterprise Market of the Stock Exchange
"MOF"	the Ministry of Finance of the PRC (中華人民共和國財政部)
"MOFCOM"	the Ministry of Commerce of the PRC (中華人民共和國商務部)
"MOHURD" or "Ministry of Construction"	the Ministry of Housing and Urban-Rural Development of the PRC (中華人民共和國住房和城鄉建設部) or its predecessor, the Ministry of Construction of the PRC (中華人民共和國建設部)
"NDRC"	the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
"Nomination Committee"	the nomination committee of the Board
"NPC"	the National People's Congress of the PRC (中華人民共和國全國人民代表大會)
"Offer Price"	the final Hong Kong dollar price per Offer Share (exclusive of brokerage of 1%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.00565% and AFRC transaction levy of 0.00015%) at which the Offer Shares are to be subscribed pursuant to the Global Offering
"Offer Share(s)"	the Hong Kong Offer Shares and the International Offer Shares

"Over-allotment Option"	the option expected to be granted by our Company under the International Underwriting Agreement to the International Underwriters, exercisable by the CEB International Capital Corporation Limited (for itself and on behalf of the International Underwriters), pursuant to which our Company may be required to allot and issue up to 2,499,900 additional new H Shares, representing 15% of the Offer Shares initially being offered under the Global Offering, at the Offer Price to cover over-allocations in the International Offering, as described in "Structure of the Global Offering" in this prospectus
"PBOC"	the People's Bank of China (中國人民銀行), the central bank of the PRC
"PRC GAAP"	generally accepted accounting principles in the PRC
"PRC Government"	the central government of the PRC and all governmental subdivisions (including provincial, municipal and other regional or local government entities) and organizations of such government or, as the context requires, any of them
"PRC Legal Advisors"	Beijing Grandway Law Offices, the legal advisors to our Company as to PRC law in connection with the Global Offering
"Price Determination Date"	the date, expected to be on or before Friday, June 28, 2024, on which the Offer Price will be determined by our Company, the Joint Overall Coordinators (for themselves and on behalf of the Underwriters) for the purposes of the Global Offering
"Province" or "province"	each being a province or, where the context requires, a provincial level autonomous region or municipality under the direct supervision of the PRC Government
"Regulation S"	Regulation S under the U.S. Securities Act
"Remuneration Committee"	the remuneration committee of the Board
"Renminbi" or "RMB"	the lawful currency of the PRC

"Reorganization"	the reorganization of the Group in preparation of the Listing, details of which are set out in "History, Reorganization and Corporate Structure – Reorganization" in this prospectus
"Reporting Accountants"	KPMG, the reporting accountants of our Company
"SAFE"	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
"SAMR"	the State Administration for Market Regulation of the PRC (中國國家市場監督管理總局)
"SAT"	the State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
"SCNPC"	the Standing Committee of the NPC
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Shaanxi Rixing"	Shaanxi Rixing Property Management Service Co., Ltd. (陝西日行物業管理服務有限公司), a company established in the PRC with limited liability on December 22, 2015 and a non-wholly owned subsidiary of our Company, which is owned as to 51% by our Company and 49% by Xi'an Meidite Trading Co., Ltd. (西安美迪特商貿有限公司), an Independent Third Party (other than being a substantial shareholder of Shaanxi Rixing)
"Share(s)"	ordinary share(s) with nominal value of RMB1.00 each in the share capital of our Company, comprising H Shares and Unlisted Domestic Shares
"Shareholder(s)"	holder(s) of the Share(s)

"Shenyang Kingfar"	Shenyang Kingfar Huishan Property Management Co., Ltd. (瀋陽經發輝山物業管理有限公司), a company established in the PRC with limited liability on December 22, 2022 and a non-wholly owned subsidiary of our Company, which is owned as to 60% by our Company and 40% by Shenyang Huishan Modern Service Co., Ltd. (瀋陽輝山現代服務有限公司), an Independent Third Party (other than being a substantial shareholder of Shenyang Kingfar)
"Sole Sponsor"	CEB International Capital Corporation Limited
"Stabilizing Manager"	CEB International Capital Corporation Limited
"State Council"	the State Council of the PRC (中華人民共和國國務院)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed to it under the Listing Rules
"substantial shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Supervisor(s)"	the supervisor(s) of our Company
"Track Record Period"	the period comprising the years ended December 31, 2021, 2022 and 2023
"U.S. Securities Act"	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
"Underwriters"	the Hong Kong Underwriters and the International Underwriters
"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
"United States" or "U.S."	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"Unlisted Domestic Share(s)"	ordinary share(s) issued by our Company, with a nominal value of RMB1.00 each, which is/are not listed on any stock exchange
"US$", "USD" or "$"	U.S. dollars, the lawful currency of the United States

"VAT"	the PRC value-added tax
"**White Form eIPO**"	the application for Hong Kong Offer Shares to be issued in the applicant's own name by submitting applications online through the designated website of the **White Form eIPO** Service Provider at **www.eipo.com.hk**
"**White Form eIPO** Service Provider"	the **White Form eIPO** service provider as designated by our Company, Computershare Hong Kong Investor Services Limited
"Xi'an ETDZ MC"	the Management Committee of Xi'an Economic and Technology Development Zone (西安經濟技術開發區管理委員會), an administrative agency of Xi'an Municipal People's Government for the management of Xi'an Economic and Technology Development Zone which is not engaging in commercial business or operating commercial entities, and sole shareholder of Kingfar Holdings
"Xi'an Jiatai"	Xi'an Jiatai Property Management Service Co., Ltd. (西安加泰物業管理服務有限公司), a company established in the PRC with limited liability on July 1, 2004 and a wholly-owned subsidiary of our Company
"Xi'an Jingjian"	Xi'an Jingjian Property Management Co., Ltd. (西安經建物業管理有限責任公司), a company established in the PRC with limited liability on June 8, 2010 and a wholly-owned subsidiary of our Company
"Xi'an Jingkai"	Xi'an Jingkai Property Management Co., Ltd. (西安經開物業管理有限責任公司), a company established in the PRC with limited liability on July 15, 2009 and a non-wholly owned subsidiary of our Company, which is owned as to 40% by our Company, 35% by Xi'an Liuchao Brand Operation Management Co., Ltd. (西安六潮品牌運營管理有限責任公司) and 25% by Xi'an Hanying Puyi Capital Management Co., Ltd. (西安瀚盈普益資本管理有限公司), both of which are Independent Third Parties (other than being substantial shareholders of Xi'an Jingkai)

"Xinjiang Kingfar"	Xinjiang Saide Kingfar Property Management Co., Ltd. (新疆賽德經發物業管理有限公司), a company established in the PRC with limited liability on December 29, 2020 and a non-wholly owned subsidiary of our Company, which is owned as to 51% by our Company and 49% by Xinjiang Saide Investment Development Co., Ltd. (新疆賽德投資發展有限公司), an Independent Third Party (other than being a substantial shareholder of Xinjiang Kingfar)

The English translation and/or transliteration of the names of PRC nationals, entities, enterprises, government authorities, departments, facilities, certificates, titles, laws and regulations included in this prospectus is included for identification purposes only. In the event of any inconsistency between the English translation and/or transliteration and the Chinese versions, the Chinese versions shall prevail.

Unless otherwise specified, all references to any shareholdings in our Company following the completion of the Global Offering assume that the Over-allotment Option is not exercised.

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

In this prospectus, unless the context otherwise requires, explanations and definitions of certain terms used in this prospectus in connection with our Group and our business shall have the meanings set out below. The terms and their meanings may not correspond to standard industry meaning or usage of these terms.

"average property management fee(s)"	calculated as the tax inclusive revenue from property management services during a specific period, divided by the total GFA under management during the same period and adjusted by (a) the revenue-bearing GFA during the Track Record Period, and (b) the actual number of months under management for each property
"CAGR"	compound annual growth rate
"commercial property(ies)"	for purposes of this prospectus, property(ies) designated for commercial use
"communal/common area(s)"	shared areas in residential properties such as lobbies, hallways, stairways, car parks, elevators and gardens, among others
"contracted GFA"	GFA managed or to be managed by our Group under our operating property management service agreements, including both GFA under management and undelivered GFA
"GDP"	gross domestic product
"GFA"	gross floor area
"GFA under management"	GFA of properties that have been delivered, by property developers, for our management, for which we are already collecting property management fees in relation to contractual obligations to provide our services
"lump sum basis"	a revenue-generating model for our property management business line whereby we charge a pre-determined property management fee per sq.m. for all units (whether sold or unsold) which represents the "all-inclusive" fees for all of the property management services provided by our employees and subcontractors. Property developers, property owners and residents will be responsible for paying our property management fees for the sold and unsold units respectively on a periodic basis

"PBOC Benchmark Rate"	the exchange rate for foreign exchange transactions set daily by the PBOC based on the previous day's PRC inter-bank foreign exchange rates and with reference to prevailing exchange rates on the world financial markets
"residential communities" or "residential properties"	properties which are purely residential or mixed-use properties containing residential units and ancillary facilities that are non-residential in nature such as commercial or office units but excluding pure commercial properties
"renewal rate"	the aggregate number of (i) renewed property management service agreements and (ii) expired agreements to which we continued to provide services during the period in a year divided by the number of property management service agreements which expired in the same year; typically each property management service agreement corresponds to one project to which we provide property management services
"retention rate"	the aggregate number of projects under our management as of the end of a year divided by the aggregate number of (i) projects under our management as of the end of the year and (ii) projects from which we withdraw prior to the expiration dates of their service agreements; typically one property management service agreement corresponds to one project to which we provide property management services
"revenue-bearing GFA"	the portion of our GFA under management for which we charge property management fees
"sq.m."	square meter(s)
"Top 100 Property Management Companies"	an annual ranking of China-based property management companies by overall strength published by CIA solely or jointly with other institution(s) based on a number of key indicators, including management scale, operational performance, service quality, growth potential and social responsibility of such companies in the preceding year, which comprised 100, 210, 200, 200, 220, 244, 264, 254 and 224 companies respectively, for rankings published in 2015, 2016, 2017, 2018, 2019, 2020, 2021, 2022 and 2023, respectively. The number of companies for each of 2016, 2017, 2018, 2019, 2020, 2021, 2022 and 2023 exceeded 100 as multiple companies with the same or very close scores were assigned the same ranking
"%"	percent

We have included in this prospectus forward-looking statements. Statements that are not historical facts, including statements about our intentions, beliefs, expectations or predictions for the future, are forward-looking statements.

This prospectus contains certain forward-looking statements and information relating to our Company and its subsidiaries 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 prospectus, the words "aim", "anticipate", "believe", "can", "continue", "could", "forecast", "expect", "going forward", "intend", "ought to", "may", "might", "plan", "potential", "predict", "project", "seek", "should", "will", "would" and the negative of these words and other similar expressions, as they relate to our Group or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our management with respect to future events, 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 prospectus. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing our Company which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- our business prospects;
- future developments, trends and conditions in the industry and markets in which we operate;
- our business strategies and plans to achieve these strategies;
- our ability to identify and integrate suitable acquisition targets;
- general economic, political and business conditions in the markets in which we operate;
- changes to the regulatory environment and general outlook in the industry and markets in which we operate;
- the effects of the global financial markets and economic crisis;
- our ability to reduce costs;
- our dividend policy;
- the amount and nature of, and potential for, future development of our business;
- capital market developments;

- the actions and developments of our competitors;

- changes or volatility in interest rates, foreign exchange rates, equity prices or other rates or prices in the industry and markets in which we operate;

- certain statements in "Financial Information" with respect to trends in prices, volumes, operations, margins, overall market trends, risk management and exchange rates; and

- other statements in this prospectus that are not historical facts.

This prospectus also contains market data and projects that are based on a number of assumptions. The markets may not grow at the rates projected by the market data, or at all. The failure of the markets to grow at the projected rates may materially and adversely affect our business and the market price of our Shares. In addition, due to the rapidly changing nature of the PRC economy and the property management industry, projections or estimates relating to the growth prospects or future conditions of the markets are subject to significant uncertainties. If any of the assumptions underlying the market data prove to be incorrect, actual results may differ from the projections based on these assumptions. You should not place undue reliance on these forward-looking statements.

We do not guarantee that the transactions and events described in the forward-looking statements in this prospectus will happen as described, or at all. Actual outcomes may differ materially from the information contained in the forward-looking statements as a result of a number of factors, including, without limitation, the risks and uncertainties set forth in the section entitled "Risk Factors" in this prospectus. You should read this prospectus in its entirety and with the understanding that actual future results may be materially different from what we expect. The forward-looking statements made in this prospectus relate only to events as of the date on which the statements are made or, if obtained from third-party studies or reports, the dates of the respective studies or reports. Since we operate in an evolving environment where new risks or uncertainties may emerge from time to time, you should not rely upon forward-looking statements as predictions of future events. We undertake no obligation, beyond what is required by law, to update any forward-looking statement to reflect events or circumstances after the date on which the statement is made, even when our situation may have changed.

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 prospectus, including our consolidated financial statements 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, financial position, results of operations, 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. You should seek professional advice from your relevant advisors regarding your prospective investment in the context of your particular circumstances.

We believe that there are certain risks and uncertainties involved in our operations, some of which are beyond our control. We have categorized these risks and uncertainties into: (i) risks relating to our business and industry; and (ii) risks relating to the Global Offering. Additional risks and uncertainties that are not presently known to us or we currently deem immaterial may develop and become material and could also harm our businesses, financial position and results of operations.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

Our reliance on Xi'an ETDZ MC and Kingfar Holdings Group and our future growth may be affected by the prospects of Xi'an ETDZ MC and Kingfar Holdings Group.

During the Track Record Period, a meaningful portion of our revenue was generated from services provided to Xi'an ETDZ MC and Kingfar Holdings Group. In 2021, 2022 and 2023, the revenue that we derived from services provided to Xi'an ETDZ MC amounted to RMB201.5 million, RMB224.5 million and RMB233.4 million, respectively, accounting for 33.9%, 31.8% and 27.1% of our total revenue, respectively. In 2021, 2022 and 2023, the revenue that we derived from services provided to Kingfar Holdings Group amounted to RMB45.4 million, RMB52.6 million and RMB53.7 million, respectively, accounting for 7.6%, 7.4% and 6.2% of our total revenue, respectively. There is no guarantee that we will be able to consistently generate similar amount or proportion of revenue from services provided to Xi'an ETDZ MC and Kingfar Holdings Group in the future.

In particular, during the Track Record Period, a meaningful portion of our revenue from city services was generated from services provided to Xi'an ETDZ MC. In 2021, 2022 and 2023, the revenue from city services provided to Xi'an ETDZ MC amounted to RMB193.9 million, RMB217.7 million and RMB224.1 million, respectively, accounting for 56.7%, 53.1% and 42.7%, respectively, of our total revenue from city services.

In addition, during the Track Record Period, we derived a meaningful portion of our revenue from the property management services for properties developed by Kingfar Holdings Group. In 2021, 2022 and 2023, our revenue generated from residential and commercial property management services provided to properties developed by Kingfar Holdings Group amounted to RMB185.9 million, RMB200.5 million and RMB208.3 million, respectively, accounting for 74.1%, 67.8% and 62.4% of our total revenue generated from residential and commercial property management services for the same periods, respectively. As of December 31, 2023, 30 properties under our management with a GFA of 5.5 million sq.m. were developed by Kingfar Holdings Group, representing 38.1% of our total GFA under management. There is no guarantee that we will be able to consistently generate similar amount or proportion of revenue from services provided to properties developed by Kingfar Holdings Group in the future.

As we do not have control over the business strategies or decision of Kingfar Holdings Group and Xi'an ETDC MC, or the macroeconomic or other factors that may affect their respective business operations, any adverse development in the operations of Kingfar Holdings Group or Xi'an ETDZ MC, and in particular Kingfar Holdings Group's ability to develop new projects and/or to deliver the projects, may affect our ability to renew our existing agreements with Xi'an ETDC MC and Kingfar Holdings Group or retain them as our customers. Any financial difficulties faced by Kingfar Holdings Group or Xi'an ETDZ MC may have material adverse impact on our business, financial condition, results of operation and prospects.

We cannot assure you that we can secure new or renew our existing city service agreements residential property management service agreements or commercial property management service agreements, on favorable terms, or at all.

During the Track Record Period, we derived a majority of our revenue from city services. In 2021, 2022 and 2023, revenue from city services amounted to RMB342.1 million, RMB410.0 million and RMB524.9 million, respectively, accounting for 57.6%, 58.0% and 60.9% of our total revenue in the same period, respectively. However, there is no guarantee that we could secure new city service agreements, whether through public biddings or direct engagement. There is also no guarantee that we could retain our existing customers for city services upon the expiration of our operating city service agreements with them on favorable terms, or at all. Failure to secure new and renew existing city service agreements could result in an adverse effect on our business operation and financial condition.

In addition, during the Track Record Period, we generally obtained new residential and commercial property management service agreements by participating in tenders. The selection of a property management company depends on a number of factors, including but not limited to, service quality, pricing level and operational history of the property management company. We cannot assure you that we will be able to procure new residential and commercial property management service agreements 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.

There is no assurance that we will be able to maintain our tender success rate in the future. Any adverse development in the business or financial positions of our customers or their respective ability to develop and maintain properties may materially and adversely affect our ability to procure new property management services. Our property management service agreements are also subject to expiration and may not be renewed successfully. As a result, we cannot assure you that we will be able to procure new residential or commercial property management service agreements from alternative sources to make up the shortfall in a timely manner or on favorable terms, or at all, which could materially and adversely affect our business, financial condition and results of operations.

Moreover, new residential property management service agreements are entered into between the property owners' associations and property management service provider after the expiration of preliminary residential property management service agreements. Please see "Business—Residential and Commercial Property Management Services—Key Terms of Property Management Service Agreements" in this prospectus for more information. There is no guarantee that property owners' associations will enter into new residential property management service agreements with us instead of our competitors and even if we succeed in entering into such agreements with them, there is no guarantee that such agreements will be renewed upon expiration. We may therefore bear the risk of termination of rendering services of the existing projects as a result of the set-up of property owners' associations. Our customers select us based on parameters such as quality and cost, and we cannot assure you that we will always be able to balance them on favorable terms for both sides.

Our future growth may not materialize as planned, and any failure to manage our future growth effectively may have a material adverse effect on our business, financial position and results of operations.

We develop our business and expansion plans base on our assessment of multiple factors, such as market prospects in different regions. We cannot assure you that our assessment will prove to be correct or that our business will grow as planned. Our expansion plans may be affected by a number of factors, most of which are beyond our control. Such factors include but are not limited to:

- changes in China's economic conditions in general and the real estate market and property management industry in particular;
- changes in disposable personal income in the PRC;
- changes in government policies and regulations;
- changes in the supply of and demand for our city services, residential property management services and commercial property management services;
- natural disasters, epidemics and pandemics, including the COVID-19 pandemic;

- 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 and reliable subcontractors and suppliers;
- our ability to understand the needs of our customers in the properties where we provide city services, residential property management services and commercial property 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, cultural and tax environments in such markets;
- our ability to leverage our brand name and to compete successfully in new markets, particularly against the incumbent players in such markets who might have more resources and experience than us; and
- our ability to improve our administrative, technical, operational and financial infrastructure.

Subject to uncertainties and risks which are mostly beyond our control, we cannot assure you that our future growth will materialize or that we will be able to manage our future growth effectively. Our business, financial condition, results of operations and growth prospects could be materially and adversely affected if our future plans fail to achieve positive results.

A substantial portion of our operations is concentrated in Xi'an and our business could be adversely affected in the event of any adverse development in business environment in this region.

A substantial portion of our operations are concentrated in Xi'an. In 2021, 2022 and 2023, our revenue from Xi'an amounted to RMB589.6 million, RMB693.8 million and RMB839.4 million, respectively, accounting for 99.3%, 98.2% and 97.4% of our total revenue, respectively. As of December 31, 2021, 2022 and 2023, we generated revenue from property management services that we provided to 92, 107 and 136 projects located in Xi'an, with a total GFA under management of 10.6 million sq.m., 12.5 million sq.m. and 14.0 million sq.m., respectively. Given such concentration, any natural disaster, epidemic or pandemic affecting Xi'an will materially and adversely affect our business, financial position and results of operations.

We may not be able to maintain our historical growth rate and our results of operations during the Track Record Period may not be indicative of our future prospects and results of operations.

We cannot assure you that we can sustain our revenue and profit growth in the future. Our profitability depends partially on our ability to control costs and operating expenses, which may increase as we expand our business. In addition, we may continue to devote significant resources to expand our value-added services, which may require personnel and technological support. Such expansion could negatively impact our short-term profitability and cash flows. If our business expansion is proven to be ineffective, and we fail to increase revenue, or if our cost and operating expense grow faster than our revenue, our business, financial position and results of operations may be negatively affected.

We may face fluctuations in our labor and subcontracting costs, and the increase in employee benefit cost and subcontracting costs could harm our business and reduce our profitability.

The property management industry in the PRC is labor intensive. Since our labor and subcontracting costs together accounted for a significant portion of our cost of sales, we believe that controlling and reducing our labor and subcontracting costs is crucial for us to maintain and improve our profit margins as well as other operating costs. In 2021, 2022 and 2023, our labor costs accounted for 73.9%, 71.8% and 60.9% of our total cost of sales, respectively. We have been delegating certain labor-intensive services, such as cleaning services and security services, to subcontractors. In 2021, 2022 and 2023, our subcontracting costs represented 3.3%, 6.3% and 14.9% of our total cost of sales, respectively.

We face pressure from rising labor and subcontracting costs due to various factors, including but not limited to:

- *Increases in minimum wages*. The minimum wage in the regions where we operate has generally increased in recent years, which has a direct impact on our employee benefit costs as well as the fees we pay to our subcontractors.

- *Increases in headcount*. As we expand our operations, the headcount of our property management staff, sales and marketing staff and administrative staff may increase. We may also need to retain and continuously recruit qualified employees to meet our growing demand for talent, which might further increase our total headcount. Any increases in headcount would also increase our costs in relation to, among others, recruiting, salaries, employee benefits, training, social insurance and housing provident fund contributions.

- *Delay in implementing management digitalization, service professionalization, procedure standardization and operation automation*. There is a lapse in time between our commencement of property management services for a particular property and any implementation of our management digitalization, service professionalization, procedure standardization and operation automation measures to that property to reduce labor costs. Before we carry out such measures, our ability to mitigate the impact of labor cost increase is limited.

We cannot assure you that we will be able to control our costs or improve our efficiency. Any failure in effectively controlling our costs may have a material and adverse impact on our business, financial position and results of operations.

We are exposed to risks associated with subcontractors to perform certain services to our customers.

We delegate certain property management services, such as cleaning, security as well as common area facility repair and maintenance services, to subcontractors. In 2021, 2022 and 2023, our subcontracting costs amounted to RMB16.7 million, RMB38.0 million and RMB111.3 million, respectively, representing 3.3%, 6.3% and 14.9% of our total cost of sales for the same periods, respectively. We select our subcontractors based on factors such as their qualifications, industry reputation, credit, service quality and price competitiveness. However, we cannot assure you that they will always perform in accordance with our expectations. They may act in ways contrary to our or our customers' instructions, their contractual obligations and our quality standards and operational procedures. We may also fail to monitor their performance as directly and effectively as with our own employees. As a result, we are subject to risks associated with being responsible for any sub-standard performance by our subcontractors, including but not limited to litigation, reputational damage, disruptions to our business, termination or non-renewal of our service agreements and monetary claims from our customers. We may also incur extra costs in order to monitor or replace subcontractors which do not perform in accordance with our expectations, or mitigate or compensate damages incurred by such subcontractors.

In addition, we may be unable to renew our existing subcontracting contracts upon expiration, or fail to seek suitable replacement in a timely manner, or on favorable terms, or at all. We also do not have control over our subcontractors to maintain qualified, experienced and sizable teams, or renew their qualifications. In any event that our subcontractors fail to perform their contractual obligations properly and in a timely manner, our work process could be interrupted which could potentially result in a breach of contract between our customers and us. Any of such events could materially and adversely affect our service quality, reputation and performance, as well as our business, financial condition and results of operations.

We primarily generated revenue on a lump sum basis. We may be subject to losses or decreased profit margins if we fail to estimate or control our costs in performing our services.

During the Track Record Period, we generated substantially all revenue from our city services, residential property management services and commercial property management services under the lump sum fee model. On a lump sum basis, we charge city service, residential property management service and commercial property management service fees at a monthly, quarterly, semi-annually or annually pre-determined lump sum price, representing "all-inclusive" fees for the services we provide. These service fees do not necessarily correspond with the actual amount of costs we incur. The amount we recognize as revenue is the full amount of city service, residential property management service and commercial property management service fees we charge to our customers, and the amount we recognize as our cost of sales is the actual costs we incur in connection with rendering such services. In 2021, 2022 and 2023, we incurred losses on 30, 39 and 40 projects, respectively. The total losses from these projects amounted to RMB19.2 million, RMB15.3 million and RMB19.6 million, respectively. Please see "Business—Portfolio of Properties Under Management—Loss-making Projects" for more information. We cannot assure you that we will be able to subsequently turn around the performance of all such projects. Please see "Business—City Services—City Service Fees," "Business—Residential and Commercial Property Management Services—Property Management Service Fees" and "Financial Information—Material Accounting Policy Information, Judgments and Estimates—Revenue recognition" for more information on our fee model and relevant accounting policy.

In the event that we fail to accurately anticipate our actual costs prior to negotiating and entering into our city service, residential property management service and commercial property management service agreements, and our fees may be insufficient to sustain our profit margins, as we would not be entitled to collect any additional amounts from our customers to make up for the shortfall under the lump sum fee model. We also cannot guarantee that we will be able to adequately control our costs in the course of providing our city services, residential property management services and commercial property management services. Any losses we incur may materially and adversely affect our results of operations.

If we are unable to raise our city service, residential property management service and commercial property management service fee rates and there is a shortfall of working capital after deducting the service costs, we may need to cut costs to reduce the shortfall. However, our ability to mitigate against such losses through cost-saving initiatives, such as automation measures aimed at reducing labor costs and energy-saving measures aimed at reducing energy costs, may not be successful, and our cost-saving efforts may adversely affect the quality of our city services, residential property management services and commercial property management services, which in turn would further reduce the owners' willingness to pay us higher service fees. Such events could adversely impact our reputation, profitability, results of operations and financial position.

Our profitability may be negatively affected in the future as we increase the proportion of public and commercial property management services provided to properties developed by Independent Third Parties, whose properties we charged lower average property management service fees than those developed by Kingfar Holdings Group during the Track Record Period.

During the Track Record Period, the average public and commercial property management service fees that we charged to properties developed by Kingfar Holdings Group, which mainly include government buildings for public properties and office buildings for commercial properties, and were consistently higher than those to properties developed by Independent Third Parties, which mainly include education institutes for public properties and industrial parks and factories for commercial properties. See "Business—Portfolio of Properties Under Management—Our Pricing Policy" for more details. There is no guarantee that we will be able to consistently engage to provide services to such public and commercial properties developed by Kingfar Holdings Group. In addition, there is no guarantee that we will be able to maintain or increase the engagement of properties with a higher fee level for public and commercial properties developed by Independent Third Parties in the future.

As we expand our business operations and further grow and diversify our customer base by, among others, broadening our existing business relationships or establishing new business relationships with Independent Third Parties, we may become less reliant on revenue generated from public and commercial property management services provided to properties developed by Kingfar Holdings Group. This may lead to an increase in the proportion of public and commercial property management services provided to properties developed by Independent Third Parties to our total public and commercial property management services. If we cannot maintain or enhance the property portfolio in relation to properties developed by Independent Third Parties, our financial condition and results of operations may be materially and adversely affected.

We may fail to diversify our customer base and we cannot guarantee that all of our contracted GFA will be timely or ultimately delivered pursuant to the relevant agreements we entered.

We may fail to diversify our customer base. As a result, we cannot assure you that we will be able to procure service agreements from alternative sources to make up the potential shortfall of our existing service agreements in a timely manner or on favorable terms, or at all, which could materially and adversely affect our business, financial condition and results of operations.

In addition, we cannot guarantee that all of our contracted GFA will be timely or ultimately delivered pursuant to the relevant agreements we entered into with our potential customers, including property developers, due to reasons beyond our control, including, among others, termination of projects and bankruptcy of the counterparties.

We may not be able to collect property management service fees from property developers, property owners, customers from public sectors, residents and/or tenants which could incur impairment losses on our trade and other receivables.

We may encounter difficulties in collecting property management service fees from property developers, property owners, customers from public sectors, residents and/or tenants. We cannot assure you that our collection measures will be effective or enable us to accurately predict our future collection rate. As of December 31, 2023, our outstanding trade and other receivables amounted to RMB262.3 million. In 2021, 2022 and 2023, we recorded average trade receivable turnover days of 57 days, 83 days and 86 days, respectively. In 2021, 2022 and 2023, our collection rate of property management service fees, calculated by dividing the property management service fees we actually received during a period by the total property management service fees payable to us accumulated during the same periods, was 74.5%, 69.6% and 79.9%, respectively. Please see "Financial Information—Description of Certain Consolidated Statements of Financial Position Items—Trade and Other Receivables" for more details. We cannot assure you that our customers will maintain their current financial position. If our customers' financial condition deteriorates, we cannot assure you that such measures will be effective or enable us to accurately predict our future collection rates. During the Track Record Period, certain property owners of resettlement housing projects were reluctant or refused to pay property management fees in accordance with the relevant property management service agreements. Their refusal to pay had affected the recognition of relevant revenue from these settlement housing projects, which had adverse impact to our results of operation. See "Financial Information—Description of Certain Consolidated Statements of Profit or Loss and Other Comprehensive Income Items—Gross and Gross Profit Margin" for more details. We cannot assure you that such circumstances will not occur in the future, the occurrence of which may have material adverse impact to our results of operation.

As of December 31, 2021, 2022 and 2023, our allowance for doubtful debts and other receivables amounted to RMB6.7 million, RMB11.9 million and RMB15.8 million, respectively. 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 any new information, we may need to provide for an additional allowance for impairment of trade receivables, which may adversely affect our cash flow position and our ability to meet our working capital requirements, and therefore materially and adversely affect our business, financial position and results of operations.

Our customers may not be able to timely settle trade receivables with us if they cannot obtain internal approval in time.

Some of our customers, in particular customers in public sectors, are required to go through internal approval process before settling the outstanding trade receivables with us. The length of such internal approval process is subject to the relevant customers' internal requirement, which are out of our control. During the Track Record Period, some of our customers had prolonged their payment cycle due to various factors, such as dedication of resources to prevent COVID-19 outbreak, and delay or tightening of internal approval process. The prolonged payment cycle had led to the increase in our trade receivable turnover days. We cannot assure you that such circumstances will not continue to occur. If our customers continue to prolong their payment cycle, our financial position and cash flow may be adversely affected.

Our cash flows may deteriorate due to potential mismatch in time between the receipt of service fees from our customers and the payments made to our subcontractors and suppliers.

During the Track Record Period, we generally granted a credit term within 30 days from invoice date to our customers. We charge city service, residential property management service and commercial property management service fees at a monthly, quarterly, semi-annually or annually pre-determined price on a lump sum basis, representing "all-inclusive" fees for the services we provide. The receipt of our service fees do not necessarily correspond with the actual amount of costs we pay out. As a result, there are often time lags between the receipt of service fees from our customers and the payments made to our subcontractors and suppliers, resulting in potential cash flow mismatch.

There can be no assurance that our customers will settle our invoices on time and in full. Delay or default in payments from our customers may cause challenges for us to manage our working capital and/or adversely impact our liquidity. As such, if our customers fail to make timely payment or are in default in making payment or if there is a lapse in time between our receipt of payments from our customers and our payments due to our subcontractors and suppliers, our business, financial position and results of operations may be materially and adversely affected.

We recorded negative net cash flows from operating activities in 2022, and we may be subject to liquidity risks accordingly.

We had negative net cash flows from operating activities of RMB24.8 million in 2022. For details, see "Financial Information—Liquidity and Capital Resources—Cash Flow." Going forward, there can be no assurance that we will not have negative net cash flows from operating activities that would expose us to liquidity risk. Our future liquidity and ability to make additional capital investments necessary for our operations and business expansion will depend primarily on our ability to generate sufficient cash from operating activities and to obtain external financing. If we continue to have negative net cash flows from operating activities, our working capital for business operations may be constrained. If we do not generate sufficient positive operating cash flows or obtain additional financing to meet our working capital needs, our business, financial condition and results of operations may be materially and adversely affected.

Our overall gross profit margin decreased during the Track Record Period.

Our overall gross profit margin was affected by the combination effect of our three business lines, namely, city services, residential property management services and commercial property management services. The change in gross profit margin of any business line may have a corresponding impact on our overall gross profit margin. Our overall gross profit margin decreased from 14.3% in 2022 to 13.7% in 2023, primarily due to the decrease in gross profit margin of (i) our residential property management services from 16.8% in 2022 to 14.7% in 2023, and (ii) our commercial property management services from 25.3% in 2022 to 21.8% in 2023. There's no guarantee that we will be able to effectively control our labor costs and turn the tide of our decreasing gross profit margin, and there's no guarantee that we will be able to maintain our gross profit margin in the future.

There are uncertainties about the recoverability of our deferred tax assets, which could adversely affect our results of operations.

We recorded deferred tax assets of RMB9.8 million, RMB11.5 million and RMB12.4 million, respectively, as of December 31, 2021, 2022 and 2023. We periodically assess the probability of the realization of deferred tax assets, using significant judgments and estimates with respect to historical operating results, expectations of future earnings and tax planning strategies. In particular, deferred tax assets can only be recognized to the extent that it is probable that future taxable profits will be available against which the unused tax credits can be utilized. However, there is no assurance that our expectation of future earnings could be accurate due to factors beyond our control, such as general economic conditions and negative development of the regulatory environment, in which case, we may not be able to recover our deferred tax assets which thereby could have an adverse effect on our results of operations.

Our diversified business may not develop and succeed as planned, and therefore our overall growth strategy may not work as expected.

We have diversified our services by providing various value-added services to meet the evolving needs of our customers of both residential and non-residential properties. Please see "Business—Our Business Model" for more information. We aim to further expand our business coverage under our three main business lines, namely, city services, residential property management services and commercial property management services. For example, we plan to leverage our extensive experience in garbage collection and property management to provide specialized services with higher entry barriers, such as hospital and school management services. Please see "Business—Business Strategies" for more information.

However, our diversified services are still expanding and evolving depending on the circumstances of the project and our accumulated experiences in the relevant local market. With a relatively limited operating history and experience in certain regions, we may face unknown risks, rising expenses and fierce competition in the market. We cannot assure you that we will be able to grow our business as planned. The potential growth of our diversified services depends on our ability to continue to attract new users as well as to increase the spending and repeat purchase rate of existing users. We may fail to cater for various consumer preferences, or anticipate product trends that will appeal to existing potential customers. We may also be unfamiliar with the new business operations in new markets, and fail to effectively promote our new services to new markets. New services, or entrance into new markets, may also require substantial time, resources and capital, and profitability targets. We also may not have the same level of familiarity with the practices for provision of new services or relationships with our strategic partners, subcontractors and other suppliers as we do in the city services and property management industries. We may not be able to recruit sufficient qualified personnel to support the growth of our diversified services. In addition, we may have limited ability to leverage on our brand name in the relevant industries in the way that we have done so in the city services and property management industry, which could put us in a less competitive position in the new market.

Furthermore, we cannot assure you that our investment in our diversified business can be recovered in a timely manner, or at all, or our results of return would be more competitive than that of other comparable companies. Our development of and investment in our diversified service platform may be subject to PRC laws and regulations governing license approval and renewal. Please see "Regulatory Overview" for more information. We cannot assure you that we can obtain or renew our license on time, if at all. We cannot guarantee that our future strategic development plan, which is based upon our forward-looking assessment of market prospect and customer preference, will always turn out to be successfully. A number of factors beyond our control may also affect our plan for the diversified services, which include changes in the economic conditions in general and changes in supply and demand for our services. Any of the foregoing could adversely affect our reputation, business, cash flows, financial position and results of operations.

We are susceptible to changes in regulatory landscapes of the PRC property management and real estate industries.

The PRC property management industry and our operations are affected by the relevant regulatory environment and measures. In particular, the fees that property management companies may charge in connection with property management services are strictly regulated and supervised by relevant PRC authorities. We seek to comply with the regulatory regime of the property management service in conducting our business operations. In December 2014, the NDRC issued the Circular of NDRC on the Opinion on Liberalizing Price Controls in Certain Services (國家發展改革委員會關於放開部分服務價格意見的通知) (改發價格[2014]2755號), which requires the relevant provincial authorities to relax the price control policies in relation to the property management services for non-affordable housing. Residential property management service fees for affordable housing, housing-reform properties and properties in older residential areas and management fees under preliminary residential property management service agreements remain subject to price guidance imposed by provincial level price administration departments and the administrative departments of housing and urban-rural development. The PRC Government may also promulgate new laws and regulations in relation to residential property management service fees in the future. Please see "Regulatory Overview—PRC Legal Supervision Relating to Property Management Services—Property Management Service Charges" for more information.

Our residential property management service fees are subject to the existing local regulations passed by the relevant authorities to implement the above-mentioned circular issued by NDRC on the Opinion on Liberalizing Price controls in Certain Services. As of December 31, 2023, all of the 27 residential projects under our management with a total GFA of 6.8 million sq.m., which accounted for 66.1% of our total GFA under management as of the same date, were subject to price control under the relevant local regulations. The government-imposed limits on fees, coupled with rising labor and other operating costs, could have a negative impact on our revenue. Since all residential properties are managed on a lump sum basis, we may experience a decrease in profit margin. We also cannot assure you that we would be able to respond to such changes in a timely manner and effectively by implementing our cost-saving measures, nor that we would be able to pass the additional coasts to our customers.

In addition, a considerable portion of our revenue was generated from our residential property management services. During the Track Record Period, our revenue generated from residential property management services was RMB159.1 million, RMB176.4 million and RMB184.2 million in 2021, 2022 and 2023, respectively, which accounted for 26.8%, 25.0% and 21.3% of our total revenue in 2021, 2022 and 2023, respectively. Therefore, our results of operations depend largely on the total GFA and number of residential communities we manage. As such, the growth potential of our property management services will be indirectly affected by the PRC real estate industry. The PRC Government has implemented a series of measures with a view to control real estate industry in recent years. In particular, the PRC Government has continued to introduce various restrictive measures to discourage speculation in the real estate market. The government exerts considerable direct and indirect influence on the development of the PRC real estate industry by imposing industry policies and other economic measures, such as control over the supply of land for property development, control of foreign exchange, property financing, taxation and foreign investment. As a result, the PRC Government may restrict or reduce property development activities, place limitations on the ability of commercial banks to make loans to property purchasers, impose additional taxes and levies on property sales and affect the delivery schedule and occupancy rates of the properties we serve.

For example, in 2020, the MOHURD, together with the PBOC, proposed to issue the "Three Red Lines" regulation for real estate companies, with intention to accelerate the deleveraging process of real estate companies and facilitate the healthy development of China's real estate industry. The "Three Red Lines" regulation 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 above-mentioned three limits (also known as the red real estate companies), it will not be allowed to increase its interest-bearing liabilities.

The PRC Government will also, from time to time, promulgate new laws and regulations in relation to the PRC real estate industry based on macroeconomic considerations. Therefore, the overall demand for properties may decrease and in turn decelerate the overall growth of property management services and commercial services, which could in turn affect our growth potential and our business expansion.

Risks relating to natural disasters, epidemics, pandemics, acts of terrorism or war in the PRC and globally may materially and adversely affect our business.

Natural disasters, epidemics, pandemics, acts of terrorism or war or other factors that are beyond our control may materially and adversely affect the economy, infrastructure and livelihood of people in the areas where we have or plan to have business operations. In particular, due to their geographic regions, some of these areas 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 Ebola, SARS, H1N1, H5N1, H7N9 or, most recently, the novel coronavirus named COVID-19 by the WHO. Any of such events could result in tremendous proprietary damages and losses, personnel injuries and live losses, as well as disruption or destruction of our business operations.

Furthermore, such adverse epidemics or pandemics may severely affect and restrict the level of economic activity in China as the government in each region we operate may impose regulatory or administrative measures quarantining affected areas or other measures to control the outbreak of the infectious disease, which may lead to slower overall macroeconomic growth. For instance, in response to the COVID-19 pandemic, governments across the world imposed travel restrictions and/or lockdown to contain its transmission. Such containment measures adversely and materially affected the manufacturing, exports and imports and consumption of goods and services globally. The reduction in demand and supply adversely and materially affected economic growth globally. Any contraction or slowdown in the economic growth of China and the world could adversely affect our business, financial condition, results of operations and growth prospects.

We face intense competition in the property management market and if we fail to compete successfully against existing and new competitors, our business, financial position, results of operations and prospects may be materially and adversely affected.

The PRC property management industry is intensely competitive and highly fragmented. Please see "Industry Overview—Trends in the PRC Property Management Industry—Increasing Market Concentration and Competition" for more information on the competitive landscape. Our major competitors include large national, regional and local property management companies that may have stronger capital resources, longer operating histories, better track records, greater brand or better name recognition, greater expertise and experience in regional and local markets than we do. We believe that we compete with our competitors on a number of factors, primarily including business scale, brand recognition, financial resources, service price and service quality. Such competitors may be able to devote more resources to the development, promotion, sale, and support of their services, and therefore they may be better positioned than we are to compete for customers, financing, skilled management and labor resources. In addition to competition from established companies, emerging companies may enter our existing or new markets. Property developers may also develop their own in-house property management business or engage their affiliated service providers, which could reduce the availability of business opportunities. If we fail to improve and evolve ourselves among the competitors, we may not be able to continue to compete effectively or maintain or improve our market position, and such failure could have a material adverse effect on our business, financial position and results of operations.

Our future acquisitions may not be successful and we may face difficulties in integrating acquired operations with our existing operation.

We plan to evaluate opportunities to acquire other property management companies and/or other businesses and integrate their operations into our business to further expand our business scale and service and geographical coverage. However, there can be no assurance that we will be able to identify suitable opportunities. The PRC property management market is highly fragmented and intensely competitive with numerous market participants. See "Industry Overview—Competitive Landscape of Property Management Service Market in China and in Shaanxi Province" for more details. Accordingly, a number of property management companies with similar resources and strategies could be competing for high quality acquisition targets. As such, even if we manage to identify suitable opportunities, we may not be able to complete the acquisitions on terms favorable or acceptable to us, in a timely manner, or at all. Acquisitions are time-consuming and costly affairs and therefore our management's attention may be diverted during the process. There are also a number of uncertainties in acquiring such property management companies, including but not limited to difficulties in identifying all the risks relating to potential acquisitions during the due diligence process as there may be additional business risks that are different from those we have historically experienced. The inability to identify suitable acquisition targets or successfully complete acquisitions could materially and adversely affect our competitiveness and growth prospects.

In addition, acquisitions and integration of acquired operations with our existing operation involve uncertainties and risks, including, without limitation:

- potential ongoing financial obligations and unforeseen or hidden liabilities;

- inability to apply our business model or standardized operational processes on the acquisition targets;

- difficulties in integrating acquired operations with our existing business;

- failure to achieve the intended objectives, benefits or revenue-enhancing opportunities;

- failure to protect and maintain the acquired rights relating to brand names and/or other material intellectual property rights; and

- diversion of resources and management attention.

53.8%, or approximately HK$56.5 million, of the net proceeds raised from the Global Offering will be used to pursue selective strategic acquisition of other property management companies. As of the date of this prospectus, we have not identified or committed to any acquisition targets for our use of net proceeds from the Global Offering. Please see "Future Plans and Use of Proceeds" in this prospectus for more details. If we fail to identify suitable acquisition opportunities or our future acquisition transactions fail to consummate for other reasons which may be beyond our control, our proceeds from the Global Offering may not be effectively used.

We are exposed to liabilities from disputes involving losses or damages incurred by our services as well as other incidents in our business that may expose us to liability and reputational risk.

We may encounter different incidents during the course of our business which may materially and adversely affect our business operation. Claims may arise due to employees' or subcontractors' negligence or recklessness when performing services. In addition, liability may arise from selling the services under the Civil Code of the PRC (中華人民共和國民法典), the Laws on the Protection and Rights and Interests of Consumers of the PRC (中華人民共和國消費者權益保護法) and other relevant PRC laws and regulations. For instance, claims may be brought against us by purchasers, regulatory authorities or other third parties alleging, among others, that: (i) the quality of the services provided by or through us fail to conform to required quality; (ii) advertisements made at service centers we established for the communities we serve with respect to such services are false, deceptive, misleading, libelous, injurious to the public welfare otherwise offensive; (iii) such services may be harmful to others; and (iv) such marketing, communication or advertising infringe on the proprietary rights of other third parties. These occurrences could result in damage to, or destruction of, properties of the communities, personal injury or death and legal liability. Violation of service quality and safety requirements by third-party vendors may subject us to confiscation of related earnings, penalties or an order to cease provision of services. If the offense is determined to be serious, our business license to sell these services could be suspended or revoked and we could be ordered to cease operations pending rectification.

We may be held liable for the personal injuries or property losses of our customers due to the foregoing incidents that may occur during the course of our service. Any of these incidents could materially harm our brand and reputation and marketability of such products or service, which materially and adversely affect our business, results of operation and financial position.

We may not be able to fulfill our obligation in respect of the contract liabilities which may have impact on our cash position.

Our contract liabilities mainly represent property management fees and other service fees received upfront as of the beginning of a billing cycle but not recognized as revenue. We recorded contract liabilities in the amount of RMB24.3 million, RMB25.9 million and RMB39.0 million as of December 31, 2021, 2022 and 2023. See "Financial Information—Description of Certain Consolidated Statements of Financial Position Items—Contract Liabilities."

We may fail to fulfill our obligations under our contracts with customers for various reasons within or beyond our control. For example, property owners may not be satisfied with our services during the contract term, and decide not to make the upfront property management fee payments going forward. If so, we may be terminated by our customers including the property developer or property owners' associations for quality or other reasons, which may require us to refund the cash we have received upfront, which could materially adversely affect our cash position.

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

We cannot assure you that the PRC policies on preferential tax treatment will not change or that any preferential tax treatment we enjoy or will be entitled to enjoy will not be terminated. According to the applicable PRC tax regulations, the statutory corporate income tax rate in the PRC is 25%. During the Track Record Period, certain members of our Group benefited from the preferential income tax rate of 15.0% during the Track Record Period as qualified entities under the Western Region Development Plan of the PRC. Please see "Financial Information—Description of Certain Consolidated Statements of Profit or Loss and Other Comprehensive Income Items—Income Tax Expenses" for more information of our preferential tax treatments during the Track Record Period. We cannot assure you that we will continue to enjoy the aforementioned preferential tax treatments. If the applicable PRC tax regulations change, if we fail to renew any preferential tax treatment qualification in time or at all, or if any change or termination of preferential tax treatment occurs, the increase in our tax charge or any other related tax liabilities could materially and adversely affect our results of operations and financial condition.

There is no assurance that we will receive government grants or subsidies in the future.

Our business benefits from government grants and subsidies, which are non-recurring in nature. In 2021, 2022 and 2023, the government grants awarded to us amounted to RMB2.3 million, RMB1.4 million and RMB1.7 million, respectively. Please see "Financial Information—Description of Certain Consolidated Statements of Profit or Loss and Other Comprehensive Income Items—Other Income" for more information.

The governments from which we received grants or subsidies conduct their own assessments and sets their own policies over which we have no control or influence. As such, there is no assurance that we will receive any government grant or subsidies in the future.

We may require additional cash resources to finance our continued growth, which may require additional funding.

We may require additional cash resources to finance our continued growth or other future developments, including any investments or acquisitions we may decide to pursue. To the extent that our funding requirements exceed our financial resources, we will be required to seek additional financing or to defer planned expenditures. Furthermore, if we raise additional funds through equity or equity-linked financings, your equity interest in our Company may be diluted. Alternatively, if we raise additional funds by incurring debt obligations, we may be subject to various covenants under the relevant debt instruments that may restrict our ability to pay dividends or obtain additional financing. Servicing such debt obligations could also be burdensome to our operations. If we fail to service such debt obligations or are unable to comply with any of these covenants, we could be in default under such debt obligations and our liquidity and financial condition could be materially and adversely affected.

Negative publicity, including adverse information on the Internet may have a material adverse effect on our business, reputation and the trading price of our Shares.

There could be from time to time negative publicity about us, our Shareholders and affiliates, our brand, management, vendors as well as products and services provided by us. Negative reviews on the properties managed by us, products and services provided by us, our business operations and management may appear in the form of Internet postings and other media sources from time to time and we cannot assure you that other types of negative publicity will not arise in the future. For example, if our services fail to satisfy our customers, our customers may disseminate negative opinions about our services through popular social platforms. Partner vendors for our service may also be subject to negative publicity for quality of their products and services or other public relation incidents with respect to such vendors, which may adversely affect the sales of their products or services on us and indirectly affect our reputation. Any such negative publicity, regardless of veracity, could materially and adversely affect our business, our reputation and the trading price of our H Shares.

Termination and non-renewal of our existing agreements may be detrimental to our reputation.

Both termination and non-renewal of property management service agreements may be detrimental to our reputation, and we may experience material adverse effects to our brand value. We believe that our brand value is essential to our ability to procure new property management service agreements. Failure to cultivate our brand value may diminish our competitiveness within the industry and lead to an adverse effect on our growth prospects and results of operations.

Our reputation may be adversely affected by customer complaints relating to the services provided by our Group even if they may be frivolous or vexatious.

Our customers may file complaints or claims against us regarding our services. Our customers include government agencies, public authorities, property developers, property owners, residents and tenants, and our business is to provide city services, residential property management services and commercial property management services to them. These customers may have different expectations on our services and how their properties should be managed. As a result, during our ordinary course of business, we need to strike a balance among these varying expectations among different groups of customers.

There is no assurance that all customers' expectations and demands can be addressed in a timely and effective manner. In addition, there is no guarantee that certain individual customers and/or groups of customers of a property under our management will not have specific demands or expectations which are beyond what we can provide within our normal course of operations. Furthermore, there is no guarantee that, in order to compel us to meet these demands, such customers will not attempt to exert pressure on us by means beyond our control, such as by way of lodging or making frivolous or vexatious complaints directly to us or through various media sources. Any of such events or any negative publicity thereof, regardless of veracity, may distract our management's attention and may have an adverse effect on our business, our reputation and the trading price of our H Shares.

During the Track Record Period and up to the Latest Practicable Date, we had not received any complaints from our customers that would have a material adverse impact on our results of operations and financial condition. Nevertheless, we cannot assure you that we will not receive any customer complaints that may affect our reputation even if the complaints are frivolous or vexatious.

Damage to the common areas of the properties as well as public facility and infrastructure under our management may adversely affect our business, financial position and results of operations.

The common areas of the properties as well as the public facility and infrastructure under our management may suffer damage due to causes beyond our control, including but not limited to natural disasters, accidents or intentional damage. For residential properties, although they typically establish special funds to pay for the repair and maintenance costs of common areas as required by relevant PRC laws and regulations, we cannot guarantee that balances in such funds will be sufficient to cover the necessary costs. For non-residential properties, we may be found liable for the damages caused. 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 extensive. At times additional resources may have to be allocated to assist police and other governmental authorities in investigating criminal actions that may have been involved if the damage is caused by a third party.

As a comprehensive city service and property management service provider, we may be viewed as responsible for restoring the common areas in the properties as well as public facility and infrastructure, and assisting any investigative efforts. For residential properties under our management, in the event that there is any shortfall in the special funds necessary to cover all the costs involved, we may have to compensate for the difference with our own resources. We would need to collect the amount of the shortfall from the property owners or residents later. To the extent that our attempts are unsuccessful, we may experience material adverse effects on our business, financial position and results of operations. For non-residential properties under our management, we may need to bear repair costs out of our pocket, which could also result in material adverse impact on our results of operations and financial condition. As we intend to continue growing our business, the likelihood of such occurrences may rise in proportion to any increases in the number of our managed properties and the scale of municipal facilities we manage.

We are exposed to interruptions and security risks in relation to our information technology systems and third-party online payment platforms, which may result in disruption of our operations.

We adopt information technology systems to manage our key operational functions. For example, we rely on our Kingfar Select (經發甄選) WeChat mini program to provide basic property management services and value-added services, which involve, among others, the collection and management of customer inquiries, requests and feedbacks, responding to our customers' requests, and organizing and tracking of our responses. Please see "Business—Data Security and Privacy" for more information. We operate under an integrated system where information related to human resources and financials is processed automatically. However, we cannot guarantee that damages or interruptions caused by power outages, computer viruses, hardware and software failures, telecommunication failures, fires, natural disasters, security breaches and other similar occurrences relating to our information technology systems will not occur in the future. If we fail to detect any system error or malfunction, continue to upgrade our information technology systems and network infrastructure, or take other measures to improve the efficiency of our information technology systems, system interruptions or delays could occur, which could adversely affect our operating results. In addition, occasional system interruptions and delays may occur to our information technology systems, including our Kingfar Select (經發甄選) or any other customer service systems that make our services unavailable or difficult to access, and prevent us from promptly responding or providing services to our customers, which could reduce the attractiveness of our services and even incur losses to our customers who may bring legal proceedings against us. Moreover, we may incur significant costs in restoring any damaged information technology systems or to comply with any relevant data protection requirements under the relevant PRC laws and regulations. Failures in or disruptions to our information technology systems and loss or leakage of confidential information could cause transaction errors, processing inefficiencies and the loss of customers and sales. We may thus experience material adverse effects on our business and results of operations.

We accept payments via various payment methods, including by not limited to online payments through third-party payment platforms. These online payments involve the transmission of confidential information such as credit card numbers, personal information and billing addresses over public networks. A secured transmission of confidential information would be essential to maintain consumer confidence. As the prevalence of using online payment methods increases, associated online crimes will likely increase as well. We have no control over the security measures taken by providers of our third-party platforms. In the event that the security and integrity of these third-party platforms are compromised, we may experience material adverse effects on our ability to process our revenue derived from our basic property management services and value-added services provided through our service platforms. In addition, increasing and enhancing our security measures and efforts as well as legal compliance during the use of the third-party payment platforms may impose additional costs and expenses but still not guarantee complete safety and compliance. We are exposed to litigation and possible liability in relation to security breaches of the online payment platforms for failing to secure confidential user information. Even if a security breach did not occur on the online payment platforms that we use, if an Internet or mobile network security breach were to occur, the perceived security of online payment platforms in general may be adversely affected and cause users to be reluctant to further use our services. Any leak of confidential information or data, breach of network security, personal data security, or other misappropriation or misuse of personal information, including users' personal information without prior and proper consent, could cause interruptions in the operations of our business and subject us to increased costs, litigation and other liabilities, which could materially and adversely affect our business, financial position, results of operations and our reputation.

We may be exposed to food safety liabilities from disputes involving catering services offered and advertised on our online service platforms.

We provide catering services by preparing meals primarily to (i) government agencies and public authorities; (ii) the general public through the canteens that we operate; and (iii) property owners and staff of property developers or tenants. We may therefore be subject to food safety liabilities arising from food provision under the Civil Code of the PRC, the Laws on the Protection and Rights and Interests of Consumers of the PRC and other relevant PRC laws and regulations. For instance, claims may be brought against us by our customers or consumers of the food we cater, regulatory authorities or other third parties alleging, among other things, that: (i) the quality of the food provided by or through us via our catering services fail to conform to required product quality; or (ii) such food is defective or spoiled and may be harmful to others.

We currently do not carry any food safety liability insurance coverage. Any food safety liability claim or governmental regulatory action could be costly and time-consuming. We could be required to pay substantial damages as a result of such claim or action. A material food safety issues or heightened regulatory scrutiny could each result in increased food safety liability claims. Furthermore, these events could materially harm our brand and reputation and marketability of our catering services, cause us to lose our existing customers, divert our management's attention and have a material adverse effect on our business, financial position and results of operations.

Failure to protect confidential information of our customers and our network against security breaches, any actual or perceived failure by us or third parties to comply with applicable data protection laws and regulations or privacy policies could harm our business, financial condition and results of operations.

We collect, store and process personal and other sensitive data from our customers, such as addresses and phone numbers. Our security measures may be breached due to employee error, malfeasance, system errors or vulnerabilities, or other factors beyond our control. Outside parties may also attempt to fraudulently induce employees to disclose sensitive information in order to gain access to our data or our customers' data. Because techniques used to sabotage or obtain unauthorized access to systems change frequently and generally are not recognized until they are launched against a target, we may be unable to anticipate these techniques or to implement adequate preventative measures. Any accidental or willful security breaches or other unauthorized access to our platforms could cause confidential customer information to be stolen and used for unlawful purposes. Security breaches or unauthorized access to confidential information could also expose us to liability related to the loss of the information, time-consuming and expensive litigation and negative publicity.

Under the Cyber Security Law of the People's Republic of China (中華人民共和國網絡安全法) (the "**Cyber Security Law**"), network operators are generally obligated to protect their networks against disruption, damage or unauthorized access, and to prevent data leakage, theft or tampering. In addition, they will also be subject to specific rules depending on their classification under the multi-level network security protection scheme. With respect to personal information protection, the Cyber Security Law requires network operators not to disclose, tamper with or damage personal information collected or generated in the business operation, and they are obligated to delete unlawfully collected information and to amend incorrect information. In addition, network operators may not collect, use or provide personal information to others without consent. Moreover, the Provisions on Protection of Personal Information of Telecommunication and Internet Users (電信和互聯網用戶個人信息保護規定) is the specialized regulation governing the collection and use of personal information of users in the provision of telecommunication service and Internet information services. These laws and regulations are evolving. The evolving PRC regulations regarding (i) data collection, usage and transfer; and (ii) cyber security may lead to future restrictions and the establishment of new regulatory agencies, and we may bear more legal responsibilities and compliance costs, which may have an adverse effect on our prospects. If security measures are breached because of third-party action, employee error, malfeasance or otherwise, or if design flaws in our technology infrastructure are exposed and exploited, our reputation and brands could be severely damaged and we could incur significant liability, and our business, financial condition and results of operations could be adversely affected.

Our success depends, in part, on our ability to attract and retain qualified management members and employees.

Our continued success is partially dependent upon the efforts of our Directors, senior management and other qualified employees who are experienced in property management and related industries. For example, Mr. Wu Suozheng (吳鎖正), Mr. Sun Qi (孫琦), Mr. Wang Gang (王剛) and Mr. Li Xiuyuan (李修遠) have extensive experience and deep industry knowledge. We believe their professional skills and high status in the industry will make us more competent and outstanding. If a material number of our qualified employees leaves and we are unable to promptly hire and integrate a suitable replacement, our business, financial position and results of operations may be materially and adversely affected. In addition, the future growth of our business will depend, in part, on 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 position and operating results could be materially and adversely affected. Please see "Directors, Supervisors and Senior Management" for more information.

Our failure to protect our intellectual property rights could have a negative impact on our business and competitive position.

Our intellectual properties are our crucial business assets, which are key to our daily operation and essential to our future growth. The success of our business depends substantially upon our continued ability to use our trade names and trademarks to increase brand recognition and to develop our business brands. Please see "Business—Intellectual Property" and "Appendix V—Statutory And General Information—2. Intellectual property rights of our Group" for further information. Unauthorized reproduction or infringement of our trade names or trademarks could diminish the value of our brands as well as our market reputation and competitive advantages. The unauthorized third party may use our intellectual property in ways that damage our reputation and brand names, such as providing services that are at lower standards or handling customer relationship in bad manner.

We rely on a combination of trademarks, confidentiality procedures and contractual provisions as well as legal registration to protect our intellectual property rights. Nevertheless, we cannot guarantee that such measures provide full protection. Policing unauthorized use of proprietary information can be difficult and expensive. If we fail to detect unauthorized use of, or take appropriate steps to enforce, our intellectual property rights, it could have a material adverse effect on our business, results of operations and financial position.

We may fail to obtain or renew required permits, licenses, certificates or other relevant PRC Governmental approvals and filings necessary for our business operations, which may materially and adversely affect our business and results of operations.

We are required to obtain certain governmental approvals in the form of permits, licenses and certificates or other approvals and filings in order to provide our services, and the material permits, licenses and/or certificates, such as business license, Food Operation Licenses (食品經營許可證) and Security Service License (保安服務許可證). Generally, they are only issued or renewed after certain conditions have been satisfied. We cannot assure you that we will not encounter obstacles toward fulfilling such conditions that delay us in obtaining or renewing, or result in our failure to obtain or renew, the required governmental approvals. Moreover, we anticipate that the PRC Government and relevant authorities will promulgate new policies in relation to the conditions for issuance or renewal from time to time.

We cannot guarantee that such new policies will not present unexpected obstacles toward our ability to obtain or renew the required permits, licenses and certificates or that we will be able to overcome these obstacles in a timely manner, or at all. Loss of or failure to obtain or renew our permits, licenses and certificates may stall our business operations, possibly leading to material adverse effects on our business and results of operations.

Our residential property management service agreements, public property management service agreements and municipal management service agreements may have been obtained without going through the required tender and bidding process and such agreements may be deemed invalid by relevant judicial authorities in legal proceedings.

According to our PRC Legal Advisors, under applicable PRC laws and regulations, residential property developers shall hire qualified property management service providers through a tender and bidding, and a residential property developer may be required to take rectification measures within a prescribed period and pay fines if it fails to comply with such tender and bidding requirement. In addition, under the Government Procurement Law of the PRC (《政府採購法》) and other applicable PRC regulations, government agencies and public authorities are required to select property management companies for the non-residential properties they own through a tender and bidding if the management of such properties exceeds a certain monetary threshold; if government agencies or public authorities fail to do so, the relevant service agreements may be deemed invalid by relevant judicial authorities. During the Track Record Period, there were occasions where we were engaged to provide residential property management services, public property management services and municipal management services without going through the required tender and bidding process. The abovementioned agreements executed without a tender and bidding process may be deemed invalid by relevant judicial authorities in legal proceedings. If this occurs, we may lose a portion of the revenue from such residential property management service agreements.

Furthermore, for residential projects, the relevant property developer may need to organize a tender and bidding process to select a residential property management service provider for their developed projects. In such scenario and if we do not win the tender and bidding, we may not continue our residential property management services for the relevant projects and, as a result, our revenue and business may be negatively impacted. Please see "Business—Portfolio of Properties under Management— Tender Process" for more details.

None of our lease agreements was registered with the relevant government authorities, which may expose us to potential fines.

Pursuant to relevant PRC regulations, parties to a lease agreement are required to file the lease agreements for registration and obtain property leasing filing certificates for their leases. During the Track Record Period, we rented a property that we own to a third-party tenant for rental income. As of the Latest Practicable Date, we leased 20 properties from landlords mainly for our office, staff accommodation and canteens, and we failed to register the lease agreement under which we are the landlord and the lease agreements under which we are the tenants. The failure to register the lease agreements does not affect the validity of the lease agreements under the relevant PRC laws and regulations, or our rights or entitlements to lease out the investment properties to tenants. However, we may be required by relevant government authorities to file the lease agreements to complete the registration formalities and may be subject to a fine for non-registration within the prescribed time limit, which may range from RMB1,000 to RMB10,000 per lease agreement. The imposition of the above fines could require us to make additional efforts and/or incur additional expenses, any of which could materially and adversely impact our business, financial condition and results of operations. We cannot assure you that the other parties to our lease agreements will be cooperative and that we can complete the registration of these lease agreements and any other lease agreements that we may enter into in the future. Please see "Business—Properties" for more information.

Our insurance may not sufficiently cover, or may not cover at all, losses and liabilities we may encounter during the ordinary course of operation.

We purchase and maintain insurance policies that we believe to be aligned with the standard commercial practice in our industry and as required under relevant laws and regulations. Please see "Business—Insurance" for more information. However, we cannot assure that our insurance coverage will be sufficient or available to cover damage, liabilities or losses we may incur in the ordinary course of our business. We do not carry any business interruption insurance or litigation insurance as aligned with the customary market practice in the PRC, as advised by CIA. In addition, there are certain losses for which insurance is not available in the PRC on commercially practicable terms, such as losses suffered due to business interruptions, earthquakes, typhoons, flooding, war or civil disorder. If we are held responsible for any such damages, liabilities or losses and there is an insufficiency or unavailability of insurance, we could suffer significant costs and diversion of our resources, and thereby materially and adversely affect our business, financial condition and results of operation.

We have failed to register for and/or fully contribute to social insurance and housing provident funds for some of our employees.

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. As advised by our PRC Legal Advisors, (i) under the Regulations on Administration of Housing Provident Fund (住房公積金管理條例), (a) 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 (b) 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; and (ii) according to the Social Insurance Law of the PRC (中華人民共和國社會保險法), 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, we may be liable to a fine of one to three times the outstanding contribution amount. We have made provisions in the amounts of RMB4.0 million, RMB2.5 million and nil to our consolidated statements of comprehensive income in respect of our potential liabilities in 2021, 2022 and 2023, respectively, arising from shortfall in contribution to social insurance and housing provident funds. Please see "Business—Employees—Social Insurance and Housing Provident Fund Contributions" for more information.

We may be subject to penalties from the PBOC or adverse judicial rulings as a result of providing loan financings.

In 2020, as part of Kingfar Group's financing arrangement, we obtained bank loans with an aggregate principal amount of RMB30.0 million and on-lent the same to Kingfar Group at the same interest rate. As a result of such bank loan, we recorded interest income and financial costs during the Track Record Period, but we did not make any profit from such arrangement. We repaid such bank loans and the related interest with the corresponding amount received from Kingfar Group. The bank loans and our on-lending transaction with Kingfar Group had been fully settled as of December 31, 2023. See "Financial Information—Indebtedness—Borrowings—Bank loans" for more details.

As advised by our PRC Legal Advisors, any financing arrangements or lending transactions between non-financial institutions is prohibited by Article 61 of the General Lending Provisions issued by the PBOC.

We may be subject to penalties from the PBOC or adverse judicial rulings as a result of our provision of loan financings to Kingfar Group. Any of these penalties or adverse judicial rulings could have an adverse effect on our business, financial position and results of operations.

We may be involved in legal and other disputes and claims from time to time during the ordinary course of operation.

We may, from time to time, be involved in disputes with and subject to claims by government agencies, public authorities, property developers, property owners, residents and tenants, to whom we provide city services, residential property management services and commercial property management services. Disputes may also arise if they are dissatisfied with our services. In addition, our customers may take legal action against us if they perceive that our services are inconsistent with our contractual service standards. Furthermore, we may from time to time be involved in disputes with and subject to claims by other parties involved in our business, including our subcontractors, suppliers and employees, or other third parties who sustain injuries or damages while visiting properties under our management. All of these disputes and claims may lead to legal or other proceedings or cause negative publicity against us, thereby 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.

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

We may become subject to claims from competitors or third parties alleging intellectual property infringement in our ordinary course of business from time to time. 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 adverse determination, we may be compelled to pay substantial damages or to seek licenses from third parties and pay ongoing royalties on unfavorable terms. Moreover, 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.

We may be subject to fines for any inability to comply with national environmental, health and safety standards.

We are subject to extensive environmental protection, health and labor safety laws, regulations and decrees that impose fines for violation of such laws, regulations or decrees. In addition, there is a growing awareness of environmental, health and labor safety issues, and we may sometimes be expected to meet a standard which is higher than the compulsory requirements. We cannot guarantee that more stringent environmental protection, health and labor safety requirements or standards will not be imposed in the future. We cannot assure you that our procedures and training will be completely effective in satisfying all relevant environmental and safety requirements. If we are unable to comply with existing or future environmental, health and labor safety laws and regulations or are unable to meet public expectations in relation to relevant 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 adversely impact our business, financial position, results of operations and growth prospects.

Accidents in our business may expose us to liability and reputational risk.

Accidents may occur during the course of our business. Work injuries may occur during the ordinary course of our business. For example, common area facility repair and maintenance performed by our employees may involve the handling of tools and machinery that carry the inherent occupational risk of accidents. Hence, we are exposed to risks in relation to work safety, including but not limited to claims for injuries, fatal or otherwise, sustained by our employees or 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. To the extent that we incur additional costs, we may suffer material adverse effects to our business, financial position, results of operations and brand value. In addition, we are exposed to claims that may arise due to employees' or subcontractors' negligence or recklessness when performing repair and maintenance services. We may be held liable for the injuries or deaths of employees, subcontractors, residents or others. We may also experience interruptions to our business and may be required to change the manner in which we operate as a result of governmental investigations or the implementation of safety measures upon occurrence of accidents. Any of the foregoing could adversely affect our reputation, business, financial position and results of operations.

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

We have established risk management and internal control systems consisting of policies and procedures that we believe will contribute to the continued success of our business. However, we cannot guarantee that they will always enable us to detect, prevent and take remedial measures in relation to fraud, negligence or other misconduct (accidental or otherwise) committed by our employees, subcontractors or third parties in a timely and effective manner. Examples of such behavior include crimes such as theft, vandalism and bribery during tenders.

We may be viewed as at least partially responsible for conduct of any of these parties 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 other third parties. To the extent that we cannot recover related costs from the employees, subcontractors or other third parties involved, we may experience material adverse effects on our business, financial position and results of operations. We may also attract negative publicity and incur damages to our reputation and brand value.

RISKS RELATING TO THE GLOBAL OFFERING

Purchasers of our H Shares in the Global Offering will experience immediate dilution and may experience further dilution if we issue additional Shares in the future.

The Offer Price of our H Shares is higher than the consolidated net tangible assets per Share immediately prior to the Global Offering. Therefore, purchasers of our H Shares in the Global Offering will experience an immediate dilution.

In order to expand our business, we may consider offering and issuing additional Shares in the future. Purchasers of our H Shares may experience dilution in the net tangible assets value per Share of their investments in the H Shares if we issue additional Shares in the future at a price which is lower than the net tangible asset value per Share prior to the issuance of such additional Shares.

There has been no prior public market for our H Shares and the liquidity and market price of our H Shares may be volatile.

Prior to the Global Offering, there was no public market for our H Shares. The initial issue price range for our H Shares was the result of negotiations among us and the Joint Overall Coordinators on behalf of the Underwriters, and the Offer Price may differ significantly from the market price for our H Shares following the Global Offering. We have applied for listing of, and permission to deal in, our H Shares on the Stock Exchange. A listing on the Stock Exchange, however, does not guarantee that an active trading. The market for our H Shares will develop, or if it does develop, will be sustained following the Global Offering or that the market price of our H Shares will not decline following the Global Offering.

The liquidity and market price of our H Shares may be volatile, which may result in substantial losses for investors subscribing for or purchasing our H Shares pursuant to the Global Offering.

The price and trading volume of our H Shares may be volatile as a result of the following factors, as well as others, which are discussed in this "Risk Factors" section or elsewhere in this prospectus, some of which are beyond our control:

- variations in our financial position and/or results of operations;
- unexpected business interruptions resulting from, among others, natural disasters or power shortage;
- our inability to compete effectively in the market;
- major changes in our key personnel or senior management;
- loss of visibility in the markets due to lack of regular coverage of our business;

- strategic alliances or acquisitions;
- changings 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;
- changings in investors' perception of us and the investment environment generally;
- our inability to maintain regulatory approval for the operations of our business;
- fluctuations in stock market price and volume;
- announcement made by us or our competitors;
- changes in pricing adopted by our competitors;
- political, economic, financial and social developments in the global economy; and
- involvement in material litigation.

In addition, the securities markets have from time to time experienced significant price and volume fluctuations that are not related or disproportionate to the operating performance of particular companies. For instance, during the global economic downturn and financial market crisis begun around the middle of 2008, the global stock markets witnessed drastic price drops with heavy unprecedented selling pressure. Many stocks fell significantly from their peaks in 2007 and there were similar stock price movements were observed in the second half of 2011 as certain recent adverse financial developments have affected the global securities and financial markets. These developments include a general global economic downturn, substantial volatility in equity securities markets, and volatility and tightening of liquidity in credit markets. While it is difficult to predict how long these conditions will last, they could continue to present risks for an extended period of time, in interest expense on our bank borrowings, or reduction of the amount of banking facilities currently available to us. If we experience such fluctuations, results of operations and financial position could be materially and adversely affected. Moreover, market fluctuations may also materially and adversely affect the market price of our H Shares.

Future issues, offers or sales of our Shares may adversely affect the prevailing market price of our H Shares.

Future issues of the Shares by our Company or the disposal of the Shares by any of our Shareholders or the perception that such issues or sale may occur, may negatively affect the prevailing market price of the H Shares. Moreover, future sales or perceived sales of a substantial amount of our H Shares or other securities relating to our H Shares in the public market may cause a decrease in the market price of our H Shares, or adversely affect our ability to raise capital in the future at a time and at a price which we deem appropriate. Our Shareholders may experience dilution in their holdings in the event we issue additional securities in future offerings.

Upon the completion of the Global Offering, assuming the Over-allotment Option is not exercised, there will be 50,000,000 Unlisted Domestic Shares, representing 75.0% of the total share capital of the Company; pursuant to the Global Offering, there will be 16,666,800 H Shares, representing 25.0% of the total share capital of the Company; In addition, our Unlisted Domestic Shares may be converted into H Shares, and such converted H Shares may be listed or traded on an overseas stock exchange, provided that prior to the conversion and trading of such converted Shares, any requisite internal approval processes shall have been duly completed and the approval from or filing with the relevant regulatory authorities, including CSRC, shall have been obtained or completed in accordance with the regulations of the State Council's securities regulatory authorities as well as regulations, requirements and procedures of relevant overseas stock exchanges. No class shareholder vote is required for the conversion of such Shares and the listing and trading of the converted Shares on an overseas stock exchange. Future sales, or perceived sales, of the converted Shares may adversely affect the trading price of H Shares.

Certain facts, forecast and statistics contained in this document are derived from publicly available official government sources and they may not be reliable.

Certain facts, forecasts and statistics in this document relating to the PRC, the PRC economy and industries relevant to us have been derived from various official government publications, the CIA and publicly available sources. We have taken reasonable care in the reproduction or extraction of the official government publications for the purpose of disclosure in this document. However, the information from official government sources has not been prepared or independently verified by us, the Sole Sponsor, the Joint Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, or any of their respective affiliates or advisors and, therefore, we make no representation as to the accuracy of such facts, forecast and statistics, which may not be consistent with other information compiled within or outside the PRC. 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 with respect to other economies. Further, there is no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as the case may be in other jurisdictions.

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

During the Track Record Period, we did not declare or distribute dividend. The payment and amount of dividends (if any) will depend upon our results of operations, cash flows, financial position, statutory and regulatory restrictions on the dividends paid by us, future prospects and any other conditions that our Directors may deem relevant and will be subject to the approval of our Shareholders. We cannot guarantee that dividends of any amount will be declared or distributed in any year. Please see "Financial Information—Dividend Policy" in this prospectus.

Our Controlling Shareholder has substantial control over the Company and its interests may not be aligned with the interests of the other Shareholders.

Prior to and immediately following the completion of the Global Offering, our Controlling Shareholder will remain having substantial control over its interests in the share capital of our Company. Subject to the Articles of Association and the Companies Ordinance and the Listing Rules, the Controlling Shareholder by virtue of their controlling beneficial ownership of the share capital of the Company, will be able to exercise significant control and exert significant influence over our business or otherwise on matters of significance to us and other Shareholders by voting at the general meeting of the Shareholders and at Board meetings. The interests of the Controlling Shareholder may differ from the interests of other Shareholders and the Shareholders are free to exercise their votes according to their interests. To the extent that the interests of the Controlling Shareholder conflict with the interests of other Shareholders, the interests of other Shareholders can be disadvantaged and harmed.

Our management has significant discretion as to how to use the net proceeds of the Global Offering, and you may not necessarily agree with how we use them.

Our management may use the net proceeds from the Global Offering in ways that you may not agree with or that do not yield a favorable return to our Shareholders. By investing in our Shares, you are entrusting your funds to our management, upon whose judgment you must depend, for the specific uses we will make of the net proceeds from this Global Offering. Please see "Future Plans and Use of Proceeds" for more information.

Investors should read the entire prospectus carefully and should not consider any particular statements in published media reports without carefully considering the risks and other information contained in this prospectus.

There may be coverage in the media regarding the Global Offering and our operations. There had been, prior to the publication of this prospectus, and there may be, subsequent to the date of this prospectus but prior to the completion of the Global Offering, press and media coverage regarding us and the Global Offering, which contained, among other matters, certain financial information, projections, valuations and other forward-looking information about us and Global Offering. We do not accept any responsibility for the accuracy or completeness of the information and make no representation as to the appropriateness, accuracy, completeness or reliability of any information disseminated in the media. To the extent that any of the information in the media is inconsistent or conflicts with the information contained in this prospectus, we disclaim it. Accordingly, prospective investors should read the entire prospectus carefully and should not rely on any of the information in press articles or other media coverage. Prospective investors should only rely on the information contained in this prospectus to make investment decisions about us.

Forward-looking information is subject to risks and uncertainties.

This prospectus contains forward-looking statements and information relating to us and our operations and prospects that are based on our current beliefs and assumptions as well as information currently available to us. When used in this prospectus, the words "anticipate," "believe," "estimate," "expect," "plans," "prospects," "going forward," "intend" and similar expressions, as they relate to us or our business, are intended to identify forward-looking statements. Such statements reflect our current views with respect to future events and are subject to risks, uncertainties and various assumptions, including the risk factors described in this prospectus. Should one or more of these risks or uncertainties materialize, or if any of the underlying assumptions prove incorrect, actual results may diverge significantly from the forward-looking statements in this prospectus. Whether actual results will conform with our expectations and predictions is subject to a number of risks and uncertainties, many of which are beyond our control, and reflect future business decisions that are subject to change. In light of these and other uncertainties, the inclusion of forward-looking statements in this prospectus should not be regarded as representations that our plans or objectives will be achieved, and investors should not place undue reliance on such forward-looking statements. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set out in this section. We do not intend to update these forward-looking statements in addition to our on-going disclosure obligations pursuant to the Listing Rules or other requirements of the Stock Exchange.

In preparation for the Global Offering, we have sought the following waivers from strict compliance with the relevant provisions of the Listing Rules:

MANAGEMENT PRESENCE IN HONG KONG

According to Rule 8.12 and Rule 19A.15 of the Listing Rules, an issuer must have a sufficient management presence in Hong Kong and in normal circumstances, at least two of the issuer's executive directors must be ordinarily resident in Hong Kong. Currently, all of our executive Directors reside in the PRC.

Our core business and operations are substantially based and conducted in the PRC. It would be practically difficult and commercially unnecessary for us to relocate two of our executive Directors to Hong Kong. We have applied to the Stock Exchange for and the Stock Exchange has granted a waiver from strict compliance with Rule 8.12 and Rule 19A.15 of the Listing Rules, subject to the following conditions:

(1) we have appointed two authorized representatives pursuant to Rule 3.05 of the Listing Rules, who will act as our principal channel of communication with the Stock Exchange and ensure that our Group complies with the Listing Rules at all times. The two authorized representatives appointed are Mr. Wu Suozheng (吳鎖正) ("**Mr. Wu**") and Ms. Fung Po Ting (馮寶婷) ("**Ms. Fung**"). Ms. Fung is ordinarily resident in Hong Kong. Although Mr. Wu resides in the PRC, he possesses valid travel documents and is able to renew such travel documents when they expire to travel to Hong Kong. Each of our authorized representatives will be available to meet with the Stock Exchange in Hong Kong within a reasonable time frame upon the request of the Stock Exchange and will be readily contactable by telephone, facsimile and/or email. Each of our authorized representatives is authorized to communicate on our behalf with the Stock Exchange. Our Company has been registered as a non-Hong Kong Company under Part 16 of the Companies Ordinance and Ms. Fung has also been authorized to accept service of legal process and notices in Hong Kong on behalf of our Company;

(2) both of our authorized representatives have means to contact all of our Directors (including our independent non-executive Directors) promptly at all times as and when the Stock Exchange wishes to contact our Directors for any matters. Directors who are not ordinarily resident in Hong Kong possess or can apply for valid travel documents to visit Hong Kong and will be able to meet with the Stock Exchange within a reasonable period of time, when required. To enhance communication among the Stock Exchange, our authorized representatives and our Directors, (a) each of our Directors has provided his/her respective mobile phone number, office phone number, facsimile number and email address (where available) to our authorized representatives; (b) in the event that a Director expects to travel or is otherwise out of office, he/she will provide the phone number of the place of his/her accommodation to the authorized representatives or maintain an open line of

communication via his/her mobile phone; and (c) each of our Directors and our authorized representatives has provided his/her respective mobile phone number, office phone number, facsimile number and email address (where available) to the Stock Exchange; and

(3) in compliance with Rule 3A.19 of the Listing Rules, we have appointed CEB International Capital Corporation Limited as our compliance advisor (the "**Compliance Advisor**"), which has access at all times to our authorized representatives, Directors and other officers of our Company, and will act as an additional channel of communication with the Stock Exchange. Our Company will keep the Stock Exchange up to date in respect of any change to such details. Our authorized representatives, Directors and other officers of our Company will provide promptly such information and assistance as the Compliance Advisor may reasonably require in connection with the performance of the Compliance Advisor's duties as set forth in Chapter 3A of the Listing Rules. There will be adequate and efficient means of communication between our Company, the authorized representatives, our Directors and other officers and the Compliance Advisor, and to the extent reasonably practicable and legally permissible, our Company will keep the Compliance Advisor informed of all communications and dealings between our Company and the Stock Exchange.

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 inform the Stock Exchange as soon as practicable in respect of any change of our authorized representatives and/or the Compliance Advisor.

JOINT COMPANY SECRETARIES

According to Rules 3.28 and 8.17 of the Listing Rules and Chapter 3.10 of the Guide issued by the Stock Exchange, the secretary of an issuer must be a person who has the requisite knowledge and experience to discharge the functions of the company secretary and is either (i) a member of the Hong Kong Chartered Governance Institute, a solicitor or barrister as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong) or a certified public accountant as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong), or (ii) an individual 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 a company secretary. According to Chapter 3.10 of the Guide, the waiver under Rule 3.28 of the Listing Rules will be granted for a fixed period of time, but in any case, will not exceed three years from the Listing Date (the "**Waiver Period**") and on the conditions that (i) the company secretary in question must be assisted by a person who possesses the qualifications or experience as required under Rule 3.28 and is appointed as a joint company secretary throughout the Waiver Period; and (ii) the waiver can be revoked if there are material breaches of the Listing Rules by the Company.

We have appointed Mr. Li Xiuyuan (李修遠) ("**Mr. Li**") and Ms. Fung as our joint company secretaries. Mr. Li joined our Group in July 2013 and served in various positions at our different departments. He has also been serving as the secretary of our Board since December 2020, where he is primarily responsible for corporate governance and company secretarial matters of our Group. Given Mr. Li's thorough understanding of the overall operations and corporate governance matters of our Group, he is considered as a suitable person to act as a company secretary of our Company. In addition, as our core business and operations are substantially based and conducted in the PRC, our Directors believe that it is necessary to appoint Mr. Li as a joint company secretary whose presence in the headquarters of our Group enables him to attend the day-to-day corporate secretarial matters of our Group. However, given Mr. Li does not possess a qualification stipulated in Rule 3.28(1) of the Listing Rules nor the "relevant experience" set out in Rule 3.28(2) of the Listing Rules, he is not able to solely fulfill the requirements as a company secretary of a listed issuer stipulated under Rules 3.28 and 8.17 of the Listing Rules. In order to provide support to Mr. Li, we have appointed Ms. Fung, an associate member of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in United Kingdom, who possessed the qualifications and experience as required under Rules 3.28 and 8.17 of the Listing Rules, as a joint company secretary to provide assistance to Mr. Li for the Waiver Period so as to enable Mr. Li to acquire the relevant experience (as required under Rule 3.28(2) of the Listing Rules) to duly discharge his duties. Moreover, Mr. Li will also attend relevant trainings to enhance and improve his knowledge of and familiarity with the Listing Rules and the duties of a company secretary of an issuer listed on the Stock Exchange.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules in relation to the appointment of Mr. Li on the condition that (i) Mr. Li will be assisted by Ms. Fung who is qualified under Rule 3.28 of the Listing Rules throughout the Waiver Period; and (ii) the waiver will be revoked if and when Ms. Fung ceases to provide such assistance or if there are material breaches of the Listing Rules by our Company during the Waiver Period.

Before the end of the Waiver Period, our Company must demonstrate and seek the Stock Exchange's confirmation that Mr. Li (i.e. the proposed company secretary not fulfilling the requirement under Rule 3.28 of the Listing Rules) having had the benefit of Ms. Fung's (i.e. the qualified person under Rule 3.28 of the Listing Rules) assistance during the 3-year-period, has attained the relevant experience under note 2 to Rule 3.28 of the Listing Rules and is capable of discharging the function of company secretary so that a further waiver would not be necessary. We will liaise with the Stock Exchange to enable it to assess whether Mr. Li, having had the benefit of Ms. Fung's assistance for three years, will have acquired relevant experience within the meaning of Rule 3.28 of the Listing Rules so that a further waiver will not be necessary.

See "Directors, Supervisors and Senior Management" for the biographical information of Mr. Li and Ms. Fung.

CONTINUING CONNECTED TRANSACTIONS

We have entered into certain transactions which will constitute continuing connected transactions for our Company under the Listing Rules after Listing. We have applied for, and the Stock Exchange has granted us, waivers 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 "Connected Transactions – (B) Continuing Connected Transactions subject to the Reporting, Annual Review and Announcement Requirements but exempt from the Circular and Independent Shareholders' Approval Requirements"; and (ii) the announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the continuing connected transactions as disclosed in "Connected Transactions – (C) Continuing Connected Transaction subject to the Reporting, Annual Review, Announcement, Circular and Independent Shareholders' Approval Requirements." Please see "Connected Transactions" for further information.

DIRECTORS' RESPONSIBILITY STATEMENT

This prospectus, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information with regard to us. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this prospectus misleading.

UNDERWRITING AND INFORMATION ON THE GLOBAL OFFERING

This prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering. For applicants under the Hong Kong Public Offering, this prospectus sets out the terms and conditions of the Hong Kong Public Offering.

The Hong Kong Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and on the terms and subject to the conditions set out herein and therein. No person is authorized to give any information in connection with the Global Offering or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorized by us, the Sole Sponsor, Joint Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, Joint Lead Managers, any of the Underwriters, the Capital Market Intermediaries, any of our or their respective directors, officers, agents, employees or advisors or any other party involved in the Global Offering.

Neither the delivery of this prospectus nor any offering, sale or delivery made in connection with the Offer Shares should, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information contained in this prospectus is correct as at any date subsequent to the date of this prospectus.

Details of the structure of the Global Offering, including its conditions, are set out in the section headed "Structure of the Global Offering" in this prospectus, and the procedures for applying for the Hong Kong Offer Shares are set out in the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus.

The Listing is sponsored by the Sole Sponsor and the Global Offering is managed by the Joint Overall Coordinators. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters pursuant to the Hong Kong Underwriting Agreement and is subject to us and the Joint Overall Coordinators (for themselves and on behalf of the Underwriters) agreeing on the Offer Price. The International Underwriting Agreement relating to the International Offering is expected to be entered into on or about the Price Determination Date, subject to determination of the Offer Price.

FILING PROCEDURES WITH THE CSRC

Our filing procedures with the CSRC in respect of the listing of our H Shares on the Stock Exchange and for the Global Offering were completed on February 7, 2024. In completing such filing, the CSRC accepts no responsibility for our financial soundness, nor for the accuracy of any of the statements made or opinions expressed in this prospectus. No other approvals are required to be obtained for the listing of the H Shares on the Stock Exchange.

DETERMINATION OF THE OFFER PRICE

The Offer Shares are being offered at the Offer Price which will be determined by us and the Joint Overall Coordinators (for themselves and on behalf of the Underwriters) by 12:00 noon on Friday, June 28, 2024 or such other date as agreed between parties.

If, for any reason, the Offer Price is not agreed among us and the Joint Overall Coordinators (for themselves and on behalf of the Underwriters) by 12:00 noon on Friday, June 28, 2024, the Global Offering (including the Hong Kong Public Offering) will not proceed and will lapse.

RESTRICTIONS ON OFFER AND SALE OF THE H SHARES

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to, or be deemed by his, her or its acquisition of the Offer Shares to, confirm that he, she or it is aware of the restrictions on offers of the Offer Shares described in this prospectus.

No action has been taken to permit a public offering of the Hong Kong Offer Shares or the general distribution of this prospectus in any jurisdiction other than in Hong Kong. Accordingly, without limitation to the following, this prospectus may not be used for the purposes of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions and pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

APPLICATION FOR LISTING OF THE H SHARES ON THE STOCK EXCHANGE

We have applied to Stock Exchange for the listing of, and permission to deal in, the H Shares to be issued pursuant to the Global Offering (including any H Shares which may be issued pursuant to the exercise of the Over-allotment Option).

No part of our share capital is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought on the Stock Exchange or any other stock exchange as of the date of this prospectus. All the Offer Shares will be registered on our H Share Registrar in order to enable them to be traded on the Stock Exchange.

Under section 44B (1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, the H Shares on the Stock Exchange is refused before the expiration of three weeks from the date of the closing of the application lists, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to the Company by or on behalf of the Stock Exchange.

COMMENCEMENT OF DEALINGS IN THE H SHARES

Assuming that the Hong Kong Public Offering becomes unconditional in Hong Kong at or before 8:00 a.m. in Hong Kong on Wednesday, July 3, 2024, it is expected that dealings in our H Shares on the Stock Exchange will commence at 9:00 a.m. on Wednesday, July 3, 2024. The H Shares will be traded in board lots of 300 H Shares each, the stock code of the H Shares will be 1354.

H SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the listing of, and permission to deal in, the Offer Shares on the Stock Exchange and our compliance with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the H Shares on the Stock Exchange or any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second settlement day after any trading day. All activities under CCASS are subject to the General Rules of HKSCC and the HKSCC Operational Procedures in effect from time to time. All necessary arrangements have been made for the H Shares to be admitted into CCASS.

Investors should seek the advice of their stockbrokers or other professional advisors for details of the settlement arrangements and how such arrangements will affect your rights and interests as such arrangements may affect their rights and interests.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisors if they are in any doubt as to the taxation implications of subscribing to, purchasing, holding or disposing of, and/or dealing in the H Shares (or exercising rights attached thereto). None of us, the Sole Sponsor, Joint Overall Coordinators, the Joint Global Coordinators the Joint Bookrunners, the Joint Lead Managers, the Capital Market Intermediaries, any of the Underwriters, any of our or their respective directors, agents, employees or advisors or any other person or party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription to, purchase, holding or disposal of, dealing in, or the exercise of any rights in relation to, the H Shares or exercising any rights attached to them.

H SHARE REGISTER AND STAMP DUTY

All of the H Shares issued pursuant to applications made in the Hong Kong Public Offering will be registered on our H Share register of members to be maintained in Hong Kong by our H Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong. Our principal register of members will be maintained by us at our head office in the PRC.

Dealings in the H Shares registered in our H Share register of members will be subject to the Hong Kong stamp duty. See "Statutory and General Information – D. Other Information – 9. Taxation of holders of H Shares" in Appendix V to this prospectus. Investors should seek professional tax advice for further details of Hong Kong stamp duty.

Unless otherwise determined by our Board, dividends will be paid to Shareholders whose names are listed on our register of members in Hong Kong, by ordinary post, at the Shareholders' risk in Hong Kong dollars.

OVER-ALLOTMENT OPTION AND STABILIZATION

Details of the arrangements relating to the Over-allotment Option and stabilization are set out in the section headed "Structure of the Global Offering" in this prospectus.

EXCHANGE RATE CONVERSION

Solely for your convenience, this prospectus contains translations among certain amounts denominated in Renminbi, Hong Kong dollars and U.S. dollars.

Unless indicated otherwise, (i) the translations between Renminbi and U.S. dollars were made at the rate of RMB7.1151 to USD1.00, being the PBOC rate prevailing on the Latest Practicable Date, and (ii) the translations between Hong Kong dollars and Renminbi were made at the rate of RMB0.9109 to HK$1.00, being the PBOC rate prevailing on the Latest Practicable Date.

No representation is made that the amounts denominated in one currency could actually be converted into the amounts denominated in another currency at the rates indicated or at all.

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail. However, the translated English names of the PRC and foreign national, entities, departments, facilities, certificates, titles, laws, regulations (including certain of our subsidiaries) and the like included in this prospectus and for which no official English translation exists are unofficial translations for your reference only. If there is any inconsistency, the names in their original languages shall prevail.

ROUNDING

Any discrepancies in any table in this prospectus between total and sum of amounts listed therein are due to rounding. Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments or have been rounded to one or two decimal places. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them. Where information is presented in thousands or millions of units, amounts may have been rounded up or down.

DIRECTORS

Name	Residential address	Nationality
Executive Directors		
Mr. Wu Suozheng (吳鎖正)	Room 702, Building 18 Rongchuang Xi'an Chenyuan Yanta District Xi'an, Shaanxi PRC	Chinese
Mr. Sun Qi (孫琦)	Room 202, Unit 4, Building 4 Baihualin Tuanyuan No. 777 First Minjing Road Xi'an Economic and Technological Development Zone Xi'an, Shaanxi PRC	Chinese
Mr. Cheng Hongrang (成宏讓)	Room 201, Unit 4, Building 3 No. 1 Fengye North Road Yanta District Xi'an, Shaanxi PRC	Chinese
Non-executive Directors		
Mr. Zhao Junping (趙軍平)	No. 2, Unit 4, Building 12 No.7 Second Dianzi Road Yanta District Xi'an, Shaanxi PRC	Chinese
Mr. Yang Gang (楊剛)	Room 1903, Unit 2, Building 36 Hailun International No. 766 Xiying Road Yanta District Xi'an, Shaanxi PRC	Chinese
Ms. Li Lingxiao (李凌霄)	Room 1601, Unit 2, Building 34 Shengshi Chang'an Community No. 47 Guodu North Street Chang'an District Xi'an, Shaanxi PRC	Chinese

Name	Residential address	Nationality
Independent non-executive Directors		
Mr. Lam Siu Wing (林兆榮)	15A, Tower 1, Grand Central 33 Hip Wo Street Kwun Tong Hong Kong	Chinese
Dr. Jiang Li (姜力)	Flat A, 42/F, Tower 9 Ocean Shores, Tseung Kwan O New Territories Hong Kong	Chinese
Mr. Cao Yang (曹陽)	Room 1702, Tower 17 Xinyuan Phase II Minzhi Avenue Longhua District Shenzhen, Guangdong PRC	Chinese
SUPERVISORS		
Mr. Li Gang (李剛)	Room 072, Unit 2, Building 6 Baihualinju Qinyuan No. 86 Wenjing Road Weiyang District Xi'an, Shaanxi PRC	Chinese
Mr. Bai Xiong (白雄)	Room 3205, Unit 1, Building 7 Tianlang Yuhu Community Fengcheng Eighth Road Weiyang District Xi'an, Shaanxi PRC	Chinese
Mr. Geng Hexiang (耿何翔)	Room 101, Unit 2, Building 8 Baihualinju Guoling No. 86 Wenjing Road Weiyang District Xi'an, Shaanxi PRC	Chinese

For further information regarding our Directors and Supervisors, see "Directors, Supervisors and Senior Management" of this prospectus.

PARTIES INVOLVED IN THE GLOBAL OFFERING

Sole Sponsor	**CEB International Capital Corporation Limited** 34/F-35/F, Everbright Centre 108 Gloucester Road Wanchai Hong Kong
Joint Overall Coordinators	**CEB International Capital Corporation Limited** 34/F-35/F, Everbright Centre 108 Gloucester Road Wanchai Hong Kong
	CMB International Capital Limited 45/F, Champion Tower 3 Garden Road Central Hong Kong
	CCB International Capital Limited 12/F CCB Tower 3 Connaught Road Central Central Hong Kong
Joint Global Coordinators	**CEB International Capital Corporation Limited** 34/F-35/F, Everbright Centre 108 Gloucester Road Wanchai Hong Kong
	CMB International Capital Limited 45/F, Champion Tower 3 Garden Road Central Hong Kong

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

Joint Bookrunners

CEB International Capital Corporation Limited
34/F-35/F, Everbright Centre
108 Gloucester Road
Wanchai
Hong Kong

CMB International Capital Limited
45-46/F, Champion Tower
3 Garden Road
Central
Hong Kong

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

ABCI Capital Limited
11/F, Agricultural Bank of China Tower
50 Connaught Road Central
Central
Hong Kong

ICBC International Securities Limited
37/F, ICBC Tower
3 Garden Road
Hong Kong

CMBC Securities Company Limited
45/F, One Exchange Square
8 Connaught Place
Central
Hong Kong

Shanxi Securities International Limited
Unit A, 29/F, Tower One
Admiralty Centre, 18 Harcourt Rd
Admiralty
Hong Kong

China Everbright Securities (HK) Limited
33/F, Everbright Centre
108 Gloucester Road
Wan Chai
Hong Kong

Zhongtai International Securities Limited
19/F, Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

China Galaxy International Securities (Hong Kong) Co., Limited
20/F, Wing On Centre
111 Connaught Road Central
Hong Kong

Cinda International Capital Limited
45/F, COSCO Tower
183 Queen's Road Central
Hong Kong

Tiger Brokers (HK) Global Limited
1/F 308 Des Voeux Road Central
Hong Kong

Futu Securities International (Hong Kong) Limited
34/F, United Centre
No. 95 Queensway
Admiralty
Hong Kong

Livermore Holdings Limited
Unit 1214A, 12/F
Tower II Cheung Sha Wan Plaza
833 Cheung Sha Wan Road
Kowloon
Hong Kong

Aristo Securities Limited
Room B, 11/F, Golden Star Building
22 Lockhart Road
Wan Chai
Hong Kong

Patrons Securities Limited
Unit 3214, 32/F, Cosco Tower
183 Queen's Road Central
Sheung Wan
Hong Kong

Sunhigh Financial Holdings Limited
Room D, 21/F, Yardley Commercial Building
3 Connaught Road West
Sheung Wan
Hong Kong

Ruibang Securities Limited
9/F, Sang Woo Building
227-228 Gloucester Road
Wanchai
Hong Kong

Joint Lead Managers

CEB International Capital Corporation Limited
34/F-35/F, Everbright Centre
108 Gloucester Road
Wanchai
Hong Kong

CMB International Capital Limited
45-46/F, Champion Tower
3 Garden Road
Central
Hong Kong

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

ABCI Securities Company Limited
10/F, Agricultural Bank of China Tower
50 Connaught Road Central
Central
Hong Kong

ICBC International Securities Limited
37/F, ICBC Tower
3 Garden Road
Hong Kong

CMBC Securities Company Limited
45/F, One Exchange Square
8 Connaught Place
Central
Hong Kong

Shanxi Securities International Limited
Unit A, 29/F, Tower One
Admiralty Centre, 18 Harcourt Rd
Admiralty
Hong Kong

China Everbright Securities (HK) Limited
33/F, Everbright Centre
108 Gloucester Road
Wan Chai
Hong Kong

Zhongtai International Securities Limited
19/F, Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

China Galaxy International Securities (Hong Kong) Co., Limited
20/F, Wing On Centre,
111 Connaught Road Central,
Hong Kong

Cinda International Capital Limited
45/F, COSCO Tower,
183 Queen's Road Central,
Hong Kong

Tiger Brokers (HK) Global Limited
1/F 308 Des Voeux Road Central,
Hong Kong

Futu Securities International (Hong Kong) Limited
34/F, United Centre,
No. 95 Queensway,
Admiralty,
Hong Kong

Livermore Holdings Limited
Unit 1214A, 12/F,
Tower II Cheung Sha Wan Plaza,
833 Cheung Sha Wan Road,
Kowloon,
Hong Kong

Aristo Securities Limited
Room B, 11/F, Golden Star Building,
22 Lockhart Road,
Wan Chai,
Hong Kong

Patrons Securities Limited
Unit 3214, 32/F, Cosco Tower,
183 Queen's Road Central,
Sheung Wan,
Hong Kong

Sunhigh Financial Holdings Limited
Room D, 21/F, Yardley Commercial
Building,
3 Connaught Road West,
Sheung Wan,
Hong Kong

Ruibang Securities Limited
9/F, Sang Woo Building,
227-228 Gloucester Road,
Wanchai,
Hong Kong

Legal advisors to our Company

As to Hong Kong law:
Sidley Austin
Level 39, Two International Finance Centre
8 Finance Street
Central
Hong Kong

As to PRC law:
Beijing Grandway Law Offices
7/F, News Building
No. 26, Jianguomen Inner Street
Dongcheng District
Beijing
PRC

Legal advisors to the Sole Sponsor and the Underwriters

As to Hong Kong law:
Eric Chow & Co. in Association with Commerce & Finance Law Offices
3401, Alexandra House
18 Chater Road
Central
Hong Kong

As to PRC law:
Commerce & Finance Law Offices
12-14th Floor, China World Office 2
No. 1 Jianguomenwai Avenue
Beijing
PRC

Auditors and Reporting Accountants	**KPMG** *Certified Public Accountants* 8th Floor, Prince's Building 10 Chater Road Central Hong Kong
Industry consultant	**China Index Academy** Tower A No. 20 Guogongzhuang Middle Street Fengtai District Beijing PRC
Property valuer	**APAC Asset Valuation and Consulting Limited** 5/F., Blissful Building 243-247 Des Voeux Road Central Hong Kong
Receiving banks	**CMB Wing Lung Bank Limited** 45 Des Voeux Road Central Hong Kong
	Industrial and Commercial Bank of China (Asia) Limited 33/F, ICBC Tower, 3 Garden Road Central Hong Kong

Headquarters in the PRC	Room 10701, Unit 1, Building 3 Xi'an Financial Innovation Center No. 51 Fengcheng Second Road Economic and Technological Development Zone Xi'an, Shaanxi PRC
Registered office in the PRC	Room 10701, Unit 1, Building 3 Xi'an Financial Innovation Center No. 51 Fengcheng Second Road Economic and Technological Development Zone Xi'an, Shaanxi PRC
Principal place of business in Hong Kong	31/F, Tower Two Times Square 1 Matheson Street Causeway Bay Hong Kong
Company's website	**www.xajfwy.com** *(information on this website does not form part of this prospectus)*
Joint company secretaries	**Mr. Li Xiuyuan** (李修遠) Room 10701, Unit 1, Building 3 Xi'an Financial Innovation Center No. 51 Fengcheng Second Road Economic and Technological Development Zone Xi'an, Shaanxi PRC **Ms. Fung Po Ting** (馮寶婷) *(ACG and HKACG)* 31/F, Tower Two Times Square 1 Matheson Street Causeway Bay Hong Kong

Authorized representatives	**Mr. Wu Suozheng** (吳鎖正) Room 10701, Unit 1, Building 3 Xi'an Financial Innovation Center No. 51 Fengcheng Second Road Economic and Technological Development Zone Xi'an, Shaanxi PRC
	Ms. Fung Po Ting (馮寶婷) *(ACG and HKACG)* 31/F, Tower Two Times Square 1 Matheson Street Causeway Bay Hong Kong
Audit Committee	Mr. Lam Siu Wing (林兆榮) *(Chairman)* Mr. Cao Yang (曹陽) Mr. Yang Gang (楊剛)
Remuneration Committee	Mr. Cao Yang (曹陽) *(Chairman)* Dr. Jiang Li (姜力) Ms. Li Lingxiao (李淩霄)
Nomination Committee	Mr. Wu Suozheng (吳鎖正) *(Chairman)* Mr. Cao Yang (曹陽) Dr. Jiang Li (姜力)
Compliance advisor	**CEB International Capital Corporation Limited** 34/F-35/F, Everbright Centre 108 Gloucester Road Wanchai Hong Kong
H Share Registrar	**Computershare Hong Kong Investor Services Limited** Shops 1712-1716, 17th Floor Hopewell Centre 183 Queen's Road East Wan Chai, Hong Kong

Principal banks

Bank of China Limited
Xi'an Wenjing Road Branch
No. 88 Wenjing Road
Weiyang District
Xi'an, Shaanxi
PRC

China Merchants Bank Co., Ltd.
Xi'an Chengbei Branch
No. 132 Weiyang Road
Weiyang District
Xi'an, Shaanxi
PRC

The information and statistics set out in this section and other sections of this prospectus were extracted from the report prepared by CIA, which was commissioned by us, and from various official government publications and other publicly available publications. We engaged CIA to prepare the CIA Report, an independent industry report, in connection with the Global Offering. The information from official government sources has not been independently verified by us, the Sole Sponsor, the Joint Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, the Capital Market Intermediaries, or any of their respective directors and advisors, or any other persons or parties involved in the Global Offering, and no representation is given as to its accuracy.

BACKGROUND AND METHODOLOGIES OF CIA

We have commissioned CIA, an independent market researcher and consultant, to analyze and report data of property management service market in China. CIA is an independent research institute who has extensive experiences researching and tracking the PRC property management industry, and has conducted research on the top 100 property management companies in the PRC, or Top 100 Property Management Companies since 2008. In conducting its research, CIA primarily evaluates property management companies that have managed at least ten properties or have an aggregate GFA of 500,000 sq.m. or more in the past three years. CIA uses research parameters and assumptions and gathers data from multiple primary and secondary sources, including (i) published statistics, websites and marketing materials of property management companies; (ii) surveys and data from the China Real Estate Index System (中國房地產指數系統) and the China Real Estate Statistics Yearbooks (中國房地產統計年鑑), both are published by CIA; (iii) public data from governmental authorities and (iv) data previously gathered from the property management companies.

We have agreed to pay CIA a total fee of RMB490,000 for the preparation a report including various data of the PRC property management industry (the "**CIA Report**"), and for the use and quotation of various data from the CIA Report. In preparing the CIA Report, CIA assumed that: (i) the social, economic and political conditions in China will remain stable during the forecast period; (ii) government policies on the property management industry in China will remain unchanged during the forecast period; (iii) all published data by the relevant statistics bureaus are accurate and (iv) all collected information relating to residential sales transactions from the relevant local housing administrative bureaus are accurate.

Our Directors confirm that after making reasonable inquiries and exercising reasonable care, there is no adverse change in the market information since the date of publication of the CIA Report, which may qualify, contradict or impact the information in this section.

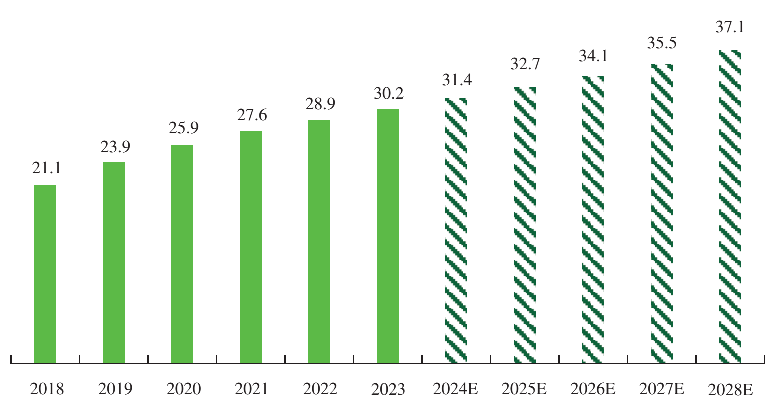
THE PRC PROPERTY MANAGEMENT INDUSTRY

Overview of the Property Management Industry

The PRC property management industry is highly fragmented. The history of the PRC property management industry could be traced back to the early 1980s with the establishment of the first property management company in Shenzhen, Guangdong Province. Since the early 2000s, the PRC Government has sought to construct and update a regulatory framework for the PRC property management industry in parallel with its growth. The PRC Government promulgated an increasing number of regulations over the years, with the aim to promote the rapid growth and standardized operation of the property management industry.

As of December 31, 2023, there were over 200,000 property management companies in China managing a total GFA of approximately 30.2 billion sq.m., raising from a total GFA of approximately 21.1 billion sq.m. as of December 2018. According to CIA, the expected total GFA under management in China is expected to increase from 30.2 billion sq.m. in 2023 to 37.1 billion sq.m. in 2028, representing a CAGR of 7.5%. Property management companies in China provide property management services for various types of properties, include residential properties, commercial properties, public properties, industrial parks, schools and hospitals. The following chart sets out the total GFA and the expected total GFA under management in China in the years indicated:

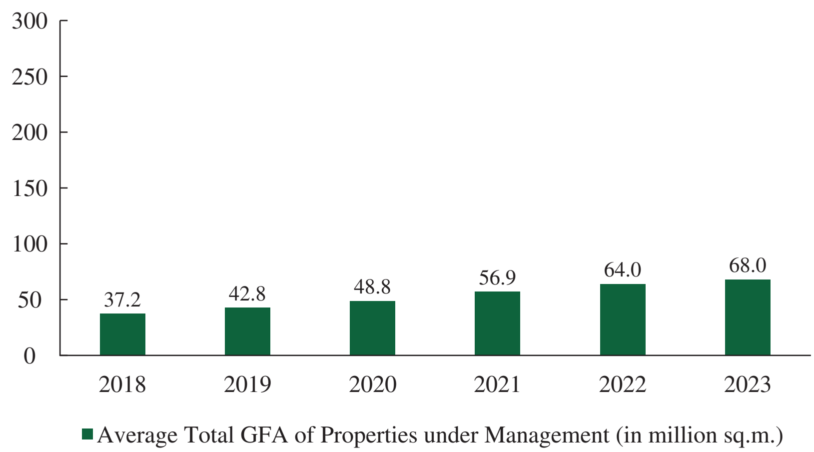
GFA and Expected GFA under Management in China, 2018-2028E
(in billion sq.m.)



Source: CIA

The average total GFA under management by the Top 100 Property Management Companies increased from approximately 37.2 million sq.m. in 2018 to approximately 68.0 million sq.m. in 2023, representing a CAGR of approximately 12.8%. The following chart sets forth the increase in the average GFA under management of the Top 100 Property Management Companies in the years indicated:

Average GFA of Properties under Management of the Top 100 Property Management Companies, 2018-2023

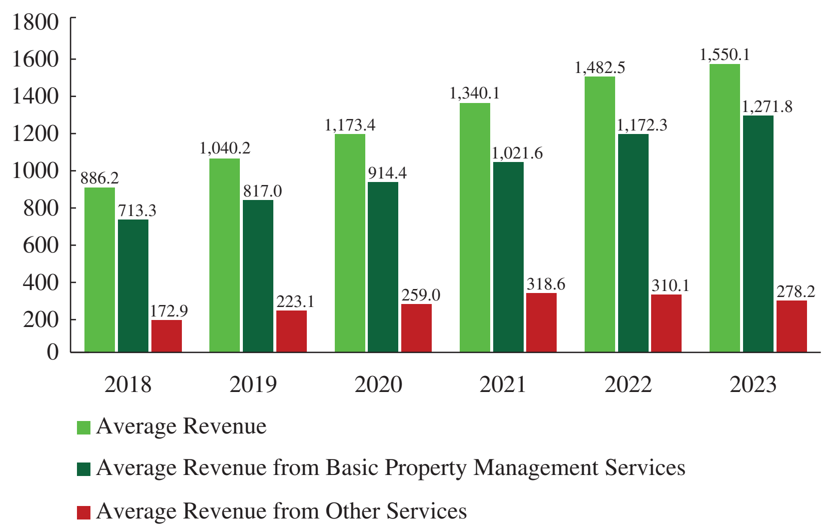


Source: CIA

Property management companies primarily generate revenue from property management services. In addition, property management companies may also generate revenue from value-added services such as property agency services, house cleaning, dry cleaning, repair and maintenance services, elderly care services, sales office management services, private parking management services, preliminary planning and design consultancy services, construction monitoring services and equipment testing and maintenance services, and city services such as municipal cleaning, landscaping, smart parking and lighting management services.

According to the CIA, the average revenue of the Top 100 Property Management Companies increased from RMB886.2 million in 2018 to RMB1,550.1 million in 2023. Specifically, the average revenue from basic property management services of the Top 100 Property Management Companies increased from RMB713.3 million in 2018 to RMB1,271.8 million in 2023, and the average revenue from other services, such as value-added services and city services, increased from RMB172.9 million in 2018 to RMB278.2 million in 2023. The chart below sets forth the average revenue of property management companies in China for the years indicated:

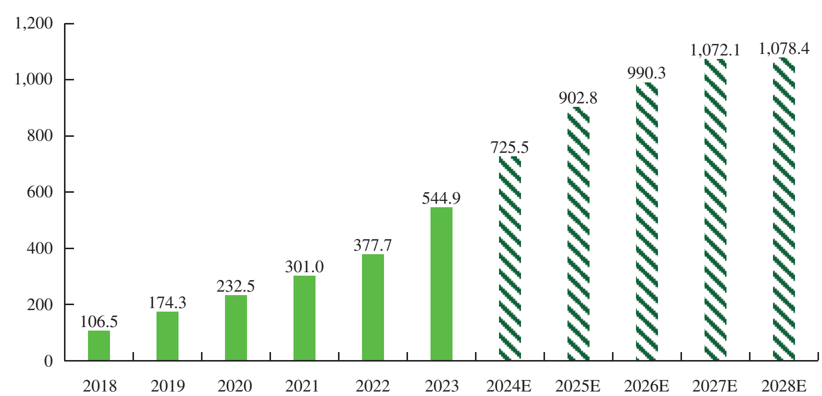
Average Revenue of the Top 100 Property Management Companies, 2018-2023
(RMB in million)



Source: CIA

The market size of city services provided by property management companies in China has been increasing steadily from a total revenue of RMB106.5 billion in 2018 to a total revenue of RMB544.9 billion in 2023, representing a CAGR of 38.6%. In line with the increase of urbanization rate in China, it is expected that the market size of city services provided by property management companies in China will continue to grow. It is expected that the market size of city services provided by property management companies in China will reach RMB1,078.4 billion in 2027. The chart below sets forth the market size of city services provided by property management companies in China for the years indicated:

Market Size of City Services Provided by Property Management Companies in China, 2018-2028E
(RMB in billion)



Source: CIA

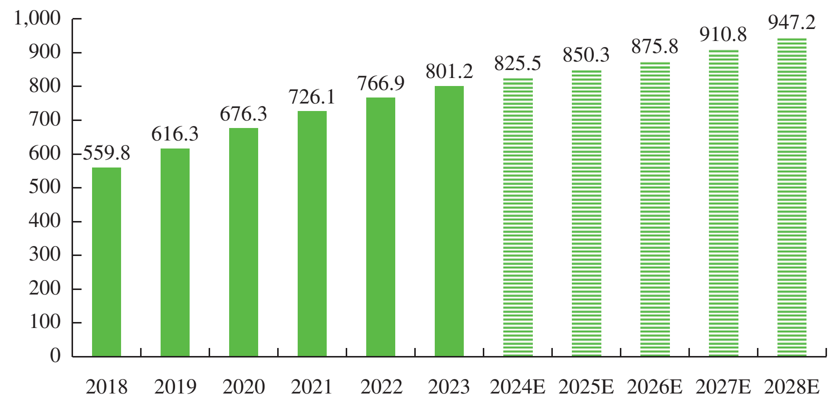
Major Fee Models in the PRC Property Management Industry

In the PRC, property management fees may be charged either on a lump sum basis or a commission basis. The lump sum fee model for property management fees is the dominant fee model in the property management industry in China, especially for residential properties. The lump sum fee model can bring efficiency by dispensing certain collective decision-making procedures for large expenditures by property owners and residents and incentivizing property management service providers to optimize their operations to enhance profitability. On the other hand, the commission is being increasingly adopted for non-residential properties, allowing property owners to become more involved in their property management and service providers to be more closely supervised.

THE PROPERTY MANAGEMENT INDUSTRY IN SHAANXI PROVINCE

As of December 31, 2023, the total GFA under management of the property management companies in Shaanxi Province increased from 559.8 million sq.m. in 2018 to 801.2 million sq.m. in 2023, representing a CAGR of 7.4%. As of the same date, the number of companies operating in the property management industry in Shaanxi province was over 4,000. According to the forecast of CIA, the expected total GFA under management of property management companies in Shaanxi Province is expected to increase from 825.5 million sq.m. in 2024 to 947.2 million sq.m. in 2028, representing a CAGR of 3.5%.

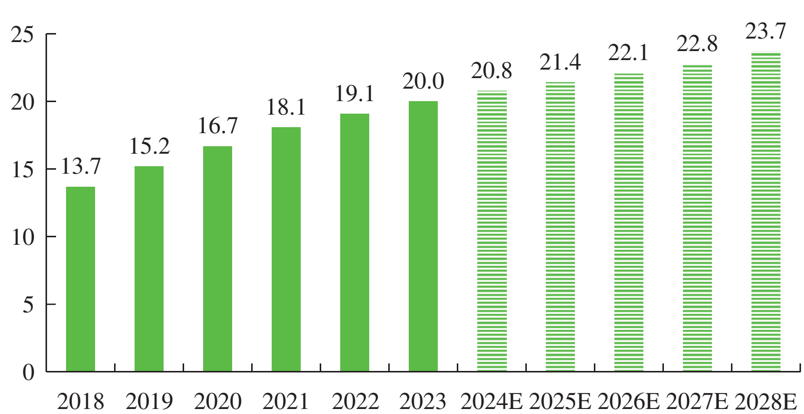
GFA and Expected GFA Under Management In Shaanxi Province, 2018-2028E (in million sq.m.)



Source: CIA

According to the CIA, the total revenue of property management companies in Shaanxi Province increased from RMB13.7 billion in 2018 to RMB20.0 billion in 2023, representing a CAGR of 7.8%. According to the CIA, the expected total revenue of property management companies in Shaanxi Province is expected to increase from RMB20.8 billion in 2024 to RMB23.7 billion in 2028, representing a CAGR of 3.4%. The table below sets forth the total revenue of property management companies in Shaanxi Province for the years indicated:

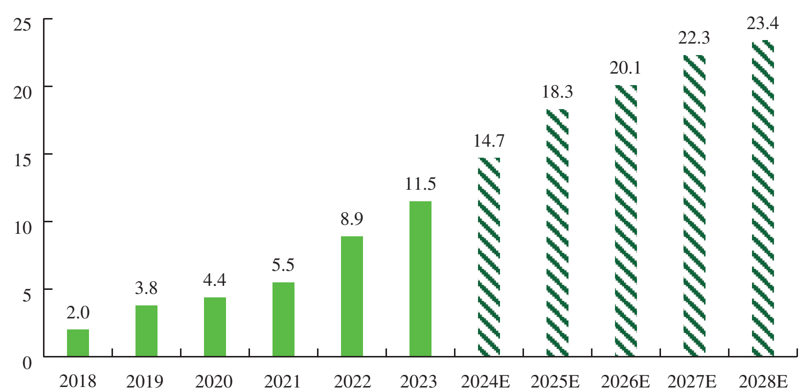
Total Revenue of Property Management Companies in Shaanxi Province 2018-2028E (RMB in billion)



Source: CIA

In addition, the market size of city services provided by property management companies in Shaanxi Province has been increasing steadily from a total revenue of RMB2.0 billion in 2018 to a total revenue of RMB11.5 billion in 2023, representing a CAGR of 41.7% from 2018 to 2023. It is expected that the market size of city services provided by property management companies in Shaanxi Province will reach RMB23.4 billion in 2028. The chart below sets forth the market size of city services provided by property management companies in Shaanxi Province for the years indicated:

Market Size of City Services Provided by Property Management Companies in Shaanxi Province, 2018-2028E (RMB in billion)



Source: CIA

COMPETITIVE LANDSCAPE OF PROPERTY MANAGEMENT SERVICE MARKET IN CHINA AND IN SHAANXI PROVINCE

The PRC property management industry is highly fragmented, with over 200,000 property management companies operating in the industry as of December 31, 2023. The table below sets forth the details of the top five largest property management companies in the PRC in terms of GFA under management in 2023;

Rank	Company	Background	GFA under Management *(sq.m.'000)*	Market Share *(%)*	Listing Status
1.	Country Garden Services Holdings Company Limited (碧桂園服務控股有限公司)	A property management service provider established in 1992, principally engaged in providing services to properties including residential, commercial, office buildings, industrial parks, schools, parks and public buildings.	Over 956,000	Over 3.17	Yes

Rank	Company	Background	GFA under Management *(sq.m.'000)*	Market Share *(%)*	Listing Status
2.	Onewo Space-Tech Service Co., Ltd. (萬物雲空間科技服務股份有限公司)	A property management service provider established in 1990, principally engaged in providing property management services, asset services and facility services.	Over 840,000	Over 2.78	Yes
3.	Poly Property Services Co., Ltd. (保利物業服務股份有限公司)	A property management service provider established in 1996, principally engaged in providing services to properties including residential buildings, office buildings, commercial complexes, among others.	Over 719,000	Over 2.38	Yes
4.	A-Living Smart City Services Co., Ltd. (雅生活智慧城市服務股份有限公司)	A property management service provider established in 1992, principally engaged in providing property management services, value-added services to property owners, city services and extended value-added services.	Over 590,000	Over 1.95	Yes
5.	Evergrande Property Services Group Limited (恒大物業集團有限公司)	A property management service provider established in 1997, principally engaged in providing services to properties including mid- to high-end residential properties, office buildings and commercial properties, among others.	Over 532,000	Over 1.76	Yes

Source: CIA

According to CIA, in terms of GFA under management in Shaanxi Province in 2023, the Company had a market share of approximately 1.8%, ranking the second among the Top 100 Property Management Companies in terms of the market share of GFA under management in Shaanxi Province in 2023. The table below sets forth the details of major players among the Top 100 Property Management Companies in terms of the market share of GFA under management in Shaanxi Province in 2023:

Rank	Company[1]	Background	GFA under Management *(sq.m. '000)*	Market Share *(%)*	Listing Status
1.	Company J	A property management service provider established in 2004, principally engaged in providing services to properties including residential buildings, office buildings, schools and industrial parks.	20,000	2.50	No
2.	Our Company	–	14,088	1.76	No
3.	Company A	A property management service provider established in 1986, principally engaged in providing services to properties including residential buildings, commercial buildings, office buildings and industrial parks.	Approximately 13,000	Approximately 1.62	Yes
4.	Company B	A property management service provider established in 1993, principally engaged in providing clients property management services and asset and resource operation management services.	Approximately 12,000	Approximately 1.50	No
5.	Company C	A property management service provider established in 2018, principally engaged in providing services to properties including residential buildings, office buildings and industrial parks.	Approximately 10,000	Approximately 1.25	No

According to CIA, in terms of GFA under management in Shaanxi Province in 2023, the Company ranked third with a market share of approximately 1.8% among the property management companies operating in Shaanxi Province. The table below sets forth the details of the major players operating in Shaanxi Province in terms of the market share of GFA under management in Shaanxi Province in 2023:

Rank	Company[1]	Background	GFA under Management *(sq.m. '000)*	Market Share *(%)*	Listing Status
1.	Company J	A property management service provider established in 2004, principally engaged in providing services to properties including residential buildings, office buildings, schools and industrial parks.	20,000	2.50	No
2.	Company E	A property management service provider established in 1990, principally engaged in providing property management, asset management and facility services.	Approximately 15,000	Approximately 1.87	Yes
3.	Our Company	–	14,088	1.76	–
4.	Company A	A property management service provider established in 1986, principally engaged in providing services to properties including residential buildings, commercial buildings, office buildings and industrial parks.	Approximately 13,000	Approximately 1.62	Yes
5.	Company B	A property management service provider established in 1993, principally engaged in providing clients property management services and asset and resource operation management services.	Approximately 12,000	Approximately 1.50	No

According to CIA, in terms of revenue from city services in 2023, the Company was ranked first with a market share of approximately 4.6% among the property management companies in Shaanxi Province. The table below sets forth the details of the major players in Shaanxi Province in terms of the market share of revenue from city services in 2023:

Rank	Company(1)	Background	Revenue	Market Share	Listing Status
			(RMB'000)	*(%)*	
1.	Our Company	–	524,908	4.57	No
2.	Company G	A property management service provider established in 2014, principally engaged in providing property management services, city maintenance and management services and scenic operation and management services.	Over 387,000	Over 3.37	No
3.	Company H	A property management service provider established in 1992, principally engaged in providing property management services, community value-added services to property owners and residents and city services and value-added services.	Over 241,000	Over 2.10	Yes
4.	Company I	A comprehensive property management and community living service provider established in 2005, principally engaged in providing property management services, diversified value-added services, city services and digital technology business services.	Over 202,000	Over 1.76	Yes
5.	Company B	A property management service provider established in 1993, principally engaged in providing clients property management services and asset and resource operation services.	Over 184,000	Over 1.60	No

Source: CIA

Note:

(1) During the Track Record Period, considering the relatively dispersed competitive landscape in Shaanxi Province, eligible property management companies for comparing market share and revenue from city services include Onewo Space-Tech Service Co., Ltd. (萬物雲空間科技服務股份有限公司), China Overseas Property Holdings Limited (中海物業集團有限公司), A-Living Smart City Services Co., Ltd. (雅生活智慧城市服務股份有限公司), Gem Flower Property Management Co., Ltd. (寶石花物業管理有限公司), Gemdale Smart Service Group (金地智慧服務集團), Xi'an Hi-Tech Property Service Management Co., Ltd. (西安高科物業服務管理有限公司), Shimao Services Holdings Limited (世茂服務控股股份有限公司) and some local companies in Shaanxi Province. Among these companies, Onewo Space-Tech Service Co., Ltd. (萬物雲空間科技服務股份有限公司), China Overseas Property Holdings Limited (中海物業集團有限公司), A-Living Smart City Services Co., Ltd. (雅生活智慧城市服務股份有限公司) and Shimao Services Holdings Limited (世茂服務控股股份有限公司) are publicly listed, while the other companies are not publicly listed.

According to CIA, we were ranked 44th among the Top 100 Property Management Companies in China (中國物業服務百強企業) in terms of operating scale, operating performance, service quality, development potential and social responsibilities in 2023. CIA comprehensively accesses these five factors and publishes the ranking of China's Top 100 Property Management Companies. CIA considers several key items under each of these five factors, including (i) total assets, total number of projects under management, total GFA under management and the number of cities entered under operating scale, (ii) revenue, gross profit, net profit, revenue per capita and operating cost ratio under operating performance, (iii) property owner satisfaction, service fee collection rate, project retention rate, number of rated communities under service quality, (iv) growth rate of revenue, growth rate of total GFA under management, GFA of pipeline projects, total number and composition of employees and investment in intelligent construction under development potential and (v) annual tax payment, number of jobs provided, GFA under management of affordable housing and old communities, and total amount of corporate donations under social responsibilities. In determining such ranking, CIA may assign the same ranking to multiple companies with the same or very close scores, and therefore it is possible that more than 100 companies may be classified as being among the Top 100 Property Management Companies in the industry.

GROWTH DRIVERS OF THE PROPERTY MANAGEMENT INDUSTRY IN CHINA AND SHAANXI PROVINCE

Growth in the Economy, Per Capita Disposable Income and Urbanization Rate in the PRC and Shaanxi Province

China's economy has experienced steady growth from 2018 to 2023, demonstrated by the increase of nominal GDP from RMB91,928.1 billion in 2018 to RMB126,058.2 billion in 2023, representing a CAGR of 6.5%. During the same period, per capita disposable income of urban residents in China increased from RMB39,251 in 2018 to RMB51,821 in 2023, representing a CAGR of 5.7%, which indicates a significant increase of purchasing power of urban residents in China.

In line with the steady growth of China's national growth, Shaanxi province's economy has also experienced rapid growth from RMB2,394.2 billion in 2018 to RMB3,378.6 billion in 2023, representing a CAGR of 7.1%. The GDP of Shaanxi province accounted for 45.7% of the annual GDP of the five provinces in Northwest China and ranked first among the five provinces in Northwest China in 2023. In addition, the average GDP per capita of residents in Shaanxi Province in 2023 was RMB85,448, which was higher than the average of RMB71,471 in the five provinces in Northwest China. The rapid economic growth and relatively developed economy among the five provinces in Northwest China of Shaanxi Province have promoted the continuous increase in the per capita disposable income of residents. The per capita disposable income of urban residents in Shaanxi Province has increased from RMB33,319.0 in 2018 to RMB44,713 in 2023, representing a CAGR of 6.1%. In addition, the per capita disposable income of urban residents in Shaanxi Province was higher than the average of RMB42,099 in the five provinces that compose Northwest China. We expect that, backed with increasing per capita disposable income, the consumers will be increasingly sophisticated and willing to pay premiums for quality services, including high-quality property management services, and have more discretions on spending in goods and services beyond basic necessity.

Further, China's urbanization rate continue to rise with the support of favorable policies such as the New National Urbanization Plan (國家新型城鎮化規劃) (2014-2020). The urbanization rate (being the projected average rate of change of the size of the urban population over the given period of time) in China increased from 61.5% as of December 31, 2018 to 66.2% as of December 31, 2023. The urbanization rate of Shaanxi Province has increased from 58.1% in 2018 to 65.2% in 2023, representing a CAGR of 2.3%. The growing urbanization produce a high demand for property management service and the PRC property management industry is expected to continue to grow in tandem with a rising level of urbanization of the country.

Increased Demand in Quality Property Management Service

According to the CIA, China's significant growth in urbanization and per capita disposable income has been the principal driver for the growth of the property management industry. Chinese consumers increasingly demand better living conditions and quality property management services, which is another underlying reason for the growth of the PRC property management industry. In addition, we believe the emerging middle- to high-income class in the PRC and their growing spending power will have a significant influence on the development of mid- to high-end property management services in the PRC through their demand for more quality products and services.

Driven by customer demand and intense competition, property management companies have invested to improve their service quality and paid more attention to their customers' demands. The Top 100 Property Management Companies have responded to this trend by, among other steps optimizing their traditional property management services and upgrading the quality of their services by applying technological solutions. According to the CIA, property management companies with enhanced service quality might have higher retention rate and maintain stable growth.

Favorable Policies for the Property Management Industry

In June 2003, the PRC Government promulgated the Regulations on Property Management (《物業管理條例》) that established a regulatory framework for the property management industry in China. Since then, a number of laws and rules have come into effect regulating various aspects of the property management industry and numerous policies enacted to promote its development. These include, but are not limited to, the Circular of the NDRC on the Opinions of Relaxing Price Controls in Certain Services (《國家發展和改革委關於放開部分服務價格意見的通知》), the Guidance on Accelerating the Development of the Resident Service Industry to Promote the Upgrading of Consumption Structure (《關於加快發展生活性服務業促進消費結構升級的指導意見》) and the Announcement on Preferential Taxation for the Elderly Care, Child Care, Housekeeping and Other Community Living Services (《關於養老、托育、家政等社區家庭服務業稅費優惠政策的公告》). Furthermore, various provincial and municipal governments have issued their own laws and rules to construct the regulatory frameworks for the local property management industries. We expect that the PRC property management industry will continue to grow on a national scale through government encouragement under the various regulatory frameworks.

On December 25, 2020, the MOHURD, Central Commission for Guiding Cultural and Ethical Progress, National Development and Reform Commission, Ministry of Public Security, MOF, Ministry of Human Resources and Social Security, Ministry of Emergency Management, SAMR and China Banking and Insurance Regulatory Commission jointly issued and implemented the Notice on Strengthening and Improving the Management of Residential Property (《關於加強和改進住宅物業管理工作的通知》), which aimed to improve the pricing mechanism of property services, emphasize the market-oriented pricing tone of residential property management and establish a dynamic adjustment mechanism based on the implementation of government-directed prices. This policy encourages the property management companies to enhance service quality by applying technologies such as IoT, cloud computing, big data and artificial intelligence. Qualified property management companies are encouraged to turn to areas such as elderly care, child care, household services, health services, and real estate brokerage, and to explore the "property services plus living services" mode.

On May 28, 2021, the Ministry of Commerce and other 12 departments jointly issued the Opinions on Promoting the Construction of a Quarter-hour Convenient Living Circle in Cities (《關於推進城市一刻鐘便民生活圈建設的意見》) to promote the construction of quarter-hour convenient living circles in cities, which encourages qualified property service companies to extend their business to the fields of elderly care, childcare, housekeeping, postal express delivery, front warehouse, among other businesses, and promote "property service plus living service" to improve the level of convenience and quality of consumption. These policies have continued to promote the development of quality property management services to cover various sectors in people's daily life and provide more opportunities to property management companies with a strong local presence.

In December 2021, the National Development and Reform Commission and 20 other departments jointly issued the 14th Five-Year Plan for Public Service (《十四五公共服務規劃》), which explicitly provides that by 2025, the public service system will be substantially improved. With the support of public services from the government, people's livelihood and well-being aim to reach a new level. In the same month, the relevant government authorities in Shaanxi Province issued the 14th Five-year Plan for Service Industry Development in Xi'an (《西安市"十四五"服務業發展規劃》), which proposed to build Xi'an as a city with leading residential and family services. The plan focuses on the promotion of the professionalization, scale, standardization, informatization, and network development of the family and community service industry, and the improvement of the family service system for urban and rural residents and convenience of residents' life. Such proposed promotion and improvement aim to upgrade the service standard and quality, bringing residents a higher level of comfort and happiness. In order to implement such Five-year Plan, local or district authorities may promulgate additional preferential measures to encourage property management companies who possess the ability to manage smart communities. This creates opportunities for these property management companies to leverage and benefit from such preferential policies, while relying on their existing smart technology resources. As a result, these property management companies will be among the first movers in market to efficiently adopt high technologies in the properties under their management and continue to strengthen their market recognition. The application of smart technologies will also allow companies to further enhance standardized operations, improve cost efficiency and save energy consumptions. We currently possess and will continue to invest in our smart property management systems empowered by Internet of Things (IoT), which covers core system with building information modeling (BIM), automatic vacuuming, mopping and patrolling devices, data monitoring system, as well as on-line systems and programs for client management. Our smart equipment allows us to bring property owners and residents efficient responses to customer demand and standardized service standard, which, in turn, will enable us to continue enlarging the scale of our projects under management and diversifying our revenue sources. A broader scope of services and revenue sources will allow us to generate additional revenue from basic property management services and value-added services. In addition, with the help of smart technologies, we will reduce manpower required in labor-intensive services and deploy such manpower under other services or in surrounding projects. We will further enhance our labor efficiency by engaging in more projects with the same number of manpower, such that we will further improve our profitability.

In May 2022, the Ministry of Housing and Urban-Rural Development of the PRC and eight other departments jointly issued the Opinions on Further Promoting the Construction of Smart Communities (《關於深入推進智慧社區建設的意見》), which aims to promote the construction of smart communities. It sets out the overall requirements, key tasks and safeguard measures for the construction of smart communities, and proposes to adhere to overall planning, residents demand and safe development to build a smart service circle that is convenient and beneficial to the residents. It proposes to enhance the utilization of digital technologies and big data to build smart community platforms and establish new digital communities. The emphasis on leveraging advanced technologies requires property management companies to deliver efficient and modernized services. It creates an environment conductive to technological integration and innovation within the property management service industry. Consequently, it is expected to enhance the significance of property management services in the community management, expand the scope of property management services and potentially improve property management pricing.

The PRC Government has formulated and implemented a number of policies that intended to further support and promote the growth of the property management industry. The policies have set forth a regulatory framework under which the property management companies are encourage to, among others, expand their services to keep up with the evolving needs of customers by staying technologically innovative, and continue to broaden the business scope of traditional property management services to improve the living standards of customers. In response to these policies, the property management companies are strategically expanding and diversifying the value-added services to non-property developers and communities.

TRENDS IN THE PRC PROPERTY MANAGEMENT INDUSTRY

Increasing Market Concentration and Competition

After decades of development, the top property management companies have accelerated their service innovation and business expansion. In addition, the market continues to become more concentrated, and the players in the PRC property management industry are facing increasingly intense market competition. In the competitive PRC property management industry, large-scale property management companies actively improve their strategic layout and accelerate their expansion in order to increase their respective market shares and achieve better results of operations. Their organic growth, as well as mergers and acquisitions, may expose property management companies to challenges arising from the difficulties in integrating acquired operations with existing businesses. In particular, the market share of the Top 10 Property Management Companies have been increasing from 2020 to 2023. The chart below sets forth the market share of the Top 10 Property Management Companies in terms of GFA under management from 2020 to 2023.

Market Share of the Top 10 Property Management Companies in terms of GFA under Management

Improvement of Service Efficiency and Quality through Application of Technologies

Through the synergies created by the adoption of technologies into property management, an increasing number of property service companies are taking advantage of opportunities brought by mobile internet, information technology, big data and intelligence to deepen business integration, expand scope of value-added services, and further enhance corporate profitability. It is expected that the integration of technologies and property management services will continue to increase.

On the one hand, under the adoption of cloud applications, e-commerce, Internet of Things, big data, artificial intelligence and other information technologies, an increasing number of property service companies are actively using technologies to upgrade services. On the other hand, more property management companies will establish and operate one-stop comprehensive community service platforms, and will effectively carry out value-added services such as community space operation, community finance, community housing brokerage, community e-commerce, community housekeeping, and community elderly care.

Increasing Standardization of Services

Standardization allows property management companies to improve their service quality, which is the foundation for the sustainable expansion of business operations across regions. The PRC Government has issued Guidelines for Accelerating the Development of Consumer Services and Promoting the Upgrading of Consumption Structure (《關於加快發展生活性服務業促進消費結構升級的指導意見》). According to CIA, such policy is to promote the idea of standardizing the quality of property management services. Many of the Top 100 Property Management Companies in China have established internal standardized operating procedures to guide their provision of services. Information technology has played an increasingly important role in property management services in recent years. Property management companies use information technology to implement technological solutions for automating key business operations. Technological solutions minimize human error and allow property management companies to consistently apply their standardized procedures and quality standards. In turn, this reduces their reliance on manual labor and therefore reduces the costs involved in hiring employees and subcontractors as well. Furthermore, centralized information technology enables property management companies to monitor the administrative and financial business operations of their branches, subsidiaries and offices, as well as ensures that they are consistently applying their policies, procedures and quality standards.

Increasing Demand for and Shortage of Professional Staff

With the rapid development of technology, the property management companies need to recruit and retain more qualified professional talents with management and technological skills. Property management companies also increasingly outsource labor-intensive aspects of their operations such as cleaning, landscaping and security to subcontractors while placing greater emphasis on recruiting and training professional and skilled employees to facilitate the implementation of smart management and information technologies, promote innovations to maintain their leading market positions and improve the level of property owner's satisfaction.

The property management industry also faces challenges such as difficulty with recruiting competent professional staff, while at the same time property management industry lacks well trained staff to provide quality services and expand business development. Should the property management companies fail to recruit competent professional staff, the business development of properties management companies may be adversely affected.

Increasing Support from Capital Markets

The development of capital markets continues to intensify. A number of property management companies has participated in capital markets to expand their financing channels. As of December 31, 2022, there were 63 property management companies listed on the stock exchanges, 1 property management company listed on the Shanghai Stock Exchange (上海證券交易所上市), 4 property management companies listed on the Shenzhen Stock Exchange (深圳證券交易所上市), and 58 property management companies listed on the Stock Exchange (香港聯交所上市). By doing so, such listed property management companies are able to increase investment in technology innovation, build up intelligent platforms, strengthen the cooperation with other property management companies, improve service quality and increase operational efficiency. In addition, diversified capital sources enable the property management companies to accelerate selective and strategic mergers and acquisitions, and to further expand the scale of business. We believe the capital markets poses strategic opportunities for properties management companies, in particular the state-owned property management companies with investor recognition.

New Opportunities in Diversified Services and Revenue Sources

In response to the general demand for diversified and high-quality property management services, a growing number of property management companies have been improving the quality of existing services and providing diversified services, such as commissioned administrative services, catering services, public parking management services and on-demand services. Such demands, coupled with the increasing operational pressure driven by cost increases for property management companies, have required property management companies to adjust their traditional business model in order to remain profitable and competitive by consolidating their resources and transforming their operations to achieve sustainable profitability growth. These property management companies have been expanding their scope of services by effectively utilizing the possibilities of the internet and information technology, offering value-added services to their customers. According to CIA, there is vast market potential for community value-added services as they cater to the needs of property owners and residents.

ENTRY BARRIERS

According to CIA, there are a few barriers to enter into the property management industry, including:

- *Brand.* The Top 100 Property Management Companies, including ourselves, have built up their brand reputation through decades of services and operations. In contrast, new participants, without any established brand or cultivated business relationship with industry participants, face increasing difficulty in penetrating the market.

- *Capital requirement*. Capital investment is required as the property management companies adopt automation and intelligent technologies to improve their management efficiency through equipment purchase, smart community management and information technology system. Capital availability possesses high barriers to new participants with limited financing ability.

- *Quality of management.* According to CIA, the expertise and experience of management teams may significantly contribute to the competitiveness of property management companies. Property management companies now have to seamlessly implement technological solutions, management systems, service quality standards and internal policies and procedures across networks of subsidiaries, branches and offices.

- *Availability of talent and technical expertise.* Property management depends on manual labor, not only for the performance of property management services but also for implementing and innovating technological solutions. It is increasingly difficult for property management companies to recruit and retain talented individuals who are up to date with the technological advances in the industry. New market entrants may find it difficult to compete against larger property management companies with better brand value and recognition for talent.

POTENTIAL THREATS AND CHALLENGES TO THE PROPERTY MANAGEMENT INDUSTRY

In addition to the entry barriers described above, in view of the intensifying competition, property management companies are expected to improve their service quality and provide standardized services. While property management companies need to recruit and retain more qualified professional talent, property management companies also need to control costs, in particular labor costs, efficiently. Provision of property management services is labor intensive. As labor costs continue to increase, property management companies need to outsource labor intensive services and take measures to enhance labor cost efficiency. Furthermore, as China's real estate industry continue to experience volatility, the property management industry may be adversely affected. We also face other risks and challenges from:

- *Our business concentration in Shaanxi province*. A substantial portion of our operations are concentrated in Shaanxi. Any natural disaster, epidemic or pandemic affecting Shaanxi will materially and adversely affect our business, financial position and results of operations.

- *Fluctuations in labor and subcontracting costs.* The property management industry is labor-intensive. The proportion of labor costs in operation costs of Top 100 Property Management Companies stabilized between 55% to 59% from 2017 to 2022. As the business of the property companies expands, the number of employees continues to increase. In addition to labor costs, other related costs, such as training expenses and administration expenses, also increase.

- *Regulatory landscape of the PRC property management and real estate industries.* The PRC property management industry and our operations are affected by the relevant regulatory environment and measures. In addition, as a considerable portion of our revenue was generated from our residential property management services, our growth will be indirectly affected by the PRC real estate industry.

- *Intensified competition in the property management market.* The property management industry in China is highly intensive and fragmented. Though the number of property management companies increase, the market concentration rate also increases during the past years. Property owners require higher standards for the service quality and quantity provided by property management companies.

See "Risk Factors – Risks Relating to Our Business and Industry" for details.

PRC REGULATORY OVERVIEW

The following sets forth a summary of the most significant laws and regulations that affect our business in the PRC. Information contained below shall not be construed as a comprehensive summary of laws and regulations applicable to us.

PRC LEGAL SUPERVISION RELATING TO FOREIGN INVESTMENT

All companies established in the PRC are subject to the PRC Company Law (《中華人民共和國公司法》), which was promulgated by the SCNPC on December 29, 1993 and was implemented since July 1, 1994, and was subsequently revised on December 25, 1999, August 28, 2004, October 27, 2005, December 28, 2013 and October 26, 2018. The PRC Company Law provides for the establishment, corporate structure and corporate management of companies, which also applies to foreign-invested enterprises. Where laws relating to foreign investment provide otherwise, such stipulations shall apply.

On March 15, 2019, the Foreign Investment Law of the PRC (《中華人民共和國外商投資法》) was promulgated by the 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**"). Under the Foreign Investment Law, the PRC government implements a system of pre-entry national treatment plus a negative list for the administration of foreign investments, and gives national treatment to foreign investments beyond the negative list. The Implementing Regulations for the Foreign Investment Law (《中華人民共和國外商投資法實施條例》), which was promulgated by the State Council on December 26, 2019 and came into effect on January 1, 2020, provides implementing measures and detailed rules to ensure the effective implementation of the Foreign Investment Law.

Pursuant to the Measures on Reporting of Foreign Investment Information (《外商投資信息報告辦法》) was issued by Ministry of Commerce of the People's Republic of China and State Administration for Market Regulation on December 30, 2019, which came into effect on January 1, 2020, where foreign investors carry out investment activities directly or indirectly within the PRC, foreign investors or foreign-invested enterprises shall report investment information to competent commerce departments through the enterprise registration system and the National Enterprise Credit Information Publicity System.

According to the Provisions on Guiding the Orientation of Foreign Investment (《指導外商投資方向規定》) which was promulgated by the State Council on February 11, 2002 and came into effect on April 1, 2002, foreign investment projects are divided into four categories, namely "encouraged," "permitted," "restricted" and "prohibited" categories. Currently, foreign investment projects of the encouraged are listed in the Catalog of Encouraged Industries for Foreign Investment (Edition 2020) (《鼓勵外商投資產業目錄(2020年版)》) (the "**Encouraged Catalog**"), and foreign investment projects of the restricted and prohibited categories are listed in the Special Administrative Measures for the Access of Foreign Investment (2021) (《外商投資准入特別管理措施(負面清單)(2021年版)》) (the "**Negative List**"). 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.

PRC LEGAL SUPERVISION RELATING PROPERTY MANAGEMENT SERVICES

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 Contract Law of the PRC (《中華人民共和國合同法》), the Property Law of the PRC (《中華人民共和國物權法》) 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.

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.

In accordance with 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》) promulgated by the State Council on January 12, 2017 and taking effect on the same day, the accreditation of Level 2 and Level 3 qualifications of property management enterprises were cancelled. According to the Decision of the State Council on Canceling a Batch of Administrative Licensing Items (《國務院關於取消一批行政許可事項的決定》), which was promulgated by the State Council on September 22, 2017 and came into effect on the same day, the accreditation of Level 1 qualification of property management enterprises was cancelled.

In accordance with 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》), which was promulgated on December 15, 2017 by the MOHURD and became effective on the same day, 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 in any way for property management enterprises to undertake new property management businesses.

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

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. And 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. In addition, 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 (2018 version), 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 service enterprise by property owners and a general meeting of the property owners, a written preliminary service contract should be entered into between the property developer and the selected and engaged property service 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 in the same property management area shall engage property management enterprises by inviting bid. In case where there are less than three bidders or for small-scale properties, the developer can hire property management enterprises by signing an agreement with the approval of the real estate administrative department of the county people's government where the property is located. Where the developer fails to hire the property service enterprise through a tender and bidding process or hire the property service 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 the developer to make correction within a prescribed time limit, issue a warning and impose a 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, public invitation of bids shall be the principal method of government procurement. 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. 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 Interpretation of the Supreme People's Court on Several Issues Concerning the Application of Law in the Trial of Cases of Disputes over Property Management Service (《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》), which was amended on December 29, 2020 and came into effect on January 1, 2021, stipulates the interpretation principles applied by the court when hearing disputes on specific matters between property owners and property management enterprises. For example, 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. And the people's court shall not support a claim if property owners plead as property owners are not a party to the contract.

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 the Measures on the Charges of Property Service Enterprise (《物業服務收費管理辦法》) (the "**Measures on the Charges**"), which was jointly promulgated by the NDRC and the Ministry of Construction on November 13, 2003 and came into effect on January 1, 2004, property management enterprises are permitted to charge fees from owners for the repair, maintenance and management of houses and ancillary facilities, equipment and venues and maintenance of the sanitation and order in relevant regions according to the property service contract. 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 all 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.

Dependent on the agreement between the property owners and property management enterprises, the fees for the property management services can be charged either as a lump sum basis or a management remuneration 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.

In accordance with the Measures on the Charges, 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.

According to the Provisions on Clearly Marking the Prices of Property Services (《物業服務收費明碼標價規定》), which was jointly promulgated by the NDRC and the Ministry of Construction 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 Property Management Pricing Cost Supervision and Examination Approaches (Trial) (《物業服務定價成本監審辦法(試行)》) which was jointly promulgated 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.

At present, no uniform standard for the government guidance price of fees for property management services has been established at the national level. 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 provincial price authorities shall, jointly with the housing and urban-rural development administrative authorities, decide to implement government guidance prices for property service fees for government-supported houses, houses under housing reform, old residence communities and preliminary property management service in light of the actual situation. And the price control on property management service fee of non-government-supported houses was canceled.

In Xi'an, according to the Management Measures of Xi'an Property Service Fees (《西安市物業服務收費管理辦法》), property service fees shall follow the principles of fairness, openness, reasonability and consistency between quality and price, and shall be subject to government-guided prices and market-adjusted prices respectively according to the different nature, characteristics and stages of property services. Property service fees and parking service fees of residential communities (multi-storey and high-rise), low-income housing, renovated housing and old housing without owners' congresses shall be guided by the government, while market adjusted prices shall be applied to those with owners' congresses and other service fees. Property service fees, parking service fees and other service fees other than those set by the government for villas, apartments and residential and commercial complex buildings shall be market-adjusted. The property service fee standard subject to market adjustment shall be stipulated in a contract between the property service enterprise and the owners or the owners' general meeting.

Parking Service Fees

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》) (Fa Gai Jia Ge [2015] No. 2975) (jointly promulgated by NDRC, MOHURD and Ministry of Transport on December 15, 2015 and came into effect on the same day), the fee charged for parking service shall be determined primarily by the market, and the scope of government guidance prices in parking services shall be gradually reduced to encourage the construction of parking facilities by social capital.

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 cancelled at the national level.

In Xi'an, according to the Management Measures of Xi'an Property Service Fees (《西安市物業服務收費管理辦法》), Starting from January 1, 2021, Xi'an has set a guiding standard for parking service fees in property management areas, which shall not exceed RMB80 per month.

Property Management Service Outsourcing

According to the Regulations on Property Management (《物業管理條例》), a property service enterprise may outsource a specific service within the property management area to a specialized service enterprise, but it shall not outsource all the property management business within such area to third parties.

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 became effective on 1 January 2010, and was amended on November 29, 2020 and March 29, 2022, respectively, an entity employing security guards by itself shall, within 30 days after the start of security and guarding services, go through the filing formalities in the public security organ of the people's government of the local districted city.

PRC LEGAL SUPERVISION RELATING TO ESTATE BROKERAGE BUSINESS

According to the Urban Real Estate Administration Law of the PRC (《中華人民共和國城市房地產管理法》) (Order No. 29 of the President), which was promulgated on 5 July 1994, came into effect on 1 January 1995 and revised on 30 August 2007, 27 August 2009 and 26 August 2019, 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》) (Order No. 8 of the MOHURD, the NDRC and the Ministry of Human Resources and Social Security ("**MOHRSS**"), which was promulgated on 20 January 2011, came into effect on 1 April 2011 and revised on 1 March 2016, came into effect on 1 April 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 (《食品經營許可管理辦法》) (issued by the China Food and Drug Administration, taking effect on 1 October, 2015 and amended on 7 November, 2017), 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.

PRC LEGAL SUPERVISION RELATING TO LABOR AND SOCIAL WELFARE

According to Labor Law of the PRC (《中華人民共和國勞動法》), which was promulgated by the SCNPC on July 5, 1994, came into effect on January 1, 1995 and was amended on August 27, 2009 and December 29, 2018, employers shall develop and improve their rules and regulations in accordance with the law to ensure that workers enjoy their labor rights and perform their labor obligations. Employers shall develop and improve the system of labor safety and sanitation, strictly implement the national protocols and procedures on labor safety, guard against labor safety accidents and reduce occupational hazards. Labor safety and sanitation facilities shall meet the relevant national standards. Employers must provide workers with necessary labor protection equipment that meets the safety and hygiene conditions stipulated under national regulations by the State, and conduct regular health checks for workers who engage in operations with occupational hazards. Laborers engaged in special operations must have received specialized training and obtained qualifications for special operations.

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 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》) (勞部發[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.

According to the Regulations on the Administration of Housing Provident Fund (《住房公積金管理條例》), which was promulgated by the State Council on April 3, 1999, and became effective on the same day, and was amended on March 24, 2002 and March 24, 2019, employers shall undertake registration at the competent administrative center of housing fund and then, upon the verification by such administrative center of housing fund, go to a commissioned bank to go through the formalities of opening housing provident fund accounts on behalf of its employees. The employer shall timely pay up and deposit housing provident fund contributions in full amount and late or insufficient payments shall be prohibited. The employer shall process housing provident fund payment and deposit registrations with the housing provident fund administration center. With respect to companies who fail to process housing provident fund registrations or open housing provident fund accounts for their employees, such companies shall be ordered by the housing provident fund administration center to complete such procedures within a prescribed time limit; where failing to do so by the expiration of the time limit, a fine of not less than RMB10,000 nor more than RMB50,000 shall be imposed. When an employer fails to pay up housing provident fund contributions in full amount as due, the housing provident fund administration center shall order it to pay up within a prescribed time limit; where the payment and deposit has not been made after the expiration of the time limit, an application may be made to a people's court for compulsory enforcement.

According to the Plan on Deepening Institutional Reformation of Party and Government (《深化黨和國家機構改革方案》), the collecting agency of social insurance contribution (including but not limited to the basic pension insurance, basic medical insurance, work-related injury insurance and unemployment insurance) will be changed to tax authority. According to the Notice on Conducting the Relevant Work Concerning the Administration of Collection of Social Insurance Premiums in a Steady, Orderly and Effective Manner (《關於穩妥有序做好社會保險費徵管有關工作的通知》) (Shui Zong Ban Fa [2018] No. 142) promulgated by the General Office of the State Administration of Taxation on September 13, 2018 and the Urgent Notice on Implementing the Spirit of the Executive Meeting of the State Council in Stabilizing the Collection of Social Security Contributions (《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) promulgated by the General Office of the Ministry of Human Resources and Social Security and became effective on September 21, 2018, all the local authorities responsible for the collection of social insurance are strictly forbidden to conduct self-collection of historical unpaid social insurance contributions from enterprises. Notice on Implementing Measures to Further Support and Serve the Development of Private Economy (《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) promulgated by the State Administration of Taxation on November 16, 2018, repeated that tax authorities at all levels may not organize self-collection of arrears of taxpayers including private enterprises in the previous years.

PRC LEGAL SUPERVISION RELATING TO 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 regulations 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, regulations 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 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 (the "**Cybersecurity Review Measures**") (《網絡安全審查辦法》) was amended by the CSRC, CAC, the NDRC, the MIIT, the Ministry of Public Security, the Ministry of State Security, the Ministry of Finance (the "**MOF**"), 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. According to our consultation with the Cybersecurity Review Office, it is understood that "foreign listing" does not include listing in Hong Kong. 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. As of the Latest Practicable Date, the Group has not been informed by CAC to any requirement to file for approval for this Listing.

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 became effective on 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.

PRC LEGAL SUPERVISION RELATING TO 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 Internet Measures prohibits an internet content provision operator 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 29 December 2011 and became effective on 15 March 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, MPS 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.

PRC 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 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, 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.

PRC LEGAL SUPERVISION RELATING TO 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

Trademarks are protected by the Trademark Law of the PRC (《中華人民共和國商標法》) promulgated by the SCNPC on August 23, 1982, taking effect on March 1, 1983 and amended on February 22, 1993, October 27, 2001, August 30, 2013 and April 23, 2019, and the Implementation of Trademark Law of the PRC (《中華人民共和國商標法實施條例》) which was promulgated by the State Council on August 3, 2002, amended on April 29, 2014, and went into effect on May 1, 2014. The trademark office of China National Intellectual Property Administration under the SAMR handles trademark registration and grants 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. 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 by improper means in registering a trademark which others have already begun to use and enjoyed certain degree of influence.

Copyright

The Copyright Law of the PRC (《中華人民共和國著作權法》), which was promulgated by the SCNPC on September 7, 1990, came into effect on June 1, 1991 and was amended on October 27, 2001, February 26, 2010 and November 11, 2020, and came in force on June 1, 2021, specifies that works of Chinese citizens, legal persons or other organizations, including literature, art, natural sciences, social sciences, engineering technologies and computer software created in writing or oral or other forms, whether published or not, shall enjoy the copyright. Copyright holder can enjoy multiple rights, including the right of publication, the right of authorship and the right of reproduction.

The Measures for the Registration of Computer Software Copyright (《計算機軟件著作權登記辦法》), 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 contract and transfer contracts of software copyright. The National Copyright Administration is primarily responsible for the registration and management of national software copyright and recognizes the China Copyright Protection Center as the software registration organization. The China Copyright Protection Center will grant certificates of registration to computer software copyright applicants in compliance with the regulations of the Measures for the Registration of Computer Software Copyright and the Regulations on Protection of Computers Software (《計算機軟件保護條例》) which was promulgated by the State Council on June 4, 1991, came into effect on October 1, 1991 and was amended on December 20, 2001, January 8, 2011 and January 30, 2013, respectively.

Domain Name

According to the Administrative Measures for Internet Domain Names (《互聯網域名管理辦法》), which was promulgated by the MIIT on August 24, 2017 and came into effect on November 1, 2017, the MIIT is responsible for managing Internet network domain names of China. 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 about the domain name holder's identity for the registration purpose, and sign the registration agreements. Upon the completion of the registration process, the applicant will become the holder of the relevant domain name.

PRC 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 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, 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.

PRC LEGAL SUPERVISION OVER TAXATION IN THE PRC

Enterprise Income Tax

According to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) (the "**EIT Law**"), which was promulgated by the National People's Congress 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 Implementation Regulations on the EIT Law (《企業所得稅法實施條例》) 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 management 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 the PRC.

According to the EIT Law and the Implementing Regulations of the EIT Law, for dividends payable to investors who 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.

In accordance with the Measures for Administration of Non-Resident Taxpayers' Enjoyment of the Treatment under Tax Treaties (《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 Temporary Regulations of the PRC on Value-Added Tax (《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 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 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 as otherwise provided in the VAT law, tax rate for selling services or intangible assets is 6%.

Furthermore, in accordance with the Notice on Implementing the Pilot Program of Replacing Business Tax with Value-Added Tax in an All-round Manner (《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 State Taxation Administration (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 since 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 shall pay value-added tax instead of business tax.

REGULATIONS ON M&A AND OVERSEAS LISTINGS

On August 8, 2006, six PRC regulatory agencies (namely the MOFCOM, SASAC, the SAT, the SAMR, the CSRC and the SAFE), issued the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (the "M&A Rules") (《關於外國投資者併購境內企業的規定》), which took effect on September 8, 2006 and was amended on June 22, 2009. Foreign investors shall comply with the M&A Rules: when they purchase equity interests of a domestic company or subscribe to the increased capital of a domestic company, and thus changing the nature of the domestic company into a foreign-invested enterprise; or when the foreign investors establish a foreign-invested enterprise in the PRC, purchase the assets of a domestic company and operate the assets; or when the foreign investors purchase the asset of a domestic company, establish a foreign-invested enterprise by injecting such assets and operate the assets. The M&A Rules purport, among other things, to require offshore special purpose vehicles formed for overseas listing purposes through acquisitions of PRC domestic companies and controlled by PRC companies or individuals, to obtain the approval of CSRC prior to publicly listing their securities on an overseas stock exchange.

On February 17, 2023, the CSRC issued the Trial Measures and Supporting Guidelines, which came into effect on March 31, 2023. The Trial Measures and Supporting Guidelines shall apply to the following overseas issuance: (i) direct overseas offerings and listings of PRC domestic companies, and (ii) indirect overseas offering and listing of a foreign company with major business operations and/or assets located in the PRC. The Trial Measures and Supporting Guidelines provide that if the issuer both meets the following criteria, the overseas offering and listing shall be determined as an indirect overseas offering and listing by a PRC domestic company: (i) any of the total assets, net assets, revenues or profits of the domestic operating entities of the issuer in the most recent accounting year accounts for more than 50% of the corresponding figure in the issuer's audited consolidated financial statements for the same period; and (ii) its major operational activities are carried out in the PRC or its main places of business are located in the PRC, or the senior managers in charge of operation and management of the issuer are mostly Chinese citizens or are domiciled in the PRC.

According to the Trial Measures and Supporting Guidelines, an issuer shall submit required filing documents to the CSRC within three business days after the overseas listing application has been submitted to the relevant overseas regulator or listing venue. In addition, following the listing on an overseas market, the issuer shall submit a report to the CSRC within three business days after the occurrence and public disclosure of the following events involving the issuer: (i) change of control; (ii) investigations or sanctions imposed by overseas regulators; (iii) change of listing status or transfer of listing segment; and (iv) voluntary or involuntary delisting. Besides, if any material change in the principal business and operation of the issuer after its overseas offering and listing takes place and results in the issuer no longer within the scope of record-filing under the Trial Measures and Supporting Guidelines, the issuer shall submit a special report and a legal opinion issued by a PRC law firm to the CSRC within three business days after the occurrence of such change in order to provide an explanation of the relevant situation.

The Trial Measures and Supporting Guidelines also stipulate the circumstances where the overseas offering and listing is explicitly prohibited, including: (i) offerings and listings are explicitly prohibited by specific laws and regulations; (ii) offerings and listings constitute threat to or endanger national security; (iii) the PRC domestic company, its controlling shareholder(s), or its actual controller, have committed relevant crimes such as corruption, bribery, embezzlement, misappropriation of property or undermining the order of the socialist market economy during the latest three years; (iv) the listing is under investigations for suspicion of criminal offenses or is involved in major violations of laws and regulations and no conclusion of the investigation has yet been made; or (v) there are material ownership disputes over equity interests held by the controlling shareholder(s) (or by other shareholder who is controlled by the controlling shareholder(s) or the actual controller).

Based on the foregoing, our PRC Legal Advisors are of the view that we need to complete the filing procedures with the CSRC in connection with the Listing pursuant to the Overseas Listing Trial Measures. We submitted a filing to the CSRC for application of the Listing and the Global Offering on September 25, 2023. The CSRC has issued a notification on completion of such filing procedures on February 7, 2024.

On February 24, 2023, the CSRC published the revised Provisions on Strengthening Confidentiality and Archives Administration of 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 "Archives Rules"), which becomes effective from March 31, 2023. The Archives Rules require that, in relation to the overseas listing activities of domestic enterprises, such domestic enterprises, as well as securities companies and securities service institutions providing relevant securities services, are required to strictly comply with the relevant requirements on confidentiality and archives management, establish a sound confidentiality and archives system, and take necessary measures to implement their confidentiality and archives management responsibilities. Under the Archives Rules, the "domestic enterprises" refer to the domestic joint stock limited companies listing overseas directly and the domestic operation entities of a non-PRC company listing overseas. According to the Archives Rules, during the course of an overseas offering and listing, if a domestic enterprise needs to publicly disclose or provide to securities companies, accounting firms or other securities service providers and overseas regulators, any materials that contain relevant state secrets, government work secrets or that have a sensitive impact (i.e. be detrimental to national security or the public interest if divulged), the domestic enterprise should complete the relevant approval/filing and other regulatory procedures.

Overview

Our history can be traced back to 2000, when our Company was established in Xi'an, Shaanxi Province as a state-owned enterprise. We are a state-owned comprehensive city service and property management service provider in Shaanxi Province with presence in Northwest China. We have, through over 20 years of development, established an important market position and built a renowned brand in the city service and property management industry in Shaanxi Province. As of December 31, 2023, we were contracted to provide public property management services, basic residential property management services and basic commercial property management services to 149 projects in China, with a total contracted GFA of 15.0 million sq.m. and a GFA under management of 14.6 million sq.m..

Corporate and Business Milestones

The table below sets out the key corporate and business development milestones of our Group:

Year	Events
2000	Our Company was established.
2002	We commenced our business by providing residential property management services to an Independent Third Party in Xi'an.
2004	We commenced provision of our city services.
2005	We began providing property management services to commercial properties.
2006	We were recognized as a AAA Quality Service Integrity Unit in Shaanxi Province (陝西省質量服務信譽AAA級單位).
2007	We obtained the ISO 9001:2000 Quality Management System Certification.
2010	We became the vice president company of Xi'an Property Management Association (西安市物業管理行業協會副會長單位).
	We began providing public property management services to Xi'an Municipal People's Government Office Area (西安市人民政府辦公大院).
2011	We were awarded the First Grade Qualifications of Property Management Enterprises (物業服務企業一級資質) by the MOHURD.

Year	Events
2017	We launched our commissioned administrative services to local citizens in Jingkai District.
2020	Our Company was converted from a limited liability company to a joint stock company with limited liability.
	We established a subsidiary in Xinjiang as part of our business expansion.
2021	We became the third chairman unit of Xi'an Property Management Association (西安市物業管理協會第三屆會長單位).
2022	We became the third vice-chairman unit (第三屆副會長單位) of Shaanxi Property Management Association (陝西省物業管理協會).
	We completed our acquisition of Shaanxi Rixing from an Independent Third Party.
2023	We expanded the coverage of our public management services to hospitals and began providing public property management services to Xi'an Central Hospital (西安市中心醫院), a grade III first level public hospital in Xi'an, Hancheng People's Hospital (韓城市人民醫院), a grade II first level public hospital in Hancheng, and Xi'an Red Cross Hospital (西安市紅會醫院), a grade III first level public hospital in Xi'an.
	Kingfar Intelligent, a wholly-owned subsidiary of our Company, was recognized as a High-tech Enterprise (高新技術企業) by Shaanxi Provincial Department of Science and Technology (陝西省科學技術廳), Shaanxi Provincial Department of Finance (陝西省財政廳) and State Administration of Taxation Shaanxi Provincial Taxation Bureau (國家稅務總局陝西省稅務局).
2024	We began providing public property management services to Communist Party of China Shaanxi Provincial Committee Office Area (中共陝西省委機關辦公廳).

OUR CORPORATE DEVELOPMENT

The major corporate developments of our Company and our key operating subsidiaries which were material to our performance during the Track Record Period are set out below.

Our Company

Our Company was established in the PRC as a limited liability company on December 5, 2000 with an initial registered capital of RMB3,000,000. As of the date of its establishment, our Company was owned as to approximately 73.3% by Xi'an Economic and Technology Development Zone Construction Co., Ltd. (西安經濟技術開發區建設有限責任公司) ("**Xi'an Construction**"), a company indirectly owned as to approximately 83.7% by Kingfar Holdings and approximately 16.3% by Kingfar Group, approximately 13.3% by Xi'an Economic and Technology Development Zone Great Wall Material Supply Co. Ltd. (西安經濟技術開發區長城物資供應有限公司) ("**Xi'an Material**") and approximately 13.3% by Xi'an Economic and Technological Development Zone Great Wall Advertising Decoration Co., Ltd. (西安經濟技術開發區長城廣告裝飾有限公司) ("**Xi'an Advertising**"), both being non-wholly owned subsidiaries of Xi'an Construction.

On July 1, 2004, Xi'an Material and Xi'an Advertising transferred their respective 13.3% and 13.3% equity interest in our Company to Xi'an Kingfar Real Estate Co., Ltd. (西安經發地產有限公司) ("**Kingfar Real Estate**"), a wholly-owned subsidiary of Kingfar Group, at a consideration of RMB400,000 and RMB400,000, respectively, which was determined after arm's length negotiations with reference to the then paid-up registered capital of our Company. Upon completion of such transfer, our Company became owned as to approximately 73.3% by Xi'an Construction and approximately 26.7% by Kingfar Real Estate.

On June 11, 2008, Xi'an Construction transferred its 20% equity interest in our Company to Xi'an Kingfar Landscape Greening Co., Ltd. (西安經發景觀綠化有限公司) ("**Kingfar Landscape**"), an indirect wholly-owned subsidiary of Kingfar Group, and approximately 53.3% equity interest in our Company to Kingfar Real Estate, a wholly-owned subsidiary of Kingfar Group, at a consideration of RMB600,000 and RMB1,600,000, respectively, which was determined after arm's length negotiations with reference to the then paid-up registered capital of our Company. Upon completion of such transfer, our Company became owned as to 80% by Kingfar Real Estate and 20% by Kingfar Landscape.

On December 31, 2009, the registered capital of our Company was increased from RMB3,000,000 to RMB20,000,000 through a capital injection by Kingfar Real Estate in the amount of RMB17,000,000. Upon completion of such capital injection, our Company became owned as to 97% by Kingfar Real Estate and 3% by Kingfar Landscape.

On May 24, 2013, Kingfar Landscape transferred its 3% equity interest in our Company to Kingfar Group at a consideration of RMB294,533.50 and Kingfar Real Estate transferred its 17% and 40% equity interest in our Company to Kingfar Group and Xi'an Kingfar Properties Co., Ltd. (西安經發置業有限公司) ("**Kingfar Properties**"), a company owned as to 70% by

Kingfar Group and 30% by Kingfar Real Estate, at a consideration of RMB1,669,023.19 and RMB3,927,113.39, respectively. Such consideration was determined after arm's length negotiations with reference to the net asset value of our Company as of March 31, 2013. Upon completion of such transfers, our Company became owned as to 40% by Kingfar Real Estate, 40% by Kingfar Properties and 20% by Kingfar Group.

As part of the Reorganization, on December 22, 2020, Kingfar Real Estate transferred its 40% equity interest in our Company to Kingfar Group and Kingfar Properties transferred its 30% and 10% equity interest in our Company to Kingfar Group and Kingfar Holdings, respectively. See "– Reorganization" in this section for details. Upon completion of such transfers, our Company became owned as to 90% by Kingfar Group and 10% by Kingfar Holdings.

On December 29, 2020, in contemplation of the Listing, our Company was converted from a limited liability company into a joint stock company with limited liability. Upon completion of the conversion, the share capital of our Company was RMB50,000,000 divided into 50,000,000 Shares with a nominal value of RMB1.0 each, of which Kingfar Group and Kingfar Holdings held 45,000,000 Shares and 5,000,000 Shares, representing 90% and 10% of our share capital, respectively.

Our major operating subsidiaries

Kingfar City Service

Kingfar City Service was established in the PRC with limited liability on September 7, 2006 with an initial registered capital of RMB2,000,000. Upon its establishment, Kingfar City Service was owned as to 60% by Kingfar Real Estate and 40% by our Company.

On May 21, 2009, Kingfar Real Estate and our Company transferred their respective 60% and 40% equity interest in Kingfar City Service to Kingfar Group at a consideration of RMB1,109,400.03 and RMB739,600.02, respectively, which was determined after arm's length negotiations with reference to the net asset value of Kingfar City Service as of December 31, 2008. Upon completion of such transfer, Kingfar City Service was wholly owned by Kingfar Group.

On June 14, 2012, the registered capital of Kingfar City Service was increased from RMB2,000,000 to RMB10,000,000 through a capital injection by Kingfar Group in the amount of RMB8,000,000 which was fully paid up in cash.

As part of the Reorganization, on December 28, 2022, Kingfar Group transferred its entire equity interest in Kingfar City Service to our Company. Upon completion of such transfer and as of the Latest Practicable Date, Kingfar City Service was a wholly-owned subsidiary of our Company. See "– Reorganization" in this section for details. Kingfar City Service is principally engaged in the provision of city services including but not limited to cleaning services to city roads, household garbage collection services and public parking management services.

Xi'an Jingjian

Xi'an Jingjian was established in the PRC with limited liability on June 8, 2010 with an initial registered capital of RMB3,000,000. Upon its establishment, Xi'an Jingjian was wholly-owned by Xi'an Jingkai Urban Construction Group Co., Ltd. (西安經開城建集團有限責任公司) ("**Jingkai Group**"), a company owned as to approximately 53.1% by Kingfar Holdings and approximately 46.9% by Kingfar Group.

As part of the Reorganization, on December 30, 2021, Jingkai Group transferred its entire equity interest in Xi'an Jingjian to our Company. Upon completion of such transfer and as of the Latest Practicable Date, Xi'an Jingjian was a wholly-owned subsidiary of our Company. See "– Reorganization" in this section for details. Xi'an Jingjian is principally engaged in the provision of property management services, primarily for residential properties, schools and industrial parks.

Xi'an Jiatai

Xi'an Jiatai was established in the PRC with limited liability on July 1, 2004 with an initial registered capital of RMB300,000. Upon its establishment, Xi'an Jiatai was wholly-owned by Xi'an ETDZ MC.

Subsequent to a series of share capital increases and equity transfer between August 2004 and June 2020, Xi'an Jiatai became wholly owned by Xi'an Jingkai Industrial Park Development Group Co., Ltd. (西安經開產業園發展集團有限公司) (formerly known as Xi'an Export Processing Zone Investment and Construction Co., Ltd. (西安出口加工區投資建設有限公司)) ("**Jingkai Industrial**"), a company owned as to approximately 83.7% by Kingfar Holdings and approximately 16.3% by Kingfar Group, with a registered capital of RMB10,000,000.

As part of the Reorganization, on December 30, 2021, Jingkai Industrial transferred its entire equity interest in Xi'an Jiatai to our Company. Upon completion of such transfer and as of the Latest Practicable Date, Xi'an Jiatai was a wholly-owned subsidiary of our Company. See "– Reorganization" in this section for details. Xi'an Jiatai is principally engaged in the provision of property management services, primarily for industrial parks, office buildings and apartments.

Acquisition during the Track Record Period

Shaanxi Rixing

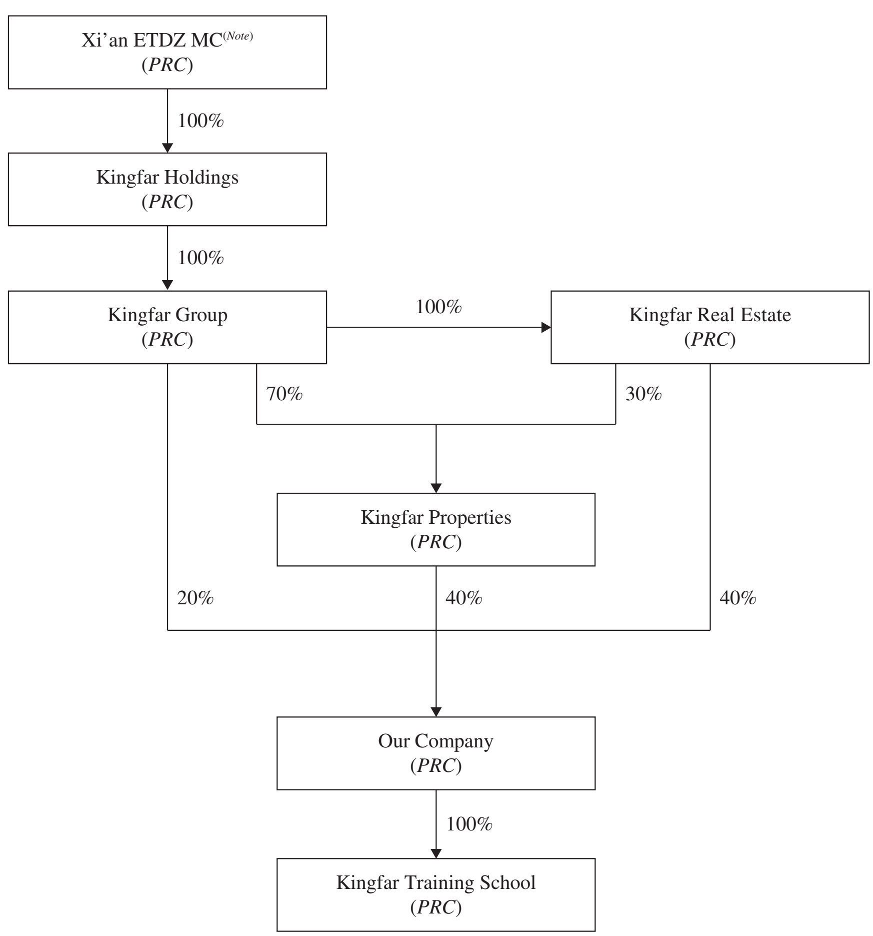
Shaanxi Rixing was established in the PRC with limited liability on December 22, 2015 with an initial registered capital of RMB3,000,000 and is principally engaged in the provision of residential property management services. Immediately prior to the acquisition of Shaanxi Rixing by our Company, Shaanxi Rixing was wholly owned by Xi'an Meidite Trading Co., Ltd. (西安美迪特商貿有限公司) ("**Xi'an Meidite**"), an Independent Third Party (other than being a substantial shareholder of Shaanxi Rixing).

Prior to the acquisition of Shaanxi Rixing by our Company, it had one residential project under its management with a total GFA of approximately 0.4 million sq.m.. For the purpose of expanding our property management business, on June 1, 2022, we acquired 51% equity interest in Shaanxi Rixing from Xi'an Meidite at a consideration of RMB933,300, which was determined after arm's length negotiations with reference to the value of the equity interest of Shaanxi Rixing as of August 31, 2021 as assessed by an independent valuer using discounted cash flow method and was fully settled. Upon completion of such transfer and as of the Latest Practicable Date, Shaanxi Rixing was owned as to 51% by our Company and 49% by Xi'an Meidite.

Our Directors have confirmed that none of the applicable percentage ratios as defined under the Listing Rules in respect of the acquisition of Shaanxi Rixing exceeds 25%. Accordingly, the pre-acquisition financial information of Shaanxi Rixing is not required to be disclosed pursuant to Rule 4.05A of the Listing Rules.

REORGANIZATION

The following diagram illustrates our shareholding structure before the Reorganization:



Note:

Xi'an ETDZ MC is an administrative agency of Xi'an Municipal People's Government to manage Xi'an Economic and Technology Development Zone on behalf of Xi'an Municipal People's Government and is not engaging in commercial business or operating commercial entities.

In preparation for the Listing, the following principal Reorganization steps were implemented to establish the corporate structure of our Group:

1. Disposal of Kingfar Training School

Kingfar Training School was established in the PRC with limited liability on July 28, 2020, which was set up for engaging in extracurricular language training. With a view to focusing on the development of our core business, on December 7, 2020, our Company transferred our entire equity interest in Kingfar Training School to Xi'an Kingfar Chengyun Culture and Sports Industry Co., Ltd. (西安經發城運文化體育產業有限公司), a wholly-owned subsidiary of Kingfar Group, at a consideration of RMB500,000 which was determined after arm's length negotiations with reference to the then paid-up registered capital of Kingfar Training School. Upon completion of such transfer, Kingfar Training School ceased to be our subsidiary.

As confirmed by our Directors, Kingfar Training School had not been involved in any litigation or non-compliance with relevant and applicable PRC laws and regulations prior to the disposal.

2. Equity interest transfers in our Company

For the purpose of optimizing our shareholding structure, on December 22, 2020, Kingfar Real Estate transferred its 40% equity interest in our Company to Kingfar Group at a consideration of RMB17,974,380.67 and Kingfar Properties transferred its 30% and 10% equity interest in our Company to Kingfar Group and Kingfar Holdings at a consideration of RMB13,480,785.50 and RMB4,493,595.17, respectively. Such consideration was determined after arm's length negotiations with reference to the audited net asset value of our Company as of December 31, 2019 and the unaudited net asset value of our Company as of October 31, 2020. Upon completion of such transfers, our Company became owned as to 90% by Kingfar Group and 10% by Kingfar Holdings.

3. Conversion into a joint stock company with limited liability

On December 29, 2020, our Company was converted from a limited liability company into a joint stock company with limited liability. For details, please refer to the paragraph headed "Our Corporate Development – Our Company" in this section.

4. Acquisition of certain subsidiaries

As part of the Reorganization, our Company acquired 100% equity interest in the following companies for the purpose of streamlining our business structure and achieving clear business delineation between our Group and our Controlling Shareholders upon Listing.

Name of the acquired company	Principal business	Transferor[(1)]	Transferee	Date of acquisition	Consideration	Consideration basis
Xi'an Jingjian	Provision of property management services, primarily for residential properties, schools and industrial parks	Jingkai Group	Our Company	December 30, 2021	RMB20,648,000	After arm's length negotiations with reference to the value of the equity interest of Xi'an Jingjian as of August 31, 2021, as assessed by an independent valuer using discounted cash flow method
Xi'an Jiatai	Provision of property management services, primarily for industrial parks, office buildings and apartments	Jingkai Industrial	Our Company	December 30, 2021	RMB1,739,143.43	After arm's length negotiations with reference to the value of the equity interest of Xi'an Jiatai as of August 31, 2021, as assessed by an independent valuer using discounted cash flow method

Name of the acquired company	Principal business	Transferor[1]	Transferee	Date of acquisition	Consideration	Consideration basis
Xi'an Jingkai[2]	Provision of property management services	Xi'an Construction	Our Company	December 30, 2021	RMB1,604,078.18	After arm's length negotiations with reference to the value of the equity interest of Xi'an Jingkai as of August 31, 2021, which was determined based on the net asset value of Xi'an Jingkai as of August 31, 2021, as assessed by an independent valuer
Kingfar City Service	Provision of city services including but not limited to cleaning services to city roads, household garbage collection services and public parking management services	Kingfar Group	Our Company	December 28, 2022	RMB75,691,100.00	After arm's length negotiations with reference to the value of the equity interest of Kingfar City Service as of October 31, 2022, as assessed by an independent valuer using discounted cash flow method

Notes:

1. Jingkai Group, Jingkai Industrial, Xi'an Construction and Kingfar Group and our Company were under common control of Kingfar Holdings before and after the Reorganization.

2. On January 17, 2023, our Company transferred its 35% and 25% equity interest in Xi'an Jingkai to Xi'an Liuchao Brand Operation Management Co., Ltd. (西安六潮品牌運營管理有限責任公司) ("**Xi'an Liuchao**"), an Independent Third Party (other than being a substantial shareholder of Xi'an Jingkai) owned as to 80% by Mr. He Jing (賀靖) and 20% by Mr. He Yu (賀宇), and Xi'an Hanying Puyi Capital Management Co., Ltd. (西安瀚盈普益資本管理有限公司) ("**Xi'an Hanying**"), an Independent Third Party (other than being a substantial shareholder of Xi'an Jingkai) owned as to 70% by Mr. He Yu and 30% by Mr. Yao Jianyu (姚建宇), at a consideration of RMB557,797.45 and RMB398,426.75, respectively. Such consideration was determined after arm's length with reference to the valuation of Xi'an Jingkai as of June 30, 2022 as assessed by an independent valuer and was fully settled. Pursuant to the equity exchange agreement and the supplemental agreement entered into among Xi'an Liuchao, Xi'an Hanying and our Company, the board of directors of Xi'an Jingkai consists of five directors and our Company took control of the board of directors of Xi'an Jingkai by nominating three directors. Such equity transfers were primarily for the purpose of leveraging on the network and business relationship of Xi'an Liuchao, Xi'an Hanying and their shareholders to introduce new projects and further develop our business.

5. Equity interest transfer in Kingfar Environment

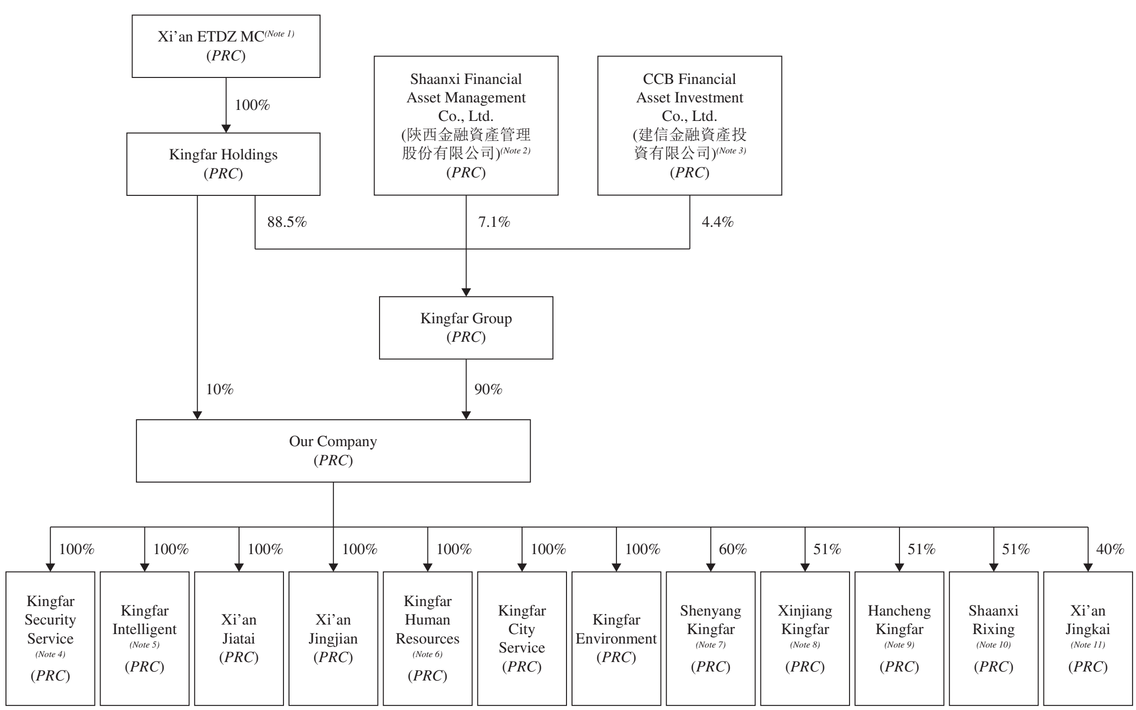
On December 30, 2022, Kingfar City Service transferred its entire equity interest in Kingfar Environment to our Company at a consideration of RMB10,312,983.09 which was determined after arm's length negotiations with reference to the audited net asset value of Kingfar Environment as of December 31, 2021. Upon completion of such transfer, Kingfar Environment was directly wholly owned by our Company.

PRC REGULATORY REQUIREMENTS

Our PRC Legal Advisors have confirmed that, all necessary registrations with the relevant PRC authorities in respect of the acquisitions, equity transfers, disposal, capital injection and conversion into a joint stock company with limited liability as described above have been completed and all necessary approvals and/or confirmations from the relevant PRC authorities have been obtained.

CORPORATE STRUCTURE AFTER THE COMPLETION OF THE REORGANIZATION AND IMMEDIATELY BEFORE THE GLOBAL OFFERING

The following diagram illustrates our simplified shareholding and corporate structure after the completion of the Reorganization and immediately prior to the Global Offering:



Notes:

1. Xi'an ETDZ MC is an administrative agency of Xi'an Municipal People's Government to manage Xi'an Economic and Technology Development Zone on behalf of Xi'an Municipal People's Government and is not engaging in commercial business or operating commercial entities.

2. As of the Latest Practicable Date, Shaanxi Financial Asset Management Co., Ltd. (陝西金融資產管理股份有限公司) was owned as to approximately 11.1% by Xi'an Jingkai Financial Holding Co., Ltd. (西安經開金融控股有限公司), a company owned as to 50% by Kingfar Holdings and 50% by Kingfar Group, and approximately 88.9% by 15 Independent Third Parties.

3. CCB Financial Asset Investment Co., Ltd. (建信金融資產投資有限公司) is an Independent Third Party.

4. Kingfar Security Service was established in the PRC with limited liability on May 25, 2022, a wholly-owned subsidiary of our Company, which was set up for provision of security services as part of our property management services.

5. Kingfar Intelligent was established in the PRC with limited liability on June 29, 2021, a wholly-owned subsidiary of our Company, which is principally engaged in the provision of fire protection technical services as part of our property management services.

6. Kingfar Human Resources was established in the PRC with limited liability on June 29, 2021, a wholly-owned subsidiary of our Company, which is principally engaged in the provision of training related to property management services.

7. Shenyang Kingfar was established in the PRC with limited liability on December 22, 2022, a non-wholly owned subsidiary of our Company which was set up to expand our property management services business in Shenyang. The remaining 40% equity interest in Shenyang Kingfar is held by Shenyang Huishan Modern Service Co., Ltd. (瀋陽輝山現代服務有限公司), an Independent Third Party (other than being a substantial shareholder of Shenyang Kingfar) ultimately wholly owned by the State-owned Asset Supervision and Management Bureau of the People's Government of Shenyang Shenbei New District (瀋陽市沈北新區人民政府國有資產監督管理局) and is principally engaged in equity investment in car parking management, software development and server sales industries.

8. Xinjiang Kingfar was established in the PRC with limited liability on December 29, 2020, a non-wholly owned subsidiary of our Company which was set up to expand our business in Xinjiang and is principally engaged in the provision of property management services. The remaining 49% equity interest in Xinjiang Kingfar is held by Xinjiang Saide Investment Development Co., Ltd. (新疆賽德投資發展有限公司), an Independent Third Party (other than being a substantial shareholder of Xinjiang Kingfar) wholly owned by the Management Committee of Shihezi Economic and Technological Development Zone (石河子經濟技術開發區管理委員會) and is principally engaged in the provision of sewage and solid waste disposal, fire protection and maintenance, infrastructure development and financial services.

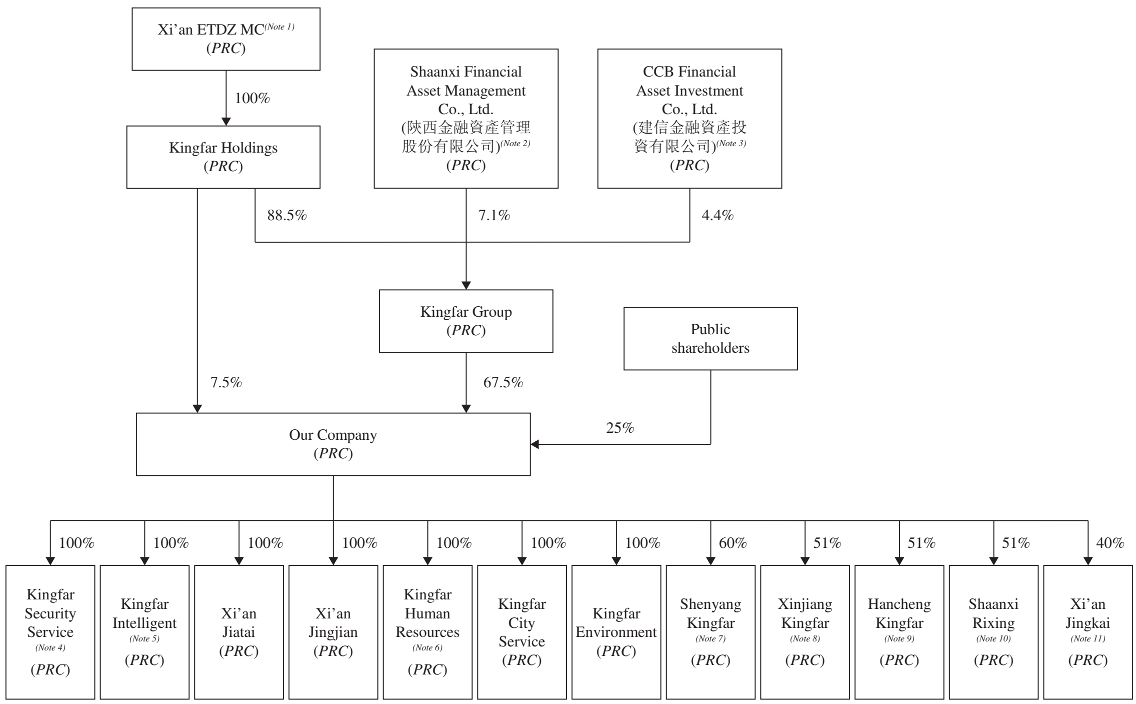
9. Hancheng Kingfar was established in the PRC with limited liability on June 24, 2021, a non-wholly owned subsidiary of our Company, which is principally engaged in the provision of property management services, primarily for office buildings and hospitals. The remaining 49% equity interest in Hancheng Kingfar is held by Hancheng Urban Space Development Operation Management Co., Ltd. (韓城市城市空間開發運營管理有限公司), an Independent Third Party (other than being a substantial shareholder of Hancheng Kingfar) ultimately controlled by the State-owned Assets Supervision and Management Committee of Hancheng People's Government (韓城市人民政府國有資產監督管理委員會) and is principally engaged in the land construction, industrial integration and development, public facilities services, asset operation and leasing.

10. The remaining 49% equity interest in Shaanxi Rixing is held by Xi'an Meidite, an Independent Third Party (other than being a substantial shareholder of Shaanxi Rixing) owned as to 87.5% by Ms. Hao Qin (郝琴) and 12.5% by Mr. Wen Wu (文武) and is principally engaged in the sales of gardening products, special equipment, machinery parts and components and office suppliers.

11. The remaining 35% and 25% equity interest in Xi'an Jingkai is held by Xi'an Liuchao and Xi'an Hanying, respectively. Each of Xi'an Liuchao and Xi'an Hanying is an Independent Third Party (other than being a substantial shareholder of Xi'an Jingkai). Xi'an Liuchao is owned as to 80% by Mr. He Jing and 20% by Mr. He Yu and is principally engaged in provision of comprehensive services integrating advertising release, film and television production and high-end product customization. Xi'an Hanying is owned as to 70% by Mr. He Yu and 30% by Mr. Yao Jianyu and is an investment company focusing on investment in new materials, new energy and information technology industries.

SHAREHOLDING AND CORPORATE STRUCTURE AFTER THE GLOBAL OFFERING

The following diagram illustrates our shareholding and corporate structure immediately after the Global Offering (assuming the Over-allotment Option is not exercised):



Notes:

1. See the notes under "– Corporate Structure After the Completion of the Reorganization and Immediately Before the Global Offering".

2. The Shares held by Kingfar Holdings and Kingfar Group are subject to a lock-up period of 12 months following the Listing Date according to the PRC Company Law.

Except for the H Shares to be held by the public shareholders upon the completion of the Global Offering, the Shares held by our domestic Shareholders will not be considered as part of the public float as they are Unlisted Domestic Shares which our domestic Shareholders did not apply for conversion into H Shares and which will not be listed immediately after the completion of the Global Offering.

OVERVIEW

We are a state-owned comprehensive city service and property management service provider in Shaanxi Province with presence in Northwest China. We have, through over 20 years of development, established an important market position and built a renowned brand in the city service and property management industry in Shaanxi Province. According to CIA, in terms of the GFA under management in Shaanxi Province as of December 31, 2023, our market share was approximately 1.8%, ranking third among the property management service providers operating in Shaanxi Province in 2023. Leveraging our market position in Shaanxi Province, we have also expanded our footprint to Northwest China. As of the Latest Practicable Date, our operations had covered Xi'an, Tongchuan, Hancheng and Shihezi.

The table below sets forth (i) our three primary business lines; (ii) the major services that we provided under each business line; (iii) the types of properties to which we provided services under each business line; and (iv) the major customers of each business line during the Track Record Period.

Business Lines	Major Services	Property Profile	Major Customers
City Services	Public property management services	Public properties, such as government buildings, education institutes and hospitals	Government agencies and public authorities
	Municipal management services	Municipal properties, such as public facility and infrastructure	
	Municipal value-added services	Government buildings	
Residential Property Management Services	Basic property management services Value-added services	Residential properties	Property developers, property owners and residents
Commercial Property Management Services	Basic property management services Value-added services	Office buildings, industrial parks and factories	Property developers, property owners and tenants

As of December 31, 2023, we were contracted to provide public property management services, basic residential property management services and basic commercial property management services to 149 projects in China, with a total contracted GFA of 15.0 million sq.m. and a GFA under management of 14.6 million sq.m.

We achieved steady growth in terms of both business scale and financial performance during the Track Record Period. Our GFA under management grew from 10.8 million sq.m. as of December 31, 2021 to 13.2 million sq.m. as of December 31, 2022, and further to 14.6 million sq.m. as of December 31, 2023, representing a CAGR of 16.0% between 2021 and 2023. Our revenue increased by 19.1% from RMB593.7 million in 2021 to RMB706.8 million in 2022, and further increased by 22.0% to RMB862.2 million in 2023, representing a CAGR of 20.5% between 2021 and 2023. Our net profit increased by 19.9% from RMB31.2 million in 2021 to RMB37.4 million in 2022, and further increased by 36.4% to RMB51.0 million in 2023, representing a CAGR of 28.0% between 2021 and 2023.

Our long-term strategic relationship with Kingfar Holdings Group has contributed to our development since our inception and laid a solid foundation for our steady growth during the Track Record Period. Going forward, considering (i) the long-standing cooperation between Kingfar Holdings Group and us; (ii) our knowledge of and familiarity with the standards and requirements of Kingfar Holdings Group, which helped reduce the communication costs for Kingfar Holdings Group; (iii) the mutual benefits for Kingfar Holdings Group and us; (iv) the amount of time and efforts required to identify and engage a new service provider with comparable experience and ability to provide services of comparable standard and scope; and (v) Kingfar Holdings Group and we are both state-owned enterprises with relatively stable controlling ownership, our Directors are of the view that our mutually beneficial and complementary relationship with Kingfar Holdings Group is unlikely to be materially or adversely changed, and will continue to enable us to secure future engagements from Kingfar Holdings Group. See "Business—Our Strategic Business Relationship with Kingfar Holdings Group—Mutually Beneficial and Complementary Relationship with Kingfar Holdings Group" for more details.

In 2021, 2022 and 2023, our retention rate for properties developed by Kingfar Holdings Group was 100.0%, 100.0% and 88.2%, respectively, and our agreement renewal rate for properties developed by Kingfar Holdings Group was 100.0%, 91.7% and 60.0%, respectively. The decreases in our retention rate and renewal rate for properties developed by Kingfar Holdings Group in 2023 were primarily attributable to our voluntary withdrawal from four resettlement housing projects.

COMPETITIVE STRENGTHS

A State-owned City Service and Property Management Service Provider in Shaanxi Province with Presence in Northwest China and A Track Record of Steady Growth

Since our establishment in 2000 and through over 20 years of development, we have grown into a leading city service and property management service provider in Shaanxi Province. Headquartered in Xi'an, the capital of Shaanxi Province, we primarily focus on providing (i) city services to government agencies and public authorities, (ii) residential property management services to property developers, property owners and residents as well as (iii) commercial property management services to property developers, property owners and tenants. Since 2021, we had been recognized as one of the Top 100 City Service Providers (全

國政府採購百強物業管理服務商) by the Committee of Chinese Government Procurement for three consecutive years. In 2023, we were recognized as one of the Top 100 Property Management Companies in China (中國物業服務百強企業) in terms of overall strength and one of the 2023 Leading Chinese Property Management Companies—Government Property Service Providers by CIA. In 2022, we were ranked first among the 2022 Top 50 of Shaanxi Province Property Management Companies (2022陝西省物業服務企業綜合實力50強) in terms of overall strength and were recognized as one of the 2022 Top 50 State-owned Property Management Companies in China in terms of overall strengths by CRIC and CPMRI. We were also recognized as one of the 2022 Top 20 Commercial Property Management Service Providers in terms of service quality by CRIC and E-House. In addition to building and solidifying a strong market position in Shaanxi Province, we have also expanded our footprint to Northwest China, and our operations had covered Xi'an, Tongchuan, Hancheng and Shihezi as of the Latest Practicable Date.

During the Track Record Period, we achieved steady growth in terms of business scale and financial performance. Our GFA under management grew from 10.8 million sq.m. as of December 31, 2021 to 13.2 million sq.m. as of December 31, 2022, and further to 14.6 million sq.m. as of December 31, 2023, representing a CAGR of 16.0% between 2021 and 2023. The number of projects to which we provided services grew from 98 as of December 31, 2021 to 121 as of December 31, 2022, and further to 148 as of December 31, 2023, representing a CAGR of 22.9% between 2021 and 2023. Our revenue increased from RMB593.7 million in 2021 to RMB706.8 million in 2022, and further to RMB862.2 million in 2023, representing a CAGR of 20.5% between 2021 and 2023. Our net profit increased from RMB31.2 million in 2021 to RMB37.4 million in 2022, and further to RMB51.0 million in 2023, representing a CAGR of 28.0% between 2021 and 2023.

We believe our strategic focus on Northwest China, particularly Shaanxi Province, has contributed to our historical growth and will continue to contribute to our future development. According to CIA, Shaanxi Province has a leading position in Northwest China in terms of GDP contribution and per capita disposable income. The annual GDP of Shaanxi Province in 2023 amounted to RMB3.4 trillion, accounting for 45.7% of the annual GDP of and ranking first among the five provinces that compose Northwest China. In addition, in 2023, the average GDP per capita of residents in Shaanxi Province was RMB85,448, which was higher than the average GDP per capita of residents in the five provinces that compose Northwest China of RMB71,471, and the per capita disposable income of urban residents in Shaanxi Province was RMB44,713, which was higher than the average per capita disposable income of urban residents in the five provinces that compose Northwest China of RMB42,099. As of December 31, 2023, the urbanization rate of Xi'an reached 79.9%, which was higher than the national average urbanization rate of 66.2%, according to CIA.

Diversified Services and Properties under Management As Well As In-Depth Cooperation with Government Agencies and Public Authorities

Our diversified services primarily include (i) city services, comprising public property management services, municipal management services and municipal value-added services, primarily offered to government agencies and public authorities; (ii) residential property management services, comprising basic property management services and value-added services, offered to property developers, property owners and residents; and (iii) commercial property management services, comprising basic property management services and value-added services, offered to property developers, property owners and tenants. With respect to our property management services, as of December 31, 2023, we were contracted to manage 149 projects, including government buildings, education institutes, hospitals, residential communities, office buildings and industrial parks, with an aggregate contracted GFA of 15.0 million sq.m., among which an aggregate GFA of 14.6 million sq.m. was already under our management. For the year ended December 31, 2023, we derived revenue of RMB594.0 million from our property management services.

In particular, we believe the public properties under our management not only diversified our property portfolio but also enhanced our reputation and improved our operational efficiency. During the Track Record Period, we provided public property management services to various government agencies and public authorities at different levels in Shaanxi. Having provided city services for over 18 years, we had established in-depth cooperation with government agencies and public authorities, and continually improved our service quality and diversified our city services to meet their needs. For instance, in February 2017, we launched our commissioned administrative services to provide reception, documents and paper work circulation, consultation and guidance and conference coordination services, among other things, to local citizens in Jingkai District, and subsequently expanded our services in Xi’an in August 2021. In addition, we standardized and streamlined our service processes and procedures, which could be applied to our provision of city services and other business lines, to improve our overall operational efficiency. As of December 31, 2023, we provided city services to over 100 government agencies and public authorities.

We also believe that our diversified services, particularly our value-added services, helped improve our customers’ loyalty and enhanced our business operations and financial performance. Our municipal value-added services primarily include catering services, public parking management services and commissioned administrative services. We also provide value-added services, comprising private parking management services, sales office management services, catering services and other services that typically include property agency, housekeeping, household or workplace appliance repair and maintenance and dry cleaning services to property developers, property owners, residents and tenants of the residential communities and commercial properties under our management.

Long-term and Stable Cooperation with Kingfar Holdings Group Contributing to Continuous and Sustainable Business Growth

Kingfar Holdings Group, one of the reputable urban construction and operation service providers in Xi'an, is controlled by Xi'an ETDZ MC and possesses rich experience in city operation and comprehensive property development. As of December 31, 2023, Kingfar Holdings Group had developed and delivered to us for our management a diversified portfolio of properties, including but not limited to, (i) residential properties with an aggregate GFA of 3.7 million sq.m., including the award-winning Baihualinju (白樺林居) residential community; and (ii) commercial properties with an aggregate GFA of 1.7 million sq.m., including office buildings.

Since 2002, we have built a long-term strategic relationship with Kingfar Holdings Group. We believe our extensive and stable cooperation with Kingfar Holdings Group enables us to fully understand its demands for service scope and quality, and Kingfar Holdings Group's project pipeline has laid a solid foundation for the expansion of our business scale. As of December 31, 2023, Kingfar Holdings had a total land bank of 0.6 million sq.m. and a total sales area for residential and commercial projects of 3.8 million sq.m. As confirmed by Kingfar Holdings Group, in 2021, 2022 and 2023, all of Kingfar Holdings Group's newly constructed properties were delivered to us for our management. As of December 31, 2023, 30 properties under our management with an aggregate GFA of 5.5 million sq.m. were developed by Kingfar Holdings Group, representing 38.0% of our total GFA under management as of December 31, 2023. In 2021, 2022 and 2023, the revenue that we derived from basic property management services provided to properties developed by Kingfar Holdings Group amounted to RMB160.6 million, RMB171.7 million and RMB180.5 million, respectively, accounting for 27.1%, 24.3% and 20.9% of our total revenue in the same year, respectively.

In addition, certain city services may require service providers to have relevant experience serving government agencies, public authorities or state-owned enterprises. Given that Kingfar Holdings Group is a state-owned enterprise, our long-term relationship and historical cooperation with Kingfar Holdings Group enable and prepare us to undertake city service projects with such requirements and help enlarge our customer base.

Strong Brand Image Supported by Our High-quality Professional Services

Through our two decades of experience in providing high-quality and professional city services and property management services, we have established a strong brand image. We've also obtained the ISO9001 Quality Management Certification, the ISO14001 Environmental Management Certification, the ISO45001 Occupational Health and Safety Certification and the HACCP Certification, which are testaments of the quality of our city services and property management services.

Our commitment to high-quality services have earned us numerous industry awards and recognitions. For instance, in 2022, we ranked first among the 2022 Top 50 of Shaanxi Province Property Management Companies (2022陝西省物業服務企業綜合實力50強) in terms of overall strength by CRIC and CPMRI, and were recognized as one of the 2022 Top 50 State-owned Property Management Companies in China (2022中國國有物業服務企業綜合實力50強) in terms of overall strengths, one of the 2022 Leading Companies of Shaanxi Province in Residential Property Service (2022陝西省住宅物業細分業態領先企業) and one of the 2022 Leading Property Management Companies of Shaanxi Province in Social Responsibility (2022陝西省物業社會責任貢獻領先企業) by CRIC and CPMRI. We were also recognized as one of the 2022 Top 20 Commercial Property Management Service Providers (2022商業物業服務力Top 20企業) in terms of service quality by CRIC and E-House. See "—Awards and Recognition."

Our strong brand image is also attributable to the standardized operation system that we established since 2007, which enabled us to enhance our operational efficiency, service quality and pricing capabilities. Our standardized operation system covers a wide spectrum of operation aspects, including (i) service quality control measures that range from talent recruitment to regular inspection of the properties under our management; (ii) cost control measures, such as standardized operating procedures for common scenarios and centralized procurement and selection of qualified subcontractors to which we outsourced certain labor-intensive services; (iii) customer satisfaction management and formulation of service standards; and (iv) application and management of smart systems that allow us to operate more efficiently.

Sustainable Growth Supported by Our Management Team and Human Resource System

We believe our success and future prospects depend on the quality of our employees. Our core management team has on average over 18 years of extensive experience in the city service and property management industries. Most of our senior management members have earned a bachelor's degree or above, and were internally trained and promoted with an average tenure of over 10 years with us. Mr. Wu Suozheng (吳鎖正), our executive Director in charge of the business direction and strategic planning of our Group, has over 18 years of experience in the property management industry and was elected the third chairman of the Xi'an Property Management Association in July 2021. Mr. Sun Qi (孫琦), our executive Director and general manager in charge of the overall operation and management of our Group, has 17 years of experience in the property management industry and was elected one of the Xi'an Leading Young Entrepreneurs in February 2023. Mr. Wang Gang (王剛), our deputy general manager in charge of the operation and management of property management projects for high-end residential properties of our Group, has over 19 years of experience in the property management industry. Mr. Liu Wei (劉煒), our deputy general manager in charge of the operation and management of municipal administrative service projects of our Group, has over 19 years of experience in the property management industry. Mr. Yang Weifeng (楊偉鋒), our deputy general manager in charge of the operation and management of property management projects for office buildings and hospitals of our Group, has over 18 years of experience in the property management industry.

We believe that talent is our core competitiveness for sustainable development and have established an effective human resource management system to attract, retain and cultivate outstanding talent. We have established a compensation structure and a performance assessment system, providing incentives and performance-based bonuses to qualified employees based on regular evaluation of employees' performance in a number of aspects, such as service quality and individual key performance indicators. Through our Kingfar Young Talent Workshop (菁發工坊), we have trained employees with solid technical skills that can support our future growth. In addition, to motivate our workforce, we offer our employees career advancement prospects and systematic professional skill development trainings tailored for the job requirements through our Eagle Nest Training Program (鷹巢計劃).

BUSINESS STRATEGIES

Further Expand Our Business Scale, Increase Our Market Share and Advance Our Market Position

Leveraging our leading market position, service network and brand recognition in Shaanxi Province, we aim to further expand our business scale, increase our market share and advance our market position. In addition to continuing to actively participate in biddings, we plan to achieve our goal mainly through strategic acquisitions and continuous collaboration with third-party property developers.

We plan to engage in selective acquisitions and our potential target companies include but are not limited to those that (i) are located in Northwest China, including Shaanxi and Xinjiang; (ii) have a GFA under management of over 1.0 million sq.m.; (iii) have an annual revenue of over RMB20.0 million or an annual net profit after tax of over RMB2.0 million in the latest financial year; (iv) comply with relevant laws and regulations; and (v) have a diversified portfolio of managed properties. We will prioritize our assessment of potential acquisition targets with a diversified portfolio of managed properties, such as schools, hospitals, government buildings, commercial complexes and industrial parks. Through the acquisition of these companies, we expect to expand our geographic coverage, reinforce our competitive edge, diversify our portfolio of managed properties and enhance our brand recognition. As of the Latest Practicable Date, we had not identified any acquisition targets, and had not entered into any definitive agreement for the acquisition of any company. Please refer to "Future Plans and Use of Proceeds" for more details. According to CIA, as of December 31, 2023, there were over 100 property management companies in the market that met our selection criteria. As such, our Directors are of the opinion that there is a sufficient number of suitable target companies available in the market for our expansion plan. Our selection criteria are subject to adjustment based on changes in the market conditions and our strategic needs.

We also plan to expand our collaboration with third-party property developers. Leveraging our market shares and reputation in Shaanxi Province, we expect to further penetrate into target markets across Northwest China, such as Xinjiang where we had set footprint in Shihezi. We will also have dedicated personnel to summarize and analyze the public bidding information, internal referrals and external market research. We believe these strategic collaborations will enable us to (i) strengthen our business relationship with these business partners and increase our chances of securing property management service contracts for properties developed by them; (ii) lower operational risks and costs; and (iii) leverage the geographic coverage and customer base of our business partners to enlarge our market shares and diversify the sources and types of property projects under our management.

Continue to Diversify Our City Services

We intend to continue to diversify the types of city services we provide. In 2021, 2022 and 2023, our revenue from city services amounted to RMB342.1 million, RMB410.0 million and RMB524.9 million, respectively, accounting for 57.6%, 58.0% and 60.9% of our total revenue in the same years, respectively. In 2023, we newly entered into public property management service agreements with a grade III first level public hospital in Xi'an and a grade II first level public hospital in Hancheng. Going forward, we aim to cover more segments along the city service value chain. We have provided, and plan to further expand our offering of, municipal value-added services, which currently include catering services, public parking management services and commissioned administrative services. In addition, we plan to replace the gasoline vehicles, such as road sweepers and garbage trucks, that we used for our provision of city services with new energy vehicles to reduce our fuel costs. See "Future Plans and Use of Proceeds."

Further Enhance Customer Experience and Operational Efficiency Through Investments in Technologies

As of December 31, 2023, we had 20 patents, such as a display panel with graphical user interface (GUI) for property equipment, a water supply and drainage early warning device, a flood control alarm device for garages, an anti-rodent baffle structure for equipment room and a type-three pressure gauge self-test platform, and we plan to further enhance customer experience and improve operational efficiency by continually developing and upgrading the technologies we use in our daily operation. In 2023, we received the High-tech Enterprise (高新技術企業) certificate issued by the Shaanxi Provincial Department of Science and Technology, Shaanxi Provincial Department of Finance and Shaanxi Provincial Taxation Bureau.

We plan to continue to invest in our smart property management systems empowered by Internet of Things (IoT). The smart property management systems primarily consist of five components: (i) a core system with building information modeling (BIM) with IoT capacities; (ii) robots, such as those capable of vacuuming, mopping and patrolling; (iii) a database and a data monitoring system; (iv) our Kingfar Select WeChat mini program and back-end system; and (v) our customer relationship management system. We believe our smart property management systems will enable us to better detect equipment and facility malfunctioning, which will in turn enable timely repair, prolong the useful lives of our equipment and facility, reduce our equipment and facility management costs and increase our operational efficiency.

We also plan to purchase more advanced tools to reduce our reliance on manual labor through human-robotics collaboration. For instance, we plan to utilize robots capable of vacuuming and mopping to provide cleaning services, and robots capable of patrolling to provide security services. See "Future Plans and Use of Proceeds."

Continue to Attract, Cultivate and Retain Talent

We believe that our historical success was largely attributable to our talented and dedicated employees. To sustain our business growth and continue our business expansion, we intend to further invest in the improvement of our human resources system.

As our business scale expands, the efficiency of human resource management in terms of cultivating and allocating the talent to their most suitable positions becomes increasingly important. We plan to continually improve our rotation and promotion mechanism to better match our employees' seniority and experience with their job titles, functions and trainings within our Group. We will also identify qualified talent through our training programs, such as the Kingfar Young Talent Program and the Eagle Training Program.

We also plan to recruit external talent with appropriate experience that fit our growth strategies from multiple channels, such as recruitment websites and mobile apps, job fairs and lateral hiring. The external talent we plan to recruit primarily include (i) managerial talents with industry experience and executive capabilities; (ii) experts with specialized skillsets, such as professional electricians and repairmen; and (iii) other talent that are suitable for certain positions. We plan to use 5.1%, or approximately HK$5.4 million, of the net proceeds from the Global Offering to attract and recruit talent in the PRC. See "Future Plans and Use of Proceeds."

OUR BUSINESS MODEL

During the Track Record Period, we generated revenue primarily from the following three business lines.

City services	We provide city services primarily to government agencies and public authorities to improve the local environment and local residents' living experience. Our city services primarily include (i) public property management services, under which we provide cleaning, security as well as common area facility repair and maintenance services for public properties, such as government buildings, education institutes and hospitals; (ii) municipal management services, under which we provide (a) cleaning and maintenance services for public facility and infrastructure; (b) municipal waste collection services through the waste compression stations that we operated; and (c) household garbage collection services to enterprises, residential communities, government agencies and public authorities; and (iii) municipal value-added services, which comprise commissioned administrative services, catering services and public parking management services.
Residential property management services	We provide property developers, property owners and residents with a wide range of residential property management services, which comprise (i) basic property management services, including cleaning services, security services, common area facility repair and maintenance services and pre-delivery services; and (ii) value-added services, including private parking management services, sales office management services, catering services and other services.
Commercial property management services	We provide property developers, property owners and tenants of commercial properties, including office buildings and industrial parks, with a wide range of commercial property management services, which comprise (i) basic property management services, including cleaning services, security services, common area facility repair and maintenance services and pre-delivery services; and (ii) value-added services, including private parking management services, sales office management services, catering services and other services.

The following table sets forth a breakdown of our revenue by business line and type of ultimate paying customers for the years indicated.

	For the year ended December 31,					
	2021		2022		2023	
	(RMB'000)	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*
City services	**342,064**	**57.6**	**410,002**	**58.0**	**524,908**	**60.9**
– Xi'an ETDZ MC	193,852	32.6	217,703	30.8	224,124	26.0
– Kingfar Holdings Group	6,560	1.1	6,762	1.0	6,113	0.7
– Independent Third Parties other than Xi'an ETDZ MC	141,652	23.9	185,537	26.2	294,671	34.2
Residential property management services[(1)]	**159,081**	**26.8**	**176,419**	**25.0**	**184,170**	**21.3**
– Xi'an ETDZ MC	–	–	7	–	–	–
– Kingfar Holdings Group	14,872	2.5	19,047	2.7	16,825	1.9
– Independent Third Parties other than Xi'an ETDZ MC	144,209	24.3	157,365	22.3	167,345	19.4
Commercial property management services	**91,995**	**15.5**	**119,467**	**16.9**	**149,844**	**17.4**
– Xi'an ETDZ MC	7,650	1.3	6,411	0.9	6,893	0.8
– Kingfar Holdings Group	23,973	4.0	26,787	3.8	30,742	3.6
– Independent Third Parties other than Xi'an ETDZ MC	60,372	10.2	86,269	12.2	112,209	13.0
Others[(2)]	**520**	**0.1**	**928**	**0.1**	**3,325**	**0.4**
– Xi'an ETDZ MC	–	–	408	0.1	2,383	0.3
– Independent Third Parties other than Xi'an ETDZ MC	520	0.1	520	0.1	942	0.1
Total	**593,660**	**100.0**	**706,816**	**100.0**	**862,247**	**100.0**

Notes:

(1) During the Track Record Period and up to the Latest Practicable Date, all of the residential properties under our management were subject to price control under relevant laws and regulations.

(2) Represents rental income derived from leasing an investment property and certain vehicles owned by the Group. During the Track Record Period, we leased our investment property and vehicles solely to Xi'an ETDZ MC and other Independent Third Parties.

The following table sets forth a breakdown of our revenue by business line and type of property developers[(1)] for the years indicated.

	For the years ended December 31,					
	2021		2022		2023	
	(RMB'000)	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*
City services	**342,064**	**57.6**	**410,002**	**58.0**	**524,908**	**60.9**
– Kingfar Holdings Group	37,713	6.4	41,210	5.8	44,624	5.2
– Independent Third Parties[(2)]	304,351	51.2	368,792	52.2	480,284	55.7
Residential property management services	**159,081**	**26.8**	**176,419**	**25.0**	**184,170**	**21.3**
– Kingfar Holdings Group	106,068	17.9	109,271	15.5	104,252	12.1
– Independent Third Parties[(2)]	53,013	8.9	67,148	9.5	79,918	9.2
Commercial property management services	**91,995**	**15.5**	**119,467**	**16.9**	**149,844**	**17.4**
– Kingfar Holdings Group	79,874	13.5	91,251	12.9	104,040	12.1
– Independent Third Parties[(2)]	12,121	2.0	28,216	4.0	45,804	5.3
Others[(3)]	**520**	**0.1**	**928**	**0.1**	**3,325**	**0.4**
Total	**593,660**	**100.0**	**706,816**	**100.0**	**862,247**	**100.0**

Notes:

(1) The breakdown of revenue by type of property developers relates to the property source and does not represent revenue directly generated from the property developers.

(2) Xi'an ETDZ MC is not a property developer as it is an administrative agency that does not engage in property development.

(3) Represents rental income derived from leasing an investment property and certain vehicles owned by our Group. During the Track Record Period, we leased our investment property and vehicles solely to Xi'an ETDZ MC and other Independent Third Parties.

Historically it has been our corporate strategy to primarily focus on providing city services and residential property management services, which, together, contributed 84.4%, 83.0% and 82.2% of our total revenue, respectively, in 2021, 2022 and 2023. Nevertheless, we continuously undertook commercial properties during the Track Record Period, and the number of commercial properties under the Group's management as well as their revenue contribution increased steadily. As of December 31, 2021, 2022 and 2023, the number of commercial properties under our management was 19, 26 and 33, respectively. In 2021, 2022 and 2023, the revenue that we derived from our basic commercial property management services amounted to RMB67.3 million, RMB90.9 million and RMB113.3 million, respectively.

We had expanded our geographic presence from Xi'an to four cities in China as of December 31, 2023. In 2021, 2022 and 2023, our revenue from Xi'an amounted to RMB589.6 million, RMB693.8 million and RMB839.4 million, respectively, accounting for 99.3%, 98.2% and 97.4% of our total revenue, respectively. As of December 31, 2021, 2022 and 2023, we generated revenue from property management services that we provided to 92, 107 and 124 projects located in Xi'an, with a total GFA under management of 10.6 million sq.m., 12.5 million sq.m. and 13.4 million sq.m., respectively.

The following table sets forth a breakdown of (i) the number of projects under our management; (ii) the GFA under our management; (iii) the number of projects that we were contracted to manage; (iv) our contracted GFA; (v) our revenue by project location; and (vi) our average property management fee during the Track Record Period.

	As of/for the year ended December 31,																	
	2021						2022						2023					
	Number of projects under management	GFA under management	Number of contracted projects	Contracted GFA	Revenue	Average property management fee	Number of projects under management	GFA under management	Number of contracted projects	Contracted GFA	Revenue	Average property management fee	Number of projects under management	GFA under management	Number of contracted projects	Contracted GFA	Revenue	Average property management fee
		(sq.m.'000)		*(sq.m.'000)*	*(RMB'000)*	*(RMB/sq.m.)*		*(sq.m.'000)*		*(sq.m.'000)*	*(RMB'000)*	*(RMB/sq.m.)*		*(sq.m.'000)*		*(sq.m.'000)*	*(RMB'000)*	*(RMB/sq.m.)*
Shaanxi	96	10,748	104	11,666	303,829	2.98	116	12,936	122	14,576	375,755	3.10	137	14,088	138	14,467	484,492	3.33
Xinjiang	2	101	2	101	2,604	3.75	5	304	5	304	6,305	1.95	11	519	11	519	9,507	1.89
Total	**98**	**10,849**	**106**	**11,767**	**306,838**	**2.98**	**121**	**13,240**	**127**	**14,880**	**382,060**	**3.08**	**148**	**14,607**	**149**	**14,986**	**494,012**	**3.28**

The following table sets forth the breakdown of our (i) number of contracted properties; (ii) contracted GFA; and (iii) undelivered GFA by type of properties as of the dates indicated.

	As of December 31,		
	2021	**2022**	**2023**
Number of contracted properties	106	127	149
– Public properties	66	72	88
– Residential properties	21	28	28
– Commercial properties	19	27	33
Contracted GFA (‘000 sq.m.)	11,767	14,880	14,986
– Public properties	3,543	4,031	4,512
– Residential properties	5,906	7,565	6,963
– Commercial properties	2,318	3,284	3,511
Undelivered GFA (‘000 sq.m.)	918	1,640	379
– Public properties	580	777	116
– Residential properties	308	770	192
– Commercial properties	30	93	71

CITY SERVICES

Overview

We commenced our city services in 2004. We primarily provide city services to government agencies and public authorities to improve the local environment and local residents' living experience. Our city services primarily include (i) public property management services, under which we provide cleaning, security, as well as common area facility repair and maintenance services to public properties, such as government buildings, education institutes and hospitals; (ii) municipal management services, under which we provide (a) cleaning and maintenance services for public facility and infrastructure, such as city roads, overpasses, underpasses and public lavatories; (b) municipal waste collection services through the waste compression stations that we operated; and (c) household garbage collection services to enterprises, residential communities, government agencies and public authorities; and (iii) municipal value-added services, which comprise catering services, public parking management services and commissioned administrative services.

As of December 31, 2021, 2022 and 2023, we provided cleaning and maintenance services for city roads, overpasses and underpasses with a total area of 10.7 million sq.m., 11.1 million sq.m. and 11.3 million sq.m., respectively, and for 140, 151 and 148 public lavatories, respectively. As of December 31, 2023, we operated three waste compression stations and were capable of processing a total of 81.1 thousand liters of household garbage per day at maximum capacity. In addition, as of December 31, 2021, 2022 and 2023, we provided public property management services to 58, 68 and 88 public properties with a total GFA of 3.0 million sq.m., 3.3 million sq.m. and 4.4 million sq.m., respectively. In 2021, 2022 and 2023, we generated RMB342.1 million, RMB410.0 million and RMB524.9 million, respectively, from our city services, accounting for 57.6%, 58.0% and 60.9% of our total revenue for the same years, respectively.

Scope of Services

We primarily provide government agencies and public authorities the following city services:

- *Public property management services.* We provide property management services, including cleaning, security as well as common area facility repair and maintenance services, to public properties, such as government buildings, education institutes and hospitals. See "—Residential and Commercial Property Management Services—Scope of Services—Basic Property Management Services" for detailed descriptions of our public property management services. During the Track Record Period, all of our public property management service fees were charged on a lump sum basis. See "—Portfolio of Properties under Management—Our Pricing Policy." We offer our public property management services primarily through our employees and subcontractors.

- *Municipal management services*. Our municipal management services include (i) cleaning and maintenance services to ensure the cleanliness and normal operations of the public facility and infrastructure under our management, including city roads, overpasses, underpasses and public lavatories; (ii) municipal waste collection services, under which we collect, transport, sort, compress and dispose municipal waste which primarily include trash, garbage and solid waste discarded by the public, through three waste compression stations that we operate as of December 31, 2023; and (iii) household garbage collection services, under which we collect, transport and dispose household garbage from over 80 enterprises, residential communities, government agencies and public authorities in Xi'an as of December 31, 2023. We primarily enter into agreements with government agencies and public authorities that are in charge of managing the relevant public facility, infrastructure and waste compression stations through direct engagement. For our cleaning and maintenance services, we generally charged a lump sum service fee of RMB0.2 million per public lavatory per year during the Track Record Period; for our municipal waste collection services, we generally charged a lump sum service fee of RMB0.1 million per waste compression station per year during the Track Record Period; and for our household garbage collection services, our customers would typically provide us with a certain number of barrels of a specific volume, and we generally charged a lump sum service fee of RMB280 per barrel of garbage and waste per month during the Track Record Period regardless of how many times we filled the barrels in our daily operation. As advised by CIA, the service fees that we charged for our municipal management services during the Track Record Period fell within the industry range and were generally comparable with those charged by our peers between 2021 and 2023. In 2021, 2022 and 2023, we collected and processed approximately 43.7 thousand tons, 44.4 thousand tons and 52.4 thousand tons of municipal wastes, respectively. In 2022 and 2023, we collected and processed approximately 245.6 thousand barrels and 76.7 thousand barrels of household garbage, respectively. We offer our municipal management services primarily through our employees.

- *Municipal value-added services.* We provide a wide range of municipal value-added services, which comprise:

  - *Commissioned administrative services*. We are commissioned by government agencies to provide certain administrative services in the city halls and town halls to local citizens on their behalf. Our commissioned administrative services primarily include reception, documents and paper work circulation, guidance and conference coordination. We charge a lump sum fee based on our service scope. The service fees that we charged for our commissioned administrative services are typically determined by taking into account factors such as the nature and scope of our services as well as the number and role of the staff we deploy. During the Track Record Period, the service fees that we charged for our commissioned administrative services typically ranged from RMB4.5 million to RMB15.7 million per year. We offer our commissioned administrative services primarily through our employees.

  - *Catering services*. We provide catering services by preparing main courses and side dishes for our customers' regular group meals. We set our prices for our catering services after taking into consideration various factors, such as the location and profile of the restaurant, services and dishes we provide and the regularity of our services, and charge our fees based on the number of individual customers. During the Track Record Period, the service fees that we charged for our catering services typically ranged from approximately RMB5.0 to RMB20.0 per person per meal. In 2021, 2022 and 2023, our customers' canteens to which we provided catering services served approximately 2.4 million, 3.2 million and 4.7 million meals, respectively. The number of meals served by our customers' canteens to which we provided catering services generally increased during the Track Record Period, primarily because in each period we began to provide catering services to support the canteens of certain new government agencies or public authorities. We provide our catering services primarily through our employees and subcontractors.

  - *Public parking management services*. We were commissioned to manage street parking spaces in Jingkai District and the parking spaces located in public facility, and to collect parking fees. During the Track Record Period, (i) the parking fees for street parking ranged from RMB1 to RMB4 per half an hour, depending on the location of the parking space and whether it is peak traffic hour; and (ii) the parking fees for parking spaces located in public facility ranged from RMB1 to RMB2 per half an hour with a daily cap that ranged from RMB40 to RMB80, depending on the location of the parking space and whether the parking space is outdoor or underground. We share 50.0% of the annual operating net profit from our public parking management service under the parking lot entrusted management service agreements. As of December 31, 2022 and 2023, we managed 4,274 and 4,309 public parking spaces, respectively, and collected parking fees from vehicles that used such public parking spaces approximately 0.9 million times and approximately 1.1 million times, respectively. We offer our parking management services primarily through our employees and dispatched workers.

As advised by CIA, during the Track Record Period, the service fees of our municipal value services fell within the industry range and were generally comparable with those charged by our peers.

Signature Projects

Government Building Complex of the Xi'an Municipal Committee

We managed the government building complex of the Xi'an Municipal Committee that comprised six government buildings with an aggregate GFA of approximately 116,000 sq.m. as of December 31, 2023, to which we primarily provided cleaning, greening, security, facility repair and maintenance, conference coordination and catering services. The annual contractual revenue that we derived from the public property management services provided to such project amounted to approximately RMB11.9 million in 2023.

Public Administrative Government Building Complex in Weiyang District

We managed a public administrative government building complex with an aggregate GFA of approximately 317,000 sq.m. as of December 31, 2023, to which we primarily provided cleaning, security, facility repair and maintenance and conference coordination services. The government building complex was primarily used as government offices, government service halls and emergency command centers. The annual contractual revenue that we derived from the public property management services provided to such project amounted to approximately RMB21.2 million in 2023.

City Service Fees

During the Track Record Period, all of our public property management and municipal management service fees were charged on a lump sum basis. Under the lump sum fee model, we charge a fixed and "all-inclusive" fee for our public property management and municipal management services. The frequency of our service fee collection depends on the terms of our service agreements. We are entitled to retain the full amount of public property management and municipal management service fees collected from government agencies and public authorities as revenue and bear the costs incurred in providing such services.

Prior to negotiating and entering into our public property management and municipal management service agreements, we seek to prepare, as accurate as possible, an estimated cost of sales. As we bear such expenses ourselves, our profit margins are affected by our ability to lower our cost of sales. In the event that our cost of sales is higher than anticipated, we may not be able to collect additional amounts from our customers to sustain our profit margins. See "Risk Factors—Risks Relating to Our Business and Industry—We primarily generated revenue on a lump sum basis. We may be subject to losses or decreased profit margins if we fail to estimate or control our costs in performing our services."

Key Terms of City Service Agreements

Public Property Management Services

We enter into public property management service agreements primarily with government agencies and public authorities for our management of public properties, such as government buildings, education institutes and hospitals. Our public property management service agreements typically include key terms which largely track those in our residential property management service agreements, such as scope of services, performance standards, property management fees, the parties' respective rights and obligations, terms of service and dispute resolutions. See "—Residential and Commercial Property Management Services—Key Terms of Property Management Service Agreements—Residential Properties."

Municipal management services

The municipal management service agreements that we entered into typically include the following key terms:

- *Scope of services*. A typical municipal management service agreement sets out the cleaning and maintenance services, municipal waste collection services as well as the household garbage collection services to be provided by us and the geographic coverage of our services.

- *Performance scope and standards*. A typical municipal management service agreement sets forth the scope and expected standards, such as the areas or the number of public lavatories to which our services are related as well as the requirements, frequency and standards for the performance of our services. We are also required to adhere to the safety, uniform and etiquette guidelines as stipulated under the relevant municipal management service agreements.

- *Municipal management service fees*. A typical municipal management service agreement sets forth the amount of cleaning and maintenance service fees and municipal waste collection service fees payable to us, generally on a monthly basis, and the total amount of household garbage collection service fees payable upfront after we sign a service agreement with our client.

- *Our customers' rights and obligations*. Our customers are primarily responsible for, among other things, coordinating with relevant government units as well as ensuring water and electricity supply.

- *Our rights and obligations*. We are primarily responsible for, among other things, providing services within the scope authorized by our customers and/or formulating rules and policies to ensure the quality of our services and maintaining our customers' properties including the waste compression stations under our management and the garbage trucks provided to us for facilitating our municipal waste collection services. In addition, we generally bear the operating costs incurred in our provision of services, including but not limited to staff costs, repair and maintenance expenses, cleaning expenses and tax expenses.

- *Term of service and termination*. The agreement term is typically one year. If any of our customers decides to terminate the agreement, it is typically responsible for delivering us a one-month notice.

- *Dispute resolution*. Parties to the municipal management service agreement are typically required to resolve any contractual disputes through negotiations first before resorting to litigation or arbitration.

RESIDENTIAL AND COMMERCIAL PROPERTY MANAGEMENT SERVICES

Overview

We commenced our business by providing property management services to a residential project in Xi'an in 2002, and began to proactively undertake commercial property management projects in 2005. As of the Latest Practicable Date, we provided property management services to a wide spectrum of residential properties and commercial properties, including office buildings and industrial parks. Both of our residential and commercial property management services include basic property management services and value-added services.

In 2021, 2022 and 2023, our revenue from residential property management services amounted to RMB159.1 million, RMB176.4 million and RMB184.2 million, respectively, accounting for 26.8%, 25.0% and 21.3%, respectively, of our total revenue for the same years. As of December 31, 2021, 2022 and 2023, we provided basic residential property management services to 21, 27 and 27 residential properties with a total GFA under management of 5.6 million sq.m., 6.8 million sq.m. and 6.8 million sq.m., respectively. During the Track Record Period and up to the Latest Practicable Date, all of the residential properties under our management were subject to price control under relevant laws and regulations.

In 2021, 2022 and 2023, our revenue from commercial property management services amounted to RMB92.0 million, RMB119.5 million and RMB149.8 million, respectively, accounting for 15.5%, 16.9% and 17.4%, respectively, of our total revenue for the same years. As of December 31, 2021, 2022 and 2023, we provided basic commercial property management services to 19, 26 and 33 commercial properties with a total GFA under management of 2.3 million sq.m., 3.2 million sq.m. and 3.4 million sq.m., respectively.

Scope of Services

Basic Property Management Services

We primarily provide the following basic property management services to the residential and commercial properties under our management:

- *Cleaning services.* We provide cleaning services for common areas such as staircases, hallways, exterior walls and basements. We provide our cleaning services primarily through our employees and subcontractors.

- *Security services.* Our security services are to ensure that the properties under our management are safe and in good order. In particular, we dispatch security staff to routinely patrol the properties, set up surveillance over common areas, verify identities of visitors and visiting vehicles, and handle emergency situations. We provide our security services primarily through our employees and subcontractors.

- *Common area facility repair and maintenance services.* We are generally responsible for the repair and maintenance of (i) common area facilities and construction structures such as elevators, escalators and central air conditioning facilities; (ii) utility facilities such as electricity generators, power distribution equipment, water pump rooms, water supply and drainage systems; (iii) fire safety equipment such as fire extinguishers and fire alarm systems; and (iv) security facilities such as entrance gates, fences and surveillance cameras. We provide our common area facility repair and maintenance services primarily through our employees and subcontractors.

- *Pre-delivery services.* The pre-delivery services that we provide primarily include (i) preliminary consultancy services, through which we address property developers and property owners' needs by offering advices on project acceptance; and (ii) construction monitoring and pre-delivery inspection services, through which we help property developers inspect construction processes and conduct quality inspection of properties. We provide our pre-delivery services primarily through our employees.

Value-added Services

We also provide the following value-added services to residential communities and commercial properties under our management to address customer needs and improve the experience of property developers, property owners, residents and tenants of our managed properties:

- *Private parking management services*. We assist property owners in managing parking spaces by providing daily management, surveillance, entry control and parking fee collection services to ensure the cleanliness and order of the parking spaces located in the residential communities and commercial properties under our management. We profit from our private parking management services by charging property owners monthly management fees or collecting a percentage of the visitors' temporary parking fees. We determine such parking fees with reference to local market prices and any pricing requirements imposed by applicable laws and regulations, and generally charge property owners, residents and tenants of the properties under our management parking fees on a monthly basis, and temporary visitors on an hourly basis. During the Track Record Period, (i) for the residential properties under our management, we typically charged property owners and residents RMB60 per month to RMB80 per month, and visitors RMB2 to RMB2.5 for every four hours for each temporary visit; and (ii) for the commercial properties under our management, we typically charged property owners and tenants RMB150 per month for underground parking, and visitors RMB3 to RMB4 per hour. As of December 31, 2021, 2022 and 2023, we managed approximately 19.7 thousand, 23.7 thousand and 30.8 thousand private parking spaces located in residential communities and commercial properties, respectively. The occupancy rate[(1)] of these private parking spaces was 69.9%, 61.7% and 52.2%, respectively. The occupancy rate of the private parking spaces under our management decreased from 69.9% as of December 31, 2021, then to 61.7% as of December 31, 2022, and further to 52.2% as of December 31, 2023, primarily because we undertook certain newly delivered residential and commercial projects with parking spaces that had yet to be sold or leased as of December 31, 2022 and December 31, 2023. We provide our private parking management services primarily through our employees.

- *Sales office management services*. We offer management services, such as customer reception, security and cleaning services, to property developers' sales offices to ensure the security and smooth operations of sales offices and display units. We primarily charge a lump sum service fee for our sales office management services, which typically ranged from RMB0.1 million to RMB0.5 million per month during

Note:

(1) Calculated by dividing the sum of the private parking spaces under our management that had been either sold or leased as of the end of a year during the Track Record Period by the total number of private parking spaces under our management as of the end of that year.

the Track Record Period, depending on the number of onsite staff that we designate to the sales offices. As of December 31, 2021, 2022 and 2023, we managed nine, nine and seven sales offices, respectively. We provide our sales office management services primarily through our employees.

- *Catering services.* We provide catering services by preparing meals primarily to (i) the general public through the canteens that we operate; and (ii) staff of property developers, property owners or tenants. We set our prices for our catering services after taking into consideration various factors, such as the location and profile of the restaurant, services and dishes we provide and the regularity of our services, and charge our fees based on the number of individual customers. During the Track Record Period, the service fees that we charged for our catering services typically ranged from RMB5.0 to RMB25.0 per person per meal. In 2021, 2022 and 2023, our customers' canteens to which we provided catering services served approximately 0.6 million, 1.0 million and 1.1 million meals, respectively. The number of meals served by our customers' canteens to which we provided catering services generally increased during the Track Record Period, primarily because we began to provide catering services to support the canteens of new residential and commercial projects in each period. We operate our catering services primarily through our employees.

- *Other services*. We provide (i) on-demand services, such as housekeeping, plumbing and electricity maintenance, dry cleaning and household or workplace appliance repair services on property developers, property owners, residents and tenants' demand, and collect service fees based on the amount and type of services provided according to a fee schedule; (ii) property agency services, under which we assist property owners in selling and renting out their properties by communicating with property owners seeking to sell or rent out their properties, and collecting and recording their information, and we charge a fixed amount of the sales or rental proceeds as our commission fees; and (iii) utility management services, under which we are commissioned to collect utility fees from property owners, and manage the operation of the heating system. We provide our on-demand services primarily through our employees and third-party subcontractors, and property agency services and utility management services primarily through our employees.

Property Management Service Fees

During the Track Record Period, all of our basic residential and commercial property management fees were charged on a lump sum basis. Under the lump sum fee model, we charge a fixed and "all-inclusive" fee for our property management services, and our property management service fees are typically charged on a regular basis, depending on the terms of our property management service agreements. We are entitled to retain the full amount of property management service fees collected from property developers, property owners, residents and tenants as revenue and bear the costs incurred in providing our property management services. According to CIA, the lump sum fee model is the dominant method of collecting property management fees in China, especially in relation to residential properties.

Prior to negotiating and entering into our property management service agreements, we seek to prepare, as accurate as possible, an estimated cost of sales. As we bear such expenses ourselves, our profit margins are affected by our ability to lower our cost of sales. In the event that our cost of sales is higher than anticipated, we may not be able to collect additional amounts from our customers to sustain our profit margins. See "Risk Factors—Risks Relating to Our Business and Industry—We primarily generated revenue on a lump sum basis. We may be subject to losses or decreased profit margins if we fail to estimate or control our costs in performing our services."

Major Projects

The following table sets forth the details of our top five projects during the Track Record Period in each business line in terms of their revenue contribution, including (i) their revenue contribution in each year during the Track Record Period; (ii) project duration of the existing service agreement as of December 31, 2023; and (iii) our role and service scope.

Major Projects	Revenue for the year ended December 31, 2021	2022	2023	Project Duration of the Existing Service Agreement	Services the Group Provided
		(RMB'000)		*(month)*	
City services					
Providing municipal management services to Xi'an ETDZ MC for city roads in Jingkai District with a total GFA of approximately 11.3 million sq.m.	158,075	164,696	165,725	12	Cleaning and maintenance services; municipal waste collection services; response to road cleaning emergencies
Providing public property management services and municipal value-added services to Xi'an Government Office Affairs Administration with a GFA of 317,000 sq.m. in Weiyang District	21,696	22,217	23,471	12	Cleaning, security and facility repair and maintenance services; parking management services; conference coordination services
Providing public property management services and municipal value-added services to Xi'an ETDZ MC with a GFA of approximately 79,000 sq.m. in Weiyang District	20,898	22,102	23,334	12	Cleaning, security and facility repair and maintenance services; parking management services; catering services and conference coordination services

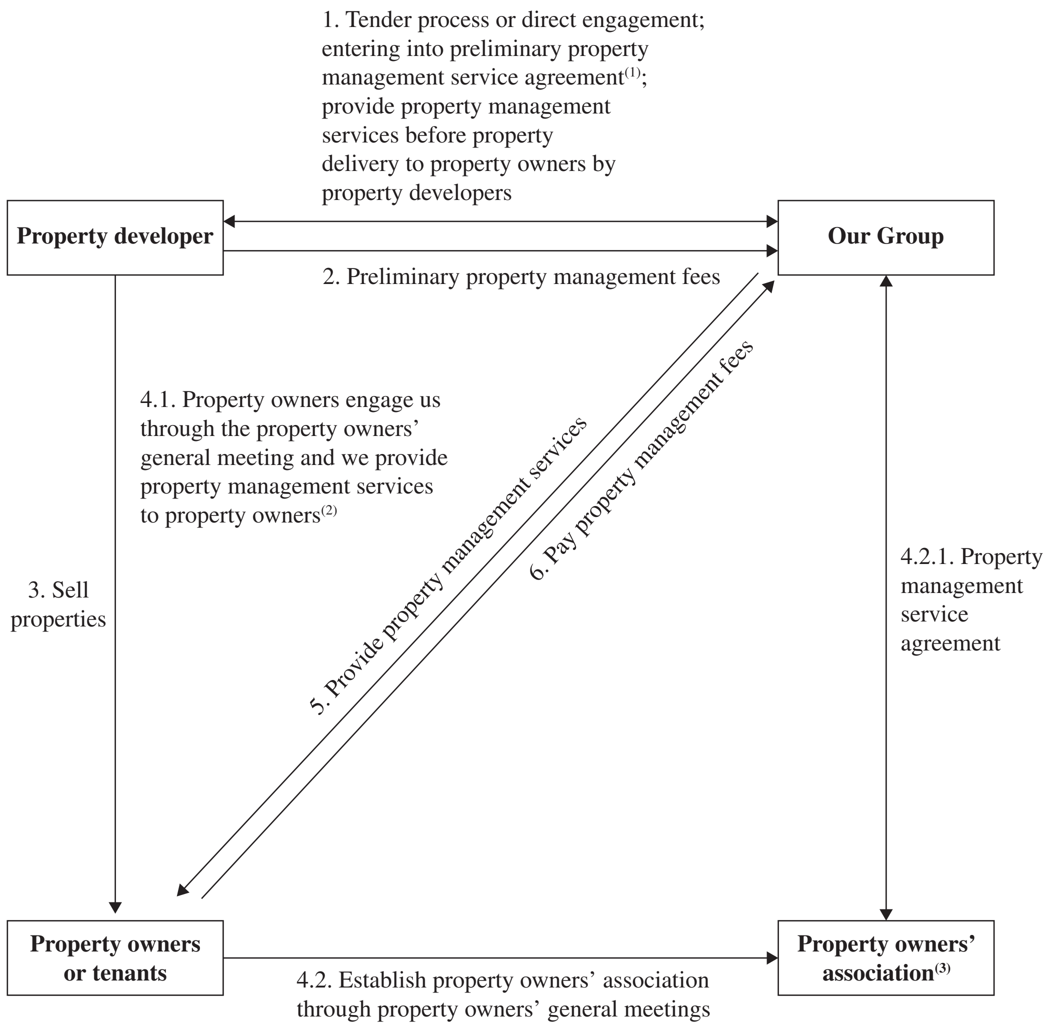
Major Projects	Revenue for the year ended December 31, 2021	2022	2023	Project Duration of the Existing Service Agreement	Services the Group Provided
		(RMB'000)		*(month)*	
Providing public property management services and municipal value-added services to a government body with a GFA of approximately 116,000 sq.m. in Weiyang District	17,925	17,103	17,483	12	Cleaning, security and facility repair and maintenance services; parking management services; catering services and conference coordination services
Providing public property management services and municipal value-added services to Xi'an Honghui Hospital with a GFA of approximately 680,000 sq.m. in Weiyang District	–	–	42,192	9	Cleaning, security and facility repair and maintenance services; patient consultation, reception and guidance services; medical record management services; recycling, cleaning, sorting and delivery of hospital gowns, bed sheets and surgical accessories, and equipment and facility maintenance services

Major Projects	Revenue for the year ended December 31, 2021	2022	2023	Project Duration of the Existing Service Agreement	Services the Group Provided
		(RMB'000)		*(month)*	
Residential property management services					
Providing residential property management services and value-added services to a residential project with a GFA of approximately 743,000 sq.m. for Kingfar Holdings Group and property owners and residents in Weiyang District	26,310	24,779	25,039	Indefinite	Cleaning, security, greening and common area facility repair and maintenance services; parking management services and butler services
Providing residential property management services and value-added services to a residential project with a GFA of approximately 670,000 sq.m. for a property owners' association and property owners and residents in Weiyang District. Such project was recognized as one of the "100 Exemplary Residential Com" by the MOHRUD in 2012	24,333	24,771	25,198	72	Cleaning, security, greening and common area facility repair and maintenance services; parking management services
Providing residential property management services and value-added services to a residential project with a GFA of approximately 884,000 sq.m. for an Independent Third Party property developer and property owners and residents in Weiyang District	23,175	23,604	22,450	Indefinite	Cleaning, security and common area facility repair and maintenance services; parking management services

Major Projects	Revenue for the year ended December 31, 2021	2022	2023	Project Duration of the Existing Service Agreement	Services the Group Provided
		(RMB'000)		*(month)*	
Providing residential property management services and value-added services to a residential project with a GFA of approximately 404,000 sq.m. for Kingfar Holdings Group and property owners and residents in Xincheng District. Such project was awarded the "Pioneer Project for COVID-19 Prevention in the Property Management Industry in Xi'an" by the Xi'an Housing and Urban-Rural Development Bureau in 2022	10,327	10,355	16,610	Indefinite	Cleaning, security, greening and common area facility repair and maintenance services; parking management services
Providing residential property management services and value-added services to a residential project with a GFA of approximately 412,000 sq.m. for Kingfar Holdings Group and property owners and residents in Xixian New District	9,641	9,692	10,071	Indefinite	Cleaning, security, greening and common area facility repair and maintenance services; parking management services
Commercial property management services					
Providing basic commercial property management services and value-added services to a commercial project with a GFA of approximately 581,000 sq.m. for Kingfar Holdings Group and property owners and tenants in Jingkai District	23,780	24,099	25,525	Indefinite	Cleaning, security and common area facility repair and maintenance services; parking management services

Major Projects	Revenue for the year ended December 31, 2021	2022	2023	Project Duration of the Existing Service Agreement	Services the Group Provided
		(RMB'000)		*(month)*	
Providing basic commercial property management services and value-added services to a commercial project with a GFA of approximately 144,000 sq.m. for Kingfar Holdings Group and property owners and tenants in Weiyang District	16,576	19,438	20,700	Indefinite	Cleaning, greening, security and common area facility repair and maintenance services; parking management services
Providing basic commercial property management services and value-added services to a commercial project with a GFA of approximately 113,000 sq.m. for Kingfar Holdings Group and property owners and tenants in Jingkai District	12,222	13,028	13,071	Indefinite	Cleaning, greening, security and common area facility repair and maintenance services; parking management services and concierge services
Providing basic commercial property management services and value-added services to a commercial project with a GFA of approximately 228,000 sq.m. for Kingfar Holdings Group and property owners and tenants in Weiyang District	7,434	8,180	11,095	Indefinite	Cleaning, security and common area facility repair and maintenance services; parking management services
Providing basic commercial property management services and value-added services to a commercial project with a GFA of approximately 72,000 sq.m. for Kingfar Holdings Group and property owners and tenants in Gaoling District	6,042	5,845	5,628	Indefinite	Cleaning, greening, security and common area facility repair and maintenance services; parking management services and conference room audio equipment and facility management services

The following diagram summarizes our relationships with various parties under our property management service agreements.



Notes:

(1) The property developer can enter into a preliminary property management service agreement with us before delivery of the properties and such agreement is legally binding on all future property owners.

(2) The property owners can select to engage us through the property owners' general meeting. Once we are selected, the property owners' general meeting can authorize the property owners' association to enter into a property management service agreement with us on behalf of the property owners and such contract is legally binding on all the property owners belonging to the relevant property.

(3) Only applicable to residential property management projects.

Key Terms of Property Management Service Agreements

Residential Properties

We generally enter into preliminary residential property management service agreements with property developers. A preliminary residential property management service agreement is a type of property management service agreement that we enter into at the construction and pre-delivery stage of residential property development projects. For residential properties that have already been delivered, but where the property owners' associations have not been established, we provide residential property management services to property owners and residents pursuant to the preliminary residential property management service agreements that we entered into with the property developers. We generally start providing property owners residential property management services after property developers have delivered the properties to them. The delivery time from property developers to property owners is generally set forth according to the purchase agreement between them. For residential properties that have already been delivered and where property owners' associations have been established, we enter into residential property management service agreements with property owners' associations that act on behalf of property owners.

As of December 31, 2023, two residential properties under our management had established property owners' associations, one of which had been delivered to us for management prior to the establishment of property owners' association, and remained under our management after the establishment of property owners' association; the other began to engage us to provide residential property management services after the establishment of property owners' association. During the Track Record Period, we were not disengaged as property management service provider by any property owners' association after its establishment. Generally, there were no material differences in terms of the scope of services or the property management fees that we charge between the preliminary residential property management service agreement and the residential property management service agreement with property owners' association.

The preliminary residential property management service agreements that we entered into with property developers typically include the following key terms:

- *Scope of services.* A typical preliminary residential property management service agreement sets out the services to be provided by us, including (i) basic property management services that comprise cleaning, security and common area facility repair and maintenance services; and (ii) value-added services.

- *Performance standards.* A typical preliminary residential property management service agreement sets forth the scope and expected standards, such as the areas to which our services are related, as well as the requirements, frequency and standards for the performance of our services.

- *Property management fees*. The preliminary residential property management service agreements set forth the amount of monthly property management fees payable on a lump sum basis. The property developer is typically responsible for paying the property management fees for the units that remain unsold or the properties that are not delivered to the property buyers on time due to property developers' reasons. For overdue property management fees, property developers, property owners or residents should pay an overdue penalty as specified in the agreement.

- *Property developers' rights and obligations*. A property developer is primarily responsible for, among others, (i) ensuring that its property purchasers understand and confirm their obligations under the residential property management service agreement and provisional management protocol; and (ii) providing us with required documents as specified in the residential property management service agreement, such as inspection certificates for completed properties.

- *Term of service and termination*. Our preliminary residential property management service agreements generally do not have a fixed term and will terminate when a property owners' association is established and a new residential property management service agreement is entered into.

- *Dispute resolution*. Parties to the preliminary residential property management service agreement are typically required to resolve any contractual disputes through negotiations first before resorting to litigation or arbitration.

After delivery of the projects by property developers to the property owners, property owners may form and operate property owners' associations to manage the projects. According to the Civil Code of the PRC (《中華人民共和國民法典》) (the "**Civil Code**"), property owners have the right to establish property owners' associations at property owners' meeting, and a preliminary residential property management service agreement entered into between a property developer and a property management service company in accordance with the PRC laws and regulations is legally binding on the relevant property owners. According to the Regulations on Property Management (《物業管理條例》), a sales contract concluded by a property developer and a property buyer shall include the contents stipulated in the relevant preliminary residential property management service agreement. Therefore, as advised by our PRC Legal Advisors, the preliminary residential property management service agreements entered into with property developers in compliance with the aforementioned regulations are legally binding on the relevant future property owners as the property sale and purchase agreements that property owners enter into with property developers shall include the content of the preliminary residential property management service contracts.

Once a property owners' association is established and enters into a new residential property management service agreement with us, the preliminary residential property management service agreement will expire. The property owners' associations are independent from us. In order to secure and continue to secure residential property management service agreements, we must consistently provide quality services at competitive prices. 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 are 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. The property owners' meeting may either hire a new residential property management service provider through the tender process or select one based on specific standards to do with terms and conditions of service, quality and price. See "Regulatory Overview—PRC Legal Supervision Relating Property Management Services—Appointment of the Property Management Enterprise."

The residential property management service agreements that we entered into with property owners' associations typically include the following key terms:

- *Scope of services.* A typical residential property management service agreement sets out the services to be provided by us, including cleaning, security and common area facility repair and maintenance services.

- *Performance standards.* A typical residential property management service agreement sets forth the scope and expected standards, such as the areas to which our services are related, as well as the requirements, frequency and standards for the performance of our services.

- *Property management fees*. The property management fee would be payable on a lump sum basis by property owners and/or residents according to the relevant service agreement. For overdue property management fees, property owners and/or residents must pay an overdue penalty as specified in the service agreement.

- *Property owners and residents' rights and obligations*. A property owners' association is primarily responsible for, among others, (i) ensuring that property owners and residents understand and fulfill their obligations in relation to the payment of residential property management fees; (ii) providing us with support as specified in the residential property management service agreement; and/or (iii) reviewing or supervising plans and budgets that we may draw up in relation to our services.

- *Term of service and termination.* Our residential property management service agreements generally have a fixed term ranging between three and six years. The agreements may specify that parties may negotiate for renewal within three months before the expiry of the agreements. During the Track Record Period and up to the Latest Practicable Date, neither we nor any property owners' association have unilaterally terminated any property management service agreement before the end of their terms.

- *Dispute resolution.* Parties to the residential property management service agreement are typically required to resolve any contractual disputes through negotiations first before resorting to litigation.

As advised by our PRC Legal Advisors, under PRC law, property owners' associations represent the interests of property owners in matters concerning property management, and decisions that are within the authorized scope of the property owners' association are binding on all property owners. As such, agreements between property owners' associations and residential property management service providers are valid and legally binding on all property owners concerned, irrespective of whether or not the property owners are individual parties to such contracts, according to our PRC Legal Advisors. Thus, we have legal claim rights against property owners for outstanding property management fees. Property owners have the right to be informed of and to supervise the use of common funds, review our annual budget and any plans we prepare in relation to topping-up the common funds or to our residential property management services in general. The property owner shall pay the property management fees according to the residential property management service agreements. If the property owners and residents agree that the residents shall pay the property management fee, the property owners shall be jointly and severally liable for the payment.

Commercial Properties

We enter into commercial property management service agreements with customers such as property developers, property owners and tenants for our management of commercial properties. Generally, the ultimate paying customers of our commercial property management services are (i) the property developers prior to the sales of the commercial properties; and (ii) either the property purchasers or the tenants if such properties were leased out after the commercial properties are sold by the property developers to property purchasers. Our property management service agreements for commercial properties typically include key terms which largely track those in our residential property management service agreements, such as scope of services, performance standards, property management fees, the parties' respective rights and obligations, terms of service and dispute resolutions.

As advised by our PRC Legal Advisors, under the Civil Code and relevant PRC laws and regulations, there is no compulsory requirement for property owners of commercial properties to form property owners' associations. During the Track Record Period, no property owners' association was established for commercial properties under our management to which we provided commercial property management services, and we directly negotiated and entered into service agreements with, and performed our commercial property management services to, property purchasers or the tenants after the delivery of commercial projects by property developers.

PORTFOLIO OF PROPERTIES UNDER MANAGEMENT

As of December 31, 2021, 2022 and 2023, we had 98, 121 and 148 projects under management, respectively, with a total GFA under management of 10.8 million sq.m., 13.2 million sq.m. and 14.6 million sq.m., respectively. As confirmed by Kingfar Holdings, as of December 31, 2023, save for four resettlement housing projects that either incurred losses or to which we charged relatively low property management service fees, from which we withdrew in 2023, we managed all of the projects developed by Kingfar Holdings Group. We have a diversified portfolio of managed properties, including residential properties as well as a wide range of public and commercial properties. We grew our project portfolio during the Track Record Period primarily by obtaining new property management service agreements. We believe that as we accumulate experience and recognition for the quality of our property management services, we will be able to continually diversify our portfolio of properties under management and further enlarge our customer base.

In 2021, 2022 and 2023, our revenue from property management services, including public property management services, basic residential property management services and basic commercial property management services, amounted to RMB306.8 million, RMB382.1 million and RMB494.0 million, respectively, accounting for 51.7%, 54.1% and 57.3% of our total revenue for the same years, respectively. As of December 31, 2021, 2022 and 2023, we provided public property management services to 58, 68 and 88 public properties with a total GFA under management of 3.0 million sq.m., 3.3 million sq.m. and 4.4 million sq.m., respectively; we provided residential property management services to 21, 27 and 27 residential properties with a total GFA under management of 5.6 million sq.m., 6.8 million sq.m. and 6.8 million sq.m., respectively; and we provided commercial property management services to 19, 26 and 33 commercial properties with a total GFA under management of 2.3 million sq.m., 3.2 million sq.m. and 3.4 million sq.m., respectively.

The following table sets forth a breakdown of our total number of properties and GFA under management as of the dates indicated, and our revenue from basic property management services for the years indicated by type of properties.

	As of/for the years ended December 31,											
	2021				2022				2023			
	Number of projects	GFA under management	Revenue		Number of projects	GFA under management	Revenue		Number of projects	GFA under management	Revenue	
		(sq.m.'000)	*(RMB'000)*	*(%)*		*(sq.m.'000)*	*(RMB'000)*	*(%)*		*(sq.m.'000)*	*(RMB'000)*	*(%)*
Public property management services	58	2,963	131,103	42.7	68	3,308	174,776	45.7	88	4,396	259,982	52.6
Basic residential property management services	21	5,598	108,388	35.3	27	6,759	116,349	30.5	27	6,771	120,733	24.4
Basic commercial property management services	19	2,288	67,347	22.0	26	3,173	90,934	23.8	33	3,440	113,297	23.0
Total	**98**	**10,849**	**306,838**	**100.0**	**121**	**13,240**	**382,060**	**100.0**	**148**	**14,607**	**494,012**	**100.0**

The following table sets forth a breakdown of our total number of properties and GFA under management as of the dates indicated, and revenue generated from property management services for the years indicated, by type of property developers[1].

	As of/for the years ended December 31,											
	2021				2022				2023			
	Number of projects	GFA under management	Revenue		Number of projects	GFA under management	Revenue		Number of projects	GFA under management	Revenue	
		(sq.m.'000)	*(RMB'000)*	*(%)*		*(sq.m.'000)*	*(RMB'000)*	*(%)*		*(sq.m.'000)*	*(RMB'000)*	*(%)*
Kingfar Holdings Group	32	5,784	160,628	52.3	32	6,109	171,676	44.9	30	5,548	180,511	36.5
Independent Third Parties[2]	66	5,065	146,210	47.7	89	7,131	210,384	55.1	118	9,059	313,501	63.5
Total	**98**	**10,849**	**306,838**	**100.0**	**121**	**13,240**	**382,060**	**100.0**	**148**	**14,607**	**494,012**	**100.0**

Notes:

(1) The breakdown of revenue by type of property developers relates to the property source and does not represent revenue directly generated from the property developers.

(2) Refers to third-party property developers that were neither Xi'an ETDZ MC nor connected persons of our Company within the meaning of the Listing Rules. In addition, Xi'an ETDZ MC is not a property developer as it is an administrative agency that does not engage in property development.

The following table sets forth the movement of our contracted GFA and GFA under management during the Track Record Period.

	For the year ended December 31,					
	2021		2022		2023	
	Contracted GFA	GFA under management	Contracted GFA	GFA under management	Contracted GFA	GFA under management
	(sq.m.'000)					
As of the beginning of the period	9,790	8,804	11,767	10,849	14,880	13,240
New engagements[1]	2,181	2,250	3,298	2,576	1,212	2,473
Terminations	(204)	(205)	(185)	(185)	(1,106)	(1,106)
As of the end of the period	**11,767**	**10,849**	**14,880**	**13,240**	**14,986**	**14,607**

Note:

(1) Primarily include (i) preliminary property management service agreements for new projects developed by property developers and (ii) property management service agreements to replace the relevant projects' previous property management service providers. The renewed agreements are not regarded as the new engagements that we entered into during such year. The newly engaged GFA under management includes the newly delivered GFA that we were contracted to manage in the previous year.

The following table sets forth the number of our properties and GFA under management, as well as the number of properties we were contracted to manage and corresponding contracted GFA as of the dates indicated.

	As of December 31,			As of the Latest Practicable Date
	2021	2022	2023	
City Services				
– Number of properties we were contracted to manage[1]	58	68	88	91
– Number of properties under management[2]	58	68	88	91
– Contracted GFA (*sq.m.'000*)	3,543	4,031	4,512	4,692
– GFA under management (*sq.m.'000*)	2,963	3,307	4,396	4,576

	As of December 31,			As of the Latest Practicable Date
	2021	2022	2023	
Residential Property Management Services				
– Number of properties we were contracted to manage[(1)]	21	27	28	28
– Number of properties under management[(2)]	21	27	27	28
– Contracted GFA (*sq.m.'000*)	5,906	7,565	6,963	6,963
– GFA under management (*sq.m.'000*)	5,598	6,759	6,771	6,872
Commercial Property Management Services				
– Number of properties we were contracted to manage[(1)]	19	26	33	31[(3)]
– Number of properties under management[(2)]	19	26	33	31
– Contracted GFA (*sq.m.'000*)	2,318	3,284	3,511	3,405
– GFA under management (*sq.m.'000*)	2,288	3,174	3,440	3,334

Notes:

(1) Refers to all properties for which we have entered into the relevant operating property management service agreements, which may include properties that have not been delivered to us for property management purposes in addition to properties under management.

(2) Refers to properties that have been delivered to us for property management purposes.

(3) Between December 31, 2023 and the Latest Practicable Date, we were engaged to manage a new commercial project with a contracted GFA of 10,454 sq.m. for a monthly property management service fee of RMB5.8 per sq.m., and we ceased to manage three commercial projects with a contracted GFA of 10,275 sq.m., 10,694 sq.m. and 85,000 sq.m., respectively, for an average monthly service fee of RMB8.6 per sq.m., RMB3.0 per sq.m. and RMB0.1 per sq.m., respectively, to optimize our resource allocation.

Expiration Schedule of Property Management Service Agreements

The following table sets forth the expiration schedule of our property management service agreements for our project pipeline with Xi'an ETDZ MC, Kingfar Holdings Group and Independent Third Parties by number of agreements and GFA to be managed under each business line as of December 31, 2023.

	Projects under management		Contracted but undelivered projects	
	GFA	Number of agreements	GFA	Number of agreements
	(sq.m.'000)		*(sq.m.'000)*	
Property management service agreements without fixed terms[1]	**6,424**	**25**	**–**	**–**
Property management service agreements with fixed terms expiring in:				
Year ending December 31, 2024				
Public property management services	**4,167**	**81**	**–**	**–**
– Xi'an ETDZ MC	91	3	–	–
– Kingfar Holdings Group	60	1	–	–
– Independent Third Parties other than Xi'an ETDZ MC	4,016	77	–	–
Residential property management services	**170**	**1**	**–**	**–**
– Independent Third Parties other than Xi'an ETDZ MC	170	1	–	–
Commercial property management services	**2,101**	**25**	**–**	**–**
– Kingfar Holdings Group	511	4	–	–
– Independent Third Parties other than Xi'an ETDZ MC	1,590	21	–	–
Year ending December 31, 2025				
Public property management services	**65**	**4**	**–**	**–**
– Independent Third Parties other than Xi'an ETDZ MC	65	4	–	–
Residential property management services	**568**	**4**	**–**	**–**
– Kingfar Holdings Group	250	3	–	–
– Independent Third Parties other than Xi'an ETDZ MC	319	1	–	–
Commercial property management services	**140**	**2**	**–**	**–**
– Kingfar Holdings Group	100	1	–	–
– Independent Third Parties other than Xi'an ETDZ MC	40	1	–	–
Year ending December 31, 2026 and beyond				
Public property management services	**89**	**2**	**–**	**–**
– Xi'an ETDZ MC	89	2	–	–
Residential property management services	**883**	**4**	**148**	**1**
– Kingfar Holdings Group	59	1	148	1
– Independent Third Parties other than Xi'an ETDZ MC	824	3	–	–
Total	**14,607**	**148**	**148**	**1**

Note:

(1) Property management service agreements without fixed terms are typically agreements entered into with property developers before property owners' associations are set up.

As of December 31, 2023, one project on our project pipeline that we were contracted to manage had yet to be delivered. Under the preliminary residential property management service agreement for such project, we were engaged to provide residential property management services to a residential community developed by Kingfar Holdings Group with a contracted but undelivered GFA of 147,826 sq.m. The preliminary residential property management service agreement for such project will terminate at the earlier of 2050 or the effective date of a new property management service agreement between the property owners' association and a property management enterprise.

Retention Rate

The following table sets forth a breakdown of our agreement retention rate by business line and type of property developers for the years indicated.

	For the years ended December 31,		
	2021	**2022**	**2023**
		(%)	
Public property management services	**100.0**	**100.0**	**100.0**
– Kingfar Holdings Group	100.0	100.0	100.0
– Independent Third Parties[1]	100.0	100.0	100.0
Residential property management services	**100.0**	**100.0**	**87.1**
– Kingfar Holdings Group	100.0	100.0	80.0
– Independent Third Parties[1]	100.0	100.0	100.0
Commercial property management services	**100.0**	**100.0**	**94.3**
– Kingfar Holdings Group	100.0	100.0	100.0
– Independent Third Parties[1]	100.0	100.0	91.7
Total	**100.0**	**100.0**	**96.1**

Note:

(1) Refers to third-party property developers that were neither Xi'an ETDZ MC nor connected persons of our Company within the meaning of the Listing Rules.

During the Track Record Period, our agreement retention rates remained relatively favorable, which we believe reflected our capabilities in offering quality property management services. In 2021, 2022 and 2023, our overall property management service agreement retention rate was 100.0%, 100.0% and 96.1%, respectively. In 2021, 2022 and 2023, (i) the retention rates of our public property management service agreements remained at 100.0%; (ii) our residential property management service agreement retention rate was 100.0%, 100.0% and 87.1%, respectively; and (iii) our commercial property management service agreement retention rate was 100.0%, 100.0% and 94.3%, respectively. The retention rate of our residential property management service agreements decreased from 100.0% in 2022 to 87.1% in 2023, primarily because our retention rate for the residential properties developed by Kingfar Holdings Group decreased from 100.0% in 2022 to 80.0% in 2023, which was primarily attributable to our withdrawal from all four resettlement housing projects under our management.

In 2021, 2022 and 2023, we had entered into 10, 13 and 13 municipal management service agreements. During the Track Record Period, our agreement retention rate for our municipal management service projects remained at 100.0%.

Renewal Rate

The following table sets forth a breakdown of our agreement renewal rate by business line and type of property developers for the years indicated.

	For the years ended December 31,		
	2021	**2022**	**2023**
		(%)	
Public property management services			
– Kingfar Holdings Group	100.0	66.7	100.0
– Independent Third Parties[1]	88.0	79.6	96.1
Residential property management services			
– Kingfar Holdings Group	–[2]	100.0	0
– Independent Third Parties[1]	0	–[2]	–[2]
Commercial property management services			
– Kingfar Holdings Group	100.0	100.0	100.0
– Independent Third Parties[1]	80.0	66.7	90.5
Total	**86.1**	**80.0**	**90.2**

Notes:

(1) Refers to third-party property developers that were neither Xi'an ETDZ MC nor connected persons of our Company within the meaning of the Listing Rules.

(2) No property management service agreement for property developed by such property developer expired in the year indicated.

In 2021, 2022 and 2023, our overall renewal rate for properties developed by Kingfar Holdings Group was 100.0%, 91.7% and 60.0%, respectively, and our overall renewal rate for properties developed by Independent Third Parties was 83.9%, 77.6% and 94.4%, respectively.

Our renewal rate for public properties developed by Kingfar Holdings Group decreased from 100.0% in 2021 to 66.7% in 2022, and subsequently rebounded to 100.0% in 2023, primarily because the service agreement of a public property that expired in 2022 was not renewed until 2023, and we continued to provide public property management services to such project despite the lapse of agreement. Our renewal rate for public properties developed by Independent Third Parties decreased from 88.0% in 2021 to 79.6% in 2022, primarily because we withdrew from certain projects of small scale and allocated our resources to projects of larger scale in 2022.

Our renewal rate for residential properties developed by Kingfar Holdings Group decreased from 100.0% in 2022 to 0% in 2023, primarily because in 2023 we withdrew from all four resettlement housing projects. We recorded a renewal rate of 0% for residential properties developed by Independent Third Parties in 2021, primarily because in 2021 we withdrew from a residential community to which we charged relatively low residential property management service fees.

Our renewal rate for commercial properties developed by Independent Third Parties decreased from 80.0% in 2021 to 66.7% in 2022, primarily because (i) a customer no longer needed commercial property management services and did not renew the service agreements with us; as confirmed by our Directors, such non-renewal was not due to our service quality or any disagreement with the customer; and (ii) we withdrew from certain projects of small scale and allocated our resources to projects of larger scale. Our renewal rate for commercial properties developed by Independent Third Parties subsequently rebounded to 90.5% in 2023.

As of the Latest Practicable Date, we had renewed 52 of the 107 agreements expiring in 2024, and we aim to begin the renewal negotiation process with the customers of the remaining agreements within one month prior to their expiry dates after evaluating the performance of such agreements.

In 2021, 2022 and 2023, our agreement renewal rate for our municipal management projects was 83.3%, 75.0% and 78.6%, respectively, among which (i) our agreement renewal rate for municipal management projects of which Xi'an ETDZ MC was the ultimate paying customer remained at 100.0%; (ii) our agreement renewal rate for municipal management projects of which Independent Third Parties other than Xi'an ETDZ MC were the ultimate paying customers was 80.0%, 72.7% and 75.0%, respectively; and (iii) there were no municipal management projects of which Kingfar Holdings Group was the ultimate paying customer.

Average Contract Duration

The following table sets forth the average contract durations by business lines and type of ultimate paying customers during the Track Record Period.

	City services	Residential property management services	Commercial property management services[(2)]
		(months)	
Xi'an ETDZ MC	20	N/A[(1)]	25
Kingfar Holdings Group	12	90	25
Independent Third Parties other than Xi'an ETDZ MC	16	71	17

Notes:

(1) Xi'an ETDZ MC did not enter into any residential property management service agreement with us during the Track Record Period.

(2) Excludes service agreements without fixed contract terms, such as preliminary residential property management service agreements.

Loss-making Projects

In 2021, 2022 and 2023, we incurred losses on 30, 39 and 40 projects, respectively. The total losses from these projects amounted to RMB19.2 million, RMB15.3 million and RMB19.6 million, respectively.

For city service projects, we incurred losses during Track Record Period primarily because (i) we secured some of the loss-making projects with relatively competitive prices for the purpose of developing business relationship with established customers or establishing market presence in the public property management service market in order to expand our project portfolio and to enhance our brand recognition; (ii) we incurred relatively high costs, such as labor costs and cleaning, maintenance and repair expenses, in the early stage of some of the loss-making projects; and (iii) we spent additional costs on staff who provide onsite services to meet the service standards required for some of the loss-making projects.

For residential properties, we incurred losses during the Track Record Period primarily because (i) some of the loss-making projects were resettlement housing projects to which we charged relatively low residential property management service fees with limited room for upside adjustment; (ii) in the early stage of some of the loss-making projects, we incurred relatively high costs, such as labor costs and cleaning, maintenance and repair expenses; and (iii) in the early stage of some of the loss-making projects, the occupancy rates were typically low and we charged vacancy fees, which were lower than our regular residential property management service fees, to the property units that were not yet delivered to property owners. See "—Portfolio of Properties under Management—Our Pricing Policy" for more details. As of December 31, 2023, we had withdrawn from all resettlement housing projects.

For commercial properties, we incurred losses during the Track Record Period primarily because we incurred relatively high costs, such as labor costs and cleaning, maintenance and repair expenses, in the early stage of some of the loss-making projects.

Loss-making Projects by Type of Ultimate Paying Customers

The following table sets forth a breakdown of the amount of losses attributable to the loss-making projects by business line and type of ultimate paying customers for the years indicated.

	For the years ended December 31,		
	2021	**2022**	**2023**
		(RMB'000)	
City services			
– Xi'an ETDZ MC	(1)	(0)	(2)
– Kingfar Holdings Group	(60)	(13)	(1)
– Independent Third Parties other than Xi'an ETDZ MC	(10,510)	(8,642)	(9,934)
Residential property management services			
– Kingfar Holdings Group	–	–	(421)
– Independent Third Parties other than Xi'an ETDZ MC	(7,428)	(5,538)	(7,002)
Commercial property management services			
– Xi'an ETDZ MC	(11)	(65)	(50)
– Kingfar Holdings Group	(169)	(286)	(1,364)
– Independent Third Parties other than Xi'an ETDZ MC	(1,045)	(797)	(797)
Total	**(19,224)**	**(15,343)**	**(19,572)**

The amount of losses attributable to the city service projects of which Independent Third Parties other than Xi'an ETDZ MC were customers decreased from RMB10.5 million in 2021 to RMB8.6 million in 2022, primarily due to an improvement of our profitability in our signature projects due to our cost control measures that resulted in a cost reduction. The amount of losses attributable to the city service projects of which Independent Third Parties other than Xi'an ETDZ MC were customers increased from RMB8.6 million in 2022 to RMB9.9 million in 2023. Such projects included (i) certain education institutes; and (ii) two hospitals that we were newly engaged to provide public property management services, from which we incurred relatively high costs, such as labor costs and cleaning, maintenance and repair expenses, in the early stage of these projects.

We incurred losses of approximately RMB7.4 million from our residential property management services in 2021, primarily due to certain resettlement housing projects under our management from which we experienced difficulty in the collection of residential property management service fees. See "Financial Information—Description of Certain Consolidated Statements of Profit or Loss and Other Comprehensive Income Items—Gross Profit and Gross Profit Margin—Residential Property Management Services" for more details. The losses we incurred from residential property management services decreased from RMB7.4 million in 2021 to RMB5.5 million in 2022, primarily because in 2022 we achieved turnaround in a total of three loss-making projects. We incurred losses of approximately RMB421,000 from residential projects of which Kingfar Holdings Group was a customer in 2023, primarily because we were newly engaged to provide property management services to a residential project, and we incurred additional costs at the initial stage of our service provision. Nevertheless, we expect the revenue that we realize from the residential property management services that we provide to such project to gradually increase upon its delivery to the property owners. The amount of losses attributable to the residential projects of which Independent Third Parties other than Xi'an ETDZ MC were customers increased from RMB5.5 million in 2022 to RMB7.0 million in 2023, primarily because we incurred losses from certain resettlement housing projects with relatively low monthly property management service fees, from which we had withdrawn in 2023.

The amount of losses attributable to the commercial projects of which Kingfar Holdings Group was a customer increased from approximately RMB286,000 in 2022 to RMB1.4 million in 2023, primarily because we were newly engaged to provide commercial property management services to an office building in June 2022, and we incurred relatively high costs in the early stage of our service provision. Nevertheless, to improve our profitability we have adjusted the service fees that we charged on such project in March 2023, and expect the revenue that we realize from the commercial property management services that we provide to such project to gradually increase in the future.

Major Loss-making Projects

The table below sets forth the details of the projects from which we incurred losses that exceeded RMB1.0 million during the Track Record Period.

Projects	Major Customers during the Track Record Period	Year of Service Commencement	Reason for loss
City service projects			
Property management service center of the Office of Xi'an Municipal Government (市政府辦公室物業管理服務項目)	Independent Third Party	2011	In order to establish market presence in the public property management service market and to enhance our brand recognition among government agencies and public authorities, we secured this project with relatively competitive prices and opted for elevated standards in our staffing and service provision, resulting in higher operational costs that exceeded our revenue.
Property management service center of the General Office of Xi'an Municipal Committee of the Communist Party of China (中共西安市委辦公廳物業管理服務項目)	Independent Third Party	2018	In order to foster future collaboration with our customer, we secured this project with relatively competitive prices and opted for elevated standards in our staffing and service provision, resulting in higher operational costs that exceeded our revenue.

Projects	Major Customers during the Track Record Period	Year of Service Commencement	Reason for loss
Property management service center of the Xi'an Children's Hospital in the Economic Development Zone (西安市兒童醫院經開院區物業服務中心)	Independent Third Party	2023	We incurred relatively high costs, particularly cleaning and maintenance expenses, in the early stage of this project, which led to a loss.
Property management service center of the Xi'an Public Security Bureau (西安市公安局物業管理服務項目)	Independent Third Party	2021	We incurred relatively high costs, particularly labor costs in the early stage of this project, which led to a loss.
Residential property management service projects			
Four Season Sunshine (Phase 1 of Jijia New Residential Community) (四季陽光(姬家新社區一期))	Independent Third Parties	2012	We incurred losses primarily due to the difficulty in the collection of residential property management service fees. See "Financial Information—Description of Certain Consolidated Statements of Profit or Loss and Other Comprehensive Income Items—Gross Profit and Gross Profit Margin—Residential Property Management Services" for more details. We withdrew from this project in 2023.

Projects	Major Customers during the Track Record Period	Year of Service Commencement	Reason for loss
Fire safety services and repair and maintenance services (消防維保服務)	Independent Third Parties	2022	Since 2022, we have been providing fire safety services and repair and maintenance services to the firefighting systems in projects under our management. To deliver high-quality services and in preparation for future project engagement, we recruited experienced workers and procured necessary equipment, and incurred relatively high upfront costs, which led to a loss.
Property management service center of Baihualinxi (白樺林溪物業服務中心)	Kingfar Holdings Group & Independent Third Parties	2020	We incurred losses primarily because in the early stage of this project, we incurred substantial costs, such as labor costs and maintenance and repair expenses in order to bring our property management services up to our standards and fully prepare our staff in anticipation of the delivery of residential property units to property owners.

Projects	Major Customers during the Track Record Period	Year of Service Commencement	Reason for loss
Property management service center of Xi'an Ziranjieheshan (西安自然界物業服務中心)	Independent Third Parties	2022	We incurred losses primarily because we incurred additional costs, such as labor and material costs as the residential property units were being delivered to property owners in phases.
Commercial property management service project			
The canteen at Kairui Building (凱瑞大廈餐廳)	Kingfar Holdings Group & Independent Third Parties	2022	We incurred losses primarily because (i) the service pricing for this project was relatively low; and (ii) we incurred relatively high costs, such as labor costs, in the early stage of this project.

During the Track Record Period, the losses that we incurred were primarily from the public administrative government building complex and the government building complex of the Xi'an Municipal Committee (the "**Signature Projects**"), both were considered our signature projects given that they are the major government buildings in Xi'an. See "—City Services—Signature Projects" for more details. Despite the losses that we incurred from the Signature Projects, we were committed to control our costs for such projects, and the losses that we incurred continued to decrease during the Track Record Period. As such, our Directors are of the view that we could gradually reduce the losses that we incurred from the Signature Projects in the future through additional cost-saving measures, such as further streamlining our labor management to lower our operational costs and standardizing our service procedures. In addition, our management of the Signature Projects have allowed us to enhance our brand recognition among government agencies and public authorities, and to make a name for our service quality and standards, which we believe paved the way for our securing future city service projects.

Number and Average Project Duration of Loss-making Projects by Type of Property Developers

The following table sets forth a breakdown of the number and average project duration of our loss-making projects by business lines and type of property developers for the years indicated.

	For the years ended December 31,					
	2021		2022		2023	
	Number of loss-making projects	Range of project duration(2)	Number of loss-making projects	Range of project duration(2)	Number of loss-making projects	Range of project duration(2)
		(month)		*(month)*		*(month)*
City services						
– Independent Third Parties(1)	17	Up to 36	21	Up to 36	19	Up to 36
Residential property management services						
– Kingfar Holdings Group	5	–	5	–	8	Up to 348
– Independent Third Parties(1)	3	24	4	Up to 36	6	Up to 60
Commercial property management services						
– Kingfar Holdings Group	2	24	3	Up to 36	5	Up to 36
– Independent Third Parties(1)	3	12	6	Up to 19	2	24
Total	**30**		**39**		**40**	

Notes:

(1) Refers to third-party property developers that were neither Xi'an ETDZ MC nor connected persons of our Company within the meaning of the Listing Rules.

(2) Excludes service agreements without fixed contract terms, such as preliminary residential property management service agreements.

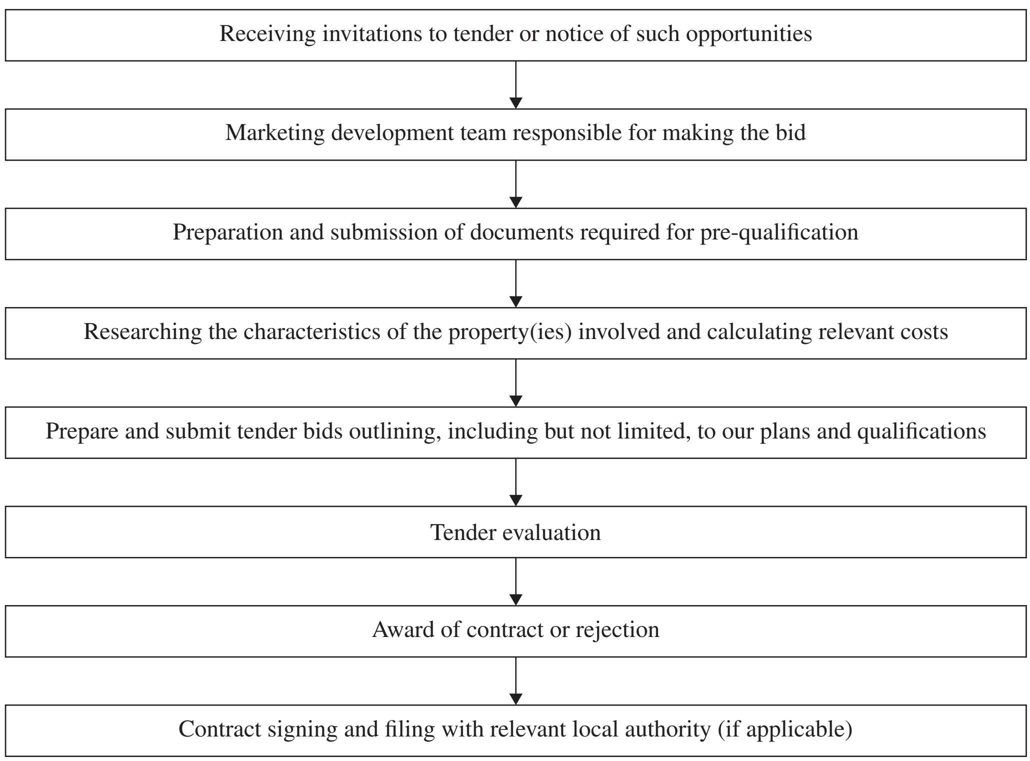
The number of our loss-making city service projects increased from 17 in 2021 to 21 in 2022, and the number of our loss-making commercial property management service projects increased from 5 in 2021 to 9 in 2022, primarily because we were engaged to provide services to certain new projects, where we incurred relatively high costs at the early stage of the project, such as labor costs and cleaning, maintenance and repair expenses. The number of our loss-making residential property management service projects increased from 8 in 2021 to 9 in 2022, and further increased to 14 in 2023, primarily because we were engaged to provide services to certain new residential projects, and realized relatively low revenue from these new residential projects due to their relatively low occupancy rate.

In 2022 and 2023, we turned 15 out of 30 projects and 18 out of 39 projects that were loss-making in 2021 and 2022, respectively, to profit-making by implementing various cost control measures, such as (i) improving our budget planning at a granular level via digitalization initiatives; and (ii) further streamlining and standardizing our property management services. For the projects that had not turned profit-making, we aim to adopt various measures, including (i) negotiating for better service fees that properly reflect the quality and costs of our services; and (ii) continuing to evaluate and improve the effectiveness of our cost control measures on a regular basis in order to reduce loss in the future.

Tender Process

Save for the projects that did not require a tendering and bidding process, we generally obtain property management service agreements by participating in tenders, a process whereby property developers or property owners' associations evaluate and select from multiple property management service providers. Invitations to tender are usually issued by property developers for properties under development. Under PRC laws and regulations, property management companies are generally required to obtain preliminary property management service agreements for residential properties through participation in the tender process. If there are fewer than three bidders for any small-scale properties, the property developer can select and hire qualified property management company by directly entering into an agreement with the approval of the real estate administrative department of the relevant district or county government where the property is located. The tender and bidding processes shall apply to the services procured with fiscal funds by government departments, public institutions and organizations, where the services concerned are included in the centralized procurement catalog and required to be procured through the tender and bidding procedures according to the Government Procurement Law of the PRC (《政府採購法》) (the "**Government Procurement Law**") and relevant laws and regulations. See "Regulatory Overview—PRC Legal Supervision Relating to Property Management Services—Appointment of the Property Management Enterprises" for more information. A tender process is also required for engaging property management service providers for services over a designated amount in relation to non-residential properties owned by the PRC government agencies, institutions or organizations according to the Government Procurement Law and relevant laws and regulations. For instance, in Shaanxi where we primarily operated, the designated amount was RMB2.0 million and RMB3.0 million, respectively, for non-residential properties owned by government agencies, institutions or organizations of district or municipal level and provincial level as of the Latest Practicable Date.

We typically acquire information regarding projects that need property management services through onsite customer visits and collection of online bidding information. When undertaking a potential project, we also consider various factors, which typically include reputation of the engaging party and property developer, the scale and market recognition of the project and the project's potential contribution to the diversification and enrichment of our property portfolio. Before we officially participate in a tender process, we typically (i) negotiate the pricing, timing, staff requirements and service or product quality standards with our suppliers; and (ii) take into consideration our suppliers' capabilities, reputation and price quotes in our negotiations. The following flow chart illustrates each stage of our typical tender process for obtaining city service agreements and property management service agreements.



Save for the projects that did not require tendering and bidding process, we generally underwent the tender process before we were awarded property management service agreements, which is a standard tender process regulated by applicable PRC laws and regulations. Typically, we consider the following major factors when tendering for projects, including those developed by both Kingfar Holdings Group and third-party property developers, in accordance with our internal policies on tender process: (i) the types, scope and term of services to be provided; (ii) the budget, estimated total costs and expected return in rendering the services; and (iii) our comparable advantages and chances in winning the bids. To our best knowledge after consultation with Kingfar Holdings, generally, in determining the property management service provider to whom the property management projects will be awarded, Kingfar Holdings Group internally evaluates the tender bids received based on certain criteria, including bid price, quality and scope of services, relevant experience and capability to meet the service requirements and standards.

The following table sets forth a breakdown of the revenue, number of projects and GFA under management from public, residential and commercial projects secured through tendering and direct engagement during the Track Record Period:

	For the years ended December 31,								
	2021			2022			2023		
	Revenue	**Number of projects**	**GFA under management**	**Revenue**	**Number of projects**	**GFA under management**	**Revenue**	**Number of projects**	**GFA under management**
	(RMB'000)		*(sq.m.'000)*	*(RMB'000)*		*(sq.m.'000)*	*(RMB'000)*		*(sq.m.'000)*
Tendering	115,025	35	4,246	194,044	47	5,574	282,620	72	7,468
Tendering not required	126,265	48	4,528	157,556	61	5,948	160,472	64	5,505
Direct engagement	65,547	15	2,075	30,459	13	1,719	50,920	12	1,634
Total	**306,838**	**98**	**10,849**	**382,060**	**121**	**13,240**	**494,012**	**148**	**14,607**

The following table sets forth our tender success rate for obtaining property management service agreements by type of property developers for the years indicated.

	For the years ended December 31,								
	2021			2022			2023		
	Number of bids submitted	Number of winning bids	Tender success rate	Number of bids submitted	Number of winning bids	Tender success rate	Number of bids submitted	Number of winning bids	Tender success rate
			(%)			*(%)*			*(%)*
Kingfar Holdings Group	1	1	100.0	4	4	100.0	1	1	100
Independent Third Parties[1]	36	20	55.6	30	18	60.0	72	42	58.3
Total	**37**	**21**	**56.8**	**34**	**22**	**64.7**	**73**	**43**	**58.9**

Note:

(1) Refers to third party developers that were neither Xi'an ETDZ MC nor connected persons of our Company within the meaning of the Listing Rules.

Throughout the Track Record Period, our tender success rate for properties developed by Kingfar Holdings Group remained at 100.0%, primarily attributable to (i) our long-standing relationship and established track record of providing property management services to properties developed by Kingfar Holdings Group; and (ii) the fact that we share a deep understanding of the properties of, and a similar service philosophy with, Kingfar Holdings Group enabled us to offer services that better meet its needs and requirements. Our competitiveness in the tendering process for properties developed by Independent Third Parties was 55.6% in 2021, 60.0% in 2022, and 58.3% in 2023. During the Track Record Period, our success rate of obtaining residential property management service agreements after the establishment of property owners' associations remained at 100.0%.

As of December 31, 2023, for ten projects under our management, the relevant property developers did not organize the required tender and bidding process and directly engaged us to provide residential property management services, among which seven projects were developed by Kingfar Holdings Group and three projects were developed by Independent Third Parties. Such properties had an aggregate GFA under management of 0.9 million sq.m. as of December 31, 2023. Our revenue from property management services for such properties amounted to RMB16.9 million in 2023, accounting for 2.0% of our total revenue for the same year. Under PRC laws and regulations, property developers are required to select property management companies for preliminary property management service contracts for residential properties through tender process. According to the Regulations on Property Management, a residential property developer may be required to take rectification measures within a prescribed period and pay fines up to RMB100,000 if it fails to comply with such tender and bidding requirement.

As of December 31, 2023, for two public property under our management, the relevant government agency did not organize the required tender and bidding process and directly engaged us to provide public property management services. Such property had an aggregate GFA under management of 0.7 million sq.m. as of December 31, 2023. Our revenue from property management services for such properties amounted to RMB32.1 million in 2023, accounting for 3.7% of our total revenue for the same year. As of December 31, 2023, we were also directly engaged by relevant government agency to provide municipal management services to one project. Our revenue from such project amounted to RMB165.7 million in 2023, accounting for 19.2% of our total revenue for the same year. Under the Government Procurement Law and other regulations, government agencies and public authorities are required to select property management companies for the non-residential properties they own through a tender and bidding if the management fee of such properties exceeds a certain monetary threshold; if government agencies or public authorities fail to do so, the relevant service agreements may be deemed invalid by the relevant judicial 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 projects was caused by the relevant property developers or government agencies but not us, and we obtained the relevant service agreements through regular business negotiations at arm's length. As advised by our PRC Legal Advisors, the property management service provider is not the responsible party to organize the tender and bidding process according to the relevant PRC laws and regulations. In addition, as advised by our PRC Legal Advisors, relevant PRC laws and regulations do not automatically invalidate a property management service agreement by lack of a tender and bidding process; however, the abovementioned agreements executed without a tender and bidding process may be deemed invalid by relevant judicial authorities in legal proceedings. In such scenario and if we do not win the tender and bidding, we may not continue our property management services for the relevant projects. As advised by our PRC Legal Advisors, there are no specific PRC laws and regulations in effect as of the Latest Practicable Date which would impose administrative penalties upon property management companies for entering into property management service agreements without going through the required tender and bidding process. Our Directors also confirm that, based on the opinion given by our PRC Legal Advisors and the percentage of the revenue from the management services for the aforementioned projects to our total revenue during the Track Record Period, the lack of a tender and bidding process will unlikely have any material and adverse impact on our business operation or financial position. As of the Latest Practicable Date, (i) none of the projects that we obtained without going through the required tender and bidding processes had been invalidated; (ii) 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 such property management service agreements; and (iii) we were not engaged in any legal proceedings where the judicial authorities deemed such property management service agreements invalid. See "Risk Factors—Risks Relating to Our Business and Industry—Our residential property management service agreements may have been obtained without going through the required tender and bidding process" in this prospectus.

In order to ensure our ongoing compliance with the relevant regulations in relation to tender and bidding procedures, we will communicate with the relevant government authority and/or property developers to the extent possible when we are engaged to provide municipal management and/or property management services through several internal control measures that we have implemented, including (i) prevention measures, which include formulating the internal rules to ensure the performance of tender and bidding procedures required by the government authorities; (ii) ongoing monitoring measures, which include filing the internal approval record of the complete tender and bidding process for material projects to ensure compliance with relevant laws and regulations; and (iii) reviewing measures, which include checking the approval record of residential property management service contracts.

Our Pricing Policy

We generally price our services by taking into account various factors, including the type of property, the location of property, the local government guidance price, the scope of our services, the cost of service provision which reflects the number and qualification of employees needed and the average market price. We typically evaluate our financial information to assess whether we are collecting sufficient service fees to sustain our profit margins. During renewal negotiations for our service agreements, we may raise our fee rates as a condition precedent for continuing our services.

In Xi'an and other cities where we have business operation, the price administration department and the construction administration department of the State Council are jointly responsible for the administration and supervision of fees charged for property management and related services, and we are also subject to pricing controls issued by the provincial government. See "Regulatory Overview—PRC Legal Supervision Relating Property Management Services—Property Management Service Charges" for more information. During the Track Record Period and up to the Latest Practicable Date, the government guidance price in Xi'an for basic residential property management services ranged from RMB0.55 to RMB2.2 per sq.m. per month, depending on (i) the scope and standard of property management services; (ii) the number of story of a residential property; and (iii) whether the residential property has an elevator. As such, the basic monthly residential property management service fees that we charged during the Track Record Period were subject to a price cap of RMB2.2 per sq.m.

We typically charge vacancy fees to the residential and commercial units under our management that are completed but not yet delivered to property owners. During the Track Record Period, the vacancy fees that property management service providers charged in the cities where we operated typically ranged from 50.0% to 70.0% of their regular property management service fees. For instance, according to the Implementation Rules for Property Management Service Fees in Weinan (《渭南市物業服務收費實施細則》) promulgated by the Weinan Municipal Development and Reform Commission, the Weinan Municipal Housing and Urban-Rural Development Bureau and the Weinan Municipal Market Supervision Bureau, and the Measures for Xi'an Property Management Service Fees (《西安市物業服務收費管理辦法》) promulgated by the Xi'an Municipal Development and Reform Commission, the Xi'an Municipal Housing and Urban-Rural Development Bureau and the Xi'an Municipal Market Supervision Bureau, in 2021, the vacancy fees charged to residential properties in Hancheng and Xi'an equaled 50.0% and 70.0% of the regular residential property management service fees, respectively. In 2021 and 2022, the vacancy fees that we charged equaled 50.0% of our regular residential or commercial property management service fees. In 2023, considering that a substantial portion of our business operation concentrated in Xi'an and the typical vacancy fees charged by our industry peers there, we increased the vacancy fees that we charged to 70.0% of our regular residential or commercial property management service fees. According to CIA, it is a common practice for property management service providers to provide security services and common area facility repair and maintenance services to the residential and commercial units that are completed but not yet delivered to property owners, and the vacancy fees that we charged during the Track Record Period were consistent with market practice. During the Track Record Period, we were not engaged to manage any vacant unit of, and therefore did not charge any vacancy fees to, city service projects.

For city services, residential value-added services and commercial property management services that are not subject to government guidance price, we generally price our services by (i) taking into account our customers' specific demands, the scope of our services and the cost of service provision; (ii) making reference to the respective market prices; and (iii) engaging in negotiations with our customers.

Average Monthly Service Fees by Type of Property Developers

The following table sets forth the average monthly service fees for our property management services by type of properties and type of property developers for the years indicated.

	For the years ended December 31,		
	2021	2022	2023
	(RMB per sq.m.)		
Public properties			
– Kingfar Holdings Group	15.43	15.40	15.56
– Independent Third Parties[1]	4.29	4.69	5.35
Residential properties			
– Kingfar Holdings Group	1.92	1.85	1.85
– Independent Third Parties[1]	1.99	1.98	1.48
Commercial properties			
– Kingfar Holdings Group	4.16	4.96	4.70
– Independent Third Parties[1]	1.03	1.79	1.79

Note:

(1) Refers to third-party property developers that were neither Xi'an ETDZ MC nor connected persons of our Company within the meaning of the Listing Rules.

The following table sets forth the main types of properties under our management, their respective range of average monthly property management service fees that we charged and the main value-added services that we provided under each business line by type of property developers during the Track Record Period.

	Kingfar Holdings Group			Independent Third Parties		
	Main types of properties under our management	Range of average property management service fees	Main value-added services we provided	Main types of properties under our management	Range of average property management service fees	Main value-added services we provided
		(RMB/sq.m.)			(RMB/sq.m.)	
Public property management services	Government buildings[1]	7.11-9.92	Commissioned administrative services	Education institutes[2]	2.57-2.86	Commissioned administrative services and catering services

	Kingfar Holdings Group			Independent Third Parties		
	Main types of properties under our management	Range of average property management service fees	Main value-added services we provided	Main types of properties under our management	Range of average property management service fees	Main value-added services we provided
		(RMB/sq.m.)			*(RMB/sq.m.)*	
Residential property management services	Residential properties (including resettlement housing projects)	1.42-2.20	Private parking management services	Residential properties	1.42-2.20	Private parking management services and sales office management services
Commercial property management services	Office buildings	7.42-9.67	Private parking management services	Industrial parks Factories	1.81-2.01 0.72-1.19	Catering services

Notes:

(1) Government agencies or public authorities typically had specific requirements on seniority and qualifications, such as the property management certificate and the special equipment security officer certificate issued by the government, for the staff providing public property management services to government buildings.

(2) The property management services that we provided to education institutes, such as elementary schools and middle schools, were relatively basic with no specific requirement for staff seniority or qualifications.

See "—Portfolio of Properties under Management—Our Pricing Policy—Peer Comparison of Average Monthly Service Fees by Type of Properties" for more details.

Public Properties

During the Track Record Period, the average monthly property management service fees that we charged to the public properties developed by Kingfar Holdings Group remained relatively stable. Between 2022 and 2023, the average monthly property management service fee that we charged to the public properties developed by Independent Third Parties increased by 14.1% from RMB4.69 per sq.m. to RMB5.35 per sq.m., primarily because a project that we were newly engaged to manage had a higher monthly property management service fee as compared to existing projects due to its requirements on the scope, technicality and staff for our services.

The average public property management service fees that we charged to properties developed by Kingfar Holdings Group were consistently higher than those to properties developed by Independent Third Parties during the Track Record Period, primarily because (i) the main type of public properties developed by Kingfar Holdings Group that we managed was government buildings, and the main type of public properties developed by Independent Third Parties that we managed was education institutes; and (ii) throughout the Track Record Period, the average monthly public property management service fees that we charged to government buildings were substantially higher than those to education institutes.

Residential Properties

During the Track Record Period, the average monthly property management service fees that we charged to the residential properties developed by Kingfar Holdings Group remained relatively stable. Between 2022 and 2023, the average residential property management service fees that we charged to the residential properties developed by Independent Third Parties decreased from RMB1.98 per sq.m. to RMB1.48 per sq.m., primarily due to (i) an increase in our GFA under management, which was attributable to the completion and delivery of additional units in a residential project that we managed in the fourth quarter of 2023; and (ii) a project that we began to manage in November 2023, to which we charged relatively low residential property management service fees as the scope of the basic residential property management services that we provided was relatively limited, mainly including cleaning and security services.

The average residential property management service fees that we charged was largely similar for properties developed by Kingfar Holdings Group and Independent Third Parties, mainly because, as advised by CIA, in the regions where we primarily operated, (i) the residential property management service fees were subject to price control under relevant laws and regulations; and (ii) the competition among residential property management service providers was relatively high.

Commercial Properties

Between 2021 and 2022, the average monthly property management service fees that we charged to commercial properties developed by Kingfar Holdings Group increased from RMB4.16 per sq.m. to RMB4.96 per sq.m., primarily because in 2021 we newly undertook an industrial park with relatively large GFA, to which we charged relatively low service fees in the early stage of our service provision, and in 2022 we undertook a new commercial complex in a prime location to which we charged relatively high property management service fees. Between 2022 and 2023, the average monthly property management service fees that we charged to commercial properties developed by Kingfar Holdings Group decreased from RMB4.96 per sq.m. to RMB4.70 per sq.m., primarily because in 2023 we charged vacancy fees, which were lower than our regular commercial property management service fees, to more units in a commercial property under our management. See "—Portfolio of Properties under Management—Our Pricing Policy" for more details. In 2021, 2022 and 2023, our revenue attributable to the commercial properties to which we charged vacancy fees amounted to RMB5.9 million, RMB8.3 million and RMB9.7 million, respectively, which were attributable to Kingfar Holdings Group. The average monthly property management service fees that we charged to commercial properties developed by Independent Third Parties increased from RMB1.03 per sq.m. in 2021 to RMB1.79 per sq.m. in 2022, primarily due to an increase in our revenue from commercial property management services in 2022 as we provided property management services to, and realized relevant revenue from, an office building and an industrial park only in the second half of 2021, whereas in 2022 we provided property management services to these two projects throughout the year.

The average commercial property management service fees that we charged to properties developed by Kingfar Holdings Group were consistently higher than those to properties developed by Independent Third Parties during the Track Record Period, primarily because (i) the main type of commercial properties developed by Kingfar Holdings Group that we managed was office buildings, and the main types of commercial properties developed by Independent Third Parties that we managed were industrial parks and factories; and (ii) throughout the Track Record Period, the average monthly commercial property management service fees that we charged to office buildings were substantially higher than those to industrial parks and factories.

During the Track Record Period, the average public and commercial property management service fees that we charged differed for properties developed by Kingfar Holdings Group and Independent Third Parties, mainly because, as advised by CIA, (i) the public and commercial property management service fees were not subject to price control; and (ii) pricing of the service fees may vary depending on various factors, such as customers' demands and the service standards requested.

Average Monthly Service Fees by Type of Ultimate Paying Customers

The following table sets forth the average monthly service fees for our property management services by type of properties and type of ultimate paying customers for the years indicated.

	For the years ended December 31,		
	2021	**2022**	**2023**
		(RMB per sq.m.)	
Public properties			
– Xi'an ETDZ MC	10.69	17.32	13.63
– Kingfar Holdings Group	1.58	1.56	1.45
– Independent Third Parties other than Xi'an ETDZ MC	3.71	4.05	4.27
Residential properties			
– Xi'an ETDZ MC	–	1.45	–
– Kingfar Holdings Group	0.81	1.38	0.77
– Independent Third Parties other than Xi'an ETDZ MC	1.73	1.45	1.47
Commercial properties			
– Xi'an ETDZ MC	1.83	1.63	1.65
– Kingfar Holdings Group	1.46	1.30	1.64
– Independent Third Parties other than Xi'an ETDZ MC	2.10	2.00	2.78

The following table sets forth the main types of properties under our management, their respective range of average monthly property management service fees that we charged and the main value-added services that we provided under each business line by type of ultimate paying customers during the Track Record Period.

	Xi'an ETDZ MC			Kingfar Holdings Group			Independent Third Parties		
	Main types of properties under our management	Range of average property management service fees	Main value-added services we provided	Main types of properties under our management	Range of average property management service fees	Main value-added services we provided	Main types of properties under our management	Range of average property management service fees	Main value-added services we provided
		(RMB/sq.m.)			*(RMB/sq.m.)*			*(RMB/sq.m.)*	
Public property management services	Government buildings(1)	7.11-9.92	Commissioned administrative services	Public facilities(2)	2.59-4.78	Catering services	Government buildings Education institutes(3)	7.11-9.92 2.57-2.86	Catering services
Residential property management services	Residential properties	1.42-1.61	N/A	Residential properties (including resettlement housing projects)	1.42-2.20	Sales office management services	Residential properties (including resettlement housing projects)	1.42-2.20	Private parking management services
Commercial property management services	Industrial parks	1.81-2.01	Catering services and other services	Office buildings Industrial parks Factories	7.42-9.67 1.81-2.01 0.72-1.19	Catering services and sales office management services	Office buildings Industrial parks	7.42-9.67 1.81-2.01	Private parking management services and catering services

Notes:

(1) Government agencies or public authorities typically had specific requirements on seniority and qualifications, such as the property management certificate and the special equipment security officer certificate issued by the government, for the staff providing public property management services to government buildings.

(2) During the Track Record Period, the public facilities under our management mainly included parks, hospitals, a cultural activities center, a customer service center of a high speed railway station and an opera house, which had the largest average GFA among the public properties under our management.

(3) The property management services that we provided to education institutes, such as elementary schools and middle schools, were relatively basic with no specific requirement for staff seniority or qualifications.

See "—Portfolio of Properties under Management—Our Pricing Policy—Peer Comparison of Average Monthly Service Fees by Type of Properties" for more details.

Public Properties

The average monthly public property management services fees that we charged to Xi'an ETDZ MC was higher than those charged to Independent Third Parties other than Xi'an ETDZ MC, which was in turn higher than those charged to Kingfar Holdings Group during the Track Record Period.

The average monthly public property management service fees that we charged to Xi'an ETDZ MC were consistently and substantially higher than those charged to Kingfar Holdings Group and other Independent Third Parties during the Track Record Period, primarily because (i) the main type of public properties that we managed for Xi'an ETDZ MC was government building, the main types of public properties that we managed for other Independent Third Parties were government buildings and education institutes, and the main type of public properties that we managed for Kingfar Holdings Group was public facilities; and (ii) throughout the Track Record Period, the average monthly public property management service fees that we charged to government buildings were substantially higher than those to public facilities and education institutes.

The average monthly public property management service fees that we charged to Independent Third Parties other than Xi'an ETDZ MC was consistently and substantially higher than those charged to Kingfar Holdings Group during the Track Record Period, primarily because (i) the main types of public properties that we managed for Independent Third Parties other than Xi'an ETDZ MC were government buildings and education institutes, with a large proportion being government buildings, and the main type of public properties that we managed for Kingfar Holdings Group was public facilities; and (ii) throughout the Track Record Period, the average monthly public property management service fees that we charged to government buildings were substantially higher than those to public facilities.

Between 2021 and 2022, the average monthly public property management service fees that we charged to Xi'an ETDZ MC increased from RMB10.69 per sq.m. to RMB17.32 per sq.m., primarily because in 2022 we began providing services, including customer guidance services, to the customer service center of a high speed railway station that we undertook in December 2021, which required staff with particular qualifications, including a tertiary degree and conversational proficiency in English. Between 2022 and 2023, the average monthly public property management service fees that we charged to Xi'an ETDZ MC decreased from RMB17.32 per sq.m. to RMB13.63 per sq.m., primarily because (i) we newly undertook an opera house project in May 2023, to which we charged relatively low property management service fees as the scope of basic public property management services that we provided was relatively limited, mainly including cleaning and security services, and (ii) we only realized eight months of revenue from the services that we rendered.

Between 2022 and 2023, the average monthly public property management service fees that we charged to Kingfar Holdings Group decreased from RMB1.56 per sq.m. to RMB1.45 per sq.m., primarily because the GFA under our management of a cultural activities center that we were contracted to manage in 2022 increased in 2023 due to an expansion of its site area, being a basement, which did not require additional staff to manage.

Residential Properties

The average monthly residential property management service fees that we charged to Xi'an ETDZ MC and Independent Third Parties other than Xi'an ETDZ MC were consistently higher than those charged to Kingfar Holdings Group during the Track Record Period, primarily because the property management service fees that we charged to Kingfar Holdings Group consisted of vacancy fees for the completed but not yet delivered residential property units, which were lower than our regular residential property management service fees. See "—Portfolio of Properties under Management—Our Pricing Policy" for more details. In 2021, 2022 and 2023, our revenue attributable to the residential properties to which we charged vacancy fees amounted to RMB2.6 million, RMB3.4 million and RMB3.2 million, respectively, among which nil, RMB0.3 million and RMB65,000, respectively, was attributable to Independent Third Parties.

During the Track Record Period, we also provided residential property management services to four resettlement housing projects with an aggregate GFA under management of 1.0 million sq.m., namely Four Season Sunshine (Seventh Residential Compound) (四季陽光(七組團)), Four Season Sunshine (Eighth Residential Compound) (四季陽光(八組團)), Four Season Sunshine (Phase 1 of Jijia New Residential Community) (四季陽光(姬家新社區一期)) and Jingwu New Residential Community (涇吳新社區), from which we derived RMB9.8 million, RMB12.1 million and RMB2.0 million of revenue, respectively, in 2021, 2022 and 2023. During the Track Record Period, two, three and two of such resettlement housing projects were loss-making, respectively, and we withdrew from all four resettlement housing projects in 2023.

Between 2021 and 2022, the average monthly residential property management service fees that we charged to Kingfar Holdings Group increased from RMB0.81 per sq.m. to RMB1.38 per sq.m., primarily because, as compared to 2021, the relatively low residential property management service fees of a resettlement housing project of Kingfar Holdings Group had been fully borne by Independent Third Party residents in 2022. In 2023, we withdrew from all four resettlement housing projects. Between 2022 and 2023, the average monthly residential property management service fees that we charged to Kingfar Holdings Group subsequently decreased from RMB1.38 per sq.m. to RMB0.77 per sq.m., primarily because in 2023 we undertook a new residential project that was not yet completely delivered to property owners with a relatively large GFA, to which we charged vacancy fees that were lower than our regular residential property management service fees. See "—Portfolio of Properties under Management—Our Pricing Policy" for more details.

In 2022, we charged Xi'an ETDZ MC an average monthly residential property management service fees of RMB1.45 per sq.m., primarily because we provided property management services to the only residential project of Xi'an ETDZ MC in 2022, and we withdrew from such project in 2023 to allocate our resources to projects of larger scale.

Commercial Properties

The average monthly commercial property management service fees that we charged to Independent Third Parties other than Xi'an ETDZ MC were consistently higher than those charged to Xi'an ETDZ MC and Kingfar Holdings Group during the Track Record Period, primarily because (i) the main types of commercial properties that we managed for Independent Third Parties other than Xi'an ETDZ MC included office buildings and industrial parks, the main type of commercial properties that we managed for Xi'an ETDZ MC was industrial parks, and the main types of commercial properties that we managed for Kingfar Holdings Group included office buildings, industrial parks and factories; (ii) throughout the Track Record Period, the average monthly commercial property management service fees that we charged to office buildings were substantially higher than those to industrial parks and factories, and those that we charged to industrial parks were also higher than those to factories; and (iii) the property management service fees that we charged to Kingfar Holdings Group during the Track Record Period consisted of vacancy fees for the completed but not yet delivered commercial properties, which lower than our regular commercial property management service fees. See "—Portfolio of Properties under Management—Our Pricing Policy" for more details.

Between 2021 and 2022, the average monthly commercial property management service fees that we charged to Xi'an ETDZ MC decreased from RMB1.83 per sq.m. to RMB1.63 per sq.m., primarily due to a decrease in our revenue from the basic commercial property management services that we provided to an industrial park since we were no longer needed to provide cleaning and maintenance services to the vaccination booth within the industrial park in 2022 as the COVID-19 pandemic gradually phased out.

Between 2021 and 2022, the average monthly commercial property management service fees that we charged to Kingfar Holdings Group decreased from RMB1.46 per sq.m. to RMB1.30 per sq.m., primarily because we newly undertook an industrial park from Kingfar Holdings Group in 2022, to which we charged relatively low property management service fees. Between 2022 and 2023, the average monthly commercial property management service fees that we charged to Kingfar Holdings Group increased from RMB1.30 per sq.m. to RMB1.64 per sq.m., in part due to an increase in the property management service fees that we charged to a commercial project as we were requested to deploy additional staff to manage such project.

Between 2022 and 2023, the average monthly commercial property management service fees that we charged to Independent Third Parties other than Xi'an ETDZ MC increased from RMB2.00 per sq.m. to RMB2.78 per sq.m., primarily due to an increase in our revenue from commercial property management services in 2023, because we provided property management services to, and realized relevant revenue from, two office buildings only in the second half of 2022, whereas in 2023 we provided property management services to these two projects throughout the year.

Peer Comparison of Average Monthly Service Fees by Type of Properties

The following table sets forth a comparison of the average property management service fees and average GFA of the properties to which we and our industry peers provided services in 2021, 2022 and 2023 by property profiles:

	As of/for the years ended December 31,														
	2021					2022					2023				
Property type	The Group		Industry peers[6]			The Group		Industry peers[6]			The Group		Industry peers[6]		
	Average property management service fees	*Average GFA*[7]	*Average property management service fees*	*Range of property management service fees*	*Average GFA*[7]	*Average property management service fees*	*Average GFA*[7]	*Average property management service fees*	*Range of property management service fees*	*Average GFA*[7]	*Average property management service fees*	*Average GFA*[7]	*Average property management service fees*	*Range of property management service fees*	*Average GFA*[7]
	(RMB/ sq.m.)	*(sq.m.)*	*(RMB/ sq.m.)*	*(RMB/ sq.m.)*	*(sq.m.)*	*(RMB/ sq.m.)*	*(sq.m.)*	*(RMB/ sq.m.)*	*(RMB/ sq.m.)*	*(sq.m.)*	*(RMB/ sq.m.)*	*(sq.m.)*	*(RMB/ sq.m.)*	*(RMB/ sq.m.)*	*(sq.m.)*
Public properties															
– Government buildings[1]	7.11	54,906	8.85	3.2-16.93	50,646	7.36	52,254	8.80	3.2-17.38	47,993	9.92	39,793	8.85	3.06-17.60	49,534
– Education institutes[2]	2.81	36,105	2.36	1.0-7.4	35,775	2.86	36,589	2.58	1.15-7.4	34,569	2.57	35,332	2.56	1.00-7.40	35,128
– Public facilities[3]	2.59	52,404	3.18	1.0-16.25	44,440	4.39	68,797	3.26	1.0-16.7	48,560	4.78	124,353	3.28	1.00-17.00	52,123
Residential properties															
– Mid- to large-sized[4]	2.20	594,876	2.01	0.6-2.10	803,255	2.15	594,876	2.10	0.60-2.20	809,224	1.98	622,731	2.16	0.65-2.20	787,459
– Small-sized[5]	1.51	135,618	1.58	0.4-2.10	326,689	1.61	151,892	1.64	0.4-2.20	356,777	1.42	162,420	1.62	0.40-2.20	334,855
Commercial properties															
– Factories	1.19	180,417	1.38	0.7-1.8	165,578	0.72	186,945	1.26	0.7-1.8	179,467	0.76	127,353	1.22	0.70-1.80	180,569
– Industrial parks	1.81	308,745	1.76	0.7-6.0	287,635	2.01	216,299	1.85	1.0-6.0	189,660	1.98	169,835	1.85	1.00-6.00	203,214
– Office buildings	7.42	48,503	8.05	1.2-8.37	47,826	9.67	48,731	9.09	1.5-9.49	49,150	8.74	47,825	9.64	1.50-9.80	51,002

Notes:

(1) Government buildings primarily include (i) office buildings of provincial-, municipal-, and district-level governments; and (ii) offices of various public institutions and administrative organizations.

(2) Education institutes primarily include universities, middle schools, primary schools and kindergartens.

(3) Public facilities primarily include public museums, parks and hospitals.

(4) Refers to residential projects with GFA of 0.4 million sq.m. or more.

(5) Refers to residential projects with GFA of less than 0.4 million sq.m.

(6) Source of data: the industry report prepared by CIA

(7) Average GFA is calculated by dividing the total GFA of a property profile as of the end of a year by the number of projects in that property profile as of the end of the same year.

Public Properties

The public properties that we managed during the Track Record Period primarily consisted of government buildings, education institutes and public facilities.

The service fees for managing government buildings typically depend on the scope and requirements of services to be provided, which vary by the level of government, according to CIA. For instance, (i) a monthly public property management service fee of RMB3.06 per sq.m. was charged to a government office building located in Beilin District with a GFA of approximately 21.0 thousand sq.m. for cleaning and maintenance and repair services; and (ii) a monthly public property management service fee of RMB16.09 per sq.m. was charged to a government office building located in Xixian New Area with a GFA of approximately 2.4 thousand sq.m. for cleaning, security, fire safety, maintenance, and garbage and waste collection services.

The service fees for managing education institutes typically depend on the scope of services to be provided and the type of education institute, according to CIA. For instance, (i) a monthly public property management service fee of RMB6.75 per sq.m. was charged to a kindergarten located in Yanliang District with a GFA of approximately 3.5 thousand sq.m. for cleaning, greening, security, maintenance and repair and waste collection services; and (ii) a monthly public property management service fee of RMB1.33 per sq.m. was charged to a public university located in Huyi District with a GFA of approximately 384.0 thousand sq.m. for cleaning, security and maintenance services.

The service fees for managing public facilities typically depend on the scope of services to be provided as well as the type, the geographical location and the completion time of the public facility, according to CIA. For instance, (i) a monthly public property management service fee of RMB16.26 per sq.m. was charged to the Management Committee of the Xi'an Fortifications with a GFA of approximately 7.0 thousand sq.m. for cleaning, reception, security, fire safety and parking lot management services; and (ii) a monthly public property management service fee of RMB1.29 per sq.m. was charged to a museum in Weiyang District with a GFA of approximately 42.6 thousand sq.m. for cleaning, maintenance, security and safety services.

With respect to public properties, the average monthly property management service fees that we charged during the Track Record Period were generally comparable with, and fell within the range of, those charged by our industry peers (i) for (a) government buildings of government agencies and public authorities; (b) education institutes located in Shaanxi Province for similar age groups, spanning from public and private kindergarten to college; (c) public facilities located in Shaanxi Province with similar property profiles, such as public squares, public arenas and stations; and (d) with similar GFA; and (ii) for similar service scopes, which primarily included cleaning, security, as well as common area facility repair and maintenance services.

The average monthly property management service fees that we charged to government buildings increased from RMB7.36 per sq.m. in 2022 to RMB9.92 per sq.m. in 2023, primarily because in 2023, the revenue that we derived from certain government buildings under our management increased while their GFA under our management remained the same, mainly due to (i) an expansion of our service scope for a government building to include the daily inspection, repair and maintenance of facilities and equipment for water, electricity, heating and building engineering, as well as the daily management, operation and maintenance of its cultural and sports venue and bathrooms; and (ii) an increase in the public property management service fees that we charged to Xi'an ETDZ MC's office building in 2023 as a result of its higher service standards, which required our staff responsible for providing facility repair and maintenance services to have various certificates issued by the government, such as high- and low-voltage electrician certificates and certificate for special equipment safety officer.

The average monthly property management service fees that we charged to education institutes decreased from RMB2.86 per sq.m. in 2022 to RMB2.57 per sq.m. in 2023, primarily because we began to manage a middle school in 2023, to which we charged relatively low public property management service fees as the scope of the basic public property management services that we provided was relatively limited, mainly including cleaning, security as well as repair and maintenance services.

The average monthly property management service fees that we charged to public facilities increased from RMB2.59 per sq.m. in 2021 to RMB4.39 per sq.m. in 2022, primarily because in 2022 we undertook several new public projects, such as the customer service center of a high speed railway station, to which we charged relatively high property management service fees due to the wide range of services that we provided, including cleaning, security, facility repair and maintenance, parking management and customer guidance.

Residential Properties

The service fees for managing residential properties typically depend on the government guidance price, the scope of services to be provided, the GFA under management as well as the project positioning and the geographical location of the residential property.

With respect to residential properties, the average monthly property management service fees that we charged during the Track Record Period were generally comparable with, and fell within the range of, those charged by our industry peers (i) for residential projects (a) located in Shaanxi Province; (b) with similar delivery time; (c) with similar GFA; and (d) that include both commodity housing and affordable housing; and (ii) for similar service scopes, which primarily included cleaning services, security services, common area facility repair and maintenance services and predelivery services.

The average monthly property management service fees that we charged to mid- to large-sized residential properties remained relatively stable during the Track Record Period with a slight decrease from RMB2.15 per sq.m. in 2022 to RMB1.98 per sq.m. in 2023, primarily because in 2023 the property units of a mid- to large-sized residential project were completed and delivered for our management, resulting in an increase in the GFA under our management attributable to mid- to large-sized residential projects.

The average monthly property management service fees that we charged to small-sized residential properties remained relatively stable during the Track Record Period with a slight decrease from RMB1.61 per sq.m. in 2022 to RMB1.42 per sq.m. in 2023, primarily because since the second half of 2022 the property units of a small-sized residential project were completed and delivered for our management in phases, resulting in an increase in the GFA under our management attributable to small-sized residential projects in 2023.

Commercial Properties

The commercial properties that we managed during the Track Record Period primarily consisted of factories, industrial parks and office buildings.

Factories and industrial parks are primarily used for manufacturing and warehousing purposes. According to CIA, the service fees for managing industrial parks and factories typically depend on the scope of services to be provided and the GFA under management. Office buildings primarily include Grade A office buildings and regular office buildings. According to CIA, the service fees for managing office buildings typically depend on the scope and requirements of services to be provided, the GFA under management, the completeness of the facilities as well as the level, geographical location and level of rent of the office building.

With respect to commercial properties, the average monthly property management service fees that we charged in 2021 were generally comparable with, and fell within the range of, those charged by our industry peers (i) for commercial projects (a) with similar locations in Shaanxi Province; (b) with similar GFA; and (c) for office buildings, of similar grades; and (ii) for similar service scopes, which primarily included cleaning services, security services, common area facility repair and maintenance services and predelivery services.

The average monthly commercial property management service fees that we charged to office buildings in 2022, being RMB9.67 per sq.m., was slightly higher than the upper bound of the range of those charged by our industry peers, being RMB9.49 per sq.m., primarily because two office buildings under our management are model projects at national level and provincial level, respectively, to which we charged relatively high service fees. Kingfar Building (經發大廈), the model project at national level and a Grade A office building, had a GFA under management of approximately 113,000 sq.m. as of December 31, 2023, to which we provided both basic commercial property management services, including cleaning, security and common area facility repair and maintenance services, and value-added services, including private parking management services. In 2021, 2022 and 2023, the monthly commercial property management service fees that we charged on Kingfar Building was relatively high at RMB10.34 per sq.m., RMB11.69 per sq.m. and RMB10.03 per sq.m., respectively, primarily because this model project (i) comprises two office buildings with a food court and ancillary units leased to commercial banks, coffee shops and other retail businesses; (ii) is located in Jingkai District, a core area and a state-level economic development zone in Xi'an; (iii) is adjacent to a subway station and a hotel under an international hotel chain; and (iv) imposes on us certain high service requirements, such as maintaining the elevators' proper functioning at least 95% of the time, and responding to regular and urgent repair requests within 15 minutes and five minutes, respectively, and completing the repair tasks within 24 hours. Birch Forest Plaza (白樺林國際), the model project at provincial level and a Grade A office building, had a GFA under management of approximately 144,000 sq.m. as of December 31, 2023, to which we provided both basic commercial property management services, including cleaning, security and common area facility repair and maintenance services, and value-added services, including private parking management services. In 2021, 2022 and 2023, the monthly commercial property management service fees that we charged on Birch Forest Plaza was relatively high at RMB12.43 per sq.m., RMB14.68 per sq.m. and RMB15.60 per sq.m., respectively, primarily because this model project (i) comprises two office buildings with ancillary units leased to retail businesses; (ii) is located in Weiyang District, a core area and the administrative center of Xi'an; and (iii) is adjacent to multiple malls and international hotel chains. See "—Residential and Commercial Property Management Services—Property Management Service Fees—Major Projects" for the respective revenue contribution by Kingfar Building and Birch Forest Plaza during the Track Record Period.

The average monthly property management service fees that we charged to factories decreased from RMB1.19 per sq.m. in 2021 to RMB0.72 per sq.m. in 2022, primarily because in 2022 we were newly engaged to provide basic property management services to a warehouse with relatively large GFA, which required only two staff to render patrolling and cleaning services.

The average monthly property management service fees that we charged to office buildings increased from RMB7.42 per sq.m. in 2021 to RMB9.67 per sq.m. in 2022, primarily because the increase in the monthly property management service fees that we charged to office buildings outpaced the increase in the GFA under our management attributable to office buildings in 2022, which was due to (i) our realization of revenue in 2022 from the commercial property management services that we rendered to certain major projects, including an office building and two industrial parks, that we only began to manage in mid-2021; and (ii) our commencement of service provision to certain new projects in 2022, to which we charged relatively high service fees. The average monthly property management service fees that we charged to office buildings subsequently decreased from RMB9.67 per sq.m. in 2022 to RMB8.74 per sq.m. in 2023, primarily because we undertook two new office buildings in 2023 to which we charged relatively low commercial property management service fees as (i) the scope of property management services that we offered to one office building was relatively limited and primarily included cleaning services; and (ii) the other office building has 22 floors, some of which were idle.

For more information, see "—Portfolio of Properties Under Management—Our Pricing Policy."

Range Comparison of Average Monthly Service Fees by Type of Properties

The following table sets forth a comparison of the average monthly property management fees charged by us and the range of monthly property management fees charged by other property management companies in Shaanxi for comparable services and service standards by types of property for the years indicated.

	For the years ended December 31,					
	2021		2022		2023	
	(RMB/sq.m.)					
	The Group	Others	The Group	Others	The Group	Others
Public properties	4.76	1.00-16.93	5.11	1.00-17.38	5.69	1.00-17.60
Residential properties	1.94	0.40-2.10	1.89	0.40-2.20	1.69	0.40-2.20
Commercial properties	2.98	0.70-8.37	3.51	0.70-9.49	3.26	0.70-9.80

As advised by CIA, the average property management fees charged by us in 2021, 2022 and 2023 generally fell within the range of that charged by other property management companies in Shaanxi for comparable services and service standards.

Between 2021 and 2022, the average monthly service fee for our public property management services increased from RMB4.76 per sq.m. to RMB5.11 per sq.m., primarily because we had two new public properties under management in 2021 with relatively large GFA, to which we charged relatively low service fees in the early stage of our service provision; as our workplan unfolded and we deployed more staff to manage such properties in 2022, the service fees we charged increased in tandem.

Between 2021 and 2022, the average monthly service fee for our commercial property management services increased from RMB2.98 per sq.m. to RMB3.51 per sq.m., primarily because we newly undertook an industrial park and an office building in 2021 with relatively large GFA, to which we charged relatively low service fees in the early stage of our service provision; as our workplan unfolded and we deployed more staff to manage the two projects in 2022, the service fees we charged increased in tandem. Between 2022 and 2023, the average monthly service fee for our commercial property management services decreased from RMB3.51 per sq.m. to RMB3.26 per sq.m., primarily because we newly undertook an industrial park in 2023 with relatively large GFA, to which we charged relatively low service fees in the early stage of our service provision.

The following table sets forth a comparison of the gross profit margin that we derived from each business line and the range of gross profit margin that other property management companies in Shaanxi derived from the same business line in Shaanxi for the years indicated.

	For the year ended December 31,					
	2021		2022		2023	
	The Group	Others	The Group	Others	The Group	Others
	(%)					
City services	11.0	8–24	10.0	7–24	11.0	6-24
Residential property management services	16.7	5–29	16.8	4–28	14.7	4-27
Commercial property management services	24.0	7–29	25.3	6–27	21.8	6-27

As advised by CIA, our average gross profit margin for each business line generally fell within the range of the other property management companies in Shaanxi during the Track Record Period.

Payment

We generally charge property management fees on a quarterly or monthly basis, depending on the terms of our property management service agreements. We typically call or visit our customers and issue bills and demand letters in the period when the relevant service fees become due. We may also issue attorney's letters to property developers, property owners, residents or tenants whose property management service fees are overdue. To the extent permitted under PRC law, we charge property owners and residents for utility fees in relation to water and electricity consumed by communal areas, in proportion to the total GFA under management that they occupy and in addition to agreed-upon residential property management service fees.

We accept payments for our city service and property management fees primarily through bank transfer, third-party platforms, such as WeChat Pay and AliPay, and credit card. To facilitate the timely collection of our service fees and other payments, we may periodically remind our customers through channels such as phone calls, text messages and in-person notification to make payments according to the relevant service agreements. For overdue payments, we may issue a demand letter and file a lawsuit to claim the outstanding amounts.

OUR BRANDS

With extensive experience in providing quality city services, property management services and value-added services, we have successfully established our name, "Kingfar Property (經發物業)," in the market, which has now become a renowned brand in Xi'an and Shaanxi.

As we are dedicated to building the best possible experience for our customers, we have embraced the brand concept, "Make life better (讓生活更美好)." We believe that our brand value and recognition play a critical role in the growth of our business. We seek to cultivate our brand value so that our customers and industry players associate it with quality services. For example, we have launched subway advertising to reach a wider audience base. We also make frequent use of our official WeChat social media account to advertise our services, communicate with our customers and publish press releases related to our business.

Multiple projects under our management have been awarded "Excellent Model Project in terms of Property Management (物業管理優秀示範項目)" as of December 31, 2023, including three projects at national level, five projects at provincial level, and one project at municipal level as of December 31, 2023. With the expansion of our business, we intend to promote our brand, further optimize our business model and improve our service quality. Meanwhile, we aim to strengthen our role as a comprehensive city service and property management service provider by further diversifying our service portfolio.

OUR STRATEGIC BUSINESS RELATIONSHIP WITH KINGFAR HOLDINGS GROUP

Overview

Kingfar Holdings Group, our parent group, is one of the reputable urban construction and operation service providers in Xi'an and an affiliate of Xi'an ETDZ MC. According to its 2023 audit report dated April 19, 2024, Kingfar Holdings' consolidated revenue, gross profit and net profit in 2023 amounted to RMB10,796.8 million, RMB331.9 million and RMB93.4 million, respectively. As advised by CIA, Kingfar Holdings Group had a market share of 0.7% in terms of sales revenue in 2023 in the property development industry in Shaanxi as of December 31, 2023, and ranked 23rd among the property developers in Shaanxi in terms of sales revenue in Shaanxi in 2023.

As of December 31, 2023, Kingfar Holdings Group had (i) a total land bank for future development of 0.6 million sq.m.; (ii) completed 28 residential and commercial projects with a total sales area of 3.8 million sq.m., including four industrial parks and one affordable housing project; and (iii) eight residential and commercial projects under development with a total planned GFA of over 2.1 million sq.m., including two industrial parks and one affordable housing project. All of the projects were located in Xi'an.

We have maintained a long-term strategic relationship with Kingfar Holdings Group, and the diverse property portfolio of Kingfar Holdings Group provides us with potential business opportunities. We have been providing property management services and value-added services to properties developed by Kingfar Holdings Group since 2002. Throughout the Track Record Period, Kingfar Holdings Group was our second largest customer. As confirmed by Kingfar Holdings, as of December 31, 2023, save for four resettlement housing projects that either incurred losses or to which we charged relatively low property management service fees, from which we withdrew in 2023, we managed all of the properties developed by Kingfar Holdings Group. In 2021, 2022 and 2023, the revenue that we derived from services provided to Kingfar

Holdings Group amounted to RMB45.4 million, RMB52.6 million and RMB53.7 million, respectively, accounting for 7.6%, 7.4% and 6.2% of our total revenue, respectively, among which (i) the revenue from city services that we provided to Kingfar Holdings Group amounted to RMB6.6 million, RMB6.8 million and RMB6.1 million, respectively, accounting for 1.1%, 1.0% and 0.7% of our total revenue, respectively; (ii) the revenue from residential property management services that we provided to Kingfar Holdings Group amounted to RMB14.9 million, RMB19.0 million and RMB16.8 million, respectively, accounting for 2.5%, 2.7% and 1.9% of our total revenue, respectively; and (iii) the revenue from commercial property management services that we provided to Kingfar Holdings Group amounted to RMB24.0 million, RMB26.8 million and RMB30.7 million, respectively, accounting for 4.0%, 3.8% and 3.6% of our total revenue, respectively. See "—Customers—Our Top Five Customers In Each Year During the Track Record Period" for details. In addition, in 2021, 2022 and 2023, we leased properties and procured greening and other services from Kingfar Holdings Group, which amounted to RMB4.4 million, RMB5.4 million and RMB14.8 million, respectively, accounting for 3.2%, 3.1% and 5.1% of our total purchase, respectively. See "—Suppliers—Our Top Five Suppliers In Each Year During the Track Record Period" for details.

During the Track Record Period, our revenue attributable to properties developed by Kingfar Holdings Group was as follows.

- *Public property management and municipal value-added services*. During the Track Record Period, all of our revenue from city services that was attributable to properties developed by Kingfar Holdings Group was derived from public property management services and municipal value-added services. In 2021, 2022 and 2023, our revenue generated from the public property management services and municipal value-added services provided to public properties developed by Kingfar Holdings Group amounted to RMB37.7 million, RMB41.2 million and RMB44.6 million, respectively, accounting for 21.5%, 17.4% and 13.2% of our revenue from this business line, or 6.4%, 5.8% and 5.2% of our total revenue, respectively.

- *Residential property management services*. In 2021, 2022 and 2023, our revenue generated from residential property management services provided to residential properties developed by Kingfar Holdings Group amounted to RMB106.1 million, RMB109.3 million and RMB104.3 million, respectively, accounting for 66.7%, 61.9% and 56.6% of our revenue from this business line, or 17.9%, 15.5% and 12.1% of our total revenue, respectively.

- *Commercial property management services.* In 2021, 2022 and 2023, our revenue generated from commercial property management services provided to commercial properties developed by Kingfar Holdings Group amounted to RMB79.9 million, RMB91.3 million and RMB104.0 million, respectively, accounting for 86.8%, 76.4% and 69.4% of our revenue from this business line, or 13.5%, 12.9% and 12.1% of our total revenue, respectively.

Mutually Beneficial and Complementary Relationship with Kingfar Holdings Group

We believe that the business relationship between our Group and Kingfar Holdings Group is mutually beneficial and complementary and presents a sustainable business model. Through over 20 years of cooperation, our Group and Kingfar Holdings Group have developed a mutual and deep understanding of each other's business operations and shared a similar service philosophy. Our long-term cooperation with, and proven track record of providing services to, Kingfar Holdings Group have led to our familiarity with its standards and requirements, which has enabled us to reduce communication costs and build mutual trust with Kingfar Holdings Group, and constantly provide quality services that meet its demands and requirements, in turn adding value to the marketability of the properties developed by Kingfar Holdings Group, reinforcing our existing market position and enhancing our competitiveness in the property management industry. We also believe our close and long-term relationship with Kingfar Holdings Group is instrumental to its success in establishing a distinguished and well-recognized brand image nationally. Our ability to maintain high retention rate with properties under our management during the Track Record Period also demonstrated the level of client satisfaction for our high quality services, which indicates our contribution to the brand image of Kingfar Holdings Group by continuously delivering quality property management services to property owners, residents and tenants of its developed properties.

Considering our long-standing cooperation with Kingfar Holdings Group and the amount of time and efforts required to identify and engage a new service provider with comparable experience and ability to provide services of comparable standard and scope, our Directors are of the view that our mutually beneficial and complementary relationship with Kingfar Holdings Group will continue to enable us to secure future engagements from Kingfar Holdings Group, and it would be relatively difficult for it to select and engage a new service provider to replace us.

Going forward, we expect that the mutually beneficial and complementary business relationship between our Group and Kingfar Holdings Group will continue and is unlikely to be materially or adversely changed, taking into account our history and long-term cooperation with Kingfar Holdings Group, the mutual understanding developed and our ability to maintain a high bidding success rate for properties developed by Kingfar Holdings Group. See "Relationship with Our Controlling Shareholders—Mutual and Complementary Relationship with Kingfar Group and Its Subsidiaries" for details. While maintaining our business cooperation with Kingfar Holdings Group, with a view to diversifying our customer base, we have also been making continuous efforts to expand our business to manage projects developed by Independent Third Parties as well as our customer base by leveraging our increasingly enhanced brand awareness and market position. Going forward, we intend to grow our business scale and market share by, among others (a) making substantial efforts to participate in more tender biddings organized by potential customers (such as property developers that are Independent Third Parties); and (b) pursuing strategic acquisitions of property management companies that we believe will allow us to diversify our service portfolio and customer base as detailed in "Future Plans and Use of Proceeds." We believe that the aforesaid strategic cooperation and acquisitions will further solidify our market position, contribute to our enlarged scale and increased variety of managed properties and help enhance our market development capabilities for obtaining service engagements from different sources, and thereby reduce our reliance on Kingfar Holdings Group. See "Relationship with Our Controlling Shareholders—Independence from Our Controlling Shareholders—Operational Independence."

RELATIONSHIP WITH XI'AN ETDZ MC

Xi'an ETDZ MC, our single largest customer throughout the Track Record Period and the sole shareholder of Kingfar Holdings, is a governmental body established in 1993 by the Xi'an Municipal People's Government to manage the Xi'an Economic and Technology Development Zone on behalf of the Xi'an Municipal People's Government. Xi'an ETDZ MC primarily provides administrative services, such as company registration, tax registration, land supply and approval of investment projects, to residents and companies in the Xi'an Economic and Technology Development Zone. In 2021, 2022 and 2023, the revenue that we derived from services provided to Xi'an ETDZ MC amounted to RMB201.5 million, RMB224.5 million and RMB233.4 million, respectively, accounting for 33.9%, 31.8% and 27.1% of our total revenue, respectively, among which (i) the revenue from city services that we provided to Xi'an ETDZ MC amounted to RMB193.9 million, RMB217.7 million and RMB224.1 million, respectively, accounting for 32.6%, 30.8% and 26.0% of our total revenue, respectively; and (ii) the revenue from commercial property management services that we provided to Xi'an ETDZ MC amounted to RMB7.7 million, RMB6.4 million and RMB6.9 million, respectively, accounting for 1.3%, 0.9% and 0.8% of our total revenue, respectively. See "—Customers—Our Top Five Customers In Each Year During the Track Record Period" for details.

Our business relationship with Xi'an ETDZ MC commenced in 2005. During the Track Record Period and up to the Latest Practicable Date, there had not been any interruption or dispute in the services that we provided to Xi'an ETDZ MC, or any termination of our service agreements by Xi'an ETDZ MC. In 2021, 2022 and 2023, our agreement renewal rate for projects of which Xi'an ETDZ MC was the ultimate paying customer was 100.0%, 75.0% and 78.6%, respectively; and our agreement retention rate for projects of which Xi'an ETDZ MC was the ultimate paying customer remained at 100.0%. Our agreement renewal rate of which Xi'an ETDZ MC was the ultimate paying customer decreased from 100.0% in 2021 to 75.0% in 2022, primarily because we were engaged by Xi'an ETDZ MC to provide food delivery service to certain government agencies during the COVID-19 pandemic; such service was no longer needed, and the relevant service agreements were not renewed, after the government relaxed COVID-19 restrictions in the second half of 2022. Our agreement renewal rate of which Xi'an ETDZ MC was the ultimate paying customer was approximately 78.6% in 2023, primarily because Xi'an ETDZ MC and we did not renew certain agreements for our catering services, which, to the best knowledge of our Directors, was due to a change in Xi'an ETDZ MC's internal demand. During the Track Record Period, our tender success rate for Xi'an ETDZ MC's projects remained at 100.0%. Considering that over the years, (i) we have developed a mutual and deep understanding of Xi'an ETDZ MC's business needs; and (ii) our long-term cooperation with, and proven track record of providing services to, Xi'an ETDZ MC have led to our familiarity with the standards and requirements of Xi'an ETDZ MC, which has enabled us to reduce communication costs and build mutual trust with Xi'an ETDZ MC, and constantly provide high quality services that meet its demands and requirements, our Directors are of the view, and the Sole Sponsor concurs after due and careful inquiry, that it is unlikely that our relationship with Xi'an ETDZ MC would be terminated in the foreseeable future.

SALES AND MARKETING

Our market development department is primarily responsible for undertaking various city service and property management service projects, negotiating relevant service agreements and their renewals and realizing our annual business expansion plan.

As of December 31, 2023, we had a team of 24 market development personnel. They are expected to explore and establish information channels within their respective localities for business development and market research purposes. Such information channels may include, for example, customer questionnaires and telephone interviews, uncovering business opportunities by way of recommendation or frequent communication with customers and other industry players, and organizing promotional events to showcase our service offerings.

We strived to form new and maintain existing business relationships with potential customers, particularly property developers. For example, leveraging our relationship with existing customers, we actively sought their recommendations and referral for new business opportunities; we also paid attention to bidding information on public platforms and websites. From time to time we also organized events to promote or showcase our service offerings during holidays or other occasions as we saw fit.

STANDARDIZED OPERATION, DIGITALIZATION AND INFORMATION TECHNOLOGY

To strengthen our competitiveness, enhance customer satisfaction and stickiness and reduce our reliance on manual labor and costs, we focus on implementing standardized operation, digitalization and information technology. We evaluate our services and formulate processes to render such services in a manner that is intended to improve operational efficiency, ensure consistent service quality, help develop a scalable business model and alleviate the pressure of increasing labor cost.

We have standardized our operation in key areas of our services, including environmental management, occupational health and safety management and quality management. We obtained the international quality management system ISO9001:2000 certification in 2007, the international environmental management system ISO14001: 2015 certification in 2021, the occupational health and safety system ISO45001: 2018 certification in 2021, the HACCP certification in 2022 and the first-grade qualification of property service enterprise in 2013. Furthermore, we apply consistent standards in certain operation, including environmental and order maintenance, the repair and maintenance of equipment and facilities, and customer services. We also apply and integrate smart systems that allow us to operate more efficiently.

The information technologies that we used during the Track Record Period primarily consisted of (i) an enterprise resource planning, or ERP, system that (a) covers customer services, service fee management, equipment maintenance, and patrolling and inspection of properties under our management; (b) is connected with our call center system; and (c) records the feedbacks that customers send from Kingfar Select, our WeChat mini program; (ii) a call center system; (iii) a warehouse management system that coordinates in real-time the storage and delivery of various materials for our projects; (iv) a self-driven system that formulates and dispatches various internal inspection tasks to different departments to ensure compliance to our service standards and internal policies; (v) a reimbursement system that facilitates online reimbursement; and (vi) a human resource management system with various modules that cover the entire lifecycle of employee management.

DATA SECURITY AND PRIVACY

We have adopted various internal control measures to ensure data security and privacy protection in relation to our internal operational data as well as external data, such as customer data obtained through Kingfar Select (經發甄選). We collect and keep confidential personal data of property owners, residents and tenants to the extent necessary for us to provide our services, mainly including their names, telephone numbers, addresses and other information. We retain such personal information of property owners, residents and tenants when they remain as property owners and residents or tenants of the properties managed by us. We have formed a designated group led by our management team and consisted of staff from multiple departments to supervise our cybersecurity. The group is primarily responsible for formulating the overall planning and specifications of network and information security, ensuring the safe operation of our network and information systems, and responding to as well as rectifying network and information security emergencies.

As advised by our PRC Legal Advisors, according to the certificates issued by relevant government authorities and public information search, no search results showed that we had been subject to any administrative penalties related to personal information data protection matters during the Track Record Period and up to the Latest Practicable Date. Based on the above, our PRC Legal Advisors are of the view that we are compliant with the applicable personal information protection laws and regulations in all material aspects in the PRC during the Track Record Period. See "Risk Factors—Risks Relating to Our Business and Industry—Failure to protect confidential information of our customers and our network against security breaches, any actual or perceived failure by us or third parties to comply with applicable data protection laws and regulations or privacy policies could harm our business, financial condition and results of operations."

CUSTOMERS

Overview

Our customers primarily consist of government agencies, public authorities, property developers, property owners, residents and tenants. The following table sets forth our major customers for each of our three business lines.

Business Line	Major Customers
City services	Government agencies and public authorities
Residential property management services	Property developers, property owners and residents
Commercial property management services	Property developers, property owners and tenants

In 2021, 2022 and 2023, revenue generated from sales to our five largest customers in each year amounted to RMB291.2 million, RMB328.0 million and RMB354.5 million, respectively, accounting for 49.0%, 46.4% and 41.1% of our total revenue, respectively. In 2021, 2022 and 2023, revenue from sales to Xi'an ETDZ MC, our single largest customer during the Track Record Period, amounted to RMB201.5 million, RMB224.5 million and RMB233.4 million, respectively, accounting for 33.9%, 31.8% and 27.1% of our total revenue, respectively. All of our five largest customers in each year during the Track Record Period, except for Kingfar Holdings Group, were Independent Third Parties. We generally granted a credit term of within 30 days to our five largest customers in each year during the Track Record Period. During the Track Record Period and as of the Latest Practicable Date, save for Xi'an ETDZ MC and Kingfar Holdings Group, none of our Directors, their close associate or any Shareholders, who, to the knowledge of our Director, owned more than 5.0% of our total share capital held any interest in any of our five largest customers in each year during the Track Record Period.

Kingfar Holdings Group was also one of our top five suppliers in 2021 and 2023. We primarily leased properties from and subcontracted greening and other services to Kingfar Holdings Group. In 2021 and 2023, our purchase from Kingfar Holdings Group amounted to RMB4.4 million and RMB14.8 million, respectively, accounting for 3.2% and 5.1% of our total purchase, respectively. See "—Suppliers" for details.

Our Top Five Customers In Each Year During the Track Record Period

2023

Ranking	Customer	Major services provided by us	Year of Commencement of business relationship	Transaction amount	Percentage of our total revenue	Relationship with us
				(RMB'000)	*(%)*	
1	Xi'an ETDZ MC	City services and commercial property management services	2005	233,400	27.1	Government body(5)
2	Kingfar Holdings Group	City services, residential property management services and commercial property management services	2002	53,680(4)	6.2	Related party
3	Xi'an Honghui Hospital	City services	2023	26,917	3.1	Independent Third Party
4	Xi'an Government Office Affairs Administration(6)	City services	2011	25,308	2.9	Independent Third Party
5	Customer A(1)	City services	2018	15,177	1.8	Independent Third Party
				354,482	**41.1**	

2022

Ranking	Customer	Major services provided by us	Year of commencement of business relationship	Transaction amount	Percentage of our total revenue	Relationship with us
				(RMB'000)	*(%)*	
1	Xi'an ETDZ MC	City services, residential property management services and commercial property management services	2005	224,529	31.8	Government body(5)
2	Kingfar Holdings Group	City services, residential property management services and commercial property management services	2002	52,596(4)	7.4	Related party
3	Xi'an Government Office Affairs Administration(6)	City services and commercial property management services	2011	24,000	3.4	Independent Third Party
4	Customer A(1)	City services	2018	15,051	2.1	Independent Third Party
5	Customer B(2)	City services	2021	11,843	1.7	Independent Third Party
				328,019	**46.4**	

2021

Ranking	Customer	Major services provided by us	Year of commencement of business relationship	Transaction amount	Percentage of our total revenue	Relationship with us
				(RMB'000)	*(%)*	
1	Xi'an ETDZ MC	City services and commercial property management services	2005	201,502	33.9	Government body[5]
2	Kingfar Holdings Group	City services, residential property management services and commercial property management services	2002	45,405[4]	7.7	Related party
3	Xi'an Government Office Affairs Administration[6]	City services and commercial property management services	2011	22,886	3.9	Independent Third Party
4	Customer A[1]	City services	2018	13,149	2.2	Independent Third Party
5	Customer C[3]	City services	2021	8,234	1.4	Independent Third Party
				291,176	**49.1**	

Notes:

(1) Customer A is a PRC government institution located in Xi'an under the Xi'an Municipal Committee of the Communist Party of China (the "**CPC**") that is responsible for assisting the work of the Xi'an Municipal Committee of the CPC. Customer A is an Independent Third Party with no equity interest in Xi'an ETDZ MC or vice versa, and, as confirmed by our PRC Legal Advisors, not a subordinate entity of Xi'an ETDZ MC, or otherwise connected with Kingfar Holdings Group within the meaning of the Listing Rules.

(2) Customer B is a PRC government institution located in Xi'an under the Xi'an Public Security Bureau that is primarily responsible for monitoring traffic-related incidents and maintaining safe and effective use of road transportation. Customer B is an Independent Third Party with no equity interest in Xi'an ETDZ MC or vice versa, and, as confirmed by our PRC Legal Advisors, not a subordinate entity of Xi'an ETDZ MC, or otherwise connected with Kingfar Holdings Group within the meaning of the Listing Rules.

(3) Customer C is a PRC government institution located in Xi'an under the Xi'an Municipal People's Government that is responsible for the daily management of the town hall of Weiyang District in Xi'an. Customer C is an Independent Third Party with no equity interest in Xi'an ETDZ MC or vice versa, and, as confirmed by our PRC Legal Advisors, not a subordinate entity of Xi'an ETDZ MC, or otherwise connected with Kingfar Holdings Group within the meaning of the Listing Rules.

(4) Represents revenue directly generated from Kingfar Holdings Group.

(5) Xi'an ETDZ MC is an administrative agency established in 1993 by the Xi'an Municipal People's Government to manage the Xi'an Economic and Technology Development Zone on behalf of the Xi'an Municipal People's Government.

(6) Xi'an Government Office Affairs Administration is a PRC government institution located in Xi'an established by the Xi'an Municipal People's Government that is responsible for providing administrative services. Xi'an Government Office Affairs Administration is an Independent Third Party with no equity interest in Xi'an ETDZ MC or vice versa, and, as confirmed by our PRC Legal Advisors, not a subordinate entity of Xi'an ETDZ MC, or otherwise connected with Kingfar Holdings Group within the meaning of the Listing Rules.

Xi'an ETDZ MC was our single largest customer throughout the Track Record Period. See "—Relationship with Xi'an ETDZ MC" for more information regarding our relationship with Xi'an ETDZ MC. In 2021, 2022 and 2023, the revenue that we derived from services provided to Xi'an ETDZ MC amounted to RMB201.5 million, RMB224.5 million and RMB233.4 million, respectively. Nevertheless, considering that the revenue that we derived from Xi'an ETDZ MC as a percentage of our total revenue continued to decreased from 33.9% in 2021 to 31.8% in 2022, and further to 27.1% in 2023, we did not have a material reliance on it.

To further reduce our reliance on Xi'an ETDZ MC, we have also been proactively sourcing projects and generating revenue from Independent Third Parties other than Xi'an ETDZ MC by reinforcing our business development efforts via our professional business development team to increase our market presence. In 2021, 2022 and 2023, we had 79, 113 and 134 city service, residential property management service and commercial property management service projects from Independent Third Parties other than Xi'an ETDZ MC, accounting for 62.7%, 66.9% and 70.9% of our total number of projects, respectively. We also plan to expand our market share and reach a broader customer base beyond Xi'an via strategic mergers and acquisitions in Northwest China. See "Future Plans and Use of Proceeds" for more details.

SUPPLIERS

Overview

Save for Kingfar Holdings Group, all of our five largest suppliers in each year during the Track Record Period were Independent Third Parties. In 2021, 2022 and 2023, purchases from our five largest suppliers in each year amounted to RMB33.5 million, RMB40.4 million and RMB62.3 million, respectively, accounting for 24.5%, 23.1% and 21.3% of our total purchase, respectively. In 2021, 2022 and 2023, purchases from our single largest supplier in each year amounted to RMB11.2 million, RMB15.2 million and RMB14.8 million, respectively, accounting for 8.2%, 8.7% and 5.1% of our total purchase, respectively. Our five largest suppliers in each year during the Track Record Period generally granted us a credit term ranging from five to 30 days during the Track Record Period. During the Track Record Period and as of the Latest Practicable Date, save for Kingfar Holdings Group, none of our Directors, their close associates or any Shareholders who, to the knowledge to our Directors, owned more than 5% of our issued share capital held any interest in any of our five largest suppliers in each year during the Track Record Period. Save for the disclosure below and in "—Customers —Our Top Five Customers In Each Year During the Track Record Period," none of our five largest suppliers in each year during the Track Record Period was one of our customers during the Track Record Period or vice versa.

Throughout the Track Record Period, Kingfar Holdings Group was also our second largest customer. We primarily provided city services, residential property management services and commercial property management services to Kingfar Holdings Group, primarily because (i) we maintained a long-term strategic relationship with Kingfar Holdings Group and had been providing property management services to it since 2002; and (ii) we believe that such relationship is mutually beneficial and complementary and presents a sustainable business model. See "—Our Strategic Business Relationship with Kingfar Holdings Group" for more details on the business benefits from our long-standing relationship with Kingfar Holdings Group. During the Track Record Period, the services that we provided to Kingfar Holdings Group, including city services, residential property management services and commercial property management services, were different from the services that Kingfar Holdings Group provided to us, including property leasing, supply of greening and other services; the relevant service agreements were entered into on individual basis and were not inter-conditional. Our transactions with Kingfar Holdings Group as our customer and supplier, respectively, were separately negotiated in arm's-length and were on normal commercial terms. In 2021, 2022 and 2023, the revenue that we derived from services provided to Kingfar Holdings Group amounted to RMB45.4 million, RMB52.6 million and RMB53.7 million, respectively, accounting for 7.6%, 7.4% and 6.2% of our total revenue, respectively. See "—Customers" for details. In 2021, 2022 and 2023, the gross profit that we derived from services provided to Kingfar Holdings Group amounted to RMB10.2 million, RMB12.1 million and RMB9.2 million, respectively.

Our Top Five Suppliers In Each Year During the Track Record Period

2023

Ranking	Supplier	Major services provided to us	Year of Commencement of business relationship	Transaction amount	Percentage of our total purchase	Relationship with us
				(RMB'000)	*(%)*	
1	Kingfar Holdings Group	Property leasing, supply of greening and other services	2002	14,788	5.1	Related party
2	Supplier B[(2)]	Supply of electricity	2014	14,198	4.8	Independent Third Parties
3	Supplier A[(1)]	Supply of fuel	2006	12,504	4.3	Independent Third Party
4	Supplier C[(3)]	Supply of security services	2021	12,439	4.2	Independent Third Party
5	Supplier F[(6)]	Supply of food ingredients	2021	8,418	2.9	Independent Third Party
				62,347	**21.3**	

2022

Ranking	Supplier	Major services provided to us	Year of commencement of business relationship	Transaction amount	Percentage of our total purchase	Relationship with us
				(RMB'000)	*(%)*	
1	Supplier A[(1)]	Supply of fuel	2006	15,171	8.7	Independent Third Party
2	Supplier B[(2)]	Supply of electricity	2014	7,425	4.3	Independent Third Party
3	Supplier C[(3)]	Supply of security services	2021	5,984	3.4	Independent Third Party
4	Supplier D[(4)]	Supply of food ingredients	2018	5,980	3.4	Independent Third Party
5	Supplier E[(5)]	Supply of food ingredients	2018	5,802	3.3	Independent Third Party
				40,362	**23.1**	

2021

Ranking	Supplier	Major services provided to us	Year of commencement of business relationship	Transaction amount	Percentage of our total purchase	Relationship with us
				(RMB'000)	*(%)*	
1	Supplier A[(1)]	Supply of fuel	2006	11,230	8.2	Independent Third Party
2	Supplier B[(2)]	Supply of electricity	2014	7,548	5.5	Independent Third Party
3	Supplier E[(5)]	Supply of food ingredients	2018	6,141	4.5	Independent Third Party
4	Kingfar Holdings Group	Property leasing, supply of greening and other services	2002	4,382	3.2	Related party
5	Supplier D[(4)]	Supply of food ingredients	2018	4,240	3.1	Independent Third Party
				33,541	**24.5**	

Notes:

(1) Supplier A is the Xi'an branch of a public company listed on the Stock Exchange with a market capitalization of RMB1.2 trillion as of December 31, 2023. Supplier A primarily specializes in the sales of gasoline.

(2) Supplier B is a state-owned enterprise located in Xi'an with registered capital of RMB35.3 billion. Supplier B primarily specializes in the supply of electricity.

(3) Supplier C is a private company located in Xi'an with a registered capital of RMB10.0 million. Supplier C primarily specializes in the provision of security services.

(4) Supplier D is a private company located in Xi'an with a registered capital of RMB3.0 million. Supplier D primarily specializes in catering management services.

(5) Supplier E is a private company located in Xi'an with a registered capital of RMB15.0 million. Supplier E primarily specializes in the sales of food ingredients.

(6) Supplier F is a private company located in Xi'an with a registered capital of RMB2.0 million. Supplier F primarily specializes in the sales of food ingredients.

SUBCONTRACTORS

In general, our project service centers and the enterprise management and quality department are responsible for supervising and reviewing the selection, management and evaluation of our subcontractors on their participation in projects and makes the relevant policy decisions in this aspect of our business operations. Our business relationship with our subcontractors can be traced back to 2014. During the Track Record Period, save for Kingfar Holdings Group to which we outsourced our greening and other services, all our subcontractors were Independent Third Parties.

Selection of our Subcontractors

We hire qualified subcontractors primarily to provide cleaning, security and common area facility repair and maintenance services on our behalf in order to optimize our cost of sales. We evaluate subcontractors in accordance with criteria such as (i) their service scope; (ii) their facilities and equipment for service provision; (iii) their customer services; and (iv) their overall communication with us. We may conduct due diligence and evaluate subcontractors' own ESG-related practices, such as the use of environmentally-friendly materials, enactment of equal opportunity policies with respect to employee engagement, and implementation of anti-corruption measures. Only the subcontractors that meet our requirements will be added to our pre-approved list.

When hiring subcontractors, we may send invitations to tender to subcontractors on the pre-approved list maintained by us, and assess their tender submissions based on criteria such as service quality, industry reputation, price, past performance and cooperativeness.

Management of Our Subcontractors

We regularly monitor and evaluate our subcontractors. Managers for each project are expected to inspect the work of subcontractors on a daily basis and record any issues they detect. We have also established internal policies and procedures for managing complaints received about services provided by our subcontractors.

We formally review and evaluate our subcontractors at least once per year. Our project service centers will complete annual evaluation reports for subcontractors. Each year when we update our list of pre-approved subcontractors, our project service centers will also make their recommendations based on their evaluation reports. We will terminate subcontracting agreements if we discover that certain subcontractors are consistently delivering substandard services.

Key Terms of Our Subcontracting Agreements

Our subcontracting agreements typically include the following key terms:

- *Term*. A typical subcontracting agreement has a fixed term and may be renewed by mutual consent. We will consider reengaging the subcontractors based on their service fees and service quality.

- *Performance scope and standards*. A typical subcontracting agreement sets forth the scope and expected standards of the subcontractor's services, including areas to which the subcontracting services relate, frequency for such service and the types of inspections we require. We also require our subcontractors to adhere to quality standards, safety, reporting times, uniforms and etiquette guidelines as stipulated under the subcontracting agreements.

- *Subcontracting fees*. Subcontracting fees are typically payable by us on a monthly or quarterly basis according to the relevant subcontracting agreements. We typically review the quality of the services provided by subcontractors at the end of each month or quarter. If the subcontractors' services meet our standards, we will pay the monthly or quarterly subcontracting fees in full; otherwise, we will deduct from the monthly or quarterly subcontracting fees a penalty fee as specified in the subcontracting agreements.

- *Our rights and obligations.* Generally, we have both the right and obligation to supervise and evaluate our subcontractors. We are also responsible for providing them with the necessary support for the completion of their services. We generally pay subcontracting fees on a monthly or quarterly basis, depending on what is agreed on in the contract. We are entitled to collect fines or deduct subcontracting fees if our subcontractors fail to adhere to our performance scope and standards according to the relevant subcontracting agreements.

- *Rights and obligations of subcontractors.* Our subcontractors are responsible for obtaining licenses, permits or certificates necessary for conducting their business operations. They also undertake to provide their services in accordance with the scope, frequency and standards of quality prescribed in the relevant subcontracting agreements.

- *Risk allocation.* Our subcontractors manage their own employees. Our subcontractors are responsible for paying their own employees' salary, insurance and labor benefits according to the relevant subcontracting agreements. Our subcontractors are also responsible for compensating their own employees who suffer damages to person or property in the course of providing the contracted services. They are also responsible for damages to person or property caused by their employees in the course of providing the contracted services.

- *Procurement of raw materials.* Our subcontractors will generally procure their own tools and other raw materials required for providing their contracted services.

- *Termination and renewal.* We monitor and assess the performance of subcontractors regularly. Generally, we have the right to terminate a subcontracting agreement if our subcontractor fails to adhere to its obligations.

EFFECTS OF THE COVID-19 PANDEMIC

According to CIA, during the Track Record Period, the outbreak of COVID-19 pandemic put pressure on city service and property management service providers in the short term as service providers incurred (i) more operational costs in purchasing face masks, disinfectant and other sanitizing equipment, and (ii) additional allowances compensated to their staff and subcontractors for resuming normal working hours during the pandemic. Additionally, as advised by CIA, the impact on revenue derived from commercial properties, such as office buildings, was relatively more adverse as compared to that on residential properties since the tenants of office buildings who experienced continued financial losses might terminate their lease agreements to avoid any further financial loss.

In the long term, however, the COVID-19 pandemic is expected to bring about opportunities to the city service and property management industries, according to CIA. We believe our efforts to control the outbreak has earned us high degrees of trust and reliance from government agencies, public authorities, property developers, property owners, residents and tenants. The lockdown measures imposed in many regions have also led to property owners and residents' increasing reliance on value-added services to residential communities under our management to address their daily living needs, which we believe presents us significant opportunities to expand our related service offerings. We also expect that new government regulations on property management industry may be promulgated from time to time, which offers us a higher degree of regulatory certainty in our long-term business operations.

Despite the outbreak of COVID-19, we achieved steady growth during the Track Record Period. The number of properties under our management increased from 98 as of December 31, 2021 to 121 as of December 31, 2022, and further increased to 148 as of December 31, 2023. Our revenue increased from RMB593.7 million in 2021 to RMB706.8 million in 2022, and further increased to RMB862.2 million in 2023.

RECENT REGULATORY DEVELOPMENT

The "Three Red Lines" Policy

In August 2020, the MOHURD and the PBOC jointly promulgated the "Three Red Lines" policy to control the scale of interest-bearing debts of major property developers and to facilitate the sustainable development of the real estate industry in China. Pursuant to the "Three Red Lines" policy, (i) the gearing ratio (excluding receipts in advance) of a property developer shall not exceed 70%; (ii) the net gearing ratio of a property developer shall not exceed 100%; and (iii) the cash over short-term interest-bearing loans ratio of a property developer shall not be lower than 1.0.

According to CIA, in early 2022, the financial institutions in the PRC informed certain large-scale property developers that the "Three Red Lines" policy was relaxed by excluding from the relevant ratio calculation short-term interest-bearing loans obtained by property developers for the purpose of merger and acquisitions. As advised by CIA, if such policy relaxation becomes official, it would be beneficial to the upstream companies within the real estate industry, such as property developers and property construction companies, in both the short term and long term, particularly property developers with healthy financial performance. Property developers with healthy financial performance would be able to, (i) in the short term, expand their business by acquiring projects from property developers facing financial difficulties; and (ii) in the long term, comply with the requirements under such policy relaxation while sustaining their market share or expanding through mergers and acquisitions. As such, our Directors are of the view that "Three Red Line" policy and the possible relaxation thereof would not have a material adverse impact on Kingfar Holdings Group.

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, CIA is of the view that the "Three Red Lines" policy and the possible relaxation generally would not have a material adverse impact on property management service providers either.

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. We (i) do not plan to use, directly or indirectly, the net proceeds from the Global Offering for financing property development; and (ii) plan to use the net proceeds from the Global Offering as stated in "Future Plans and Use of Proceeds" and according to relevant laws and regulations under the respective jurisdiction, and to make disclosure subject to the relevant laws and regulations of the Stock Exchange and SFC. Kingfar Holdings Group has also undertaken that we will not use the net proceeds from the Global Offering for real estate development, whether directly or indirectly, and we will not use such net proceeds in projects that violate the requirements relating to the management of fixed asset investment in any form. Please see "Future Plans and Use of Proceeds" for more details. In addition, the revenue contribution by Kingfar Holdings Group was less than 10% to our total revenue for each year during the Track Record Period. Based on the foregoing, and subject to the relevant laws and regulations which may be further implemented by relevant authorities from time to time, our Directors, as concurred by the Sole Sponsor, are of the view that the "Three Red Lines" policy will not have any material adverse impact on our business operations and cooperation with Kingfar Holdings Group.

QUALITY CONTROL

We prioritize quality in our services and believe that quality control is crucial to the long-term success of our business. Our enterprise management and quality department led by our chief quality officer is primarily responsible for overseeing our business operations, focusing on maintaining quality standards, standardizing our internal policies and procedures and monitoring adherence to those standards. As of December 31, 2023, we had a professional quality control team consisting of 24 members. We implement a three-level quality inspection system. Onsite inspection of our projects are carried out by business supervisors, project service centers and relevant departments on a daily, weekly and monthly basis, respectively.

Quality Control Over Our Services

We conduct our operations in accordance with the standards represented by our ISO9001:2000 certification, which we have obtained from China Quality Mark Certification Group since 2007. We have established a system for monitoring the quality of our services, including multiple sets of standardized internal policies and procedures for satisfaction survey, service quality control and supervision and customer complaints.

Quality Control Over Subcontractors

We typically set forth expected quality standards in our subcontracting agreements. We regularly evaluate the performance of our subcontractors and may require them to take appropriate and necessary rectification measures for incidents of substandard performance. We reserve the right to collect fines, deduct subcontracting fees and even terminate the contract if our subcontractors fail to perform in accordance with our standards of quality, and decide whether to renew subcontracting agreements based on the outcome of our evaluations.

Feedback and Complaint Management

During the ordinary course of our business, we seek and receive customer feedback and complaints regarding our services. Customers may provide us with feedback and complaints by dialing our service hotline or by communicating with employees stationed at our property management projects. Customer feedback and complaints may relate to, for example, substandard services provided by our subcontractors.

We have established internal policies and procedures for responding to and recording customer feedback and complaints, and following up with our customers for reviews on our responses. These internal policies and procedures are applicable across all of our property management projects. We require our employees to respond to all customer feedback and complaints in a timely manner and follow up on the case within two hours of receipt. They are also required to obtain the customer's contact information and respond to the customer within 24 hours. All instances of contact with the customer must be recorded and filed in written and photographic form. Employees responsible for the case must make constructive contact with the customer until it has been resolved.

We will follow up with our customers for reviews on our responses after conclusion of the case. If our customers express dissatisfaction with how their feedback or complaints are handled, we will request our employees to revisit the case. In designing such a feedback and complaint management system, we seek to maintain the trust and confidence of our customers.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any customer complaints about our services or products that would have a material adverse impact on our operations or financial results.

INTELLECTUAL PROPERTY

We believe that our intellectual property rights are critical to our continued success. We primarily rely on laws and regulations on trademarks and trade secrets and our employees' and third parties' contractual commitments to confidentiality and non-competition to protect our intellectual property rights. As of the Latest Practicable Date, we registered 28 trademarks, 20 patents, 4 domain names and 20 copyrights in the PRC that we believe are material to our business. Our patents primarily include a display panel with graphical user interface (GUI) for property equipment, a septic tank gas leak alarming device, a fire pipe pressure detection device, a water supply and drainage early warning device, a flood control alarm device for garages, a filtering device for rainwater collection wells, a wall cleaning device, an anti-rodent baffle structure for equipment room and a type-three pressure gauge self-test platform. We also received the High-tech Enterprise (高新技術企業) certificate issued by the Shaanxi Provincial Department of Science and Technology, Shaanxi Provincial Department of Finance and Shaanxi Provincial Taxation Bureau in 2023. As of the Latest Practicable Date, we were not aware that we had materially infringed any intellectual property rights owned by third parties, nor were we aware that any third parties had materially infringed our intellectual property rights.

See "Appendix V—Statutory and General Information—B. Further Information About Our Business—2. Intellectual property rights of our Group" for more information about our registered intellectual property.

AWARDS AND RECOGNITION

The following table sets forth a selection of the notable awards and accreditations we received during the Track Record Period and up to the Latest Practicable Date.

Awarding Year	Name of award/recognition	Awarding Entity
2024	2024 Top 100 Property Management Companies in China (中國物業服務百強企業)	CIA
2024	2024 Top 100 Property Management Companies with Leading Service Satisfaction (2024中國物業服務百強滿意度領先企業)	CIA
2024	2024 Top 50 State-owned Property Management Companies in China (2024中國物業國有企業50強)	Beijing Zhongwu Intelligence Information Technology Co., Ltd. (北京中物智匯信息科技股份公司)
2024	2024 Top 20 Property Management Companies in Northwest China (2024中國物業服務西北20強)	Beijing Zhongwu Intelligence Information Technology Co., Ltd. (北京中物智匯信息科技股份公司)
2023	2023 Top 100 Property Management Companies in China (中國物業服務百強企業)	CIA
2023	2023 Leading Chinese Property Management Companies – Government Property Service Providers	CIA
2023	2023 Top 100 Property Management Companies in China (中國物業服務百強企業)	CIA

Awarding Year	Name of award/recognition	Awarding Entity
2023	2023 Leading Chinese Property Management Companies – Government Property Service Providers	CIA
2023	Top 100 City Service Providers (政府採購20年:百強物業管理服務商(2022年度))	Committee of Chinese Government Procurement
2023	High-tech Enterprise (高新技術企業)	Shaanxi Provincial Department of Science and Technology, Shaanxi Provincial Department of Finance & Shaanxi Provincial Taxation Bureau
2023	2023 China's Leading Brands in Professional Property Services (2023中國物業服務專業化運營領先品牌企業)	CIA
2023	Top Ten Property Service Company Brands in Xi'an in 2023 (2023西安住宅物業十大品牌物業服務企業)	Beijing Zhongwuhuizhi Information Technology Co., Ltd. & Zhongwuyanjiuyuan
2022	2022 Top 50 of Shaanxi Province Property Management Companies (2022陝西省物業服務企業綜合實力50強)	CRIC & CPMRI

Awarding Year	Name of award/recognition	Awarding Entity
2022	2022 Top 50 State-owned Property Management Companies in China (2022中國國有物業服務企業綜合實力50強)	CRIC & CPMRI
2022	2022 Leading Companies of Shaanxi Province in Residential Property Service (2022陝西省住宅物業細分業態領先企業)	CRIC & CPMRI
2022	2022 Leading Property Management Companies of Shaanxi Province in Social Responsibility (2022陝西省物業社會責任貢獻領先企業)	CRIC & CPMRI
2022	2022 Top 20 Commercial Property Management Service Providers (2022商業物業服務力Top 20企業)	CRIC & E-House
2022	The third vice-chairman unit	Shaanxi Property Management Institute
2022	Top 100 City Service Providers (2021年度全國政府採購百強物業管理服務商)	Committee of Chinese Government Procurement
2022	2021 Exemplary company in household garbage sorting (2021年生活垃圾分類優秀單位)	Urban Management And Law Enforcement of Jingkai District and Household Garbage Sorting Service Center of Jingkai District
2021	The third chairman unit	Xi'an Property Management Association
2021	Top 100 City Service Providers (2020年度全國政府採購百強物業管理服務商)	Committee of Chinese Government Procurement

COMPETITION

The PRC property management industry is intensely competitive with over 200,000 property management companies operating in the industry as of December 31, 2023. It is also highly fragmented with the market share of the Top 100 Property Management Companies in terms of GFA under management continued to increase between 2020 and 2023, according to CIA. Please see "Industry Overview—Trends in the PRC Property Management Industry—Increasing Market Concentration and Competition" for more information on the competitive landscape. According to CIA, in terms of GFA under management in Shaanxi Province as of December 31, 2023, our market share was approximately 1.8%, ranking third among the property management service providers operating in Shaanxi Province in 2023.

According to CIA, the growth of the PRC property management industry is attributable to key drivers such as rising supply and demand and favorable government policies. China's rapid economic development in recent years has resulted in increasing urbanization, the formation of a middle- to high-income class of consumers and continuous growth in the per capita disposable income for the urban population. We expect that the aforementioned middle- to high-income class of consumers will be more willing to pay premiums for quality and increase their discretionary spending on goods and services beyond basic necessities. For example, there may be increasing demand for better living conditions and therefore corresponding desire for higher-quality property management services. Rapid urbanization in China has increased the supply of commodity properties to which we may provide property management services and satisfy that demand.

To keep up with these trends, the average GFA and the average number of properties managed by the Top 100 Property Management Companies has increased between 2018 and 2023, according to CIA. We primarily compete against the Top 100 Property Management Companies, particularly those affiliated with reputable urban construction and operation service providers in China, and Kingfar Holdings Group as a reputable property developer provides a strong foundation for our own advancement. However, during the Track Record Period our percentage of GFA under management for Kingfar Holdings Group's property development projects has decreased, while our percentage of GFA under management for property development projects by third-party property developers has increased. This demonstrates that while we are able to enjoy the support of an affiliate, we are also capable of finding and taking advantage of market opportunities independently.

We believe that we are capable of continually competing with other industry players due to our competitive strengths. Moreover, new market entrants face entry barriers such as brand value, capital requirements, quality of management and availability of talent and technical expertise, all of which we believe we possess and will continue to overcome. See "Industry Overview" and "Risk Factors—Risks Relating to Our Business and Industry—We face intense competition in the property management market and if we fail to compete successfully against existing and new competitors, our business, financial position, results of operations and prospects may be materially and adversely affected."

SOCIAL, HEALTH, SAFETY AND ENVIRONMENTAL MATTERS

We are subject to PRC laws in relation to labor and safety matters. During the Track Record Period, we conducted our operations in accordance with standards represented by our international quality management system ISO9001:2000 certification, occupational health and safety system ISO45001: 2018 certification and HACCP certification, which we obtained in 2007, 2021 and 2022, respectively. We train our employees on how to react during selected emergencies. During the Track Record Period and as of the Latest Practicable Date, we did not experience any material accidents involving personal injury or property damage. Our Directors confirm that there were no material labor disputes or labor-related legal proceedings against us during the Track Record Period.

We typically identify hazards relating to our employees' occupational health, such as noise from operating equipment and welding, in accordance to the requirements of the "Quality, Environment, Occupational Health and Safety System Management Specifications" (《質量環境職業健康安全體系管理規範》), and (i) inform our employees about such hazards and the potential impact on their health before their onboarding, during their training and when they sign employment agreements; (ii) organize annual occupational health examinations for our employees to monitor their health status; and (iii) adjust our employees' working hours as needed and distribute labor and occupational protection supplies to protect our employees' health and work safety.

We purchase and distribute to employees labor and occupational protection supplies based on their work scope, work intensity and relevant occupational hazards. The labor and occupational protection supplies we distribute must (i) comply with the relevant regulations enacted by the State Administration of Work Safety; and (ii) meet the national occupational health standards. If the quality of any labor and occupational protection supplies fails to meet the requirements stipulated by the relevant regulations and leads to an accident, the procurement personnel would be held accountable. The labor and occupational protection supplies are inspected on a daily basis at each project, and employees are educated and urged to wear or use them in accordance with our internal rules. In addition, our production safety team and safety personnel may conduct unscheduled inspections.

We have also implemented internal policies and procedures to regulate the reporting accidents. For serious accidents, the person in charge of the relevant project shall report verbally to both the management and the person in charge of the quality control team within 10 minutes; for general accidents, the person in charge of the relevant project shall report verbally to both the management and the person in charge of the quality control team within 20 minutes, and file a report through the ERP system within 24 hours; for minor incidents, the person in charge of the relevant project shall file a report through the ERP system within 24 hours. Reports of accidents must be comprehensive and shall at least include (i) an overview of the accident; (ii) the time and place of the accident; (iii) a brief description of the accident; (iv) the casualties and economic losses arising from the accident; (v) the emergency measures that have been taken; and (vi) other situations that should be reported.

We hire employees based on their merits and it is our corporate policy to offer equal opportunities to our employees regardless of gender, age, race, religion or any other social or personal characteristics. As confirmed by our Directors, during the Track Record Period and up to the Latest Practicable Date, we had complied with PRC laws in relation to workplace safety in all material respects and had not had any incidents which have materially and adversely affected our operations.

We are committed to environmental protection and have adopted and implemented measures to ensure that we meet the standards represented by our international environmental management system ISO14001: 2015 certification, which we have obtained since 2021. Given the nature of our operations, we do not believe that we are subject to material risks in relation to environmental issues. According to the certificates issued by relevant government authorities and the public information search, during the Track Record Period and up to the Latest Practicable Date, we were not subject to any material administrative penalties in relation to violations of PRC environmental laws.

Environmental, Social and Governance and Climate-related Risks and Opportunities

Our Governance and Policies regarding Environmental, Social and Governance and Climate-related Risks and Opportunities

Our Directors believe that the establishment and implementation of sound environmental, social and governance ("**ESG**") principles and practices will help increase our investment value and provide long-term returns to our stakeholders. To ensure the effectiveness of our ESG measures, our Board will be responsible for overseeing our ESG governance, promoting sustainable development plans with respect to corporate governance, environmental protection, labor rights and community development, and communicating and maintaining good relationships with our stakeholders. The principal duties of the Board include developing our overall ESG vision, direction and strategy, formulating explicit procedures for ESG and climate-related risks management, and reviewing our ESG performance to ensure it is align with our initiatives. We will also establish an ESG committee as a sub-committee of the Board, which is tasked with spot-checking ESG-related metrics, identifying and evaluating potential ESG-related risks and compiling ESG reports to be reviewed by the Board.

The ESG committee will be headed by our Chairman, Mr. Wu Suozheng, who has extensive managerial experience in the property management service industry in Shaanxi as well as insight in our business operation, which have enabled him to identify issues relating to our employees' health, safety and working condition and our Group's management structure, executive compensation and political contributions. The ESG committee will also consist of our employees from different departments to establish an inclusive and effective team. The members on the Board and the ESG committee have extensive experience in both (i) the city service and property management service industries in Shaanxi, where we primarily operate, and (ii) corporate management, which enable them to contribute to major ESG issues, such as waste reduction, workplace health and safety as well as corporate integrity, transparency and compliance. We may also engage experts with experience and expertise in energy usage and efficiency, greenhouse gas emissions as well as waste and carbon footprint reduction to assist us in the identification and remediation of ESG-related risks as needed. We believe that the concerted effort from the Board and the ESG committee is essential to the establishment of a sound and effective ESG management system.

Our ESG policies are designed to identify and discover ESG and climate-related risks in advance so that we could take necessary prevention measures to mitigate risks and reduce losses. 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 follows the procedure of risk assessment, risk monitoring, risks reporting and early warning, crisis handling, and ex-post improvement.

We will identify and prioritize material ESG issues primarily by (i) conducting surveys among our stakeholders; (ii) consulting with external experts; (iii) consolidating the opinions of our stakeholders and the experts to compile a matrix of material ESG issues; (iv) conducting research on the material ESG issues; and (v) aligning the material ESG issues with our development and business plan and sort out the issues by relevance and importance.

We plan to assess, manage and reduce ESG-related risks with reference with the "Environmental, Social and Governance Reporting Guidelines" (《環境、社會及管治報告指引》) published by the Stock Exchange and the "Sustainability Reporting Standards" (《可持續發展報告標準》) published by the Global Reporting Initiative.

Our Board and ESG committee are also committed to conducting business in a lawful, ethical and responsible manner, and have adopted and implemented the "Anti-bribery, Reporting and Complaint Management Measures (反舞弊及舉報投訴管理辦法)." See "—Risk Management and Internal Control" for more details. In addition, during the Track Record Period, we held compliance training for (i) our new employees through our Eagle Training Program every two months, and (ii) other employees through our Kingfar Young Talent Program on a yearly basis.

Impact of Environmental, Social and Climate-related Issues and Opportunities

We acknowledge that environmental, social and climate-related issues pose a certain level of threat to us. As our operations are primarily in Northwest China, we have identified three major environmental, social and climate-related issues that would have potential impact on our business, strategy and financial performance:

- *Flood*. Our business operation in Northwest China is susceptible to floods due to their proximity to rivers. In the unexpected case of flooding, the health and safety of our personnel would be at risk and our equipment and infrastructure would be subject to water damage. As a result, we might face increases in our labor and insurance costs, capital expenditures and operating expenses, and our services might be disrupted, reducing our revenue. To mitigate against such risk, we have purchased employee liability insurance for our operating staff with an average annual insurance premium of approximately RMB346,000 during the Track Record Period.

- *Drought*. Our business operation in Northwest China is susceptible to drought, which is one of the common natural disasters in the Northwest China region. When drought and flood appear alternatively, our personnel's safety would be at risk and our equipment and infrastructure might be directly or collaterally damaged. As a result, we might face increases in our labor and insurance costs, capital expenditures and operating expenses, and our services might be disrupted, reducing our revenue. To mitigate against such risk, we have purchased employee liability insurance for our operating staff with an average annual insurance premium of approximately RMB346,000 during the Track Record Period.

- *Carbon neutrality and emission peak*. To comply with carbon neutrality and emission peak regulations, we encouraged our employees to commute by public transportation, and plan to procure more environmentally friendly materials and resources, which might lead to an increase in our capital expenditures and operating expenses. In case of non-compliance, we might also be subject to penalties.

Since our inception, we have been dedicated to serving the communities where we operate, and have implemented the following measures to fulfill our social responsibilities.

- *Combat of the COVID-19 pandemic*. Since the outbreak of the COVID-19 pandemic, we have been on the frontline of preventing the spread of the pandemic, with our employees working around the clock to safeguard the health and safety of property owners, residents and tenants. We have adopted a set of hygiene and precautionary measure across the properties under our management between 2020 and 2022, including communication with the relevant government authorities, entrance management, disinfection, garbage collection and on-site inspection. In February 2022, two residential communities under our management were awarded the "Pioneer Project for COVID-19 Prevention in the Property Management Industry in Xi'an" by the Xi'an Housing and Urban-Rural Development Bureau. During the Track Record Period, the preventive measures that we took to combat the COVID-19 pandemic costed approximately RMB989,000 in aggregate.

- *Environmental protection*. We have established various policies to save energy and achieve a low carbon footprint, which guide the performance of our employees. We also actively guide property owners, residents and tenants to participate in efforts to save energy and improve the environment. For example, we advocated and implemented rules for garbage sorting in our Group, and were recognized as a 2021 exemplary company in household garbage sorting (2021年生活垃圾分類優秀單位) by the Urban Management And Law Enforcement of Jingkai District and the Household Garbage Sorting Service Center of Jingkai District in 2022. We also implemented energy-saving management and control measures, such as renovation of lighting facilities and installation of energy-saving lamps in public areas for various projects to reduce power consumption in common areas, which costed approximately RMB253,000 in aggregate.

- *Employee benefit*. We truly appreciate the services of our employees, and care about their wellbeing. To that end, we offer employee benefits such as meal allowances and birthday gifts. We also organize various events to enrich the our employees' leisure, and endeavor to enhance female employees' sense of belongingness by providing Women's Day benefits and organizing lectures of women's rights.

Metrics and Targets on Environmental, Social and Climate-related Risks

We have taken into account the quantitative information that reflect our management of environmental, social and climate-related risks, which include greenhouse gas emissions and resource consumption. Greenhouse emissions consist of Scope 1, Scope 2 and Scope 3 emissions. Scope 1 emissions include emissions from sources that a company owns or directly controls, such as the greenhouse gas emissions from stationary combustion sources and vehicles. Scope 2 emissions include emissions that a company causes indirectly and that come from where the energy it purchases and uses is produced, such as the greenhouse gas emissions from usage of purchased electricity. Scope 3 emissions include emissions that are not produced by a company itself and are not the result of activities from assets owned or controlled by it, but by those that the company is indirectly responsible for up and down its value chain. We have taken our subsidiaries with the most significant revenue into consideration for quantitative information calculation.

Metrics	**2021**	**2022**	**2023**
Total greenhouse gas emissions (tons)	7,975.81	11,854.89	11,849.43
Intensity of greenhouse gas emissions (tons/million sq.m. GFA)	566.87	842.57	842.34
Direct emissions (Scope 1) (tons)	20.45	17.70	16.00
Indirect emissions (Scope 2) (tons of greenhouse gas)	7,950.03	11,832.40	11,833.43
Indirect emissions (Scope 3) (tons)	5.33	4.79	5.17
Total energy consumption (MWh)	12,578.59	18,666.71	18,660.94
Direct energy consumption (MWh)	87.48	75.47	68.08
Indirect energy consumption (electricity) (MWh)	**12,491.21**	**18,591.25**	**18,592.86**
Electricity purchased (MWh)	12,491.21	18,591.25	18,592.86
Intensity of energy consumption (MWh/million sq.m. GFA)	**887.97**	**1,326.97**	**1,326.56**
Water consumption (m^3)	**796,600**	**999,600**	**683,042**
Intensity of water consumption (m^3/million sq.m. GFA)	**56,657.18**	**71,095.31**	**48,580.51**

To improve energy efficiency and reduce water consumption, we have enacted various measures, including (i) replacing regular lights with energy-saving lights; (ii) posting signs and posters in public areas to remind our employees, and to strengthen their awareness, of water-saving; (iii) promoting the reduction of electricity and water consumption among our employees; (iv) promoting a paperless working environment; and (v) inspecting our office premises to ensure that power on our office premises is turned off after work.

To improve the effectiveness of our ESG management, we identify potential climate-related risks and opportunities, and formulate corresponding ESG measures with reference to the framework proposed by the Task Force on Climate-related Financial Disclosure (TCFD). We plan to achieve four major goals with respect to greenhouse gas emission reduction, environmental-friendly service provision, energy conservation and water conservation by December 31, 2024. In particular:

- In terms of greenhouse gas emissions, we plan to reduce our greenhouse gas emissions intensity (per unit of revenue) by 5.0% by 2024, using 2023 as the base year. This target aims to enhance our greenhouse gas emissions intensity in support of our national "dual-carbon" strategy and climate change resilience. From 2022 to 2023, our greenhouse gas emissions intensity remained stable;

- In terms of environmental-friendly service provision, we plan to engage qualified suppliers to process 100.0% of our hazardous waste by 2024 as compared to 2023. This target aims to provide services with minimal environmental impact to promote sustainable green economy;

- In terms of energy consumption, we plan to reduce our energy intensity (energy consumption per unit of revenue) by 5.0% by the year 2024, using 2023 as the base year. This target aims to enhance our energy efficiency in support of our national "dual-carbon" strategy and climate change resilience. From 2022 to 2023, our energy intensity per unit of revenue remained stable; and

- In terms of water consumption, we plan to reduce our water consumption intensity (per unit of revenue) by 5.0% by 2024, using 2023 as the base year. This target aims to optimize the efficiency of our water usage to promote the conservation and protection of water resources. From 2022 to 2023, our water consumption intensity showed a downward trend.

EMPLOYEES

We believe that the expertise, experience and professional development of our employees contribute to our growth. We proactively recruit skilled and qualified personnel with relevant working experience in property management to support the sustainable growth of our business. We provide various training programs to our employees for their career advancement.

We strictly abide by relevant labor laws and regulations, proactively identify potential factors affecting health and safety at work, regularly conduct occupational health examinations for key positions and closely monitor the occupational health status of employees. During the Track Record Period and up to the Latest Practicable Date, we did not record any work-related injuries or fatalities.

Application to our job openings are open to the public, our recruitment process is strictly merit-based, and our employment policies do not discriminate against qualified employees and job applicants on the bases of race, religion, sex, disability or age. The following table sets forth the composition of our workforce as of the dates indicated.

	As of December 31,					
	2021		2022		2023	
	(Number of employees, except for percentage)					
Total	**7,617**	**100.0**	**7,680**	**100.0**	**7,939**	**100.0**
By sex						
– Male	4,109	53.9	4,164	54.2	4,150	52.3
– Female	3,508	46.1	3,516	45.8	3,789	47.7
By age						
– Below 30	1,123	14.7	1,226	16.0	1,155	14.5
– 31-50	3,082	40.5	3,278	42.7	3,199	40.3
– Above 50	3,412	44.8	3,176	41.3	3,585	45.2

We entered into employment agreements with our employees and specified (i) renumeration, which typically includes base salaries and bonuses, and the qualifications, industry experience, position and performance on which the renumeration depends; (ii) employee benefits, which typically include subsidies for employees who work outdoor in heat environment, such as security patrollers, janitors, cleaning staff and garbage collectors, as well as annual physical examination; and (iii) dismissal policies in strict compliance with the Labor Law of the People's Republic of China and other relevant policies and regulations.

We have also created two plans for our employees' career enhancement, one for employees of management level and the other for employees of other levels. The two plans provide our employees in different positions and on different corporate levels on-job development channels for continued growth and equal opportunities of promotion.

As of December 31, 2023, we had a total of 7,939 full-time employees in China. The following table sets forth the number and breakdown of our full-time employees by function:

	Number of employees	**% of total**
Administrative management	240	3.0
Project management	481	6.1
Technical support	688	8.7
Customer service	1,279	16.1
Onsite service	5,251	66.1
Total	**7,939**	**100.0**

The following table sets forth a breakdown of our full-time employees by geographic location as of December 31, 2023:

	Number of employees	**% of total**
Shaanxi[(1)]	7,777	98.0
Xinjiang[(2)]	162	2.0
Total	**7,939**	**100.0**

Notes:

(1) Including Xi'an, Tongchuan and Hancheng.

(2) Including Shihezi.

As of the Latest Practicable Date, our employees formed labor unions. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material strikes, accident relating to work safety or labor disputes with our employees, nor did we receive any complaints, notices or orders from relevant government authorities that might materially affect our business operation and financial condition. See "—Social, Health, Safety and Environmental Matters" for more details regarding our occupational safety measures, system of recording and handling accidents and policies protecting our employees' health and work safety.

Social Insurance and Housing Provident Fund Contributions

According to the relevant PRC laws and regulations, we are required to make contributions to social insurance fund (including pension fund, medical insurance, unemployment insurance, work-related injury insurance, and maternity insurance) and housing provident fund for the benefit of our employees in China. We did not make full contributions to social insurance and housing provident funds for certain employees, primarily because (i) some of our employees were newly hired or still in the probationary period, after which we would began making full contributions to social insurance and housing provident funds; (ii) some of our employees were reemployed retirees, for whom we are not required to make contribution to their social insurance or housing provident funds; and (iii) some employees had applied for relevant residential insurance or waived their social insurance and we were unable to make contributions to social insurance for them. As of December 31, 2021, 2022 and 2023, our shortfall in social insurance and housing provident fund contribution during the Track Record Period amounted to RMB11.1 million, RMB13.6 million and RMB13.6 million, respectively, on cumulative basis.

As advised by our PRC Legal Advisors, according to the relevant PRC laws and regulations relating to social insurance contributions, if we do not pay the full amount of social insurance contributions as required, the relevant authorities may demand us to pay the outstanding social insurance contributions within the deadline stipulated by them, and we may be liable to a late payment fee equal to 0.05% of the outstanding amount for each day of delay. We may be liable to a fine of one to three times the amount of the outstanding contributions if we fail to make such payments within the deadlines stipulated; and under the Regulations on Administration of Housing Provident Fund (《住房公積金管理條例》), for housing provident fund contributions that we fail to pay within the prescribed deadlines, we may be ordered by the housing provident fund management center to deposit the underpaid fund within a time frame; if we fail to deposit such fund within the time frame, the housing provident fund management center may apply to the people's court to enforce collection. We made full provisions for the potential liabilities arising from shortfalls in social insurance and housing provident fund contributions in 2021, 2022 and 2023, which amounted to RMB4.0 million, RMB2.5 million and nil, respectively. Kingfar Group, one of our Controlling Shareholders, had also undertaken that it would indemnify us against any shortfall in the provisions we made, and any late fees, fines or compensation, with respect to the potential liabilities arising from our underpayment of social insurance and housing provident fund contributions.

Our Directors have considered the following in assessing our exposures relating to social insurance and housing provident fund contributions: (i) as of the Latest Practicable Date, we had not received any notification from relevant government authorities requiring us to pay the shortfalls or penalties with respect to social insurance and housing provident funds; (ii) during the Track Record Period and up to the Latest Practicable Date, 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 have obtained confirmations from competent local government authorities which confirmed that no penalties had been imposed on us with respect to social insurance and housing provident funds during the Track Record Period; (iv) we made provisions for social insurance and housing provident fund contributions of RMB4.0 million, RMB2.5 million and nil, respectively, in 2021, 2022 and 2023; (v) we will make full contributions or pay any shortfall within the prescribed time period if demanded by the relevant government authorities; and (vi) Kingfar Group, one of our Controlling Shareholders, had undertaken that it would indemnify us against any shortfall in the provisions we made, and any late fees, fines or compensation, with respect to the potential liabilities arising from our underpayment of social insurance and housing provident fund contributions. We believe that the provisions for social insurance and housing provident fund contributions are sufficient, having considered the above-mentioned reasons.

In addition, as of the Latest Practicable Date, we had established various internal policies and procedures to ensure that we make full contributions to social insurance and housing provident funds. These internal policies and procedures include (i) encouraging our employees who have applied for residential insurance to transfer out so that we could make social insurance and housing provident fund contribution on behalf of them; (ii) project service centers must provide timely update on personnel change; and (iii) the designated social insurance commissioner should strengthen the investigation on social insurance contribution.

As of the Latest Practicable Date, (i) we had obtained confirmation from the competent local governmental authorities that we had not received any administrative penalties related to social insurance and housing provident fund during the Track Record Period; (ii) the main competent governmental authorities confirmed that they had not received any information of our shortfall in social insurance and housing provident fund contribution during the Track Record Period; (iii) our Directors confirmed that we had not engaged in any major employee complaints or labor disputes regarding social insurance and housing provident fund matters, the relevant governmental authorities had not notified or required us to settle any unpaid social insurance and housing provident fund or pay fines or late fees; and (iv) the Emergency Notice of the General Office of the Ministry of Human Resources and Social Security on Upholding the Spirit of the Executive Meeting of the State Council and Effectively Stabilizing the Collection of Social Security Fees (《人力資源社會保障部辦公廳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》) strictly prohibited governmental authorities to organize collective settlement of enterprises' historical shortfall in social insurance and housing provident fund contributions. Considering the factors above, our PRC Legal Advisors are of the view that the risks of relevant governmental authorities requiring us to pay for our historical shortfall in social insurance and housing provident fund contributions is remote.

As such, our Directors believe that our failure to fully pay social insurance and housing provident fund payments will not have any material adverse impact on our business operation and financial condition.

Recruiting

We are committed to attracting the best and brightest to our talent pool. In addition to experienced professionals, we recruit fresh graduates. As part of our efforts to recruit the best in our industry, we have established detailed sets of internal policies and procedures to guide each stage of our efforts.

While we have determined the qualifications and traits desirable in ideal candidates for various positions, we strive to recruit candidates that are compatible with us in terms of work ethics and corporate culture. Our recruitment process primarily includes the following stages:

- *Issue job posting*. Departments in need will apply to recruit for their vacancies. Our recruitment personnel in the human resources department will then issue job postings with descriptions of our required qualifications on various external platforms.

- *Review resumes*. Our human resources department and the department(s) in need will review applications and resumes with reference to our internal guidelines.

- *Interviews.* We will select applicants from the pool of resumes for interviews. We conduct a first interview by our human resources department, and interview candidates who progress to the second round by the head of relevant department.

- *Internal evaluation*. Once we select our candidates, we set their salaries with a view to our budget and their individual qualifications. We also begin internal review and approval procedures by relevant levels of management for hiring new employees.

- *Hiring.* We will issue offer letters and assist candidates who accept with the necessary paperwork and orientation procedures.

Training and Development

We perceive our employees as key to our service quality and customer experience. As part of our long-term efforts to retain and motivate talent, we offer our employees career advancement prospects and training in professional skills necessary to our business.

We have a comprehensive training program for different levels of employees to support and encourage them to continue to upskill their operation, execution and management capabilities. Through our Kingfar Young Talent Workshop (菁發工坊), we have trained employees with solid technical skills that can support our future growth. In addition, to motivate our workforce, we offer our employees systematic professional skill development trainings tailored for the job requirements through our Eagle Nest Training Program (鷹巢計劃). We organize our property management personnel and managers to sit for the examination for relevant professional certificates and provide them with access to various courses. Our human resource department also from time to time delivers internal trainings according to updates on internal policies, procedures and software systems for our daily operation. We also draw up external training plans and cooperate with relevant institutions to provide diverse training programs in accordance with the needs of each department and each property management service center.

We have woven into our training program mentorship, assessment, feedback and evaluation procedures for our employees to facilitate their growth and development. We believe that our comprehensive training programs, combined with on-the-job learning, will facilitate advancement for our employees.

INSURANCE

During the Track Record Period, we purchased employer liability insurance for our operating staff. In general, we expressly require our subcontractors to form employment relationships with their own employees, and our subcontractors are generally responsible for compensating their own employees who suffer damages to person or property in the course of providing their services.

We also maintain liability insurance for property damage or personal injury suffered by third parties arising out of or related to our business operation. During the Track Record Period and up to the Latest Practicable Date, we did not carry any business interruption insurance or litigation insurance, which was consistent with the customary practice in China as advised by CIA. Our Directors believe that our existing insurance coverage is in line with the industry norm and sufficient for our present operation. However, there is no assurance that the insurance policies we maintain are sufficient to cover all of our operational risks. See "Risk Factors—Risks Relating to Our Business and Industry—Our insurance may not sufficiently cover, or may not cover at all, losses and liabilities we may encounter during the ordinary course of operation."

CERTIFICATES, LICENSES AND PERMITS

We are required to obtain and maintain various certificates, licenses and permits in relation to our operation. As advised by our PRC Legal Advisors, during the Track Record Period and up to the Latest Practicable Date, we had obtained the certificates, permits and licenses, including our business license, Food Operation Licenses and Security Service License, that are essential to our business operation, and all of such certificates, permits and licenses were within their respective validity years as of the Latest Practicable Date. We are required to renew such certificates, licenses and permits from time to time and we plan to renew all the material licenses and permits upon their expiration. We did not experience any material difficulties in renewing such certificates, licenses and permits during the Track Record Period, and do not expect to encounter any difficulties in obtaining such renewals as long as we meet the applicable requirements and conditions set by relevant laws and regulations.

PROPERTIES

As of the Latest Practicable Date, we owned 11 properties in China with an aggregate GFA of 5,235.5 sq.m. During the Track Record Period, we leased one of our properties with a GFA of 3,078.6 sq.m. (the "**Rental Property**") to an Independent Third Party for rental income. As of the Latest Practicable Date, we had obtained the title certificate of the Rental Property, but had not filed the lease agreement with the local housing administration authorities as required under PRC law, and we had not obtained the title certificates of the other ten properties that we owned.

As of the Latest Practicable Date, we leased 20 properties (the "**Leased Properties**") in the PRC with an aggregated GFA of 6,095.0 sq.m., 4,470.7 sq.m. of which was from properties of our Controlling Shareholders and/or their associates, mainly used for our office, staff accommodation and canteens. Among the Leased Properties, (i) we had the requisite title certificates for 13 properties an aggregate GFA of 4,114.9 sq.m., among which 2,944.9 sq.m. of the properties were leased from our Controlling Shareholders and/or their associates; and (ii) the landlords of seven properties with an aggregate GFA of 1,980.1 sq.m. were unable to provide title certificates, which was beyond our control. As of the Latest Practicable Date, we had not registered or filed the lease agreements for the Leased Properties with the local housing administration authorities as required by PRC laws. To mitigate against the potential risks arising from the non-filing of lease agreements, we have designated a team to (i) handle lease registration through proactively communication with the landlords of the Leased Properties in order to obtain their cooperation and to collect relevant documentations for lease registration; and (ii) handle submission of the relevant documentations for lease registration and to keep track of the registration progress. As advised by our PRC Legal Advisors, non-filing of lease agreements would not affect the validity or enforceability of such leases, but we might be ordered to rectify this non-compliance by competent authorities and if we do not rectify within a prescribed period, a penalty of RMB1,000 to RMB10,000 may be imposed on us as a result of such non-filing. See "Risk Factors—Risks Relating to Our Business and Industry—None of our lease agreements was registered with the relevant government authorities, which may expose us to potential fines."

In addition, we used one of the Leased Properties, which was a residential property, as our office. As advised by our PRC Legal Advisors, relevant PRC laws and regulations require a tenant to obtain the consent from the other property owners whose interests may be affected before using the leased residential property for commercial purpose, and failure to do so may result in the discontinuation of the lease agreement. As of the Latest Practicable Date, we had not obtain such consent. As such, we may not be able to continue leasing such property and may need to find an alternative premises.

Our Directors are of the view that such non-filing would not have a material impact on our business operations, considering that (i) our Directors confirmed that we had not received any notice from any regulatory authority with respect to potential administrative penalties or enforcement actions as a result of our failure to file the lease agreements described above; (ii) our Controlling Shareholder had undertaken that it would indemnify us against any losses arising from our defective use of assets; (iii) our Directors did not expect any practical difficulty in identifying alternative premises that are comparable to the Leased Properties in terms of proximity and rent to substitute the Leased Properties; and (iv) the estimated time and cost for relocation to alternative premises would be approximately one week and RMB80,000, respectively.

LEGAL PROCEEDINGS AND COMPLIANCE

Historical Non-compliance Incidents

We may from time to time be involved in legal, arbitration or administrative proceedings in the ordinary course of our business. As of the Latest Practicable Date, there were no legal, arbitration or administrative proceedings pending or threatened against us or any of our Directors which could have a material adverse effect on our business, financial condition or results of operations.

As advised by our PRC Legal Advisors, we had not been subject to any administrative penalty involving non-compliance with any PRC laws or regulations relating to our business which could have a material adverse effect on our business, and our Directors confirmed that we had complied with all relevant laws and regulations in the PRC in all material respects, during the Track Record Period and up to the Latest Practicable Date.

The summary below sets out incidents of historical non-compliance with applicable regulations during the Track Record Period. Our Directors believe that below non-compliance incidents will not have any material operational or financial impact on us.

Social Insurance and Housing Provident Funds

During the Track Record Period, we did not make full contributions to social insurance and housing provident funds for certain employees. As of December 31, 2021, 2022 and 2023, our shortfall in social insurance and housing provident fund contribution during the Track Record Period amounted to RMB11.1 million, RMB13.6 million and RMB13.6 million, respectively, on cumulative basis. See "—Employees—Social Insurance and Housing Provident Fund Contributions" for more details.

Registration and Filing of Lease Agreements

As of the Latest Practicable Date, we had not registered or filed (i) the lease agreement of a property that we own and leased to an Independent Third Party; and (ii) the lease agreements of 20 properties that we rented with the local housing administration authorities as required under PRC law. See "—Properties" for more details.

Use of Dispatched Workers

We use dispatched workers in the ordinary course of our business. Pursuant to the Interim Provisions on Labor Dispatch (《勞務派遣暫行規定》) (the "**Interim Provisions on Labor Dispatch**") which has become effective since March 1, 2014, an employer shall strictly control the number of dispatched workers it engaged, which shall not exceed 10% of the total number of its workers (the "**Limit**"). The total number of workers refers to the sum of (i) the number of employees who have entered into employment agreements with the employer; and (ii) the number of dispatched workers engaged by such employer.

In the event a company violates the Interim Provisions on Labor Dispatch, the relevant labor department would send the company a notice, ordering it to rectify such violation. If the company fails to rectify within a prescribed period, it would be imposed a fine of RMB5,000 to RMB10,000 for each dispatched worker over the Limit. In addition, the company would not be permitted to engage additional dispatched workers until the number of its existing dispatched workers has been reduced below the Limit.

As of December 31, 2022, three of our subsidiaries (the "**Subsidiaries**") engaged 93, 162 and 151 dispatched workers, respectively, accounting for 23.4%, 94.7% and 20.4% of their total number of workers as of the same date, respectively, primarily due to insufficient understanding of the relevant PRC labor laws and regulation. Since the discovery of our use of dispatched workers over the Limit in 2022, we have proactively taken rectification measures to reduce our use of dispatched workers, and our human resource department is responsible for monitoring the number and proportion of dispatched workers that we use to ensure compliance with the relevant laws and regulations. As of December 31, 2023, we had reduced the number of dispatched workers engaged by the Subsidiaries to nil, 14 and 39, respectively, accounting for nil, 4.7% and 5.7% of their total number of workers as of the same date, which was well below the Limit.

Considering that as of the Latest Practicable Date, (i) we had taken rectification measures to reduce the number of dispatched workers to below the Limit; (ii) we had not received any notice from relevant labor department regarding excessive use of dispatched workers; (iii) we had obtained confirmation from the competent local governmental authorities that we had not received any administrative penalties or notice to rectify incidents relating to violation of labor and employment laws and regulations, our PRC Legal Advisors are of the view that the likelihood that the relevant labor department would impose administrative penalties on us for our use of dispatched workers that exceeded the Limit during the Track Record Period and up to the Latest Practicable Date is remote. As such, our Directors are of the view that our use of dispatched workers would not have any material adverse impact on our business, financial position or result of operation.

RISK MANAGEMENT AND INTERNAL CONTROL

We are exposed to various risks during our operation. See "Risk Factors" for more information. We have established risk management systems with relevant policies and procedures that we believe are appropriate for our business operation. Our key risk management objectives include (i) identifying the different risks relevant to our operations; (ii) assessing and prioritizing the identified risks; (iii) developing appropriate risk management strategies for different risks; (iv) monitoring and managing risks and our risk tolerance level; and (v) executing measures to respond to those risks.

Our Board oversees and manages the risks associated with our business. We have established an Audit Committee to review and supervise our financial reporting process and internal control system. The Audit Committee consists of three members, namely Mr. Lam Siu Wing (林兆榮), who serves as chairman of the committee, Mr. Cao Yang (曹陽) and Mr. Yang Gang (楊剛). See "Directors, Supervisors and Senior Management."

In order to improve our corporate governance, we have adopted, or expect to adopt before Listing, a series of internal control policies, procedures and programs designed to provide reasonable assurance for achieving objectives such as effective and efficient operation, reliable financial reporting and compliance with applicable laws and regulations. Highlights of our internal control system include the following:

- Our Directors and senior management attended a training session on June 25, 2023 in relation to the relevant requirements of the Listing Rules and duties of directors of companies listed in Hong Kong;

- We have appointed Mr. Xu Fei (徐飛) as our financial director and Mr. Li Xiuyuan (李修遠) and Ms. Fung Po Ting (馮寶婷) as our joint company secretaries to ensure our compliance with relevant laws and regulations. See "Directors, Supervisors and Senior Management" in this prospectus for their biographical details;

- We have appointed CEB International Capital Corporation Limited as our compliance advisor to advise us on compliance with the Listing Rules; and

- We have adopted various policies to ensure compliance with the Listing Rules, including those in relation to risk management, continuing connected transactions and information disclosure.

Specifically, to combat fraudulent activities and corruption, we have adopted and implemented the "Anti-bribery, Reporting and Complaint Management Measures (反舞弊及舉報投訴管理辦法)", which stipulate, among other things, that:

1. all of our directors, management and employees are strictly prohibited from accepting or offering bribes, rebates or kickbacks and any other kind of bribery, abuse of power or corruption acts;

2. anti-bribery policies and procedures are incorporated in the employees' handbook;

3. all employees committing fraudulent acts would receive disciplinary actions as advised by our office of discipline inspection according to the relevant regulations and be reported to the judicial authority as appropriate; and

4. we established a whistle-blower program and designated a hotline and an email address for whistle-blowers to provide named or anonymous tips regarding fraudulent activities and corruption.

For more information, see "Risk Factors—Risks Relating to Our Business and Industry—We are exposed to risks associated with failing to detect and prevent fraud, negligence or other misconduct (accidental or otherwise) committed by our employees, subcontractors or third parties."

In preparation for the Listing, we engaged an independent internal control consultant to review our internal control system, based on an agreed scope covering controls and procedures that include the following aspects: sales revenue and account receivable management, procurement and account payable management, cash and treasury management, human resources management, accounting and financial reporting management, tax management, general control of information technology, intangible asset management and other general control measures. Our internal control consultant recommended various rectification and improvement measures in our internal control system based on its findings. Accordingly, we have begun implementing the rectification and improvement measures in response to these findings and recommendations. Our internal control consultant has also followed up on the actions we took in relation to our internal control system, and we did not receive any additional recommendations from the internal control consultant as of the Latest Practicable Date. Taking into consideration of the above, our Directors are of the view that our enhanced internal control measures are adequate and effective for our current business environment.

OVERVIEW

Immediately following the Global Offering (without taking into account the exercise of the Over-allotment Option), our Company will be owned as to (i) approximately 67.5% by Kingfar Group, which is in turn owned as to approximately 88.5% by Kingfar Holdings, a company wholly owned by Xi'an ETDZ MC, an administrative agency of Xi'an Municipal People's Government, and (ii) approximately 7.5% by Kingfar Holdings. Accordingly, Kingfar Group and Kingfar Holdings will be a group of Controlling Shareholders of our Company under the Listing Rules.

DELINEATION OF BUSINESS

Our Group is principally engaged in the provision of city services, residential property management services and commercial property management services (the "**Core Business**").

Apart from our business, our Controlling Shareholders have invested in other businesses (the "**Other Businesses**"), which mainly include:

(a) urban municipal engineering operation and infrastructure;

(b) heating supply;

(c) development, construction and sales of properties;

(d) commodity trade, including non-ferrous metals, steel products, building materials, coal, mechanical equipment, medical equipment, sports equipment and clothing;

(e) education; and

(f) financial related services such as asset management, equity investment and equity investment fund management.

It has been our Group's strategy to focus on the Core Business. The Other Businesses held by our Controlling Shareholders are separate and distinct from our Core Business. The Other Businesses were not injected into our Group as our Directors are of the view that the Other Businesses neither form part of our Core Business nor are in line with our strategy to become a reputable city service and property management service provider.

Taking into account the differences between the Other Businesses held by our Controlling Shareholders and the Core Business, our Directors are of the view that there is a clear business delineation between the Core Business and the Other Businesses. As of the Latest Practicable Date, none of our Controlling Shareholders, our Directors and their respective close associates had any interest in any 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.

To ensure that competition will not exist in the future, each of our Controlling Shareholders has entered into the Deed of Non-competition in favor of our Company to the effect that each of them will not, and will procure each of their respective close associates not to, directly or indirectly participate in, or hold any right or interest in, or otherwise be involved in, any business which may compete with the business of our Group. For more information, please see the paragraph headed "—Deed of Non-Competition" in this section.

MUTUAL AND COMPLEMENTARY RELATIONSHIP WITH KINGFAR HOLDINGS GROUP

Benefiting from our history and long-term cooperation relationship with Kingfar Group Companies, we have been providing property management services and value-added services to properties developed by Kingfar Holdings Group since 2002. Kingfar Holdings Group had never terminated any of the contracts with our Group during the Track Record Period and up to the Latest Practicable Date. We believe our on-going business relationship with Kingfar Holdings Group is both mutually beneficial and complementary.

High-quality property management services enhance client satisfaction and add value to the market reputation of property developers for their developed properties. Thus, property developers would select and work closely with trustworthy and well-resourced property management companies which are able to provide a comprehensive range of services at high standard. Through years of cooperation, our Group and Kingfar Holdings Group have developed a mutual and in-depth understanding of each other's business operations and shared a similar service philosophy and geographic coverage. We believe that our ability to maintain a high bidding success rate for properties developed by Kingfar Holdings Group is owed to our long-standing history and established track record to work with Kingfar Holdings Group and our familiarity with their needs, which enables us to reduce communication costs and provide services tailored to Kingfar Holdings Group's demands and requirements. See "Business – Our Strategic Business Relationship with Kingfar Holdings Group" for more details on the business benefits from our long-standing relationship with Kingfar Holdings Group.

Kingfar Holdings Group is a state-owned urban construction and operation service provider in Xi'an. According to its 2023 audit report under PRC GAAP prepared by an Independent Third Party auditor, Kingfar Holdings' consolidated revenue, gross profit and net profit for the year ended December 31, 2023 amounted to RMB10,796.8 million, RMB331.9 million and RMB93.4 million, respectively. As advised by CIA, Kingfar Holdings Group had a market share of 0.7% in terms of sales revenue in 2023 in the property development industry in Shaanxi as of December 31, 2023, and ranked 23rd among the property developers in Shaanxi in terms of sales revenue in Shaanxi in 2023. As of December 31, 2023, Kingfar Holdings Group had (i) completed 28 residential and commercial projects with a total sales area of 3.8 million sq.m., including four industrial parks and one affordable housing project; and (ii) eight residential and commercial projects under development with a total planned GFA of 2.1 million sq.m., including two industrial parks and one affordable housing project. All of the projects were located in Xi'an.

As of December 31, 2021, 2022 and 2023, approximately 53.3%, 46.1% and 38.0% of our total GFA under management were developed by Kingfar Holdings Group, respectively. As of December 31, 2021, 2022 and 2023, all the properties developed by Kingfar Holdings Group were under our Group's management. During the Track Record Period, our bidding success rate for properties developed by Kingfar Holdings Group was 100%. For the three years ended December 31, 2023, we generated revenue of RMB224.2 million, RMB242.3 million and RMB253.4 million from the properties developed by Kingfar Holdings Group, which account for 37.8%, 34.3% and 29.4% of our total revenue, respectively, and RMB45.4 million, RMB52.6 million and RMB53.7 million were generated from Kingfar Holdings Group directly, which account for 7.6%, 7.4% and 6.2% of our total revenue, respectively.

We believe our close and long-term cooperative relationship with Kingfar Holdings Group is instrumental to its success in establishing a distinguished and well-recognized brand image nationally, while enabling us to reinforce our existing market position and enhance our competitiveness in the PRC property management industry. Meanwhile, our ability to maintain high retention rate with properties under our management during the Track Record Period also demonstrated the level of client satisfaction for our high quality services, which indicates our Group's contribution to the brand image of Kingfar Holdings Group by continuously delivering quality property management services to property owners and residents of its developed properties. During the Track Record Period, our retention rate for properties developed by Kingfar Holdings Group were 100.0%, 100.0% and 88.3%, respectively.

Having considered the abovementioned factors, including (a) the long standing cooperation relationship between our Group and Kingfar Holdings Group; (b) our Group's familiarity with Kingfar Holdings Group's specific requirements and expected deliverables, as well as our Group's capability to provide services with quality; and (c) the mutual benefits for both our Group and Kingfar Holdings Group to maintain such reciprocal relationship, our Directors are of the view that our business relationship with Kingfar Holdings Group is unlikely to be materially or adversely changed or terminated. Going forward, based on (i) our mutual and complementary business relationship; (ii) the amount of time and efforts required and the uncertainties involved for Kingfar Holdings Group to secure other service providers who can possibly provide services of comparable standard and scope; (iii) our experience in managing commercial properties and residential communities and knowledge of the requirements for offering diversified city services for public infrastructure and facilities, which assists us in fulfilling Kingfar Holdings Group's business needs; and (iv) our stable and experienced management team with a proven track record of delivering high-quality city services and property management services, our Directors are of the view that we have competitive advantage which distinguishes us from our competitors that will allow us to continue to secure future engagements from Kingfar Holdings Group and we will not be easily replaced by other service providers. Our provision of property management services to Kingfar Holdings Group will constitute continuing connected transactions for our Company upon Listing. For details, see "Connected Transactions."

While we are able to enjoy the support from Kingfar Holdings Group, we are also capable of identifying and taking advantage of market opportunities independently. Throughout the Track Record Period, we had made continuous efforts to enlarge our customer base by including more Independent Third Parties and to diversify our source of revenue. As a result, we have experienced a general growth in both our GFA under management from properties developed by, and revenue attributable to, Independent Third Parties during the Track Record Period. As of December 31, 2021, 2022 and 2023, the GFA under our management from properties developed by Independent Third Parties other than Xi'an ETDZ MC was 5.1 million sq.m., 7.1 million sq.m. and 9.1 million sq.m., respectively. In 2021, 2022 and 2023, the revenue that we derived from Independent Third Parties other than Xi'an ETDZ MC amounted to RMB346.2 million, RMB429.2 million and RMB574.2 million, respectively, accounting for 58.3%, 60.7% and 66.6% of our total revenue, respectively.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

We believe that we are capable of carrying on our business independently of our Controlling Shareholders and their respective close associates (other than our Group) after the Listing for the following reasons:

Management Independence

Our Board comprises three executive Directors, three non-executive Directors and three independent non-executive Directors. As of the Latest Practicable Date, all three of our non-executive Directors, namely Mr. Zhao Junping, Mr. Yang Gang and Ms. Li Lingxiao held management positions in Kingfar Holdings Group. For details of their employment with Kingfar Group Companies, see "Directors, Supervisors and Senior Management." All these three non-executive Directors will not be involved in the day-to-day management or affairs and operations of our businesses. Other than the three non-executive Directors, none of our Directors or the members of our senior management team holds any position at our Controlling Shareholders or their respective close associates.

In the event that the overlapping Directors are required to abstain from any Board meeting of our Company on any matter which may give rise to a potential conflict of interest, the remaining Directors, including three executive Directors and three independent non-executive Directors, will have sufficient expertise and experience to fully consider any such matter. Despite of having overlapping Directors, 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) none of the businesses of the companies owned by our Controlling Shareholders and their close associates competes, or is likely to compete, with our business and with the corporate governance measures in place to manage existing and potential conflicts of interest, therefore, the dual roles assumed by the overlapping Directors 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 have three independent non-executive Directors, and certain matters of our Company, including continuing connected transactions and other matters referred to in the Deed of Non-competition, details of which are set out in the paragraph headed "—Deed of Non-Competition" below, 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 Shareholders as a whole; and

(c) each of our Directors is aware of his or her fiduciary duties as a director which require, among other things, that he or she must act for the benefit of and in the best interests of our Company and not allow any conflict between his duties as a Director and his or her personal interests. The Directors shall not vote in any Board resolution approving any contract or arrangement or any other proposal in which he or she or any of his or her close associates has a personal material interest and shall not be counted in the quorum present at the particular Board meeting. Therefore, in the event of conflict of interests, the relevant Director(s) will abstain from voting and will be excluded from deliberation by our Board. Hence, no Director will be able to influence our Board in making decisions on matters in which he or she is, or may be interested. We believe our Directors with no overlapping directorships have the requisite qualifications, integrity and experience to maintain an effective Board and observe their fiduciary duties in the event of conflict of interests. Please see "Directors, Supervisors and Senior Management—Board of Directors" in this prospectus for the relevant experience and qualifications of our Directors.

Operational Independence

The business operations of our Group are carried out separately from the business operated by our Controlling Shareholders. We have full rights, hold and enjoy the benefit of all relevant licenses, have sufficient capital and employees necessary to make all decisions on, and to carry out, our own business operation independent from our Controlling Shareholders and their respective close associates and will continue to do so after the Listing.

In addition, at the pre-sale and pre-delivery stage, a considerable portion of our preliminary property management service agreements for projects developed by Kingfar Holdings Group were secured through a standard tender and bidding process, in which tender bids would be evaluated by a tender evaluation committee organized under the Interim Measures for Tender and Bidding Management for Preliminary Property Management (《前期物業管理招標投標管理暫行辦法》). The tendering process is a well-established, competitive and fairly structured process where neither Kingfar Holdings Group, their joint ventures and/or associates nor our Group is able to exert influence on the selection process. Our Group will not be automatically awarded property management service agreements simply due to our relationship with Kingfar Holdings Group, their joint ventures and/or associates, and our tender bids are considered on the same basis with the tender bids submitted by other property management service providers during the tender process. A number of factors were considered in the selection process of the property management service provider for a specific project, including the property management fee, quality and scope of services, relevant experience and capability to meet the service requirements and standards. The fees to be charged by us for the provision of property management services were determined on an arm's length basis and were tailored and reviewed by our market development department taking into account the factors such as the size and location of the projects, the scope and requirements of the services, the anticipated operation costs, the expected return and the service fees we charged for similar projects which are developed by independent third party property developers and terms. We undergo the same tender process to secure preliminary property management service agreements with respect to residential property projects developed by independent third-party property developers. For details in relation to the tender process, see "Business—Portfolio of Properties under Management—Tender Process" in this prospectus.

After properties are delivered by property developers, we provide property management services directly to property owners or residents, who may be represented by property owners' associations. Property owners' associations are operated by property owners and entitled to enter into property management contracts with property management service providers. The property owners' association, which is independent of Kingfar Holdings Group, has the right to engage or dismiss us as the property management service provider after reviewing and evaluating our performance. According to the Regulation on Property Management (《物業管理條例》) of the PRC, a general meeting of the property owners of a property can engage or dismiss a property management service provider with affirmative votes of property owners who own more than half of the total construction area of the property and who account for more than half of the total number of the property owners. The general meeting can select a new property management service provider through a public tender procedure or enter into contract with a specific property management service provider directly, based on certain selection criteria, including the term of the services, the overall service quality and the service fee. After obtaining the approval from the general meeting of the property owners, the property owners' association will enter into a contract with the selected property management service provider. Kingfar Holdings Group does not have any decisive influence over the decisions of property owners or their property owners' associations to engage or dismiss property management service providers. We have to provide quality services to the residents/owners of the properties in order to secure our continuous engagement by the property owners' association. With regards to the selection of property management service providers, the choice of the homeowners' associations to not enter into a new management contract with another property management service provider could be perceived as a testament that the property owners are satisfied with the services provided under the preliminary property management company. During the Track Record Period, we did not experience any early termination of our residential property management contracts due to our Group failing to be engaged as the property management services provider after the establishment of the property owners' associations.

We have been able to maintain a diversified customer base. The majority of our revenue is from customers who are government agencies and public authorities, third-party property owners and/or residents, and third-party property developers independent from our Controlling Shareholders or their respective close associates.

Our Directors consider that the reliance of our Group on Kingfar Holdings Group is not heavy, having considered that (i) a majority of our Group's customers are Independent Third Parties other than Xi'an ETDZ MC and they contributed 58.3%, 60.7% and 66.7% of the total revenue of our Group for each of the three years ended December 31, 2023, respectively; and (ii) revenue from property management services generated from the properties developed by Independent Third Parties accounted for 45.8%, 52.9% and 60.7% of the total revenue from property management services of our Group for each of the three years ended December 31, 2023, respectively.

We have been proactively sourcing property management projects from independent customers. In the year ended December 31, 2023, we have commenced provision of property management services for 29 new projects developed by Independent Third Parties other than Xi'an ETDZ MC, and the total GFA under management increased for approximately 1.9 million sq.m.. Going forward, we intend to grow our business scale and market share by, among others (a) making substantial efforts to participate in more tender biddings organized by potential customers (such as property developers that are Independent Third Parties); and (b) pursuing strategic acquisitions and investments in property management companies that we believe will allow us to diversify our service portfolio and customer base. Moreover, as detailed in "Future Plans and Use of Proceeds", we plan to pursue selective acquisitions of other property management companies. We believe that the aforesaid strategic cooperation and acquisitions will further solidify our market position, contribute to our enlarged scale and increased variety of managed properties and help enhance our market development capabilities for obtaining service engagements from different sources.

We believe that, with our strong business development capabilities and market reputation as a reputable city services and property management service provider, the revenue contribution attributable to government agencies and public authorities as well as independent third-party property owners and/or residents and independent third-party property developers as compared to our total revenue will continue to increase due to the increment in revenue derived from (i) independent third-party property owners of the projects currently under development by Kingfar Holdings Group which we have been engaged for providing property management services; (ii) governments and public authorities due to our Group's continued efforts in exploring business opportunities with governments and public authorities; (iii) independent third-party property developers as a result of our Group's increased efforts in participating in the selection or tender process conducted by other property developers and potential customers which are Independent Third Parties ; and (iv) our strategic acquisitions and investments in property management companies as detailed in "Future Plans and Use of Proceeds."

Licenses required for operation

We hold and enjoy the benefit of all relevant licenses and permits material to the operation of our business.

Access to customers/suppliers/business partners

We have a large and diversified base of customers that are Independent Third Parties. The majority of the customers of our Group are local government, government agencies and public authorities, as well as property owners and residents who are independent from the companies controlled by our Controlling Shareholders. See "Business—Customers" for details. We have independent access to such customers, our suppliers and our other business partners as well.

Operational facilities

As of the date of this prospectus, we have entered into seven lease agreements with close associates of our Controlling Shareholders, pursuant to which we leased properties with a total GFA of 4,470.7 sq.m. from close associates of our Controlling Shareholders and we will continue to lease such properties upon Listing. The salient terms of such lease agreements are set forth below:

(i) *Duration.* The terms of the lease agreements range from two years to three years.

(ii) *Usage.* We leased the properties with a total GFA of 418 sq.m. for provision of canteen service and the properties with a total GFA of 4,052.7 sq.m. for office use.

(iii) *Location.* The leased properties are located in Xi'an, Shaanxi.

(iv) *Rent.* The rent is calculated mainly based on the GFA of the respective leased properties multiplying the unit rent per square meter per month and is determined with reference to the prevailing market rent of comparable properties in the areas where the properties are located.

(v) *Payment.* We shall pay the rent annually or semi-annually.

Save as disclosed above, all the properties, facilities and equipment necessary to our business operations are independent from our Controlling Shareholders and their respective close associates.

Employees

We have our own employee headcount for our operations and our own management of human resources, accounting and financing. As of the Latest Practicable Date, all of our full-time employees were recruited independently and primarily through recruitment websites, on-campus recruitment programs, job fair, recruiting firms and internal referrals.

Connected transactions with our Controlling Shareholders

The section headed "Connected Transactions" in this prospectus sets out the continuing connected transactions between our Group and our Controlling Shareholders or their respective associates which will continue after Listing. All such transactions are determined after arm's length negotiations and on normal commercial terms. In determining the fees for services between our Group and our Controlling Shareholders or their respective associates, factors such as location and condition of the project, the service scope, labor and other costs are taken into consideration where applicable. The fees are then determined with reference to prevailing market rates.

For the three years ended December 31, 2023, the total transaction amounts of the catering services and property management and value added services provided to Kingfar Holdings Group and its associates accounted for 7.6%, 7.4% and 6.2% of our revenue, respectively. The total transaction amounts of the greening maintenance services and parking lots operational management services purchased from Kingfar Holdings Group accounted for 0.5%, 0.4% and 1.0% of our cost of sales for the three years ended December 31, 2023, respectively. For more details of the continuing connected transactions between our Group and Kingfar Holdings Group, please see the section headed "Connected Transactions".

Financial Independence

All loans, advances and balances due to or from the Controlling Shareholders or their respective close associates which did not arise out of the ordinary course of business will be fully settle prior to Listing. As of the Latest Practicable Date, we did not have any share pledges or guarantees provided by or to our Controlling Shareholders and their respective close associates on the borrowings of our Group or our Controlling Shareholders and their respective close associates.

In addition, we have our own internal control and accounting systems, accounting and finance department, independent treasury function for cash receipts and payment and independent access to third party financing. Accordingly, we believe we are able to maintain financial independence from our Controlling Shareholders and their respective close associates.

DEED OF NON-COMPETITION

Each of our Controlling Shareholders has entered into a Deed of Non-competition in favor of our Company, pursuant to which each of them has unconditionally and irrevocably undertaken to our Company that it will not, and will procure its close associates (save for members of our Group) not to directly or indirectly be involved in, interested in or undertake any business that directly or indirectly competes, or may compete, with our business which principally includes the provision of city services, residential property management services and commercial property management services (collectively referred to as the "**Restricted Businesses**"), or directly or indirectly hold shares or interest in any company or business that competes or may compete directly or indirectly with the business engaged by us from time to time, or conduct any Restricted Businesses, except where our Controlling Shareholders and their close associates hold less than 30% of interest of any 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 also 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, any of our Controlling Shareholders had already been conducting or has been involved in, or otherwise been interested in, the relevant business.

Further, each of our Controlling Shareholders has undertaken that if any new business investment/other business opportunity relating to the Restricted Businesses (the "**Competing Business Opportunity**") is identified by/made available to it or any of its close associates, 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**") within 30 business days of identifying the target company (if relevant), 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, we shall seek approval from a board committee who does not have an interest in the Competing Business Opportunity (the "**Independent Board**") 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) and voting at, and shall not be counted in the quorum for, any meeting convened to consider such Competing Business Opportunity. The Independent Board shall consider the financial impact of pursuing the Competing Business Opportunity offered, whether the nature of the Competing Business Opportunity is consistent with our strategies and development plans and the general market conditions of our business. If appropriate, the Independent Board 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 shall, within 30 business days of receipt of the Offer Notice, inform our Controlling Shareholders in writing, on behalf of us, its decision whether to pursue or decline the Competing Business Opportunity.

The relevant Controlling Shareholders shall be entitled but not obliged to pursue such Competing Business Opportunity if it has received a notice from the Independent Board declining such Competing Business Opportunity or if the Independent Board failed to respond within such 30 business days' period mentioned above. If there is any material change in the nature, terms or conditions of such Competing Business Opportunity pursued by the relevant Controlling Shareholders, it shall refer such revised Competing Business Opportunity to us as if it were a new Competing Business Opportunity.

The Deed of Non-Competition will lapse automatically if our Controlling Shareholders together ceases to control, whether directly or indirectly, 30% or above of our Shares with voting rights or our H Shares cease to be listed on the Stock Exchange. Each of our Controlling Shareholders has further undertaken to us that it will provide and procure its close associates to provide on best endeavor basis, all information necessary for the annual review by our independent non-executive Directors for the enforcement of the Deed of Non-Competition. It will make an annual declaration in our annual report on the compliance with the Deed of Non-Competition in accordance with the principle of voluntary disclosure in the corporate governance report.

In order to promote good corporate governance practices and to improve transparency, the Deed of Non-Competition includes the following provisions:

- our independent non-executive Directors shall review, at least on an annual basis, the compliance with the Deed of Non-competition by our Controlling Shareholders;

- we will disclose the decisions on matters reviewed by our independent non-executive Directors (including the reasons for not taking up the 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 in our annual report or by way of announcement to the public in compliance with the requirements of the Listing Rules; 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 the 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

Each of our Controlling Shareholders and its respective close associates may not compete with us as provided in the Deed of Non-Competition. Each of our Controlling Shareholders has confirmed that it fully comprehends its obligations to act in our Shareholders' best interests as a whole. 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 Global Offering, 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 resolution approving any contract or arrangement or any other proposal in which such Director or any of his/her associates have a material interest nor shall such Director be counted in the quorum present at the meeting;

(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 the Board meetings 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 three independent non-executive Directors and we believe our independent non-executive Directors possess 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. Details of our independent non-executive Directors, see "Directors, Supervisors and Senior Management—Board of Directors—Independent Non-executive Directors" in this prospectus;

(d) we have appointed CEB International Capital Corporation Limited as our compliance advisor, 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;

(e) as required by the Listing Rules, our independent non-executive Directors shall review any 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 Shareholders as a whole; and

(f) on an annual basis, our independent non-executive Directors will review the non-compete undertakings provided by our Controlling Shareholders and their compliance with such undertakings.

Our Group has entered into a number of agreements with parties who will, upon completion of the Listing, become our connected persons, and the transactions disclosed in this section will constitute continuing connected transactions of our Company under Chapter 14A of the Listing Rules upon Listing.

SUMMARY OF OUR CONTINUING CONNECTED TRANSACTIONS

Continuing connected transactions	Applicable Listing Rules	Waiver sought	Proposed annual cap for the years ending December 31, 2024	2025
			(RMB in million)	
Fully-exempt Continuing Connected Transactions				
(1) Greening Maintenance Services	Rule 14A.76(1)(c)	N/A	2.5	2.6
Partially-exempt Continuing Connected Transactions				
(2) Catering Services	Rule 14A.36 Rule 14A.105	Independent Shareholders' approval	6.5	6.7
(3) Parking Lots Entrusted Management Services	Rule 14A.36 Rule 14A.105	Independent Shareholders' approval	5.1	5.3
Non-exempt Continuing Connected Transactions				
(4) Property Management Services	Rule 14A.35-36 Rule 14A.49 Rule 14A.105	Announcement, circular and independent Shareholders' approval	65.4	69.2

(A) CONTINUING CONNECTED TRANSACTION EXEMPT FROM THE REPORTING, ANNUAL REVIEW, ANNOUNCEMENT, CIRCULAR AND INDEPENDENT SHAREHOLDERS' APPROVAL REQUIREMENTS

1. Greening Maintenance Services

On June 13, 2024, our Company entered into a master greening maintenance services agreement (the "**Master Greening Maintenance Services Agreement**") with Kingfar Holdings, pursuant to which Kingfar Holdings Group agreed to provide greening maintenance services for public area of the properties managed by our Group (the "**Greening Maintenance Services**"). The Master Greening Maintenance Services Agreement has a term commencing from the Listing Date to December 31, 2025, which may be renewed as the parties may mutually agree, subject to compliance with the requirements under Chapter 14A of the Listing Rules and all other applicable laws and regulations. Relevant members of both parties will enter into separate greening maintenance services agreements setting out the specific terms and conditions based on the principles provided in the Master Greening Maintenance Services Agreement.

For each of the three years ended December 31, 2023, the amount of fees payable by our Group to Kingfar Holdings Group for the Greening Maintenance Services amounted to RMB2.4 million, RMB2.7 million and RMB2.0 million, which account for 0.5%, 0.4% and 0.3% of our total cost of sales, respectively.

The fees to be paid by our Group under the Master Greening Maintenance Services Agreement shall be determined on arm's length basis with reference to the prevailing market price of similar services in the open market and the historical fee rate during the Track Record Period. The fees for the provision of the Greening Maintenance Services are calculated by multiplying the total numbers of estimated projects which require such services and the estimated service fee rate with reference to historical transactions, taking into account the location, nature and total GFA of such projects and the scope of the services.

Our Directors estimate that the maximum annual fee in relation to the Greening Maintenance Services for each of the two years ending December 31, 2025 will not exceed RMB2.5 million and RMB2.6 million, respectively.

In arriving at the above annual caps, our Directors have considered the following factors:

- the historical transaction amounts during the Track Record Period;
- the prevailing market price for similar services;
- the estimated transaction amounts in relation to the Greening Maintenance Services to be recognized for the two years ending December 31, 2025 based on the existing contracts; and
- our estimation of the aggregate GFA of the public area of the properties under our Group's management where the Greening Maintenance services will be purchased for the two years ending December 31, 2025.

Kingfar Holdings is one of our Controlling Shareholders and therefore a connected person of our Company for the purpose of the Listing Rules. Accordingly, the transactions under the Master Greening Maintenance Services Agreement will constitute continuing connected transactions for our Company under Chapter 14A of the Listing Rules upon Listing.

As each of the applicable percentage ratios (other than the profits ratio) under the Listing Rules in respect of the annual caps under the Master Greening Maintenance Services Agreement is expected to be more than 0.1% but less than 5% on an annual basis and the total consideration is less than HK$3,000,000, the transactions under the Master Greening Maintenance Services Agreement constitute continuing connected transactions for our Company which are exempt from the reporting, annual review, announcement, circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

(B) CONTINUING CONNECTED TRANSACTIONS SUBJECT TO THE REPORTING, ANNUAL REVIEW AND ANNOUNCEMENT REQUIREMENTS BUT EXEMPT FROM THE CIRCULAR AND INDEPENDENT SHAREHOLDERS' APPROVAL REQUIREMENTS

1. Catering Services

On June 13, 2024, our Company entered into a master catering services agreement (the "**Master Catering Services Agreement**") with Kingfar Holdings, pursuant to which our Group agreed to provide catering services (the "**Catering Services**") to Kingfar Holdings Group. The Master Catering Services Agreement has a term commencing from the Listing Date to December 31, 2025, which may be renewed as the parties may mutually agree, subject to compliance with the requirements under Chapter 14A of the Listing Rules and all other applicable laws and regulations. Relevant members of both parties will enter into separate catering services agreements setting out the specific terms and conditions based on the principles provided in the Master Catering Services Agreement.

For each of the three years ended December 31, 2023, the total amount of fees payable to our Group by Kingfar Holdings Group for provision of the Catering Services amounted to RMB3.5 million, RMB5.4 million and RMB5.6 million, which account for 0.6%, 0.8% and 0.7% of our total revenue, respectively.

The fees to be charged for the Catering Services shall be determined on arm's length basis with reference to (i) the rates generally offered by us to Independent Third Parties in respect of comparable services; (ii) the fees for similar services in the market; and (iii) the anticipated operational costs (including but not limited to labor costs, administration costs and material costs). The fees for the provision of the Catering Services are calculated by multiplying the estimated total numbers of persons who purchase such services and the corresponding service fee per person charged by us under respective agreements.

Our Directors estimate that the maximum annual amount payable by Kingfar Holdings Group in relation to the Catering Services to be provided by our Group under the Master Catering Services Agreement for each of the two years ending December 31, 2025 will not exceed RMB6.5 million and RMB6.7 million, respectively.

In arriving at the above annual caps, our Directors have primarily considered (i) the historical transaction amounts during the Track Record Period; (ii) the estimated demand from Kingfar Holdings Group for the two years ending December 31, 2025; and (iii) the estimated year-on-year increase in costs to be incurred for the Catering Services including labor costs, administration costs and material costs.

Kingfar Holdings is one of our Controlling Shareholders and therefore a connected person of our Company for the purpose of the Listing Rules. Accordingly, the transactions under the Master Catering Services Agreement will constitute continuing connected transactions for our Company under Chapter 14A of the Listing Rules upon Listing.

As each of the applicable percentage ratios (other than the profits ratio) under the Listing Rules in respect of the annual caps under the Master Catering Services Agreement is expected to be more than 0.1% but less than 5% on an annual basis, the transactions under the Master Catering Services Agreement constitute continuing connected transactions for our Company which are subject to the reporting, annual review and announcement requirements but exempt from the circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

2. Parking Lots Entrusted Management Services

On June 13, 2024, our Company entered into a master parking lots entrusted management services agreement (the "**Master Parking Lots Entrusted Management Services Agreement**") with Kingfar Holdings, pursuant to which we agreed to provide parking lots operational management services ("**Parking Lots Entrusted Management Services**") to Kingfar Holdings Group. Under such arrangement, we are entrusted with full authority to operate and manage the parking lots and entitled to receive the income generated from the Parking Lots Entrusted Management Services and will pay to Kingfar Holdings Group an amount equal to a pre-agreed percentage of the profit generated from the Parking Lots Entrusted Management Services when making profit from the operation of the parking lots.

The Master Parking Lots Entrusted Management Services Agreement has a term commencing from the Listing Date to December 31, 2025, which may be renewed as the parties may mutually agree, subject to compliance with the requirements under Chapter 14A of the Listing Rules and all other applicable laws and regulations. Relevant members of both parties will enter into separate parking lots entrusted management services agreements setting out the specific terms and conditions based on the principles provided in the Master Parking Lots Entrusted Management Services Agreement.

For the two years ended December 31, 2022, we did not pay any profit generated from Parking Lots Entrusted Management Services to Kingfar Holdings Group based on the commercial negotiation between the Group and Kingfar Holdings Group, and the Group recognised all the parking fee as its revenue for the two years ended December 31, 2022. However, taking into account the industry practice and normal commercial terms of provision of the Parking Lots Entrusted Management Services in the market and pursuant to the recent commercial negotiation between the Group and Kingfar Holdings Group, the Group started to share the profit generated from the Parking Lots Entrusted Management Services to Kingfar Holdings Group from January 1, 2023. For the year ended December 31, 2023, the transaction amount payable by our Group to the Kingfar Holdings Group under the Parking Lots Entrusted Management Services amounted to RMB5.3 million, which accounts for 0.7% of our cost of sales. The fees to be paid by our Group under the Master Parking Lots Entrusted Management Services Agreement shall be determined on arm's length basis with reference to (i) the prevailing market price for similar services in the vicinity of the projects taking into account the location and type of the parking lots; (ii) the estimated operating costs under our operational management; and (iii) the estimated total revenue generated from the Parking Lots Entrusted Management Services, which is calculated by multiplying the estimated profit generated from the Parking Lots Entrusted Management Services and the agreed percentage of profit to be paid to Kingfar Holdings Group.

Our Directors estimate that the maximum annual cap in relation to the Parking Lots Entrusted Management Services for each of the two years ending December 31, 2025 will not exceed RMB5.1 million and RMB5.3 million, respectively.

In arriving at the above annual caps, our Directors have considered the following factors:

- the nature, number and size of the car parking lots to be managed by us based on the existing signed contracts with Kingfar Holdings Group;
- the pre-agreed percentage of the profit generated from the Parking Lots Entrusted Management Services which will be paid to Kingfar Holdings Group;
- the parking fee approved by the relevant governmental authorities and the prevailing market price for similar services in the vicinity of the parking lots projects, having taken into account the location and type of the parking lots; and
- our estimated capacity and operating cost in providing the Parking Lots Entrusted Management Services for the two years ending December 31, 2025.

Kingfar Holdings is one of our Controlling Shareholders and therefore a connected person of our Company for the purpose of the Listing Rules. Accordingly, the transactions under the Master Parking Lots Entrusted Management Services Agreement will constitute continuing connected transactions for our Company under Chapter 14A of the Listing Rules upon Listing.

As each of the applicable percentage ratios (other than the profits ratio) under the Listing Rules in respect of the annual caps under the Master Parking Lots Entrusted Management Services Agreement is expected to be more than 0.1% but less than 5% on an annual basis, the transactions under the Master Parking Lots Entrusted Management Services Agreement constitute continuing connected transactions for our Company which are subject to the reporting, annual review and announcement requirements but exempt from the circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

(C) CONTINUING CONNECTED TRANSACTION SUBJECT TO THE REPORTING, ANNUAL REVIEW, ANNOUNCEMENT, CIRCULAR AND INDEPENDENT SHAREHOLDERS' APPROVAL REQUIREMENTS

1. Property Management Services

On June 13, 2024, our Company entered into a master property management services agreement (the "**Master Property Management Services Agreement**") with Kingfar Holdings, pursuant to which our Group agreed to provide property management services to Kingfar Holdings Group, including but not limited to (i) property management services for the residential and non-residential properties owned or used by Kingfar Holdings Group; (ii) value-added services including but not limited to sales office management services, preliminary planning and design consultancy services, pre-delivery inspection services, customized cleaning, repair and maintenance services and, garbage collection services (the "**Property Management Services**"). The Master Property Management Services Agreement has a term commencing from the Listing Date to December 31, 2025, which may be renewed as the parties may mutually agree, subject to compliance with the requirements under Chapter 14A of the Listing Rules and all other applicable laws and regulations.

For each of the three years ended December 31, 2023, the total amount of fees payable to our Group by the Kingfar Holdings Group for provision of the Property Management Services amounted to RMB42.1 million, RMB47.5 million and RMB48.4 million, which account for 7.1%, 6.7% and 5.6% of our total revenue, respectively.

The fees to be charged for the Property Management Services shall be determined on arm's length basis with reference to (i) the size, location and positioning of the properties; (ii) the type, scope, standards and requirements of the services; (iii) the anticipated operation costs (including but not limited to labor costs, administration costs and costs of materials); (iv) the fees for similar services and similar types of projects in the market; and (v) the prices charged by us for providing comparable services to Independent Third Parties. The service fees for the provision of the property management services are calculated mainly based on the total GFA of properties owned or used by Kingfar Holdings Group under our management multiplying the service fee per square meter, which shall not be higher than the standard fees designated by the relevant regulatory authorities (if applicable) or lower than the standard fees to be charged from Independent Third Parties.

Our Directors estimate that the maximum annual amount payable by Kingfar Holdings Group in relation to the Property Management Services under the Master Property Management Services Agreement for each of the two years ending December 31, 2025 will not exceed RMB65.4 million and RMB69.2 million, respectively. The estimated increase in the annual caps for the Property Management Services as compared to the historical transaction amounts is primarily due to (i) the increase of property management service fees for the unsold property, which is consistent with the fee for similar services in the market, (ii) the estimated increase in the number of properties for which we will be engaged to provide Property Management Services.

In arriving at the above annual caps, our Directors have considered the following reasonable factors:

- the historical transaction amounts during the Track Record Period;

- the estimated transaction amounts in relation to the Property Management Services for the two years ending December 31, 2025 based on the existing signed contracts with Kingfar Holdings Group;

- the estimated GFA and number of properties to be delivered by Kingfar Holdings Group for the two years ending December 31, 2025, which is based on the GFA and number of properties under development and the delivery schedule of Kingfar Holdings Group. It is anticipated that we may be engaged by Kingfar Holdings Group to provide the Property Management Services for an additional total GFA of approximately 0.6 million sq.m. and 0.8 million sq.m., deriving from five and eight projects, respectively, for each of the two years ending December 31, 2025;

- the estimated management fee to be charged in respect of properties and facilities owned or used by Kingfar Holdings Group and the standard fees designated by the relevant regulatory authorities;

- the estimated service fee to be charged in respect of our value-added services to be provided to Kingfar Holdings Group; and

- the estimated year-on-year increase in costs to be incurred for the Property Management Services including labor costs, administration costs and material costs.

Kingfar Holdings is one of our Controlling Shareholders and therefore a connected person of our Company for the purpose of the Listing Rules. Accordingly, the transactions under the Master Property Management Services Agreement will constitute continuing connected transactions for our Company under Chapter 14A of the Listing Rules upon Listing.

As each of the applicable percentage ratios (other than the profits ratio) under the Listing Rules in respect of the annual caps under the Master Property Management Services Agreement is expected to be more than 5% on an annual basis, the transactions under the Master Property Management Services Agreement constitute continuing connected transactions for our Company which are subject to the reporting, annual review, announcement, circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

APPLICATION FOR WAIVER

The transactions described in "—(B) Continuing Connected Transactions subject to the Reporting, Annual Review and Announcement Requirements but exempt from the Circular and Independent Shareholders' Approval Requirement" in this section constitute our continuing connected transactions under the Listing Rules, which are exempt from the circular and independent Shareholders' approval requirement but subject to the reporting, annual review and announcement requirements of the Listing Rules.

The transactions described in "—(C) Continuing Connected Transaction subject to the Reporting, Annual Review, Announcement, Circular and Independent Shareholders' Approval Requirements" in this section constitute our continuing connected transactions under the Listing Rules, which are subject to the reporting, annual review, announcement, circular 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 our Group 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 "—(B) Continuing Connected Transactions subject to the Reporting, Annual Review and Announcement Requirements but exempt from the Circular and Independent Shareholders' Approval Requirement" in this section; and (ii) the announcement, circular and independent Shareholders' approval requirements in respect of the continuing connected transactions as disclosed in "—(C) Continuing Connected Transaction subject to the Reporting, Annual Review, Announcement, Circular and Independent Shareholders' Approval Requirements" in this section, 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, circular and independent Shareholders' approval requirements, we will comply with the relevant requirements under Chapter 14A of the Listing Rules.

If any terms of the transactions contemplated under the agreements mentioned above are altered or if we enter 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.

DIRECTORS' VIEWS

Our Directors (including our independent non-executive Directors) consider that all the continuing connected transactions described in this section 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 our independent non-executive Directors) are also of the view that the proposed annual caps of the continuing connected transactions in this section are fair and reasonable and are in the interests of our Shareholders as a whole.

SOLE SPONSOR'S VIEW

The Sole Sponsor is of the view (i) that the continuing connected transaction agreements described in this section have been entered into, and the transactions contemplated thereunder will be carried out in the ordinary and usual course of our business, on normal commercial terms or better, that 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.

BOARD OF DIRECTORS

Our Board consists of nine Directors, including three executive Directors, three non-executive Directors and three independent non-executive Directors. The powers and duties of our Board include convening general meetings and reporting our Board's work at Shareholders' meetings, determining our business and investment plans, preparing our annual financial budgets and final reports, formulating proposals for profit distributions and exercising other powers, functions and duties as conferred by the Articles. We have entered into service contracts with each of our executive Directors. We have also entered into letters of appointment with each of our non-executive Directors and independent non-executive Directors.

Members of our Board

The table below shows certain information in respect of the members of our Board:

Name	Age	Position(s) in our Group	Date of joining our Group	Date of appointment as Director	Key responsibilities
Executive Directors					
Mr. Wu Suozheng (吳鎖正)	55	Executive Director and chairman of our Board	April 14, 2009	January 18, 2013	Responsible for the business direction and strategic planning of our Group
Mr. Sun Qi (孫琦)	42	Executive Director and general manager	August 8, 2006	December 28, 2020	Responsible for the overall operation and management of our Group
Mr. Cheng Hongrang (成宏讓)	50	Executive Director and general manager of Kingfar City Service	August 13, 2005	May 15, 2023	Responsible for the operation and management of city service business of our Group
Non-executive Directors					
Mr. Zhao Junping (趙軍平)	47	Non-executive Director	December 28, 2020	August 25, 2022	Responsible for supervision of the management team and provision of guidance for the overall operation and business development of our Group

Name	Age	Position(s) in our Group	Date of joining our Group	Date of appointment as Director	Key responsibilities
Mr. Yang Gang (楊剛)	39	Non-executive Director	May 15, 2023	May 15, 2023	Responsible for supervision of the management team and provision of guidance for the overall operation and business development of our Group
Ms. Li Lingxiao (李凌霄)	35	Non-executive Director	May 15, 2023	May 15, 2023	Responsible for supervision of the management team and provision of guidance for the overall operation and business development of our Group
Independent non-executive Directors					
Mr. Lam Siu Wing (林兆榮)	64	Independent non-executive Director	May 23, 2024	May 23, 2024	Responsible for providing independent advice to our Board
Dr. Jiang Li (姜力)	49	Independent non-executive Director	May 23, 2024	May 23, 2024	Responsible for providing independent advice to our Board
Mr. Cao Yang (曹陽)	69	Independent non-executive Director	May 23, 2024	May 23, 2024	Responsible for providing independent advice to our Board

Executive Directors

Mr. Wu Suozheng (吳鎖正), aged 55, joined our Group on April 14, 2009. He was appointed as our Director on January 18, 2013 and was re-designated as our executive Director on May 15, 2023. He is primarily responsible for the business direction and strategic planning of our Group.

Upon joining our Group in April 2009, Mr. Wu served as the general manager of our Company until April 2016, where he was primarily responsible for our overall operation and management and overseeing business development strategy, investment plan, human resources and finance. Since February 2013, he has been serving as the chairman of our Board.

Mr. Wu has over 18 years of experience in the PRC property management industry. Prior to joining our Group, from July 1991 to February 2000, he served as the section chief (科長) of the equipment department at Xi'an No. 3 Printing Factory (西安市第三印刷廠), a printing factory. From February 2000 to March 2004, he served concurrently as the head of equipment management department and a deputy manager of property management department at Xi'an Gaoke Industrial Co., Ltd. Real Estate Branch (西安高科實業股份有限公司房地產分公司), a property company, where he was primarily responsible for management and maintenance of facilities and equipment. From March 2004 to March 2005, he served as a deputy general manager of Xi'an Jingfa Chengyun Culture and Sports Industry Co., Ltd. (西安經發城運文化體育產業有限公司), a sport venue management company, where he was primarily responsible for its daily operation and management. From April 2005 to June 2008, he served as a manager of the material procurement and supply department of Kingfar Real Estate, where he was primarily responsible for the procurement of raw materials. From March 2008 to April 2009, he served as the general manager of Kingfar Landscape, a landscaping and public facility management company, where he was primarily responsible for its overall operation and management.

Mr. Wu obtained a bachelor's degree in industrial electrical automation from Shaanxi University of Technology (陝西理工大學) in the PRC in July 1991. In April 1998, he was certified as an engineer by Xi'an Human Resources and Social Security Bureau (西安市人力資源和社會保障局) (previously known was Xi'an Human Resources Bureau (西安人事局)). He also obtained the property management qualification certificate from the Department of Human Resources and Social Security of Shaanxi Province (陝西省人力資源和社會保障廳) in September 2011. In addition, Mr. Wu has been granted a number of awards. In September 2011, he was conferred "Senior Property Service Enterprise Manager with More than 15 Years of Practice" by China Property Management Association (中國物業管理協會). In April 2015, he was recognized as an "Outstanding Figure" ("先進個人") for his contribution to building civilized city by Xi'an Municipal Committee of the CPC (中國共產黨西安市委員會) and Xi'an Municipal People's Government (西安市人民政府). In June 2016, he was awarded the title of "Outstanding CPC Member of Xi'an Economic and Technological Development Zone" ("經開區優秀共產黨員") by the Party Working Committee of Xi'an Economic and Technological Development Zone (西安經濟技術開發區黨工委). In April 2019, he was recognized as an "Outstanding Entrepreneur" by Xi'an Social Credit System Construction Leading Group (西安

市社會信用體系建設領導小組). In December 2020, he was recognized as one of the "Top 100 PRC property managers" ("中國物業經理人100強") by Leju Finance (樂居財經), Sina Finance (新浪財經), China Entrepreneur Magazine, Fangchan.com (中房網) and China Property Management Research Institution (中物研協). In June 2021, he was awarded the title of "Xi'an Outstanding Party Affairs Worker" ("西安市優秀黨務工作者") by Xi'an Municipal Committee of the CPC (中國共產黨西安市委員會). In July 2021, he was appointed as the chairman of Xi'an Property Management Industry Association (西安市物業管理行業協會). In October 2022, he was appointed as the chairman (主任委員) of Xi'an Property Service Standardization Technical Committee (西安市物業服務標準化技術委員會). In December 2023, he was conferred the title of "2023 Outstanding Entrepreneur of China Property Industry" ("2023中國物業卓越企業家") by CPM Think Tank (中物智庫).

Mr. Sun Qi (孫琦), aged 42, joined our Group on August 8, 2006. He was appointed as our Directors on December 28, 2020 and was re-designated as our executive Director on May 15, 2023. He is primarily responsible for the overall operation and management of our Group.

Upon joining our Group in August 2006, Mr. Sun served as a manager of the security department of our Company until December 2006, where he was primarily responsible for project security management and order maintaining. From March 2008 to April 2009, he served as the director of the property management office of Kingfar Building (經發大廈) which was managed by our Company, where he was primarily responsible for property management services. From April 2009 to September 2010, he served as an assistant to the general manager of our Company, the manager of property management office of Kingfar Building and the general manager of our administrative property branch, where he was primarily responsible for assisting the general manager with the operation and management of our Company. From September 2010 to March 2014, he served as the deputy general manager of our Company and the general manager of our administrative property branch, where he was responsible for assisting the general manager with its daily management and the daily operation and management of municipal government projects. From March 2014 to April 2016, he served as the deputy general manager of our Company, where he was primarily responsible for assisting the general manager with daily operation and management of our Company. Mr. Sun has been serving as the general manager of our Company since April 2016, where he has been primarily responsible for our overall operation and management.

Prior to joining our Group, from March 2002 to January 2004, Mr. Sun worked at Xi'an Hi-Tech Industrial Co., Ltd. Real Estate Branch (西安高科實業股份有限公司房地產分公司), a real estate company. From January 2004 to August 2006, Mr. Sun served as a staff at Kingfar Real Estate, where he was primarily responsible for administrative matters. From 2007 to 2008, Mr. Sun served as a project manager at Shaanxi Xinyuan Property Management Co., Ltd. (陝西信元物業管理有限公司), a property management service provider, where he was primarily responsible for property management services.

Mr. Sun obtained a diploma in property management from Jinan University (暨南大學) in the PRC in June 2005. He also obtained a bachelor's degree in business management from the Open University of China (國家開放大學) (previously known as China Central Radio and TV University (中央廣播電視大學)) in the PRC in January 2010 and a master's degree in business administration from Shaanxi Master of Business Administration Institute (陝西工商管理碩士學院) in the PRC in May 2024. In May 2012, he was certified as a certified property manager by the Certification Body International Project Management Association ("IPMA") China Certification of the Project Management Research Committee ("PMRC") (國際項目管理專業資質認證中國認證委員會). In June 2014, he was certified as a certified property manager by the MOHURD. In addition, Mr. Sun has also obtained various awards. In 2009, he was conferred the title of "Shaanxi Outstanding Project Manager of Property Management" by Shaanxi Property Management Association (陝西省物業管理協會). In 2021 and 2022, he was recognized as a "Xi'an Property Industry Expert" by Xi'an Housing and Urban-Rural Development Bureau (西安市住房和城鄉建設局). In July 2022, he was appointed as a vice president of by Shaanxi Property Management Association. In February 2023, he was recognized as a "Xi'an Leading Young Entrepreneur" ("西安市領軍型青年企業家") by various associations including the Organization Department of Xi'an CPC Municipal Committee (中共西安市委組織部), Xi'an Market Supervision Administration (西安市市場監督管理局) and Xi'an Federation of Industry and Commerce (西安市工商業聯合會).

Mr. Cheng Hongrang (成宏讓), aged 50, joined our Group on August 13, 2005. He was appointed as our executive Director on May 15, 2023. He is primarily responsible for the operation and management of city service business of our Group.

Upon joining our Group in August 2005, Mr. Cheng served as a deputy general manager of our Company until August 2006, where he was primarily responsible for assisting the general manager with the overall management of our Company. Since August 2006, Mr. Cheng has been serving as the general manager of Kingfar City Service and has been primarily responsible for its strategic planning and overall operation and management.

Prior to joining our Group, from September 1996 to December 2003, Mr. Cheng served as a staff at the finance department, operation department and resource planning department of Xi'an Gaoke Industrial Co., Ltd. Real Estate Branch (西安高科實業股份有限公司房地產分公司), a real estate company. From January 2004 to August 2005, Mr. Cheng held various positions at Kingfar Real Estate including deputy manager of land resources management department and material department, where he was primarily responsible for department management.

Mr. Cheng obtained a diploma in electronic data processing accounting from Shaanxi Labor College (陝西工運學院) in the PRC in January 2006.

Non-executive Directors

Mr. Zhao Junping (趙軍平), aged 47, joined our Group on December 28, 2020 as the president of the supervisory committee and a supervisor of our Company until August 2022. Mr. Zhao was appointed as our Director on August 25, 2022 and was re-designated as our non-executive Director on May 15, 2023. He is primarily responsible for supervision of the management team and provision of guidance for the overall operation and business development of our Group.

From January 2005 to January 2017, he successively held various positions at the investment department of Xi'an Development and Reform Commission (西安市發展和改革委員會), including serving as senior staff member (副主任科員) and principal staff member (主任科員), where he was primarily responsible for daily management matters. From January 2017 to April 2018, he served as the director of investment and financial management department of Kingfar Group, where he was primarily responsible for its investment management, project execution and development and strategic planning. Since October 2017, he has been serving as the supervisor of But'one Information Corporation, Xi'an (西安博通資訊股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600455) and principally engaged in research, development and sale of proprietary application software products and industry solutions, where he has been primarily responsible for supervising its board and senior management. From April 2018 to September 2022, he served as the deputy general manager (常務副總經理) of Kingfar Real Estate, where he was primarily responsible for the daily operation and management of the company. From September 2022 to November 2022, Mr. Zhao served as the general manager of Kingfar Real Estate. Since November 2022, he has been serving as a director and the general manager of Kingfar Real Estate, where he has been primarily responsible for its overall operation and management. Since December 2022, he has also been serving as an executive director and the general manager of Xi'an Kingfar Industrial Park Construction Co., Ltd. (西安經發產業園建設有限公司), an industrial park developer, where he was primarily responsible for its overall operation and management.

Mr. Zhao obtained a bachelor's degree in barrack engineering from PLA Army Service Academy (中國人民解放軍陸軍勤務學院) (previously known as Logistics Engineering University of PLA (中國人民解放軍後勤工程學院)) in the PRC in July 1999. He obtained a master's degree in water conservancy and hydropower engineering construction management from Xi'an University of Technology (西安理工大學) in the PRC in July 2016.

Mr. Yang Gang (楊剛), aged 39, was appointed as our non-executive Director on May 15, 2023. He is primarily responsible for supervision of the management team and provision of guidance for the overall operation and business development of our Group.

From August 2011 to March 2023, Mr. Yang served at the finance and assets department of the 20th Research Institute of China Electronics Technology Group Corporation Limited (中國電子科技集團公司第二十研究所) ("**the 20th Research Institute of CETC**"), an institute specialized in computer, communication and other electronic equipment manufacturing, where he was primarily responsible for financial related matters. During his employment with the 20th Research Institute of CETC, in March 2022, he was appointed as the head of finance and assets department at CETC Ruizhi Power Technology (Xi'an) Co., Ltd. (中電科瑞志電源技術(西安)有限公司), a subsidiary of CETC and a computer, communication and other electronic equipment manufacturer, where he was primarily responsible for its overall financial management. Since March 2023, he has been serving as a deputy director of the finance department of Kingfar Group, where he has been primarily responsible for its overall financial management.

Mr. Yang obtained both his bachelor's degree and master's degree in accounting from Chang'an University (長安大學) in the PRC in September 2008 and June 2011, respectively. He was certified as an intermediate accountant by the Ministry of Human Resources and Social Security of the PRC (中華人民共和國人力資源和社會保障部) and the MOF in September 2017. He was also certified as a certified public accountant by the Certified Public Accountant Examination Committee of the Ministry of Finance of the PRC (財政部註冊會計師考試委員會) in November 2022.

Ms. Li Lingxiao (李凌霄), aged 35, was appointed as our non-executive Director on May 15, 2023. She is primarily responsible for supervision of the management team and provision of guidance for the overall operation and business development of our Group.

From November 2011 to April 2017, Ms. Li served as a project manager at the Xi'an Branch of Shinewing Certified Public Accountants (Special General Partnership) (信永中和會計師事務所(特殊普通合夥)西安分所), where she was primarily responsible for auditing work. From May 2017 to August 2017, she served as an accountant at Chang'an International Trust Co., Ltd. (長安國際信託股份有限公司), a trust and investment banking service provider, where she was responsible for accounting related matters. From May 2018 to July 2020, Ms. Li served as a review manager at Hanhua financing guarantee Co., Ltd. (瀚華融資擔保股份有限公司), a financing guarantee company, where she was primarily responsible for project review and evaluation. From July 2020 to September 2021, she served as a staff of the internal audit department of Kingfar Group, where she was primarily responsible for auditing and risk management. Ms. Li has been serving as a deputy director of the strategic investment department of Kingfar Group since September 2021, where she has been responsible for assisting the director in strategy, investment and equity management related matters.

Ms. Li obtained a bachelor's degree in auditing from Xi'an University of Posts and Telecommunications (西安郵電大學) (previously known as Xi'an College of Posts and Telecommunications) (西安郵電學院)) in the PRC in July 2011. She also obtained a master's degree in business administration from Shaanxi Normal University (陝西師範大學) in the PRC in December 2021. In January 2014, she was certified as a certified public accountant by the Chinese Institute of Certified Public Accountants (中國註冊會計師協會). In September 2016, she was certified as an intermediate accountant by the Department of Human Resources and Social Security of Shaanxi Province (陝西省人力資源和社會保障廳). In November 2016, she obtained the securities qualification certificate from Securities Association of China (中國證券業協會). In November 2017, she was certified as a certified tax agent by the China Certified Tax Agents Association (中國註冊稅務師協會). In July 2021, she was also certified as a financial risk manager by Global Association of Risk Professionals (全球風險管理專業人士協會).

Independent Non-executive Directors

Mr. Lam Siu Wing (林兆榮), aged 64, was appointed as our independent non-executive Director on May 23, 2024. He is primarily responsible for providing independent advice to our Board.

Mr. Lam has over 30 years' experience in financial accounting, auditing and business consulting. From December 1985 to September 1986, he served as an audit assistant at PricewaterhouseCoopers Hong Kong, where he was primarily responsible for audit of companies in Hong Kong. From March 1987 to July 1987, he served as an auditor at the New South Wales Auditor-General's Office, where he was primarily responsible for auditing work in New South Wales. From August 1987 to August 1991, he served consecutively as an audit senior and an audit supervisor at Horwath & Horwath, an accounting firm in Sydney, where he was primarily responsible for auditing work in Australia and gained extensive experience in terms of audit techniques. From September 1991 to February 1992, he served as an assistant manager at KPMG Peat Marwick Hong Kong, where he was primarily responsible for auditing work. In March 1992, he rejoined PricewaterhouseCoopers Hong Kong, where he was primarily responsible for auditing work in Hong Kong. In 1996, he was relocated to PricewaterhouseCoopers Zhong Tian LLP (Special General Partnership) in Shanghai (普華永道中天會計師事務所(特殊普通合夥)) (previously known as PricewaterhouseCoopers Zhong Tian CPAs Limited Company (普華永道中天會計師事務所)), where he was admitted as an audit partner in July 2004 and was primarily responsible for providing accounting and auditing services to companies. Since June 2022, he has been serving as an independent non-executive director of Greatpower Nickel and Cobalt Materials Co., Ltd. (上海格派鎳鈷材料股份有限公司), a company principally engaged in production of nickel and cobalt and supply of new energy battery materials, where he was responsible for providing independent advise to the board. In May 2023, he was appointed as an independent non-executive director of Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd. (上海復旦張江生物醫藥股份有限公司), a pharmaceutical company, which is listed on the Stock Exchange (stock code: 1349) and the Shanghai Stock Exchange (stock code: 688505). In July 2023, he was appointed as an independent non-executive director of Suzhou Basecare Medical Corporation Limited (蘇州貝康醫療股份有限公司), a company principally engaged in provision of genetic testing solutions for assisted reproduction, which is listed on the Stock Exchange (stock code: 2170).

Mr. Lam obtained his bachelor's degree in economics from Macquarie University in Australia in May 1985. He obtained his master's degree in commerce from the University of New South Wales in Australia in October 1989. Mr. Lam was admitted as a member and was advanced to a fellow member of the Chartered Accountants Australia and New Zealand (previously known as the Institute of Chartered Accountants in Australia) in April 1990 and September 2011, respectively. He was also admitted as an associate member and was advanced to a fellow member of the Hong Kong Institute of Certified Public Accountants in April 1992 and September 2013, respectively. In April 2023, he obtained the certificate of completion for the independent director pre-appointment training from the Shanghai Stock Exchange.

Dr. Jiang Li (姜力), aged 49, was appointed as our independent non-executive Director on May 23, 2024. He is primarily responsible for providing independent advice to our Board.

Dr. Jiang joined The Hong Kong Polytechnic University ("**PolyU**") in November 2006 and successively served various positions at the Department of Logistics and Maritime Studies of PolyU (the "**Department**"). From November 2006 to June 2012, he served as an Assistant Professor at PolyU, where he was primarily responsible for supervising and teaching students, conducting scholarly research and participating in administrative services of the Department. From July 2012 to June 2017, he served as an Associate Professor at PolyU, where he was primarily responsible for teaching and student supervision, conducting academic research and leading in research projects. Since July 2017, he has been serving as a Full Professor at PolyU, where he has been primarily responsible for teaching, student supervision, conducting academic research and engaging in services in various capacities for the department, faculty and university.

Dr. Jiang obtained his bachelor's degree in electric power system and automation and his master's degree in management engineering from Shanghai Jiao Tong University (上海交通大學) in the PRC in July 1996 and May 1999, respectively. He obtained his Ph.D. degree in operations and management science from the University of Michigan, Ann Arbor, in the U.S. in December 2006. Dr. Jiang has received various awards in recognition of his academic achievement and contributions. In November 2009 and October 2016, he received the Faculty Award for Outstanding Performances in Scholarly Activities (學術傑出貢獻獎) by PolyU. In September 2012, he received the FB Fellow Award by the Faculty of Business of Poly U. In August 2017 he received the Certificate of Outstanding Scholarly Contributions by the European Association of Operations Research. In October 2017 and October 2022, he received the PBS Fellow Award by the Business School of PolyU. In March 2020, he was appointed as a Chair Professor under the Furong Scholars Award Program (芙蓉學者獎勵計劃) by the Department of Education of Hunan Province (湖南省教育廳). In April 2021, he was awarded Chang Jiang Chair Professor under the Chang Jiang Scholars Program administered by the Ministry of Education of the PRC.

Mr. Cao Yang (曹陽), aged 69, was appointed as our independent non-executive Director on May 23, 2024. He is primarily responsible for providing independent advice to our Board.

From June 2005 to April 2024, he successively served various positions at Shenzhen Property Management Association (深圳市物業管理行業協會) including vice chairman and secretary general (常務副會長兼秘書長), the president and the legal representative of the association, where he was primarily responsible for its overall management. Since October 2015, he has been serving as the general manager (dean) and an executive director 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), a company principally engaged in property management industry research, where he was primarily responsible for its daily operation and overall management.

From January 2018 to July 2021, Mr. Cao served as an independent director at EIT Environmental Development Group Co., Ltd. (玉禾田環境發展集團股份有限公司), a company primarily engaged in the operations of municipal sanitation, comprehensive property management, domestic waste disposal and the greening and maintenance of garden and listed on the Shenzhen Stock Exchange (stock code: 300815). Since April 2019, Mr. Cao has been serving as an independent director at Shenzhen SDG Service Co., Ltd. (深圳市特發服務股份有限公司), a company primarily engaged in providing property management services and listed on Shenzhen Stock Exchange (stock code: 300917).

Mr. Cao obtained his diploma in nursing from Xi'an Jiaotong University Health Science Center (西安交通大學醫學部) (previously known was the Affiliated School of Nursing in Xi'an Medical School (西安醫學院附設護士學校)) in the PRC in September 1984. He obtained a diploma in specialist education for party and government cadres organized by Chinese Communist Party Shaanxi Provincial Party School (中共陝西省委黨校) in the PRC in December 1987. In April 2018, he obtained the independent director qualification certificate (獨立董事資格證書) from the Shenzhen Stock Exchange.

Save as disclosed in this section and the section headed "Relationship with our Controlling Shareholders", each of our Directors has confirmed that he or she has no other relationship with any other Directors, senior management, substantial shareholders or controlling shareholders of our Company and none of our Directors has held any other directorships in listed companies during the three years immediately preceding the date of this prospectus. Save as disclosed in this section, each of our Directors has confirmed that there are no other matters relating to his/her appointment as a Director that need to be brought to the attention of our Shareholders and there is no other information in relation to his/her appointment which is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

Each of our Directors has confirmed that he/she obtained the legal advice on June 25, 2023 with regards to the requirements under the Listing Rules that are applicable to him/her as a director of a listed issuer and the possible consequences of making a false declaration or giving false information to the Stock Exchanged as set out in Rule 3.09D of the Listing Rules and he/she understood his/her obligations as a director of a listed issuer.

Each of our independent non-executive Directors has confirmed his/her independence with regards to each of the factors as set out in Rule 3.13(1) to (8) of the Listing Rules and that there are no other factors that may affect his/her independence at the time of his/her appointment.

SUPERVISORS

In accordance with the Company Law of the PRC, all joint stock companies are required to establish a supervisory committee, responsible for supervising the board of directors and senior management on fulfilling their respective duties, financial performance, internal control management and risk management. The Supervisory Committee consists of three members comprising one employee representative Supervisor and two Supervisors representing Shareholders.

The table below shows certain information in respect of our Supervisors:

Name	Age	Existing position(s) in our Company	Date of joining our Group	Date of appointment as Supervisor	Responsibilities
Mr. Li Gang (李剛)	53	President of the Supervisory Committee	April 2, 2024	April 2, 2024	Responsible for presiding the work of the Supervisory Committee, supervising the Board and senior management of our Group
Mr. Bai Xiong (白雄)	37	Supervisor	December 28, 2020	December 28, 2020	Responsible for supervising the Board and senior management of our Group
Mr. Geng Hexiang (耿何翔)	41	Employee representative Supervisor	April 18, 2007	December 24, 2020	Responsible for supervising the Board and senior management of our Group

Mr. Li Gang (李剛), aged 53, was appointed as our Supervisor and the president of the Supervisory Committee on April 2, 2024. Mr. Li is primarily responsible for presiding the work of the Supervisory Committee, supervising the Board and senior management of our Group.

From August 1988 to 1997, Mr. Li successively served various positions with his last position as the director of the financial department at Xi'an Daqing Pharmaceutical Factory (西安大慶製藥廠), a pharmaceutical factory. From February 1997 to 2003, he successively served as a project manager and department deputy manager at Xi'an Xigema Certified Public Accountants Firm (西安希格瑪會計師事務所), an accounting firm. From January 2004 to April 2007, he successively served various positions at Kingfar Group with his last position as a deputy director of the accounting department, where he was primarily responsible for its daily financial operations and assisting in the department management. From April 2007 to September 2010, he served as the financial director at Kingfar Real Estate, a wholly owned subsidiary of Kingfar Group principally engaged in property development, where he was primarily responsible for its financial management. From September 2010 to June 2011, Mr. Li served as the financial director at But'one Information Corporation, Xi'an (西安博通資訊股份有限公司) (formerly known as Xi'an Jiaoda But'one Information Corporation (西安交大博通資訊股份有限公司)), a company principally engaged in software development and information technology business whose shares are listed on the Shanghai Stock Exchange (stock code: 600455) with Kingfar Group being its single largest shareholder, where he was primarily responsible for the overall financial management. From July 2011 to April 2013, he served as the financial director at Xi'an Caotan Group Co., Ltd. (西安草灘集團有限公司) (formerly known as Xi'an Modern Agricultural Comprehensive Development Corporation (西安現代農業綜合開發總公司)), a company principally engaged in agriculture, where he was primarily responsible for its overall financial management. From April 2013 to August 2023, he served as the financial director at Kingfar Properties, a property developer owned as to 70% by Kingfar Group and 30% by Kingfar Real Estate, where he was primarily responsible for daily and business management of the financial department. Since August 2023, he has been serving as the director of the capital and financial department of Kingfar Holdings and Kingfar Group, where he is primarily responsible for the financial accounting.

Mr. Li obtained his bachelor's degree in economics from School of Economics and Finance of Xi'an Jiaotong University (西安交通大學經濟與金融學院) (previously known as Shaanxi Institute of Finance and Economics (陝西財經學院)) in the PRC in December 1993. He obtained his master's degree in business management from PolyU in Hong Kong in October 2014. He was certified as a Senior Accountant (高級會計師) by Shaanxi Provincial People's Government (陝西省人民政府) in December 2005.

Mr. Bai Xiong (白雄), aged 37, was appointed as our Supervisor on December 28, 2020. He is primarily responsible for supervising the Board and senior management team of our Group.

From September 2010 to February 2012, Mr. Bai worked at the Xibu Airport General Hanzhong Airport Co., Ltd. (西部機場集團漢中機場有限責任公司), an air freight company. From April 2016 to August 2021, he served as a management staff at Party-masses work department and administrative department of Kingfar Group, where he was primarily responsible for administrative and CPC Party related work. Since June 2020, he has been serving as a supervisor of Kingfar Holdings, where he was primarily responsible for supervising its board and senior management. Since September 2021, he has been serving as a deputy principal of Party-masses general affairs department (黨群綜合部副部長) at Kingfar Holdings, where he has been primarily responsible for the execution of CPC committee related matters.

Mr. Bai obtained a bachelor's degree in Journalism from Northwest University of Political Science and Law (西北政法大學) in the PRC in July 2010.

Mr. Geng Hexiang (耿何翔), aged 41, was appointed as our Supervisor on December 24, 2020. He is primarily responsible for supervising the Board and senior management team of our Group.

Mr. Geng joined our Group in April 2007 and served consecutively as a cashier and accountant at our Company, where he was primarily responsible for the management of receipt and payment, company's management account and reimbursement until April 2011. From May 2011 to February 2012, he served as a customer service manager at Baihualinju property service center (白樺林居物業服務中心) of our Company, where he was primarily responsible for property management and customer service. From February 2012 to April 2018, he served successively as an assistant to the manager and a deputy manager of the quality management department of our Company, where he was primarily responsible for quality control and supervision and assisting with coordination and management of various departments. From April 2018 to September 2020, he served as a manager of the risk management department of our Company, where he was primarily responsible for coordination and management of various departments and overseeing risk control, legal and safety productions. From October 2020 to June 2021, he served concurrently as a manager of the risk management department and the quality management department, where he was primarily responsible for coordination and management of various departments and overseeing risk control, legal and safe production matters. Since June 2021, he has been serving as a manager of the enterprise management and quality department of our Company, where he was primarily responsible for coordination and management of various departments and overseeing quality and risk control, legal, safe production and performance appraisal matters.

Mr. Geng obtained a bachelor's degree in management from Xi'an University of Finance and Economics (西安財經大學) (previously known as Xi'an College of Finance and Economics (西安財經學院)) in the PRC in June 2006 and a master's degree in business administration from Shaanxi Master of Business Administration Institute (陝西工商管理碩士學院) in the PRC in December 2023. He was certified as a Property Manager (物業管理師) by the Department of Human Resources and Social Security of Shaanxi Province (陝西省人力資源和社會保障廳) in September 2011. He was recognized as a Corporate Chief Quality Officer (企業首席品質官)

by Shaanxi Quality and Technology Evaluation Center (陝西省品質技術評審中心) in October 2014. He was recognized as a Certified Safety Engineer by the Ministry of Human Resources and Social Security of the PRC (中華人民共和國人力資源和社會保障部) and State Administration of Work Safety (國家安全生產監督管理總局) in October 2017. He was also certified as a fire protection facilities operator (消防設施操作員) by Fire Protection Industry Occupational Skill Testing and Guidance Authority (消防行業職業技能鑒定指導中心) in May 2021.

Save as disclosed in this section, each of our Supervisors has confirmed that he has no other relationship with any Directors, senior management, substantial shareholders or controlling shareholders of our Company and none of our Supervisors has held any other directorships in listed companies during the three years immediately preceding the date of this prospectus. Save as disclosed in this section, each of our Supervisors has confirmed that there are no other matters relating to his appointment as a Supervisor that need to be brought to the attention of our Shareholders and there is no other information in relation to his appointment which is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

SENIOR MANAGEMENT

The general manager and other members of the senior management of the Group, together with our executive Directors, are responsible for the day-to-day operations and management of the business of our Group. Please refer to the paragraph entitled "Executive Directors" for the biographical details of Mr. Wu Suozheng, Mr. Sun Qi and Mr. Cheng Hongrang. Members of the senior management of our Group also include the following:

Name	Age	Existing position in our Group	Date of joining our Group	Date of appointment as senior management	Key Responsibilities
Mr. Wang Gang (王剛)	55	Deputy general manager	August 10, 2004	April 20, 2009	Responsible for operation and management of property management projects for high-end residential properties of our Group
Mr. Liu Wei (劉煒)	45	Deputy general manager	June 18, 2004	April 14, 2009	Responsible for operation and management of municipal administrative services projects of our Group

Name	Age	Existing position in our Group	Date of joining our Group	Date of appointment as senior management	Key Responsibilities
Mr. Ren Baobin (任寶斌)	49	Deputy general manager	June 26, 2015	June 26, 2015	Responsible for operation and management of property management projects for residential properties, office buildings, universities, schools and industrial parks of our Group
Mr. Yang Weifeng (楊偉鋒)	43	Deputy general manager	April 1, 2005	July 5, 2019	Responsible for operation and management of property management projects for office buildings and hospitals of our Group
Mr. Wang Lipeng (王力鵬)	50	Deputy general manager and quality director	June 9, 2010	December 28, 2020	Responsible for management of quality system of our Group
Mr. Xu Fei (徐飛)	40	Financial director	March 6, 2023	March 6, 2023	Responsible for the overall financial management of our Group
Ms. Zhu Ke (朱可)	42	Deputy general manager, administrative director and office director	August 4, 2010	December 28, 2020	Responsible for the overall administrative affairs and office management of our Group

Name	Age	Existing position in our Group	Date of joining our Group	Date of appointment as senior management	Key Responsibilities
Mr. Li Xiuyuan (李修遠)	37	Secretary of our Board and joint company secretary	July 1, 2013	December 28, 2020	Responsible for corporate governance and company secretarial matters of our Group

Mr. Wang Gang (王剛), aged 55, was appointed as our deputy general manager on April 20, 2009. He is primarily responsible for the operation and management of property management projects for high-end residential properties of our Group.

Mr. Wang joined our Group in August 2004. From September 2004 to August 2006, he served consecutively as a deputy general manager at the first branch of our Company and the general manager at the second branch of our Company, where he was primarily responsible for property management related work. From August 2006 to June 2007, he served as the manager of technical department and the director of community management department of our Company, where he was primarily responsible for department management and daily operations and management of projects. From June 2007 to April 2009, he served as an assistant to the general manager of our Company, where he was primarily responsible for assisting the general manager with our operation and management.

Prior to joining our Group, in December 1987, Mr. Wang joined Aviation Industry Department Yanguang Electric Appliance Factory (航空工業部延光電機電器廠). From December 1998 to July 2004, Mr. Wang served various positions including maintenance director of the equipment management department and project manager at Xi'an Hi-Tech Industrial Co., Ltd. Real Estate Branch (西安高科實業股份有限公司房地產分公司), a company principally engaged in real estate industry, where he was primarily responsible for repair, maintenance and inspection of equipment and project management.

Mr. Wang obtained his diploma in radio technology from Xidian University (西安電子科技大學) in the PRC in July 1994. He obtained his bachelor's degree in business management from the Open University of China (國家開放大學) (previously known as China Central Radio and TV University (中央廣播電視大學)) in the PRC in December 2004. Mr. Wang was certified as a certified project manager (國際項目經理) by the Certification Body IPMA China Certification of the PMRC (國際項目管理專業資質認證中國認證委員會) in May 2012. He also obtained a certified property manager certificate from the MOHURD in November 2013.

Mr. Liu Wei (劉煒), aged 45, was appointed as our deputy general manager on April 14, 2009. He is primarily responsible for operation and management of municipal administrative services projects of our Group.

Mr. Liu joined our Group in June 2004 and served as a director of property management office of Wenjingyuan project from March 2005 to August 2006. From August 2006 to April 2009, he served as a director of property management office of Baihualinju project, where he was primarily responsible for the daily operations and management of Baihualinju property. From April 2009 to June 2013, he served as the manager of Baihualinju property service center, where he was responsible for its project management and operation.

Prior to joining our Group, from June 2002 to October 2003, Mr. Liu served as a supervising engineer at Xi'an Xinghuo Real Estate Group (西安星火房地產集團), a property developer, where he was primarily responsible for supervising the process and quality of the projects. From October 2003 to June 2004, Mr. Liu served as a customer service director of property department at Xi'an Hi-Tech Real Estate Co., Ltd (西安高科房產股份有限公司), a property developer, where he was responsible for customer service.

Mr. Liu obtained his bachelor's degree in architecture from Xi'an University of Architecture and Technology (西安建築科技大學) in the PRC in June 2002. In April 2012, he was certified as the certified property manager (物業管理師) by the MOHURD. In August 2012, he was certified as a certified project manager (國際項目經理) by Xi'an Huading Project Management Consulting Co., Ltd. (西安華鼎項目管理諮詢有限責任公司).

Mr. Ren Baobin (任寶斌), aged 49, was appointed as our deputy general manager on June 26, 2015. He is primarily responsible for operation and management of property management projects for residential properties, office buildings, universities, schools and industrial parks of our Group.

Prior to joining our Group, Mr. Ren served as a section chief of the production section at the Heat Power Center of Xi'an Economic and Technological Development Zone (西安經濟技術開發區熱力中心), a heat service provider, where he was primarily responsible for the daily operation and management of the production section. In December 2005, he was appointed as the director of the production department of Xi'an Kingfar New Energy Co., Ltd. (西安經發新能源有限責任公司) ("**Kingfar New Energy**"), an urban heating service provider, where he was primarily responsible for its overall production, operation and department management. From December 2005 to October 2011, he served concurrently as an assistant to the general manager and the director of the production department of Kingfar New Energy, where he was primarily responsible for its overall production, operation, safety management and technical management. From October 2011 to June 2015, he served as a deputy general manager of Kingfar New Energy, where he was in charge of the production department and the security technology management office. From December 2018 to August 2022, he served as a supervisor at Xi'an Municipal Government Construction Co., Ltd. (西安經發市政建設有限公司) (previously known as Xi'an Kingfar Infrastructure Construction Engineering Co., Ltd (西安經發基礎設施建設工程有限公司)), a company principally engaged in infrastructure project investment and contracting, where he was primarily responsible for supervising its board and senior management.

Mr. Ren graduated from Xi'an University of Architecture and Technology (西安建築科技大學) in the PRC with major in heating, ventilation and air-conditioning engineering in July 1997.

Mr. Yang Weifeng (楊偉鋒), aged 43, was appointed as our deputy general manager on July 5, 2019. He is primarily responsible for operation and management of property management projects for office buildings and hospitals of our Group.

Mr. Yang joined our Group in April 2005. From September 2005 to June 2007, he served as a director of the maintenance crew of our Company, where he was primarily responsible for the inspection and maintenance of equipment. From June 2007 to May 2009, he served as a deputy manager of the technical department of our Company, where he was primarily responsible for the automation of equipment, supervision of equipment inspection and maintenance and evaluation and approval of outsourced public construction projects. From May 2009 to June 2010, he served as a manager of the property management department of Kingfar Building, where he was primary responsible for daily operations and management of project. From June 2010 to August 2011, he served as the manager of engineering department of our administrative property branch, where he was responsible for facilities and equipment maintenance and management. From August 2011 to September 2012, he served as an assistant to the general manager of our administrative property branch, where he was responsible for assisting the general manager with the daily operation and management. From September 2012 to July 2019, he served as an assistant of the general manager at our Company, where he was primarily responsible for operations and management of commercial property management projects.

Mr. Yang obtained a diploma from Shaanxi Electronic Information School (陝西省電子信息學校) (previously known as Shaanxi Second Industrial School (陝西省第二工業學校)) in the PRC in July 2001. He obtained a bachelor's degree in property management from Shaanxi University of Science and Technology (陝西科技大學) in the PRC in June 2017.

Mr. Wang Lipeng (王力鵬), aged 50, was appointed as our deputy general manager on December 28, 2020. He is primarily responsible for management of quality system of our Group.

Mr. Wang joined our Group in June 2010. From June 2010 to August 2011, he served consecutively as the head of customer service department for No. 7 Building of our administrative property branch and the manager of No. 7 Building service center, where he was responsible for customer service. From August 2011 to January 2013, he served as an assistant to the general manager of our administrative property branch, where he was responsible for the establishment of customer service system and management plans for municipal projects. Since January 2013, he has been serving as a quality director at our Company, where he has been responsible for the establishment and maintenance of our quality system, project planning, establishment of standardized system for property management projects and performance appraisal system.

Prior to joining our Group, from October 2000 to June 2010, Mr. Wang held various positions including senior director of property service center at Xi'an Hi-Tech Fengye Property Management Co., Ltd. (西安高新楓葉物業管理有限責任公司), a property management company, where he was primarily responsible for the overall management and coordination of property management projects.

Mr. Wang obtained his diploma in property management from Jinan University (暨南大學) in the PRC in December 2004. In May 2004, he obtained the certificate of completion for national property management enterprise manager training from the Department of Personnel and Education and the Department of Housing and Real Estate Industry, Ministry of Construction. In July 2007, he was certified as an ISO9001:2000 and ISO14001:2004 internal auditor by Beijing Daluhangxing Quality Certification Center Co., Ltd. (北京大陸航星質量認證中心). In February 2009, he completed the Internal EHMS (ISO14001:2004/OHSAS18001:2007) Auditor Course (環境及職業健康安全管理體系內部審核員培訓課程) and obtained course completion certificate issued by Shenzhen Nuoheng Management Consultancy (深圳市諾恒管理策劃有限公司). In August 2012, he was certified as a certified project manager (國際項目經理) by Xi'an Huading Project Management Consulting Co., Ltd. (西安華鼎項目管理諮詢有限責任公司). He was certified as a certified property manager (註冊物業管理師) by the MOHURD in November 2013. In March 2014, he obtained the certificate of completion for Xi'an enterprise senior management quality development strategy seminar (西安企業高級管理人員質量發展戰略研修班) from Wuhan University (武漢大學).

Mr. Xu Fei (徐飛), aged 40, was appointed as our financial director on March 6, 2023. He is primarily responsible for the overall financial management of our Group.

Prior to joining our Group, from September 2008 to July 2017, Mr. Xu served as a manager of the audit department of PricewaterhouseCoopers Zhong Tian LLP, where he was primarily responsible for audit-related work. From July 2017 to July 2020, he served as the general manager of finance department of Shaanxi Chang'an Air Travel Co., Ltd. (陝西長安航空旅遊有限公司), a company with investment in the aviation industry, where he was primarily responsible for its overall financial management. From July 2020 to March 2023, he served as a manager of finance department and an assistant to financial director at Ccoop Group Co., Ltd. (供銷大集集團股份有限公司), a company listed on Shenzhen Stock Exchange (stock code: 000564) and principally engaged in commercial service and e-commerce, where he was primarily responsible for financial management and daily operations of the finance department.

Mr. Xu obtained a bachelor's degree in accounting and finance from Monash University in Australia in October 2007. He was certified as a CPA by the Chinese Institute of Certified Public Accountants (中國註冊會計師協會) in July 2013 and became a non-practising member of the Chinese Institute of Certified Public Accountants in September 2021.

Ms. Zhu Ke (朱可), aged 42, was appointed as our deputy general manager and office director on December 28, 2020. She is currently serving as our deputy general manager, administrative director and office director and is primarily responsible for administrative affairs and office management of our Group.

Ms. Zhu joined our Group in August 2010. From February 2012 to February 2017, Ms. Zhu successively served as an assistant to manger, a deputy manager and a manger of customer service department of our administrative property branch, where she was primarily responsible for customer service, daily operation and management and coordinating government affairs and customer maintenance. From February 2017 to December 2020, she served as the office director of our Company, where she was responsible for administrative affairs, brand promotion and office management. From December 2020 to January 2023, she served as the deputy general manager and office director of our Company, where she was responsible for the administrative affairs and office management. Since January 2023, she has been serving concurrently as the deputy general manager, administrative director and office director of our Company, where she has been responsible for the overall administrative affairs and office management.

Prior to joining our Group, Ms. Zhu worked in media and publishing industry and served subsequently as a trainee reporter at Xi'an Newspapering Media Group (西安報業傳媒集團), a news and media company, and a chief editor of *New Windows* magazine at Xi'an Jinye Industrial Corporation (西安市金葉實業總公司), a media and publishing company, where she was primarily responsible for editing and reviewing articles and reports.

Ms. Zhu obtained a diploma in journalism and communication from Women's School, Xi'an Peihua University (西安培華學院女子學院) in the PRC in July 2002 and a master's degree in business administration Shaanxi Master of Business Administration Institute (陝西工商管理碩士學院) in the PRC in July 2023. She was certified as a certified property manager (物業管理師) by the MOHURD in April 2014.

Mr. Li Xiuyuan (李修遠), aged 37, was appointed as the secretary of our Board on December 28, 2020 and the joint company secretary of our Company on June 25, 2023. He is primarily responsible for corporate governance and company secretarial matters of our Group.

Upon joining our Group in July 2013, Mr. Li served successively as a customer service representative and a customer service manager at Baihualinju property service center of our Company until January 2014, during which he was primarily responsible for customer services. From January 2014 to March 2016, he served as a quality specialist at the quality management department of our Company, where he was primarily responsible for quality control and management. From March 2016 to December 2020, he served successively as an assistant to the manager of the quality management department and the manager of the quality management department of our Company, where he was primarily responsible for quality management, management of standardized systems for projects, project planning and evaluation, market development and bidding management. From December 2020 to December 2022, he served as the manager of enterprise strategic brand research department of our Company, where he was primarily responsible for strategic management, mergers and acquisitions and brand research.

Mr. Li obtained a bachelor's degree in management from Xi'an Jiao Tong University City College (西安交通大學城市學院) in the PRC in July 2010. He obtained a master's degree in Marxism theory from Xi'an University of Science and Technology (西安科技大學) in the PRC in June 2013. In May 2018, Mr. Li was conferred "The Nomination Award for the 7th Xi'an May 4th Youth Medal" ("第七屆西安青年五四獎章提名獎") by the Xi'an Municipal Committee of the Communist Youth League (共青團西安委員會). In June 2019, he was recognized as a "National Housing And Urban-Rural Construction Industry Technical Talent" ("全國住房和城鄉建設行業技術能手") by the MOHURD.

JOINT COMPANY SECRETARIES

Mr. Li Xiuyuan (李修遠), aged 37, was appointed as our joint company secretary on June 25, 2023. For details of his biography, see "Senior Management" in this section.

Ms. Fung Po Ting (馮寶婷) was appointed as our joint company secretary on June 25, 2023. Ms. Fung currently serves as a manager of the listing services department of TMF Hong Kong Limited, and she is responsible for providing corporate secretarial and compliance services to listed companies. She has over 12 years of experience in the corporate secretarial field.

Ms. Fung obtained her master's degree in Corporate Governance and her bachelor's degree in Corporate Administration of Business Administration from Hong Kong Metropolitan University (formerly known as The Open University of Hong Kong) in 2020 and 2016, respectively. She is an associate member of The Hong Kong Chartered Governance Institute and an associate member of The Chartered Governance Institute in United Kingdom.

BOARD COMMITTEES

Audit Committee

We have established the Audit Committee on May 23, 2024 pursuant to Rule 3.21 of the Listing Rules with written terms of reference in compliance with paragraph D.3 of Part 2 of the Corporate Governance Code ("**CG Code**") as set out in Appendix C1 to the Listing Rules. The primary duties of the Audit Committee are to review and supervise our financial reporting process and internal control system of our Group, risk management and internal audit, provide advice and comments to our Board and perform other duties and responsibilities as may be assigned by our Board.

The Audit Committee consists of three members, namely Mr. Lam Siu Wing (林兆榮), Mr. Cao Yang (曹陽) and Mr. Yang Gang (楊剛). The chairman of the Audit Committee is Mr. Lam Siu Wing (林兆榮), who is an independent non-executive Director with the appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the Listing Rules.

Remuneration Committee

We have established the Remuneration Committee on May 23, 2024 pursuant to Rule 3.25 of the Listing Rules with written terms of reference in compliance with paragraph E.1 of Part 2 of the CG Code as set out in Appendix C1 of the Listing Rules. The primary duties of the Remuneration Committee are to (i) establish, review and provide advice to our Board on our policies concerning remuneration of Directors and senior management officers and on the establishment of a formal and transparent procedure for developing policies concerning such remuneration, (ii) to determine the terms of the specific remuneration package of each executive Director and senior management; (iii) to review and approve performance-based remuneration by reference to corporate goals and objectives resolved by our Directors from time to time; and (iv) to review and approve matters relating to share schemes under Chapter 17 of the Listing Rules.

The Remuneration Committee consists of three members, namely Mr. Cao Yang (曹陽), Dr. Jiang Li (姜力) and Ms. Li Lingxiao (李凌霄). The chairman of the Remuneration Committee is Mr. Cao Yang (曹陽).

Nomination Committee

We have established the Nomination Committee on May 23, 2024 pursuant to Rule 3.27A of the Listing Rules with written terms of reference in compliance with paragraph B.3 of Part 2 of the CG Code as set out in Appendix C1 of the Listing Rules. The primary duties of the Nomination Committee are to (i) review the structure, size and composition of our Board on a regular basis and make recommendations regarding any proposed changes to the composition of our Board, (ii) identify, select or make recommendations to our Board on the selection of individuals nominated for directorship, and ensure the diversity of our Board and (iii) assess the independence of our independent non-executive Directors and make recommendations on matters relating to the appointment, reappointment and removal of our Directors and succession planning.

The Nomination Committee consists of three members, namely Mr. Wu Suozheng (吳鎖正), Mr. Cao Yang (曹陽) and Dr. Jiang Li (姜力). The chairman of the Nomination Committee is Mr. Wu Suozheng (吳鎖正).

BOARD DIVERSITY POLICY

Our Board has adopted a board diversity policy which sets out the approach to achieve diversity on our Board. Our Company recognizes and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level as an essential element in supporting the attainment of our Company's strategic objectives and sustainable development. Our Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to talent, skills, gender, age, cultural and education background, ethnicity, professional experience, independence, knowledge and length of service. 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. All Board appointments will be based on meritocracy and candidates will be considered against objective criteria, having due regard to the benefits of diversity on our Board.

Our Directors have a balanced mix of knowledge, skills and experience, including property management, business management, auditing, finance and investment. They obtained degrees in various majors, including property management, auditing, business management, engineering, electric power system and automation, industrial electrical automation and operations and management science. We have three independent non-executive Directors who have different industry backgrounds, representing over one-third of our Board members. Furthermore, our Board has a wide age range of 35 to 69 years old. With regard to gender diversity of our Board, we recognize the particular importance of gender diversity. Our Board currently comprises one female Director and eight male Directors. We have taken and will continue to take steps to promote and enhance gender diversity at all levels. Our board diversity policy provides that our Board should aim to increase the proportion of female members over time after the Listing where possible when selecting and making recommendations on suitable candidates for Board appointments. We will also ensure that there is gender diversity when recruiting staff at mid to senior level so that we will have a pipeline of female senior management and potential successors to our Board going forward. It is our objective to maintain an appropriate balance of gender diversity with reference to the expectation of stakeholders and international and local recommended best practices. Taking into account our existing business model and specific needs as well as the different background of our Directors, our Directors consider that the composition of our Board upon the Listing satisfies our board diversity policy.

Our Nomination Committee is responsible for ensuring the diversity of our Board members. After Listing, our Nomination Committee will review our board diversity policy from time to time to ensure its continued effectiveness and we will disclose the implementation of our board diversity policy in our corporate governance report on an annual basis.

COMPENSATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Our Directors and Supervisors receive compensation from our Company in the form of fees, salaries, allowances and benefits in kind, discretionary bonuses and retirement scheme contributions.

The emoluments (including fees, salaries, allowances and benefits in kind, discretionary bonuses and retirement scheme contributions) paid or payable to our Directors and Supervisors in aggregate for each of the three years ended December 31, 2023 were approximately RMB1.6 million, RMB1.9 million and RMB2.8 million, respectively.

The emoluments (including salaries and other emoluments, discretionary bonuses and retirement scheme contributions) paid to our Group's five highest paid individuals in aggregate for each of the three years ended December 31, 2023 were approximately RMB3.2 million, RMB3.5 million and RMB3.7 million, respectively.

During the Track Record Period, no emoluments were paid by us to, our Directors, Supervisors or the five highest paid individuals as an inducement to join or upon joining our Group or as a compensation for loss of office.

None of our Directors or Supervisors had waived or agreed to waive the receipt of any emoluments during the Track Record Period. Pursuant to existing arrangements that are currently in force as of the date of this prospectus, the emoluments (including fees, salaries, allowances and benefits in kind, discretionary bonuses and retirement scheme contributions) payable to our Directors and Supervisors by us for the year ending December 31, 2024 are estimated to be no more than approximately RMB3.2 million in aggregate.

Our Board will review and determine the emoluments and compensation packages of our Directors, Supervisors and senior management and will, following the Listing, receive recommendations from our Remuneration Committee which will take into account salaries paid by comparable companies, time commitment and responsibilities of our Directors and Supervisors and performance of our Group.

Save as disclosed above, no other payments had been made, or are payable, by any member of our Group to our Directors or Supervisors during the Track Record Period. For additional information on our Directors' and Supervisors' emoluments during the Track Record Period as well as information on the highest paid individuals, please refer to Notes 8 and 9 in the Accountants' Report set out in Appendix I to this prospectus.

COMPLIANCE ADVISOR

Our Company has appointed CEB International Capital Corporation Limited as our compliance advisor pursuant to Rule 3A.19 of the Listing Rules. The material terms of the compliance advisor's agreement entered into between our Company and the compliance advisor are as follows:

(a) the compliance advisor shall provide our Company with services including guidance and advice as to compliance with the Listing Rules and other applicable laws, rules, codes and guidelines, and accompany our Company to any meetings with the Stock Exchange;

(b) our Company may terminate the appointment of the compliance advisor by giving no less than 30 days' prior written notice. Our Company will exercise such right in compliance with Rule 3A.26 of the Listing Rules. The compliance advisor will have the right to terminate its appointment as compliance advisor under certain specific circumstances and upon notification of the reason of its resignation to the Stock Exchange; and

(c) during the period of appointment, our Company must consult with, and if necessary, seek advice from the compliance advisor on a timely basis in the following circumstances:

   i. before the publication of any regulatory announcement, circular or financial report;

   ii. where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;

   iii. where we propose to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where our business activities, developments or results materially deviate from any forecast, estimate, or other information in this prospectus; and

iv. where the Stock Exchange makes an inquiry of our Company regarding unusual movements in the price or trading volume of our Shares.

The term of the appointment shall commence on the Listing Date and end on the date on which we distribute our annual report in respect of our financial results for the first full financial year commencing after the Listing Date.

CORPORATE GOVERNANCE CODE

We aim to achieve high standards of corporate governance which are crucial to our development and safeguard the interests of our Shareholders. To accomplish this, we expect to comply with the Corporate Governance Code set out in Appendix C1 to the Listing Rules and the associated Listing Rules after the Listing.

So far as is known to our Directors, as of the Latest Practicable Date and immediately prior to and following the completion of the Global Offering (taking no account of any Shares which may be issued pursuant to the exercise of the Over-allotment Option), the following persons will have interests or short positions in our Shares or underlying Shares which 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 nominal value of any types of our issued voting shares of any member of our Group:

INTERESTS IN SHARES OF OUR COMPANY

		Shares held as of the Latest Practicable Date and immediately prior to the completion of the Global Offering[1]			Shares held immediately following the completion of the Global Offering[1]			
Name of Shareholder	Nature of interest	Description of Shares[2]	Number	Percentage of shareholding in the relevant type of Shares *(approx.)*	Type of Shares[2]	Number	Percentage of shareholding in the relevant type of Shares *(approx.)*	Percentage of shareholding in the total issued share capital *(approx.)*
Kingfar Holdings[3]	Beneficial owner	Unlisted Domestic Shares	5,000,000 (L)	10%	Unlisted Domestic Shares	5,000,000 (L)	10%	7.5%
	Interest in a controlled corporation	Unlisted Domestic Shares	45,000,000 (L)	90%	Unlisted Domestic Shares	45,000,000 (L)	90%	67.5%
Kingfar Group	Beneficial owner	Unlisted Domestic Shares	45,000,000 (L)	90%	Unlisted Domestic Shares	45,000,000 (L)	90%	67.5%

Notes:

(1) The letter "L" denotes the person's long position in our Shares.

(2) For the avoidance of doubt, both Unlisted Domestic Shares and H Shares are ordinary Shares in the share capital of our Company, and are considered as one class of Shares.

(3) As of the Latest Practicable Date, our Company was owned as to 90% by Kingfar Group and 10% by Kingfar Holdings. Kingfar Group was owned as to approximately 88.5% by Kingfar Holdings. By virtue of the SFO, Kingfar Holdings is deemed to be interested in the Shares held by Kingfar Group.

LONG POSITIONS IN EQUITY INTEREST OF MEMBERS OF OUR GROUP

Name of Shareholder	Member of our Group	Nature of interest	Equity interest held as of the Latest Practicable Date and immediately prior to the completion of the Global Offering *Percentage*	Equity interest held immediately following the completion of the Global Offering *Percentage*
Shenyang Huishan Modern Service Co., Ltd. (瀋陽輝山現代服務有限公司)	Shenyang Kingfar	Beneficial owner	40%	40%
Xi'an Meidite Trading Co., Ltd. (西安美迪特商貿有限公司)	Shaanxi Rixing	Beneficial owner	49%	49%
Xinjiang Saide Investment Development Co., Ltd. (新疆賽德投資發展有限公司)	Xinjiang Kingfar	Beneficial owner	49%	49%
Hancheng Urban Space Development Operation Management Co., Ltd. (韓城市城市空間開發運營管理有限公司)	Hancheng Kingfar	Beneficial owner	49%	49%
Xi'an Liuchao Brand Operation Management Co., Ltd. (西安六潮品牌運營管理有限責任公司)	Xi'an Jingkai	Beneficial owner	35%	35%
Xi'an Hanying Puyi Capital Management Co., Ltd. (西安瀚盈普益資本管理有限公司)	Xi'an Jingkai	Beneficial owner	25%	25%

Save as disclosed above, our Directors are not aware of any person will, immediately prior to and following the completion of the Global Offering taking no account of any Shares which may be issued pursuant to the exercise of the Over-allotment Option), 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 nominal value of any types of our issued voting shares of any member of our Group. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

THE CORNERSTONE PLACING

We have entered into cornerstone investment agreements (each a "**Cornerstone Investment Agreement**", and together the "**Cornerstone Investment Agreements**") with the cornerstone investors set out below (each a "**Cornerstone Investor**", and together the "**Cornerstone Investors**"), pursuant to which the Cornerstone Investors have agreed to, subject to certain conditions, subscribe or cause their designated entities (including qualified domestic institutional investors as approved by the relevant PRC authorities ("**QDII**")) to subscribe at the Offer Price for such number of Offer Shares (rounded down to the nearest whole board lot of 300 H Shares) that may be purchased for an aggregate amount of approximately RMB49.0 million (or approximately HK$53.8 million) (exclusive of brokerage, SFC transaction levy, Stock Exchange trading fee and AFRC transaction levy) (the "**Cornerstone Placing**"). The number of Offer Shares to be subscribed for by the Cornerstone Investors are subject to the determination of the final Offer Price.

Assuming an Offer Price of HK$7.5, being the low-end of the indicative Offer Price range set out in this prospectus, the total number of Offer Shares to be subscribed by the Cornerstone Investors would be 7,174,800 Offer Shares, representing approximately 43.0% of the Offer Shares pursuant to the Global Offering, approximately 43.0% of the H Shares in issue upon completion of the Global Offering and approximately 10.8% of our total issued share capital immediately upon completion of the Global Offering (assuming the Over-allotment Option is not exercised).

Assuming an Offer Price of HK$8.4, being the mid-point of the indicative Offer Price range set out in this prospectus, the total number of Offer Shares to be subscribed by the Cornerstone Investors would be 6,405,900 Offer Shares, representing approximately 38.4% of the Offer Shares pursuant to the Global Offering, approximately 38.4% of the H Shares in issue upon completion of the Global Offering and approximately 9.6% of our total issued share capital immediately upon completion of the Global Offering (assuming the Over-allotment Option is not exercised).

Assuming an Offer Price of HK$9.3, being the high-end of the indicative Offer Price range set out in this prospectus, the total number of Offer Shares to be subscribed by the Cornerstone Investors would be 5,785,800 Offer Shares, representing approximately 34.7% of the Offer Shares pursuant to the Global Offering, approximately 34.7% of the H Shares in issue upon completion of the Global Offering and approximately 8.7% of our total issued share capital immediately upon completion of the Global Offering (assuming the Over-allotment Option is not exercised).

Our Company is of the view that, (i) the Cornerstone Placing will ensure a reasonable size of solid commitment at the beginning of the marketing period of the Global Offering and will provide confidence to the market; and (ii) the Cornerstone Placing will help raise the profile of our Company and to signify that such investors have confidence in our business and prospect.

The Cornerstone Placing will form part of the International Offering and the Cornerstone Investors will not subscribe for any Offer Shares under the Global Offering (other than pursuant to the Cornerstone Investment Agreements). The Offer Shares to be subscribed by the Cornerstone Investors will carry the same rights in all respects with the fully paid H Shares in issue and will be counted towards the public float of the Company under Rule 8.08 of the Listing Rules and in compliance with the requirement under Rule 8.08(3) of the Listing Rules. Immediately following the completion of the Global Offering, (i) none of the Cornerstone Investors or their close associates will become a substantial shareholder of our Company; and (ii) none of the Cornerstone Investors or their close associates will have any Board representation in our Company. Other than a guaranteed allocation of the relevant Offer Shares at the final Offer Price, the Cornerstone Investors do not have any preferential rights in the Cornerstone Investment Agreements compared with other public Shareholders.

To the best knowledge of our Company after making reasonable enquiries, (i) each of the Cornerstone Investors (and for Cornerstone Investor(s) who will subscribe for the Offer Shares through QDII, such QDII) is an Independent Third Party; (ii) none of the Cornerstone Investors (and for Cornerstone Investor(s) who will subscribe for the Offer Shares through QDII, such QDII) is accustomed to take instructions from our Company, our Directors, our Supervisors, chief executive of our Company, our subsidiaries, Controlling Shareholders, substantial Shareholders, existing Shareholders or any of their subsidiaries or their respective close associates in relation to the acquisition, disposal, voting, or other disposition of H Shares registered in its name or otherwise held by it; and (iii) none of the subscription of the relevant Offer Shares by any of the Cornerstone Investors (and for Cornerstone Investor(s) who will subscribe for the Offer Shares through QDII, such QDII) is financed by our Company, our Directors, our Supervisors, chief executive of our Company, Controlling Shareholders, substantial Shareholders, existing Shareholders or any of their subsidiaries or their respective close associates.

As confirmed by each of the Cornerstone Investors, their subscription under the Cornerstone Placing would be financed by their own internal resources. Each of the Cornerstone Investors has confirmed that all necessary approvals have been obtained with respect to the Cornerstone Placing and that no specific approval from any stock exchange (if relevant) or its shareholders is required for the relevant cornerstone investment. To the extent that any Cornerstone Investor has engaged a QDII to subscribe for the relevant Offer Shares on its behalf, such Cornerstone Investor will procure the QDII to comply with the terms of its Cornerstone Investment Agreement in order to ensure the compliance of such Cornerstone Investor with its obligations under its Cornerstone Investment Agreement. There are no side arrangements or agreements between our Company and the Cornerstone Investors or any benefit, direct or indirect, conferred on the Cornerstone Investors by virtue of or in relation to the Listing, other than a guaranteed allocation of the relevant Offer Shares at the final Offer Price.

The total number of Offer Shares to be subscribed by the Cornerstone Investors pursuant to the Cornerstone Placing may be affected by reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering in the event of over-subscription under the Hong Kong Public Offering. Each of the Cornerstone Investors has agreed that if the total demand for H Shares in the Hong Kong Public Offering falls within the circumstances as set out in the section headed "Structure of the Global Offering—The Hong Kong Public Offering—Reallocation" in this prospectus, the number of Offer Shares to be subscribed by each Cornerstone Investor shall be reduced on a *pro rata* basis to satisfy the shortfall, after taking into account the requirements under Appendix F1 to the Listing Rules as well as the discretion of the CEB International Capital Corporation Limited (for itself and on behalf of the International Underwriters) to exercise the Over-allotment Option. Details of the actual number of Offer Shares to be allocated to the Cornerstone Investors will be disclosed in the allotment results announcement of our Company to be published on or around July 2, 2024.

Each of the other Cornerstone Investors has agreed that CEB International Capital Corporation Limited may defer the delivery of all or any part of the Offer Shares it has subscribed for to a date later than the Listing Date. The delayed delivery arrangement is in place to facilitate the over-allocation in the International Offering. Each Cornerstone Investor has agreed that it shall pay for the relevant Offer Shares before 8:00 am on the Listing Date. There will be no delayed settlement of payment. There will be no delayed delivery if there is no over-allocation in the International Offering. For details of the Over-allotment Option and the stabilization action by the Stabilizing Manager, see "Structure of the Global Offering—International Offering—Over-allotment Option" and "Structure of the Global Offering—Stabilization" in this prospectus, respectively.

THE CORNERSTONE INVESTORS

The information about our Cornerstone Investors set forth below has been provided by our Cornerstone Investors in connection with the Cornerstone Placing.

Tianbo Diagnostics

Xi'an Tianbo Diagnostics Co., Ltd. (西安天博診斷技術有限公司) ("**Tianbo Diagnostics**") was established in Xi'an, Shaanxi Province as a limited liability company in 2014. It is a comprehensive overall solutions provider for the testing and diagnosis industry, primarily engaged in the sales of in vitro diagnostic products and provision of professional technical services for medical testing. Tianbo Diagnostics is beneficially owned as to approximately 64.1% by Mr. Meng Wujun (蒙武軍), approximately 13.7% by Xi'an Ziwu Tongyi Enterprise Management Partnership (Limited Partnership) (西安子午同益企業管理合夥企業(有限合夥)) ("**Ziwu Tongyi**") and approximately 22.2% by other individual Independent Third Parties. Ziwu Tongyi is a limited partnership owned as to 60.0% by Ms. Qi Yaqiong (戚亞琼), a deputy general manager of Tianbo Diagnostics, as a general partner, approximately 33.3% by Mr. Meng Wujun as a general partner and approximately 6.7% by an individual Independent Third Party as a limited partner . Since December 2018, Mr. Meng Wujun has been serving as the executive director and general manager of Tianbo Diagnostics where he is primarily responsible for its overall operations. Mr. Meng Wujun has nearly 20 years of experience in medical testing and medical devices industries and has solid medical testing knowledge and experience in market analysis, market development and corporate management. For the purpose of the Cornerstone Placing, Tianbo Diagnostics has engaged Chang'an International Trust Co., Ltd. (長安國際信託股份有限公司) ("**Chang'an Trust**"), an asset manager which is a QDII, to subscribe for and hold such Offer Shares on behalf of it. Our Company became acquainted with Tianbo Diagnostics through the introduction by Xi'an ETDZ MC. To the best of our Directors' knowledge, information and belief after making all reasonable enquiries, each of Tianbo Diagnostics, Mr. Meng Wujun, Ziwu Tongyi, Ms. Qi Yaqiong and Chang'an Trust is an Independent Third Party.

Xi'an Dingzhun

Xi'an Dingzhun Education and Technology Co., Ltd. (西安町準教育科技有限公司) ("**Xi'an Dingzhun**") was established in Xi'an, Shaanxi Province as a limited liability company in 2017. Xi'an Dingzhun focuses on educational and tutoring services for high school and college entrance examinations and comprehensive vocational high school education and is committed to providing high-quality teaching, tutoring and logistical support services to help students prepare for their high school and college entrance examinations. Xi'an Dingzhun is beneficially owned as to approximately 66.0% by Mr. Ding Huaming (丁華明), the founder and controlling shareholder of Xi'an Dingzhun, approximately 24.0% by Ms. Zhao Yuan (趙園), the spouse of Mr. Ding Huaming, and approximately 10.0% by Xi'an Shankuo Enterprise Management Consulting Partnership (Limited Partnership) (西安閃擴企業管理諮詢合夥企業(有限合夥)) ("**Xi'an Shankuo**"). Xi'an Shankuo is a limited partnership owned as to 96% by Mr. Ding Huaming as its general partner and 4% by other individual Independent Third Parties as limited partners. Mr. Ding Huaming graduated from Peking University (北京大學) and has extensive experience in teaching and boarding school management. He founded Xi'an Dingzhun College Entrance Examination Tutorial School (西安丁准高考補習學校). For the purpose of the Cornerstone Placing, Xi'an Dingzhun has engaged Chang'an Trust, an asset manager which is a QDII, to subscribe for and hold such Offer Shares on behalf of it. Our Company became acquainted with Xi'an Dingzhun through our business network. To the best of our Directors' knowledge, information and belief after making all reasonable enquiries, each of Xi'an Dingzhun, Mr. Ding Huaming, Ms. Zhao Yuan, Xi'an Shankuo and Chang'an Trust is an Independent Third Party.

Reynold Lemkins

The Reynold Lemkins Group (Asia) Limited ("**Reynold Lemkins**") is an investment holding company incorporated in Hong Kong with limited liability in 2020. Reynold Lemkins is principally engaged in investment activities in capital markets, and is committed to providing long-term value to and industrialization of its invested companies from a long-term perspective. Reynold Lemkins is wholly owned by Mr. Liu Haoran (劉浩然). Mr. Liu Haoran is currently serving as an executive director and the China head of Reynold Lemkins where he is primarily responsible for its equity and strategic investments and capital operations. Our

Company became acquainted with Reynold Lemkins through the introduction by Chang'an Trust. To the best of our Directors' knowledge, information and belief after making all reasonable enquiries, each of Reynold Lemkins and Mr. Liu Haoran is an Independent Third Party.

The table below sets forth details of the Cornerstone Placing:

Based on the Offer Price of HK$7.5
(being the low-end of the indicative Offer Price range)

			Assuming the Over-allotment Option is not exercised			Assuming the Over-allotment Option is fully exercised		
Cornerstone Investor	**Total investment amount(1)**	**Number of Offer Shares to be acquired(1)(2)**	**Approximate % of the Offer Shares**	**Approximate % of the H Shares in issue**	**Approximate % the total Shares in issue**	**Approximate % of the Offer Shares**	**Approximate % of the H Shares in issue**	**Approximate % the total Shares in issue**
Tianbo Diagnostics	RMB30.0 million	4,391,100	26.3%	26.3%	6.6%	22.9%	22.9%	6.3%
Xi'an Dingzhun	RMB10.0 million	1,463,700	8.8%	8.8%	2.2%	7.6%	7.6%	2.1%
Reynold Lemkins	HK$9.9 million	1,320,000	7.9%	7.9%	2.0%	6.9%	6.9%	1.9%
Total	**HK$53.8 million**	**7,174,800**	**43.0%**	**43.0%**	**10.8%**	**37.4%**	**37.4%**	**10.4%**

Based on the Offer Price of HK$8.4
(being the mid-point of the indicative Offer Price range)

			Assuming the Over-allotment Option is not exercised			Assuming the Over-allotment Option is fully exercised		
Cornerstone Investor	**Total investment amount(1)**	**Number of Offer Shares to be acquired(1)(2)**	**Approximate % of the Offer Shares**	**Approximate % of the H Shares in issue**	**Approximate % the total Shares in issue**	**Approximate % of the Offer Shares**	**Approximate % of the H Shares in issue**	**Approximate % the total Shares in issue**
Tianbo Diagnostics	RMB30.0 million	3,920,700	23.5%	23.5%	5.9%	20.5%	20.5%	5.7%
Xi'an Dingzhun	RMB10.0 million	1,306,800	7.8%	7.8%	2.0%	6.8%	6.8%	1.9%
Reynold Lemkins	HK$9.9 million	1,178,400	7.1%	7.1%	1.8%	6.1%	6.1%	1.7%
Total	**HK$53.8 million**	**6,405,900**	**38.4%**	**38.4%**	**9.6%**	**33.4%**	**33.4%**	**9.3%**

Based on the Offer Price of HK$9.3
(being the high-end of the indicative Offer Price range)

Cornerstone Investor	Total investment amount	Number of Offer Shares to be acquired[(1)(2)]	Assuming the Over-allotment Option is not exercised: Approximate % of the Offer Shares	Approximate % of the H Shares in issue	Approximate % the total Shares in issue	Assuming the Over-allotment Option is fully exercised: Approximate % of the Offer Shares	Approximate % of the H Shares in issue	Approximate % the total Shares in issue
Tianbo Diagnostics	RMB30.0 million	3,541,200	21.2%	21.2%	5.3%	18.5%	18.5%	5.1%
Xi'an Dingzhun	RMB10.0 million	1,180,200	7.1%	7.1%	1.8%	6.2%	6.2%	1.7%
Reynold Lemkins	HK$9.9 million	1,064,400	6.4%	6.4%	1.6%	5.6%	5.6%	1.5%
Total	**HK$53.8 million**	**5,785,800**	**34.7%**	**34.7%**	**8.7%**	**30.2%**	**30.2%**	**8.4%**

Notes:

(1) Calculated based on the exchange rate set out in the section headed "Information about this Prospectus and the Global Offering—Exchange Rate Conversion" in this prospectus.

(2) Subject to rounding down to the nearest whole board lot of 300 H Shares.

CLOSING CONDITIONS

The obligation of the Cornerstone Investors to acquire the Offer Shares under the Cornerstone Investment Agreements is subject to, among other things, the following closing conditions:

(a) the Underwriting Agreements being entered into and having become effective and unconditional (in accordance with their respective original terms or as subsequently waived or varied by agreement of the parties thereto) by no later than the time and date as specified in the Underwriting Agreements, and neither the Underwriting Agreements having been terminated;

(b) the Offer Price having been agreed according to the price determination agreement;

(c) the Stock Exchange having granted the approval for the listing of, and permission to deal in, the H Shares (including the H Shares under the Cornerstone Placing as well as other applicable waivers and consents) and such approval, permission or waivers having not been revoked prior to the commencement of dealings in the H Shares on the Stock Exchange;

(d) no laws (as defined in the respective Cornerstone Investment Agreement) shall have been enacted or promulgated by any governmental authority which prohibits the consummation of the transactions contemplated in the Global Offering or the Cornerstone Investment Agreements, and there shall be no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of such transactions; and

(e) the respective representations, warranties, acknowledgements, undertakings and confirmations of the Cornerstone Investors under their respective Cornerstone Investment Agreements are (as of the date of the Cornerstone Investment Agreements) and will be (as of the date of closing of the Cornerstone Investment Agreements) accurate and true in all respects and not misleading and that there is no material breach of the Cornerstone Investment Agreements on the part of the Cornerstone Investors.

RESTRICTIONS ON THE CORNERSTONE INVESTORS

Each of Tianbo Diagnostics, Xi'an Dingzhun and Reynold Lemkins has agreed that without the prior written consent of each of the Company, the Sole Sponsor and CEB International Capital Corporation Limited, it will not, whether directly or indirectly, at any time during the period of twelve months from the Listing Date, twelve months from the Listing Date and six months from the Listing Date, respectively, (i) dispose of, in any way, any of the Offer Shares it has subscribed for or any interest in any company or entity holding any of such Offer Shares pursuant to the relevant Cornerstone Investment Agreements; (ii) agree, enter into an agreement or publicly announce an intention to enter into such transaction described above; (iii) allow itself to undergo a change of control (as defined in the Takeovers Code) at the level of its ultimate beneficial owner; or (iv) enter into any transactions directly or indirectly with the same economic effect as any aforesaid transaction, save for certain limited circumstances, such as transfers to any of its wholly-owned subsidiaries which will be bound by the same obligations of such Cornerstone Investor, including the lock-up period restriction.

As of the Latest Practicable Date, the share capital of our Company was RMB50,000,000 divided into 50,000,000 Shares, with a nominal value of RMB1.00 each.

Assuming the Over-allotment Option is not exercised, the share capital of our Company immediately after the completion of the Global Offering will be as follows:

Number of Shares	Description of Shares	Approximate percentage of total share capital
50,000,000	Unlisted Domestic Shares	75.0%
16,666,800	H Shares to be issued under the Global Offering	25.0%
66,666,800	**Total**	100%

Assuming the Over-allotment Option is exercised in full, the share capital of our Company immediately after the completion of the Global Offering will be as follows:

Number of Shares	Description of Shares	Approximate percentage of total share capital
50,000,000	Unlisted Domestic Shares	72.3%
19,166,700	H Shares to be issued under the Global Offering	27.7%
69,166,700	**Total**	100%

PUBLIC FLOAT REQUIREMENTS

Rule 8.08 of the Listing Rules requires there to be an open market in the securities for which listing is sought and for a sufficient public float of an issuer's listed securities to be maintained. This normally means that (i) at least 25% of the issuer's total issued shares must at all times be held by public; and (ii) where an issuer has one class of securities or more apart from the class of securities for which listing is sought, the total securities of the issuer held by the public (on all regulated market(s) including the Stock Exchange) at the time of listing must be at least 25% of the issuer's total issued shares. However, the class of securities for which listing is sought must not be less than 15% of the issuer's total issued shares and must have an expected market capitalization at the time of listing of not less than HK$125 million.

Based on the information in the above tables, our Company will meet the public float requirement under the Listing Rules after the completion of the Global Offering (whether or not the Over-allotment Option is exercised in full). We will make appropriate disclosure of our public float and confirm the sufficiency of our public float in successive annual reports after the Listing.

The above tables assume the Global Offering becomes unconditional and is completed.

SHARE CLASSES

Upon the completion of Global Offering, the Shares of our Company will consist of Unlisted Domestic Shares and H Shares. Unlisted Domestic Shares and H Shares are both ordinary Shares in the share capital of our Company and are regarded as the same class of Shares under the Articles of Association. Apart from certain qualified domestic institutional investors in the PRC, the qualified PRC investors under the Shanghai-Hong Kong Stock Connect, the Shenzhen-Hong Kong Stock Connect or other persons who are entitled to hold our H Shares pursuant to the relevant PRC laws and regulations or upon approvals of any competent authorities, H Shares generally cannot be subscribed for by or traded between legal or natural persons of the PRC. Unlisted Domestic Shares, on the other hand, can be subscribed for by and traded between legal or natural persons of the PRC, qualified foreign institutional investors. We will pay cash dividends in respect of H Shares and Unlisted Domestic Shares in Hong Kong dollars and RMB, respectively.

Unlisted Domestic Shares and H Shares shall carry the same rights in all other respects and, in particular, will rank equally for all dividends or distributions declared, paid or made after the date of this prospectus (save for the dividends payment in RMB for Unlisted Domestic Shares and in Hong Kong dollars for H Shares). However, the transfer of Unlisted Domestic Shares is subject to such restrictions as PRC laws may impose from time to time. Save for the Global Offering, we do not propose to carry out any public or private issue or to place securities simultaneously with the Global Offering or within the next six months from the Listing Date. We have not approved any share issue plan other than the Global Offering.

CONVERSION OF OUR UNLISTED DOMESTIC SHARES INTO H SHARES

Pursuant to the regulations prescribed by the securities regulatory authorities of the State Council and the Articles of Association, our Unlisted Domestic Shares may be converted into overseas-listed Shares. Such converted Shares could be listed or traded on an overseas stock exchange, provided that prior to the conversion and trading of such converted Shares, any requisite internal approval processes shall have been duly completed and all the filing procedures with relevant regulatory authorities, including CSRC which requires administrative filing procedures for the conversion and trading of such converted Shares, have been obtained. In addition, such conversion and trading shall comply with the regulations, requirements and procedures prescribed by the relevant overseas stock exchange. If any of the Unlisted Domestic Shares are to be converted, listed and traded as H Shares on the Stock Exchange, such conversion, listing and trading will need to be filed with relevant PRC regulatory authorities, including the CSRC, and the approval of the Stock Exchange.

TRANSFER OF SHARES ISSUED PRIOR TO LISTING DATE

The Company Law provides that in relation to the public offering of a company, the shares issued prior to the public offering shall not be transferred within a period of one year from the date on which the publicly offered shares are listed on any stock exchange. Accordingly, Shares issued by our Company prior to the Listing Date shall be subject to this statutory restriction and not be transferred within a period of one year from the Listing Date.

Please refer to "Underwriting—Undertakings to the Stock Exchange pursuant to the Listing Rules" for details of the lock-up undertaking given by our Controlling Shareholders to the Stock Exchange. Please refer to "Underwriting—Undertakings pursuant to the Hong Kong Underwriting Agreement" for details of the lock-up undertaking given by our Controlling Shareholders under the Hong Kong Underwriting Agreement.

INCREASE IN SHARE CAPITAL

As advised by our PRC Legal Advisors, pursuant to the Articles of Association and subject to the requirements of the relevant PRC laws and regulations, our Company, upon the Listing of our H Shares, is eligible to enlarge its share capital by issuing either new H Shares or new Unlisted Domestic Shares on condition that such proposed issuance shall be approved by a special resolution of Shareholders in general meeting conducted in accordance with the provisions of the Articles of Association and that such issuance complies with the Listing Rules and other relevant laws and regulations of Hong Kong. To adopt a special resolution of Shareholders in general meeting, more than the two thirds votes represented by the Shareholders (including proxies) present at the general meeting must be exercised in favor of the resolution.

REGISTRATION OF SHARES NOT LISTED ON THE OVERSEAS STOCK EXCHANGE

According to the Notice of Centralized 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, an overseas listed company is required to register its shares that are not listed on the overseas stock exchange with China Securities Depository and Clearing Corporation Limited (中國證券登記結算有限責任公司) within 15 working days upon the listing and provide a written report to the CSRC regarding the centralized registration and deposit of its unlisted domestic Shares as well as the current offering and listing of shares.

CIRCUMSTANCES UNDER WHICH GENERAL MEETINGS ARE REQUIRED

For details of circumstances under which our Shareholders' general meetings are required, please refer to "Appendix IV—Summary of the Articles of Association" in this prospectus.

You should read the following discussion and analysis in conjunction with our historical financial information, including the notes thereto set forth in the Accountants' Report in Appendix I to this prospectus. The historical financial information contained in the Accountants' Report has been prepared in accordance with IFRSs, which may differ in material aspects from generally accepted accounting principles in other jurisdictions.

The following discussion and analysis and other parts of this prospectus contain forward-looking statements that reflect our current views with respect to future events and financial performance that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical events, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. In evaluating our business, you should carefully consider the information provided in "Risk Factors," "Forward-looking Statements" and elsewhere in this prospectus.

OVERVIEW

We are a state-owned comprehensive city service and property management service provider in Shaanxi Province with presence in Northwest China. We have, through over 20 years of development, established an important market position and built a renowned brand in the city service and property management industry in Shaanxi Province. According to CIA, in terms of the GFA under management in Shaanxi Province as of December 31, 2023, our market share was approximately 1.8%, ranking third among the property management service providers operating in Shaanxi Province in 2023. Leveraging our market position in Shaanxi Province, we have also expanded our footprint to Northwest China. As of the Latest Practicable Date, our operations had covered Xi'an, Tongchuan, Hancheng and Shihezi.

As of December 31, 2023, we were contracted to provide public property management services, basic residential property management services and basic commercial property management services to 149 projects in China, with a total contracted GFA of 15.0 million sq.m. and GFA under management of 14.6 million sq.m. During the Track Record Period, we provided public property management services to various government agencies and public authorities at different levels in Shaanxi. As of December 31, 2021, 2022 and 2023, we provided cleaning and maintenance services for city roads, overpasses and underpasses with a total area of 10.7 million sq.m., 11.1 million sq.m. and 11.3 million sq.m., respectively.

We achieved steady growth in terms of both business scale and financial performance during the Track Record Period. Our GFA under management grew from 10.8 million sq.m. as of December 31, 2021 to 13.2 million sq.m. as of December 31, 2022, and further to 14.6 million sq.m. as of December 31, 2023, representing a CAGR of 16.0% between 2021 and 2023. Our revenue increased by 19.1% from RMB593.7 million in 2021 to RMB706.8 million in 2022, and further increased by 22.0% to RMB862.2 million in 2023. Our net profit increased by 19.9% from RMB31.2 million in 2021 to RMB37.4 million in 2022, and further increased by 36.4% to RMB51.0 million in 2023.

BASIS OF PREPARATION

Our historical financial information has been prepared in accordance with all applicable IFRS Accounting Standards as issued by the International Accounting Standards Board ("**IASB**"). Further details of the material accounting policies adopted are set out in Note 2 in the Accountants' Report in Appendix I to this prospectus.

The IASB has issued a number of new and revised IFRS Accounting Standards. For the purpose of preparing this historical financial information, we have adopted all applicable new and revised IFRS Accounting Standards that are effective during the Track Record Period, except for any new standards or interpretations that are not yet effective for the accounting period beginning on January 1, 2023. The revised and new accounting standards and interpretations issued but not yet effective for the accounting year beginning January 1, 2023 are set out in Note 30 in the Accountants' Report in Appendix I to this prospectus.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations and financial position have been and will continue to be affected by a number of factors, including those set out in "Risk Factors" in this prospectus and those discussed below:

Our GFA under Management

Our business and results of operations depend on our ability to maintain and increase our GFA under management, which in turn is affected by our ability to secure new and renew existing property management service agreements. During the Track Record Period, we experienced a steady growth in our GFA under management, which was 10.8 million sq.m., 13.2 million sq.m. and 14.6 million sq.m. as of December 31, 2021, 2022 and 2023, respectively. Simultaneous with the increase in our GFA under management, our revenue increased from RMB593.7 million in 2021 to RMB706.8 million in 2022, and further to RMB862.2 million in 2023.

During the Track Record Period, we managed projects which were developed by Kingfar Holdings Group. In 2021, 2022 and 2023, revenue generated from property management services provided to properties developed by Kingfar Holdings Group amounted to RMB160.6 million, RMB171.7 million and RMB180.5 million, respectively, accounting for 52.3%, 44.9% and 36.5%, respectively, of our total revenue generated from property management services for the same years. In 2021, 2022 and 2023, GFA under management for properties developed by Kingfar Holdings Group accounted for 53.3%, 46.1% and 38.0%, respectively, of our total GFA under management. We have made continuous efforts to enlarge our customer base to include Independent Third Parties, with a view to generating additional revenue from extra sources and diversifying our project portfolio. As a result, we have experienced a general growth in our GFA under management from properties developed by Independent Third Parties during the Track Record Period. As a result, the percentage of revenue generated from Independent Third Parties of our total revenue generated from property management services generally increased during the Track Record Period. Our increasing number of projects developed by Independent Third Parties diversified our project portfolio and will help drive the continuing growth of our revenue and profits. See "Business—Portfolio of Properties Under Management" for more information.

Our Branding and Pricing Ability

Our financial condition and results of operations are affected by our ability to continuously maintain or increase the fee rates we charge for our services, which is, in part, affected by our brand recognition and positioning in the property management market in Shaanxi Province. We leverage our branding in pricing our services, and take into account factors such as government guidance price, project size, locations, market price, our budget, target profit margins, property owners' and residents' profiles and the scope and quality of our services. In addition, we 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. Our ability to effectively balance the aforementioned considerations is key to our financial condition and results of operations.

Our pricing ability can materially affect our results of operations. We set forth below a sensitivity analysis of our revenue and profit and total comprehensive income for the years with reference to the fluctuations of average property management fees for residential, commercial and public property management services during the Track Record Period for illustrative purposes. The sensitivity analysis below demonstrates the impact of a hypothetical decrease in average property management fees for residential, commercial and public property management services on our revenue and profit and total comprehensive income, while all other factors remain unchanged:

	For the year ended December 31,		
	2021	**2022**	**2023**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Revenue from our property management service business	306,838	382,060	494,012
Profit and total comprehensive income for the year	31,155	37,439	51,018
Assuming 5% decrease in our average property management fees			
Decrease in revenue from our property management service business	15,342	19,103	24,701
Decrease in profit and total comprehensive income for the year	1,558	1,872	2,551
Assuming 10% decrease in our average property management fees			
Decrease in revenue from our property management service business	30,684	38,206	49,401
Decrease in profit and total comprehensive income for the year	3,116	3,744	5,102

We strive to continuously standardize and enhance our residential, commercial and public property management services, and we may experience increases in costs from time to time. In response, we endeavor to maintain or raise our property management fee rates when renewing the expiring property management service agreements to maintain or improve our profit margin. Our ability to raise our fee rates will be impacted by our ability to uphold and enhance our branding and any pricing controls imposed by the relevant PRC authorities. We also endeavor to improve our management efficiency to reduce cost.

Business Mix

During the Track Record Period, our financial condition and results of operations were affected by our business mix. Our gross profit margins vary across our three business lines, namely, city services, residential property management services and commercial property management services. Any change in the structure of revenue contribution from our three business lines or change in profit margin of any business line may have a corresponding impact on our overall gross profit margin.

In general, the gross profit margins of our commercial property management services were higher than those of our city services and residential property management services during the Track Record Period. In addition, our overall gross profit margin decreased from 14.3% in 2022 to 13.7% in 2023, primarily due to the decrease in gross profit margin of (i) our residential property management services from 16.8% in 2022 to 14.7% in 2023, and (ii) our commercial property management services from 25.3% in 2022 to 21.8% in 2023. See "—Description of Certain Consolidated Statements of Profit or Loss and Other Comprehensive Income Items—Gross Profit and Gross Profit Margin" for more discussion on the fluctuation in our gross profit margins during the Track Record Period.

Ability to Mitigate the Impact of Rising Labor and Subcontract Costs

Since property management is labor intensive, labor and subcontract costs constitute a substantial portion of our cost of sales. During the Track Record Period, our labor and subcontract costs increased considerably as a result of the expansion of our business, increases in the average salary of our staff and increases in the number of staff and subcontractors. In 2021, 2022 and 2023, our labor costs and subcontracting costs recorded under our cost of sales were RMB391.8 million, RMB472.9 million and RMB564.5 million, respectively, accounting for 77.2%, 78.1% and 75.9% of our cost of sales in the same years, respectively. To cope with rising labor costs, we continue to implement a number of cost control measures including (i) employing technological solutions to replace manual labor and control labor costs; (ii) utilizing internal operation platforms to optimize operating efficiency and (iii) optimizing resource allocation to lower our per capita costs.

Changes in Tax Policies

Our operations are subject to PRC corporate income tax, value added tax and other local taxes. In 2021, 2022 and 2023, our effective income tax rates, calculated as income tax expenses divided by profit before tax, were 19.9%, 22.6% and 19.2%, respectively. The general corporate income tax rate in PRC is 25%. Certain members of our Group in the PRC have been entitled to preferential income tax rates since 2011. See "—Description of Certain Consolidated Statements of Profit or Loss and Other Comprehensive Income Items—Income Tax Expenses" for more information. If there is any material adverse change in the preferential income tax treatment currently enjoyed by such subsidiaries, our profitability may be materially and adversely affected.

Competition

As a reputable player in property management segment, according to the CIA report, we primarily compete against large national brands and local property management companies. During the Track Record Period, the percentage of our GFA under management for properties developed by Kingfar Holdings Group to our overall portfolio has decreased from 53.3% in 2021 to 46.1% in 2022, and further to 38.0% in 2023, while the percentage of our GFA under management for properties developed by Independent Third Parties increased from 46.7% in 2021 to 53.9% in 2022, and further to 62.0% in 2023. This demonstrates that while we are able to enjoy the support from Kingfar Holdings Group, we are also capable of searching for, and taking advantage of, market opportunities independently. See "Business—Competition" and "Industry Overview" for more information. Our ability to compete effectively against our competitors and continue to strengthen our market position depends on our ability to enhance our competitive strengths and successfully implement our growth strategies. If we fail to compete effectively and grow our GFA under management, we may lose our existing market position and experience decreased revenue and weakened profitability.

MATERIAL ACCOUNTING POLICY INFORMATION, JUDGMENTS AND ESTIMATES

When reviewing our historical financial information, you should consider (i) our material accounting policy information, (ii) the judgments and other uncertainties affecting the application of such policies and (iii) the sensitivity of reported results to changes in conditions and assumptions. Our material accounting policy information, judgments and estimates, which are important for an understanding of our financial condition and results of operations, are set forth in detail in Notes 2 and 3 in the Accountants' Report in Appendix I, respectively, to this prospectus. We set forth below those accounting policies and estimates that we believe involve the most significant estimates and judgments used in the preparation of our financial statements.

Revenue recognition

Revenue is recognized when control over a product or service is transferred to the customer, at the amount of promised consideration to which we are expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

We primarily provide city services, residential property management services and commercial property management services.

(i) *City services.* City services mainly include (i) public property management services, under which we provide cleaning, security, as well as common area facility repair and maintenance services for public properties, such as government buildings, education institutes and hospitals; (ii) municipal management services, under which we provide (a) cleaning and maintenance services for public facility and infrastructure, (b) municipal waste collection services, and (c) household garbage collection services; and (iii) municipal value-added services, which comprise commissioned administrative services, catering services and public parking management services. For municipal management services, we recognize revenue over the scheduled period on a straight-line basis because the customer simultaneously receives and consumes the benefits provided by the Group. For public property management services, we are entitled to revenue on a straight-line basis over the specified period. For municipal value-added services, we recognized revenue over time or at a point of time when the relevant services are rendered.

(ii) *Residential property management services.* Residential property management services mainly include primarily include basic property management services and residential value-added services. For property management services, we recognize as revenue the full amount of property management fees we charged to the property owners and property developers on a straight-line basis over the specified period. For value-added services, depending on the fee models, revenue is recognized over the scheduled period on a straight-line basis because the customer simultaneously receives and consumes the benefits provided by us, or recognized at point in time when the related value-added services are rendered.

(iii) *Commercial property management services.* Commercial property management services primarily include basic property management services and commercial value-added services. For property management services, we recognize as revenue the full amount of property management fees we charged to the property owners and property developers on a straight-line basis over the specified period. For value-added services, depending on the fee models, revenue is recognized over the scheduled period on a straight-line basis because the customer simultaneously receives and consumes the benefits provided by us, or recognized at point in time when the related value-added services are rendered.

(iv) *Others.* We lease out our investment property to a third party tenant and our vehicles to Xi'an ETDZ MC for rental income. For rental income, we recognize in profit or loss in equal instalments over the periods covered by the lease term.

Interest income

Interest income is recognized as it accrues under the effective interest method. For financial assets measured at amortized cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortized cost (i.e. gross carrying amount net of loss allowance) of the asset.

Government grants

Government grants are recognized in the statement of financial position initially when there is reasonable assurance that they will be received and that we will comply with the conditions attached to them. Grants that compensate us for expenses incurred are recognized as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate us for the cost of an asset are recognized initially as deferred income and amortized to profit or loss on a straight-line basis over the useful life of the assets by way of recognized in other income.

Credit losses from financial instruments and contract assets

We recognizes a loss allowance for expected credit losses ("**ECLs**") on financial assets measured at amortized cost (including cash and cash equivalents, trade and bills receivables, other receivables and amount due from related parties and contract assets.

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

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

- fixed-rate financial assets, trade and bills receivables, other receivables and contract assets: effective interest rate determined at initial recognition or an approximation thereof;

- variable-rate financial assets: current effective interest rate.

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

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

ECLs are measured on either of the following bases:

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

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

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

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

Income tax

Income tax expense comprises current tax and deferred tax. It is recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax comprises the estimated tax payable or receivable on the taxable income or loss for the year and any adjustments to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects any uncertainty related to income taxes. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognize a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized; such reductions are reversed when the probability of future taxable profits improves.

DESCRIPTION OF CERTAIN CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME ITEMS

The following table sets forth a summary of our consolidated statements of profit or loss and other comprehensive income for the years indicated. Our historical results presented below are not necessarily indicative of the results that may be expected for any future year.

	For the year ended December 31,					
	2021		2022		2023	
	Amount	% of revenue	Amount	% of revenue	Amount	% of revenue
	(RMB'000)	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*
Revenue	593,660	100.0	706,816	100.0	862,247	100.0
Cost of sales	(507,434)	(85.5)	(605,819)	(85.7)	(744,211)	(86.3)
Gross profit	86,226	14.5	100,997	14.3	118,036	13.7
Other income	5,437	0.9	4,281	0.6	3,833	0.4
Administrative and other expenses	(48,721)	(8.2)	(49,937)	(7.1)	(53,137)	(6.2)
Research and development costs	–	–	–	–	(191)	(0.02)
Impairment loss on trade and other receivables	(1,162)	(0.2)	(5,187)	(0.7)	(3,871)	(0.4)
Profit from operations	41,780	7.0	50,154	7.1	64,670	7.5
Finance costs	(2,893)	(0.5)	(1,755)	(0.2)	(1,496)	(0.2)
Profit before taxation	38,887	6.6	48,399	6.8	63,174	7.3
Income tax	(7,732)	(1.3)	(10,960)	(1.6)	(12,156)	(1.4)
Profit and total comprehensive income for the year	31,155	5.2	37,439	5.3	51,018	5.9

During the Track Record Period, we derived our revenue primarily from three business lines, namely (i) city services, (ii) residential property management services and (iii) commercial property management services. The following table sets forth a breakdown of our revenue by business lines and type of ultimate paying customers for the years indicated:

	For the year ended December 31,					
	2021		2022		2023	
	(RMB'000)	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*
City services	**342,064**	**57.6**	**410,002**	**58.0**	**524,908**	**60.9**
– Xi'an ETDZ MC	193,852	32.7	217,703	30.8	224,124	26.0
– Kingfar Holdings Group	6,560	1.1	6,762	1.0	6,113	0.7
– Independent Third Parties other than Xi'an ETDZ MC	141,652	23.9	185,537	26.2	294,671	34.2
Residential property management services[1]	**159,081**	**26.8**	**176,419**	**25.0**	**184,170**	**21.3**
– Xi'an ETDZ MC	–	–	7	–	–	–
– Kingfar Holdings Group	14,872	2.5	19,047	2.7	16,825	1.9
– Independent Third Parties other than Xi'an ETDZ MC	144,209	24.3	157,365	22.3	167,345	19.4
Commercial property management services	**91,995**	**15.5**	**119,467**	**16.9**	**149,844**	**17.4**
– Xi'an ETDZ MC	7,650	1.3	6,411	0.9	6,893	0.8
– Kingfar Holdings Group	23,973	4.0	26,787	3.8	30,742	3.6
– Independent Third Parties other than Xi'an ETDZ MC	60,372	10.2	86,269	12.2	112,209	13.0
Others[2]	**520**	**0.1**	**928**	**0.1**	**3,325**	**0.4**
– Xi'an ETDZ MC	–	–	408	0.1	2,383	0.3
– Independent Third Parties other than Xi'an ETDZ MC	520	0.1	520	0.1	942	0.1
Total	**593,660**	**100.0**	**706,816**	**100.0**	**862,247**	**100.0**

Notes:

(1) During the Track Record Period and up to the Latest Practicable Date, all of the residential properties under our management were subject to price control under relevant laws and regulations.

(2) Represents rental income derived from leasing an investment property and certain vehicles owned by the Group.

Revenue from City Services

We provide city services primarily to government agencies and public authorities to improve the local environment and local residents' living experience. Our city services primarily include (i) public property management services, under which we provide cleaning, security, as well as common area facility repair and maintenance services for public properties, such as government buildings, education institutes and hospitals; (ii) municipal management services, under which we provide (a) cleaning and maintenance services for public facility and infrastructure, such as city roads, overpasses, underpasses and public lavatories (b) municipal waste collection services through the waste compression stations that we operated, and (c) household garbage collection services to enterprises, residential communities, government agencies and public authorities; and (iii) municipal value-added services, which comprise catering services, public parking management services and commissioned administrative services. See "Business—City Services" in this prospectus for details. Our revenue generated from city services amounted to RMB342.1 million, RMB410.0 million and RMB524.9 million, respectively, accounting for 57.6%, 58.0% and 60.9% of our total revenue in 2021, 2022 and 2023, respectively. The following table sets forth a breakdown of our revenue from city services for the years indicated:

	For the year ended December 31,					
	2021		2022		2023	
	(RMB'000)	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*
Public property management services	131,103	22.1	174,776	24.7	259,982	30.2
Municipal management services	166,703	28.1	173,647	24.6	187,344	21.7
Municipal value-added services	44,258	7.4	61,579	8.7	77,582	9.0
Total	**342,064**	**57.6**	**410,002**	**58.0**	**524,908**	**60.9**

Our revenue from city services increased during the Track Record Period, primarily due to the increase in revenue from public property management services and municipal value-added services.

Our revenue from city services increased from RMB342.1 million in 2021 to RMB410.0 million in 2022. The increase was primarily attributable to the increase in (i) revenue from public property management services from RMB131.1 million in 2021 to RMB174.8 million in 2022, primarily because we provided management services to an increasing number of public facilities with an additional GFA of 0.3 million sq.m., including government buildings, public stadiums and schools; and (ii) revenue from municipal value-added services from RMB44.3 million in 2021 to RMB61.6 million in 2022, primarily due to (a) the expansion of commissioned administrative services as an increasing number of government agencies commissioned administrative services to us, (b) the expansion of our catering services as our service period to certain government agencies was longer in 2022 than that of 2021, and (c) the commencement of a new type of municipal value-added service, namely street parking space management services, in the second half of 2022.

Our revenue from city services increased from RMB410.0 million in 2022 to RMB524.9 million in 2023. The increase was primarily attributable to the increase in (i) revenue from public property management services from RMB174.8 million in 2022 to RMB260.0 million in 2023, primarily because we provided property management services to an increasing number of public facilities with an additional GFA of 1.1 million sq.m., including government buildings and schools; (ii) revenue from municipal management services from RMB173.6 million in 2022 to RMB187.3 million in 2023, primarily due to the increase in new customers and contract amount of municipal management services engaged with Independent Third Parties; and (iii) revenue from municipal value-added services from RMB61.6 million in 2022 to RMB77.6 million in 2023, primarily due to the commencement of street parking space management services in the second half 2022, so there was no such revenue in the first half of 2022 while we generated revenue from such services for the entire year in 2023.

Please also refer to "Business—Portfolio of Properties under Management—Our Pricing Policy" for discussion of our average monthly public property management fees.

Revenue from Residential Property Management Services

Our residential property management services include (i) basic property management services; and (ii) residential value-added services. Our revenue from our residential property management services amounted to RMB159.1 million, RM176.4 million and RMB184.2 million, respectively, accounting for 26.8%, 25.0% and 21.3% of our total revenue for 2021, 2022 and 2023, respectively. The following table sets forth a breakdown of our revenue from residential property management services for the years indicated:

	For the year ended December 31,					
	2021		**2022**		**2023**	
	(RMB'000)	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*
Basic residential property management services	108,388	18.3	116,349	16.5	120,733	14.0
Residential value-added services	50,693	8.5	60,070	8.5	63,437	7.3
Total	**159,081**	**26.8**	**176,419**	**25.0**	**184,170**	**21.3**

Our revenue from residential property management services increased from RMB159.1 million in 2021 to RMB176.4 million in 2022, and further to RMB184.2 million in 2023, primarily due to the increase in revenue from basic residential property management services and residential value-added services. The growth in our revenue from residential property management services was driven by the increases in revenue from (i) basic residential property management services resulting from the increase in GFA under management and the number of projects under management; and (ii) residential value-added services resulting from obtaining new engagement and expansion of service scope. Our revenue from basic residential property management services increased from RMB108.4 million in 2021 to RMB116.3 million in 2022, primarily because our total GFA of residential properties under management increased from approximately 5.6 million sq.m. as of December 31, 2021 to approximately 6.8 million sq.m. as of December 31, 2022. Our revenue from basic property management services increased from RMB116.3 million in 2022 to RMB120.7 million in 2023, primarily because we were engaged to manage four new residential properties with an additional GFA of 0.5 million sq.m. in 2023.

Our revenue from residential value-added services increased from RMB50.7 million in 2021 to RMB60.1 million in 2022, primarily attributable to the increase in revenue from (i) our sales office management services as (a) we managed certain existing sales office of residential properties for a longer period in 2022 than 2021; and (b) we started to manage a new sales office for residential properties in 2022 and (ii) utility management services as we managed an increasing number of residential communities. Our revenue from residential value-added services increased from RMB60.1 million in 2022 to RMB63.4 million in 2023, which was primarily due to the increase in revenue as we began to provide services to two new residential projects in the end of 2022.

During the Track Record Period, the majority of our revenue from residential property management services was derived from managing residential properties developed by Kingfar Holdings Group. In 2021, 2022 and 2023, revenue from managing residential properties developed by Kingfar Holdings Group amounted to RMB106.1 million, RMB109.3 million and RMB104.3 million, respectively, accounting for 66.7%, 61.9% and 56.6%, respectively, of our total revenue derived from residential property management services for the same years. Our revenue from managing properties developed by Kingfar Holdings Group remained relatively stable in 2021, 2022 and 2023. Our revenue from managing residential properties developed by Independent Third Parties amounted to RMB53.0 million, RMB67.1 million and RMB79.9 million in 2021, 2022 and 2023, respectively. The general increase in our revenue from managing properties developed by Independent Third Parties was primarily due to the general increase in the number of properties developed by Independent Third Parties under our management as a result of our continuous efforts to expand our customer base and type of properties. See "Business—Our Business Model" for more information.

Please also refer to "Business—Portfolio of Properties under Management—Our Pricing Policy" for discussion of our average monthly residential property management fees.

Revenue from Commercial Property Management Services

Our commercial property management services include (i) basic property management services, and (ii) commercial value-added services. Our revenue from our commercial property management services amounted to RMB92.0 million, RM119.5 million and RMB149.8 million, respectively, accounting for 15.5%, 16.9% and 17.4% of our total revenue for 2021, 2022 and 2023, respectively. The following table sets forth a breakdown of our revenue from commercial property management services for the years indicated:

	For the year ended December 31,					
	2021		2022		2023	
	(RMB'000)	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*
Basic commercial property management services	67,347	11.3	90,935	12.9	113,297	13.2
Commercial value-added services	24,648	4.2	28,532	4.0	36,547	4.2
Total	**91,995**	**15.5**	**119,467**	**16.9**	**149,844**	**17.4**

Our revenue from commercial property management services increased from RMB92.0 million in 2021 to RMB119.5 million in 2022, and further to RMB149.8 million in 2023, primarily due to the increase in revenue from basic commercial property management services and commercial value-added services. The growth in our revenue from commercial property management services was driven by the increases in revenue from (i) basic commercial property management services resulting from the increase in GFA of commercial properties and the number of commercial properties under management; and (ii) commercial value-added services resulting from the increase in our service volume and expanded service scope. Our revenue from basic commercial property management services increased from RMB67.3 million in 2021 to RMB90.9 million in 2022, and further to RMB113.3 million in 2023. The increase was primarily because we were engaged to provide services to an increasing number of commercial properties, including office buildings and industrial parks. As of December 31, 2021, 2022 and 2023, we managed commercial properties with a total GFA of 2.3 million sq.m., 3.2 million sq.m. and 3.4 million sq.m., respectively.

Our revenue from commercial value-added services increased from RMB24.6 million in 2021 to RMB28.5 million in 2022, which was primarily attributable to an increase in revenue from (i) our catering services resulting from the increase in catering delivery services to locations designated by our customers; and (ii) sales office management services resulting from our longer service period to a sales office of commercial properties in 2022. Our revenue from commercial value-added services increased from RMB28.5 million in 2022 to RMB36.5 million in 2023, primarily due to the increase in revenue from parking management services and catering services due to the uplift of COVID restriction measures in China that led to an increasing number of visitors in commercial properties.

During the Track Record Period, the majority of our revenue from commercial property management services was derived from managing commercial properties developed by Kingfar Holdings Group. In 2021, 2022 and 2023, revenue from managing commercial properties developed by Kingfar Holdings Group amounted to RMB79.9 million, RMB91.3 million and RMB104.0 million, respectively, accounting for 86.8%, 76.4% and 69.4%, respectively, of our total revenue derived from commercial property management services for the same years. Our revenue from managing commercial properties developed by Independent Third Parties amounted to RMB12.1 million, RMB28.2 million and RMB45.8 million in 2021, 2022 and 2023, respectively. The general increase in our revenue from managing commercial properties developed by Independent Third Parties was primarily due to the increase in the total GFA of properties under management developed by Independent Third Parties as a result of our continuous efforts to expand our customer base and type of properties. See "Business—Our Business Model" for more information.

Please also refer to "Business—Portfolio of Properties under Management—Our Pricing Policy" for discussion of our average monthly commercial property management fees.

Cost of Sales

Our cost of sales primarily consists of (i) labor costs, (ii) utilities and fuel expenses, (iii) greening, cleaning, maintenance and repair expenses, (iv) food costs, (v) office expenses and consumables and (vi) subcontracting costs.

The following table sets forth the components of our cost of sales for the years indicated:

	For the year ended December 31,					
	2021		2022		2023	
	(RMB'000)	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*
Labor costs	375,060	73.9	434,904	71.8	453,271	60.9
Utilities and fuel expenses	31,166	6.1	36,715	6.1	47,927	6.4
Greening, cleaning, maintenance and repair expenses	26,476	5.2	29,554	4.9	35,668	4.8
Food costs	21,915	4.3	26,831	4.4	43,897	5.9
Office expenses and consumables	26,901	5.3	28,202	4.7	29,847	4.1
Subcontracting costs	16,721	3.3	37,960	6.3	111,256	14.9
Depreciation and amortization	6,055	1.2	7,488	1.2	9,347	1.3
Others(1)	3,140	0.6	4,165	0.7	12,998	1.7
Total	**507,434**	**100.0**	**605,819**	**100.0**	**744,211**	**100.0**

(1) Primarily represent fees related to Parking Lots Entrusted Management Services, telecommunication costs, costs for establishing or replacing signs in communities and occasional costs for community activities.

During the Track Record Period, labor costs is the largest component of our cost of sales. Our labor costs increase from RMB375.1 million in 2021 to RMB434.9 million in 2022, and further to RMB453.3 million in 2023. The increase was mainly due to the increase in the number of employees and the compensation level for our employees. As of December 31, 2021, 2022 and 2023, we had 7,617, 7,680 and 7,939 employees, respectively.

Our subcontracting costs primarily include costs for outsourcing labor intensive services such as cleaning, security, maintenance and repair services for common area facilities. Our subcontracting costs increased from RMB16.7 million in 2021 to RMB38.0 million in 2022, and further to RMB111.3 million in 2023. The increase in subcontracting costs was due to our business expansion, and because we gradually subcontracted some labor intensive services to subcontractors to optimize our cost structure and enhance our cost efficiency. Our subcontracting costs increased significantly from RMB38.0 million in 2022 to RMB111.3 million in 2023, primarily because (i) we continue to subcontract labor intensive services, in particular cleaning, security and catering services, to optimize our cost structure and enhance our cost efficiency; and (ii) we were engaged to provide services to more new projects as a result of our business expansion and we gradually increased our subcontracting costs in order to optimize our cost structure in 2023. We have decreased the proportion of our own staff in our projects, and increased the proportion of subcontracting arrangement accordingly. The increase in other costs, including our utilities and fuel expenses, was generally in line with our business expansion.

Substantially all of our cost of sales during Track Record Period were variable costs. We consider all of our cost of sales for the Track Record Period were variable costs except for depreciation and amortization charges. Depreciation and amortization charges accounted for 1.2%, 1.2% and 1.3% of our total cost of sales in 2021, 2022 and 2023, respectively.

The following table sets forth the breakdown of our cost of sales by business line for the years indicated:

	For the year ended December 31,					
	2021		**2022**		**2023**	
	(RMB'000)	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*
City services	304,548	60.0	369,108	60.9	467,137	62.8
Residential property management services	132,570	26.1	146,767	24.2	157,175	21.1
Commercial property management services	69,957	13.8	89,202	14.7	117,176	15.7
Others[(1)]	359	0.1	742	0.1	2,723	0.4
Total	**507,434**	**100.0**	**605,819**	**100.0**	**744,211**	**100.0**

Note:

(1) Represent rental income derived from leasing an investment property and certain vehicles owned by the Group.

Gross Profit and Gross Profit Margin

Our overall gross profit margin in 2021, 2022 and 2023, was 14.5%, 14.3% and 13.7%, respectively. Our overall gross profit margins are affected by the mix of revenue derived from each of our business lines. The following table sets forth our gross profit and gross profit margin by business line and type of ultimate paying customers for the years indicated:

	For the year ended December 31,					
	2021		2022		2023	
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
	(RMB'000)	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*
City services	**37,516**	**11.0**	**40,894**	**10.0**	**57,771**	**11.0**
– Xi'an ETDZ MC	31,472	16.2	25,529	11.7	30,230	13.5
– Kingfar Holdings Group	1,466	22.3	1,125	16.6	1,385	22.7
– Independent Third Parties other than Xi'an ETDZ MC	4,578	3.2	14,240	7.7	26,156	8.9
Residential property management services	**26,511**	**16.7**	**29,652**	**16.8**	**26,995**	**14.7**
– Xi'an ETDZ MC	–	–	1	14.3	–	–
– Kingfar Holdings Group	3,921	26.4	4,765	25.0	3,995	23.7
– Independent Third Parties other than Xi'an ETDZ MC	22,590	15.7	24,886	15.8	23,000	13.7
Commercial property management services	**22,038**	**24.0**	**30,265**	**25.3**	**32,668**	**21.8**
– Xi'an ETDZ MC	1,727	22.6	1,506	23.5	1,533	22.2
– Kingfar Holdings Group	4,843	20.2	6,239	23.3	3,799	12.4
– Independent Third Parties other than Xi'an ETDZ MC	15,468	25.6	22,520	26.1	27,336	24.4
Others(1)	**161**	**31.0**	**186**	**20.0**	**602**	**18.1**
– Xi'an ETDZ MC	–	–	18	4.4	399	16.7
– Independent Third Parties other than Xi'an ETDZ MC	161	31.0	168	32.3	203	21.5
Total	**86,226**	**14.5**	**100,997**	**14.3**	**118,036**	**13.7**

Note:

(1) Represents rental income derived from leasing an investment property and certain vehicles owned by the Group.

Our overall gross profit margin was affected by the combination effect of our three business lines, namely, city services, residential property management services and commercial property management services. The change in gross profit margin of any business line may have a corresponding impact on our overall gross profit margin. Our overall gross profit margin remained stable at 14.5% and 14.3% in 2021 and 2022, respectively. Our overall gross profit margin decreased from 14.3% in 2022 to 13.7% in 2023, primarily due to the decrease in gross profit margin of (i) our residential property management services from 16.8% in 2022 to 14.7% in 2023, and (ii) our commercial property management services from 25.3% in 2022 to 21.8% in 2023.

City Services

Gross profit of our city services increased from RMB37.5 million in 2021 to RMB40.9 million in 2022, and further to RMB57.8 million in 2023, primarily due to the increase in gross profit of public property management services, which was in turn due to the significant increase in revenue of public property management services.

Our gross profit margin for city services decreased slightly from 11.0% in 2021 to 10.0% in 2022, primarily attributable to (i) the increase in labor costs resulting from the increase in the number of employees to perform city services; and (ii) the increase in fuel costs due to the general increase in oil prices in 2022. Our gross profit margin for city services increased from 10.0% in 2022 to 11.0% in 2023, primarily because we subcontracted labor intensive services, in particular cleaning and security services in order to optimize our cost structure and enhance our cost efficiency. Our city services generally had a lower gross profit margin than other business lines, primarily due to the lower gross profit margin of municipal management services and certain loss-making projects under city services. In 2021, 2022 and 2023, we incurred losses on 30, 39 and 40 projects, respectively, among which 17, 21 and 19 projects were from our city services, respectively. See "Business—Portfolio of Properties Under Management—Loss-making Projects" for details.

Our gross profit margin of city services attributable to Xi'an ETDZ MC decreased from 16.2% in 2021 to 11.7% in 2022, primarily due to the increase in costs incurred in connection with services provided to Xi'an ETDZ MC as we engaged more manpower to provide services to a railway station project with a newly commenced ancillary car park, for which we incurred additional costs to initialize our management services. Our gross profit margin of city services attributable to Xi'an ETDZ MC increased from 11.7% in 2022 to 13.5% in 2023, primarily because we incurred relatively less costs for services provided to the aforementioned railway station project in 2023 due to a change in service scope, and the fact that as compared to 2022, we did not incur any comparable initialization costs.

Our gross profit margin of city services attributable to Kingfar Holdings Group decreased from 22.3% in 2021 to 16.6% in 2022, primarily because our staff deployment level resumed in light of the gradual uplifting of government COVID-19 restrictive measures. Our gross profit margin of city services attributable to Kingfar Holdings Group increased from 16.6% in 2022 to 22.7% in 2023, primarily because we effectively adopted cost control measures, such as the adoption of smart equipment and devices to improve our labor efficiency, and improved the gross profit margin through subcontracting arrangement. Our smart equipment and devices include (i) floor cleaning machines and snow sweeper driven by our cleaning staff when providing cleaning services; and (ii) camera drones used to check exterior walls of the properties under our management periodically. We adopted these smart equipment and devices to reduce our reliance on manual labor in order to enhance our cost efficiency. For example, using camera drones allows us to spot wear and tear on exterior walls without engaging human labor to work at height, so that we can take maintenance actions promptly. We typically adopt such smart equipment and devices aiming to facilitate cleaning and inspection duties in properties with relatively spacious and uncluttered areas and more clearly defined boundaries. These smart equipment and devices do not have a significant impact on our overall energy consumption.

We recorded a lower gross profit margin of city services attributable to Independent Third Parties at 3.2% in 2021, as compared to subsequent years, primarily due to the increase in costs of sales attributing to (i) the increase in labor costs resulting from the increase in wages and social security base of our staff providing cleaning services; (ii) the increase in the costs of certain projects for government agencies as they require service scope extension, which was effectively controlled in the following years through our cost control measures, such as the adoption of smart equipment and devices to improve our labor efficiency and our subcontracting of certain labor intensive services to subcontractors to enhance our cost efficiency, where we typically adopt such smart equipment and devices with an aim to facilitate cleaning and inspection duties in properties with relatively spacious and uncluttered areas and more clearly defined boundaries and (iii) we managed certain loss-making projects in 2021. Our gross profit margin increased from 3.2% in 2021 to 7.7% in 2022, primarily because (i) in 2022, we reduced loss in certain city service projects that were loss-making in 2021; and (ii) we adopted the aforementioned cost control measures to enhance our cost efficiency. Our gross profit margin of city services attributable to Independent Third Parties remained relatively stable in 2022 and 2023 at 7.7% and 8.9% respectively.

Our gross profit margin attributable to Independent Third Parties was lower than that of Xi'an ETDZ MC and Kingfar Holdings Group because (i) certain projects of Independent Third Parties were loss-making projects, because we secured some of them which are considered as signature projects with relatively competitive prices for the purpose of developing business relationship with established customers to enhance our portfolio as well as brand image and we spent additional costs on staff to provide onsite services to meet the service standards. See "Business—Portfolio of Properties under Management—Loss-making Projects" for details; (ii) we managed several education institutes, such as elementary schools and middle schools, of Independent Third Parties under public property management services. The average property management fees for managing elementary schools and middle schools is comparatively lower than other public properties. See "Business—Portfolio of Properties under Management—Our Pricing Policy" for more details of our average monthly service fees of different types of properties. We incurred certain loss on education institutes during the Track Record Period. See "Business—Portfolio of Properties under Management—Loss-making Projects" for details; and (iii) given the variety of Independent Third Party customers and their respective needs in different projects, we tend to spend more time and resources in coordinating suitable staff and arrangements to meet the requirements of these customers aiming to expand our customer base and reduce reliance from Xi'an ETDZ MC and Kingfar Holdings Group, which generally led to higher costs in these projects.

Residential Property Management Services

Gross profit margin for our residential property management services is affected by the percentage of revenue and GFA under management attributable to primarily Kingfar Holdings Group and Independent Third Parties. The gross profit margin of our residential property management services is also affected by the combined effect of property management fees we charge for our residential property management services and our cost of sales for providing such services.

Our gross profit margin for residential property management services remained stable at 16.7% and 16.8% in 2021 and 2022, respectively, and decreased to 14.7% in 2023. The decrease was primarily (i) due to the significant increase in upfront costs, such as cleaning, maintenance and repair expenses, that were incurred to upkeep the relevant residential properties to ensure such properties are in optimal conditions for delivery and move-in; and (ii) because we were engaged to manage certain new projects in 2023, where we incurred relatively high office expenses when commencing management of these projects, when revenue was recognized over time.

We provided residential property management services to a project that was relatively small in scale to Xi'an ETDZ MC during the Track Record Period. The gross profit margin for such residential property management services is not representative of our performance, because a slight change in revenue or cost of sales may lead to significant changes in gross profit margin.

Our gross profit margin of residential property management services attributable to Kingfar Holdings Group decreased from 26.4% in 2021 to 25.0% in 2022, primarily due to the increase in labor cost, office expenses and consumables and maintenance costs incurred in connection with the additional GFA delivered to us for management in 2022. Our gross profit margin of residential property management services attributable to Kingfar Holdings Group decreased from 25.0% in 2022 to 23.7% in 2023, primarily because we incurred higher labor costs in managing the sales offices in 2023. Such increase was in response to the increased visitors to sales offices subsequent to the uplifting of COVID-19 social distance restrictive measures.

Our gross profit margin of residential property management services attributable to Independent Third Parties remained relatively stable in 2021 and 2022 at 15.7% and 15.8%, respectively. Our gross profit margin of residential property management services attributable to Independent Third Parties decreased from 15.8% in 2022 to 13.7% in 2023, primarily because (i) we were engaged to provide services to certain new residential projects, where we incurred relatively high upfront costs, such as cleaning, maintenance and repair expenses, that were incurred to upkeep the relevant residential properties to ensure such properties are in optimal conditions for delivery and move-in; and (ii) the relatively low occupancy rate of these new residential projects. We charged a discount rate of 30% to 50% of our regular residential property management service fees to the property units that were not yet delivered to property owners. As such, we recorded a lower amount of revenue when these property projects were not fully occupied, but still incurred substantial costs for their management.

During the Track Record Period and up to the Latest Practicable Date, all of the residential properties under our management were subject to price control under relevant laws and regulations. However, our gross profit attributable to Independent Third Parties was lower than that of Kingfar Holdings Group because we provided services to certain resettlement housing projects, the majority of which were loss-making projects during the Track Record Period. During the Track Record Period, the property owners of the resettlement housing projects were reluctant and refused to pay property management fees in accordance with property management service agreements. In view of the refusals to pay of these property owners, the amount of revenue from these resettlement housing projects has not been recognized. However, we devoted resources to providing property management services to such resettlement housing projects and incurred costs, which led to losses in these projects. In March 2023, in view of the difficulties in collecting property management fees, we have discontinued the management of such resettlement housing projects. See "Business—Portfolio of Properties Under Management—Loss-making Projects" for more information.

Under PRC laws and regulations, residential property developers shall hire qualified property management service providers through tender and bidding processes. See "Regulatory Overview—PRC Legal Supervision Relating to Property Management Services—Appointment of the Property Management Enterprises" for more information. Such processes are to ensure the transactions are entered into on normal commercial terms and arm's length basis. A substantial portion of our basic residential property management projects with Xi'an ETDZ MC and Kingfar Holdings Group were awarded to us through the tender and bidding processes, under which we were evaluated and selected among multiple property management service providers. The terms of the relevant contracts were subject to the tender and bidding process. As such, they are on normal commercial terms, and our services provided to residential properties of Xi'an ETDZ MC and Kingfar Holdings Group managed by us were conducted on arm's length basis. See "Business—Portfolio of Properties under Management—Tender Process" for details of the tender process undergone by us.

Commercial Property Management Services

The gross profit margin of our commercial property management services is also affected by the combined effect of property management fees we charge for our commercial property management services and our cost of sales for providing such services.

Our gross profit margin for commercial property management services increased from 24.0% in 2021 to 25.3% in 2022, primarily because (i) we typically adopted smart equipment and devices for commercial properties with relatively spacious and unclutterd areas to improve our labor efficiency and used environmental friendly materials and devices to conserve energy and reduce utility consumption and (ii) we subcontracted some labor intensive services to subcontractors to enhance our cost efficiency in 2022. Our gross profit margin for commercial property management services decreased from 25.3% in 2022 to 21.8% in 2023, primarily due to (i) the significant increase in costs associated with the increased staff deployment under commercial property management projects arising from the revision in work scope to accommodate customers' request from general cleaning and security services to comprehensive property management services covering customer services, greening, maintenance, etc. In addition, we have added cleaning staff to enhance the frequency and quality of cleaning services and reception personnel to serve visitors. At the same time, the relevant revenue only increased in a smaller extent; and (ii) the increase in loss amount from the canteen at Kairui Building (凱瑞大廈餐廳) which was loss-making.

Our gross profit margin of commercial property management services attributable to Xi'an ETDZ MC remained relatively stable in 2021 and 2022 at 22.6% and 23.5%, respectively. Our gross profit margin of commercial property management services attributable to Xi'an ETDZ MC decreased from 23.5% in 2022 to 22.2% in 2023, primarily because we incurred additional costs relating to fire safety services and repair and maintenance services in a project of Xi'an ETDZ MC in 2023.

Our gross profit margin of commercial property management services attributable to Kingfar Holdings Group increased steadily from 20.2% in 2021 to 23.3% in 2022. Such increase was primarily due to the increase in revenue from certain projects that was attributable to (i) the increase in GFA under management in the relevant existing projects and our engagement in certain new projects; and (ii) our effectively cost control measures through subcontracting labor intensive services to optimize our cost structure and enhance our cost efficiency. Our gross profit margin of commercial property management services attributable to Kingfar Holdings Group decreased from 23.3% in 2022 to 12.4% in 2023, primarily because (i) we were no longer required to deliver food to COVID-19 prevention and control point of Kingfar Holdings Group after the uplifting of COVID-19 restrictive measures, where the Group was able to provide such delivery services by utilizing its pre-existing staff and facilities of catering services to generate additional income for the Group in 2022; and (ii) the increase in loss amount from the canteen at Kairui Building (凱瑞大廈餐廳) which was loss-making.

Our gross profit margin of commercial property management services attributable to Independent Third Parties remained relatively stable in 2021 and 2022 at 25.6% and 26.1%, respectively. Our gross profit margin of commercial property management services attributable to Independent Third Parties decreased from 26.1% in 2022 to 24.4% in 2023, primarily due to the significant increase in costs associated with the increased staff deployment under commercial property management projects arising from the revision in work scope from general cleaning and security services to comprehensive property management services covering customer services, greening, maintenance, etc. In addition, we have added cleaning staff to enhance the frequency and quality of cleaning services and reception personnel to serve visitors. At the same time, the relevant revenue only increased in a smaller extent.

Our gross profit margin attributable to Independent Third Parties for commercial property management services was slightly higher than that of Xi'an ETDZ MC and Kingfar Holdings Group, primarily because we managed more office buildings of Independent Third Parties, where we were able to charge higher service fees and generally achieve higher gross profit margins.

Other Income

Our other income primarily consists of (i) interest income, (ii) government grants and (iii) income from additional deduction on input VAT. During the Track Record Period, we generated interest income from interest bearing borrowing loans lent to Kingfar Group as part of its financing arrangement. See "Indebtedness—Borrowings" for details. We also generated interest income from our cash at bank and on hand. Our income from additional deduction on input VAT primarily relates to entitlement to additional deduction on input VAT in accordance with the Announcement on Deepening the Reform of VAT ([2019] No. 39) (《關於深化增值稅改革有關政策的公告》([2019]39號)) (the "2019 Announcement") issued by the Ministry of Finance, State Administration of Taxation, and Customs. Pursuant to the 2019 Announcement, the Group was entitled to certain VAT deduction in connection with provision of daily services. As a result, we recorded income from such VAT deduction.

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

	For the year ended December 31,					
	2021		2022		2023	
	(RMB'000)	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*
Interest income	1,424	26.2	1,384	32.3	614	16.0
Government grants	2,345	43.1	1,385	32.4	1,745	45.5
Income from additional deduction on input VAT	1,184	21.8	1,381	32.3	890	23.2
Changes in fair value of financial assets measured at FVPL	413	7.6	–	–	–	–
Others	71	1.3	131	3.1	584	15.3
	5,437	**100.0**	**4,281**	**100.0**	**3,833**	**100.0**

Our other income decreased from RMB5.4 million in 2021 to RMB4.3 million in 2022, primarily due to the decrease in our government grant as the government grants we received in relation to employee training in 2021 were one-off in nature. Our other income dropped from RMB4.3 million in 2022 to RMB3.8 million in 2023, primarily due to the decrease in (i) interest income, as the decrease in our cash at bank and the borrowings to our related parties, and (ii) income from additional deduction on input VAT, as the Announcement on Clarifying the VAT Reduction and Exemption Policies for Small-scale VAT Taxpayers and Other Policies (《關於明確增值稅小規模納稅人減免增值稅等政策的公告》) ([2023]1號) (the "2023 Announcement") promulgated by the Ministry of Finance and the State Administration of Taxation became effective in 2023, pursuant to which we were entitled to a lower rate of deduction on input VAT. See "Indebtedness—Borrowings—Bank Loans" for details.

Administrative and Other Expenses

Our administrative and other expenses primarily consist of (i) labor costs for our administrative and marketing staff, (ii) office expenses, and (iii) consulting, marketing, bidding and leasing expenses. In 2021, 2022 and 2023, our administrative expenses were RMB48.7 million, RMB49.9 million and RMB53.1 million, respectively.

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

	For the year ended December 31,					
	2021		2022		2023	
	(RMB'000)	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*
Labor costs	33,891	69.6	34,084	68.3	36,676	69.0
Office expenses	4,232	8.7	3,744	7.5	4,199	7.9
Consulting, marketing, bidding and leasing expenses	5,398	11.1	5,366	10.7	5,328	10.0
Depreciation and amortization charges	2,407	4.9	2,523	5.1	2,491	4.7
Statutory employment funds for workers with disabilities	2,304	4.7	2,933	5.9	3,228	6.1
Others(1)	489	1.0	1,287	2.6	1,215	2.3
Total	**48,721**	**100.0**	**49,937**	**100.0**	**53,137**	**100.0**

(1) Including expenses for pandemic prevention and team building activities and our gain/(loss) on disposal of assets.

Impairment Loss on Trade and Other Receivables

Impairment loss on trade and other receivables is primarily attributable to the expected credit loss of trade and other receivables. Any change in the expected credit loss amount is recognized as an impairment gain or loss in profit or loss. In 2021, 2022 and 2023, we recognized impairment loss on trade and other receivables of RMB1.2 million, RMB5.2 million and RMB3.9 million, respectively.

Finance Costs

Our financial costs are consisted of interest on interest-bearing borrowings, interest on lease liabilities and bank and other charges. The following table sets forth a breakdown of our finance costs for the years indicated:

	For the year ended December 31,					
	2021		2022		2023	
	(RMB'000)	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*
Interest on lease liabilities	119	4.1	43	2.5	47	3.1
Interest on interest-bearing borrowings	1,868	64.6	702	40.0	194	13.0
Bank and other charges	906	31.3	1,010	57.5	1,255	83.9
Total	**2,893**	**100.0**	**1,755**	**100.0**	**1,496**	**100.0**

Our finance costs decreased slightly from RMB2.9 million in 2021 to RMB1.8 million in 2022, primarily due to the repayment of interest-bearing borrowings of our subsidiary, namely Kingfar City Service and Xi'an Jingjian. Our finance costs decreased from RMB1.8 million in 2022 to RMB1.5 million in 2023, primarily due to the decrease in our interest on interest-bearing borrowings, partially offset by the increase in bank and other charges.

Income Tax Expenses

In 2021, 2022 and 2023, our effective income tax rates, calculated as income tax expenses divided by profit before tax, were 19.9%, 22.6% and 19.2%, respectively. Certain member of our Group, including the Company, Xi'an Jiatai and Xi'an Jingjian benefitted from the preferential income tax rate of 15% during the Track Record Period for being qualified as entities under the Western Region Development Plan of the PRC. See "Regulatory Overview—Laws and Regulations on Taxation—Income Tax" for more information on these tax policies. The rest of our subsidiaries in the PRC were subject to the statutory income tax rate of 25% for the Track Record Period. In 2021, 2022 and 2023, the tax we paid amounted to RMB8.5 million, RMB7.2 million and RMB21.7 million, respectively.

RESULTS OF OPERATIONS

2023 Compared to 2022

Revenue

Our total revenue increased by 22.0% from RMB706.8 million in 2022 to RMB862.2 million in 2023, primarily due to the growth in revenue generated from each of our three business lines as discussed below:

- *City services.* Our revenue from city services increased by 28.0% from RMB410.0 million in 2022 to RMB524.9 million in 2023. The increase was primarily attributable to the increase in (i) revenue form public property management services from RMB174.8 million in 2022 to RMB260.0 million in 2023, primarily because we provided management services to an increasing number of public facilities with an additional GFA of 1.1 million sq.m., including government buildings and schools, and (ii) revenue from municipal value-added services from RMB61.6 million in 2022 to RMB77.6 million in 2023, primarily due to the commencement of street parking space management services in the second half 2022, so there was no such revenue in the first half of 2022 while we generated revenue from such services for the entire year in 2023.

- *Residential property management services.* Our revenue from residential property management services increased by 4.4% from RMB176.4 million in 2022 to RMB184.2 million in 2023. The increase was primarily attributable to the increase in (i) revenue from basic property management services from RMB116.3 million in 2022 to RMB120.7 million in 2023, primarily because we were engaged to manage four new residential properties with an additional GFA of 0.5 million sq.m. in 2023; and (ii) revenue from value-added services increased from RMB60.1 million in 2022 to RMB63.4 million in 2023, which was primarily due to the increase in revenue as we began to provide services to two new residential projects in the end of 2022.

- *Commercial property management services.* Our revenue from commercial property management services increased by 25.4% from RMB119.5 million in 2022 to RMB149.8 million in 2023. The increase was primarily attributable to (i) revenue from basic commercial property management services increased from RMB90.9 million in 2022 to RMB113.3 million in 2023, primarily because we were engaged to provide services to an increasing number of commercial properties, including office buildings and industrial parks, and (ii) revenue from commercial value-added services increased from RMB28.5 million in 2022 to RMB36.5 million in 2023, primarily due to the increase in revenue from parking management services and catering services due to the uplift of COVID restriction measures in China that led to an increasing number of visitors in commercial properties.

Cost of Sales

Our total cost of sales increased by 22.8% from RMB605.8 million in 2022 to RMB744.2 million in 2023, primarily due to the increase in our subcontracting costs, in particular cleaning and security subcontracting cost, to optimize our cost structure and enhance our cost efficiency.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our total gross profit increased by 16.9% from RMB101.0 million in 2022 to RMB118.0 million in 2023, which is in line with our business expansion. Our gross profit margin decreased from 14.3% in 2022 to 13.7% in 2023, as a result of the combination effect of below.

- *City services.* Our gross profit margin for city services increased from 10.0% in 2022 to 11.0% in 2023, primarily because we subcontracted labor intensive services, in particular cleaning and security services in order to optimize our cost structure and enhance our cost efficiency.

- *Residential property management services.* Our gross profit margin for residential property management services decreased from 16.8% in 2022 to 14.7% in 2023, primarily (i) due to the significant increase in upfront costs, such as cleaning, maintenance and repair expenses, that were incurred to upkeep the relevant residential properties to ensure such properties are in optimal conditions for delivery and move-in; and (ii) because we were engaged to manage certain new projects in 2023, where we incurred relatively high office expenses when commencing management of these projects, when revenue was recognized over time.

- *Commercial property management services.* Our gross profit margin for commercial property management services decreased from 25.3% in 2022 to 21.8% in 2023, primarily due to (i) the significant increase in costs associated with the increased staff deployment under commercial property management projects arising from the revision in work scope from general cleaning and security services to comprehensive property management services covering customer services, greening, maintenance, etc. In addition, we have added cleaning staff to enhance the frequency and quality of cleaning services and reception personnel to serve visitors. At the same time, the relevant revenue only increased in a smaller extent; and (ii) the increase in loss amount from the canteen at Kairui Building (凱瑞大廈餐廳) which was loss-making.

Other Income

Our other income decreased from RMB4.3 million in 2022 to RMB3.8 million in 2023, primarily due to the decrease in (i) interest income, as the decrease in our cash at bank and the borrowings to our related parties, and (ii) income from additional deduction on input VAT, as we were entitled to a lower rate of deduction on input VAT in 2023 pursuant to the 2023 Announcement.

Administrative and Other Expenses

Our administrative and other expenses increased by 6.4% from RMB49.9 million in 2022 to RMB53.1 million in 2023, primarily due to the increase in (i) labor costs in administrative nature as we hired more administrative staff to support our expanded business operation; and (ii) office expenses as a result of our business expansion.

Impairment loss on trade and other receivables

Our impairment loss on trade and other receivables decreased from RMB5.2 million in 2022 to RMB3.9 million in 2023, primarily due to the recovery of trade receivables.

Finance Costs

Our finance costs decreased from RMB1.8 million in 2022 to RMB1.5 million in 2023, primarily due to the decrease in our interest on interest-bearing borrowings, partially offset by the increase in bank and other charges.

Income Tax

Our income tax increased from RMB11.0 million in 2022 to RMB12.2 million in 2023, primarily due to the increase in our profit before tax in 2023.

Profit for the Year

As a result of the foregoing, our profit for the year increased from RMB37.4 million in 2022 to RMB51.0 million in 2023.

2022 Compared to 2021

Revenue

Our total revenue increased by 19.1% from RMB593.7 million in 2021 to RMB706.8 million in 2022, primarily due to the growth in revenue generated from each of our three business lines as discussed below:

- *City services.* Our revenue from city services increased by 19.9% from RMB342.1 million in 2021 to RMB410.0 million in 2022. The increase was primarily attributable to the increase in (i) revenue from public property management services from RMB131.1 million in 2021 to RMB174.8 million in 2022, primarily because we provided management services to an increasing number of public facilities with an additional GFA of 0.3 million sq.m., including government buildings, public stadiums and schools; and (ii) revenue from municipal value-added services from RMB44.3 million in 2021 to RMB61.6 million in 2022, primarily due to (a) the expansion of commissioned administrative services as an increasing number of government agencies commissioned administrative services to us, (b) the expansion in the service duration of our of catering services as our service period to certain government agencies was longer in 2022 than that of 2021, and (c) the commencement of a new type of municipal value-added service, namely street parking space management services, in the second half of 2022.

- *Residential property management services.* Our revenue from residential property management services increased by 10.9% from RMB159.1 million in 2021 to RMB176.4 million in 2022, primarily due to the increase in (i) revenue from basic residential property management services resulting from the increase in our total GFA under management, which increased from approximately 5.6 million sq.m. as of December 31, 2021 to approximately 6.8 million sq.m. as of December 31, 2022; and (ii) revenue from residential value-added services resulting from the increase in revenue from (a) our sales office management services as we managed certain existing sales office of residential properties for a longer period in 2022 than 2021, and we started to manage a new sales office for residential properties in 2022; and (b) utility management services as we managed an increasing number of residential communities.

- *Commercial property management services.* Our revenue from commercial property management services increased by 29.9% from RMB92.0 million in 2021 to RMB119.5 million in 2022, primarily due to the increase in (i) revenue from basic commercial property management services resulting from the increase in our total GFA under management, which increased from approximately 2.3 million sq.m. as of December 31, 2021 to approximately 3.2 million sq.m. as of December 31, 2022; and (ii) revenue from commercial value-added services resulting from the increase in revenue from our catering services due to the longer service period and the increase in the number of catering delivery services provided to locations designated by our customers and our sales office management services due to longer service period to a sales office in 2022.

Cost of Sales

Our total cost of sales increased by 19.4% from RMB507.4 million in 2021 to RMB605.8 million in 2022, primarily due to the increases in (i) labor costs as we hired more employees to support our expanded business operation; (ii) subcontracting costs, as we delegated more labor intensive services to be performed by subcontractors to enhance our cost efficiency; and (iii) utilities and fuel expenses, as we commenced vehicle leasing services as well as the increase in fuel price which resulted in an increase in fuel costs for the cleaning vehicles.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our total gross profit increased by 17.1% from RMB86.2 million in 2021 to RMB101.0 million in 2022, primarily due to our continued business expansion. Our gross profit margin decreased slightly from 14.5% in 2021 to 14.3% in 2022, as a result of the combination effect of below.

- *City services*. Our gross profit margin for city services decreased slightly from 11.0% in 2021 to 10.0% in 2022, primarily due to (i) the increase in labor costs resulting from the increase in the number of employees for city services; and (ii) the increase in fuel costs due to the general increase in oil prices in 2022.

- *Residential property management services.* Our gross profit margin for residential property management services remained stable at 16.7% and 16.8% in 2021 and 2022, respectively.

- *Commercial property management services.* Our gross profit margin for commercial property management services increased from 24.0% in 2021 to 25.3% in 2022, primarily because (i) we typically adopted smart equipment and devices to improve our labor efficiency and used environmental friendly materials and devices for commercial properties with relatively spacious and uncluttered areas to conserve energy and reduce utility consumption and (ii) we subcontracted some labor intensive services to subcontractors to enhance our cost efficiency in 2022. As such, our cost of sales attributable to overall commercial property management services provided increase in a slower scale at 27.5% from 2021 to 2022, as compared to the increase in revenue from overall commercial property management services at 29.9% from 2021 to 2022.

Other Income

Our other income decreased from RMB5.4 million in 2021 to RMB4.3 million in 2022, primarily due to the decrease in government grants as the government grants in relation to employee training obtained in 2021 were one-off in nature.

Administrative and Other Expenses

Our administrative and other expenses increased by 2.5% from RMB48.7 million in 2021 to RMB49.9 million in 2022, primarily due to the increase in (i) labor costs in administrative nature as we hired more administrative staff to support our expanded business operation; and (ii) statutory employment funds that we are required to contribute for workers with disabilities.

Reversal/(recognition) of impairment loss on trade and other receivables

Our recognition of impairment loss on trade and other receivables increased from RMB1.2 million in 2021 to RMB5.2 million in 2022, primarily due to the increase in trade and other receivables resulting from our business expansion. See "—Description of Certain Consolidated Statements of Financial Position Items—Trade and Other Receivables" for details of trade and other receivables.

Finance Costs

Our finance costs decreased from RMB2.9 million in 2021 to RMB1.8 million in 2022, primarily due to the repayment of interest-bearing borrowings of our subsidiary, namely, Kingfar City Service and Xi'an Jingjian.

Income Tax

Our income tax increased from RMB7.7 million in 2021 to RMB11.0 million in 2022, primarily due to the increase in our profit before tax in 2022.

Profit for the Year

As a result of the foregoing, our profit for the year increased from RMB31.2 million in 2021 to RMB37.4 million in 2022.

DESCRIPTION OF CERTAIN CONSOLIDATED STATEMENTS OF FINANCIAL POSITION ITEMS

The following table sets forth a summary of our Consolidated Statements of Financial Position as of the dates indicated:

	As of December 31,		
	2021	**2022**	**2023**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Non-current assets			
Investment property and other plant and equipment	56,972	60,418	62,940
Intangible assets	4,379	5,810	7,415
Goodwill	–	1,769	1,769
Non-current portion of other receivables	7,463	–	–
Prepayments for acquisition of properties	–	–	36,611
Deferred tax assets	9,807	11,518	12,388
Total non-current assets	**78,621**	**79,515**	**121,123**
Current assets			
Inventories	1,188	1,316	840
Trade and other receivables	138,815	243,373	262,307
Prepayments	6,194	7,010	7,125
Cash at bank and on hand	249,240	207,870	258,478
Total current assets	**395,437**	**459,569**	**528,750**

	As of December 31,		
	2021	**2022**	**2023**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Current liabilities			
Interest-bearing borrowings	2,000	12,000	–
Trade and other payables	309,868	402,051	466,515
Contract liabilities	24,303	25,883	38,977
Lease liabilities	1,339	–	676
Current taxation	7,133	12,879	4,204
Total current liabilities	**344,643**	**452,813**	**510,372**
Net current assets	**50,794**	**6,756**	**18,378**
Total assets less current liabilities	**129,415**	**86,271**	**139,501**
Non-current liabilities			
Interest-bearing borrowings	12,000	–	–
Long-term payables	16,062	16,062	16,062
Deferred income	856	794	1,200
Lease liabilities	–	–	275
Total non-current liabilities	**28,918**	**16,856**	**17,537**
Net assets	**100,497**	**69,415**	**121,964**
Capital and reserves			
Share capital	42,716	50,000	50,000
Reserves	54,893	17,179	66,982
Total equity attributable to equity shareholders of the Company	97,609	67,179	116,982
Non-controlling interests	2,888	2,236	4,982
Total equity	**100,497**	**69,415**	**121,964**

Investment property and other plant and equipment

Our investment property and other plant and equipment mainly consist of an investment property of a kindergarten, machinery and other equipment, vehicles and right-of-use assets. Our investment property and other plant and equipment was RMB57.0 million, RMB60.4 million and RMB62.9 million as of December 31, 2021, 2022 and 2023, respectively. The general increase in investment property and other plant and equipment during the Track Record Period was primarily due to the addition of (i) vehicles that are used for our daily business operation and our vehicle leasing services; and (ii) machinery and equipment including office equipment and smart equipment and devices to enhance cost efficiency.

Intangible Assets

Our intangible assets primarily consist of software and intellectual property. We had intangible assets of RMB4.4 million, RMB5.8 million and RMB7.4 million as of December 31, 2021, 2022 and 2023, respectively. The continuous increase was primarily because we procured additional software with standardized operation, digitalization and information technologies to enhance the efficiency of our internal operation.

Goodwill

We recorded goodwill arising from our acquisition of Shaanxi Rixing for purpose of expanding our property management business. On June 1, 2022, we completed the acquisition of Shaanxi Rixing at a consideration of RMB933,000, which result in the recognition of goodwill of RMB1,769,000 as of December 31, 2022 and 2023. Our goodwill acquired through the above business combination was related to the subsidiary which was regarded as a cash generating unit ("**CGU**").

The recoverable amount of the CGU as of December 31, 2022 and 2023 was determined based on value-in-use calculation. The calculation uses cash flow projection based on financial budget prepared by the directors of the Company covering a five-year period. The cash flow projection adopted annual revenue growth rates ranging from 0% to 10%, which were based on the Group's historical experience with the operation and adjusted for other factors that are specific to the CGU. Cash flows beyond the five-year period as of December 31, 2022 and 2023 are extrapolated using an estimate weighted average growth rate of 3% and 0% which is consistent with market consensus on long-term growth rate of property management service market in the PRC. The cash flows are discounted using a discount rate of 16.9% and 14.0% as of December 31, 2022 and 2023, respectively. The discount rate used is pre-taxed and reflect specific risks relating to the cash-generating unit.

The headroom measured by the excess of the recoverable amount over the carrying amount of the CGU are RMB95,000 and RMB1,149,000 as of December 31, 2022 and 2023, respectively.

Our management has undertaken sensitivity analysis on the impairment test of goodwill. Assuming a change of the discount rate of 3% and 6%, or the annual revenue growth rate 3% and 2%, such change would, in isolation, have removed the remaining headroom as of December 31, 2022 and 2023, respectively.

Our management considered there was no material change in the key assumptions mentioned above that would cause the carrying amount of CGU to exceed its recoverable amount. Our management also determined that there was no impairment of its CGU.

Inventories

Our inventories mainly consist of raw material and consumable. Our inventories remained stable at RMB1.2 million and RMB1.3 million as of December 31, 2021 and 2022, respectively, and slightly decreased to RMB0.8 million as of December 31, 2023.

As of April 30, 2024, RMB0.6 million, or 72.5% of our inventories as of December 31, 2023 were subsequently sold or utilized.

Our average inventory turnover days remained stable at one day as of December 31, 2021, 2022 and 2023. Our average inventory turnover days is calculated by dividing the arithmetic mean of the opening and closing balances of inventories by cost of sales for the relevant period and then multiplied by the number of days in the relevant period.

Prepayments for Acquisition of Properties

We recorded prepayments for acquisition of properties of RMB36.6 million as of December 31, 2023, which represents prepayments for acquisition of office buildings.

Trade and Other Receivables

The table below sets forth a breakdown of the trade and other receivables as of the dates indicated:

	As of December 31		
	2021	**2022**	**2023**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Bills receivable	309	502	6,329
Trade receivables	125,567	213,088	213,455
– Related parties	34,981	44,533	22,938
– Third parties[(1)]	90,586	168,555	190,517
Less: allowance for doubtful debts	(6,570)	(10,673)	(10,003)
Trade and bills receivables, net of loss allowance	**119,306**	**202,917**	**209,781**

	As of December 31		
	2021	2022	2023
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Amounts due from related parties			
– Non-trade nature	8,500	7,500	–
Deposits	2,458	3,149	4,700
Receipts and payments on behalf of property owners	10,444	23,854	26,891
Prepayments in connection with the proposed initial listing of the Company's shares	–	–	19,266
Others(2)	5,312	6,785	7,186
Less: allowance for other receivables	(140)	(1,224)	(5,765)
Other receivables, net of loss allowance	**26,574**	**40,064**	**52,278**
Financial assets measured at amortised cost	145,880	242,981	262,059
VAT recoverable	398	392	248
Total	**146,278**	**243,373**	**262,307**

Notes:

(1) As of December 31, 2021, 2022 and 2023, our trade and other receivables due from Xi'an ETDZ MC, before netting of allowance for impairment, were RMB17.6 million, RMB48.2 million and RMB56.4 million, respectively.

(2) Primarily represent receivables of utility fees, advanced social security and amount due from employees.

Our trade and other receivables increased from RMB146.3 million as of December 31, 2021 to RMB243.4 million as of December 31, 2022, primarily due to (i) the increase in trade receivables from third parties of RMB78.0 million due to our business expansion and (ii) the increase in receivables of utility fees of RMB13.4 million, as we managed more projects. Our trade and other receivables increased from RMB243.4 million as of December 31, 2022 to RMB262.3 million as of December 31, 2023, primarily due to (i) the increase in our trade receivables from third parties of RMB22.0 million due to our business expansion and (ii) the increase in prepayments in connection with the proposed initial listing of the H Shares of RMB19.3 million, partially offset by the decrease in our trade receivables from related parties of RMB21.6 million.

Trade Receivables

Trade receivables primarily arise from provision of various services in the ordinary course of business. We recognize trade receivables when we have an unconditional right to receive consideration. The right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due.

Our trade receivables increased from RMB125.6 million as December 31, 2021 to RMB213.1 million as of December 31, 2022, primarily due to the increase in trade receivables from Independent Third Parties, resulting from the expansion of services provided to Independent Third Parties. Our trade receivables increased from RMB213.1 million as of December 31, 2022 to RMB213.5 million as of December 31, 2023, primarily due to the increase in trade receivables from Independent Third Parties, resulting from the expansion of services provided to Independent Third Parties, partially offset by the decrease in trade receivables from Kingfar Holdings Group.

The following table sets forth the breakdown of trade receivables, before netting of allowance for impairment, by type of ultimate paying customers as of the dates indicated:

	As of December 31,		
	2021	**2022**	**2023**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Xi'an ETDZ MC	17,620	48,165	56,375
Kingfar Holdings Group	34,981	44,533	22,938
Independent Third Parties other than Xi'an ETDZ MC	72,966	120,390	134,142
Total	**125,567**	**213,088**	**213,455**

Our trade receivables due from Xi'an ETDZ MC increased from RMB17.6 million as of December 31, 2021 to RMB48.2 million as of December 31, 2022, and further to RMB56.4 million as of December 31, 2023, primarily due to the increase in the amount of service fees payable to our Group by Xi'an ETDZ MC in the relevant period.

Our trade receivables due from Kingfar Holdings Group increased from RMB35.0 million as of December 31, 2021 to RMB44.5 million as of December 31, 2022, primarily due to the increase in the amount of service fees payable to our Group by Kingfar Holdings Group, which is in line with our business growth. Our trade receivables due from Kingfar Holdings Group decreased significantly to RMB22.9 million as of December 31, 2023, primarily due to the settlement of trade receivables by Kingfar Holdings Group as a result of our collection effort. Among the trade receivables due from Kingfar Holdings Group of RMB22.9 million as of December 31, 2023, approximately RMB12.2 million, or 53.3%, were settled as of April 30, 2024.

Our trade receivables due from Independent Third Parties increased from RMB73.0 million as of December 31, 2021 to RMB120.4 million as of December 31, 2022, and further to RMB134.1 million as of December 31, 2023, primarily due to our business expansion.

The following table sets forth the breakdown of impairment provision for the trade receivables by each type of ultimate paying customers as of the dates indicated:

	As of December 31,		
	2021	**2022**	**2023**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Xi'an ETDZ MC	180	561	761
Kingfar Holdings Group	2,585	4,968	937
Independent Third Parties	3,805	5,144	8,235
Total	**6,570**	**10,673**	**9,933**

The balance of our allowance for impairment of trade receivables was RMB6.6 million, RMB10.7 million and RMB9.9 million, as of December 31, 2021, 2022 and 2023, respectively. Among the allowance for impairment of trade receivables of RMB9.9 million as of December 31, 2023, RMB0.8 million was for those due from Xi'an, ETDZ MC, RMB0.9 million was for those due from Kingfar Holdings Group and RMB8.2 million was for those due from Independent Third Parties.

Trade receivable turnover days

The following table sets forth our trade receivable turnover days and the relevant breakdown by type of ultimate paying customer for the years indicated:

	For the year ended December 31,		
	2021	**2022**	**2023**
	(days)	*(days)*	*(days)*
Average trade receivable turnover days[(1)]	**57**	**83**	**86**
– Xi'an ETDZ MC	34	53	81
– Kingfar Holdings Group	224	250	209
– Independent Third Parties	49	78	77

(1) Average trade receivable turnover days equals average trade receivables divided by revenue for the period and then multiplied 365 for a full year period. Average trade receivables are calculated as trade receivables as of the beginning of the period plus trade receivables as of the end of the period, divided by two.

Average trade receivable turnover days indicate the average time required for us to collect cash payments from provision of services. Our average trade receivable turnover days increased from 57 days in 2021 to 83 days in 2022, which was (i) primarily because our customers in public sector dedicated resources to prevent the COVID-19 outbreak and prolonged payment to us and (ii) due to the lock-down in Xi'an to prevent COVID-19 outbreak in the fourth quarter of 2022. As a result, our staff were not able to attend to the regular fee collection on site and thereby delayed settlement of trade receivables in the end of 2022. Our trade receivable turnover days increased to 86 days in 2023, primarily because our customers prolonged payment as a result of delay in their internal review process, which led to higher trade receivables as of December 31, 2023. As of April 30, 2024, approximately RMB127.4 million, or 59.7% of our trade receivables as of December 31, 2023 were subsequently settled.

During the Track Record Period, we generally granted a credit term within 30 days from invoice date to our customers. While we recognize revenue from basic property management services when such services are provided to customers, the relevant customers typically settle property management service fees with us on a monthly, quarterly or semi-annually basis, subject to the relevant service agreement. We typically issue invoice to customers prior to their respective payment due date, instead of when such services are delivered. As such, our average trade receivable turnover days are longer than the credit term granted, because invoices are issued in a later date than revenue recognition.

During the Track Record Period, we generally granted a credit term within 30 days from invoice date to Kingfar Holdings Group, which is in line with the credit terms we provided to Independent Third Parties. While we recognize revenue from basic property management services when such services are provided to Kingfar Holdings group, Kingfar Holdings Group typically settle property management service fees with us on a monthly or quarterly basis, subject to the relevant service agreement, which is in line with our transactions with Independent Third Parties. As advised by CIA, it is customary practice for property management service providers in Shaanxi Province to settle property management service fees with their customers on a monthly or quarterly basis.

Our average trade receivables turnover days with Xi'an ETDZ MC increased from 34 days in 2021 to 53 days in 2022, and further to 81 days in 2023, primarily because, to the best knowledge of our Directors, Xi'an ETDZ MC tightened its internal approval process in 2022 and 2023 which prolonged its payment cycle. As of April 30, 2024, Xi'an ETDZ MC has settled RMB51.3 million, or 91.0%, of the trade receivable as of December 31, 2023.

Our average trade receivable turnover days with Kingfar Holdings Group is generally higher than the our average trade receivable turnover days with Xi'an ETDZ MC and Independent Third Parties. Considering the proportion of our revenue attributable to Kingfar Holdings Group during the Track Record Period, our Directors are of the view that the relative longer trade receivable turnover days do not have a material adverse impact on our working capital, as our cash at bank and on hand has remained stable during the Track Record Period. Our average trade receivable turnover days with Kingfar Holdings Group increase from 224 days in 2021 to 250 days in 2022. This is mainly because we were part of Kingfar Holdings Group's overall management prior to the Reorganization and the Global Offering, and therefore we did not actively request the intra-group outstanding trade receivables. As we enhanced independence from Kingfar Holdings Group in preparation for our Listing, we have proactively enhanced collection efforts with Kingfar Holdings Group to reduce turnover days with Kingfar Holdings Group. For example, we closely monitored the payment status of our trade receivables due from Kingfar Holdings Group by reviewing the relevant accounts on a monthly basis. If the payment status was not satisfactory, we would timely communicate with Kingfar Holdings Group and remind Kingfar Holdings Group of due payments through various channels to make sure the outstanding trade receivables are being processed. If Kingfar Holdings Group does not make payment within our prescribed time, we would make additional calls, send reminder messages or send demand letters, depending on the circumstances. As a result, our average trade receivable turnover days with Kingfar Holdings Group decreased to 209 days in 2023.

We believe there is no recoverability issue with trade receivables due from Kingfar Holdings Group. To the best of our knowledge, we are not aware of any material financial difficulty or major default which would materially affect payment capability of Kingfar Holdings Group. We have also re-visited the payment frequency of Kingfar Holdings Group and re-affirmed a credit term within 30 days from invoice date. In addition, since we re-emphasized the credit term within 30 days from invoice date, the trade receivable turnover days with Kingfar Holdings Group have decreased. We intend to maintain a credit policy with Kingfar Holdings Group and strengthen the implementation of the credit policy. Kingfar Holdings Group will settle all overdue trade receivables due to our Group, i.e. those remained due after 30 days from invoice date, prior to Listing.

To ensure timely payments from Kingfar Holdings Group, we will continue to communicate with Kingfar Holdings Group with respect to these trade receivables on a regular basis and monitor the recovery status. In order to enhance our capital management going forward, for projects of Kingfar Holdings Group, we will issue invoice in the month that we provide services, and ensure that the trade receivable turnover days of Kingfar Holdings Group can align with those of Independent Third Parties. After issuing the invoices, we will follow up with and send payment reminder to Kingfar Holdings Group on a weekly basis. If no payment is received on time, we will follow up with Kingfar Holdings Group promptly and remind them that such payment is due for immediate action. We will send messages, emails and letters to Kingfar Holdings Group, as appropriate, and/or make calls or visit Kingfar Holdings Group in person if needed. If such payment becomes due for more than three months, we will send attorney letters or consider initiate legal actions. In light of the continuing cooperations and business relationship between us and Kingfar Holdings Group, we expect new trade receivables will be incurred from Kingfar Holdings Group in the ordinary course of business, and we will endeavor to collect trade receivables from Kingfar Holdings Group according to credit terms.

Our average trade receivable turnover days with Independent Third Parties increased from 49 days in 2021 to 78 days in 2022. The increase in the average turnover days due from Independent Third Parties was primarily due to the increase in the number of our serviced customers, in line with our business expansion. A higher number of serviced customers involves more complexity and requires more resources to be devoted in the collection process. We have further improved our collection policy to ensure stable collection of property management fees going forward. As a result, our average trade receivable turnover days with Independent Third Parties decreased slightly from 78 days in 2022 to 77 days in 2023.

During the Track Record Period, our delayed trade receivables with Xi'an ETDZ MC and Kingfar Holdings Group were not subject to any disputes, claims and legal proceedings. As to the Independent Third Parties, as of the Latest Practicable Date, we were not involved in any dispute, claim and legal proceeding with any of our top five customers in each year during the Track Record Period. However, we were involved in certain legal proceedings with some small property owners to collect property management fees from them. The total amount involved in these legal proceedings was approximately RMB1.2 million. As advised by our PRC Legal advisors, such legal proceedings do not have material adverse impact to our business operation and financial conditions.

Collection rate

The table below sets for our overall collection rate of property management fees[(1)] and our collection rate of each type of properties:

	For the year ended December 31,		
	2021	**2022**	**2023**
	(%)	*(%)*	*(%)*
Public property management services	75.4	72.8	80.6
Basic residential property management services	74.9	68.0	77.9
Basic commercial property management services	72.2	66.0	80.7
Overall	**74.5**	**69.6**	**80.0**

(1) Our collection rate of property management fees is calculated by dividing (i) the actual property management fees received by us during the year or period by (ii) the property management fees that we are entitled to receive during the relevant year or period.

Our overall collection rate of property management fees was affected by the collection rates of property management fees of public property management services, basic residential property management services and basic commercial property management services. Our collection rates during the Track Record Period were lower than the collection rate for Top 100 Property Management Companies, primarily due to the relatively slow settlement of property management fees from Kingfar Holding Group and Independent Third Parties (other than Xi'an ETDZ MC) during the Track Record Period. In 2021, 2022 and 2023, our collection rate of public property management services is relatively higher than that of basic residential property management services and basic commercial property management services, primarily because customers of public property management services primarily comprise of government agencies and bodies who typically follow a systematic payment cycle.

Our collection rate of public property management services decreased from 75.4% in 2021 to 72.8% in 2022, primarily because our customers in public sector dedicated resources to prevent the COVID-19 outbreak and prolonged payment to us. Our collection rate of public property management services increased from 72.8% in 2022 to 80.6% in 2023, primarily due to our focus in our effort to settle outstanding trade receivables.

Our collection rate of basic residential property management services decreased from 74.9% in 2021 to 67.9% in 2022, primarily due to COVID-19 lockdown measures in Xi'an. Our collection rate of basic residential property management services increased from 67.9% in 2022 to 77.9% in 2023, primarily due to our focus in our effort to settle outstanding trade receivables.

Our collection rate of basic commercial property management services decreased from 72.2% in 2021 to 66.0% in 2022, primarily because certain customers changed their payment pattern amidst the continuous impact of the COVID-19 pandemic, which resulted in a lower settlement in 2022. Our collection rate of basic commercial property management services increased from 66.0% in 2022 to 80.7% in 2023, primarily due to our focus in our effort to settle outstanding trade receivables.

Bill Receivables

Our bill receivables primarily represent bank acceptance bills and commercial acceptance bills for city services and commercial property management services. As of December 31, 2021, 2022 and 2023, we had bill receivables amounted to RMB0.3 million, RMB0.5 million and RMB6.3 million, respectively. Our bill receivables increased from RMB0.5 million in 2022 to RMB6.3 million in 2023, primarily because we received more bank acceptance bills in 2023 as a result of our enhanced collection efforts of trade receivables.

Aging Analysis of Trade and Bill Receivables

The following table sets forth an aging analysis of the trade and bill receivables based on the date of revenue recognition and net of allowance for impairment of trade receivables and bill receivables:

	As of December 31,		
	2021	**2022**	**2023**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Within one year	100,066	161,103	182,289
One to two years	16,744	34,497	18,857
Two to three years	2,496	7,317	8,635
Total	119,306	202,917	209,781

The following table further sets forth the settlement amount of trade receivables, before netting of allowance for impairment, as of April 30, 2024 by age group:

	As of December 31,		
	2021	**2022**	**2023**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Within one year	91,129	148,698	123,371
One to two years	16,624	25,899	3,279
Two to three years	37,748	8,346	657
Over three years	1,188	3,036	109
Total	112,689	185,979	127,416

(1) The settlement amount included certain trade receivables that were made for allowance for impairment previously, but settled through our collection efforts.

As of April 30, 2024, approximately RMB112.7 million, or 89.7%, RMB186.0 million, or 87.3%, and RMB127.4 million, or 59.7% of our trade receivables as of December 31, 2021, 2022 and 2023 were subsequently settled, respectively.

The table below sets forth the movements in the loss allowance account in respect of trade and bills receivables from third parties and related parties during the Track Record Period:

	As of December 31,		
	2021	**2022**	**2023**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
As of the beginning of year	4,900	6,570	10,673
Impairment loss recognized/(reversed) during year	1,670	4,103	(670)
As of the end of year	6,570	10,673	10,003

When determining the recoverability of trade receivables, we consider changes in the credit quality of the trade receivables from the date when the credit was granted to the reporting date. We also estimate the recoverable amount of property management fees based on our historical credit loss experiences, adjusted for factors that are specific to debtors and an assessment of both the current and forecast general economic conditions at the reporting date. As of December 31, 2021, 2022 and 2023, we recorded loss allowances for trade and bills receivables of RMB6.6 million, RMB10.7 million and RMB10.0 million, respectively.

In order to achieve timely settlement of our trade receivables, we have proactively enhanced collection efforts with our customers. We have been reviewing payment status of our trade receivables on a monthly basis, and are enhancing our communication frequency with our customers. As a result, as of April 30, 2024, we settled a substantial portion of our trade receivables due as of December 31, 2023. As of April 30, 2024, RMB127.4 million, or 59.7% of our trade receivables as of December 31, 2023, were subsequently settled. In particular, as of April 30, 2024, RMB51.3 million, or 91.0%, RMB12.2 million, or 53.3% and RMB63.9 million, or 47.6% of our trade receivables due from Xi'an ETDZ MC, Kingfar Holdings Group and Independent Third Parties as of December 31, 2023 were subsequently settled, respectively. We will continue to implement our collection measures. If our customers do not make payment within our prescribed time, we will make additional calls, send reminder messages or send demand letters, depending on the circumstances.

We do not believe there is recoverability issue as to our trade receivables, as the substantial majority, RMB182.3 million, or 86.9%, of our trade receivables as of December 31, 2023 were aged less than a year. We have been exerting efforts to enhance the management and collection of trade receivables, including (i) closely monitoring the status of our trade receivables, (ii) holding periodic meetings to discuss the status of trade receivables, and (iii) timely communicating with relevant parties and remind them of due payments through various channels. We have monitoring procedures to ensure that follow-up action is taken to recover overdue debts. For trade receivables past due, we will send fee reminders through messages, emails or demand 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 the residents or tenants to collect property management fees. For trade receivables become aged over one year, we will consider send attorney letters to the relevant residents or tenants. For trade receivables become aged over two years, we will consider initiate legal actions against the relevant customers. During the collection process, we also continue to monitor the financial condition of the relevant customers. If any customer's financial condition deteriorates, we will request payment from such customer immediately.

We also believe sufficient provision has been made for our trade receivables. We have a large number of customers and there was no concentration of credit risk. We measure loss allowances at an amount equal to lifetime expected credit losses ("**ECL**") based on historical settlement records and forward-looking information. We consider a default event occurs when there is significant decrease in services fee collection rate and estimates the expected credit loss rate for the Track Records Period. We adopted certain expected loss rate based on the age of trade receivables. Expected loss rates are based on actual loss experience over the past 3 years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and our view of economic conditions over the expected lives of the receivables.

Amounts due from related parties

Our amounts due from related parties represent other receivables from related parties. See "—Related Party Transactions—Balances with Related Parties" for details. As of the Latest Practicable Date, the amounts due from related parties had been fully settled.

Prepayments

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

	As of December 31,		
	2021	**2022**	**2023**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Prepayments to:			
– Related parties	29	66	52
– Third parties	6,165	6,944	7,073
	6,194	7,010	7,125

Our prepayments primarily include prepayments of utility fees, consultancy fees and training fees, and for the purchase of equipment, material and software.

Our prepayments increased from RMB6.2 million as of December 31, 2021 to RMB7.0 million as of December 31, 2022, primarily due the increase in prepayments of consultancy fees, training fees and utility fees. The consultancy fees primarily relate to our purchase of the consultancy and technical support services in connection with smart property management systems, as well as technology systems to improve the efficiency of our services and internal management. Training fees primarily relates to expenses on education programs for continuing development of our staff and management team. Our prepayments increased from RMB7.0 million as of December 31, 2022 to RMB7.1 million as of December 31, 2023, primarily due the increase in equipment and software fees and consultancy fees.

Cash at Bank and on Hand

Our cash at bank and on hand decreased from RMB249.2 million as of December 31, 2021 to RMB207.9 million as of December 31, 2022, primarily due to (i) cash used in our acquisition of Xi'an Jingjian; and (ii) the slow settlement of trade and other receivables in the fourth quarter of 2022, resulting from the COVID-19 lock-down measures in Xi'an. Our cash at bank and on hand increased from RMB207.9 million as of December 31, 2022 to RMB258.5 million as of December 31, 2023, primarily due to our efforts in implementing our cash management policies and enhancing the management and collection of trade and other receivables.

We have established cash management policies detailing the requirements and internal control measures for different cash flow transactions, including (i) the responsibilities of different positions, (ii) management of cash receipt, (iii) management of cash payments and (iv) the procedure of cash payments.

Interest-Bearing Borrowings

Our interest-bearing borrowings was RMB14.0 million, RMB12.0 million and nil, and the relevant effective interest was 5.23%, 5.23% and nil as of December 31, 2021, 2022 and 2023, respectively. Our interest-bearing borrowings decreased from RMB14.0 million as of December 31, 2021 to RMB12.0 million as of December 31, 2022, primarily due to our repayment of interest-bearing borrowings. Our interest-bearing borrowings decreased from RMB12.0 million as of December 31, 2022 to nil as of December 31, 2023, primarily due to the repayment of all our borrowings in 2023. See "—Indebtedness—Borrowings" in this prospectus for more information.

Trade and Other Payables

Trade and other payables primarily represent our obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. We are typically granted credit terms ranging from 5 to 30 days for trade payables from suppliers.

The following table sets forth a breakdown of the trade and other payables as of the dates indicated, based on the invoice date:

	As of December 31,		
	2021	**2022**	**2023**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Trade payables			
– Related parties	2,386	5,072	6,475
– Third parties	40,585	47,290	112,651
	42,971	52,362	119,126
Amounts due to related parties			
– Non-trade nature	634	1,268	1,766
– Considerations payable to related parties for business combinations under common control	13,406	75,692	37,846
	14,040	76,960	39,612

	As of December 31,		
	2021	2022	2023
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Other payables and accrued expenses:			
– Accrued payroll and other benefits	120,998	132,357	138,907
– Deposits	20,798	23,189	23,391
– Receipts and payments on behalf of property owners	77,159	82,461	95,719
– Receipts on behalf of residents/tenants	14,880	17,559	18,021
– Dividend payables	834	834	834
– Payables for expenditures incurred in connection with the proposed initial listing of the Company's share	–	–	5,695
– Others	11,061	11,189	18,825
	259,770	344,549	341,004
Financial liabilities measured at amortized cost	302,741	396,911	460,130
Other taxes payable	7,127	5,140	6,385
	309,868	402,051	466,515

Our trade payables increased from RMB43.0 million as of December 31, 2021 to RMB52.4 million as of December 31, 2022, and further to RMB119.1 million as of December 31, 2023. The increase in trade payables in the Track Record Period was primarily due to our business expansion.

Our amounts due to related parties increased from RMB14.0 million as of December 31, 2021 to RMB77.0 million as of December 31, 2022, primarily due to the increased considerations payable to Kingfar Group for business combinations under common control as a result of our acquisition of Kingfar City Service. Our amounts due to related parties decreased from RMB77.0 million as of December 31, 2022 to RMB39.6 million as of December 31, 2023, primarily due to our payment of RMB37.8 million for acquisition consideration of Kingfar City Service, which was part of our Reorganization. Our Directors confirm that such amount due to related parties will be settled before Listing.

Our receipt and payments on behalf of property owners primarily represent utilities charges that we collect from property owners and residents and payable to suppliers of electricity, water and heating. The increase in the amount of receipt and payments on behalf of property owners was primarily due to the increase in the number of properties that we managed during the Track Record Period.

Our receipts on behalf of residents and tenants primarily represent proceeds from utilizing public spaces and payable to property owners. The amount of receipts on behalf of residents and tenants remained relatively stable during the Track Record Period.

The following table sets forth our trade payable turnover days for the years indicated:

	For the year ended December 31,		
	2021	**2022**	**2023**
	(days)	*(days)*	*(days)*
Average trade payable turnover days[1]	25	29	42

(1) Average trade payable turnover days for a year equals average trade payables divided by cost of sales for the year and then multiplied by 365. Average trade payables are calculated as trade payables as of the beginning of the year plus trade payables as of the end of the year, divided by two.

Our average trade payable turnover days indicate the average time we take to make payments to suppliers, which generally increased during the Track Record Period and within the typical credit terms granted to us. Our average trade payable turnover days remained relatively stable in 2021 and 2022. Our average trade payables turnover days increased from 29 in 2022 to 42 in 2023, primarily because our credit term extended from monthly payment to quarterly payment after we subcontracted some labor intensive services to subcontractors.

The following table sets forth an aging analysis of the trade payables as of the dates indicated, based on the invoice date:

	As of December 31,		
	2021	**2022**	**2023**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Within one year	40,617	45,060	107,315
Over one year	2,354	7,302	11,811
Total	42,971	52,362	119,126

As of April 30, 2024, RMB76.0 million, or 63.8% of our trade payables as of December 31, 2023 were subsequently settled.

Contract Liabilities

Our contract liabilities primarily consist of prepayments received for our property management and other services from our customers, while the services are yet to be provided. Our contract liabilities increased from RMB24.3 million as of December 31, 2021 to RMB25.9 million as of December 31, 2022, primarily due to the increase in the number of properties we managed and, as such, the increase in advance payment of property management fees received from customers. Our contract liabilities increased from RMB25.9 million as of December 31, 2022 to RMB39.0 million as of December 31, 2023, primarily due to the increase in the number of properties we managed and, as such, the increase in advance payment of property management fees received from customers.

As of April 30, 2024, RMB27.5 million, or 70.7% of our contract liabilities as of December 31, 2023 were subsequently confirmed as revenue.

Current Taxation

Our current taxation primarily consist of income tax payables. Our current taxation increased from RMB7.1 million as of December 31, 2021 to RMB12.9 million as of December 31, 2022, primarily due to the increase in our profit before tax resulting from our business expansion. Our current taxation decreased from RMB12.9 million as of December 31, 2022 to RMB4.2 million as of December 31, 2023, primarily because we paid the tax payables as of December 31, 2022 in year 2023. As a result, tax payables as of December 31, 2023 decreased.

CURRENT ASSETS AND CURRENT LIABILITIES

The following table sets out current assets and current liabilities as of the dates indicated:

	As of December 31,			As of April 30,
	2021	**2022**	**2023**	**2024**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)* *(unaudited)*
Current assets				
Inventories	1,188	1,316	840	740
Trade and other receivables	138,815	243,373	262,307	301,270
Prepayments	6,194	7,010	7,125	43,477
Cash at bank and on hand	249,240	207,870	258,478	177,394
Total current assets	395,437	459,569	528,750	522,881

	As of December 31,			As of April 30,
	2021	**2022**	**2023**	**2024**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)* *(unaudited)*
Current liabilities				
Interest-bearing borrowings	2,000	12,000	–	–
Trade and other payables	309,868	402,051	466,515	431,721
Contract liabilities	24,303	25,883	38,977	32,244
Lease liabilities	1,339	–	676	602
Current taxation	7,133	12,879	4,204	9,274
Total current liabilities	344,643	452,813	510,372	473,841
Net current assets	50,794	6,756	18,378	49,040

We recorded net current asset positions as of December 31, 2021, 2022 and 2023 and April 30, 2024.

Our net current assets decreased from RMB50.8 million as of December 31, 2021 to RMB6.8 million as of December 31, 2022, primarily attributable to (i) an increase in trade and other payables of RMB92.2 million. See "—Trade and Other Payables" for details; and (ii) a decrease in cash at bank and on hand of RMB41.4 million. See "—Cash and Cash Equivalents" for details, partially offset by an increase of RMB104.6 million in trade and other receivables. See "—Trade and Other Receivables" for details.

Our net current assets increased from RMB6.8 million as of December 31, 2022 to RMB18.4 million as of December 31, 2023, primarily due to (i) an increase in cash at bank and on hand of RMB50.6 million, (ii) an increase in trade and other receivables of RMB18.9 million primarily due to our business expansion and (iii) a decrease in interest-bearing borrowings of RMB12.0 million, partially offset by (i) an increase in trade and other payables of RMB64.5 million, and (ii) an increase in contract liabilities of RMB13.1 million. See "—Trade and Other Receivables" for details.

Our net current assets increased from RMB18.4 million as of December 31, 2023 to RMB49.0 million as of April 30, 2024, primarily attributable to (i) an increase in trade and other receivables of RMB39.0 million primarily due to our business expansion; (ii) an increase in prepayments of RMB36.4 million primarily due to our business expansion and listing expenses; and (iii) a decrease in trade and other payables of RMB34.8 million.

LIQUIDITY AND CAPITAL RESOURCES

Our principal use of cash has been for working capital purposes. Our main source of liquidity has been generated from cash flow from operations. In the foreseeable future, we expect cash flow from operations to continue to be our principal source of liquidity and we may use a portion of the proceeds from the Global Offering to finance some of our capital requirements.

Cash Flow

The following table sets forth selected cash flow data from our consolidated statements of cash flows for the years indicated:

	For the year ended December 31,		
	2021	**2022**	**2023**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Cash generated from/(used in) operations	68,725	(17,557)	182,285
Income tax paid	(8,498)	(7,206)	(21,701)
Net Cash generated from/(used in) operating activities	**60,227**	**(24,763)**	**160,584**
Net cash generated from/(used in) investing activities	9,890	(11,429)	(43,361)
Net cash used in financing activities	(50,332)	(9,516)	(62,670)
Net increase/(decrease) in cash and cash equivalents	**19,785**	**(45,708)**	**54,553**
Cash and cash equivalents as of the beginning of the year	228,800	248,585	202,877
Cash and cash equivalent as of end of the year	248,585	202,877	257,430

Net Cash generated from/(used in) Operating Activities

Our cash flows from operating activities primarily reflects (i) profit before income tax, (ii) the effects of movements in working capital and (iii) income tax paid.

In 2023, our net cash generated from operating activities was RMB160.6 million, consisting of cash generated from operations of RMB182.3 million and income tax paid of RMB21.7 million. Operating cash inflow before changes in working capital was RMB78.5 million, primarily attributable to (i) profit before tax of RMB63.2 million; and (ii) depreciation and amortization of RMB11.9 million, partially offset by interest income of RMB0.6 million. Changes in working capital was primarily due to an increase in trade and other payables of RMB97.4 million.

In 2022, our net cash used in operating activities was RMB24.8 million, consisting of cash used in operations of RMB17.6 million and income tax paid of RMB7.2 million. Operating cash inflow before changes in working capital was RMB63.0 million, primarily attributable to (i) profit before tax of RMB48.4 million; and (ii) depreciation and amortization of RMB10.0 million, partially offset by interest income of RMB1.4 million. Changes in working capital was primarily due to (i) an increase in trade and other receivables of RMB99.9 million due to the slow settlement of trade and other receivables from Independent Third Parties in the fourth quarter of 2022, resulting from the COVID-19 lock-down measures in Xi'an and (ii) an increase in restricted cash at bank of RMB4.3 million, partially offset by an increase in trade and other payables of RMB23.8 million.

In 2021, our net cash generated from operating activities was RMB60.2 million, consisting of cash generated from operations of RMB68.7 million, partially offset by income tax paid of RMB8.5 million. Operating cash inflow before changes in working capital was RMB48.6 million, primarily attributable to (i) profit before tax of RMB38.9 million; and (ii) depreciation and amortization of RMB8.5 million, partially offset by interest income of RMB1.4 million. Changes in working capital was primarily due to (i) an increase in trade and other payables of RMB66.2 million, and (ii) an increase in contract liabilities of RMB7.1 million, which is partially offset by an increase in trade and other receivables of RMB52.3 million.

Net Cash generated from/(used in) Investing Activities

During the Track Record Period, our cash used in investing activities mainly consists of purchase of items of plant and equipment and prepayment for acquisition of properties. Our cash from investing activities mainly consists of proceeds from repayments from related parties.

In 2023, our net cash used in investing activities was RMB43.4 million. The net cash outflow was primarily attributable to (i) payment of acquisition of properties as office buildings of RMB36.6 million, and (ii) payment for purchase of other plant and equipment of RMB14.7 million, partially offset by repayment from related parties of RMB7.5 million.

In 2022, our net cash used in investing activities was RMB11.4 million. The net cash outflow was primarily attributable to payment for the purchase of plant and equipment of RMB14.7 million, which is partiality offset by interest received of RMB1.4 million and repayment received from related parties of RMB1.0 million.

In 2021, our net cash generated from investing activities was RMB9.9 million. The net cash inflow was primarily attributable to (i) repayments from related parties of RMB32.5 million, and (ii) proceeds from financial instruments measured at FVPL of RMB7.8 million, partially offset by (i) payment for the purchase of other plant and equipment of RMB21.5 million, and (ii) advances to related parties of RMB10.5 million.

Net Cash used in Financing Activities

In 2023, our net cash used in financing activities was RMB62.7 million, primarily reflecting (i) acquisition of subsidiaries under common control of RMB37.8 million, (ii) listing expenses paid of RMB13.7 million, and (iii) repayments of interest-bearing borrowings of RMB12.0 million, partially offset by changes in ownership interests in a subsidiary that do not result in a loss of control of RMB1.0 million.

In 2022, our net cash used in financing activities was RMB9.5 million, primarily reflecting acquisition of subsidiaries under common control of RMB13.4 million, which is partially offset by issuance of new shares of RMB7.3 million.

In 2021, our net cash used in financing activities was RMB50.3 million, primarily reflecting (i) repayments of interest-bearing borrowings of RMB41.5 million, and (ii) payments to related parties of RMB9.3 million, partially offset by proceed from capital injection by a non-controlling equity holder of a subsidiary of the Group of RMB3.7 million.

WORKING CAPITAL

Our Directors are of the view that, after taking into account the financial resources available to us, including the estimated net proceeds of the Global Offering and our internally generated funds, we have sufficient working capital to satisfy our requirements for at least the next 12 months following the date of this prospectus.

INDEBTEDNESS

Our indebtedness consists of (i) interest-bearing borrowings; (ii) lease liabilities; and (iii) amounts due to related parties.

The following table sets out our indebtedness as of the dates indicated:

	As of December 31,			As of April 30,
	2021	**2022**	**2023**	**2024**
		(RMB'000)		
				(unaudited)
Interest-bearing borrowings	14,000	12,000	–	–
Lease liabilities	1,339	–	951	1,226
Amounts due to related parties	14,040	76,960	39,612	14,585
Total	29,379	88,960	40,563	15,811

Our Directors further confirm that, during the Track Record Period and up to the Latest Practicable Date, we did not experience any difficulty in obtaining interest-bearing or other borrowings. Nor did we experience any default in payment of interest-bearing or other borrowings or breach of any covenant of any interest-bearing or other borrowings during the Track Record Period and up to the Latest Practicable Date.

Borrowings

Interet-bearing Borrowings

As of December 31, 2021, 2022 and 2023 and April 30, 2024, our interest-bearing borrowings amounted to RMB14.0 million, RMB12.0 million, nil and nil, respectively. These interest-bearing borrowings are unsecured. See Note 19 to the Accountants' Report in Appendix I to this prospectus for more information.

Bank loans

As part of Kingfar Group's financing arrangement, we obtained bank loans with aggregate principal amount of RMB30.0 million in 2020 at the interest rate of 5.23% per annum and on-lent the same to Kingfar Group at the same interest rate. We repaid such bank loans and the related interest with the corresponding amount received from Kingfar Group. The bank loans and our on-lending transaction with Kingfar Group had been fully settled as of December 31, 2023. The following table sets forth the outstanding amount, interest income and finance costs of such bank loans as of the dates indicated:

	As of and/or for the year ended December 31,			As of and/or for the period ended April 30,
	2021	**2022**	**2023**	**2024**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)* *(unaudited)*
Bank loans for on-lending to Kingfar Group	8,500	7,500	–	–
Interest income	586	432	107	–
Finance costs	586	432	107	–

Our involvement in the aforementioned bank loans was in support of Kingfar Group's exploration of new means of financing by using our future rights to receive property management fees from certain properties under our management, and to provide liquidity support to Kingfar Group. We did not make any profit from them. The on-lending bank loan transaction also had no financial impact on our financial performance during the Track Record Period. As to the aforementioned bank loans, our Directors confirmed that we will not enter into any other similar arrangement going forward. As advised by our PRC Legal Advisors, any financing arrangements or lending transactions between non-financial institutions is prohibited by Article 61 of the General Lending Provisions issued by the PBOC. Notwithstanding the General Lending Provisions, pursuant to 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 annual interest rates charged does not exceed four times the one-year loan prime rate (LPR), are satisfied and there is no violation of mandatory provisions of laws and regulations.

As of the Latest Practicable Date, considering that (i) the on-lending bank loan transaction had been fully settled and terminated as of December 31, 2023 without any dispute with the relevant financial institutions; (ii) our Directors confirmed that we had not received from relevant governmental authorities any notice of claim or was subject to any administrative penalty relating to the on-lending bank loans to Kingfar Group; and (iii) based on the public searches conducted by our PRC Legal Advisor and as confirmed by our Directors, we had not been subject to any administrative penalty relating to the on-lending bank loans to Kingfar Group for violation of laws, regulations and rules on banking supervision and management, our PRC Legal Advisors are of the view that our interest-bearing loans to Kingfar Group did not constitute a material non-compliance of laws and regulation and would not have a material adverse impact on the Listing, and the risk that we would be subject to any administrative penalty with respect to such interest-bearing loans pursuant to the General Lending Provisions by the relevant regulatory authorities is remote.

Other borrowings

As of December 31, 2021, 2022 and 2023 and April 30, 2024, we had other borrowings, other than the bank loans above, amounted to RMB5.5 million, RMB4.5 million, nil and nil, respectively.

As of the Latest Practicable Date, we did not have unutilized financing facilities.

Contingent Liabilities and Commitments

As of December 31, 2021, 2022 and 2023 and April 30, 2024, we did not have any other outstanding guarantees or other material contingent liabilities.

Lease Liabilities

As of December 31, 2021, 2022 and 2023 and April 30, 2024, we recorded RMB1.3 million, nil, RMB1.0 million and RMB1.2 million lease liabilities arising from our leased properties, respectively. We had nil lease liabilities as of December 31, 2022 because prepaid rent for our leased properties so that there was no lease liabilities outstanding as of December 31, 2022.

Amounts Due to Related Parties

As of December 31, 2021, 2022 and 2023 and April 30, 2024, we recorded RMB14.0 million, RMB77.0 million, RMB39.6 million and RMB14.6 million amounts due to related parties, respectively. Please refer to "—Trade and Other Payables" for details.

Except as intra-group liabilities, we did not have any outstanding loan capital, debt securities, debentures, bank overdrafts, liabilities under acceptances or acceptance credits or hire purchase commitments guarantees or other material contingent liabilities or any covenant in connection therewith as April 30, 2024, being the most recent practicable date for the purpose of the indebtedness statement. As of the same date, we had not guaranteed the indebtedness of any Independent Third Parties. Our Directors confirm that there has been no material change in our indebtedness, capital commitments and contingent liabilities since December 31, 2023 and up to the date of this prospectus.

CAPITAL EXPENDITURES

Our capital expenditures represent addition of property, plant and equipment and intangible assets. Our total capital expenditures were RMB21.5 million, RMB14.7 million and RMB51.3 million in 2021, 2022 and 2023, respectively. Our principal sources of funds for the capital expenditures for the three years ended December 31, 2021, 2022 and 2023 are our cash generated from operating activities.

For the year ending December 31, 2024, our estimated total capital expenditures are RMB12.3 million, attributable to our purchase of new energy vehicles and further development our smart property management systems.

Our actual capital expenditures may differ from the amounts set forth above due to various factors, including our future cash flows, results of operations and financial condition, economic conditions in the PRC, the availability of financing on terms acceptable to us, technical or other problems in obtaining or installing equipment, changes in the regulatory environment in the PRC and other factors.

CAPITAL COMMITMENTS

During the Track Record Period and up to April 30, 2024, we did not have any material capital commitments.

OFF-BALANCE SHEET ARRANGEMENTS

We had no material off-balance sheet arrangements as of December 31, 2023, being the date of our most recent financial statement, and as of the Latest Practicable Date.

KEY FINANCIAL RATIOS

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

	As of and/or for the year ended December 31,		
	2021	2022	2023
Return on equity(1) (%)	31.0	53.9	41.8
Return on total assets(2) (%)	6.6	6.9	7.9
Current ratio(3) *(times)*	1.1	1.0	1.0
Gearing ratio(4) (%)	13.9	17.3	–(5)
Quick ratio(6) *(times)*	1.1	1.0	1.0
Interest coverage ratio(7) *(times)*	14.4	28.6	43.2
Gross profit margin(8) (%)	14.5	14.3	13.7
Net profit margin(9) (%)	5.2	5.3	5.9

(1) Return on equity is calculated based on profit for the year divided by total equity as of the end of that year and multiplied by 100% and arithmetically annualizing the result.

(2) Return on total assets is calculated based on profit for the year divided by total assets as of the end of that year and multiplied by 100% and arithmetically annualizing the result.

(3) Current ratio is calculated based on current assets divided by current liabilities as of the respective date.

(4) Gearing ratio is calculated based on the sum of interest-bearing borrowings as of the respective dates divided by total equity as of the same dates and multiplied by 100%.

(5) We did not have any interest-bearing borrowing as of the date indicated, such that the gearing ratio is not applicable.

(6) Quick ratio is calculated based on current assets less inventories and then divided by current liabilities as of the respective date.

(7) Interest coverage ratio is calculated based on profit before taxation and finance costs and then divided by finance costs.

(8) Gross profit margin is calculated based on gross profit divided by revenue and multiplied by 100%.

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

Return on Equity

Our return on equity increased significantly from 31.0% in 2021 to 53.9% in 2022, primarily due to the increase in our profit for the year and the decrease in our total equity as a result of the business combination under common control of Kingfar City Service. Our return on equity then decreased slightly to 41.8% in 2023, primarily due to the increase in total equity from RMB69.4 million as of December 31, 2022 to RMB122.0 million as of December 31, 2023.

Return on Total Assets

Our return on total assets increased slightly from 6.6% in 2021 to 6.9% in 2022, primarily due to the increase in our profit for the year. Our return on total assets increased from 6.9% in 2022 to 7.9% in 2023, primarily due to the increase in our profit for the year.

Current Ratio

Our current ratio remained relevantly stable at 1.1, 1.0 and 1.0 as of December 31, 2021, 2022 and 2023, respectively.

Gearing Ratio

Our gearing ratio increased from 13.9% as of December 31, 2021 to 17.3% as of December 31, 2022, primarily due to the decrease in our total equity. Our gearing ratio decreased from 17.3% as of December 31, 2022 to nil as of December 31, 2023, primarily because we repaid our bank borrowings in March and April 2023.

Quick Ratio

Our quick ratio remained relatively stable at 1.1, 1.0 and 1.0 as of December 31, 2021, 2022 and 2023.

Interest Coverage Ratio

Our interest coverage ratio increased from 14.4 in 2021 to 28.6 in 2022, primarily due to (i) an increase in our net profit by 20.2% from RMB31.2 million in 2021 to RMB37.4 million in 2022; and (ii) a decrease in our finance costs by 39.3% from RMB2.9 million in 2021 to RMB1.8 million in 2022. Our interest coverage ratio increased from 28.6 in 2022 to 43.2 in 2023, primarily due to (i) the increase in our net profit by 36.3% from RMB37.4 million in 2022 to RMB51.0 million in 2023; and (ii) the decrease in our finance costs by 14.8% from RMB1.8 million in 2022 to RMB1.5 million in 2023.

Gross Profit Margin

We recorded a gross profit margin of 14.5%, 14.3% and 13.7% in 2021, 2022 and 2023, respectively. See "Description of Certain Consolidated Statements of Profit or Loss and Other Comprehensive Income Items—Gross Profit and Gross Profit Margin" for details.

Net Profit Margin

We recorded a net profit margin of 5.2%, 5.3% and 5.9% in 2021, 2022 and 2023, respectively. Our net profit margin remained stable in 2021 and 2022. Our net profit margin increased slightly to 5.9% in 2023 primarily due to an increase in our revenue resulting from our business expansion.

MARKET RISKS

We are exposed to a variety of market risks, including interest rate risk, credit risk and liquidity risk, as set out below. We manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner. As of the Latest Practicable Date, we did not hedge or consider necessary to hedge any of these risks. See Note 26 to the Accountants' Report in Appendix I to this prospectus for more information.

Interest Rate Risk

Our exposure to risk for changes in market interest rates relates primarily to our interest-bearing borrowings. We do not use derivative financial instruments to hedge interest rate risk.

Credit Risk

We are exposed to credit risk in relation to our trade and other receivables, borrowings, interest receivables due from related parties and cash and cash equivalents. The carrying amounts of our trade and other receivables, borrowings, interest receivables due from related parties and cash and cash equivalents represent our maximum exposure to credit risk in relation to financial assets.

In respect of amounts due from related parties for non-trade nature, deposits and other receivables, we have assessed that the expected credit loss rate for these receivables is immaterial under 12 months expected losses method based on historical settlement records and forward-looking information. Thus, our exposure to credit risk arising from these receivables is calculated using an expected loss rate of 0.5% during the Track Record Period.

In respect of trade receivables from third parties and related parties, we measure loss allowances at an amount equal to lifetime ECLs based on historical settlement records and forward-looking information. We have a large number of customers and there was no concentration of credit risk. In addition, we have monitoring procedures to ensure that follow-up action is taken to recover overdue debts. We consider that a default event occurs when there is significant decrease in services fee collection rate and estimate the expected credit loss rate for the Track Records Period. Normally, we do not obtain collateral from customers.

For cash and cash equivalents, we expect that there is no significant credit risk since they are substantially deposited at state-owned banks or other medium-to-large sized banks. We do not expect that there will be any significant losses from non-performance by those counterparties.

Liquidity Risk

We aim to maintain a balance between continuity of funding and flexibility through the use of interest-bearing borrowings. Cash flows are closely monitored on an ongoing basis.

The following table sets forth the maturity profile of our financial liabilities as of December 31, 2021, 2022 and 2023 based on the contractual undiscounted payments:

	Less than one year	**Between one and two years**	**Between two and five years**	**Over five years**	**Total**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Financial Liabilities					
As of December 31, 2021					
Interest-bearing borrowings	2,104	12,209	–	–	14,313
Trade and other payables	302,741	–	–	–	302,741
Lease liabilities	1,385	–	–	–	1,385
	306,230	12,209	–	–	318,439

	Less than one year	Between one and two years	Between two and five years	Over five years	Total
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Financial Liabilities					
As of December 31, 2022					
Interest-bearing borrowings	12,209	–	–	–	12,209
Trade and other payables	396,911	–	–	–	396,911
	409,120	–	–	–	409,120
Financial Liabilities					
As of December 31, 2023					
Trade and other payable	460,130	–	–	–	460,130
Lease liabilities	702	282	–	–	984
	460,832	282	–	–	461,114

RELATED PARTY TRANSACTION

Significant Related Party Transaction

During the Track Record Period, we had the following significant transactions with related parties:

Provision of Services

In 2021, 2022 and 2023, we recorded revenue from provision of city services, residential property management services and commercial property management services to Kingfar Holdings Group in the amount of RMB45.7 million, RMB52.9 million and RMB54.0 million, respectively.

Purchase of services

In 2021, 2022 and 2023, we recorded purchase of services in the amount of RMB4.4 million, RMB5.4 million and RMB14.8 million. Our purchase of services from related parties primarily represents property leasing, and purchase of greening and other services from Kingfar Holdings Group.

Advances to Related Parties

In 2021, 2022 and 2023, we recorded advances to Kingfar Holdings Group in the amount of RMB10.5 million, nil and nil, respectively. We settled all advances to related parties in 2021.

Repayments from Related Parties

In 2021, 2022 and 2023, we recorded repayments from Kingfar Holdings Group in the amount of RMB32.5 million, RMB1.0 million and RMB7.5 million, respectively.

Receipts on behalf of Related Parties

Receipts on behalf of related parties primarily represent receipt of utilities payments from property owners, residents or other occupants on behalf of related parties. In 2021, 2022 and 2023, we recorded receipts on behalf of related parties in the amount of RMB13.1 million, nil and RMB0.5 million, respectively.

Balances with Related Parties

The table below sets forth the balances with related parties as of the dates indicated:

	As of December 31,		
	2021	**2022**	**2023**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Trade related			
Trade receivables	34,981	44,533	22,938
Prepayments	29	66	52
Trade payables	2,386	5,072	6,475
Contract liabilities	71	140	109
Lease liabilities	–	–	951
Non-trade related			
Other receivables	8,500	7,500	–
Other payables	14,040	76,960	39,612
Guarantees provided by related parties	14,000	12,000	–
Prepayments for acquisition of properties	–	–	36,611
	74,007	146,271	106,748

As of December 31, 2021, 2022 and 2023, we had balance from related parties that were non-trade in nature. In particular, other receivables represented the balance of the amount due from the immediate parent of us, which bear an interest rate of 5.23%, and the maturity date was May 5, 2023. The other receivables balance of RMB7.5 million had been fully settled in 2023. As of April 30, 2024, we had settled RMB25.0 million other payables that are non-trade in nature.

On January 18, 2023, we entered into an acquisition agreement with a related party, namely Xi'an Financial Center Construction and Development Co., Ltd., to purchase commercial properties at an aggregate consideration of RMB36.6 million. We intended to use such commercial properties as offices to accommodate our business expansion. We have prepaid all consideration in 2023. The acquisition is expected to be consummated in June 2024.

Our Directors confirm that the related party transactions were conducted on normal commercial terms at arm's length and were fair and reasonable as a whole. Our Directors confirm that all other related party balances which are non-trade in nature, including our amount due to related parties, and did not occur in our ordinary course of business will be settled before Listing.

DIVIDEND POLICY

During the Track Record Period, we did not declare or distribute dividend. Holders of our Shares will be entitled to receive such dividends pro rata according to the amounts paid up or credited as paid up on the shares, subject to the resolution of the shareholder meeting. As of the Latest Practicable Date, we did not set any pre-determined dividend payout ratio after the Listing. The payment and amounts of dividends (if any) depend on our results of operations, cash flows, financial position, statutory and regulatory restrictions on the dividend paid by us, future prospects and other factors which we consider relevant. The declaration, payment and amount of dividends will be subject to our discretion. The proposed payment of dividends is also subject to the absolute discretion of our Board, and, after the Listing, any declaration of final dividend for the year will be subject to the approval of our Shareholders.

DISTRIBUTABLE RESERVES

As of December 31, 2023, our Group had retained profits of RMB59.9 million, as reserves available for distribution to our equity shareholders.

DISCLOSURE PURSUANT TO RULES 13.13 TO 13.19 OF THE LISTING RULES

Except as otherwise disclosed in this prospectus, we confirm that, as of the Latest Practicable Date, we were not aware of any circumstances that would give rise to a disclosure requirement under Rules 13.13 to Rules 13.19 of the Listing Rules.

LISTING EXPENSES

The total amount of Listing expenses that will be borne by us in connection with the Global Offering, including underwriting commissions, is estimated to be HK$34.9 million (RMB31.8 million), which includes but not limited to underwriting commissions and underwriting related expenses of approximately HK$3.5 million (RMB3.2 million), and non-underwriting related expenses of approximately HK$31.4 million (RMB28.6 million) which consist of fees and expenses of legal advisors and Reporting Accountants of approximately HK$20.2 million (RMB18.4 million) and other fees and expenses of approximately HK$11.2 million (RMB10.2 million), representing approximately 24.9% of the gross proceeds received by our Company from the Global Offering (based on the mid-point of the indicative Offer Price range), of which HK$34.4 million (RMB31.3 million) will be directly attributable to the issue of our Shares, which is expected to be accounted for as a deduction from equity upon completion of the Listing. The remaining fees and expenses of HK$0.5 million (RMB0.5 million) are expected to be charged to our profit or loss and other comprehensive income after the Track Record Period. The professional fees and other expenses if any related to the preparation of Listing are currently in estimates for reference only and the actual amount to be recognized is subject to adjustment based on audit and the then changes in variables and assumptions. Our Directors do not expect that our Listing Expenses will have a material adverse impact on our financial performance for the year ending December 31, 2024.

PROPERTY INTERESTS AND PROPERTY VALUATION

As at the Latest Practicable Date, we owned one investment property that we leased out to a third-party tenant. Pursuant to Rules 5.01A and 5.01B of the Listing Rules, if the carrying amount (as defined in Rule 5.01(1) of the Listing Rules) of a property interest (as defined in Rule 5.01(3) of the Listing Rules) that forms part of an applicant's property activities is or is above 1% of the applicant's total asset, the prospectus must include the full text of a valuation report for such property interest. As of December 31, 2023, being the date of which the most recent audited consolidated statements of the financial position of our Group, the carrying amount of our investment property exceeds 1% of our total assets. APAC Asset Valuation and Consulting Limited ("APAC"), an independent property valuer, valued our investment property based on certain assumptions. In valuing the property held by us for investment in the PRC, APAC has made reference to the comparable sales evidences as available on the relevant markets and, where appropriate, valued the investment property on the basis of capitalization of the rental incomes as shown on the leasing agreements of the Company.

APAC has valued our investment property as of April 30, 2024 and is of the opinion that the market value of the property in which we had an interest as of such date was RMB11.0 million. The full text of the letter and summary disclosure of property valuation with regard to our basement carparks are set out in "Appendix III – Valuation Report" to this prospectus. The following table shows the reconciliation of the aggregate amount reflected in the historical financial information as of December 31, 2023 as disclosed in the Accountants' Report included in Appendix I to this prospectus, with the valuation of the investment property as of April 30, 2024 disclosed in "Appendix III—Valuation Report" to this prospectus:

	(RMB'000)
Net book value of the investment property of the Group as of December 31, 2023	9,928
Movement for the period from December 31, 2023 to April 30, 2024	(117)
Net book value of the investment property of the Group as of April 30, 2024	9,811
Valuation surplus as of April 30, 2024	1,189
Valuation as of April 30, 2024 as set out in Appendix III to this prospectus	11,000

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

See Appendix II to this prospectus 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 Global Offering on the net tangible assets of our Group attributable to the equity holders of our Company as of December 31, 2023 as if the Global Offering had taken place on December 31, 2023.

DIRECTORS' CONFIRMATION ON NO MATERIAL AND ADVERSE CHANGE

Our Directors confirm that, up to the date of this prospectus, there has been no material and adverse change in our financial and trading position or prospects since December 31, 2023, and there is no event since December 31, 2023 that would materially affect the information shown in the Accountants' Report, the text of which is set forth in Appendix I to this prospectus.

FUTURE PLANS AND USE OF PROCEEDS

See "Business—Our Business Strategies" for a detailed description of our future plans.

USE OF PROCEEDS

We estimate that we will receive net proceeds of approximately HK$105.1 million from the Global Offering, after deducting the underwriting commissions and other estimated expenses payable by us in connection with the Global Offering, assuming that the Over-allotment Option is not exercised and assuming an Offer Price of HK$8.4 per Share (being the mid-point of the indicative Offer Price range set forth on the cover page of this prospectus). We intend to use such net proceeds from the Global Offering for the purposes and in the amounts set forth below:

Categories	% of Total Net Proceeds	Amount	Specific Plans	Timeframe 2024	2025	2026
		(HK$ in millions)		*(HK$ in millions)*		
Selective acquisitions of other property management companies	53.8%	56.5	We plan to acquire property management companies that focus on providing city services and property management services to public, residential and commercial properties, such as schools, hospitals, government buildings, commercial complexes and industrial parks. See "—Plans for Selective Acquisitions" for detailed discussion.	We plan to complete the acquisitions by December 31, 2026		
Purchase of new energy vehicles	20.6%	21.7	We plan to replace the gasoline vehicles, such as street cleaning vehicles, garbage trucks, sprinkler vehicles and patrol vehicles, that we used for our provision of city services with new energy vehicles to reduce our fuel costs. We plan to purchase 25 new energy street cleaning vehicles, 21 new energy garbage trucks, three new energy sprinkler vehicles and four new energy patrol vehicles.	7.5	7.0	7.2
Further develop our smart property management systems	10.5%	11.0	We plan to: (i) Develop a comprehensive management system with building information modeling (BIM) as the core to improve operation efficiency of our equipment and facilities with IoT capacities;	6.0	2.8	2.2

Categories	% of Total Net Proceeds	Amount	Specific Plans	Timeframe 2024	2025	2026
		(HK$ in millions)		*(HK$ in millions)*		
			(ii) Utilize robots, such as those capable of vacuuming, mopping and patrolling, to reduce our reliance on manual labor and improve our efficiency; (iii) (a) Connect databases of our information systems to facilitate data analysis, forecasting and reporting; and (b) upgrade our data monitoring system, which can display consolidated data in dashboard format, will enable us to monitor the basic information of the residential communities under our management, such as customer feedbacks and facilities' operating status; (iv) Improve (a) the customer feedback module of our Kingfar Select WeChat mini program to enable more convenient customer feedback; and (b) our back-end system to display historical data and achieve full-cycle management of customer feedbacks; and (v) Improve the efficiency of our customer services by various upgrades of our call center, such as connecting the databases of our customer service hot-line and customer relationship management (CRM) system to enable the automatic identification of residents' phone numbers, and utilizing artificial intelligence to answer certain simple and straightforward questions from residents, and setting up automatic call assignment program to enhance utilization of the customer service staff available and reduce the waiting time of our customer service hot-line.			

Categories	% of Total Net Proceeds	Amount	Specific Plans	Timeframe 2024	2025	2026
		(HK$ in millions)		*(HK$ in millions)*		
Improve our human resource management	5.1%	5.4	We plan to: (i) Explore diversified talent recruitment channels, such as recruitment websites and mobile apps; and (ii) Expand our recruitment of managerial talents with industry experience and execution capabilities, experts with specialized skillsets, such as professional electricians and repairmen, and other talent suitable for certain positions.	1.8	1.8	1.8
Working capital	10.0%	10.5	We expect to have increasing needs for working capital as a result of our expected organic growth and service diversification.	N/A	N/A	N/A

We, together with each of our Controlling Shareholders, have undertaken that we will not use the net proceeds from the Global Offering for real estate development, whether directly or indirectly, and we will not use such net proceeds in projects that violate the requirements relating to the management of fixed asset investment in any form.

To the extent that the net proceeds are not immediately applied to the above purposes and to the extent permitted by the relevant laws and regulations, we will place the net proceeds from the Global Offering in short-term interest-bearing accounts at licensed commercial banks and/or other authorized financial institutions (as defined under the Securities and Futures Ordinance or the applicable laws and regulations in the PRC) in Hong Kong or the PRC. In the event that the net proceeds we receive from the Global Offering are less than the capital expenditure needed, we intend to use our internal funds.

Plans for Selective Acquisitions

Our selection criteria for potential target companies include but are not limited to those that (i) are located in Northwest China, including Shaanxi and Xinjiang; (ii) have a GFA under management of over 1 million sq.m.; (iii) have an annual revenue of over RMB20 million or an annual net profit after tax of over RMB2 million in the latest financial year; (iv) comply with relevant laws and regulations; and (v) have a diversified portfolio of managed properties. As of the Latest Practicable Date, we had not identified any acquisition or investment targets, and had not entered into any definitive agreement for the acquisition of any company.

According to CIA, as of December 31, 2023, there were over 100 property management companies in the market that met our criteria. As such, our Directors are of the opinion that there is a sufficient number of suitable target companies available in the market for our expansion plan. The criteria are subject to adjustment based on changes in the market conditions and our strategic needs. However, there is no guarantee that we will be able to acquire or invest in the targets that we desire. See "Risk Factors—Risks Relating to Our Business and Industry – Our future acquisitions may not be successful and we may face difficulties in integrating acquired operations with our existing operation."

Based on our selection criteria above, we plan to complete the acquisitions of one to two property management companies by December 31, 2026. In particular, we plan to (i) conduct market research with a focus on potential target companies in Shaanxi Province in 2024; (ii) initiate discussions with target companies, conduct business and legal due diligence on target companies and engage in negotiations regarding transaction frameworks with target companies in 2025; and (iii) finalize transaction frameworks, including considerations, and enter into acquisition agreements with target companies in 2026.

Our corporate strategy department will support the expansion of our external business development scope through selective acquisitions by (i) conducting preliminary researches on the sizes, geographic coverage, business operations, indebtedness, financial condition, and legal compliance statuses of potential acquisition and cooperation targets; and (ii) completing the bidding, contract negotiation and signing, and subsequent ramp-up processes.

If the Over-allotment Option is exercised in full, we estimate that the additional net proceeds from the offering of these additional Shares will be approximately HK$20.5 million, after deducting the underwriting commissions and other estimated expenses payable by us in connection with the Global Offering, assuming an Offer Price of HK$8.4 per Share, being the mid-point of the indicative Offer Price range. We intend to apply such additional net proceeds to the purposes stated above in the same proportions.

If the Offer Price is determined at HK$9.30 per Offer Share, being the high end of the indicative Offer Price range stated in this prospectus, we will receive additional net proceeds of approximately HK$11.5 million. If the Offer Price is fixed at HK$7.50 per Offer Share, being the low end of the indicative Offer Price range stated in this prospectus, the net proceeds we receive will be reduced by approximately HK$11.5 million. If the Offer Price is set above the mid-point of the indicative Offer Price range, we intend to apply the additional amounts to the purposes stated above in the same proportions. If the Offer Price is set below the mid-point of the indicative Offer Price range, we intend to reduce the amounts allocated to reduce the allocation of the net proceeds to the purposes stated above on a pro rata basis.

We will make a formal announcement in the event that there is any change in our use of net proceeds from the purposes stated above or in our allocation of the net proceeds in the proportions stated above.

HONG KONG UNDERWRITERS

CEB International Capital Corporation Limited

CMB International Capital Limited

CCB International Capital Limited

ABCI Securities Company Limited

ICBC International Securities Limited

CMBC Securities Company Limited

Shanxi Securities International Limited

China Everbright Securities (HK) Limited

Zhongtai International Securities Limited

China Galaxy International Securities (Hong Kong) Co., Limited

Cinda International Capital Limited

Tiger Brokers (HK) Global Limited

Futu Securities International (Hong Kong) Limited

Livermore Holdings Limited

Aristo Securities Limited

Patrons Securities Limited

Sunhigh Financial Holdings Limited

Ruibang Securities Limited

Hong Kong Underwriting Agreement

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters on a conditional basis. The International Offering is expected to be fully underwritten by the International Underwriters.

The Global Offering comprises the Hong Kong Public Offering of initially 1,666,800 Hong Kong Offer Shares and the International Offering of initially 15,000,000 International Offer Shares, subject, in each case, to reallocation on the basis as described in the section headed "Structure of the Global Offering" as well as to the Over-allotment Option (in the case of the International Offering).

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, our Company is offering initially 1,666,800 Hong Kong Offer Shares (subject to reallocation) for subscription by the public in Hong Kong on and subject to the terms and conditions of this prospectus at the Office Price.

Subject to (a) the Stock Exchange granting listing of, and permission to deal in, the H Shares to be offered pursuant to the Global Offering (including any additional H Shares which may be issued pursuant to the exercise of the Over-allotment Option) and (b) certain other conditions set out in the Hong Kong Underwriting Agreement (including but not limited to the Offer Price being agreed upon between our Company and the Joint Overall Coordinators (for themselves and on behalf of the Underwriters)), the Hong Kong Underwriters have agreed severally and not jointly to subscribe or procure subscribers for their respective applicable proportions of the Hong Kong Offer Shares now being offered which are not taken up under the Hong Kong Public Offering on and subject to the terms and conditions of this prospectus and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional upon and subject to, among other things, the International Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms.

Grounds for Termination

CEB International Capital Corporation Limited may in itself sole and absolute discretion, for itself and on behalf of the Hong Kong Underwriters, upon giving notice in writing to our Company, terminate the Hong Kong Underwriting Agreement with immediate effect if any of the following events occurs at or prior to 8:00 a.m. on the Listing Date:

(A) there has come to the notice of CEB International Capital Corporation Limited and/or any of the Hong Kong Underwriters:

(i) that any statement contained in any Offer Documents (as defined in the Hong Kong Underwriting Agreement) and/or any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of or Company in connection with the Global Offering (including any supplement or amendments thereto) (collectively, the "**Relevant Documents**") was, when it was issued, or has become, untrue, incorrect, or misleading or deceptive in any material respect or that any forecast, expression of opinion, intention or expectation expressed in any of the Relevant Documents is not, in the sole and absolute opinion of CEB International Capital Corporation Limited (for itself and on behalf of the Underwriters), fair and honest and based on reasonable assumptions, when taken as a whole; or

(ii) that any matter has arisen or has been discovered which would or might, had it arisen or been discovered immediately before the respective dates of the publication of the Relevant Documents, constitute a material omission therefrom; or

(iii) any breach on the part of the Warrantors (as defined in the Hong Kong Underwriting Agreement) of any of the obligations under the Hong Kong Underwriting Agreement or the International Underwriting Agreement which has or may have or will have a Material Adverse Effect (as defined in the Hong Kong Underwriting Agreement) on the Global Offering; or

(iv) any breach of, or any matter or event rendering untrue, incorrect, inaccurate or misleading in any material respect, any of the Warranties (as defined in the Hong Kong Underwriting Agreement); or

(v) any event that has or may have or will have a Material Adverse Effect on or Company or the Global Offering; or

(vi) the approval by the Listing Committee of the Stock Exchange of the listing of, and permission to deal in, the H Shares (including any additional H Shares that may be issued upon the exercise of the Over-allotment Option) is refused or not granted, or is qualified (other than subject to customary conditions), on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or

(vii) our Company withdraws any of the Relevant Documents or the Global Offering; or

(viii) any expert (other than the Sole Sponsor) specified in this prospectus has withdrawn or sought to withdraw its consent to being named in any of the Offer Documents or to the issue of any of the Offer Documents; or

(ix) a material portion of the orders placed or confirmed in the book-building process, at the time the International Underwriting Agreement is entered into have been withdrawn, terminated or cancelled, and the Joint Overall Coordinators, in their sole and absolute discretion, concludes that it is therefore inadvisable or inexpedient or impracticable to proceed with the Global Offering; or

(B) there shall develop, occur, exist or come into effect:

(i) any local, national, regional, international event or circumstance, or series of events or circumstances in the nature of force majeure (including, without limitation, any acts of government or orders of any courts, strikes, calamity, crisis, lock-outs, fire, explosion, flooding, civil commotion, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God, acts of terrorism, declaration of a local, regional, national or international emergency, riot, public disorder, political change, economic sanctions, withdrawal of trading privileges, state of emergency, outbreaks, escalation, adverse mutation or aggravation of diseases (including, without limitation, contagious coronavirus (COVID-19), Severe Acute Respiratory Syndrome (SARS), Middle East Respiratory Syndrome (MERS), swine or avian influenza, H5N1, H1N1, H7N9, Ebola virus and such related or mutated forms, but excluding such diseases subsisting as of the date of the date of the Hong Kong Underwriting Agreement which have not materially escalated thereafter), pandemics or epidemics or interruption or delay in transportation) in or affecting any of the US, the United Kingdom, the European Union, Hong Kong, the PRC, or any other jurisdictions relevant to any member of our Group or the Global Offering (collectively, the "**Specific Jurisdictions**");

(ii) any change or development involving a prospective change, or any event or circumstance or series of events or circumstances likely to result in any change or development involving a prospective change, in any local, regional, national, international, financial, economic, political, military, industrial, fiscal, legal regulatory, currency, credit or market conditions (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets) in or affecting any Specific Jurisdictions; or

(iii) the imposition after the date of the Hong Kong Underwriting Agreement of any moratorium, suspension or restriction on trading in securities generally on the Stock Exchange, the New York Stock Exchange, the London Stock Exchange, the NASDAQ Global Market, the Shanghai Stock Exchange and the Shenzhen Stock Exchange; or

(iv) any new Laws (as defined in the Hong Kong Underwriting Agreement), or any change or development involving a prospective change in existing Laws, or any event or circumstance or series of events or circumstances likely to result in any change or development involving a prospective change in the interpretation or application of existing Laws by any court or other competent authority, in each case, in or affecting any Specific Jurisdictions; or

(v) the imposition after the date of the Hong Kong Underwriting Agreement of any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or other competent Authority), New York (imposed at Federal or New York State level or other competent Authority), London, the PRC, the European Union, or any of the Specific Jurisdictions, or any disruption in commercial banking activities, foreign exchange trading or securities settlement or clearance services or procedures or matters, in or affecting any of the Specific Jurisdictions; or

(vi) the imposition of economic sanctions, in whatever form, other than those publicly proposed on or prior to the date of the Hong Kong Underwriting Agreement, directly or indirectly, by or for any of the Specific Jurisdictions; or

(vii) a change or development involving a prospective change in or affecting taxation or exchange control (or the implementation of any exchange control), currency exchange rates or foreign investment Laws (including, without limitation, a material devaluation in the exchange rate of the Hong Kong dollar or the Renminbi against any foreign currency) in or affecting any of the Specific Jurisdictions; or

(viii) any material litigation or claim of any third party or investigations or actions being announced, threatened or instigated against our Company or any members of the Group; or

(ix) the chairman of our Company or any executive Director being charged with an indictable offence or prohibited by operation of Law or otherwise disqualified from taking part in the management of a company; or

(x) the chairman of our Company or any executive Director vacating his office; or

(xi) a Governmental Authority (as defined in the Hong Kong Underwriting Agreement) or a political body or organization in any Specific Jurisdictions commencing any investigation or other action, or announcing an intention to investigate or take other action, against any member of the Group or any executive Director;

(xii) the commencement by any governmental or regulatory body or organisation or self-regulatory organisation of any action against any executive Director in his capacity as such or an announcement by any governmental, regulatory body or organisation that it intends to take any such action; or

(xiii) save as disclosed in this prospectus, a contravention by any member of the Group of the Listing Rules or any other Laws applicable to the Global Offering;

(xiv) a prohibition on our Company for whatever reason from allotting, issuing or selling the Offer Shares and/or the any H Shares may be issued pursuant to the exercise of the Over-allotment Option pursuant to the terms of the Global Offering; or

(xv) non-compliance of the prospectus and the other Relevant Documents or any aspect of the Global Offering with the Listing Rules or any other Laws applicable to the Global Offering by our Company; or

(xvi) except with the prior written consent of the Sole Sponsor and the Joint Overall Coordinators, the issue or requirement to issue by our Company of a supplement or amendment to the prospectus and/or any other documents in connection with the Global Offering pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Listing Rules or any requirement or request of the Stock Exchange, the CSRC and/or SFC; or

(xvii) that a petition or an order is presented for the winding-up or liquidation of any member of the Group or any member of the Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of the Group or a provisional liquidator, receiver or manager is appointed to take over all or part of the assets or undertaking of any member of the Group or anything analogous thereto occurs in respect of any member of the Group; or

(xviii) a valid demand by any creditor for repayment or payment of any indebtedness of any member of the Group or in respect of which any member of the Group is liable prior to its stated maturity,

which in each case individually or in aggregate in the sole and absolute opinion of CEB International Capital Corporation Limited (for itself and on behalf of the Hong Kong Underwriters):

(a) has or is or will have or is likely to have a Material Adverse Effect; or

(b) has or will have or is likely to have a Material Adverse Effect on the success, marketability or pricing of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Offering; or

(c) makes or will make or is likely to make it inadvisable, inexpedient or impracticable for any part of the Hong Kong Underwriting Agreement or the Global Offering to proceed or to market the Global Offering; or

(d) has or will have or is likely to have the material adverse effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or which prevents or delays the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof.

Undertakings to the Stock Exchange pursuant to the Listing Rules

Undertakings by our Company

Pursuant to Rule 10.08 of the Listing Rules, our Company has undertaken to the Stock Exchange that, no further Shares or securities convertible into equity securities of our Company (whether or not of a class already listed) may be issued or sold or transferred out of treasury or form the subject of any agreement to such an issue, or sale or transfer out of treasury within six months from the Listing Date (whether or not such issue of Shares or securities, or sale or transfer of treasury shares will be completed within six months from the Listing Date) except pursuant to the Global Offering (including the Over-allotment Option) or under any of the circumstances provided under Rule 10.08 of the Listing Rules.

Undertakings by our Controlling Shareholders

Under Rule 10.07(1) of the Listing Rules, each of our Controlling Shareholders has undertaken to us and to the Stock Exchange that it shall not, and shall procure that the relevant registered holder(s) will not:

(a) in the period commencing on the date of the prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares or securities of our Company in respect of which it is shown in this prospectus to be the beneficial owners; or

(b) in the period of six months commencing on the date on which the period referred to in paragraph (a) above expires, dispose of, nor enter into any agreement to dispose of, or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares or securities referred to in paragraph (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it would then cease to be a group of controlling shareholders (as defined in the Listing Rules) of our Company.

In accordance with Note 3 to Rule 10.07(2) of the Listing Rules, each of our Controlling Shareholders has also undertaken to us and the Stock Exchange that, within the period commencing on the date by reference to which disclosure of its/his/her shareholding in our Company is made in this prospectus and ending on the date which is 12 months from the Listing Date, it will:

(1) when it pledges or charges any securities of our Company beneficially owned by it in favor of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the laws of Hong Kong)) pursuant to Note 2 to Rule 10.07(2) of the Listing Rules, immediately inform our Company of such pledge or charge together with the number of securities so pledged or charged; and

(2) when it receives indications, either verbal or written, from any pledgee or chargee of any Shares that any of the pledged or charged Shares will be disposed of, immediately inform our Company of such indications.

Under Note 3 to Rule 10.07 (2) of the Listing Rules, our Company is required to inform the Stock Exchange as soon as practicable after we have been informed of the matters referred to in (1) or (2) above by any of our Controlling Shareholders and disclose such matters by way of an announcement in compliance with the Listing Rules.

Undertakings pursuant to the Hong Kong Underwriting Agreement

Undertakings by our Company

Pursuant to the Hong Kong Underwriting Agreement, our Company has undertaken to each of the Sole Sponsor, the Joint Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Capital Market Intermediaries and the Hong Kong Underwriters that except pursuant to the Global Offering (including pursuant to the Over-allotment Option), during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the date that is six months after the Listing Date (the "**First Six-Month Period**"), it will not without the prior written consent of the Sole Sponsor and the Joint Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters) (such consent shall not be unreasonably withheld or delayed) and unless in compliance with the requirements of the Listing Rules:

(a) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an Encumbrance (as defined in the Hong Kong Underwriting Agreement) over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other equity securities of our Company, as applicable, or any interest in any of the foregoing (including, without limitation, any equity securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any other warrants or other rights to purchase, any Shares), or deposit any Shares or any other equity securities of our Company, as applicable, with a depositary in connection with the issue of depositary receipts; or

(b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares or other equity securities of our Company, or any interest in any of the foregoing (including, without limitation, any equity securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other equity securities of our Company); or

(c) enter into any transaction with the same economic effect as any transactions specified in paragraphs (a) or (b) above; or

(d) offer to or agree to or announce, or publicly disclose, any intention to effect any transaction specified in paragraphs (a), (b) or (c) above,

in each case, whether any of the transactions specified in paragraphs (a), (b) or (c) above is to be settled by delivery of Shares or other equity securities of our Company, or in cash or otherwise (whether or not the issue of such Shares or other shares or equity securities will be completed within the First Six-Month Period).

In the event that, during the period of six months immediately following the expiry of the First Six-Month Period (the "**Second Six-Month Period**"), our Company enters into any of the transactions specified in sub-paragraphs (a), (b) or (c) above or offers to or agrees to or announces, or publicly discloses, any intention to effect any such transaction, our Company shall take all reasonable steps to ensure that it will not create a disorderly or false market in any Shares or other securities of our Company.

Undertakings by our Controlling Shareholders

Under the Hong Kong Underwriting Agreement, each of our Controlling Shareholders has jointly and severally undertaken to our Company, the Sole Sponsor, the Joint Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Capital Market Intermediaries and the Hong Kong Underwriters that, without the prior written consent of the Sole Sponsor and the Joint Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters) or unless otherwise in compliance with the requirements of the Listing Rules:

(i) at any time during the First Six-Month Period, it shall not, and shall procure that the relevant registered holder(s), any nominee or trustee holding on trust for it shall not, (a) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an Encumbrance over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly (including by way of altering the composition or classes of beneficiaries of any trust), conditionally or unconditionally, any Shares or other equity securities of our Company or any interest therein (including, without limitation, any equity securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any such other equity securities of our Company or any interest in any of the foregoing) beneficially owned by it (the "**Relevant Securities**"); or (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Relevant Securities; (c) enter into or effect any transaction with the same economic effect as any of the transactions referred to in sub-paragraphs (a) or (b) above; or (d) offer to or agree to or announce any intention to enter into or effect any of the transactions referred to in sub-paragraphs (a), (b) or (c) above, which any of the foregoing transactions referred to in sub-paragraphs (a), (b), or (c) is to be settled by delivery of Shares or such other equity securities of our Company or in cash or otherwise (whether or not the issue of such Shares or other securities will be completed within the First Six-Month Period);

(ii) at any time during the Second Six-Month Period, it shall not enter into any of the transactions referred to in paragraphs (i)(a), (b) or (c) above or offer to or agree to or announce any intention to enter into any such transaction if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or Encumbrance pursuant to such transaction, it would cease to be a "controlling shareholder" (as defined in the Listing Rules) of our Company or would together with the other Controlling Shareholders cease to be "controlling shareholders" (as defined in the Listing Rules) of our Company;

(iii) in the event that it enters into any of the transactions specified in paragraphs (i)(a), (b) or (c) above or offers to or agrees to or announce or publicly disclose any intention to effect any such transaction within the Second Six-Month Period, it shall take all steps to ensure that it will not create a disorderly or false market for any Shares or other equity securities of our Company; and

(iv) at any time during the First Six-Month Period and the Second Six-Month Period, it shall, and shall procure that the relevant registered holder(s) shall, comply with all the restrictions and requirements under the Listing Rules on the sale, transfer or disposal by it or by the registered holder(s) of any Shares or other equity securities of our Company.

For the avoidance of doubt, subject to strict compliance with any requirements of applicable Laws (including, without limitation and for the avoidance of doubt, the requirements of the Stock Exchange or of the SFC), the lock-up arrangements with our Controlling Shareholders referred to above shall not prevent any of our Controlling Shareholders from (a) using the Shares or other equity securities of our Company (or any interest therein) beneficially owned by them respectively as security (including a charge or a pledge) in favour of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan; and (b) purchasing additional Shares or other equity securities of our Company or any interest therein or dispose of Shares or other equity securities of our Company (or any interest therein) which are purchased in the First Six-Month Period and the Second Six-Month Period, provided that such purchase does not contravene the compliance by our Company with the requirement of Rule 8.08 of the Listing Rules to maintain an open market in the securities and a sufficient public float in the Shares.

The International Offering

In connection with the International Offering, our Company expects to enter into the International Underwriting Agreement with the International Underwriters. Under the International Underwriting Agreement, the International Underwriters will, subject to certain conditions set out therein, severally and not jointly, agree to procure subscribers or purchasers for the International Offer Shares (excluding, for the avoidance of doubt, the Offer Shares which are subject to the Over-allotment Option), or failing which, they agree to subscribe for or purchase their respective proportions of the International Offer Shares which are not taken up under the International Offering.

Our Company is expected to grant to the International Underwriters the Over-allotment Option, exercisable by the Joint Overall Coordinators for themselves and on behalf of the International Underwriters at any time from the date of the International Underwriting Agreement until the 30th day after the last day for the lodging of application under the Hong Kong Public Offering, to require our Company to allot and issue up to 2,499,900 additional H Shares, representing no more than approximately 15.00% of the Offer Shares initially available under the Global Offering, at the same price per Offer Share under the International Offering to cover, among other things, over-allocations in the International Offering, if any.

It is expected that the International Underwriting Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors should note that if the International Underwriting Agreement is not entered into, or is terminated, the Global Offering will not proceed.

Underwriting Commission and Expenses

According to the Hong Kong Underwriting Agreement, the Hong Kong Underwriters will receive an underwriting commission of 2.5% of the aggregate Offer Price payable for the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering. For unsubscribed Hong Kong Offer Shares reallocated to the International Offering, our Company will pay an underwriting commission at the rate applicable to the International Offering and such commission will be paid to the relevant International Underwriters and not the Hong Kong Underwriters. The International Underwriters are expected to receive an underwriting commission of 2.5% of the aggregate Offer Price of the International Offer Shares. In addition, our Company may at its sole discretion pay any one of all of the Underwriters an additional incentive fee of up to an aggregate of no more than 0.83% of the aggregate Offer Price for each Offer Share. The ratio of the fixed underwriting commission and the discretionary fee payable to all syndicate members is approximately 75%:25%.

Assuming the Over-allotment Option is not exercised at all and based on an Offer Price of HK$8.40 per Offer Share (being the mid-point of the indicative offer price range of HK$7.50 to HK$9.30 per Offer Share), the aggregate commissions and fees, together with listing fees, SFC transaction levy, the AFRC transaction levy and the Stock Exchange trading fee, legal and other professional fees and printing and other expenses, payable by our Company relating to the Global Offering are estimated to be approximately HK$34.9 million in total.

Indemnity

Each of our Company and our Controlling Shareholders has agreed to indemnify the Joint Overall Coordinators, the Sole Sponsor and the Hong Kong Underwriters for certain losses which they may suffer, including losses incurred arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by our Company of the Hong Kong Underwriting Agreement. Each of our Company and our Controlling Shareholders has agreed to jointly and severally indemnify the Joint Overall Coordinators, the Sole Sponsor and the Hong Kong Underwriters for certain losses which they may suffer, including losses incurred arising from any breach by any of our Company and our Controlling Shareholders of the Hong Kong Underwriting Agreement or any of the warranties given by any of our Company or our Controlling Shareholders being untrue, inaccurate or misleading in any respect.

Hong Kong Underwriters' Interests in our Company

Save for its obligations under the Hong Kong Underwriting Agreement, none of the Hong Kong Underwriters has any shareholding interest in our Group or the right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

Following completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the H Shares as a result of fulfilling their obligations under the Hong Kong Underwriting Agreement and/or the International Underwriting Agreement.

INDEPENDENCE OF THE SOLE SPONSOR

CEB International Capital Corporation Limited satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

ACTIVITIES BY SYNDICATE MEMBERS

The underwriters of the Hong Kong Public Offering and the International Offering (together, the "**Syndicate Members**") and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting or stabilizing process.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In relation to the H Shares, those activities could include acting as agent for buyers and sellers of the H Shares, entering into transactions with those buyers and sellers in a principal capacity, proprietary trading in the H Shares, and entering into over the counter or listed derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying assets, assets including the H Shares. Such activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of the H Shares. All such activities could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the H Shares, in baskets of securities or indices including the H Shares, in units of funds that may purchase the H Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the H Shares as their underlying securities, whether on the Stock Exchange or on any other stock exchange, the rules of the exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the H Shares in most cases.

All such activities may occur both during and after the end of the stabilizing period described in the section headed "Structure of the Global Offering" in this prospectus. Such activities may affect the market price or value of the H Shares, the liquidity or trading volume in the H Shares and the volatility of the price of the H Shares, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

(a) the Syndicate Members (other than the Stabilizing Manager or any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilizing or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and

(b) the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

Certain of the Syndicate Members or their respective affiliates have provided from time to time, and expect to provide in the future, investment banking, derivative and other services to us and our affiliates for which such Syndicate Members or their respective affiliates have received or will receive customary fees and commissions.

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering which forms part of the Global Offering.

The Global Offering comprises (subject to adjustment and the Over-allotment Option):

- the Hong Kong Public Offering of 1,666,800 H Shares (subject to adjustment as mentioned below) in Hong Kong as described in the paragraph headed "Hong Kong Public Offering" in this section; and

- the International Offering of an aggregate of initially 15,000,000 H Shares, consisting of the offering of Shares outside the United States in reliance on Regulation S under the U.S. Securities Act. At any time from the date of the International Underwriting Agreement until 30 days after the last day for the lodging of applications under the Hong Kong Public Offering, CEB International Capital Corporation Limited, as representatives of the International Underwriters, have an option to require us to issue and allot up to 2,499,900 additional Offer Shares, representing approximately 15.0% of the initial number of Offer Shares to be offered in the Global Offering, at the Offer Price to cover over-allocations in the International Offering, if any.

Investors may apply for the Hong Kong Offer Shares under the Hong Kong Public Offering or apply for or indicate an interest for the International Offer Shares under the International Offering, but may not do both.

The Offer Shares will represent approximately 25.0% of the enlarged issued share capital of our Company immediately after completion of the Global Offering, assuming the Over-allotment Option is not exercised. If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 27.71% of the enlarged issued share capital immediately after completion of the Global Offering and the exercise of the Over-allotment Option as set out in "– The International Offering – Over-allotment Option" below.

The number of Offer Shares to be offered under the Hong Kong Public Offering and the International Offering may be subject to reallocation as described in the paragraph headed "– The Hong Kong Public Offering – Reallocation" below.

THE HONG KONG PUBLIC OFFERING

Number of Hong Kong Offer Shares Initially Offered

We are initially offering 1,666,800 H Shares for subscription by the public in Hong Kong at the Offer Price, representing approximately 10.0% of the 16,666,800 Offer Shares initially available under the Global Offering, for subscription by the public in Hong Kong. Subject to the reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, the number of Offer Shares offered under the Hong Kong Public Offering will represent approximately 2.50% of our enlarged issued share capital immediately after completion of the Global Offering, assuming that the Over-allotment Option is not exercised.

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions as set out in the paragraph headed "– Conditions of the Hong Kong Public Offering" in this section.

Allocation

Allocation of Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

The total number of Hong Kong Offer Shares initially available under the Hong Kong Public Offering (after taking account of any reallocation referred to below) is to be divided into two pools for allocation purposes: 833,400 Offer Shares for pool A and 833,400 Offer Shares for pool B (with any odd lot being allocated to pool A). The Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for Offer Shares with an aggregate price of HK$5 million (excluding the brokerage, the SFC transaction levy, the AFRC transaction levy and the Stock Exchange trading fee payable) or less. The Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Offer Shares with an aggregate price of more than HK$5 million (excluding the brokerage, the SFC transaction levy, the AFRC transaction levy and the Stock Exchange trading fee payable) and up to the total value in pool B. Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If Hong Kong Offer Shares in one (but not both) of the pools are undersubscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in this other pool and be allocated accordingly. Applicants can only receive an allocation of Offer Shares from either pool A or pool B but not from both pools. Multiple or suspected multiple applications and any application for more than 833,400 Offer Shares are liable to be rejected.

Reallocation

The allocation of Offer Shares between the Hong Kong Public Offering and the International Offering is subject to adjustment. Paragraph 4.2 of Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place which would have the effect of increasing the number of Hong Kong Offer Shares to certain percentages of the total number of Offer Shares offered in the Global Offering if the International Offering is fully subscribed or oversubscribed and certain prescribed total demand levels are reached under the Hong Kong Public Offering. The initial Offer Shares available for subscription under the Hong Kong Public Offering represents approximately 10.00% of the total number of the Offer Shares initially available under the Global Offering. In the event of oversubscription under the Hong Kong Public Offering, CEB International Capital Corporation Limited shall apply a clawback mechanism following the closing of the application lists on the following basis (the "**Mandatory Reallocation**"):

- If the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of Offer Shares available under the Hong Kong Public Offering will be 5,000,100 Offer Shares, representing approximately 30.00% of the Offer Shares initially available under the Global Offering.

- If the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased so that the total number of the Offer Shares available under the Hong Kong Public Offering will be 6,666,900 Offer Shares, representing approximately 40.00% of the Offer Shares initially available under the Global Offering.

- If the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 100 times or more the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be 8,333,400 Offer Shares, representing 50.00% of the Offer Shares initially available under the Global Offering.

In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between pool A and pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as CEB International Capital Corporation Limited deem appropriate. In addition, CEB International Capital Corporation Limited may allocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering.

In addition to any Mandatory Reallocation which may be required, CEB International Capital Corporation Limited may, at its discretion, reallocate Offer Shares initially allocated for the International Offering to the Hong Kong Public Offering to satisfy valid applications in pool A and pool B under the Hong Kong Public Offering in accordance with Chapter 4.14 of the Guide. In the event that (i) the International Offer Shares are undersubscribed and the Hong Kong Offer Shares are fully subscribed or oversubscribed irrespective of the number of times; or (ii) the International Offer Shares are fully subscribed or oversubscribed and the Hong Kong Offer Shares are fully subscribed or oversubscribed as to less than 15 times of the number of Hong Kong Offer Shares initially available under the Hong Kong Public Offering **provided that** the Offer Price would be set at HK$7.50 (low-end of the indicative Office Price range), up to 1,666,800 Offer Shares may be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of the Offer Shares available under the Hong Kong Public Offer will be increased to 3,333,300 Offer Shares, representing approximately two times of Hong Kong Offer Shares initially available under the Hong Kong Public Offering.

The Offer Shares to be offered in the Hong Kong Public Offering and the Offer Shares to be offered in the International Offering may, in certain circumstances, be reallocated between these offerings at the discretion of CEB International Capital Corporation Limited.

Applications

Each applicant under the Hong Kong Public Offering will be required to give an undertaking and confirmation in the application submitted by him that he and any person(s) for whose benefit he is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares under the International Offering, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated International Offer Shares under the International Offering.

Applicants under the Hong Kong Public Offering may be required to pay, on application (subject to application channel), the maximum Offer Price of HK$9.30 per Offer Share plus the brokerage, the SFC transaction levy, the AFRC transaction levy and the Stock Exchange trading fee. If the Offer Price, as finally determined on the Price Determination Date, is lower than HK$9.30, being the maximum Offer Price, we will refund the respective difference (including the brokerage, the SFC transaction levy, the AFRC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) to successful applicants, without interest. Further details are set out in the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus.

INTERNATIONAL OFFERING

Number of Offer Shares initially offered

The number of Offer Shares to be initially offered for subscription or sale under the International Offering will be 15,000,000 Offer Shares (subject to adjustment and the Over-allotment Option), representing approximately 90% of the Offer Shares under the Global Offering and approximately 22.50% of our enlarged issued share capital immediately after the Global Offering assuming that the Over-allotment Option is not exercised.

The International Offering is subject to the Hong Kong Public Offering becoming unconditional.

Allocation

The International Offering will include selective marketing of Offer Shares to institutional and professional investors and other investors anticipated to have a sizeable demand for such Offer Shares. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

Allocation of Offer Shares under the International Offering will be effected in accordance with the "book-building" process described in the paragraph headed "– Pricing and Allocation" in this section and based on a number of factors, including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Offer Shares, and/or hold or sell its Offer Shares, after the Listing. Such allocation is intended to result in a distribution of the Offer Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base for the benefit of our Company and our Shareholders as a whole.

The Joint Overall Coordinators (for themselves and on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Offering, and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Joint Overall Coordinators so as to allow it to identify the relevant application under the Hong Kong Public Offering and to ensure that it is excluded from any application of Offer Shares under the Hong Kong Public Offering.

Reallocation

The total number of Offer Shares to be issued or sold pursuant to the International Offering may change as a result of the clawback mechanism described in the sub-section headed "Hong Kong Public Offering – Reallocation" above, the exercise of the Over-allotment Option in whole or in part and/or any reallocation of unsubscribed Offer Shares originally included in the Hong Kong Public Offering.

Over-allotment Option

In connection with the Global Offering, the Company is expected to grant an Over-allotment Option to the International Underwriters exercisable by CEB International Capital Corporation Limited on behalf of the International Underwriters.

Pursuant to the Over-allotment Option, the International Underwriters have the right, exercisable by CEB International Capital Corporation Limited (on behalf of the International Underwriters) at any time from the Listing Date until 30 days after the last date for the lodging of applications under the Hong Kong Public Offering, to require the Company to issue and allot up to 2,499,900 additional Offer Shares, representing approximately 15% of the initial Offer Shares, at the same price per Offer Share under the International Offering to cover over-allocations in the International Offering, if any. If the Over-Allotment Option is exercised in full, the additional Offer Shares will represent approximately 3.61% of the total Shares in issue immediately following the completion of the Global Offering and the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised, an announcement will be made.

STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the new securities in the secondary market during a specified period of time, to retard and, if possible, prevent any decline in the market price of the securities below the offer price. In Hong Kong and certain other jurisdictions, activities aimed at reducing the market price are prohibited and the price at which stabilization is effected is not permitted to exceed the offer price.

In connection with the Global Offering, the Stabilizing Manager, its affiliates or any person acting for it, as Stabilizing Manager on behalf of the Underwriters, may, to the extent permitted by applicable laws of Hong Kong or elsewhere, over-allocate or effect any other transactions with a view to stabilizing or maintaining the market price of our Offer Shares at a level higher than that which might otherwise prevail in the open market for a limited period up to the 30th day after the last day for the lodging of applications under the Hong Kong Public Offering. Any market purchases of Offer Shares will be effected in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilizing Manager, its affiliates or any person acting for it to conduct any such stabilizing activity, which if commenced, will be done at the absolute discretion of the Stabilizing Manager, its affiliates or any person acting for it, and may be discontinued at any time. Any such stabilizing activity is required to be brought to an end within 30 days of the last day for the lodging of applications under the Hong Kong Public Offering.

Stabilizing actions permitted in Hong Kong under the Securities and Futures (Price Stabilizing) Rules (Chapter 571W of the Laws of Hong Kong) include: (a) over-allocation for the purpose of preventing or minimizing any reduction in the market price of the H Shares; (b) selling or agreeing to sell the Offer Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of the Offer Shares; (c) purchasing or subscribing for, or agreeing to purchase or subscribe for, the Offer Shares under the Over-allotment Option in order to close out any position established under (a) or (b) above; (d) purchasing, or agreeing to purchase, any of the Offer Shares for the sole purpose of preventing or minimizing any reduction in the market price of the Offer Shares; (e) selling or agreeing to sell any Offer Shares in order to liquidate any position held as a result of those purchases; and (f) offering or attempting to do anything described in (b), (c), (d) or (e) above.

Specifically, prospective applicants for and investors in the Offer Shares should note that:

- the Stabilizing Manager, or any person acting for it, may, in connection with the stabilizing action, maintain a long position in the Offer Shares;
- there is no certainty regarding the extent to which and the time period for which the Stabilizing Manager, its affiliates or any person acting for it, will maintain such a position;
- liquidation of any such long position by the Stabilizing Manager, its affiliates or any person acting for it, may have an adverse impact on the market price of the Offer Shares;
- no stabilizing action can be taken to support the price of the Offer Shares for longer than the stabilization period which will begin on the Listing Date, and it is expected to expire on the 30th day after the last day for lodging applications under the Hong Kong Public Offering. After this date, when no further stabilizing action may be taken, demand for the Offer Shares, and therefore the price of the Offer Shares, could fall;
- the price of the Offer Shares cannot be assured to stay at or above the Offer Price either during or after the stabilizing period by the taking of any stabilizing action; and
- stabilizing bids must be made or transactions effected in the course of the stabilizing action at any price at or below the Offer Price, which means that stabilizing bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, the Offer Shares.

Our Company will ensure or procure that a public announcement in compliance with the Securities and Futures (Price Stabilizing) Rules (Chapter 571W of the Laws of Hong Kong) will be made within seven days of the expiration of the stabilization period.

In order to effect stabilization actions, the Stabilizing Manager will arrange cover of up to 2,499,900 Offer Shares, representing not more than 15% of the initial Offer Shares, through delayed delivery arrangements with investors who have been allocated Offer Shares in the International Offering. The delayed delivery arrangements (if specifically agreed by an investor) relate only to the delay in the delivery of the Offer Shares to such investor and the Offer Price for the Offer Shares allocated to such investor will be paid before dealings in the H Shares on the Stock Exchange commence.

Over-allocation

Following any over-allocation of the H Shares in connection with the Global Offering, the Stabilizing Manager or any person acting for it may cover such over-allocations by exercising the Over-allotment Option in full or in part, by using H Shares purchased by the Stabilizing Manager (or any person acting for it) in the secondary market at prices that do not exceed the Offer Price, or any combination of these means.

PRICING AND ALLOCATION

Determining the Pricing of the Offer Shares

The Offer Price is expected to be fixed by agreement between the Joint Overall Coordinators (for themselves and on behalf of the Underwriters) and us on the Price Determination Date. The Price Determination Date is expected to be on or before Friday, June 28, 2024.

The Offer Price will not be more than HK$9.30 per Offer Share and is expected to be not less than HK$7.50 per Offer Share, unless otherwise announced, on application (subject to application channel), the maximum Offer Price plus brokerage of 1.0%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and Stock Exchange trading fee of 0.00565%, amounting to a total of HK$2,818.14 for one board lot of 300 Offer Shares. **Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the minimum Offer Price stated in this prospectus.**

The International Underwriters will be soliciting from prospective investors' indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building," is expected to continue up to, and to cease on or about, the last day for lodging applications under the Hong Kong Public Offering.

CEB International Capital Corporation Limited (for itself and on behalf of the Underwriters) may, where considered appropriate, based on the level of interest expressed by prospective investors during the book-building process in respect of the International Offering, and with the consent of the Company, reduce the number of Offer Shares offered below and/or the Offer Price range as stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, publish on the websites of the Company and the Stock Exchange at **www.xajfwy.com** and **www.hkexnews.hk**, respectively, an announcement, cancel the offer and relaunch the offer at the revised number of Offer Shares and/or the revised Offer Price range and complied with the requirements under Rule 11.13 of the Listing Rules (which include the issue of a supplemental prospectus or a new prospectus (as appropriate)). Upon issue of such supplemental or new prospectus (as appropriate), the number of the Offer Shares offered in the Global Offering and/or the revised Offer Price range will be final and conclusive, and the Offer Price, if agreed upon by CEB International Capital Corporation Limited (for itself and on behalf of the Underwriters) and the Company, will be fixed within such revised Offer Price range. The Global Offering must first be canceled and subsequently relaunched on FINI if a supplemental prospectus or a new prospectus is to be issued.

Before submitting applications for the Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares and/or the Offer Price range may not be made until the last day for lodging applications under the Hong Kong Public Offering. In the absence of any such supplemental or new prospectus (as appropriate), the number of Offer Shares will not be reduced and/or the Offer Price, if agreed upon by the CEB International Capital Corporation Limited (for itself and on behalf of the Underwriters) and the Company, will under no circumstances be set outside the Offer Price range as stated in this prospectus.

Announcement of Final Pricing of the Offer Shares

The final pricing of the Offer Shares, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering, the basis of allocations of the Hong Kong Offer Shares and the results of allocations in the Hong Kong Public Offering are expected to be made available Tuesday, July 2, 2024. Please refer to "How to Apply for Hong Kong Offer Shares—B. Publication of Results" of this prospectus.

UNDERWRITING ARRANGEMENTS

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement, subject to agreement on the Offer Price between the Joint Overall Coordinators (for themselves and on behalf of the Underwriters) and us on the Price Determination Date.

We expect that our Company will enter into the International Underwriting Agreement relating to the International Offering on the Price Determination Date.

The terms of the Underwriting Agreements are summarized in the section headed "Underwriting" in this prospectus.

THE H SHARES WILL BE ELIGIBLE FOR CCASS

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

If the Stock Exchange grants the listing of, and permission to deal in, the H Shares and our Company complies with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the H Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second settlement day after any trading day.

All activities under CCASS are subject to the General Rules of HKSCC and HKSCC Operational Procedures in effect from time to time.

CONDITIONS OF THE HONG KONG PUBLIC OFFERING

Acceptance of all applications for the Offer Shares under the Hong Kong Public Offering will be conditional on:

(a) the granting of approval by the Stock Exchange for the listing of, and permission to deal in, the H Shares to be issued pursuant to the Global Offering (including any Offer Shares which may be issued under the exercise of the Over-allotment Option), and such listing and permission not having been revoked prior to the commencement of dealings in the H Shares on the Stock Exchange;

(b) the Offer Price having been determined on or around the Price Determination Date;

(c) the execution and delivery of the International Underwriting Agreement on or around the Price Determination Date; and

(d) the obligations of the Underwriters under the Underwriting Agreements having become unconditional and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than 30 day after the date of this prospectus.

If, for any reason, the Offer Price is not agreed by 12:00 noon on Friday, June 28, 2024 between the Joint Overall Coordinators (for themselves and on behalf of the Underwriters) and us, the Global Offering will not proceed and will lapse.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon the other becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived before the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. We will cause a notice of the lapse of the Hong Kong Public Offering to be published on the websites of the Stock Exchange at **www.hkexnews.hk** and our website at **www.xajfwy.com** on the next day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus. In the meantime, the application monies will be held in separate bank account(s) with the receiving bank(s) or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

H Share certificates for the Offer Shares are expected to be issued on or before Tuesday, July 2, 2024 but will only become valid evidence of title at 8:00 a.m. on the Listing Date, provided that (a) the Global Offering has become unconditional in all respects; and (b) the right of termination as described in the section headed "Underwriting – Underwriting Arrangements – Hong Kong Public Offering – Grounds for Termination" in this prospectus has not been exercised.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Stock Exchange for the listing of, and permission to deal in, the H Shares being offered under the Global Offering (including any H Shares which may be issued pursuant to the exercise of the Over-allotment Option).

DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Wednesday, July 3, 2024, it is expected that dealings in H Shares on the Stock Exchange will commence at 9:00 a.m. on Wednesday, July 3, 2024.

The H Shares will be traded in board lots of 300 H Shares each and the stock code of the H Shares will be 1354.

IMPORTANT NOTICE TO INVESTORS OF HONG KONG OFFER SHARES: FULLY ELECTRONIC APPLICATION PROCESS

We have adopted a fully electronic application process for the Hong Kong Public Offering and below are the procedures for application. We will not provide printed copies of this prospectus to the public in relation to the Hong Kong Public Offering.

*This prospectus is available at the website of the Stock Exchange at **www.hkexnews.hk** under the "HKEXnews > New Listings > New Listing Information" section, and our website at **www.xajfwy.com**. If you require a printed copy of this prospectus, you may download and print from the website addresses above.*

The contents of this prospectus are identical to the prospectus as registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

If you are an intermediary, broker or agent, please remind your customers, clients or principals, as applicable, that this prospectus is available online at the website addresses above.

A. APPLICATION FOR HONG KONG OFFER SHARES

1. Who Can Apply

You can apply for Hong Kong Offer Shares if you or the person(s) for whose benefit you are applying for:

- are 18 years of age or older;
- are outside the United States (within the meaning of Regulation S), and are a person described in paragraph (h)(3) of Rule 902 of Regulation S; and
- have a Hong Kong address *(for the **White Form eIPO** service only).*

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you or the person(s) for whose benefit you are applying for:

- are an existing Shareholder or close associates of an existing Shareholder; or
- are a Director or Supervisor or any of their close associates.

2. Application Channels

The Hong Kong Public Offering period will begin at 9:00 am on Monday, June 24, 2024 and end at 12:00 noon on Thursday, June 27, 2024 (Hong Kong time).

To apply for Hong Kong Offer Shares, you may use one of the following application channels:

Application Channel	Platform	Target Investors	Application Time
White Form eIPO service	Apply online through the **White Form eIPO** service at www.eipo.com.hk.	Investors who would like to receive a physical Share certificate. Hong Kong Offer Shares successfully applied for will be allotted and issued in your own name.	From 9:00 am on Monday, June 24, 2024 to 11:30 a.m. on Thursday, June 27, 2024, Hong Kong time. The latest time for completing full payment of application monies will be 12:00 noon on Thursday, June 27, 2024, Hong Kong time.
HKSCC EIPO channel	Your broker or custodian who is a HKSCC Participant will submit an electronic application instructions on your behalf through HKSCC's FINI system in accordance with your instruction	Investors who would not like to receive a physical Share certificate. Hong Kong Offer Shares successfully applied for will be allotted and issued in the name of HKSCC Nominees, deposited directly into CCASS and credited to your designated HKSCC Participant's stock account.	Contact your broker or custodian for the earliest and latest time for giving such instructions, as this may vary by broker or custodian.

The **White Form eIPO** service and the HKSCC EIPO channel are facilities subject to capacity limitations and potential service interruptions and you are advised not to wait until the last day of the application period to apply for Hong Kong Offer Shares.

For those applying through the **White Form eIPO** service, once you complete payment in respect of any application instructions given by you or for your benefit through the **White Form eIPO** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. If you are a person for whose benefit the electronic application instructions are given, you shall be deemed to have declared that only one set of electronic application instructions has been given for your benefit. If you are an agent for another person, you shall be deemed to have declared that you have only given one set of electronic application instructions for the benefit of the person for whom you are an agent and that you are duly authorized to give those instructions as an agent.

For the avoidance of doubt, giving an application instruction under the **White Form eIPO** service more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you apply through the **White Form eIPO** service, you are deemed to have authorized the **White Form eIPO** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **White Form eIPO** service.

By instructing your broker or custodian to apply for the Hong Kong Offer Shares on your behalf through the HKSCC EIPO channel, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant HKSCC Participants) to apply for Hong Kong Offer Shares on your behalf and to do on your behalf all the things stated in this prospectus and any supplement to it.

For those applying through HKSCC EIPO channel, an actual application will be deemed to have been made for any application instructions given by you or for your benefit to HKSCC (in which case an application will be made by HKSCC Nominees on your behalf) provided such application instruction has not been withdrawn or otherwise invalidated before the closing time of the Hong Kong Public Offering.

HKSCC Nominees will only be acting as a nominee for you and neither HKSCC nor HKSCC Nominees shall be liable to you or any other person in respect of any actions taken by HKSCC or HKSCC Nominees on your behalf to apply for Hong Kong Offer Shares or for any breach of the terms and conditions of this prospectus.

3. Information Required to Apply

You must provide the following information with your application:

For Individual/Joint Applicants

- Full name(s)[2] as shown on your identity document
- Identity document's issuing country or jurisdiction
- Identity document type, with order of priority:

  i. HKID card; or
  ii. National identification document; or
  iii. Passport; and

- Identity document number

For Corporate Applicants

- Full name(s)[2] as shown on your identity document
- Identity document's issuing country or jurisdiction
- Identity document type, with order of priority:

  i. LEI registration document; or
  ii. Certificate of incorporation; or
  iii. Business registration certificate; or
  iv. Other equivalent document; and

- Identity document number

Notes:

1. If you are applying through the **White Form eIPO** service, you are required to provide a valid e-mail address, a contact telephone number and a Hong Kong address. You are also required to declare that the identity information provided by you follows the requirements as described in Note 2 below. In particular, where you cannot provide a HKID number, you must confirm that you do not hold a HKID card.

2. The applicant's full name as shown on their identity document must be used. If an applicant's identity document contains both an English and Chinese name, both English and Chinese names must be used. Otherwise, either English or Chinese names will be accepted. The order of priority of the applicant's identity document type must be strictly followed and where an individual applicant has a valid HKID card, the HKID number must be used when making an application to subscribe for shares in a public offer. Similarly for corporate applicants, a LEI number must be used if an entity has a LEI certificate.

3. If the applicant is a trustee, the client identification data ("**CID**") of the trustee, as set out above, will be required. If the applicant is an investment fund (i.e. a collective investment scheme, or CIS), the CID of the asset management company or the individual fund, as appropriate, which has opened a trading account with the broker will be required, as above.

4. The maximum number of joint applicants holders on FINI is capped at four in accordance with market practice.

5. If you are applying as a nominee, you must provide: (i) the full name (as shown on the identity document), the identity document's issuing country or jurisdiction, the identity document type; and (ii), the identity document number, for each of the beneficial owners or, in the case(s) of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

6. If you are applying as an unlisted company and (i) the principal business of that company is dealing in securities; and (ii) you exercise statutory control over that company, then the application will be treated as being for your benefit and you should provide the required information in your application as stated above.

   "Unlisted company" means a company with no equity securities listed on the Stock Exchange or any other stock exchange.

   "Statutory control" means you:

   - control the composition of the board of directors of our company;
   - control more than half of the voting power of our company; or
   - hold more than half of the issued share capital of our company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

For those applying through HKSCC EIPO channel, and making an application under a power of attorney, we and the Joint Overall Coordinators, as our agent, have discretion to consider whether to accept it on any conditions we think fit, including evidence of the attorney's authority.

Failing to provide any required information may result in your application being rejected.

4. Permitted Number of Hong Kong Offer Shares for Application

Board lot size	:	300 H Shares
Permitted number of Hong Kong Offer Shares for application and amount payable on application/successful allotment	:	Hong Kong Offer Shares are available for application in specified board lot sizes only. Please refer to the amount payable associated with each specified board lot size in the table below. The maximum Offer Price is HK$9.30 per H Share. If you are applying through the HKSCC EIPO channel, you are required to pre-fund your application based on the amount specified by your broker or custodian, as determined based on the applicable laws and regulations in Hong Kong.

By instructing your broker or custodian to apply for the Hong Kong Offer Shares on your behalf through the HKSCC EIPO channel, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant HKSCC Participants) to arrange payment of the final Offer Price, brokerage, SFC transaction levy, the Stock Exchange trading fee and the AFRC transaction levy by debiting the relevant nominee bank account at the designated bank(s) for your broker or custodian.

If you are applying through the **White Form eIPO** service, you may refer to the table below for the amount payable for the number of H Shares you have selected. You must pay the respective maximum amount payable on application in full upon application for Hong Kong Offer Shares.

No. of Hong Kong Offer Shares applied for	Maximum Amount payable(2) on application/ successful allotment *HK$*	No. of Hong Kong Offer Shares applied for	Maximum Amount payable(2) on application/ successful allotment *HK$*	No. of Hong Kong Offer Shares applied for	Maximum Amount payable (2) on application/ successful allotment *HK$*	No. of Hong Kong Offer Shares applied for	Maximum Amount payable(2) on application/ successful allotment *HK$*
300	2,818.14	3,000	28,181.37	30,000	281,813.71	180,000	1,690,882.29
600	5,636.28	4,500	42,272.05	45,000	422,720.58	210,000	1,972,696.00
900	8,454.41	6,000	56,362.74	60,000	563,627.44	240,000	2,254,509.72
1,200	11,272.55	7,500	70,453.42	75,000	704,534.29	270,000	2,536,323.44
1,500	14,090.69	9,000	84,544.12	90,000	845,441.15	300,000	2,818,137.16
1,800	16,908.83	10,500	98,634.81	105,000	986,348.00	450,000	4,227,205.73
2,100	19,726.96	12,000	112,725.49	120,000	1,127,254.85	600,000	5,636,274.30
2,400	22,545.09	13,500	126,816.17	135,000	1,268,161.72	750,000	7,045,342.88
2,700	25,363.24	15,000	140,906.86	150,000	1,409,068.58	833,400(1)	7,828,785.01

(1) Maximum number of Hong Kong Offer Shares you may apply for.

(2) The amount payable is inclusive of the brokerage, the SFC transaction levy, the Stock Exchange trading fee and the AFRC transaction levy. If your application is successful, the brokerage will be paid to the Exchange Participants (as defined in the Listing Rules) and the SFC transaction levy, the Stock Exchange trading fee and the AFRC transaction levy are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC; and in the case of the AFRC transaction levy, collected by the Stock Exchange on behalf of the AFRC).

5. Multiple Applications Prohibited

You or your joint applicant(s) shall not make more than one application for your own benefit, except where you are a nominee and provide the information of the underlying investor in your application as required under the paragraph headed "– A. Applications for Hong Kong Offer Shares – 3. Information Required to Apply" in this section. If you are suspected of submitting or cause to submit more than one application, all of your applications will be rejected.

Multiple applications made either through (i) the **White Form eIPO** service, (ii) HKSCC EIPO channel, or (iii) both channels concurrently are prohibited and will be rejected. If you have made an application through the **White Form eIPO** service or HKSCC EIPO channel, you or the person(s) for whose benefit you have made the application shall not apply for any Shares under the International Offering.

6. Terms and Conditions of An Application

By applying for Hong Kong Offer Shares through the **White Form eIPO** service or HKSCC EIPO channel, you (or as the case may be, HKSCC Nominees will do the following things on your behalf):

(i) undertake to execute all relevant documents and instruct and authorize us and/or the Joint Overall Coordinators (or their agents or nominees), as our agents, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association, and (if you are applying through the HKSCC EIPO channel) to deposit the allotted Hong Kong Offer Shares directly into CCASS for the credit of your designated HKSCC Participant's stock account on your behalf;

(ii) confirm that you have read and understand the terms and conditions and application procedures set out in this prospectus and the designated website of the **White Form eIPO** service (or as the case may be, the agreement you entered into with your broker or custodian), and agree to be bound by them;

(iii) (if you are applying through the HKSCC EIPO channel) agree to the arrangements, undertakings and warranties under the participant agreement between your broker or custodian and HKSCC and observe the General Rules of HKSCC and the HKSCC Operational Procedures for giving application instructions to apply for Hong Kong Offer Shares;

(iv) confirm that you are aware of the restrictions on offers and sales of H Shares set out in this prospectus and they do not apply to you, or the person(s) for whose benefit you have made the application;

(v) confirm that you have read this prospectus and any supplement to it and have relied only on the information and representations contained therein in making your application (or as the case may be, causing your application to be made) and will not rely on any other information or representations;

(vi) agree that our Company, the Sole Sponsor, the Joint Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, the Capital Market Intermediaries, any of their respective directors, officers, employees, partners, agents, advisors, or representatives or any other parties involved in the Global Offering (collectively, the "**Relevant Persons**"), the H Share Registrar, the **White Form eIPO** Service Provider and HKSCC will not be liable for any information and representations not in this prospectus and any supplement to it;

(vii) agree to disclose the details of your application and your personal data and any other personal data which may be required about you and the person(s) for whose benefit you have made the application to us, the Relevant Persons, H Share Registrar, the receiving bank, HKSCC, HKSCC Nominees, the Stock Exchange, the SFC and any other statutory regulatory or governmental bodies or otherwise as required by laws, rules or regulations, for the purposes under the paragraph headed "– G. Personal Data – 3. Purposes and 4. Transfer of personal data" in this section;

(viii) agree (without prejudice to any other rights which you may have once your application (or as the case may be, HKSCC Nominees' application) has been accepted) that you will not rescind it because of an innocent misrepresentation;

(ix) agree that subject to Section 44A(6) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any application made by you or HKSCC Nominees on your behalf cannot be revoked once it is accepted, which will be evidenced by the notification of the result of the ballot by the H Share Registrar by way of publication of the results at the time and in the manner as specified in the paragraph headed "– B. Publication of Results" in this section;

(x) confirm that you are aware of the situations specified in the paragraph headed "– C. Circumstances In Which You Will Not Be Allocated Hong Kong Offer Shares" in this section;

(xi) agree that your application or HKSCC Nominees' application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong;

(xii) agree to comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Articles of Association and laws of any place outside Hong Kong that apply to your application and that neither we nor the Relevant Persons will breach any law inside and/or outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus;

(xiii) confirm that (a) your application or HKSCC Nominees' application on your behalf is not financed directly or indirectly by our Company, any of the directors, chief executives, Controlling Shareholders, substantial shareholder(s) or existing shareholder(s) of our Company or any of its subsidiaries or any of their respective close associates; and (b) you are not accustomed or will not be accustomed to taking instructions from our Company, any of the directors, chief executives, Controlling Shareholders, substantial shareholder(s) or existing shareholder(s) of our Company or any of its subsidiaries or any of their respective close associates in relation to the acquisition, disposal, voting or other disposition of the H Shares registered in your name or otherwise held by you;

(xiv) warrant that the information you have provided is true and accurate;

(xv) confirm that you understand that we and the Joint Overall Coordinators will rely on your declarations and representations in deciding whether or not to allocate any Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

(xvi) agree to accept Hong Kong Offer Shares applied for or any lesser number allocated to you under the application;

(xvii) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(xviii) represent, warrant and undertake that (a) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (b) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

(xix) authorize our Company to place your name(s) or the name of HKSCC Nominees on our Company's register of members as the holder(s) of the Hong Kong Offer Shares allocated to you, and our Company and/or its agents to send any Share certificate(s) and/or any White Form e-Refund payment instruction and/or any refund check(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you are eligible to collect the H Share certificate(s) and/or refund check(s) in person;

(xx) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit by giving electronic application instructions to HKSCC directly or indirectly or through the application channel of the H Share Registrar or by any one as your agent or by any other person; and

(xxi) (if you are making the application as an agent for the benefit of another person) warrant that (1) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person by giving electronic application instructions to HKSCC and (2) you have due authority to give electronic application instructions on behalf of that other person as its agent.

B. PUBLICATION OF RESULTS

Results of Allocation

You can check whether you are successfully allocated any Hong Kong Offer Shares through:

Platform		Date/Time
Applying through **White Form eIPO** service or **HKSCC EIPO channel**:		
Website	From the designated results of allocations website at **www.iporesults.com.hk** (alternatively: **www.eipo.com.hk/eIPOAllotment**) with a "search by ID" function.	24 hours, from 11:00 p.m. on Tuesday, July 2, 2024 to 12:00 midnight on Monday, July 8, 2024 (Hong Kong time)
	The full list of (i) wholly or partially successful applicants using the **White Form eIPO** service and HKSCCE IPO channel, and (ii) the number of Hong Kong Offer Shares conditionally allotted to them, among other things, will be displayed on the "Allotment Results" page of the **White Form eIPO** service at **www.iporesults.com.hk** (alternatively: **www.eipo.com.hk/eIPOAllotment**).	
	The Stock Exchange's website at **www.hkexnews.hk** and our website at **www.xajfwy.com** which will provide links to the above mentioned websites of the H Share Registrar.	No later than 11:00 p.m. on Tuesday, July 2, 2024 (Hong Kong time).

Platform		Date/Time
Telephone	+852 2862 8555 – the allocation results telephone enquiry line provided by the H Share Registrar	between 9:00 am. and 6:00 pm., from Wednesday, July 3, 2024 to Monday, July 8, 2024 (Hong Kong time) on a business day

For those applying through HKSCC EIPO channel, you may also check with your broker or custodian from 6:00 p.m. on Friday, June 28, 2024 (Hong Kong time).

HKSCC Participants can log into FINI and review the allotment result from 6:00 p.m. on Friday, June 28, 2024 (Hong Kong time) on a 24-hour basis and should report any discrepancies on allotments to HKSCC as soon as practicable.

Allocation Announcement

We expect to announce the results of the final Offer Price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocations of Hong Kong Offer Shares on the Stock Exchange's website at **www.hkexnews.hk** and our website at **www.xajfwy.com** by no later than 11:00 p.m. on Tuesday, July 2, 2024 (Hong Kong time).

C. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOCATED HONG KONG OFFER SHARES

You should note the following situations in which Hong Kong Offer Shares will not be allocated to you or the person(s) for whose benefit you are applying for:

1. If your application is revoked:

Your application or the application made by HKSCC Nominees on your behalf may be revoked pursuant to Section 44A(6) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

2. If we or our agents exercise our discretion to reject your application:

We, the Joint Overall Coordinators, the H Share Registrar and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

3. If the allocation of Hong Kong Offer Shares is void:

The allocation of Hong Kong Offer Shares will be void if the Stock Exchange does not grant permission to list the H Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Stock Exchange notifies us of that longer period within three weeks of the closing date of the application lists.

4. If:

- you make multiple applications or suspected multiple applications. You may refer to the paragraph headed "– A. Applications for Hong Kong Offer Shares – 5. Multiple Applications Prohibited" in this section on what constitutes multiple applications;
- your application instruction is incomplete;
- your payment (or confirmation of funds, as the case may be) is not made correctly;
- the Underwriting Agreements do not become unconditional or are terminated;
- we or the Joint Overall Coordinators believe that by accepting your application, it or we would violate applicable securities or other laws, rules or regulations.

5. If there is money settlement failure for allotted Shares:

Based on the arrangements between HKSCC Participants and HKSCC, HKSCC Participants will be required to hold sufficient application funds on deposit with their designated bank(s) before balloting. After balloting of Hong Kong Offer Shares, the receiving bank will collect the portion of these funds required to settle each HKSCC Participant's actual Hong Kong Offer Share allotment from their designated bank(s).

There is a risk of money settlement failure. In the extreme event of money settlement failure by a HKSCC Participant (or its designated bank(s)), who is acting on your behalf in settling payment for your allotted shares, HKSCC will contact the defaulting HKSCC Participant and its designated bank(s) to determine the cause of failure and request such defaulting HKSCC Participant to rectify or procure to rectify the failure.

However, if it is determined that such settlement obligation cannot be met, the affected Hong Kong Offer Shares will be reallocated to the International Offering. Hong Kong Offer Shares applied for by you through the broker or custodian may be affected to the extent of the settlement failure. In the extreme case, you will not be allocated any Hong Kong Offer Shares due to the money settlement failure by such HKSCC Participant. None of us, the Relevant Persons, the H Share Registrar and HKSCC is or will be liable if Hong Kong Offer Shares are not allocated to you due to the money settlement failure.

D. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND OF APPLICATION MONIES

You will receive one Share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made through the HKSCC EIPO channel where the Share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the H Shares. No receipt will be issued for sums paid on application.

Share certificates will only become valid evidence of title at 8:00 a.m. on Wednesday, July 3, 2024 (Hong Kong time), provided that the Global Offering has become unconditional and the right of termination described in the section headed “Underwriting” has not been exercised. Investors who trade H Shares prior to the receipt of Share certificates or the Share certificates becoming valid do so entirely at their own risk.

The right is reserved to retain any Share certificate(s) and (if applicable) any surplus application monies pending clearance of application monies.

The following sets out the relevant procedures and time:

	White Form eIPO service	HKSCC EIPO channel
Despatch/collection of Share certificate(Note)		
For physical share certificates of 600,000 or more Hong Kong Offer Shares issued under your own name	Collection in person at our H Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong. Time: from 9:00 a.m. to 1:00 p.m. on Wednesday, July 3, 2024 (Hong Kong time) or such other date as notified by our Company as the date of despatch/collection of Share certificates. If you are an individual, you must not authorize any other person to collect for you. If you are a corporate applicant, your authorized representative must bear a letter of authorization from your corporation stamped with your corporation's chop.	Share certificate(s) will be issued in the name of HKSCC Nominees, deposited into CCASS and credited to your designated HKSCC Participant's stock account No action by you is required

Note: Except in the event of any Severe Weather Signals (as defined below) in force in Hong Kong on the business day before the Listing Date rendering it impossible for the relevant share certificates to be dispatched to HKSCC in a timely manner, the Company shall procure the H Share Registrar to arrange for delivery of the supporting documents and share certificates in accordance with the contingency arrangements as agreed between them. You may refer to "– E. Severe Weather Arrangements" in this section.

	White Form eIPO service	**HKSCC EIPO channel**
	Both individuals and authorized representatives must produce, at the time of collection, evidence of identity acceptable to the H Share Registrar. **Note:** If you do not collect your Share certificate(s) personally within the time above, it/they will be sent to the address specified in your application instructions by ordinary post at your own risk	
For physical share certificates of less than 600,000 Hong Kong Offer Shares issued under your own name	Your Share certificate(s) will be sent to the address specified in your application instructions by ordinary post at your own risk Time: Tuesday, July 2, 2024	

Refund mechanism for surplus application monies paid by you

Date	Wednesday, July 3, 2024	Subject to the arrangement between you and your broker or custodian
Responsible party	H Share Registrar	Your broker or custodian
Application monies paid through single bank account	White Form e-Refund payment instructions to your designated bank account	Your broker or custodian will arrange refund to your designated bank account subject to the arrangement between you and it
Application monies paid through multiple bank accounts	Refund cheque(s) will be despatched to the address as specified in your application instructions by ordinary post at your own risk	

E. SEVERE WEATHER ARRANGEMENTS

The Opening and Closing of the Application Lists

The application lists will not open or close on Thursday, June 27, 2024 if, there is/are:

- a tropical cyclone warning signal number 8 or above;
- a black rainstorm warning; and/or
- **Extreme Conditions**

  (collectively, "**Severe Weather Signals**"),

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, June 27, 2024.

Instead they will open between 11:45 a.m. and 12:00 noon and/or close at 12:00 noon on the next business day which does not have **Severe** Weather Signals in force at any time between 9:00 a.m. and 12:00 noon.

Prospective investors should be aware that a postponement of the opening/closing of the application lists may result in a delay in the listing date. Should there be any changes to the dates mentioned in the section headed "Expected Timetable" in this prospectus, an announcement will be made and published on the Stock Exchange's website at **www.hkexnews.hk** and our website at **www.xajfwy.com** of the revised timetable.

If a **Severe** Weather Signal is hoisted on Tuesday, July 2, 2024, the H Share Registrar will make appropriate arrangements for the delivery of the Share certificates to the CCASS Depository's service counter so that they would be available for trading on Wednesday, July 3, 2024.

If a **Severe** Weather Signal is hoisted on Wednesday, July 3, 2024:

- for physical share certificates of 600,000 or more Offer Shares issued under your own name, you may pick them up from the H Share Registrar's office after the Severe Weather Signal is lowered or cancelled (e.g. in the afternoon of Wednesday, July 3, 2024 or on Thursday, July 4, 2024).

If a **Severe** Weather Signal is hoisted on Tuesday, July 2, 2024:

- for physical Share certificates of less than 600,000 Offer Shares issued under your own name, despatch will be made by ordinary post when the post office re-opens after the Severe Weather Signal is lowered or cancelled (e.g. in the afternoon of Tuesday, July 2, 2024 or on Wednesday, July 3, 2024).

Prospective investors should be aware that if they choose to receive physical Share certificates issued in their own name, there may be a delay in receiving the Share certificates.

F. ADMISSION OF THE H SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the H Shares on the Stock Exchange and we comply with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the H Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second settlement day after any trading day.

All activities under CCASS are subject to the General Rules of HKSCC and HKSCC Operational Procedures in effect from time to time.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

You should seek the advice of your broker or other professional advisor for details of the settlement arrangement as such arrangements may affect your rights and interests.

G. PERSONAL DATA

The following Personal Information Collection Statement applies to any personal data collected and held by our Company, the H Share Registrar, the receiving bank and the Relevant Persons about you in the same way as it applies to personal data about applicants other than HKSCC Nominees. This personal data may include client identifier(s) and your identification information. By giving application instructions to HKSCC, you acknowledge that you have read, understood and agree to all of the terms of the Personal Information Collection Statement below.

1. Personal Information Collection Statement

This Personal Information Collection Statement informs the applicant for, and holder of, Hong Kong Offer Shares, of the policies and practices of our Company and the H Share Registrar in relation to personal data and the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong).

2. Reasons for the collection of your personal data

It is necessary for applicants and registered holders of Hong Kong Offer Shares to ensure that personal data supplied to our Company or our agents and the H Share Registrar is accurate and up-to-date when applying for Hong Kong Offer Shares or transferring Hong Kong Offer Shares into or out of their names or in procuring the services of the H Share Registrar.

Failure to supply the requested data or supplying inaccurate data may result in your application for Hong Kong Offer Shares being rejected, or in the delay or the inability of our Company or the H Share Registrar to effect transfers or otherwise render their services. It may also prevent or delay registration or transfers of Hong Kong Offer Shares which you have successfully applied for and/or the despatch of Share certificate(s) to which you are entitled.

It is important that applicants for and holders of Hong Kong Offer Shares inform our Company and the H Share Registrar immediately of any inaccuracies in the personal data supplied.

3. Purposes

Your personal data may be used, held, processed, and/or stored (by whatever means) for the following purposes:

- processing your application and refund cheque and **White Form e-Refund** payment instruction(s), where applicable, verification of compliance with the terms and application procedures set out in this prospectus and announcing results of allocation of Hong Kong Offer Shares;
- compliance with applicable laws and regulations in Hong Kong and elsewhere;
- registering new issues or transfers into or out of the names of the holders of the H Shares including, where applicable, HKSCC Nominees;
- maintaining or updating the register of members of our Company;
- verifying identities of applicants for and holders of the H Shares and identifying any duplicate applications for the H Shares;
- facilitating Hong Kong Offer Shares balloting;
- establishing benefit entitlements of holders of the H Shares, such as dividends, rights issues, bonus issues, etc.;
- distributing communications from our Group;
- compiling statistical information and profiles of the holder of the H Shares;
- disclosing relevant information to facilitate claims on entitlements; and
- any other incidental or associated purposes relating to the above and/or to enable our Company and the H Share Registrar to discharge our/their obligations to applicants and holders of the H Shares and/or regulators and/or any other purposes to which applicants and holders of the H Shares may from time to time agree.

4. Transfer of personal data

Personal data held by our Company and the H Share Registrar relating to the applicants for and holders of Hong Kong Offer Shares will be kept confidential but our Company and the H Share Registrar may, to the extent necessary for achieving any of the above purposes, disclose, obtain or transfer (whether within or outside Hong Kong) the personal data to, from or with any of the following:

- our Company's appointed agents such as financial advisors, receiving bank and principal share registrar in the PRC;
- HKSCC or HKSCC Nominees, who will use the personal data and may transfer the personal data to the H Share Registrar for the purposes of providing its services or facilities or performing its functions in accordance with its rules or procedures and operating FINI and CCASS (including where applicants for the Hong Kong Offer Shares request a deposit into CCASS);
- any agents, contractors or third-party service providers who offer administrative, telecommunications, computer, payment or other services to our Company or the H Share Registrar in connection with our/their business operation;
- the Stock Exchange, the SFC and any other statutory regulatory or governmental bodies or otherwise as required by laws, rules or regulations, including for the purpose of the Stock Exchange's administration of the Listing Rules and the SFC's performance of its statutory functions; and
- any persons or institutions with which the holders of Hong Kong Offer Shares have or propose to have dealings, such as their bankers, solicitors, accountants or brokers, etc.

5. Retention of personal data

Our Company and the H Share Registrar will keep the personal data of the applicants and holders of Hong Kong Offer Shares for as long as necessary to fulfil the purposes for which the personal data were collected. Personal data which is no longer required will be destroyed or dealt with in accordance with the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong).

6. Access to and correction of personal data

Applicants for and holders of Hong Kong Offer Shares have the right to ascertain whether our Company or the H Share Registrar hold their personal data, to obtain a copy of that data, and to correct any data that is inaccurate. Our Company and the H Share Registrar have the right to charge a reasonable fee for the processing of such requests. All requests for access to data or correction of data should be addressed to our Company and the H Share Registrar, at the respective registered address disclosed in the section headed "Corporate Information" in this prospectus or as notified from time to time, for the attention of our joint company secretaries, or the H Share Registrar for the attention of the privacy compliance officer.

The following is the text of a report set out on pages I–1 to I–66, received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.

KPMG

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF 西安經發物業股份有限公司 XI'AN KINGFAR PROPERTY SERVICES CO., LTD.* AND CEB INTERNATIONAL CAPITAL CORPORATION LIMITED

Introduction

We report on the historical financial information of 西安經發物業股份有限公司 Xi'an Kingfar Property Services Co., Ltd. (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-66, which comprises the consolidated statements of financial position of the Group and the statements of financial position of the Company as at 31 December 2021, 2022 and 2023, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows, for each of the years ended 31 December 2021, 2022 and 2023 (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-66 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 24 June 2024 (the "Prospectus") in connection with the initial listing of H shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for 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 preparation and presentation set out in Note 1 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' 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.

* *For identification purposes only*

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 accountants' judgement, 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 accountants consider 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 preparation and presentation set out in Note 1 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 purpose of the accountants' report, a true and fair view of the Company's and the Group's financial position as at 31 December 2021, 2022 and 2023 and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited 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 25(d) to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Track Record Period.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

24 June 2024

HISTORICAL FINANCIAL INFORMATION

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by KPMG Huazhen LLP in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("Underlying Financial Statements").

Consolidated statements of profit or loss and other comprehensive income
(Expressed in Renminbi ("RMB"))

	Note	**Year ended 31 December** **2021** *RMB'000*	**2022** *RMB'000*	**2023** *RMB'000*
Revenue	*4*	593,660	706,816	862,247
Cost of sales		(507,434)	(605,819)	(744,211)
Gross profit		86,226	100,997	118,036
Other income	*5*	5,437	4,281	3,833
Administrative and other expenses		(48,721)	(49,937)	(53,137)
Research and development costs		–	–	(191)
Impairment loss on trade and other receivables		(1,162)	(5,187)	(3,871)
Profit from operations		41,780	50,154	64,670
Finance costs	*6(a)*	(2,893)	(1,755)	(1,496)
Profit before taxation		38,887	48,399	63,174
Income tax	*7*	(7,732)	(10,960)	(12,156)
Profit and total comprehensive income for the year		31,155	37,439	51,018
Attributable to:				
Equity shareholders of the Company		32,187	37,501	49,726
Non-controlling interests		(1,032)	(62)	1,292
Profit and total comprehensive income for the year		31,155	37,439	51,018
Earnings per share	*10*			
Basic and diluted (RMB cents)		75.4	79.3	99.5

Consolidated statements of financial position

(Expressed in RMB)

	Note	As at 31 December 2021 RMB'000	2022 RMB'000	2023 RMB'000
Non-current assets				
Investment property and other plant and equipment	11	56,972	60,418	62,940
Intangible assets	12	4,379	5,810	7,415
Goodwill	13	–	1,769	1,769
Non-current portion of other receivables	16	7,463	–	–
Prepayments for acquisition of properties	14	–	–	36,611
Deferred tax assets	23(b)	9,807	11,518	12,388
		78,621	79,515	121,123
Current assets				
Inventories	15	1,188	1,316	840
Trade and other receivables	16	138,815	243,373	262,307
Prepayments	17	6,194	7,010	7,125
Cash at bank and on hand	18	249,240	207,870	258,478
		395,437	459,569	528,750
Current liabilities				
Interest-bearing borrowings	19	2,000	12,000	–
Trade and other payables	20	309,868	402,051	466,515
Contract liabilities	21	24,303	25,883	38,977
Lease liabilities	22	1,339	–	676
Current taxation	23(a)	7,133	12,879	4,204
		344,643	452,813	510,372
Net current assets		50,794	6,756	18,378
Total assets less current liabilities		129,415	86,271	139,501
Non-current liabilities				
Interest-bearing borrowings	19	12,000	–	–
Long-term payables	24	16,062	16,062	16,062
Deferred income		856	794	1,200
Lease liabilities	22	–	–	275
		28,918	16,856	17,537
NET ASSETS		100,497	69,415	121,964
CAPITAL AND RESERVES	25			
Share capital		42,716	50,000	50,000
Reserves		54,893	17,179	66,982
Total equity attributable to equity shareholders of the Company		97,609	67,179	116,982
Non-controlling interests		2,888	2,236	4,982
TOTAL EQUITY		100,497	69,415	121,964

The accompanying notes form part of the Historical Financial Information.

Statements of financial position of the Company

(Expressed in RMB)

	Note	As at 31 December 2021 RMB'000	2022 RMB'000	2023 RMB'000
Non-current assets				
Investment property and other plant and equipment	11	19,351	23,062	22,956
Intangible assets	12	4,329	4,239	5,985
Deferred tax assets	23(b)	4,104	5,022	4,611
Prepayments for acquisition of properties	14	–	–	36,611
Investment in subsidiaries	1	8,678	92,109	91,660
		36,462	124,432	161,823
Current assets				
Inventories	15	579	479	225
Trade and other receivables	16	65,209	124,807	152,373
Prepayments	17	4,527	5,089	5,050
Cash at bank and on hand	18	142,428	88,810	96,949
		212,743	219,185	254,597
Current liabilities				
Trade and other payables	20	182,001	243,022	280,282
Contract liabilities	21	21,191	19,285	26,709
Lease liabilities	22	1,339	–	261
Current taxation	23(a)	5,764	8,284	2,584
		210,295	270,591	309,836
Net current assets/(liabilities)		2,448	(51,406)	(55,239)
Total assets less current liabilities		38,910	73,026	106,584
Non-current liabilities				
Deferred income		336	294	252
Lease liabilities	22	–	–	275
		336	294	527
NET ASSETS		38,574	72,732	106,057
CAPITAL AND RESERVES	25			
Share capital		42,716	50,000	50,000
Reserves		(4,142)	22,732	56,057
TOTAL EQUITY		38,574	72,732	106,057

The accompanying notes form part of the Historical Financial Information.

Consolidated statements of changes in equity

(Expressed in RMB)

	Attributable to equity shareholders of the Company						
	Share capital	Capital reserve	Statutory reserve	Retained earnings	Total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 25(b))	*(Note 25(c)(i))*	*(Note 25(c)(ii))*				
Balance at 1 January 2021	42,716	31,526	(818)	5,404	78,828	200	79,028
Changes in equity for the year:							
Profit for the year and total comprehensive income	–	–	–	32,187	32,187	(1,032)	31,155
Appropriation to reserves	–	–	2,153	(2,153)	–	–	–
Capital injection by non-controlling equity holders of the Group	–	–	–	–	–	3,720	3,720
Deemed distribution *(Note 1)*	–	(13,406)	–	–	(13,406)	–	(13,406)
Balance at 31 December 2021	42,716	18,120	1,335	35,438	97,609	2,888	100,497
Balance at 1 January 2022	42,716	18,120	1,335	35,438	97,609	2,888	100,497
Changes in equity for the year:							
Profit for the year and total comprehensive income	–	–	–	37,501	37,501	(62)	37,439
Appropriation to reserves	–	–	3,119	(3,119)	–	–	–
Capital injection by non-controlling equity holders of the Group	–	–	–	–	–	690	690
Issuance of new shares	7,284	–	–	–	7,284	–	7,284
Acquisition of a subsidiary *(Note 27)*	–	–	–	–	–	(803)	(803)
Deemed distribution *(Note 1)*	–	(18,120)	(792)	(56,303)	(75,215)	(477)	(75,692)
Balance at 31 December 2022	50,000	–	3,662	13,517	67,179	2,236	69,415

The accompanying notes form part of the Historical Financial Information.

	Attributable to equity shareholders of the Company					Non-controlling interests	Total equity
	Share capital	Capital reserve	Statutory reserve	Retained earnings	Total		
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 25(b))	*(Note 25(c)(i))*	*(Note 25(c)(ii))*				
Balance at 1 January 2023	50,000	–	3,662	13,517	67,179	2,236	69,415
Changes in equity for the year:							
Profit for the year and total comprehensive income	–	–	–	49,726	49,726	1,292	51,018
Appropriation to reserves	–	–	3,324	(3,324)	–	–	–
Capital injection by non-controlling equity holders of the Group	–	–	–	–	–	490	490
Capital injection	–	84	–	–	84	–	84
Changes in ownership interests in a subsidiary that do not result in a loss of control	–	(7)	–	–	(7)	964	957
Balance at 31 December 2023	50,000	77	6,986	59,919	116,982	4,982	121,964

The accompanying notes form part of the Historical Financial Information.

Consolidated statements of cash flows

(Expressed in RMB)

	Note	Year ended 31 December 2021 *RMB'000*	2022 *RMB'000*	2023 *RMB'000*
Operating activities				
Profit before taxation		38,887	48,399	63,174
Adjustments for:				
Depreciation and amortisation	*6(c)*	8,469	10,023	11,856
Impairment losses on trade and other receivables	*6(c)*	1,162	5,187	3,871
(Gain)/loss on disposal of other plant and equipment		(42)	28	19
Finance cost	*6(a)*	1,987	745	241
Interest income	*5*	(1,424)	(1,384)	(614)
Changes in fair value of financial assets measured at FVPL	*5*	(413)	–	–
Changes in working capital:				
(Increase)/decrease in restricted cash at bank		(629)	(4,338)	3,945
Increase in trade and other receivables		(52,296)	(99,941)	(11,039)
Increase in prepayments		(185)	(814)	(115)
(Increase)/decrease in inventories		(115)	(128)	476
Increase in trade and other payables		66,197	23,787	97,377
Increase in contract liabilities		7,127	879	13,094
Cash generated from/(used in) operations		68,725	(17,557)	182,285
Income tax paid	*23(a)*	(8,498)	(7,206)	(21,701)
Net cash generated from/(used in) operating activities		60,227	(24,763)	160,584

The accompanying notes form part of the Historical Financial Information.

	Note	Year ended 31 December 2021 RMB'000	2022 RMB'000	2023 RMB'000
Investing activities				
Proceeds from disposal of other plant and equipment		143	2	21
Payment for purchase of other plant and equipment		(21,498)	(14,654)	(14,699)
Payment for acquisition of properties	*14*	–	–	(36,611)
Proceeds from disposal of financial instruments measured at FVPL		7,821	–	–
Advances to related parties	*28(b)*	(10,500)	–	–
Repayments from related parties	*28(b)*	32,500	1,000	7,500
Cash acquired from acquisition of a subsidiary, net	*27*	–	839	–
Payment of consideration payable for acquisition of a subsidiary		–	–	(186)
Interest received	*5*	1,424	1,384	614
Net cash generated from/(used in) investing activities		9,890	(11,429)	(43,361)
Financing activities				
Repayments of interest-bearing borrowings	*18(b)*	(41,500)	(2,000)	(12,000)
Payments to related parties	*28(b)*	(9,293)	–	–
Proceeds from capital injection by non-controlling equity holders of subsidiaries of the Group		3,720	690	490
Issuance of new shares	*25(b)*	–	7,284	–
Capital injection		–	–	84
Acquisition of subsidiaries under common control	*28(b)*	–	(13,406)	(37,846)
Changes in ownership interests in a subsidiary that do not result in a loss of control		–	–	957
Listing expense paid		–	–	(13,741)
Interest element of lease rentals paid	*18(b)*	(119)	(43)	(47)
Capital element of lease rentals paid	*18(b)*	(1,272)	(1,339)	(373)
Interests paid	*18(b)*	(1,868)	(702)	(194)
Net cash used in financing activities		(50,332)	(9,516)	(62,670)
Net increase/(decrease) in cash and cash equivalents		19,785	(45,708)	54,553
Cash and cash equivalents at the beginning of the year		228,800	248,585	202,877
Cash and cash equivalents at the end of the year	*18(a)*	248,585	202,877	257,430

The accompanying notes form part of the Historical Financial Information.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

西安經發物業股份有限公司 Xi'an Kingfar Property Services Co., Ltd. (the "Company") was established in the People's Republic of China (the "PRC") on 5 December 2000 as a limited liability company under the Company Law of the PRC and converted into a joint stock company with limited liability on 29 December 2020. The address of the Company's registered office is Room 10701, Unit 1, Building 3, Xi'an Financial Innovation Center, No. 51 Fengcheng Second Road, Economic and Technological Development Zone, Xi'an, Shaanxi, PRC.

The Company and its subsidiaries (together, the "Group") are principally engaged in the provision of city services, residential property management services and commercial property management services (the "Listing Business") in the PRC. As at 31 December 2023, the Company's immediate parent company is Xi'an Kingfar Group Co., Ltd. ("Kingfar Group") and the Company's ultimate parent company is Xi'an Kingfar Holdings (Group) Co., Ltd. ("Kingfar Holdings").

Pursuant to the Group's reorganisation completed on 30 December 2022 (the "Reorganisation"), as detailed in the section headed "History, Reorganisation and Corporate Structure" in the Prospectus, the Company became the holding company of the companies now comprising the Group. As part of the Reorganisation, the Company acquired entire interests in Xi'an Jingkai Property Management Co., Ltd. ("Xi'an Jingkai"), Xi'an Jiatai Property Management Service Co., Ltd. ("Xi'an Jiatai") and Xi'an Jingjian Property Management Co., Ltd. ("Xi'an Jingjian") on 30 December 2021 at a total cash consideration of approximately RMB13,406,000 from Xi'an Economic and Technological Development Zone Construction Co., Ltd. ("Xi'an Construction"), Xi'an Export Processing Zone Investment and Construction Co., Ltd. ("Xi'an Export") and Xi'an Jingkai Urban Construction Group Co., Ltd. ("Xi'an Jingkai Urban Construction") respectively, the fellow subsidiaries of the Company. The Company acquired entire equity interests in Xi'an Kingfar City Service Co., Ltd. ("Kingfar City Service", formerly known as Xi'an Kingfar Cleaning Co., Ltd.) on 28 December 2022 at the cash consideration of approximately RMB75,692,000 from Kingfar Group.

As the Company, Xi'an Jingkai, Xi'an Jiatai, Xi'an Jingjian and Kingfar City Service were under the common control of Kingfar Holdings (the "Controlling Shareholder") before and after the Reorganisation and the control was not transitory, there has been a continuation of risks and benefits to the Controlling Shareholder that existed prior to the Reorganisation. Accordingly, the Reorganisation has been accounted for as a restructuring of business under common control in accordance with the principles of merger accounting. The Historical Financial Information represents the consolidated results and financial position of the Group as if the current group structure had been in existence and remained unchanged throughout the Track Record Period, or since the date when the combining entities first came under the control of the Controlling Shareholder, whichever is the shorter period. The assets and liabilities of the entities taking part in the Reorganisation are combined using the existing book values from the Controlling Shareholder's perspective. There is no recognition of any additional goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of the Reorganisation to the extent of the continuation of the Controlling Shareholder's interests. Intra-group balances, transactions and unrealised gains/losses on intra-group transactions are eliminated in full in preparing the Historical Financial Information.

The financial statements of the Company for the fiscal years ended 31 December 2021 and 2022 were prepared in accordance with the Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC and audited by Xigema Certified Public Accountants LLP 希格瑪會計師事務所(特殊普通合夥) ("Xigema CPA").

Upon completion of the Reorganisation and as at the date of this report, the Company has direct interests in the following principal subsidiaries, all of which are state-owned companies:

Company name	Place and date of incorporation/ establishment	Particulars of issued and paid-up capital	Proportion of ownership interest held by the Company	Principal activities	Name of statutory auditors
西安經開物業管理有限責任公司 Xi'an Jingkai Property Management Co., Ltd.*	The PRC 15 July 2009	RMB3,000,000	40% *(Note (a))*	Property management services	Xigema CPA for the years ended 31 December 2021, 2022 and 2023
西安加泰物業管理服務有限公司 Xi'an Jiatai Property Management Service Co., Ltd.*	The PRC 1 July 2004	RMB1,000,000	100%	Property management service	Xigema CPA for the years ended 31 December 2021, 2022 and 2023
西安經建物業管理有限責任公司 Xi'an Jingjian Property Management Co., Ltd.*	The PRC 8 June 2010	RMB3,000,000	100%	Property management service	Xigema CPA for the years ended 31 December 2021, 2022 and 2023
西安經發城市服務有限公司 Xi'an Kingfar City Service Co., Ltd.*	The PRC 7 September 2006	RMB10,000,000	100%	Urban cleaning services	China Audit Asia Pacific CPA for the years ended 31 December 2021 and Xigema CPA for the year ended 31 December 2022 and 2023
西安經發環境有限公司 Xi'an Kingfar Environment Co., Ltd.*	The PRC 27 April 2009	RMB4,000,000	100%	Urban cleaning services	China Audit Asia Pacific CPA for the years ended 31 December 2021 and Xigema CPA for the year ended 31 December 2022 and 2023
陝西日行物業管理服務有限公司 Shaanxi Rixing Property Management Service Co., Ltd.*	The PRC 1 June 2022	RMB3,000,000	51%	Property management service	Xigema CPA for the period from 1 June 2022 to 31 December 2022 and 2023
瀋陽經發輝山物業管理有限公司 Shenyang Kingfar Huishan Property Management Co., Ltd.*	The PRC 22 December 2022	RMB500,000	60%	Property management service	No statutory financial statements were prepared for the period from 22 December 2022 to 31 December 2022 Xigema CPA for the year ended 31 December 2023

Company name	Place and date of incorporation/ establishment	Particulars of issued and paid-up capital	Proportion of ownership interest held by the Company	Principal activities	Name of statutory auditors
韓城市城投經發物業服務有限公司 Hancheng City Chengtou Kingfa Property Service Co., Ltd.*	The PRC 24 June 2021	RMB5,000,000	51%	Property management service	Xigema CPA for the period from 24 June 2021 to 31 December 2021 and for the year ended 31 December 2022 and 2023
新疆賽德經發物業管理有限公司 Xinjiang Saide Jingfa Property Management Co., Ltd.*	The PRC 29 December 2020	RMB5,000,000	51%	Property management service	Xigema CPA for the years ended 31 December 2021, 2022 and 2023

Note:

(a) The Company has the power to exercise control over the entity's operating and management activities through the board of directors and therefore Xi'an Jingkai Property Management Co., Ltd. is accounted for as a subsidiary by virtue of the Company's control over it.

* These entities were registered as limited liability companies under the laws and regulations in the PRC and the official name of these entities are in Chinese. The English names are for identification purpose only.

The financial statements of these entities for the respective period were prepared in accordance with the Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC.

All companies comprising the Group have adopted 31 December as their financial year date.

The Historical Financial Information has been prepared in accordance with all applicable IFRS Accounting Standards as issued by the International Accounting Standards Board ("IASB"). Further details of the material accounting policy information adopted are set out in Note 2.

The IASB has issued a number of new and revised IFRS Accounting Standards. For the purpose of preparing this Historical Financial Information, the Group has adopted all applicable new and revised IFRS Accounting Standards that are effective during the Track Record Period, except for any new standards or interpretations that are not yet effective for the accounting period beginning on 1 January 2023. The revised and new accounting standards and interpretations issued but not yet effective for the accounting year beginning on 1 January 2023 are set out in Note 30.

The Historical Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The accounting policies set out below have been applied consistently to all periods presented in the Historical Financial Information.

2 MATERIAL ACCOUNTING POLICY INFORMATION

(a) Basis of measurement

The measurement basis used in the preparation of the Historical Financial Information is the historical cost basis, except that the investments in debt and equity securities (see Note 2(f)). The Historical Financial Information is presented in RMB, rounded to the nearest thousand unless otherwise stated.

(b) Use of estimates and judgements

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

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

Judgements made by management in the application of IFRS Accounting Standards that have significant effect on the Historical Financial Information and major sources of estimation uncertainty are discussed in Note 3.

(c) Business combinations under common control

The Historical Financial Information incorporates the financial statement items of the entities or businesses in which the common control combination occurs as if they had been consolidated from the date when the entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognised 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 common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statement of profit or loss and other comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

A uniform set of accounting policies is adopted by those entities. All intra-group transitions, balances and unrealised gains on transactions between combining entities or business are eliminated on consolidation.

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary, other than subsidiary which is acquired through business combination under common control, is consolidated into the Historical Financial Information from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the Historical Financial Information. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with Notes 2 (p) or (q) depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see Note 2(k)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(e) Goodwill

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see Note 2(k)).

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(f) Other investments in debt and equity securities

The Group's policies for investments in debt and equity securities, other than investments in subsidiaries, associates and joint ventures, are set out below.

Investments in debt and equity securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss (FVPL) for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see Note 26. These investments are subsequently accounted for as follows, depending on their classification.

(i) Investments other than equity investments

Non-equity investments held by the Group are classified into one of the following measurement categories:

– amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method (see Note 2(u)(iv)).

– fair value through other comprehensive income (FVOCI) – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

– fair value through profit or loss (FVPL) if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

(g) Investment property

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see Note 2 (j)) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are stated at cost less accumulated depreciation and accumulated impairment losses (see Note 2(k)). Rental income from investment properties is accounted for as described in Note 2 (u)(vi).

Depreciation is calculated to write off the cost of the investment property, less a residual value, if any, using the straight-line method over its estimated useful life.

(h) Other plant and equipment

The following item of plant and equipment are stated at cost less accumulated depreciation and impairment losses (see Note 2(k)).

– right-of-use assets arising from leases over leasehold properties where the Group is not the registered owner of the property interest; and

– items of plant and equipment, including right-of-use assets arising from leases of underlying plant and equipment (see Note 2(j)).

The cost of self-constructed items of plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see Note 2(v)).

Gains or losses arising from the retirement or disposal of an item of plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

–	Investment property	40 years
–	Machinery and equipment	5-10 years
–	Vehicles	8 years
–	Right-of-use assets	2-5 years
–	Leasehold improvements	2 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(i) Intangible assets (other than goodwill)

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development. The expenditure capitalised includes the costs of materials, direct labour, and an appropriate proportion of overheads and borrowing costs, where applicable. Capitalised development costs are stated at cost less accumulated amortisation and impairment losses (see Note 2(k)). Other development expenditure is recognised as an expense in the period in which it is incurred.

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see Note 2(k)).

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

–	Software	5-10 years
–	Intellectual property	10 years

The estimated useful lives of software are determined based on the expected period of technological or commercial usability of the software. The estimated useful lives of intellectual property are determined based on the respective periods over which such assets can bring economic benefits to the Group.

Both the period and method of amortisation are reviewed annually.

Intangible assets are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives as set out above.

(j) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(i) As a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets which, for the Group are primarily laptops and office furniture. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see Notes 2(h) and 2(k)(ii)).

The initial fair value of refundable rental deposits is accounted for separately from the right-of-use assets in accordance with the accounting policy applicable to investments in debt securities carried at amortised cost (see Notes 2(f)(i), 2(u)(iv) and 2(k)(i)). Any difference between the initial fair value and the nominal value of the deposits is accounted for as additional lease payments made and is included in the cost of right-of-use assets.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are rent concessions that occurred as a direct consequence of the COVID-19 pandemic and met the conditions set out in paragraph 46B of IFRS 16 *Leases*. In such cases, the Group has taken advantage of the practical expedient not to assess whether the rent concessions are lease modifications, and recognised the change in consideration as negative variable lease payments in profit or loss in the period in which the event or condition that triggers the rent concessions occurred.

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

(ii) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. The rental income from operating leases is recognised in accordance with Note 2(u)(vi).

When the Group is an intermediate lessor, the sub-leases are classified as a finance lease or as an operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the exemption described in Note 2(j)(i), then the Group classifies the sub-lease as an operating lease.

(k) Credit losses and impairment of assets

(i) Credit losses from financial instruments and lease receivables

The Group recognises a loss allowance for expected credit losses (ECLs) on the following items:

– financial assets measured at amortised cost (including cash and cash equivalents, trade receivables and other receivables)

Other financial assets measured at fair value, including other non-equity instruments measured at FVPL are not subject to the ECL assessment.

Measurement of ECLs

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

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

– fixed-rate financial assets and trade and other receivables: effective interest rate determined at initial recognition or an approximation thereof; and

– variable-rate financial assets: current effective interest rate.

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

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

ECLs are measured on either of the following bases:

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

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

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

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

Significant increases in credit risk

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

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

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

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

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

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

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

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVOCI (recycling), for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (recycling).

Basis of calculation of interest income

Interest income recognised in accordance with Note 2(u)(iv) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

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

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

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or past due event;

– it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

– the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

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

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

(ii) ***Impairment of other non-current assets***

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– plant and equipment, including right-of-use assets;

– investment property stated at cost;

– intangible assets;

– goodwill; and

– investments in subsidiaries in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit). A portion of the carrying amount of a corporate asset (for example, head office building) is allocated to an individual cash-generating unit if the allocation can be done on a reasonable and consistent basis, or to the smallest group of cash-generating units if otherwise.

– *Recognition of impairment losses*

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

– *Reversals of impairment losses*

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(l) Inventories

Inventories are assets which are held for sale in the ordinary course of business or in the form of materials or supplies to be consumed in the rendering of services.

Inventories are carried at the lower of cost and net realisable value as follows:

Cost is calculated using the specific identification method and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(m) Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue (see Note 2(u)) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for expected credit losses (ECL) in accordance with the policy set out in Note 2(k)(i) and are reclassified to receivables when the right to the consideration has become unconditional (see Note 2(n)).

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (see Note 2(u)). A contract liability would also be recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see Note 2(n)).

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

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see Note 2(u)).

(n) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset (see Note 2(m)).

Trade receivables that do not contain a significant financing component are initially measured at their transaction price. Trade receivables that contain a significant financing component and other receivables are initially measured at fair value plus transaction costs. All receivables are subsequently stated at amortised cost, using the effective interest method less allowance for credit losses (see Note 2(k)(i)).

(o) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, property pre-sale proceeds held by solicitor that are held for meeting short-term cash commitments, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for expected credit losses (ECL) in accordance with the policy set out in Note 2(k)(i).

(p) Trade and other payables

Trade and other payables are initially recognised at fair value. Subsequent to initial recognition, trade and other payables are stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at invoice amounts.

(q) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs (see Note 2(v)).

(r) Employee benefits

(i) Short-term employee benefits and contributions to defined contribution retirement plans

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Obligations for contributions to defined contribution retirement plans are expensed as the related service is provided.

(ii) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring.

(s) Income tax

Income tax expense comprises current tax and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.

Current tax comprises the estimated tax payable or receivable on the taxable income or loss for the year and any adjustments to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects any uncertainty related to income taxes. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

– temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences;

– temporary differences related to investment in subsidiaries, associates and joint venture to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future;

– taxable temporary differences arising on the initial recognition of goodwill; and

– those related to the income taxes arising from tax laws enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development.

The Group recognised deferred tax assets and deferred tax liabilities separately in relation to its lease liabilities and right-of-use assets.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Where investment properties are carried at their fair value, the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date, unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if certain criteria are met.

(t) Provisions and contingent liabilities

Provisions are recognised when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, a separate asset is recognised for any expected reimbursement that would be virtually certain. The amount recognised for the reimbursement is limited to the carrying amount of the provision.

(u) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods, the provision of services or the use by others of the Group's assets under leases in the ordinary course of the Group's business.

Revenue is recognised when control over a product or service is transferred to the customer, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax ("VAT") or other sales taxes and is after deduction of any trade discounts.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. The Group takes advantage of the practical expedient in paragraph 63 of IFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) City services

City services represent services to local governments, government agencies and public authorities to improve the local environment and local residents' living experience, which include municipal management services, public property management services and municipal value-added services.

Municipal management services mainly include cleaning and maintenance services to public facility and infrastructure, municipal waste collection services and household garbage collection services to residential communities and enterprises. Revenue from the provision of municipal management services is recognised over the scheduled period on a straight-line basis because the customer simultaneously receives and consumes the benefits provided by the Group.

Public property management services mainly include cleaning, security as well as common area facility repair and maintenance services to public properties, such as government buildings, education institutes and hospitals. For property management services, the Group is entitled to retain the full amount of the property management fees received. From the property management fees, the Group shall bear expenses associated with, among others, staff, cleaning, garbage disposal, gardening and landscaping, security and general overheads covering the common areas. During the term of the contract, if the amount of property management fees the Group collected is not sufficient to cover all the expenses incurred, the Group is not entitled to request the property owners to pay the shortfall. Accordingly, the Group recognises as revenue the full amount of property management fees the Group charged to the property owners and property developers on a straight-line basis over the specified period.

Municipal value-added services mainly include commissioned administrative services, catering services and public parking management services. Revenue from value-added services is recognised over time or at a point of time when the relevant services are rendered.

(ii) Residential property management services

Under the residential property management services, the Group provide (a) basic residential property management services and (b) value-added services to property owners and residents, such as carpark space management services, resource management services and other customised services.

For basic residential property management services, the Group is entitled to retain the full amount of the property management fees received. From the property management fees, the Group shall bear expenses associated with, among others, staff, cleaning, garbage disposal, gardening and landscaping, security and general overheads covering the common areas. During the term of the contract, if the amount of property management fees the Group collected is not sufficient to cover all the expenses incurred, the Group is not entitled to request the property owners to pay the shortfall. Accordingly, the Group recognises as revenue the full amount of property management fees the Group charged to the property owners and property developers on a straight-line basis over the specified period.

Revenue from value-added services mainly includes carpark space management services and resource management services recognised over the scheduled period on a straight-line basis because the customer simultaneously receives and consumes the benefits provided by the Group.

Revenue from value-added services also includes temporary parking service and other customised services such as house cleaning as well as housing repair services, revenue is recognised at point in time when the related value-added services are rendered. Payment of the transaction is due immediately when the services are rendered to the customer.

(iii) Commercial property management services

Under the commercial property management services, the Group provide (a) basic commercial property management services and (b) value-added services property developers, property owners and tenants of commercial properties including office buildings and industrial parks, such as carpark space management services, resource management services and other customised services.

Similar as basic residential property management, for basic commercial property management services, the Group is entitled to retain the full amount of the property management fees received. From the property management fees, the Group shall bear expenses associated with, among others, staff, cleaning, garbage disposal, gardening and landscaping, security and general overheads covering the common areas. During the term of the contract, if the amount of property management fees the Group collected is not sufficient to cover all the expenses incurred, the Group is not entitled to request the property owners to pay the shortfall. Accordingly, the Group recognises as revenue the full amount of property management fees the Group charged to the property owners and property developers on a straight-line basis over the specified period.

Revenue from value-added services mainly includes carpark space management services and resource management services recognised over the scheduled period on a straight-line basis because the customer simultaneously receives and consumes the benefits provided by the Group.

Revenue from value-added services also includes temporary parking service and other customised services such as house cleaning as well as housing repair services, revenue is recognised at point in time when the related value-added services are rendered. Payment of the transaction is due immediately when the services are rendered to the customer.

(iv) Interest income

Interest income is recognised as it accrues under the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see Note 2(k)(i)).

(v) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are recognised initially as deferred income and amortised to profit or loss on a straight-line basis over the useful life of the assets by way of recognised in other income.

(vi) Rental income from operating leases

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

(v) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(w) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entities.

(x) Segment reporting

Operating segments, and the amounts of each segment item reported in the Historical Financial Information, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 ACCOUNTING JUDGEMENT AND ESTIMATES

Key sources of estimation uncertainty are as follows:

(i) Expected credit loss for financial assets

The credit losses for trade and bills receivables, contract assets and other financial assets including other receivables, amounts due from related parties are based on assumptions about the expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, which are based on the Group's past collection history, existing market conditions as well as forward looking estimates at the end of each reporting period. For details of the key assumptions and inputs used, see Note 26. Changes in these assumptions and estimates could materially affect the result of the assessment and it may be necessary to make additional loss allowances in future periods.

(ii) Depreciation

Investment property and other plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual values. The management reviews the estimated useful lives and the residual values of the assets regularly in order to determine the amount of depreciation expense to be recorded during any reporting period. The determination of the useful lives and the residual values is based on historical experience with similar assets. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

4 REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are city services, residential property management services and commercial property management services.

(i) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by timing of revenue recognition and principal activities lines is as follows:

	Year ended 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Disaggregated by timing of revenue recognition			
Over time	567,715	677,542	813,551
Point in time	25,945	29,274	48,696
Total	593,660	706,816	862,247
Revenue from contracts with customers within the scope of IFRS 15			
City services	342,064	410,002	524,908
Residential property management services	159,081	176,419	184,170
Commercial property management services	91,995	119,467	149,844
	593,140	705,888	858,922
Revenue from other sources			
Gross rental income	520	928	3,325
Total	593,660	706,816	862,247

For the years ended 31 December 2021, 2022 and 2023, revenue from Xi'an ETDZ MC contributed 34%, 32% and 27% respectively of the Group's revenue. Other than Xi'an ETDZ MC, the Group's customer base is diversified and none of them contributed 10% or more of the Group's revenue during the Track Record Period.

Details of concentrations of credit risk arising from this customer are set out in Note 26(a).

(ii) Revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date

For basic residential, commercial and public property management services and municipal management services, the Group recognises revenue when the services are provided on monthly basis and recognises to which the Group has a right to invoice and that corresponds directly with the value of performance completed. The Group has elected the practical expedient for not to disclose the remaining performance obligations for this type of contracts. The majority of the property management service contracts do not have a fixed term.

For municipal, residential and commercial value-added services, which are generally less than a year, and the Group has elected the practical expedient for not to disclose the remaining performance obligations for these types of contracts.

(b) Segment reporting

During the Track Record Period, the Group is principally engaged in the provision of city services, residential property management services and commercial property management services in the PRC. Management views the operating results of the business as one segment to make decisions about resources to be allocated. Therefore, the management of the Company are of the view that there is only one segment which is used to make strategic decisions.

The Group generated all revenue in the PRC and no non-current assets of the Group are located outside the PRC, accordingly, no analysis of geographic information is presented.

5 OTHER INCOME

	Year ended 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Interest income	1,424	1,384	614
Government grants *(Note (i))*	2,345	1,385	1,745
Changes in fair value of financial assets measured at FVPL	413	–	–
Income from additional deduction on input VAT *(Note (ii))*	1,184	1,381	890
Others	71	131	584
	5,437	4,281	3,833

Notes:

(i) The government grants represent subsidies from various PRC authorities. There are no unfulfilled conditions or future obligations attached to these subsidies.

(ii) The amount represents the Group's entitlement to additional deduction on input VAT in accordance with the Announcement on Deepening the reform of VAT ([2019] No. 39) (《關於深化增值稅改革有關政策的公告》 ([2019]39號)) issued by the Ministry of Finance, State Administration of Taxation, Customs. There are no unfulfilled conditions or future obligations attached to the entitlements of such additional deduction on input VAT.

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

(a) Finance cost

	Year ended 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Interest on lease liabilities *(Note 18(b))*	119	43	47
Interest on interest-bearing borrowings *(Note 18(b))*	1,868	702	194
Bank and other charges	906	1,010	1,255
	2,893	1,755	1,496

(b) Staff costs

	Year ended 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Salaries, wages and other benefits	381,453	434,657	449,655
Contributions to defined contribution retirement plans	27,499	34,332	40,420
	408,952	468,989	490,075

Employees of the Group's subsidiaries in the PRC are required to participate in a defined contribution retirement scheme administered and operated by the local municipal government. The Group's subsidiaries in the PRC contribute funds which are calculated on certain percentages of the average employee salary as agreed by the local municipal government to the scheme to fund the retirement benefits of the employees.

The Group has no further obligation for payment of other retirement benefits beyond the above contributions.

(c) Other items

	Year ended 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Depreciation charge *(Note 11)*			
– Owned property and equipment	6,475	7,877	9,620
– Right-of-use assets	1,317	1,317	1,181
	7,792	9,194	10,801
Amortisation cost of intangible assets *(Note 12)*	677	829	1,055
Recognition/(reversal) of impairment loss on trade and other receivables			
– Trade receivables *(Note 26(a))*	1,670	4,103	(740)
– Bills receivable *(Note 26(a))*	–	–	70
– Other receivables	(508)	1,084	4,541
	1,162	5,187	3,871
Auditors' remuneration			
– Audit services	682	653	570
Net (gain)/loss on disposal of other plant and equipment	(42)	28	19
Cost of inventories *(Note 15(b))*	61,309	67,726	73,214

7 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(a) Taxation in the consolidated statements of profit and loss and other comprehensive income represents:

	Year ended 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Current tax – PRC Corporate Income Tax			
Provision for the year *(Note 23(a))*	8,607	12,671	13,026
Deferred tax			
Origination and reversal of temporary differences *(Note 23(b))*	(875)	(1,711)	(902)
Effect on deferred tax balances at 1 January resulting from a change in tax rate *(Note 23(b))*	–	–	32
	7,732	10,960	12,156

(b) Reconciliation between income tax expense and accounting profit at applicable tax rates:

	Year ended 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Profit before taxation	38,887	48,399	63,174
Notional tax on profit before taxation, calculated at the rates applicable to profits in the tax jurisdiction concerned *(Note (i))*	9,722	12,099	15,793
Tax concessions *(Note (ii))*	(1,860)	(3,308)	(3,438)
Tax relief related to additional tax deduction on Small Low-profit Enterprise *(Note (iii))*	(420)	(781)	(926)
Tax effect of non-deductible expenses	410	553	808
Tax effect of deemed distribution	–	2,505	–
Tax relief related to additional deduction on the employment of disabled individuals *(Note (iv))*	(120)	(108)	(113)
Effect on deferred tax balances at 1 January resulting from a change in tax rate	–	–	32
Actual tax expense	7,732	10,960	12,156

Notes:

(i) The provision for PRC income tax is based on a statutory rate of 25% of the assessable income of the Company's mainland China subsidiaries as determined in accordance with the relevant income tax rules and regulations of the PRC.

(ii) Certain subsidiaries of the Group established in the PRC are entitled to tax benefits applicable to entities under the Second Phase of the Western Region Development Plan of the PRC, and enjoy a preferential PRC Corporate Income Tax rate of 15% for the calendar years from 2011 to 2020. In 2020, the State Administration of Taxation issued the preferential PRC Corporate Income Tax policies for entities under the Third Phase of the Western Region Development Plan of the PRC (the "Policies"), which is effective from 1 January 2021 to 31 December 2030. Certain subsidiaries of the Group established in the PRC are entitled to tax benefits applicable to entities under the Policies and enjoy a preferential PRC Corporate Income Tax rate of 15% for the calendar years from 2021 to 2030.

(iii) Certain subsidiaries have been approved as Small Low-profit Enterprises. The entitled subsidiaries are subject to a preferential income tax rate of 2.5%, 5% or 10% during the Track Record Period.

(iv) Certain subsidiaries are entitled to an additional 100% deduction of costs incurred for its employment of disabled individuals.

8 DIRECTORS' AND SUPERVISORS' REMUNERATION

	Year ended 31 December 2021				
	Directors fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Mr. Wu Suozheng	–	552	144	53	749
Mr. Sun Qi	–	507	128	49	684
Non-Executive directors					
Ms. Yuan Hua	–	–	–	–	–
Mr. Zhang Zhonggang	–	–	–	–	–
Ms. Yin Hua	–	–	–	–	–
Supervisors					
Mr. Zhao Junping	–	–	–	–	–
Mr. Bai Xiong	–	–	–	–	–
Mr. Geng Hexiang	–	164	21	22	207
	–	1,223	293	124	1,640

	Year ended 31 December 2022				
	Directors fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Mr. Wu Suozheng	–	559	196	73	828
Mr. Sun Qi	–	514	171	63	748
Non-Executive directors					
Ms. Yuan Hua	–	–	–	–	–
Mr. Zhang Zhonggang	–	–	–	–	–
Mr. Zhao Junping (re-designated as director on 25 August 2022)	–	–	–	–	–
Ms. Yin Hua (resigned on 25 August 2022)	–	–	–	–	–
Supervisors					
Mr. Zhao Junping (re-designated as director on 25 August 2022)	–	–	–	–	–
Ms. Li Li (appointed on 25 August 2022)	–	128	11	7	146
Mr. Bai Xiong	–	–	–	–	–
Mr. Geng Hexiang	–	161	30	32	223
	–	1,362	408	175	1,945

	Year ended 31 December 2023				
	Directors fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Mr. Wu Suozheng	–	644	151	76	871
Mr. Sun Qi	–	603	138	66	807
Mr. Cheng Hongrang (appointed on 15 May 2023)	–	348	120	42	510
Non-Executive directors					
Mr. Zhao Junping	–	–	–	–	–
Mr. Yang Gang (appointed on 15 May 2023)	–	–	–	–	–
Ms. Li Lingxiao (appointed on 15 May 2023)	–	–	–	–	–
Ms. Yuan Hua (resigned on 15 May 2023)	–	–	–	–	–
Mr. Zhang Zhonggang (resigned on 15 May 2023)	–	–	–	–	–
Supervisors					
Ms. Li Li (resigned on 2 April 2024)	–	307	32	17	356
Mr. Bai Xiong	–	–	–	–	–
Mr. Geng Hexiang	–	164	30	35	229
	–	2,066	471	236	2,773

On 18 January 2013, Mr. Wu Suozheng was appointed as executive director of the Company. On 28 December 2020, Mr. Sun Qi was appointed as executive director of the Company. On 15 May 2023, Mr. Cheng Hongrang was appointed as executive director of the Company. On 28 December 2020, Ms. Yuan Hua, Mr. Zhang Zhonggang and Ms. Yin Hua were appointed as non-executive directors of the Company. On 15 May 2023, Mr. Yang Gang and Ms. Li Lingxiao were appointed as non-executive directors and Ms. Yuan Hua and Mr. Zhang Zhonggang were resigned as non-executive directors of the Company. On 24 December 2020, Mr. Geng Hexiang was appointed as supervisor of the Company. On 28 December 2020, Mr. Zhao Junping and Mr. Bai Xiong were appointed as supervisors of the Company. On 25 August 2022, Mr. Zhao Junping was re-designated from supervisor to director, Ms. Yin Hua resigned as non-executive director and Ms. Li Li was appointed as supervisor of the Company. On 2 April 2024, Ms. Li Li was resigned as supervisor of the Company and Mr. Li Gang was appointed as supervisor of the Company.

During the Track Record Period, apart from Mr. Wu Suozheng, Mr. Sun Qi, Mr. Cheng Hongrang, Ms. Li Li and Mr Geng Hexiang, other directors or supervisors were not paid directly by the Group but received remuneration from the Group's holding company or the fellow subsidiaries of the Company, in respect of their services to the larger group which includes the Group. No apportionment has been made as the qualifying services provided by them to the Group are incidental to their responsibilities to the larger group.

During the Track Record Period, there were no amounts paid or payable by the Group to the directors, supervisors or any of the five highest paid individuals set out in Note 9 below as an inducement to join or upon joining the Group or as compensation for loss of office.

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

During the Track Record Period, of the five individuals with the highest emoluments, 2, 2 and 2 are directors of the Company for the years ended 31 December 2021, 2022 and 2023, respectively, whose emoluments are disclosed in Note 8. The aggregate of the emoluments in respect of the remaining 3, 3 and 3 individuals during the Track Record Period are as follows:

	Year ended 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Salaries and other emoluments	1,312	1,331	1,471
Discretionary bonuses	296	414	333
Retirement scheme contributions	146	199	208
	1,754	1,944	2,012

	Year ended 31 December		
	2021	**2022**	**2023**
	Number of individuals	*Number of individuals*	*Number of individuals*
HKD Nil – HKD1,000,000	3	3	3

10 EARNINGS PER SHARE

(a) Basic and diluted earnings per share

For the years ended 31 December 2021, 2022 and 2023, the calculation of basic and diluted earnings per share is based on the profit attributable to equity shareholders of the Company of RMB32,187,000, RMB37,501,000 and RMB49,726,000 respectively, and the weighted average number of 42,716,000, 47,269,000 and 50,000,000 ordinary shares in issue during each of the year within the Track Record Period.

Weighted average number of ordinary shares

	Year ended 31 December		
	2021	**2022**	**2023**
	'000	*'000*	*'000*
Issued ordinary shares at 1 January	42,716	42,716	50,000
Effect of issued ordinary shares	–	4,553	–
Weighted average number of ordinary shares at 31 December	42,716	47,269	50,000

11 INVESTMENT PROPERTY AND OTHER PLANT AND EQUIPMENT

(a) Reconciliation of carrying amount

The Group

	Machinery and equipment *RMB'000*	Vehicles *RMB'000*	Right-of-use assets *RMB'000*	Leasehold improvements *RMB'000*	Sub-total *RMB'000*	Investment property *RMB'000*	Total *RMB'000*
Cost:							
At 1 January 2021	13,726	41,815	5,270	–	60,811	14,855	75,666
Additions	2,388	16,798	–	–	19,186	–	19,186
Disposals	(393)	(742)	–	–	(1,135)	–	(1,135)
At 31 December 2021	15,721	57,871	5,270	–	78,862	14,855	93,717
Additions	2,770	9,282	–	470	12,522	–	12,522
Acquisition of a subsidiary *(Note 27)*	144	4	–	–	148	–	148
Disposals	(174)	(61)	–	–	(235)	–	(235)
At 31 December 2022	18,461	67,096	5,270	470	91,297	14,855	106,152
Additions	2,400	9,639	1,324	–	13,363	–	13,363
Disposals	(347)	(224)	(5,270)	–	(5,841)	–	(5,841)
At 31 December 2023	20,514	76,511	1,324	470	98,819	14,855	113,674
Accumulated depreciation:							
At 1 January 2021	(7,342)	(16,801)	(1,976)	–	(26,119)	(3,868)	(29,987)
Charge for the year	(1,540)	(4,582)	(1,317)	–	(7,439)	(353)	(7,792)
Written back on disposals	337	697	–	–	1,034	–	1,034
At 31 December 2021	(8,545)	(20,686)	(3,293)	–	(32,524)	(4,221)	(36,745)
Charge for the year	(1,619)	(5,884)	(1,317)	(21)	(8,841)	(353)	(9,194)
Written back on disposals	147	58	–	–	205	–	205
At 31 December 2022	(10,017)	(26,512)	(4,610)	(21)	(41,160)	(4,574)	(45,734)
Charge for the year	(1,691)	(7,341)	(1,181)	(235)	(10,448)	(353)	(10,801)
Written back on disposals	319	212	5,270	–	5,801	–	5,801
At 31 December 2023	(11,389)	(33,641)	(521)	(256)	(45,807)	(4,927)	(50,734)
Carrying amount:							
At 31 December 2023	9,125	42,870	803	214	53,012	9,928	62,940
At 31 December 2022	8,444	40,584	660	449	50,137	10,281	60,418
At 31 December 2021	7,176	37,185	1,977	–	46,338	10,634	56,972

The Company

	Machinery and equipment *RMB'000*	Vehicles *RMB'000*	Right-of-use assets *RMB'000*	Sub-total *RMB'000*	Investment property *RMB'000*	Total *RMB'000*
Cost:						
At 1 January 2021	8,163	3,065	5,270	16,498	14,855	31,353
Additions	1,423	1,004	–	2,427	–	2,427
Disposals	(312)	(576)	–	(888)	–	(888)
At 31 December 2021	9,274	3,493	5,270	18,037	14,855	32,892
Additions	1,606	5,054	–	6,660	–	6,660
Disposals	(115)	(10)	–	(125)	–	(125)
At 31 December 2022	10,765	8,537	5,270	24,572	14,855	39,427
Additions	1,237	1,248	522	3,007	–	3,007
Disposals	(215)	(54)	(5,270)	(5,539)	–	(5,539)
At 31 December 2023	11,787	9,731	522	22,040	14,855	36,895
Accumulated depreciation:						
At 1 January 2021	(4,396)	(1,184)	(1,976)	(7,556)	(3,868)	(11,424)
Charge for the year	(871)	(382)	(1,317)	(2,570)	(353)	(2,923)
Written back on disposals	266	540	–	806	–	806
At 31 December 2021	(5,001)	(1,026)	(3,293)	(9,320)	(4,221)	(13,541)
Charge for the year	(858)	(398)	(1,317)	(2,573)	(353)	(2,926)
Written back on disposals	93	9	–	102	–	102
At 31 December 2022	(5,766)	(1,415)	(4,610)	(11,791)	(4,574)	(16,365)
Charge for the year	(955)	(995)	(791)	(2,741)	(353)	(3,094)
Written back on disposals	199	51	5,270	5,520	–	5,520
At 31 December 2023	(6,522)	(2,359)	(131)	(9,012)	(4,927)	(13,939)
Carrying amount:						
At 31 December 2023	5,265	7,372	391	13,028	9,928	22,956
At 31 December 2022	4,999	7,122	660	12,781	10,281	23,062
At 31 December 2021	4,273	2,467	1,977	8,717	10,634	19,351

(b) Right-of-use asset

The analysis of the net book value of right-of-use assets by class of underlying asset of the Group and the Company is as follows:

The Group

		As at 31 December		
	Note	**2021**	**2022**	**2023**
		RMB'000	*RMB'000*	*RMB'000*
Properties leased for own use, carried at depreciated cost	*(i)*			
– Office buildings		1,977	660	803

The Company

		As at 31 December		
	Note	**2021**	**2022**	**2023**
		RMB'000	*RMB'000*	*RMB'000*
Properties leased for own use, carried at depreciated cost	*(i)*			
– Office buildings		1,977	660	391

The analysis of expense items in relation to leases recognised in profit or loss of the Group and the Company is as follows:

The Group

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Depreciation charge of right-of-use assets by class of underlying assets:			
– Office buildings	1,317	1,317	1,181
Interest on lease liabilities *(Note 6(a))*	119	43	47
Expense relating to short-term leases	789	886	1,058

The Company

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Depreciation charge of right-of-use assets by class of underlying assets:			
– Office buildings	1,317	1,317	791
Interest on lease liabilities *(Note 6(a))*	119	43	–
Expense relating to short-term leases	–	–	776

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in Note 18(c) and Note 22 respectively.

Note:

(i) The Group has obtained the right to use properties as its office spaces through tenancy agreements. The leases typically run for an initial period of 2 to 5 years.

(c) Investment property

The investment property was valued to be RMB11,400,000, RMB11,500,000 and RMB11,000,000 as at 31 December 2021, 2022 and 2023, respectively, using discounted cash flow techniques based on contracted and expected cash inflows and outflows arising from the investment property. The fair value measurements are categorised into Level 3 which incorporates significant unobservable inputs. The valuations were carried out by APAC Asset Valuation and Consulting Limited, an independent professional qualified valuer.

12 INTANGIBLE ASSETS

The Group

	Software	**Intellectual property**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Cost:			
At 1 January 2021	5,077	–	5,077
Additions	684	1,628	2,312
At 31 December 2021	5,761	1,628	7,389
Additions	1,968	164	2,132
Acquisition of a subsidiary *(Note 27)*	128	–	128
At 31 December 2022	7,857	1,792	9,649
Additions	2,660	–	2,660
At 31 December 2023	10,517	1,792	12,309
Accumulated amortisation:			
At 1 January 2021	(2,333)	–	(2,333)
Charge for the year	(528)	(149)	(677)
At 31 December 2021	(2,861)	(149)	(3,010)
Charge for the year	(659)	(170)	(829)
At 31 December 2022	(3,520)	(319)	(3,839)
Charge for the year	(876)	(179)	(1,055)
At 31 December 2023	(4,396)	(498)	(4,894)
Carrying amount:			
At 31 December 2023	6,121	1,294	7,415
At 31 December 2022	4,337	1,473	5,810
At 31 December 2021	2,900	1,479	4,379

The Company

	Software	Intellectual property	Total
	RMB'000	*RMB'000*	*RMB'000*
Cost:			
At 1 January 2021	4,195	–	4,195
Additions	684	1,628	2,312
At 31 December 2021	4,879	1,628	6,507
Additions	689	–	689
At 31 December 2022	5,568	1,628	7,196
Additions	2,616	–	2,616
At 31 December 2023	8,184	1,628	9,812
Accumulated amortisation:			
At 1 January 2021	(1,517)	–	(1,517)
Charge for the year	(512)	(149)	(661)
At 31 December 2021	(2,029)	(149)	(2,178)
Charge for the year	(616)	(163)	(779)
At 31 December 2022	(2,645)	(312)	(2,957)
Charge for the year	(707)	(163)	(870)
At 31 December 2023	(3,352)	(475)	(3,827)
Carrying amount:			
At 31 December 2023	4,832	1,153	5,985
At 31 December 2022	2,923	1,316	4,239
At 31 December 2021	2,850	1,479	4,329

Amortisation of intangible assets has been charged to administrative and other expenses in the consolidated statements of profit or loss and other comprehensive income.

13 GOODWILL

	Note	RMB'000
Cost:		
At 1 January 2021 and 31 December 2021		–
Addition	27	1,769
At 31 December 2022 and 31 December 2023		1,769
Accumulated impairment losses:		
At 1 January 2021, 31 December 2021, 31 December 2022 and 31 December 2023		–
Carrying amount:		
At 31 December 2023		1,769
At 31 December 2022		1,769
At 31 December 2021		–

Impairment tests for cash-generating units containing goodwill

On 1 June 2022, the Group completed the acquisition of Shaanxi Rixing Property Management Service Co., Ltd. ("Shaanxi Rixing") (see Note 27) at a consideration of RMB933,000, which result in the recognition of goodwill of RMB1,769,000.

For the purpose of impairment testing, the Group's goodwill acquired through the above business combination was related to the subsidiary which was regarded as a cash-generating unit ("CGU").

The recoverable amount of the CGU as at 31 December 2022 and 2023 were determined based on value-in-use calculation. The calculation uses cash flow projection based on financial budget prepared by the directors of the Company covering a five-year period. The cash flow projection adopted annual revenue growth rates ranging from 0% to 10%, which are based on the Group's historical experience with the operation and adjusted for other factors that are specific to the CGU. Cash flows beyond the five-year period as at 31 December 2022 and 2023 are extrapolated using an estimate weighted average growth rate of 3% and 0% which is consistent with market consensus on long-term growth rate of property management service market in the PRC. The cash flows are discounted using a discount rate of 16.9% and 14.0% as at 31 December 2022 and 31 December 2023, respectively. The discount rate used is pre-taxed and reflect specific risks relating to the cash-generating unit.

The headroom measured by the excess of the recoverable amount over the carrying amount of the CGU as of 31 December 2022 and 31 December 2023 are RMB95,000 and RMB1,149,000, respectively.

Management has undertaken sensitivity analysis on the impairment test of goodwill. The hypothetical increases in the discount rate by 3% and 6% or decreases in annual revenue growth rate by 3% and 2% would, in isolation, have removed the remaining headroom as at 31 December 2022 and 31 December 2023, respectively.

The management of the Group considered there was no material change in the key assumptions mentioned above that would cause the carrying amount of CGU to exceed its recoverable amount. The management of the Group determined that there was no impairment of its CGU.

14 PREPAYMENTS FOR ACQUISITION OF PROPERTIES

The amounts represent the payments made by the Group for its acquisition of commercial properties that are situated in the PRC. On 18 January 2023, the Group entered into an acquisition agreement with a related party, Xi'an Financial Center Construction and Development Co., Ltd. to purchase part of the properties for an aggregate consideration of RMB36,611,000. These properties are intended to be used by the Group as offices. The directors of the Group in the view that the acquisition is expected to be consummated in June 2024.

15 INVENTORIES

(a) Inventories in the consolidated statements of financial position comprise:

The Group

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Raw materials and consumables	1,188	1,316	840

The Company

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Raw materials and consumables	579	479	225

(b) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

The Group

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Carrying amount of inventories consumed	61,309	67,726	73,214

The Company

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Carrying amount of inventories consumed	41,765	46,782	52,684

All of the inventories are expected to be recovered within one year.

16 TRADE AND OTHER RECEIVABLES

The Group

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Bills receivable	309	502	6,329
Trade receivables			
– Related parties	34,981	44,533	22,938
– Third parties	90,586	168,555	190,517
	125,876	213,590	219,784
Less: allowance for doubtful debts *(Note 26(a))*	(6,570)	(10,673)	(10,003)
Trade and bills receivables, net of loss allowance	119,306	202,917	209,781
Amounts due from related parties			
– Non-trade nature *(Note 28(c)(ii))*	8,500	7,500	–
Deposits	2,458	3,149	4,700
Receipts and payments on behalf of property owners	10,444	23,854	26,891
Prepayments in connection with the proposed initial listing of the Company's H shares *(Note (i))*	–	–	19,266
Others	5,312	6,785	7,186
Less: allowance for other receivables	(140)	(1,224)	(5,765)
Other receivables, net of loss allowance	26,574	40,064	52,278
Financial assets measured at amortised cost	145,880	242,981	262,059
VAT recoverable	398	392	248
	146,278	243,373	262,307
Reconciliation to the consolidated statements of financial position:			
Non-current	7,463	–	–
Current	138,815	243,373	262,307
	146,278	243,373	262,307

Notes:

(i) The balance at 31 December 2023 will be transferred to the capital reserve within equity upon the listing of the Company's shares on the Stock Exchange.

(ii) Apart from the amounts due from related parties amounting to RMB8,500,000 and RMB7,500,000 as at 31 December 2021 and 2022, respectively, which the maturity date is 5 May 2023 (see Note 28(c)(ii)), other amounts of the trade and other receivables of the Group are expected to be recovered within one year.

The Company

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Bills receivable	–	–	4,746
Trade receivables			
– Related parties	12,330	18,443	11,039
– Third parties	47,228	87,394	101,174
	59,558	105,837	116,959
Less: allowance for doubtful debts	(2,654)	(4,303)	(4,827)
Trade and bills receivables, net of loss allowance	56,904	101,534	112,132
Amounts due from related parties			
– Non-trade nature	–	8,000	3,000
Deposits	1,861	2,496	3,769
Receipts and payments on behalf of property owners	3,874	9,295	9,860
Prepayments in connection with the proposed initial listing of the Company's H shares *(Note (i))*	–	–	19,266
Others	2,612	3,599	4,548
Less: allowance for other receivables	(42)	(117)	(202)
Other receivables, net of loss allowance	8,305	23,273	40,241
Financial assets measured at amortised cost	65,209	124,807	152,373

Amounts due from related parties of the Company are unsecured and interest-free.

All of the trade and other receivables of the Company, net of allowance, are expected to be recovered within one year.

Ageing analysis

As of the end of each reporting period, the ageing analysis of trade receivables and bills receivables, based on the date of revenue recognition and net of allowance for impairment, is as follows:

The Group

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	100,066	161,103	182,289
1 to 2 years	16,744	34,497	18,857
2 to 3 years	2,496	7,317	8,635
	119,306	202,917	209,781

The Company

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	51,209	85,447	97,210
1 to 2 years	5,142	13,013	10,634
2 to 3 years	553	3,074	4,288
	56,904	101,534	112,132

Further details of the Group's credit policy and credit risk arising from trade debtors are set out in Note 26(a).

17 PREPAYMENTS

The Group

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Prepayments to:			
– Related parties	29	66	52
– Third parties	6,165	6,944	7,073
	6,194	7,010	7,125

The Company

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Prepayments to:			
– Related parties	29	28	13
– Third parties	4,498	5,061	5,037
	4,527	5,089	5,050

All of the prepayments are expected to be recognised as expenses within one year.

18 CASH AT BANK AND ON HAND AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents comprise:

The Group

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Cash on hand	62	11	15
Cash at bank	249,178	207,859	258,463
Cash at bank and on hand	249,240	207,870	258,478
Less: restricted cash at bank	(655)	(4,993)	(1,048)
Cash and cash equivalents	248,585	202,877	257,430

The Company

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Cash at bank	142,428	88,810	96,949
Less: restricted cash at bank	(2)	(2)	(3)
Cash and cash equivalents	142,426	88,808	96,946

(b) Reconciliation of liabilities arising from financing activities:

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated statements of cash flow as cash flows from financing activities.

	Interest-bearing borrowings	**Payables for interest expenses**	**Lease liabilities**	**Amount due to related parties**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 19)		*(Note 22)*		
At 1 January 2021	55,500	–	2,611	85,516	143,627
Changes from financing cash flows:					
Repayments of interest-bearing borrowings	(41,500)	–	–	–	(41,500)
Payments to related parties	–	–	–	(9,293)	(9,293)
Interest paid	–	(1,868)	–	–	(1,868)
Interest element of lease rentals paid	–	–	(119)	–	(119)
Capital element of lease rentals paid	–	–	(1,272)	–	(1,272)
Total changes from financing cash flows	(41,500)	(1,868)	(1,391)	(9,293)	(54,052)

	Interest-bearing borrowings RMB'000 (Note 19)	Payables for interest expenses RMB'000	Lease liabilities RMB'000 (Note 22)	Amount due to related parties RMB'000	Total RMB'000
Other changes:					
Interest on interest-bearing borrowings *(Note 6(a))*	–	1,868	–	–	1,868
Interest on lease liabilities *(Note 6(a))*	–	–	119	–	119
Other changes *(Note (i))*	–	–	–	(76,223)	(76,223)
Total other changes	–	1,868	119	(76,223)	(74,236)
At 31 December 2021	14,000	–	1,339	–	15,339

Note:

(i) The amounts represented the payable offset by receivables according to the agreement entered into among Xi'an Jiatai, Xi'an Export and two subsidiaries of Xi'an Export rather than by cash.

	Interest-bearing borrowings RMB'000 (Note 19)	Payables for interest expenses RMB'000	Lease liabilities RMB'000 (Note 22)	Total RMB'000
At 1 January 2022	14,000	–	1,339	15,339
Changes from financing cash flows:				
Repayments of interest-bearing borrowings	(2,000)	–	–	(2,000)
Interest paid	–	(702)	–	(702)
Interest element of lease rentals paid	–	–	(43)	(43)
Capital element of lease rentals paid	–	–	(1,339)	(1,339)
Total changes from financing cash flows	(2,000)	(702)	(1,382)	(4,084)
Other changes:				
Interest on interest-bearing borrowings *(Note 6(a))*	–	702	–	702
Interest on lease liabilities *(Note 6(a))*	–	–	43	43
Total other changes	–	702	43	745
At 31 December 2022	12,000	–	–	12,000

	Interest-bearing borrowings RMB'000 (Note 19)	Payables for interest expenses RMB'000	Lease liabilities RMB'000 (Note 22)	Total RMB'000
At 1 January 2023	12,000	–	–	12,000
Changes from financing cash flows:				
Repayments of interest-bearing borrowings	(12,000)	–	–	(12,000)
Interest paid	–	(194)	–	(194)
Interest element of lease rentals paid	–	–	(47)	(47)
Capital element of lease rentals paid	–	–	(373)	(373)
Total changes from financing cash flows	(12,000)	(194)	(420)	(12,614)
Other changes:				
Interest on interest-bearing borrowings *(Note 6(a))*	–	194	–	194
Interest on lease liabilities *(Note 6(a))*	–	–	47	47
Increase in lease liabilities from entering into new leases during the year	–	–	1,324	1,324
Total other changes	–	194	1,371	1,565
At 31 December 2023	–	–	951	951

(c) Total cash outflow for leases

Amounts included in the consolidated statements of cash flows for leases comprise the following:

	Year ended 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Within operating cash flows	789	886	1,058
Within financing cash flows	1,391	1,382	420
	2,180	2,268	1,478

These amounts relate to the following:

	Year ended 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Lease rentals paid	2,180	2,268	1,478

19 INTEREST-BEARING BORROWINGS

At 31 December 2021, 2022 and 2023, the interest-bearing borrowings were as follows:

The Group

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Bank loans, unsecured and guaranteed by Kingfar Group	8,500	7,500	–
Bank loans, unsecured and guaranteed by the fellow subsidiaries of the Company	5,500	4,500	–
	14,000	12,000	–

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year or on demand	2,000	12,000	–
After 1 year	12,000	–	–
	14,000	12,000	–

20 TRADE AND OTHER PAYABLES

The Group

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Trade payables			
– Related parties	2,386	5,072	6,475
– Third parties	40,585	47,290	112,651
	42,971	52,362	119,126
Amounts due to related parties *(Note 28(c)(iii))*			
– Non-trade nature	634	1,268	1,766
– Considerations payable to related parties for business combinations under common control	13,406	75,692	37,846
	14,040	76,960	39,612
Other payables and accrued expenses:			
– Accrued payroll and other benefits	120,998	132,357	138,907
– Deposits	20,798	23,189	23,391
– Receipts and payments on behalf of property owners	77,159	82,461	95,719
– Receipts on behalf of residents/tenants	14,880	17,559	18,021
– Dividend payables	834	834	834
– Payables for expenditures incurred in connection with the proposed initial listing of the Company's H share	–	–	5,695
– Others	11,061	11,189	18,825
	259,770	344,549	341,004
Financial liabilities measured at amortised cost	302,741	396,911	460,130
Other taxes payable	7,127	5,140	6,385
	309,868	402,051	466,515

The Company

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Trade payables			
– Related parties	2,221	4,981	3,658
– Third parties	8,723	11,231	71,998
	10,944	16,212	75,656
Amounts due to related parties			
– Non-trade nature	–	–	527
– Considerations payable to related parties for business combinations under common control	13,406	86,005	37,846
	13,406	86,005	38,373
Other payables and accrued expenses:			
– Accrued payroll and other benefits	66,127	71,107	69,973
– Deposits	13,808	14,985	15,839
– Receipts and payments on behalf of property owners	53,514	34,577	48,626
– Receipts on behalf of residents/tenants	14,880	13,922	14,329
– Payables for expenditures incurred in connection with the proposed initial listing of the Company's H share	–	–	5,695
– Others	6,303	4,408	8,254
	168,038	225,004	201,089
Financial liabilities measured at amortised cost	178,982	241,216	276,745
Other taxes payable	3,019	1,806	3,537
	182,001	243,022	280,282

As of the end of each reporting period, the ageing analysis of trade payables based on the invoice date, are as follows:

The Group

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	40,617	45,060	107,315
Over 1 year	2,354	7,302	11,811
	42,971	52,362	119,126

The Company

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	10,684	15,493	75,299
Over 1 year	260	719	357
	10,944	16,212	75,656

As at 31 December 2021, 2022 and 2023, all of the trade and other payables of the Group and the Company are expected to be settled within one year or are repayable on demand.

21 CONTRACT LIABILITIES

The Group

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Contract liabilities			
Prepayments received for rendering the services			
– Related parties	71	140	109
– Third parties	24,232	25,743	38,868
	24,303	25,883	38,977

The Company

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Contract liabilities			
Prepayments received for rendering the services			
– Related parties	23	17	–
– Third parties	21,168	19,268	26,709
	21,191	19,285	26,709

Movements in contract liabilities

The Group

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Balance at 1 January	17,176	24,303	25,883
Increase in contract liabilities as a result of billing in advance	24,303	25,182	38,977
Increase in contract liabilities as a result of acquisition of a subsidiary *(Note 27)*	–	701	–
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	(17,176)	(24,303)	(25,883)
Balance at 31 December	24,303	25,883	38,977

The Company

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Balance at 1 January	12,268	21,191	19,285
Increase in contract liabilities as a result of billing in advance	21,191	19,285	26,709
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	(12,268)	(21,191)	(19,285)
Balance at 31 December	21,191	19,285	26,709

The Group received a prepayment before rendering the services. This will give rise to contract liabilities at the start of a contract, until the revenue recognised on the project exceeds the amount of the deposit.

None of the Group's and the Company's amounts of contract liabilities are expected to be recognised as income for more than one year as at 31 December 2021, 2022 and 2023, respectively.

22 LEASE LIABILITIES

At 31 December 2021, 2022 and 2023, the lease liabilities were repayable as follows:

The Group

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	1,339	–	676
After 1 year but within 2 years	–	–	275
	1,339	–	951

The Company

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	1,339	–	261
After 1 year but within 2 years	–	–	275
	1,339	–	536

23 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(a) Current taxation in the consolidated statements of financial position represent:

The Group

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
PRC Corporate Income Tax			
At 1 January	7,024	7,133	12,879
Charged to profit or loss *(Note 7(a))*	8,607	12,671	13,026
Acquisition of a subsidiary *(Note 27)*	–	281	–
Payments during the year	(8,498)	(7,206)	(21,701)
At 31 December	7,133	12,879	4,204

The Company

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
PRC Corporate Income Tax			
At 1 January	1,869	5,764	8,284
Charged to profit or loss	4,610	6,999	5,890
Payments during the year	(715)	(4,479)	(11,590)
At 31 December	5,764	8,284	2,584

(b) Deferred tax assets recognised

The component of deferred tax assets recognised in the consolidated statements of financial position and the movements during the Track Record Period are as follows:

The Group

Deferred tax arising from:	**Credit loss allowance**	**Provision and accrued expense**	**Tax losses**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2021	841	8,091	–	8,932
Credited to profit or loss *(Note 7(a))*	168	614	93	875
At 31 December 2021 and 1 January 2022	1,009	8,705	93	9,807
Credited to profit or loss *(Note 7(a))*	790	890	31	1,711
At 31 December 2022 and 1 January 2023	1,799	9,595	124	11,518
Credited/(charged) to profit or loss *(Note 7(a))*	579	(501)	824	902
Effect on deferred tax balances resulting from a change in tax rate *(Note 7(a))*	9	32	(73)	(32)
At 31 December 2023	2,387	9,126	875	12,388

The Company

Deferred tax arising from:	**Credit loss allowance** *RMB'000*	**Provision and accrued expense** *RMB'000*	**Total** *RMB'000*
At 1 January 2021	356	3,330	3,686
Credited to profit or loss	48	370	418
At 31 December 2021 and 1 January 2022	404	3,700	4,104
Credited to profit or loss	260	658	918
At 31 December 2022 and 1 January 2023	664	4,358	5,022
Credited/(charged) to profit or loss	90	(501)	(411)
At 31 December 2023	754	3,857	4,611

24 LONG-TERM PAYABLES

According to the Notice on the Working Plan of Accelerating the State-owned Enterprises' Divestment from Public Service Function and Solving Historical Issues (Guo Fa [2016] No. 19) (《關於印發加快剝離國有企業辦社會職能和解決歷史遺留問題工作方案的通知》 (國發[2016]19號)), relevant parties shall fully facilitate the divestment and transfer of "Three Supplies and Property Management Business" for residential properties of employees of state-owned enterprises, and carry out necessary maintenance and renovation for relevant equipment and facilities related to water supply, power supply and etc. in order to meet the general standard for municipal infrastructure. In addition, separate account shall be set up for each household and relevant fees shall be collected for corresponding accounts, and such business shall be managed by professional enterprises or institutions on a market-oriented basis (the "Divestment and Transfer").

As the transferee in respect of the Divestment and Transfer, long-term payables represent the balance of fees received from the transferors to carry out maintenance and renovation beyond one year.

25 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity are set out in the consolidated statements of changes in equity. Details of the changes in the Company's individual components of equity are set out below:

	Share capital *RMB'000* *(Note 25(b))*	**Capital reserve** *RMB'000*	**Statutory reserve** *RMB'000*	**(Accumulated losses)/ retained profits** *RMB'000*	**Total** *RMB'000*
Balance at 1 January 2021	42,716	–	818	(14,688)	28,846
Changes in equity for the year:					
Profit and total comprehensive income for the year	–	–	–	21,535	21,535
Appropriation to reserves	–	–	2,153	(2,153)	–
Deemed distribution	–	–	–	(11,807)	(11,807)

	Share capital *RMB'000* *(Note 25(b))*	Capital reserve *RMB'000*	Statutory reserve *RMB'000*	(Accumulated losses)/ retained profits *RMB'000*	Total *RMB'000*
Balance at 31 December 2021 and 1 January 2022	42,716	–	2,971	(7,113)	38,574
Changes in equity for the year:					
Profit and total comprehensive income for the year	–	–	–	31,190	31,190
Appropriation to reserves	–	–	3,119	(3,119)	–
Issuance of new shares	7,284	–	–	–	7,284
Deemed distribution	–	–	(792)	(3,524)	(4,316)
Balance at 31 December 2022 and 1 January 2023	50,000	–	5,298	17,434	72,732
Changes in equity for the year:					
Profit and total comprehensive income for the year	–	–	–	33,241	33,241
Appropriation to reserves	–	–	3,324	(3,324)	–
Capital injection	–	84	–	–	84
Balance at 31 December 2023	50,000	84	8,622	47,351	106,057

(b) Share capital

The share capital in the Group's consolidated statement of financial position represents the share capital of the Company as at 31 December 2021, 2022 and 2023, which was RMB42,716,000, RMB50,000,000 and RMB50,000,000, respectively. The movements are as follows:

	No. of shares	Share capital *RMB'000*
As at 1 January 2021, 31 December 2021 and 1 January 2022	42,716,000	42,716
Issuance of new shares *(Note (i))*	7,284,000	7,284
As at 31 December 2022, 1 January 2023 and 31 December 2023	50,000,000	50,000

Note:

(i) On 20 May 2022, the Company issued 7,284,000 ordinary shares at a consideration of RMB7,284,000 to Kingfar Group.

(c) Nature and purpose of reserves

(i) Capital reserve

For the purpose of the Historical Financial Information, capital reserve mainly represents the aggregate amount of paid-in capital and reserves of the companies now comprising the Group after elimination of investment in subsidiaries at the respective dates.

(ii) Statutory reserve

Statutory reserve is established in accordance with the relevant PRC rules and regulations and the articles of association of the companies which are incorporated in the PRC until the reserve balance reaches 50% of their registered capital. The transfer to this reserve must be made before distribution of a dividend to equity holders.

For the entities concerned, this reserve can be utilised in setting off accumulated losses or increasing capital and is non-distributable other than in liquidation.

(d) Dividends

No dividends were paid or declared by the Company or its subsidiaries comprising the Group during the Track Record Period.

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for equity shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost. The Group's overall strategy remains unchanged throughout the Track Record Period.

The directors of the Company review the capital structure regularly. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through the payment of dividends as well as the issue of new debt or the redemption of existing debt.

The Group is not subject to externally imposed capital requirements throughout the Track Record Period.

26 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity and interest rate risks arises in the normal course of the Group's business. The Group is not subject to any significant currency risk.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

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

The Group does not provide any guarantees which would expose the Group to credit risk.

In respect of amounts due from related parties for non-trade nature, deposits and other receivables, the Group has assessed that the expected credit loss rate for these receivables is immaterial under 12 months expected losses method based on historical settlement records and looking-forward information. Thus, the Group's exposure to credit risk arising from these receivables is calculated using an expected loss rate of 0.5% during the Track Record Period. As at 31 December 2021, 2022 and 2023, loss allowance of RMB140,000, RMB1,224,000 and RMB5,765,000 was recognised in respect of other receivables based on the Group's assessment.

During the Track Record Period, the Group generally granted a credit term within 30 days from invoice date to its customers. In respect of trade receivables from third parties and related parties, the Group measures loss allowances at an amount equal to lifetime ECLs based on historical settlement records and forward-looking information. To measure the ECLs, trade receivables have been assessed on individual basis and the days past due. The Group has a large number of customers and there was no concentration of credit risk. In addition, the Group has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. The Group considers that a default event occurs when there is significant decrease in services fee collection rate and estimates the expected credit loss rate for the Track Records Period. Normally, the Group does not obtain collateral from customers.

The following table provides information about the Group's exposure to credit risk and ECLs for bills and trade receivables as at 31 December 2021, 2022 and 2023.

	As at 31 December 2021		
	Expected loss rate	**Gross carrying amount**	**Loss allowance**
	%	*RMB'000*	*RMB'000*
Within 1 year	1.02%	100,787	(1,030)
1 to 2 years	8.35%	18,269	(1,525)
2 to 3 years	36.40%	3,924	(1,428)
over 3 years	100.00%	2,587	(2,587)
		125,567	(6,570)

	As at 31 December 2022		
	Expected loss rate	**Gross carrying amount**	**Loss allowance**
	%	*RMB'000*	*RMB'000*
Within 1 year	0.98%	162,193	(1,592)
1 to 2 years	5.88%	36,651	(2,154)
2 to 3 years	24.48%	9,689	(2,372)
over 3 years	100.00%	4,555	(4,555)
		213,088	(10,673)

	As at 31 December 2023		
	Expected loss rate	**Gross carrying amount**	**Loss allowance**
	%	*RMB'000*	*RMB'000*
Within 1 year	1.09%	177,975	(1,945)
1 to 2 years	6.67%	20,205	(1,348)
2 to 3 years	21.41%	10,988	(2,353)
over 3 years	100.00%	4,287	(4,287)
		213,455	(9,933)
Bills receivable	1.09%	6,329	(70)
		219,784	(10,003)

Expected loss rates are based on actual loss experience over the past 3 years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Movement in the loss allowance account in respect of bills and trade receivables from third parties and related parties during the Track Record Period is as follows:

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Balance at 1 January	4,900	6,570	10,673
Recognition/(reversal) of impairment losses during the year	1,670	4,103	(670)
Balance at 31 December	6,570	10,673	10,003

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short-term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the parent company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements, to ensure that it maintains sufficient reserves of cash from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the end of each reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of each reporting period) and the earliest date the Group can be required to pay:

	As at 31 December 2021 Contractual undiscounted cash outflow					
	Within 1 year or on demand	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**	**More than 5 years**	**Total**	**Carrying amount at 31 December**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing borrowings *(Note 19)*	2,104	12,209	–	–	14,313	14,000
Trade and other payables *(Note 20)*	302,741	–	–	–	302,741	302,741
Lease liabilities *(Note 22)*	1,385	–	–	–	1,385	1,339
	306,230	12,209	–	–	318,439	318,080

	As at 31 December 2022 Contractual undiscounted cash outflow					
	Within 1 year or on demand	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**	**More than 5 years**	**Total**	**Carrying amount at 31 December**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing borrowings *(Note 19)*	12,209	–	–	–	12,209	12,000
Trade and other payables *(Note 20)*	396,911	–	–	–	396,911	396,911
	409,120	–	–	–	409,120	408,911

	As at 31 December 2023 Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount at 31 December
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and other payables *(Note 20)*	460,130	–	–	–	460,130	460,130
Lease liabilities *(Note 22)*	702	282	–	–	984	951
	460,832	282	–	–	461,114	461,081

(c) Interest rate risk

The Group's interest rate risk arises primarily from interest-bearing borrowings. Borrowings issued at variable rates and fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively.

(i) Interest rate profile

The following table details the interest rate profile of the Group's interest-bearing borrowings as at 31 December 2021, 2022 and 2023.

	As at 31 December 2021		As at 31 December 2022		As at 31 December 2023	
	Effective interest rate %	*RMB'000*	*Effective interest rate %*	*RMB'000*	*Effective interest rate %*	*RMB'000*
Fixed rate financial instruments:						
Amounts due from related parties	5.23%	8,500	5.23%	7,500	–	–
Interest-bearing borrowings	5.23%	(14,000)	5.23%	(12,000)	–	–
Lease liabilities	5.23%	(1,339)	–	–	5.23%	(951)
		(6,839)		(4,500)		(951)

At 31 December 2021, 2022 and 2023, as the balance of variable rate borrowing is nil, the increase/decrease in interest rates would have no impact on the Group's profit after tax, retained profit and other components of consolidated equity.

(d) Fair value measurement

(i) Fair value of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2021, 2022 and 2023.

27 ACQUISITION OF A SUBSIDIARY

On 30 May 2022, the Company entered into a sale and purchase agreement with a third party to acquire 51% equity interest in Shaanxi Rixing at a total consideration of RMB933,000. There was no deferred or contingent consideration. The transaction was completed on 1 June 2022 when the Group obtained control of the board of directors of Shaanxi Rixing. RMB747,000 and RMB186,000 of the consideration were settled in June 2022 and June 2023, respectively. The principal activity of Shaanxi Rixing is to provide property management services and related value-added services. The Group's acquisition of Shaanxi Rixing will enable it to expand the Group's property management business. The goodwill consists of future revenue opportunities and the assembled workforce including marketing and technological expertise. No amount of the goodwill recognised is expected to be deductible for tax purposes. The goodwill of RMB1,769,000 arises from expected entity specific synergies.

The fair value of net identifiable assets acquired and the goodwill arising from the transaction as at the date of acquisition are as follows:

	Shaanxi Rixing
	RMB'000
Plant and equipment	148
Intangible assets	128
Trade and other receivables	3,341
Prepayments	2
Cash and cash equivalents	1,586
Trade and other payables	(5,862)
Contract liabilities	(701)
Current taxation	(281)
Total net identifiable liabilities acquired	(1,639)
Less: non-controlling interests arising from acquisition of Shaanxi Rixing	(803)
Fair value of net identified liabilities acquired in relation to the equity interests	(836)
Goodwill arising on acquisition:	
Total cash consideration	933
Add: fair value of net identified liabilities acquired in relation to the equity interests	836
Goodwill arising on acquisition of Shaanxi Rixing *(Note 13)*	1,769

Analysis of net cash outflow of cash and cash equivalents in respect of acquisition of Shaanxi Rixing as at the date of acquisition:

	RMB'000
Total cash consideration	933
Less: consideration payable	186
Consideration paid in cash	747
Less: cash acquired as at the date of acquisition	1,586
Net cash inflow for the acquisition of a subsidiary included in the cash flows from investing activities	839

For the seven months ended 31 December 2022, Shaanxi Rixing contributed revenue of RMB6,680,000 and profit of RMB264,000 to the Group's results. If the acquisition had occurred on 1 January 2022, management estimates that consolidated revenue would have been RMB11,256,000, and consolidated profit for the year would have been RMB176,000. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2022.

28 MATERIAL RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in Note 8 and the highest paid employees as disclosed in Note 9 is as follows:

	Year ended 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Salaries, allowances and benefits in kind	5,295	5,350	6,441
Retirement scheme contributions	393	532	672
	5,688	5,882	7,113

Total remuneration is included in "staff costs" (see Note 6(b)).

(b) Significant related party transactions

During the Tracked Record Period, the Group entered into the following transactions with its related parties.

Nature of related party transactions	Year ended 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Render of services	45,716	52,915	54,041
Purchase of services	4,382	5,375	14,788
Advances to related parties	10,500	–	–
Repayments from related parties	32,500	1,000	7,500
Payments to related parties	9,293	–	–
Receipts on behalf of related parties	13,106	–	500
Payments on behalf of related parties	11,074	–	219
Payments for business combinations under common control	–	13,406	37,846
Interest income	621	432	107
Expense relating to short-term leases	634	634	814

(c) Balances with related party

Related party balances

	At 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Trade nature *(Note (i))*			
Trade receivables	34,981	44,533	22,938
Prepayments	29	66	52
Trade payables	2,386	5,072	6,475
Contract liabilities	71	140	109
Lease liabilities	–	–	951
Non-trade in nature			
Prepayments for acquisition of properties	–	–	36,611
Other receivables *(Note (ii))*	8,500	7,500	–
Other payables *(Note (iii))*	14,040	76,960	39,612
Guarantees provided by related parties	14,000	12,000	–

Notes:

(i) The trade related balances with the related parties arose from the sales or purchase of goods or services with the related parties.

(ii) The amount represented the balance of amount due from the immediate parent of the Company, which bear an interest at 5.23%, unsecured and the maturity date is 5 May 2023.

(iii) The amounts due to related parties of the Group are non-trade in nature, unsecured and interest-free with no fixed terms of repayment, except for the balance of amount due to the fellow subsidiaries of the Group as at 31 December 2021 and 2022 and 2023 included the amounts of RMB13,406,000, RMB75,692,000 and RMB37,846,000, respectively, which arise from business combination under common control transactions. In respect of the aforementioned amount arised from business combination under common control transaction, the balance of RMB13,406,000 as at 31 December 2021 have been repaid in April 2022, RMB37,846,000 have been repaid by the Group in January 2023, the remaining balance of RMB37,846,000 as at 31 December 2023 will be paid prior to the initial listing of H shares of the Company.

(d) Name and relationship with the related parties

Apart from the transactions with related parties disclosed above, the Group also has transactions with Xi'an ETDZ MC (Note 4(a)(i)), the sole shareholder of Kingfar Holdings, in the ordinary course of the Group's business. Xi'an ETDZ MC is an administrative agency of Xi'an Municipal People's Government to manage Xi'an Economic and Technology Development Zone on behalf of Xi'an Municipal People's Government and is not engaging in commercial business or operating commercial entities. As advised by the PRC legal advisers, Xi'an ETDZ MC is a PRC Governmental Body. During the Track Record Period, the Group's transactions with Xi'an ETDZ MC were primarily the provision of city services relating to public and municipal properties in Xi'an Economic and Technology Development Zone and did not have any non-trade transactions or balances with Xi'an ETDZ MC during the Track Record Period. Having regard to the disclosure exemption for transactions and balances with government-related entities provided by paragraphs 25 to 26 of IAS24 and the substance of the relationships, the directors of the Company are of the opinion that no separate disclosures of the amounts of transactions and related balances with Xi'an ETDZ MC or additional disclosure is necessary for the understanding of the effect of these transactions on the Historical Financial Information.

During the Track Record Period, transactions with the following parties are considered as related party transactions:

Name of related party	Relationship with the Group
Kingfar Holdings 西安經發控股(集團)有限責任公司	The controlling shareholder of the Company
Kingfar Group 西安經發集團有限責任公司	Shareholder of the Company, which is controlled by Kingfar Holdings
Xi'an Jinpeng Plastic Profile Manufacturing Co., Ltd.* 西安市金鵬塑膠異型材製造有限公司	A company controlled by the Controlling Shareholder
Xi'an Jingxin Real Estate Co., Ltd.* 西安經新置業有限責任公司	A company controlled by the Controlling Shareholder

Name of related party	Relationship with the Group
Xi'an Jingkai Financial Holdings Co., Ltd.* 西安經開金融控股有限公司	A company controlled by the Controlling Shareholder
Xi'an Economic Development and Urban Construction Group Co., Ltd.* 西安經開城建集團有限責任公司	A company controlled by the Controlling Shareholder
Xi'an Economic Development Urban Construction Urban Renewal Co., Ltd.* 西安經開城建城市更新有限公司	A company controlled by the Controlling Shareholder
Xi'an Economic Development Industrial Park Development Group Co., Ltd.* 西安經開產業園發展集團有限公司	A company controlled by the Controlling Shareholder
Xi'an Jingjin Industrial Co., Ltd.* 西安經勁實業有限責任公司	A company controlled by the Controlling Shareholder
Xi'an Jingjian Landscape Greening Co., Ltd.* 西安經建景觀綠化有限責任公司	A company controlled by the Controlling Shareholder
Xi'an Economic and Technological Development Zone Human Resources Development Co., Ltd.* 西安經濟技術開發區人力資源開發有限公司	A company controlled by the Controlling Shareholder
Xi'an Economic and Technological Development Zone Construction Co., Ltd.* 西安經濟技術開發區建設有限責任公司	A company controlled by the Controlling Shareholder
Xi'an Kingfar Asset Management Co., Ltd.* 西安經發資產管理有限公司	A company controlled by the Controlling Shareholder
Xi'an Kingfar Real Estate Co., Ltd.* 西安經發置業有限公司	A company controlled by the Controlling Shareholder
Xi'an Kingfar Printing and Dyeing Equipment Co., Ltd.* 西安經發印染設備有限公司	A company controlled by the Controlling Shareholder
Xi'an Kingfar New Energy Co., Ltd.* 西安經發新能源有限責任公司	A company controlled by the Controlling Shareholder
Xi'an Kingfar Xinjingzhi Real Estate Co., Ltd.* 西安經發新景致地產有限公司	A company controlled by the Controlling Shareholder
Xi'an Kingfar Water Service Co., Ltd.* 西安經發水務有限公司	A company controlled by the Controlling Shareholder
Xi'an Kingfar Municipal Construction Co., Ltd.* 西安經發市政建設有限公司	A company controlled by the Controlling Shareholder
Xi'an Kingfar Lvkang Building Materials Co., Ltd.* 西安經發綠康建材有限責任公司	A company controlled by the Controlling Shareholder
Xi'an Kingfar Technology Industry Development Co., Ltd.* 西安經發科技產業發展有限公司	A company controlled by the Controlling Shareholder
Xi'an Kingfar Jingyi Investment Management Co., Ltd.* 西安經發景怡投資管理有限公司	A company controlled by the Controlling Shareholder
Xi'an Kingfar Landscape Greening Co., Ltd.* 西安經發景觀綠化有限公司	A company controlled by the Controlling Shareholder
Xi'an Kingfar Supply Chain Operation Trading Co., Ltd.* 西安經發供應鏈運營貿易有限公司	A company controlled by the Controlling Shareholder
Xi'an Kingfar Fengwei Real Estate Co., Ltd.* 西安經發灃渭地產有限公司	A company controlled by the Controlling Shareholder
Xi'an Kingfar Scenic Real Estate Co., Ltd.* 西安經發風景地產有限公司	A company controlled by the Controlling Shareholder
Xi'an Kingfar Real Estate Co., Ltd.* 西安經發地產有限公司	A company controlled by the Controlling Shareholder

Name of related party	Relationship with the Group
Xi'an Kingfar Chengyun Culture and Sports Industry Co., Ltd.* 西安經發城運文化體育產業有限公司	A company controlled by the Controlling Shareholder
Xi'an Economic Development Urban Renewal Construction Investment Co., Ltd.* 西安經發城市更新建設投資有限公司	A company controlled by the Controlling Shareholder
Xi'an Kingfar Urban Development Co., Ltd.* 西安經發城市發展有限公司	A company controlled by the Controlling Shareholder
Xi'an Kingfar Chengpin Architectural Decoration Co., Ltd.* 西安經發誠品建築裝飾有限公司	A company controlled by the Controlling Shareholder
Xi'an Jingwei Water Purification Co., Ltd.* 西安涇渭水淨化有限公司	A company controlled by the Controlling Shareholder
Xi'an Jingwei Development and Construction Co., Ltd.* 西安涇渭開發建設有限公司	A company controlled by the Controlling Shareholder
Xi'an Financial Center Construction and Development Co., Ltd.* 西安金融中心建設開發有限公司	A company controlled by the Controlling Shareholder
Xi'an Jiaotong University City College 西安交通大學城市學院	A company controlled by the Controlling Shareholder
Xi'an Industrial Park Housing Rental Operation Co., Ltd.* 西安產發產業園住房租賃運營有限責任公司	A company controlled by the Controlling Shareholder
But' one Information Corporation, Xi'an* 西安博通資訊股份有限公司	A company controlled by the Controlling Shareholder
Xi'an Qirong Technology Industrial Development Co., Ltd.* 西安啟融科技實業發展有限公司	A company controlled by the Controlling Shareholder
Xi'an Economic Development Investment and Construction Comprehensive Bonded Zone Industrial Development Co., Ltd.* 西安經開投建綜合保稅區產業發展有限公司	A company controlled by the Controlling Shareholder

* The official names of these entities are in Chinese. The English translation names are for identification purpose only.

29 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

At 31 December 2023, the directors consider the immediate parent and ultimate controlling party of the Group to be Kingfar Group and Kingfar Holdings respectively.

30 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE ACCOUNTING PERIOD BEGINNING ON 1 JANUARY 2023

Up to the date of this report, the IASB has issued a number of amendments and a new standard, which are not yet effective for the year beginning on 1 January 2023 and which have not been adopted in the Historical Financial Information.

	Effective for accounting periods beginning on or after
Amendments to IAS 1, *Classification of Liabilities as Current or Non-current*	1 January 2024
Amendments to IAS 1, *Non-current Liabilities with Covenants*	1 January 2024
Amendments to IFRS 16, *Lease Liability in a Sale and Leaseback*	1 January 2024
Amendments to IAS 7 and IFRS 7, *Supplier finance arrangements*	1 January 2024
Amendments to IAS 21, *Lack of Exchangeability*	1 January 2025
Amendments to IFRS 10 and IAS 28, *Sale or contribution of assets between an investor and its associate or joint venture*	To be determined

The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of these amendments, new standards and interpretations are unlikely to have a significant impact.

31 SUBSEQUENT EVENTS AFTER THE REPORTING PERIOD

There was no material non-adjusting event after reporting period up to the date of this report.

SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company and its subsidiaries in respect of any period subsequent to 31 December 2023.

The following information does not form part of the Accountants' Report received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong, as set out in Appendix I to this prospectus, and is included herein for illustrative purposes only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial information" in this prospectus and the historical financial information included in the Accountants' Report set out in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets of our Group is prepared in accordance with Rule 4.29 of the Listing Rules and is set out below to illustrate the effect of the Global Offering on the consolidated net tangible assets of the Group attributable to the equity shareholders of the Company as at 31 December 2023 as if the Global Offering had taken place on 31 December 2023.

The unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the Global Offering been completed as at 31 December 2023 or at any future date.

	Consolidated net tangible assets attributable to equity shareholders of the Company as at 31 December 2023(1)	**Estimated net proceeds from the Global Offering(2)**	**Unaudited pro forma adjusted net tangible assets attributable to equity shareholders of the Company**	**Unaudited pro forma adjusted net tangible assets attributable to equity shareholders of the Company per Share**	
	RMB'000	*RMB'000*	*RMB'000*	*RMB(3)*	*HK$(4)*
Based on an Offer Price of HK$7.50 per Share	107,824	82,413	190,237	2.85	3.13
Based on an Offer Price of HK$9.30 per Share	107,824	109,055	216,879	3.25	3.57

Notes:

(1) The consolidated net tangible assets attributable to the equity shareholders of the Company as at 31 December 2023 is arrived at after (i) deducting goodwill of RMB1,769,000 and intangible assets of RMB7,415,000; and (ii) adjusting the share of intangible assets attributable to non-controlling interest of RMB26,000 from the consolidated total equity attributable to equity shareholders of the Company of RMB116,982,000 as at 31 December 2023, which is extracted from the Accountants' Report set out in Appendix I to this prospectus.

(2) The estimated net proceeds from the Global Offering are based on the expected issuance of 16,666,800 shares and the indicative offer prices of HK$7.50 per Share (being the minimum Offer Price) and HK$9.30 per Share (being the maximum Offer Price), after deduction of the estimated underwriting fees and other expenses related to the Global Offering (excluding the listing expenses that have been charged to profit or loss during the Track Record Period), and does not take into account any shares which may be issued upon the exercise of the Over-allotment Option.

The estimated net proceeds of the Global Offering have been converted into Renminbi at the PBOC rate of HK$1 to RMB0.91 prevailing on the Latest Practicable Date. No representation is made that Hong Kong dollars amount have been, could have been or may be converted into Renminbi, or vice versa, at that rate or at any other rate.

(3) The unaudited pro forma adjusted net tangible assets attributable to equity shareholders of the Company per Share is arrived at after adjustments referred to in the preceding paragraphs and on the basis that 66,666,800 shares are expected to be in issue immediately following the completion of the Global Offering, and does not take into account any shares which may be issued upon the exercise of the Over-allotment Option.

(4) The unaudited pro forma adjusted net tangible assets attributable to equity shareholders of the Company per Share amounts in RMB are converted into Hong Kong dollar with the PBOC rate of RMB1.00 to HK$1.10 prevailing on the Latest Practicable Date. No representation is made that Renminbi amount have been, could have been or may be converted into Hong Kong dollars, or vice versa, at that rate or at any other rate.

(5) The Group's property interests as at 30 April 2024 have been valued by APAC Asset Valuation and Consulting Limited, an independent property valuer and consultant. The above pro forma statement of adjusted net tangible assets does not take into account the surplus arising from the revaluation of the Group's property interests amounting to approximately RMB1,189,000. Revaluation surplus has not been recorded in the historical financial information of the Group and will not be recorded in the consolidated financial statements of the Group in future periods as the Group's investment property are stated at cost less accumulated depreciation and impairment losses, if any. If the revaluation surplus were recorded in the Group's consolidated financial statements, additional annual depreciation of approximately RMB39,000 would be charged against the profit in future periods.

(6) No adjustment has been made to the unaudited pro forma adjusted net tangible assets attributable to equity shareholders of the Company to reflect any trading result or other transactions of the Group entered into subsequent to 31 December 2023.

B. REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from the reporting accountants, KPMG, Certified Public Accountants, Hong Kong, in respect of the Group's pro forma financial information for the purpose in this prospectus.

KPMG

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

To the Directors of 西安經發物業股份有限公司 Xi'An Kingfar Property Services Co., Ltd.

We have completed our assurance engagement to report on the compilation of pro forma financial information of 西安經發物業股份有限公司 Xi'an Kingfar Property Services Co., Ltd. (the "Company") and its subsidiaries (collectively the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets as at 31 December 2023 and related notes as set out in Part A of Appendix II to the prospectus dated 24 June 2024 (the "Prospectus") issued by the Company. The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described in Part A of Appendix II to the Prospectus.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed offering of the ordinary shares of the Company (the "Global Offering") on the Group's financial position as at 31 December 2023 as if the Global Offering had taken place at 31 December 2023. As part of this process, information about the Group's financial position as at 31 December 2023 has been extracted by the Directors from the Group's historical financial information included in the Accountants' Report as set out in Appendix I to the Prospectus.

Directors' Responsibilities for the Pro Forma Financial Information

The Directors are responsible for compiling the pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Our Independence and Quality Management

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Hong Kong Standard on Quality Management 1 "Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements", which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements ("HKSAE") 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules, and with reference to AG 7 issued by the HKICPA.

For purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of events or transactions as at 31 December 2023 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our procedures on the pro forma financial information have not been carried out in accordance with attestation standards or other standards and practices generally accepted in the United States of America, auditing standards of the Public Company Accounting Oversight Board (United States) or any overseas standards and accordingly should not be relied upon as if they had been carried out in accordance with those standards and practices.

We make no comments regarding the reasonableness of the amount of net proceeds from the issuance of the Company's shares, the application of those net proceeds, or whether such use will actually take place as described in the section headed "Future Plans and Use of Proceeds" in the Prospectus.

Opinion

In our opinion:

(a) the pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group, and

(c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

KPMG
Certified Public Accountants
Hong Kong
24 June 2024

The following is the text of a property valuation report prepared for inclusion in this prospectus, received from APAC Asset Valuation and Consulting Limited, an independent property valuer, in connection with their valuations as of 30 April 2024 of the Property held by the Group.

亞太
APAC

APAC Asset Valuation and Consulting Limited
5/F., Blissful Building, 243 – 247 Des Voeux Road Central, Hong Kong
Tel: (852) 2357 0059
Fax: (852) 2951 0799

Xi'an Kingfar Property Services Co., Ltd.
Room 10701, Unit 1, Building 3
Xi'an Financial Innovation Center
No. 51 Fengcheng Second Road
Economic and Technological
Development Zone
Xi'an, Shaanxi
The People's Republic of China

24 June 2024

Dear Sirs,

RE: VALUATION OF UNIT 20101, BLOCK 38, BAIHUALINJU, NO. 9 FENGCHENG ROAD, WEIYANG DISTRICT, XI'AN, SHAANXI PROVINCE, THE PEOPLE'S REPUBLIC OF CHINA (THE "PROPERTY")

In accordance with the instructions from Xi'an Kingfar Property Services Co., Ltd. (the "Company") for us to value the Property held by the Company and its subsidiaries (hereinafter together referred to as the "Group") situated in The People's Republic of China (the "PRC"), we confirm that we have made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the Property as of 30 April 2024 (the "valuation date") for the purpose of incorporation into the prospectus issued by the Company.

BASIS OF VALUATION

Our valuation of the Property is our opinion of its market value which we would define as intended to mean "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

Market value is understood as the value of an asset or liability estimated without regard to costs of sale or purchase (or transaction) and without offset for any associated taxes or potential taxes.

We are independent of the Company and our valuation is prepared in accordance with the "HKIS Valuation Standards 2020" published by the Hong Kong Institute of Surveyors and the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited.

VALUATION ASSUMPTIONS

Our valuation has been made on the assumption that the owners sell the Property on the open markets without the benefit or burden of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which would serve to affect the value of the Property.

No allowance has been made in our valuation report for any charge, mortgage or amount owing on the Property nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Property is free from encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

VALUATION METHODOLOGY

In valuing the Property which is held by the Group for investment in the PRC, we have made reference to the comparable sales evidences as available on the relevant markets and, where appropriate, valued the Property on the basis of capitalization of the rental incomes as shown on the tenancy agreements handed to us by the Company.

TITLE AND ASSUMPTIONS

We have been provided with copies of extracts of title documents relating to the Property. However, we have not caused title searches to be made for the Property at the relevant government bureaus in the PRC and have not inspected the original documents to verify the ownership, encumbrances or the existence of any subsequent amendments which may not appear on the copies handed to us. In undertaking our valuation for the Property in the PRC, we have relied on the legal opinion provided by the Company's PRC legal advisor, Beijing Grandway Law Offices, regarding the title and other legal matters to the Property.

SOURCES OF INFORMATION

We have relied to a very considerable extent on information given by the Company and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, site and floor areas and all other relevant matters. No on-site measurement has been taken. Dimensions, measurements and areas included in the valuation report are only approximations. We have taken every reasonable care both during inspecting the information provided to us and in making relevant enquiries. We have no reason to doubt the truth and accuracy of the information provided to us by the Company, which is material to our valuation. We were also advised by the Company that no material facts have been omitted from the information provided to us.

SITE INSPECTIONS

Site inspection of the Property was carried out by Ms Kathy Lau (BBA (Hons)) in July 2023. We have inspected the exterior and, where possible, the interior of the Property. We have not inspected those parts of the Property which were covered, unexposed or inaccessible and such parts have been assumed to be in reasonable condition. We have not carried out detailed measurements to verify the correctness of the areas in respect of the Property but have assumed that the areas shown on the title documents handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations.

In the course of our inspections, we did not notice any serious defects. However, no structural survey has been made and we are therefore unable to report whether the Property is free of rot, infestation or any other structural defects. No tests have been carried out on any of the services.

CURRENCY

Unless otherwise stated, all monetary amounts in our valuation are in Renminbi (RMB).

Our valuation report is attached.

Yours faithfully,

For and on behalf of
APAC Asset Valuation and Consulting Limited
Pang Kin Fai
MHKIS, MRICS, RPS (GP)
Director

Note: Mr. Pang Kin Fai is a Registered Professional Surveyor in General Practice Division with over 26 years valuation experience on properties in Hong Kong and the PRC.

VALUATION REPORT

Property	Description and tenure	Particulars of occupancy	Market value in existing state as of 30 April 2024
Unit 20101, Block 38, Baihualinju, No. 9 Fengcheng Road, Weiyang District, Xi'an, Shaanxi Province, The PRC	Baihualinju (the "Development") is a residential development being erected on two parcels of land with a total site area of approximately 306,343.40 sq.m. The Development is located at the west of Wenjing Road and the south of No. 9 Fengcheng Road in Weiyang District. The immediate locality is a residential area and predominated by residential buildings of various ages and heights. The Property is a kindergarten within the Development with a total gross floor area of approximately 3,078.59 sq.m. It was built on a parcel of land with a site area of approximately 9,511.40 sq.m and was completed in about 2007. The land use rights of the Property have been granted for two concurrent terms, with land use rights expiring on 21 March 2050 for administration and office uses and on July 2074 for residential use.	According to the information provided by the Company, the Property was subject to a tenancy expiring on 31 August 2024 at an annual rent of RMB550,000.	RMB11,000,000

Notes:

1. Pursuant to two State-Owned Land Use Certificates – Xi Jing Guo Yong (2011 Chu) Di Nos. 030 and 032 both dated 14 November 2011, the land use rights of the Development with a total site area of approximately 306,343.40 sq.m. have been granted to Xi'an Kingfar Real Estate Co., Ltd. (西安經發地產有限公司) ("Xi'an Jingfa") with land use rights expiring on 21 March 2050 for administration and office uses and on July 2074 for residential use.

2. Pursuant to the Real Estate Title Certificate – Shaan (2023) Xi An Shi Bu Dong Chan Quan Di No. 0343149 dated 6 July 2023, the building ownership of the Property with a total gross floor area of approximately 3,078.59 sq.m. have been granted to the Company for education use.

3. We have been provided with a legal opinion on the Property issued by the Company's PRC legal advisors, which contains, inter alia, the followings:

   i. The Company has legally obtained the rights and interest of the Property and is entitled to lease the Property;

   ii. the lease signed by the Company is legal, valid and legally binding; and

   iii. the Property and is free from mortgage, freeze, or any other forms of encumbrances.

SUMMARY OF ARTICLES OF ASSOCIATION

Set out below is a summary of our Articles of Association, which shall become effective on the date that the H Shares are listed on the Stock Exchange. As the main purpose of this Appendix is to provide potential investors with an overview of the Articles of Association, it may not necessarily contain all information that is important for prospective investors.

DIRECTORS

Power to Allot and Issue Shares

The Board and Directors are not authorized to allocate or issue shares within the Articles of Association. The Board shall prepare suggestions for allocating or issuing shares, which are subject to approval by the Shareholders at the General Meeting in the form of a special resolution. Any such allotment or issue shall be in accordance with the procedures stipulated in appropriate laws, administrative regulations and supervision rules of shares listed region.

Power to dispose of the assets of the Company or any of its subsidiaries

The Board shall exercise the function and power to decide on the acquisition and sale of assets, asset mortgage, external investment and external donations of the Company within the scope of authorization by the Articles of Association or in accordance with the provisions of the Listing Rules. Significant matters shall be reported to the General Meeting for approval.

Compensation or payments for loss of office

Not applicable.

Loans to Directors

The Articles of Association do not contain any specific provision in respect of loaning to Directors.

However, if the loans to Directors is a significant matter such as a connected transaction, it shall be strictly in accordance with the relevant system to fulfill the decision-making procedures to be reviewed by the Board or be reported to the General Meeting for approval.

Giving of Financial Assistance to Purchase the Issuer's or Any of Its Subsidiaries' Shares

The Company or its subsidiaries shall not provide any financial assistance to those who purchase or intend to purchase Company's Shares in the form of gifts, advances, guarantees, compensations, or loans.

Disclosure of interests in contracts with the Issuer or any of its subsidiaries

Directors shall not enter into contracts or trade with the Company either in violation of the Articles of Association or without the consent of the General Meeting.

Remuneration

The General Meeting shall exercise the function and power in accordance with the laws to decide on the matters relating to the remuneration of the Directors who are not representatives of staff, which shall be passed by ordinary resolutions.

Retirement, Appointment, Removal

Directors shall be elected or replaced by the General Meeting. The term of office of the Directors shall be three years, and they may be re-elected and re-appointed. However, if the term of office of an independent non-executive Director exceeds six years, the independent non-executive Director shall go through the corresponding review procedures in accordance with the provisions of the Listing Rules for subsequent appointment.

The term of office of the Directors shall commence from the date of their appointment until the expiry of the term of the current session of the Board. A Director may resign before the expiration of his term of office. A Director who resigns shall submit a written resignation report to the Board. The Board will disclose such information in accordance with applicable laws and regulations and the Listing Rules. Where no new appointment is made upon expiry of the term of appointment of a Director or a Director has resigned during his/her term of appointment and causes the number of Directors that constitutes the Board to fall below the quorum, the original Director shall, prior to the new Director taking office, continue to perform his/her duties as a Director in accordance with the provisions of laws, administrative regulations, departmental rules, Listing Rules and the Articles of Association of the Company.

The general manager or other senior managers may concurrently serve as Directors. However, the total number of Directors holding senior management positions and Directors held by employee representatives shall not exceed half of the total number of Directors of the Company.

A person who falls under any of the following circumstances may not serve as a Director of the Company:

1. a person who has no civil capacity or has limited civil capacity;

2. a person who has been subject to criminal penalties due to corruption, bribery, misappropriation of property or sabotaging the socialist market economic order, or has been deprived of his/her political rights due to any crime conviction and is within five years of the expiry date of punishment, or has been deprived of political rights because of this conviction and is within five years of the expiry date of the sentence;

3. a person who served as a former Director, the factory chief, or the manager of a company or enterprise bankrupt or liquidated, and was held personally liable for the bankruptcy, and is within three years of the date of completion of the bankruptcy or liquidation of such company or enterprise;

4. a person who has served as the legal representative of a company or enterprise whose business license was revoked or which is ordered to close down due to any violation of law, and was held personally liable for the revocation, and is within three years of the date on which the business license of such company or enterprise was revoked;

5. a person who has defaulted on a personal debt in a significant amount;

6. a person who has been banned from entering the securities market by the CSRC and the ban has not expired; or

7. a person who is banned from doing so as prescribed by laws, administrative regulations, departmental rules or relevant rules of securities regulatory institutions of the place(s) where the shares of the Company are listed.

The election, appointment or employment of the Directors shall be invalid if such election, appointment is against the Articles of Association. If the Directors falls into the situations provided in the above-mentioned situations during their term of office, they would be dismissed by our Company.

Borrowing powers

The Board shall be entitled to develop proposals for our Company to issue bonds or other securities, and that such bond issues must be approved by the shareholders by a special resolution at the General Meeting.

ALTERATIONS TO CONSTITUTIONAL DOCUMENTS

The Company may amend the Articles of Association pursuant to laws, administrative regulations, the Listing Rules and the Articles of Association.

The Company shall amend the Articles of Association in any of the following circumstances:

1. after the revision of the Company Law, the Listing Rules or relevant laws, administrative regulations, the provisions of the Articles of Association are in conflict with the revised laws, administrative regulations or the Listing Rules;

2. there is a change in the Company's situation, which is inconsistent with the matters recorded in the Articles of Association;

3. the decision to amend the Articles of Association has been approved by the General Meeting.

VARIATION OF RIGHTS OF EXISTING SHARES OR CLASSES OF SHARES

Not applicable.

SPECIAL RESOLUTIONS-MAJORITY REQUIRED

The resolutions of the General Meeting are categorized as ordinary resolutions and special resolutions. An ordinary resolution shall be adopted by over one-half of the voting rights held by the Shareholders (including proxies) attending the General Meeting. A special resolution shall be adopted by over two-thirds of the voting rights held by the Shareholders (including proxies) attending the General Meeting.

The following matters shall be resolved by way of special resolutions at a General Meeting:

1. increase or decrease of registered capital of the Company;

2. issuance of corporate bonds and other securities and listing;

3. division, merger, dissolution, liquidation or change in the form of the Company;

4. amendments to the Articles of Association;

5. purchase or disposal of major assets by the Company within one year with the value exceeding thirty percent of the latest audited total assets of the Company;

6. the amount guaranteed by the Company for a consecutive twelve months exceeds thirty percent of its latest audited total assets;

7. other matters requiring approval by special resolutions in accordance with laws, administrative regulations, the Listing Rules or the Articles of Association, and matters which, as resolved by way of an ordinary resolution at a general meeting, will have a material impact on the Company and need to be approved by way of a special resolution.

VOTING RIGHTS (GENERALLY AND ON A POLL)

Shareholders (including their proxies) who vote at a General Meeting shall exercise their voting rights according to the number of voting shares they represent, with one vote for each share. However, shares in the Company which are held by the Company do not carry any voting rights, and shall not be counted in the total number of voting shares represented by shareholders present at a General Meeting.

In accordance with applicable laws, rules and relevant rules of securities regulatory institutions of the place(s) where the shares of the Company is listed, if any shareholder is required to waive his or her voting rights on certain resolutions or is limited to only cast affirmative or negative votes on certain matters, any shareholder vote or representative vote in violation of relevant regulations or restrictions will not be counted in the voting results.

When the General Meeting considers major matters that affect the interests of small and medium-sized investors, the results of the votes of small and medium-sized investors should be promptly and publicly disclosed in accordance with the laws, rules and the Listing Rules.

The Shares held by the Company do not have voting rights, and these Shares are not included in the total number of Shares with voting rights present at the General Meeting.

When the General Meeting deliberates on connected transactions, affiliated shareholders shall not participate in voting, and shall not represent other shareholders in exercising their voting rights. The number of voting Shares represented by them shall not be included in the total number of valid votes. The announcement of the resolution of the General Meeting should fully disclose the voting status of non-connected shareholders.

If duplicate voting occurs with the same voting right, the first voting result shall prevail.

Shareholders attending the General Meeting shall express one of the following opinions on the proposal submitted for voting: for, against, or abstention. Votes that are not filled in, mistakenly filled in, or illegible, as well as votes that have not been cast, shall be deemed as a waiver of voting rights by the voter. The voting result of the number of shares held by the voter shall be counted as "abstentions". Securities registration and settlement institutions, as nominal holders of interconnected mechanism stocks in the mainland and Hong Kong stock markets, shall not declare according to the actual holder's intention.

REQUIREMENTS FOR ANNUAL GENERAL MEETINGS

The General Meetings consist of annual General Meetings and extraordinary General Meetings. The annual General Meeting shall be held once every year within six months from the end of the prior fiscal year.

The extraordinary General Meeting shall be convened as and when necessary. In the occurrence of any of the following events, Company shall convene an extraordinary General Meeting within two months:

1. when the number of Directors is less than the number stipulated in the Company Law or less than two-thirds of the number specified in the Articles of Association;

2. when the unrecovered losses of the Company amount to one-third of the total amount of its paid-up share capital;

3. when shareholder(s) individually or jointly holding ten percent or more of the Company's issued shares carrying voting rights request(s) in writing to convene an extraordinary General Meeting (the number of shares held shall be the figure as at the date of the written request from the shareholder);

4. when the Board considers it necessary;

5. when the Supervisory Committee proposes to hold such a meeting;

6. any other circumstances stipulated by laws, administrative regulations, departmental rules, the Listing Rules or the Articles of Association.

ACCOUNTS AND AUDIT

Financial Report

The Company shall establish its financial and accounting system in accordance with relevant laws and administrative regulations, and PRC accounting standards formulated by the competent financial authorities under the State Council.

The Company shall prepare a financial report at the end of each fiscal year, and such financial report shall be audited by an accounting firm in compliance with laws.

The Company shall summit, disclose and/or deliver the annual report, interim report and preliminary results announcement and other documents to shareholders in accordance with laws, administrative regulations, the provisions of CSRC and relevant rules of securities regulatory institutions of the place(s) where the shares of the Company are listed.

The Board of the Company shall submit the financial report prepared by the Company under relevant laws, regulations, rules and normative documents to shareholders at each annual general meeting.

The financial report of the Company shall be kept at the Company and shall be made available to the shareholders twenty days before the annual General Meeting is held. Each shareholder of the Company shall have the right to obtain the financial report mentioned in this Chapter.

The Company shall send the report mentioned above or the report of the board of Directors together with the balance sheet (including all documents which are required to be attached to the balance sheet under the laws) and profit and loss statement, statement of income and expenditure or financial summary report to each holder of H Shares by any means permitted by the Stock Exchange (including but not limited to post, email, fax, announcement, etc.) at least twenty-one days before the convening of the annual General Meeting. If sent by prepaid mail to the holders of H Shares, the address of the recipient shall be the registered address as shown on the register of shareholders. The above-mentioned reports can also be delivered to the shareholders of H shares in the form of publishing on the Company's website, the website of the Stock Exchange and other websites prescribed by the Listing Rules from time to time in accordance with laws, administrative regulations and requirements of the Hong Kong securities regulatory.

NOTICE OF GENERAL MEETINGS AND BUSINESS TO BE CONDUCTED THEREAT

To hold an annual General Meeting, the time, venue and matters to review shall be noticed to the shareholders at least twenty one days before the meeting is held; to hold an extraordinary General Meeting, the shareholders shall be noticed at least fifteen days before the meeting is held. If laws, administrative regulations and the Listing Rules contain any other provisions in respect of matters abovementioned, such provisions shall prevail.

Notice of a General Meeting shall be in writing and satisfy the following requirements:

1. specific venue, date and time of the meeting;

2. matters and proposals to be considered at the meeting;

3. a prominent statement that all shareholders are eligible for attending the General Meeting and are entitled to appoint proxies in writing to attend and vote at such meeting on his/her behalf, and that such proxy does not need to be a shareholder of the Company;

4. the record date of the shareholders entitled to attend the meeting;

5. the name and phone number of permanent contact person for the meeting;

6. when a General Meeting adopts other voting methods, the time and voting procedure shall also be indicated in the notice;

7. other means stipulated by laws, administrative regulations, normative documents or the Listing Rules.

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 who individually or collectively hold more than 3% of the shares of the company may put forward an interim proposal and submit it in writing to the convenor within the time limit prescribed in the Listing Rules prior to the shareholders' meeting. The convener shall, in accordance with the Listing Rules, issue a supplementary notice of the General Meeting upon receipt of the proposal to inform the contents of the provisional proposal.

In addition, the convener, after issuing the notice of the General Meeting, shall neither modify the proposals stated in the notice of General Meetings nor add new proposals.

The General Meeting shall not vote or resolve on any proposals which are not contained in a notice of the General Meeting or are not in compliance with the Articles of Association.

TRANSFER OF SHARES

All fully paid H Shares may be transferred freely in accordance with the Articles of Association.

Shares of the Company held by the promoters shall not be transferred within one year from the date of establishment of the Company. The shares issued by the Company before the public offering of shares shall not be transferred within one year from the date on which the shares of the Company are listed and traded on a stock exchange.

Directors, Supervisors and senior management of the Company shall declare to the Company their shareholdings in the Company and any changes thereof, and shall not transfer more than 25% of the total number of shares of the Company held by them each year during their terms of office; the shares of the Company held by them shall not be transferred within one year from the date on which the shares of the Company are listed and traded. The aforementioned personnel shall not transfer the shares of the Company held by them within 18 months after they apply for resignation from the Company within 6 months from the date of the Company's shares are listed and traded on the Stock Exchange. The aforementioned personnel shall not transfer the shares of the Company held by them within 12 months after they apply for resignation from the Company within 7 to 12 months from the date of the Company's shares are listed and traded on the Stock Exchange.

Where any shareholder holding 5% or more of the shares of the Company, a Director, a Supervisor or a Senior Manager of the Company sells any stock or other equity securities of the Company that it holds in the company within six months after its purchase thereof or purchases the stock or other equity securities within six months after its sale thereof, the profits therefrom shall be owned by the company, and the Board of Directors of the Company shall take back such profits, except for a securities company holding 5% or more of the shares of stock as a result of purchasing the remaining unsold stock underwritten by it on a firm-commitment basis or under any other circumstances stipulated by the CSRC.

The shares or other securities with an equity nature held by Directors, Supervisors, senior management officers and natural person shareholders referred to in the preceding paragraph include the shares or other securities with an equity nature held by their spouses, parents, children, and any of the above which is held by using others' accounts.

If the Company's Board does not comply with the provision of the first paragraph, the shareholders can request the Board to do so within 30 days. If the Board does not enforce such right within the aforesaid period, the shareholders are entitled to commence litigations in the people's court in their own names for the interests of the Company.

If the Company's Board does not enforce the provision of the first paragraph of this Articles of Association, the responsible Directors shall assume joint and severally liable in accordance with the laws.

POWER OF THE ISSUER TO PURCHASE ITS OWN SHARES

The Company may, in the following circumstances, purchase its outstanding shares in accordance with the law, administrative regulations, department rules and requirement of the Articles of Association:

1. reducing the registered capital of the Company;

2. merging with another company that holds shares in the Company;

3. using shares for employee stock ownership plan or equity incentives;

4. shareholders who object to resolutions of the General Meeting on merger or division of the Company requesting the Company to buy back their shares;

5. to use the shares for conversion of corporate bonds issued by the Company which are convertible into shares;

6. where it is necessary for the Company to preserve its value and shareholders' interest;

7. other circumstances prescribed by laws, administrative regulations and Listing Rules.

The Company may repurchase its shares through public centralised trading or other methods recognised by laws, administrative regulations, the CSRC and the stock exchange where the Company's shares are listed.

Where the Company repurchases its shares under the circumstances set out in items 3, 5 and 6 above, The Company shall repurchase its shares through public centralised trading and comply with applicable laws, administrative regulations, and relevant regulations imposed by the CSRC and the Hong Kong securities regulatory institutions.

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 authorised by the General Meeting.

After the shares are acquired by the Company pursuant to the requirements, the Company shall cancel such shares within the period prescribed by laws, administrative regulations and the Listing Rules, and shall apply to the original company registration authority for registration of the change in the registered capital.

POWER OF ANY SUBSIDIARY OF THE COMPANY TO OWN SHARES IN THE COMPANY

Not applicable.

DIVIDENDS AND OTHER METHODS OF DISTRIBUTION

The Company shall, when distributing its after-tax profits of the year, withdraw ten percent of the profits into the Company's statutory reserve fund. The Company may not withdraw a statutory reserve fund if the cumulative amount has reached fifty percent or more of the Company's registered capital.

If the Company's statutory reserve fund could not cover the losses of the preceding year, profit of the year shall be used to cover the losses before withdrawing, according to the foregoing provision, the statutory reserve fund.

After the Company has withdrawn the statutory reserve fund from the after-tax profits, the Company may also withdraw discretionary statutory reserve fund from the after-tax profits upon the approval of the General Meeting.

After losses have been covered and the statutory reserve fund has been allocated, if any remaining after-tax profits shall be distributed, they shall be distributed to the shareholders in proportion to their shareholdings, unless otherwise stipulated in the Articles of Association.

Where the General Meeting distributes profits to shareholders before losses have been covered and the statutory reserve fund has been allocated, which is in violation of the foregoing provision, the shareholders concerned shall refund to the Company the profits distributed in violation of the foregoing provision.

The shares of the Company held by the Company shall not be subject to profit distribution.

Dividends and other payments made by the Company to holders of Unlisted Domestic Shares must be denominated and declared in RMB and paid in RMB. Dividends and other payments made by the Company to holders of H shares must be denominated and declared in RMB and paid in Hong Kong dollar. Dividends and other payments made by the Company to holders of H Shares must be distributed in accordance with relevant regulations on the administration of foreign exchange of the PRC.

On the premise of complying with relevant laws, regulations, rules and normative documents, the Company may exercise the forfeiture rights for unclaimed dividends, but this right can only be exercised after the expiration of the applicable relevant limitation period.

PROXIES

Any shareholder entitled to attend and vote at the General Meeting may attend General Meetings in person or appoint one or several persons (who may not be shareholders) to act as his/her/its proxy to attend and vote at the General Meeting on his/her/its behalf. An proxy of a shareholder may exercise the following rights according to the scope of authority entrusted by the shareholder:

1. the shareholder's right to speak at the General Meeting;

2. the right to request, alone or in conjunction with others, that a matter be decided upon through a ballot vote;

3. Unless otherwise required by laws, regulations, normative documents, the Hong Kong securities regulatory institution and the Listing Rules, the right to vote by a show of hands or by ballot; however, if more than one person has been entrusted as proxy, such proxies shall only be permitted to exercise the right to vote by ballot.

Individual shareholders who attend the meeting in person shall produce their identity cards or other effective document or proof of identity. Proxies of individual shareholders shall produce their valid identity cards and the power of attorney of the shareholder.

Shareholder that is a legal person may be represented at the meeting by its legal representative or a proxy appointed by it (which will be regarded as if the legal person shareholder was present in person) to exercise its rights (including the right to vote). If a legal representative attends the meeting, he/she should produce his/her identity card and valid proof that he/she is a legal representative; if a proxy attends the meeting, the proxy should produce his/her identity card and documents proving that he/she has been appointed by such legal person (unless a shareholder is a recognised clearing house as defined in the relevant ordinances in force from time to time under the laws of Hong Kong or the securities regulatory rules of the place where the shares of the company are listed or its proxy (hereinafter referred to as a "Recognised Clearing House")).

If the shareholder is a Recognised Clearing House or its proxy, the shareholder Recognised Clearing House may authorise one or more persons as it thinks fit to act as its representative(s) at any General Meeting; however, if more than one person are so authorised, the power of attorney shall specify the number and class of shares in respect of which each such person is authorised, and the power of attorney shall be signed by the authorised personnel of the Recognised Clearing House. The person so authorised may attend the meeting on behalf of the recognised clearing house (without being required to present share certificate, notarized authorization and/or further evidence to prove that he/she is duly authorised) to exercise the rights as if he/she was an individual shareholder of the Company (and was entitled to the same legal rights as other shareholders, including the rights to speak and vote).

CALLS ON SHARES AND FORFEITURE OF SHARES

Not applicable.

INSPECTION OF REGISTER OF MEMBERS

The Company shall establish a register of shareholders in accordance with the evidence provided by the securities registration authority. The register of shareholders shall be sufficient evidence of the shareholders' shareholdings in the Company.

The original of register of holders of H Shares shall be maintained in Hong Kong and made available for inspection by shareholders.

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. 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.

QUORUM FOR THE GENERAL MEETING

Not applicable.

RIGHTS OF MINORITIES IN RELATION TO FRAUD OR OPPRESSION

If Directors and senior management personnel violate laws, administrative regulations, or the provisions of the Articles of Association while performing their duties and cause losses to the Company, shareholders who individually or jointly hold more than 1% of the Company's shares for more than 180 consecutive days have the right to request in writing that the board of Supervisors file a lawsuit with the people's court; If the board of Supervisors violates laws, administrative regulations, or the provisions of these articles of association while performing its duties, causing losses to our Company, the aforementioned shareholders may request in writing that the board of Directors file a lawsuit with the people's court. If the board of Supervisors or the Board of Directors refuses to file a lawsuit after receiving a written request from the Shareholders specified in the preceding paragraph, or fails to file a lawsuit within 30 days from the date of receiving the request, or if the situation is urgent and the failure to file a lawsuit immediately will cause irreparable damage to the Company's interests, the aforementioned shareholders have the right to directly file a lawsuit in their own name to the people's court for the benefit of the Company. If another person infringes on the legitimate rights and interests of the Company and causes losses to the Company, the aforementioned shareholders may file a lawsuit with the people's court in accordance with the provisions of the preceding two paragraphs.

The controlling shareholders and actual controllers of the Company shall not use their connected relations to harm the interests of the Company, and shall be liable for compensation if such violation causes losses to the Company.

The controlling shareholders and actual controllers of the Company shall have fiduciary duties towards the Company and its other shareholders. The controlling shareholder shall exercise its rights as a capital contributor in strict compliance with the laws. The controlling shareholder shall not damage the legitimate rights and interests of the Company and other shareholders by means of profit distribution, asset restructuring, external investment, fund appropriation, loan guarantee, etc., and shall not use its controlling status to damage the interests of the Company and other shareholders.

PROCEDURES ON LIQUIDATION

The Company shall be dissolved and liquidated according to laws in any of the following circumstances:

1. the term of its operations specified in the Articles of Association has expired and other circumstance for dissolution specified in the Articles of Association has occurred;

2. the General Meeting has resolved to dissolve the Company;

3. merger or division of the Company requires a dissolution;

4. the business license is revoked in accordance with the law, or the Company is ordered to close or is cancelled;

5. if the Company gets into serious trouble in operations and management and continuation may incur material losses of the interests of the shareholders, and no solution can be found through any other means, the shareholders holding ten percent or more of the total voting rights of the Company may request the people's court to dissolve the Company.

Where the Company is dissolved under the circumstances set out in items 1, 2, 4 and 5 above, the Company shall establish a liquidation committee within fifteen days. 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 all creditors within ten days after its establishment and shall publish announcements in newspapers within sixty days. The creditors shall declare their rights to the liquidation committee within thirty days after receipt of the notice or within forty-five days after the announcement if the creditors have not received the notice.

When submitting their claims, creditors shall explain matters relating to their rights and provide evidential documents. The liquidation committee shall register the creditor's rights.

During the liquidation period, the liquidation committee shall exercise the following functions and powers:

1. to examine and take possession of the Company's assets and prepare the balance sheet and a property inventory;

2. to inform creditors by notice or announcement;

3. to deal with the outstanding businesses of the Company relating to liquidation;

4. to pay outstanding taxes, and to pay taxes incurred during the company's liquidation process;

5. to settle claims and debts;

6. to dispose of the remaining assets of the Company after repayment of debts;

7. to represent the Company in civil proceedings.

After the liquidation committee has examined and taken possession of the assets of the Company and prepared a balance sheet and a property inventory, it shall formulate a liquidation proposal and submit it to the General Meeting or the people's court for confirmation.

During the liquidation period, the Company remains in existence; however, it shall not commence any business activity no related to the liquidation.

In the event of liquidation due to dissolution of the Company, after the liquidation committee has examined and taken possession of the assets of the Company and prepared a balance sheet and a property inventory, if it discovers that the Company's assets are insufficient to repay its debts in full, it shall immediately apply to the people's court to declare the Company bankrupt.

Following a ruling by the people's court that the Company is declared bankrupt, the liquidation committee shall hand over all matters relating to the liquidation to the people's court.

Upon completion of the liquidation, the liquidation committee shall prepare a liquidation report which shall be submitted to the General Meeting or the people's court for confirmation, and shall submit the same to the company registration authority, apply for cancellation of the company's registration, and publish an announcement on the termination of the company.

OTHER PROVISIONS MATERIAL TO THE ISSUER OR THE SHAREHOLDERS THEREOF

Issuance of Shares

Shares of the Company shall take the form of share certificates. The shares issued by the Company shall be denominated in RMB. The par value per share is RMB1.00. The Company shall issue shares in an open, fair and just manner, and each share of the same class shall have the same rights. Shares of the same class issued at the same time shall be issued on the same conditions and at the same price. Any entity or individual shall pay the same price for each of the shares for which it or he or she subscribes for.

Increase of Registered Capital

The Company may, based on its business and development needs and in accordance with relevant laws and regulations, increase its capital in the following ways, subject to separate resolutions of the General Meeting:

1. public offering of shares;

2. non-public issuance of shares;

3. distributing bonus shares to its existing shareholders;

4. conversion of reserve fund into share capital;

5. other means as is stipulated by laws, administrative regulations, the Listing Rules or as approved by relevant regulatory authorities.

Reduction of Registered Capital

The Company may reduce its registered capital. When the company needs to reduce its registered capital, it must prepare a balance sheet and an inventory of assets.

The Company shall reduce its registered capital in accordance with the procedures stipulated in the Company Law, the Listing Rules and other relevant regulations and the Articles of Association.

Rights and Obligations of Shareholders

Shareholders of the Company shall enjoy the following rights:

1. the right to receive dividends and other forms of distributions in proportion to their shareholdings;

2. the right to attend or appoint proxies to attend General Meetings and to exercise the voting rights;

3. the right to supervise and manage the Company's business activities, to present proposals or to raise enquires;

4. the right to transfer, give as a gift and pledge shares in accordance with laws, administrative regulations, relevant regulations of securities regulatory institutions and provisions of the Articles of Association;

5. the right to obtain relevant information in accordance with the provisions of the Articles of Association, including:

   (1) the right to obtain a copy of the Articles of Association, subject to payment of cost;

   (2) the right to review free of charge and to obtain a copy subject to payment of a reasonable fee:

      i. the register of all the shareholders;

      ii. personal particulars of each of the Company's Directors, Supervisors and senior management members, including:

         (a) present and former name and alias;

         (b) principal address (domicile);

         (c) nationality;

         (d) primary and all other part-time occupations and duties;

         (e) identification documents and the numbers thereof;

      iii. reports showing the status of the Company's issued share capital;

      iv. reports showing the aggregate nominal value, quantity, maximum and minimum prices paid in respect of each class of shares repurchased by the Company since the end of the last financial year and the aggregate amount incurred by the Company for this purpose (with a breakdown between H Shares and Unlisted Domestic Shares);

      v. special resolutions of General Meetings;

vi. the latest audited financial statements, and reports of Board of Directors, auditors and Supervisory Committee of the Company;

vii. a copy of the latest Annual Inspection Form that has been filed with the PRC Administration for Industry and Commerce or other competent authorities;

viii. minutes of General Meetings.

6. in the event of the termination or liquidation of the Company, the right to participate in the distribution of remaining assets of the Company in accordance with the shareholdings;

7. with respect to shareholders who vote against any resolution adopted at the General Meeting on the merger or division of the Company, the right to demand the Company to buy back their shares;

8. other rights under laws, administrative regulations, departmental rules, normative documents or relevant rules of securities regulatory institutions of the place(s) where the shares of the Company are listed and the Articles of Association.

Shareholders of the Company shall assume the following obligations:

1. to abide by laws, administrative regulations and the Articles of Association;

2. to pay subscription monies according to the number of shares subscribed and the method of subscription;

3. not to make divestment unless in the circumstances stipulated by laws and regulations;

4. not to abuse the rights of shareholders to damage the interests of the Company or that of other shareholders; not to abuse the independent status of the Company as a legal person and the limited liability of shareholders to damage the interests of the creditors of the Company;

5. other obligations imposed by laws, administrative regulations, Listing Rules and the Articles of Association.

Shareholders of the Company who abuse their shareholders' rights and cause losses to the Company or other shareholders shall be liable for compensation in accordance with the law. Shareholders of the Company who abuse the independent status of the Company as a legal person and the limited liability of shareholders to evade debts and seriously damage the interests of the creditors of the Company shall bear joint and several liabilities for the debts of the Company.

General Provisions of General Meetings

The General Meeting is the organ of authority of the Company and shall exercise the following functions and powers:

1. to decide on the Company's business policies and investment plans;

2. to elect and replace Directors and Supervisors who are not employee representatives and to decide on matters relating to the remuneration of Directors and Supervisors;

3. to consider and approve the reports of the Board;

4. to consider and approve the report of the board of Supervisors;

5. to consider and approve the annual financial budgets and final accounts of the Company;

6. to consider and approve the Company's profit distribution plans and loss recovery plans;

7. to resolve on the increase or reduction of the registered capital of the Company;

8. to make resolutions on the issuance of corporate bonds and other securities and listing of the Company;

9. to make resolutions on the merger, division, dissolution, liquidation or change in the form of the Company;

10. to amend the Articles of Association;

11. to make resolutions on the engagement, removal, discontinuance of engagement of accounting firms by the Company and remuneration matters of the accounting firms;

12. to consider and approve the external guarantee matters should be considered by the General Meeting;

13. to examine the matters relating to the purchases and disposals of the Company's material assets or the provisions of guarantees within one year with an amount exceeding thirty percent of the Company's latest audited total assets;

14. to consider and approve the change in use of proceeds;

15. to examine and approve connected transactions, foreign investment, asset mortgage, foreign financing and foreign donation that should be approved by the General Meeting as stipulated in the Hong Kong listing regulatory rules;

16. to consider share incentive schemes and employee share ownership schemes;

17. to consider other matters required by laws, administrative regulations, departmental rules, normative documents, the Listing Rules or the Articles of Association to be decided by the General Meeting.

When the General Meeting reviews matters of connected transactions, connected shareholders shall not attend the voting procedure. Resolutions of the General Meeting on connected transactions shall only be effective when adopted by more than one half of the voting rights held by non-connected shareholders (including their proxies) attending the General Meeting.

If a Director, the general manager or any other senior management member violates the requirements on the approval authority and consideration procedures for external guarantees as specified in laws, administrative regulations or the Articles of Association, thereby causing the Company to suffer a loss, he or she shall be held liable for compensation, and the Company may initiate a legal action against him or her according to the laws.

Resolutions of General Meetings

Resolutions of the General Meeting include ordinary resolutions and special resolutions.

Ordinary resolution at a General Meeting shall be adopted by more than one half of the voting rights held by shareholders (including their proxies) attending the General Meeting.

Special resolution at a General Meeting shall be adopted by two-thirds or more of the voting rights held by shareholders (including their proxies) attending the General Meeting.

The following matters shall be resolved by way of ordinary resolutions at a General Meeting:

1. to determine the business policies and investment plans of the Company;

2. election and replacement of Directors and supervisors who are not employee representatives, and decide on remuneration matters for Directors and supervisors;

3. work reports of the Board;

4. work reports of the Supervisory Committee;

5. annual financial budget report, final accounts report of the Company;

6. profit distribution plan and loss recovery plan of the Company;

7. to resolve on whether the Company shall hire, dismiss or not continue to hire an accounting firm and its renumeration;

8. to consider and approve matters concerning external guarantees other than paragraph 4 of Article 43 of the Articles of the Association which shall be approved by the General Meeting;

9. to examine and approve changes in the use of the raised funds;

10. to examine and approve connected transactions, foreign investment, asset mortgage, foreign financing and foreign donation that should be approved by the General Meeting as stipulated in the Hong Kong listing regulatory rules;

11. to review the Company's employee incentive plans;

12. matters other than those requiring approval by special resolutions in accordance with laws, administrative regulations, departmental rules, normative documents or the Listing Rules or the Articles of Association.

The Board

The Company shall have a board of Directors which shall be accountable to the General Meeting. The Board shall consist of 9 Directors, including 3 independent non-executive Directors. The number of independent non-executive Directors shall not be less than three and shall represent one-third or more of the total number of Directors at any time.

The Board shall exercise the following powers:

1. to summon General Meetings and report its work to the General Meetings;

2. to implement the resolutions of the General Meeting;

3. to decide on the Company's business plans and investment plans;

4. to formulate the Company's annual financial budgets and final accounts;

5. to formulate the Company's profit distribution plans and loss recovery plans;

6. to formulate proposals for the increase or reduction of the Company's registered capital, the issue of bonds or other securities and listing plans;

7. to formulate plans for material acquisitions, purchase of shares of the Company or merger, division, dissolution and change of corporate form of the Company;

8. to examine and approve connected transactions, foreign investment, asset mortgage, foreign financing and foreign donation that should be approved by the board of directors as stipulated in the Hong Kong listing regulatory rules;

9. to examine external guarantee matters other than those that need to be examined and approved by the General Meeting of the Company;

10. reviewing the purchase and sale of assets other than those subject to the approval of the General Meeting of the company;

11. to decide on the establishment of the Company's internal management structure;

12. to decide on the appointment or dismissal of the Company's general manager, secretary to the Board and other senior management, and decide on their remuneration, rewards and punishments; to decide on the appointment or dismissal of the Company's deputy general manager, chief financial officer and other senior management based on the nomination of the general manager, and decide on their remuneration, rewards and punishments;

13. to formulate the basic management system of the Company;

14. to formulate plans for the establishment of special committees of the board of directors and submit them to the General Meeting for approval, and decide on the selection and appointment of personnel of the special committees of the board of directors;

15. to develop the Company's basic management system;

16. to formulate proposals for any amendment to the Articles of Association;

17. to manage the information disclosure of the Company;

18. to propose to the General Meeting the appointment or replacement of the accounting firm that audits the Company;

19. to listen to the work report of the general manager of the Company and inspect the work of the general manager;

20. other functions and powers conferred by laws, administrative regulations, departmental rules, the Listing Rules or the Articles of Association.

Matters beyond the scope of authorization of the General Meeting referred to in the above paragraph of the Articles of Association, or those as provided by laws, administrative regulations, departmental rules, Listing Rules or the Articles of Association, shall be submitted to the General Meeting by the Board for consideration and approval.

A board meeting shall be held with the attendance of more than half of the directors. Resolutions of the board of directors shall be passed by a simple majority of votes cast by all the directors.

When voting at a board meeting, each director has one vote.

Where the Directors, Supervisors, general manager and other senior managers have important interest directly or indirectly in the contracts, transactions or arrangements concluded or planned by the Company (except the employment contracts between the Company and the Directors, Supervisors, general manager and other senior managers), regardless of whether the relevant matters require the approval of the Board under normal circumstances, the nature and extent of their interests shall be disclosed to the Board as soon as possible. If a director or his/her contact person (as defined in the Listing Rules in effect from time to time) has connected or interested relations with matters or companies involved in the resolutions of the Board meeting, except as permitted by laws, regulations and the securities regulatory rules of the place where the company's shares are listed, (i) the Director shall not exercise voting rights on the resolution, nor exercise voting rights on behalf of other Directors; (ii) when determining whether a quorum is present at the board meeting, the Director shall not be counted. The Board meeting shall be held with the quorum of a simple majority of unconnected Directors, and resolutions passed by the board meeting shall require a simple majority of votes of unconnected Directors (iii) where the number of unconnected Directors present at the board meeting is less than three, the said matter shall be tabled at the General Meeting for deliberation. The voting of the Board on connected transactions under the Listing Rules shall comply with the relevant provisions of the Listing Rules.

Secretary to the Board of Directors

The Company has a secretary to the Board, who is responsible for the preparations for the meetings of the shareholders' meeting and the Board, retention of documents, management of materials on shareholders, and handling of information disclosure and other matters.

General Manager

The general manager shall be accountable to the Board and exercise the following powers:

1. to be in charge of the production, operation and management of the Company, organise the implementation of the resolutions of the Board and report to the Board;

2. to organise the implementation of the Company's annual business plan and investment plan;

3. to draft plans for the establishment of the Company's internal management structure;

4. to draft the basic management system of the Company;

5. to formulate the specific rules and regulations of the Company;

6. to propose to the Board to appoint or dismiss deputy general managers and financial controller of the Company;

7. to appoint or dismiss management personnel other than those required to be appointed or dismissed by the Board;

8. to decide on external guarantee, external investment, external financing, purchase or sale of assets, asset mortgage, connected transactions and other matters that do not need to be submitted to the General Meeting, the board of Directors and the chairman for approval;

9. to exercise other powers conferred by the Articles of Association or the Board.

The general manager is to attend board meetings.

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 General Meetings;

4. to demand rectification from a Director or senior manager 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 Article 151 of 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;

9. other powers granted by the Articles of Association, the General Meeting and the Listing Rules.

Resolutions of the board of Supervisors shall be passed by more than half of the supervisors.

A. FURTHER INFORMATION ABOUT OUR GROUP

1. Establishment of our Company

Our Company was established in the PRC on December 5, 2000 and was converted to a joint stock company with limited liability under the Company Law with effect from December 29, 2020. Our Company has established a principal place of business in Hong Kong at 31/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong, and was registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance on July 25, 2023. Ms. Fung Po Ting (馮寶婷) has been appointed as our authorized representative for the acceptance of service of process and notices on behalf of our Company in Hong Kong.

As we are established in the PRC, our corporate structure and Articles of Association are subject to the relevant laws and regulations of the PRC. A summary of the relevant provisions of our Articles of Association is set out in Appendix IV to this prospectus.

2. Changes in the share capital of our Company

As of the date of our establishment, our registered capital was RMB3,000,000. On December 29, 2020, our Company was converted into a joint stock company with limited liability under the PRC Company Law. Upon completion of such conversation, the share capital of our Company was RMB50,000,000 divided into 50,000,000 Shares with a nominal value of RMB1.00 each.

Assuming the Over-allotment Option is not exercised, upon completion of the Global Offering, our share capital will be increased to RMB66,666,800, made up of 50,000,000 Unlisted Domestic Shares and 16,666,800 H Shares fully paid up or credited as fully paid up, representing approximately 75.0% and 25.0% of our share capital, respectively. There has been no alteration in our share capital within the two years immediately preceding the date of this prospectus.

3. Restriction of share repurchase

For details of the restrictions on the share repurchase by our Company, please refer to "Summary of the Articles of Association" in Appendix IV to this prospectus.

4. Resolutions of our Shareholders passed at our Company's extraordinary general meeting held on May 15, 2023

At the extraordinary general meeting of our Company held on May 15, 2023, among other things, the following resolutions were passed by our Shareholders:

(a) the issue by our Company of the H Shares with a nominal value of RMB1.00 each and such H Shares to be listed on the Stock Exchange;

(b) subject to the completion of the Global Offering, the Articles of Association has been approved and adopted, which shall only become effective on the Listing Date, and our Board has been authorized to amend the Articles of Association in accordance with any comments from the Stock Exchange and the relevant PRC regulatory authorities; and

(c) authorizing our Board to handle all relevant matters relating to, among other things, the implementation of issue of H Shares and the Listing.

5. Corporate Reorganization

We underwent the Reorganization, for details, please see "History, Reorganization and Corporate Structure". As confirmed by our PRC Legal Advisors, all necessary filings and registrations with the relevant PRC authorities in respect of the Reorganization had been completed and all necessary approvals and/or confirmations from the relevant PRC authorities in respect of the Reorganization had been obtained as of the Latest Practicable Date.

6. Particulars of our subsidiaries

Set out below is certain information of our subsidiaries as of the Latest Practicable Date:

No.	Name of subsidiaries	Identity of shareholder(s)[(1)]	Percentage of the equity interests
1.	Kingfar Human Resources	Our Company	100%
2.	Kingfar Security Service	Our Company	100%
3.	Kingfar Intelligent	Our Company	100%
4.	Xi'an Jiatai	Our Company	100%
5.	Xi'an Jingjian	Our Company	100%
6.	Kingfar City Service	Our Company	100%
7.	Kingfar Environment	Our Company	100%
8.	Shenyang Kingfar	Our Company	60%
		Shenyang Huishan Modern Service Co., Ltd. (瀋陽輝山現代服務有限公司)	40%
9.	Shaanxi Rixing	Our Company	51%
		Xi'an Meidite Trading Co., Ltd. (西安美迪特商貿有限公司)	49%
10.	Xinjiang Kingfar	Our Company	51%
		Xinjiang Saide Investment Development Co., Ltd. (新疆賽德投資發展有限公司)	49%

No.	Name of subsidiaries	Identity of shareholder(s)[1]	Percentage of the equity interests
11.	Hancheng Kingfar	Our Company	51%
		Hancheng Urban Space Development Operation Management Co., Ltd. (韓城市城市空間開發運營管理有限公司)	49%
12.	Xi'an Jingkai	Our Company	40%
		Xi'an Liuchao Brand Operation Management Co., Ltd. (西安六潮品牌運營管理有限責任公司)	35%
		Xi'an Hanying Puyi Capital Management Co., Ltd. (西安瀚盈普益資本管理有限公司)	25%

Note:

(1) To the best of our knowledge, information and belief, having made all reasonable enquiries, each of the shareholders of our non-wholly owned subsidiaries was an Independent Third Party save for their respective equity interests in the relevant subsidiaries of our Group as of the Latest Practicable Date.

Our Company's subsidiaries are set forth in the Accountants' Report, the text of which is set out in Appendix I to this prospectus. Save for the subsidiaries mentioned above, in the Accountants' Report and the section headed "History, Reorganization and Corporate Structure", our Company has no other subsidiaries.

7. Change in the registered capital of subsidiaries

There has been no alteration in the share capital of any of our subsidiaries within the two years immediately preceding the date of this prospectus.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of material contracts

We have entered into the following contracts (not being contracts entered into in the ordinary course of business) within the two years preceding the date of this prospectus that are or may be material:

(a) an equity transfer contract (股權轉讓合同) dated December 27, 2022 entered into between Xi'an Kingfar Group Co., Ltd. (西安經發集團有限責任公司) and Xi'an Kingfar Property Services Co., Ltd. (西安經發物業股份有限公司), pursuant to which Xi'an Kingfar Group Co., Ltd. (西安經發集團有限責任公司) agreed to transfer its 100% equity interest in Xi'an Kingfar Cleaning Co., Ltd. (西安經發保潔有限公司) to Xi'an Kingfar Property Services Co., Ltd. (西安經發物業股份有限公司) at a consideration of RMB75,691,100;

(b) an equity exchange contract (產權交易合同) dated December 30, 2022 and a supplemental agreement to the equity exchange contract (產權交易合同之補充協議) dated May 23, 2023 entered into among Xi'an Kingfar Property Services Co., Ltd. (西安經發物業股份有限公司), Xi'an Liuchao Brand Operation Management Co., Ltd. (西安六潮品牌運營管理有限責任公司) and Xi'an Hanying Puyi Capital Management Co., Ltd. (西安瀚盈普益資本管理有限公司), pursuant to which Xi'an Kingfar Property Services Co., Ltd. (西安經發物業股份有限公司) agreed to (i) transfer 35% equity interest in Xi'an Jingkai Property Management Co., Ltd. (西安經開物業管理有限責任公司) to Xi'an Liuchao Brand Operation Management Co., Ltd. (西安六潮品牌運營管理有限責任公司) at a consideration of RMB557,797.45; and (ii) transfer 25% equity interest in Xi'an Jingkai Property Management Co., Ltd. (西安經開物業管理有限責任公司) to Xi'an Hanying Puyi Capital Management Co., Ltd. (西安瀚盈普益資本管理有限公司) at a consideration of RMB398,426.75;

(c) a cornerstone investment agreement (基石投資協議) dated June 20, 2024 entered into among Xi'an Kingfar Property Services Co., Ltd. (西安經發物業股份有限公司), Xi'an Tianbo Diagnostics Co., Ltd. (西安天博診斷技術有限公司) and CEB International Capital Corporation Limited (光銀國際資本有限公司), pursuant to which Xi'an Tianbo Diagnostics Co., Ltd. (西安天博診斷技術有限公司) agreed to subscribe at the Offer Price for such number of Offer Shares (rounded down to the nearest whole board lot of 300 H Shares) that may be purchased for an amount of Hong Kong dollar equivalent of RMB30,000,000;

(d) a cornerstone investment agreement (基石投資協議) dated June 20, 2024 entered into among Xi'an Kingfar Property Services Co., Ltd. (西安經發物業股份有限公司), Xi'an Dingzhun Education and Technology Co., Ltd. (西安盯準教育科技有限公司) and CEB International Capital Corporation Limited (光銀國際資本有限公司), pursuant to which Xi'an Dingzhun Education and Technology Co., Ltd. (西安盯準教育科技有限公司) agreed to subscribe at the Offer Price for such number of Offer Shares (rounded down to the nearest whole board lot of 300 H Shares) that may be purchased for an amount of Hong Kong dollar equivalent of RMB10,000,000;

(e) a cornerstone investment agreement (基石投資協議) dated June 20, 2024 entered into among Xi'an Kingfar Property Services Co., Ltd. (西安經發物業股份有限公司), The Reynold Lemkins Group (Asia) Limited and CEB International Capital Corporation Limited (光銀國際資本有限公司), pursuant to which The Reynold Lemkins Group (Asia) Limited agreed to subscribe at the Offer Price for such number of Offer Shares (rounded down to the nearest whole board lot of 300 H Shares) that may be purchased for an amount of HK$9,900,000;

(f) the Deed of Non-competition;

(g) the Deed of Indemnity; and

(h) the Hong Kong Underwriting Agreement.

2. Intellectual property rights of our Group

(a) Trademarks

As of the Latest Practicable Date, our Group was the registered proprietor of the following trademarks which, in the opinion of our Directors, were material to our business:

No.	Trademark	Registration Number	Class	Name of Registered Proprietor	Place of Registration	Date of Registration	Expiry Date
1.		46669946	9	Our Company	PRC	February 7, 2021	February 6, 2031
2.		46664151	16	Our Company	PRC	February 7, 2021	February 6, 2031
3.		46683678	25	Our Company	PRC	February 7, 2021	February 6, 2031
4.		14293968	36	Our Company	PRC	May 14, 2015	May 13, 2025
5.		14294028	37	Our Company	PRC	May 14, 2015	May 13, 2025
6.		46647819	39	Our Company	PRC	February 7, 2021	February 6, 2031
7.		46676591	43	Our Company	PRC	February 7, 2021	February 6, 2031
8.		46664408	44	Our Company	PRC	February 7, 2021	February 6, 2031
9.		46676951	45	Our Company	PRC	February 7, 2021	February 6, 2031

No.	Trademark	Registration Number	Class	Name of Registered Proprietor	Place of Registration	Date of Registration	Expiry Date
10.		46676905	9	Our Company	PRC	February 7, 2021	February 6, 2031
11.		46673273	16	Our Company	PRC	February 7, 2021	February 6, 2031
12.		46664287	36	Our Company	PRC	February 7, 2021	February 6, 2031
13.		46654591	37	Our Company	PRC	February 7, 2021	February 6, 2031
14.		46672365	39	Our Company	PRC	February 7, 2021	February 6, 2031
15.		46661467	43	Our Company	PRC	February 7, 2021	February 6, 2031
16.		46678006	44	Our Company	PRC	February 7, 2021	February 6, 2031
17.		46647616	45	Our Company	PRC	February 7, 2021	February 6, 2031
18.		15824547	37	Xi'an Jingjian	PRC	January 28, 2016	January 27, 2026
19.		49106961	37	Kingfar Environment	PRC	July 7, 2021	July 6, 2031
20.		49104839	45	Kingfar Environment	PRC	June 21, 2021	June 20, 2031
21.	经发物业 KINGFAR PROPERTY	306236767	36, 37, 39, 40, 41, 43, 44, 45	Our Company	Hong Kong	May 8, 2023	May 7, 2033
22.	经发物业 KINGFAR PROPERTY	306240492	9, 35, 42	Our Company	Hong Kong	May 11, 2023	May 10, 2033
23.		73417019	45	Kingfar City Service	PRC	February 14, 2024	February 13, 2034
24.		73410068	25	Kingfar City Service	PRC	February 14, 2024	February 13, 2034
25.		73424346	44	Kingfar City Service	PRC	February 14, 2024	February 13, 2034

(b) Copyrights

As of the Latest Practicable Date, our Group had registered the following copyrights which, in the opinion of our Directors, were material to our business:

No.	Copyright	Registration Number	Registered Owner	Date of Registration
1.	Kingfar Property Secondary Water Supply & Heating Management System V1.0) (經發物業二次供水&供暖管理系統V1.0)	2020SR1821576	Our Company	December 15, 2020
2.	Kingfar Property Septic tank management system V1.0 (經發物業化糞池管理系統V1.0)	2020SR1821578	Our Company	December 15, 2020
3.	Kingfar Intelligent Property Management System V1.0 (經發智慧物業管理系統V1.0)	2020SR1821580	Our Company	December 15, 2020
4.	Kingfar Property Equipment Operation Risk Warning System V1.0 (經發物業設備運行風險預警系統V1.0)	2020SR1821577	Our Company	December 15, 2020
5.	Kingfar Property Fire Control Management System V1.0 (經發物業消防管理系統V1.0)	2020SR1821579	Our Company	December 15, 2020
6.	Kingfar Property Hazardous Gas Online Continuous Monitoring System Software V1.0 (經發物業有害氣體在線連續監測系統軟件V1.0)	2021SR1994407	Our Company	December 3, 2021
7.	Kingfar Property Generator Management and Control System Software V1.0 (經發物業發電機設備管控系統軟件V1.0)	2021SR1994524	Our Company	December 3, 2021
8.	Kingfar Property Oil Storage Tank Equipment Safety Monitoring System Software V1.0 (經發物業儲油箱設備安全監測系統軟件V1.0)	2021SR1994440	Our Company	December 3, 2021
9.	Kingfar Property Bluetooth Access Control Equipment Monitoring System Software V1.0 (經發物業藍牙門禁設備監控系統軟件V1.0)	2021SR1994410	Our Company	December 3, 2021

No.	Copyright	Registration Number	Registered Owner	Date of Registration
10.	Kingfar Property Kingfar Property Fire Control Monitoring Application V1.0 (經發物業消防監測小程序V1.0)	2022SR1527426	Our Company	November 17, 2022
11.	Kingfar Property Industrial Generator Monitoring Application V1.0 (經發物業發電機設備監測小程序V1.0)	2022SR1533014	Our Company	November 17, 2022
12.	Kingfar Property Elevator Monitoring and Management Application V1.0 (經發物業電梯監測管理小程序V1.0)	2022SR1532716	Our Company	November 17, 2022
13.	Kingfar Property Water Supply Monitoring and Management Application V1.0 (經發物業給水監測管理平台V1.0)	2022SR1531333	Our Company	November 17, 2022
14.	Kingfar Property Drainage Control Monitoring Application V1.0 (經發物業排水管控監測軟件V1.0)	2022SR1527427	Our Company	November 17, 2022
15.	Kingfar Property HVAC Monitoring Application V1.0 (經發物業暖通監測小程序V1.0)	2022SR1527614	Our Company	November 17, 2022
16.	Little Jingling (Art Work) (小經靈(美術作品))	國作登字-2022-F-01096839	Our Company	August 24, 2020
17.	Kingfar Cleaning Smart Sanitation Platform V1.0 (經發保潔智慧環衛平台V1.0)	2022SR0812370	Kingfar City Service	June 22, 2022
18.	Kingfar City Service Intelligent Parking Management Platform (經發城服智慧停車管理平台)	2023SR0627060	Kingfar City Service	June 12, 2023
19.	Kingfar Environment Logo (Art Work) (經發環境 LOGO (美術作品))	國作登字-2022-F-01113419	Kingfar Environment	October 12, 2020
20.	Kingfar City Service Logo (經發城服 LOGO)	國作登字-2023-F-00211746	Kingfar City Service	September 22, 2023

(c) Patents

As of the Latest Practicable Date, our Group had registered the following patents which, in the opinion of our Directors, were material to our business:

No.	Patent	Type	Place of Registration	Patent Number	Name of Registered Proprietor	Date of Application
1.	A pocket-type filter device for rainwater collection wells (一種雨水收集井用提兜式過濾裝置)	Utility Model	PRC	ZL 201821259368.X	Our Company	August 5, 2018
2.	Meeting Table Measuring Ruler (2) (會議擺台量尺(2))	Design	PRC	ZL 201830427864.0	Our Company	August 5, 2018
3.	Display screen panel with graphical user interface for intelligent management of property equipment (帶物業設備智能化管理圖形用戶界面的顯示屏幕面板)	Design	PRC	ZL 202030824095.5	Our Company	December 31, 2020
4.	Septic tank gas leakage alarm device (化糞池氣體洩漏報警裝置)	Utility Model	PRC	ZL 202023309936.2	Our Company	December 31, 2020
5.	A fire-fighting pipeline pressure detection device (一種消防管道壓力檢測裝置)	Utility Model	PRC	ZL 202023303061.5	Our Company	December 31, 2020
6.	A water supply and drainage early warning device (一種給排水預警裝置)	Utility Model	PRC	ZL 202023303062.X	Our Company	December 31, 2020
7.	Stone moving device (石材搬移裝置)	Utility Model	PRC	ZL 202122922059.4	Our Company	November 26, 2021
8.	Flood control alarm device for garage (車庫用防汛報警裝置)	Utility Model	PRC	ZL 202122891600.X	Our Company	November 24, 2021
9.	A fire hose rewinding device (一種消防水帶收卷裝置)	Utility Model	PRC	ZL 202222254431.3	Kingfar Intelligent	August 26, 2022
10.	a protective mask (一種防護面罩)	Utility Model	PRC	ZL 202222480400.X	Kingfar Intelligent	September 20, 2022
11.	A wall cleaning device (一種牆面清潔裝置)	Utility Model	PRC	ZL 202222976587.2	Our Company	November 8, 2022

No.	Patent	Type	Place of Registration	Patent Number	Name of Registered Proprietor	Date of Application
12.	A teaching board for electrician training (一種電工培訓教學板)	Utility Model	PRC	ZL 202223110930.1	Our Company	November 23, 2022
13.	A firefighting pipe rewinding device (一種消防管道收卷裝置)	Utility Model	PRC	ZL 202223219027.9	Kingfar Intelligent	December 1, 2022
14.	A kind of anti-leak life water tank (一種防跑水的生活水箱)	Utility Model	PRC	ZL 202223356625.0	Our Company	December 13, 2022
15.	A small motor testing equipment (一種小型電機檢測設備)	Utility Model	PRC	ZL 202223257135.5	Kingfar Intelligent	December 6, 2022
16.	A three-type pressure gauge self-test platform (一種三類壓力錶自檢平臺)	Utility Model	PRC	ZL 202223271555.9	Our Company	December 7 2022
17.	An equipment room rodent-proof baffle structure (一種設備房防鼠擋板結構)	Utility Model	PRC	ZL 202223397727.7	Our Company	December 19, 2022
18.	A firefighting smoke detector gun (一種消防煙感測試煙槍)	Utility Model	PRC	ZL 202223494478.3	Kingfar Intelligent	December 27, 2022
19.	A firefighting ladder with storage function (一種具有收納功能的消防工程爬梯)	Utility Model	PRC	ZL 202320017308.1	Kingfar Intelligent	January 4, 2023
20.	A disinfection device for entry and exit of cleaning vehicle (一種清潔車進出消毒裝置)	Utility Model	PRC	ZL 202320155849.0	Our Company	February 6, 2023

(d) Domain names

As of the Latest Practicable Date, our Group was the registered proprietor of the following domain names in the PRC which, in the opinion of our Directors, were material to our business:

No.	Domain Name	Name of Registered Proprietor	Date of Registration	Expiry Date
1.	xajfwy.com	Our Company	October 10, 2015	October 10, 2024

C. FURTHER INFORMATION ABOUT DIRECTORS, SUPERVISORS AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of interests

(a) Interests and short positions of the Directors, Supervisors and the chief executive of our Company in the registered capital of our Company and its associated corporations

Immediately following the completion of the Global Offering and assuming that the Over-Allotment Option is not exercised, none of our Directors, Supervisors or chief executive of our Company has any interest or short position in the Shares, underlying Shares and debentures of our Company or the associated corporations of our Company (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 interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, under Section 352 of the SFO, to be entered in the register referred to in that section, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "**Model Code**") to be notified to our Company and the Stock Exchange once the H Shares are listed.

(b) Substantial Shareholders

(i) Interests of the substantial shareholders in the Shares

Save as disclosed in the section headed "Substantial Shareholders" in this prospectus, our Directors are not aware of any person (other than our Director, Supervisors or chief executive of our Company) who will, immediately following completion of the Global Offering (assuming that the Over-allotment Option is not exercised), have interests or short positions in our Shares or underlying Shares which would be required 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 types of the issued voting shares of our Company.

(ii) Interest of the substantial shareholders of other members of our Group

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) 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 member of our Group:

Name of members of our Group	Name of Shareholder(s)	Approximate percentage of shareholding
Shenyang Kingfar	Shenyang Huishan Modern Service Co., Ltd. (瀋陽輝山現代服務有限公司)	40%
Shaanxi Rixing	Xi'an Meidite Trading Co., Ltd. (西安美迪特商貿有限公司)	49%
Xinjiang Kingfar	Xinjiang Saide Investment Development Co., Ltd. (新疆賽德投資發展有限公司)	49%
Hancheng Kingfar	Hancheng Urban Space Development Operation Management Co., Ltd. (韓城市城市空間開發運營管理有限公司)	49%
Xi'an Jingkai	Xi'an Liuchao Brand Operation Management Co., Ltd. (西安六潮品牌運營管理有限責任公司)	35%
	Xi'an Hanying Puyi Capital Management Co., Ltd. (西安瀚盈普益資本管理有限公司)	25%

2. Further Information about our Directors and Supervisors

(a) Particulars of Directors' and Supervisors' service contracts and appointment letters

Each of our Directors and Supervisors has entered into a service contract or appointment letter with our Company. The principal particulars of these service contracts and appointment letters comprise (a) the term of the service; (b) subject to termination in accordance with their respective term; and (c) a dispute resolution provision. The service contracts and appointment letters may be renewed in accordance with our Articles of Association and the applicable laws, rules and regulations from time to time.

Save as disclosed above, none of the Directors or Supervisors has or is proposed to have a service contract with any member of our Group (other than contracts expiring or determinable by the relevant employer within one year without the payment of compensation (other than statutory compensation)).

(b) Others

(i) None of the directors, supervisors, or any past directors of any members of our Group has been paid any sum of money for each of the three years ended December 31, 2023, as an inducement to join or upon joining our Company or for loss of office as a director or supervisor of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group.

(ii) There has been no arrangement under which a Director or Supervisor has waived or agreed to waive any remuneration or benefits in kind for each of the three years ended December 31, 2023.

(iii) None of our Directors or Supervisors has been or is interested in the promotion of, or in the property proposed to be acquired by, our Company, and no sum has been paid or agreed to be paid to any of them in cash or shares or otherwise by any person either to induce him/her to become, or to qualify him/her as, a Director or a Supervisor, or otherwise for services rendered by him in connection with the promotion or formation of our Company.

3. Agency fees or commissions received

Save as disclosed in this section and "Underwriting – Underwriting Arrangements and Expenses – Underwriting Commission and Expenses" in this prospectus, none of the Directors, Supervisors or any of the persons whose names are listed under "– D. Other Information – 7. Qualifications and consents of experts" in this Appendix had received any commissions, discounts, agency fee, brokerages or other special terms in connection with the issue or sale of any capital of any member of our Group within the two years immediately preceding the date of this prospectus.

4. Directors' and Supervisors' remuneration

For each of the three years ended December 31, 2023, the aggregate amount of fees, salaries, allowances and benefits in kind, discretionary bonuses and retirement scheme contributions paid or payable to our Directors and Supervisors were approximately RMB1.6 million, RMB1.9 million and RMB2.8 million, respectively. For details, please refer to Note 8 of the Accountants' Report set out in Appendix I to this prospectus.

Under the arrangements currently in force as of the date of this prospectus, the emoluments (including fees, salaries, allowances and benefits in kind, discretionary bonuses and retirement scheme contributions) payable to our Directors and Supervisors by us for the year ending December 31, 2024 are estimated to be no more than approximately RMB3.2 million in aggregate.

5. Disclaimers

(a) none of our Directors or Supervisors nor any of the parties listed in "– D. Other Information – 7. Qualifications and consents of experts" in this Appendix has any direct or indirect interest in the promotion of our Company, or in any assets which within the two years immediately preceding the date of this prospectus, have 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 a director or employee of a company which is expected to have an interest in the Shares falling to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO once the H Shares are listed on the Stock Exchange;

(c) none of our Directors or Supervisors nor any of the parties listed in "– D. Other Information – 7. Qualifications and consents of experts" in this Appendix, is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group as a whole;

(d) save for the Underwriting Agreements, none of the parties listed in "– D. Other Information – 7. Qualifications and consents of experts" in this Appendix:

  (i) is interested legally or beneficially in any of our Shares or any shares of any of our subsidiaries; or

  (ii) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe securities in any member of our Group;

(e) so far as is known to our Directors as of the Latest Practicable Date, save for Kingfar Holdings Group, none of our Directors, Supervisors or their respective close associates or Shareholders of our Company (who is interested in more than 5% of the share capital of our Company) had any interests in any of our top five suppliers and top five customers in each year during the Track Record Period; and

(f) none of the Directors is interested in any business (other than the business of our Group) which competes or is likely to compete, directly or indirectly, with our business which would require disclosure under Rule 8.10 of the Listing Rules.

D. OTHER INFORMATION

1. Estate duty

In accordance with the PRC law, the Company and any of our subsidiary is not likely to assume any material liability in respect of estate duty.

2. Tax and other indemnities

Our Controlling Shareholders have entered into a Deed of Indemnity with our Company (being the contract referred to in paragraph (I) of "– B. Further Information about Our Business – 1. Summary of material contracts" above) to provide indemnities on a joint and several basis in respect of, among other matters, (i) taxation resulting from income, profits or gains earned, accrued or received on or before the Listing Date; and (ii) any claims, penalties or other indebtedness (to the extent that provision has not been made for such claims, penalties or indebtedness in the audited consolidated financial statements of our Group) suffered by any member of our Group as a result of or in connection with the insufficient contribution to social insurance and housing provident funds during the Track Record Period and up to the Listing Date.

3. Litigation

As of the Latest Practicable Date, there were no legal, arbitration or administrative proceedings pending or threatened against us or any of our Directors which could have a material adverse effect on our business, financial condition or results of operations.

4. Sole Sponsor

The Sole Sponsor has applied to the Stock Exchange on behalf of our Company for the listing of, and permission to deal in, our H Shares to be issued pursuant to the Global Offering (including the additional H Shares which may be issued pursuant to the exercise of the Over-allotment Option).

The Sole Sponsor satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

The Sole Sponsor will receive an aggregate fee of RMB3,800,000 for acting as the Sole Sponsor for the Listing.

5. Preliminary expenses

Our Company has not incurred any preliminary expenses.

6. Promoters

The promoters of our Company are Kingfar Group and Kingfar Holdings.

Save as disclosed in the section headed "History, Reorganization and Corporate Structure", within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the Global Offering and the related transactions described in this prospectus.

7. Qualifications and consents of experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

Name	Qualifications
CEB International Capital Corporation Limited	A corporation licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
KPMG	Certified Public Accountants Public Interest Entity Auditor registered in accordance with the Accounting and Financial Reporting Council Ordinance
Beijing Grandway Law Offices	Legal advisors to our Company as to the PRC law
China Index Academy	Industry consultant
APAC Asset Valuation and Consulting Limited	Property valuer

Each of the experts named above has given and has not withdrawn its respective written consent to the issue of this prospectus with the inclusion of its report and/or letter and/or opinion and/or the references to its name included in this prospectus the form and context in which it is respectively included.

8. Interests of experts in our Company

None of the persons named in "– D. Other Information – 7. Qualifications and consents of experts" in this Appendix is interested beneficially or otherwise in any Shares or shares of any member of our Group or has any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any shares or securities in any member of our Group.

9. Taxation of holders of H Shares

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.

10. Binding effect

This prospectus shall have the effect, if an application is made in pursuance of it, of rendering all persons concerned bound by all of 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.

11. Miscellaneous

(a) Within the two years immediately preceding the date of this prospectus:

(i) no share or loan capital of our Company or any of our subsidiaries 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 or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(iii) save as disclosed in "Underwriting – Underwriting Arrangements and Expenses – Underwriting Commission and Expenses" in this prospectus, 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 or loan capital of our Company or any of our subsidiaries; and

(iv) save as disclosed in "Underwriting – Underwriting Arrangements and Expenses – Underwriting Commission and Expenses" in this prospectus, no commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any share in our Company or any of our subsidiaries.

(b) Our Directors confirm that:

(i) there has been no material adverse change in the financial or trading position or prospects of our Group since December 31, 2023 (being the date to which the latest audited consolidated financial information of our Group were prepared) and as of the date of this prospectus; and

(ii) 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 prospectus.

(c) There are no founder, management or deferred shares nor any debentures in our Company or any of our subsidiaries;

(d) All necessary arrangements have been made to enable our H Shares to be admitted into CCASS for clearing and settlement;

(e) No company within our Group is presently listed on any stock exchange or traded on any trading system;

(f) Our Company has no outstanding convertible debt securities or debentures;

(g) There is no arrangement under which future dividends are waived or agreed to be waived;

(h) None of the equity and debt securities of our Company, if any, is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought; and

(i) There is no subsidiary in our Group which is a sino-foreign equity joint venture or which operates as or under a cooperative or contractual joint venture.

12. Bilingual prospectus

The English and Chinese language versions of this prospectus 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). In case of any discrepancies between the English language version and Chinese language version of this prospectus, the English version shall prevail.

A. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were:

(a) the written consents referred to in "Statutory and General Information – D. Other Information – 7. Qualifications and consents of experts" in Appendix V to this prospectus; and

(b) a copy of each of the material contracts referred to in "Statutory and General Information – B. Further Information about Our Business – 1. Summary of material contracts" in Appendix V to this prospectus.

B. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of the Stock Exchange (**www.hkexnews.hk**) and our Company (**www.xajfwy.com**) up to and including the date which is 14 days from the date of this prospectus:

(a) the Articles of Association;

(b) the Accountants' Report from KPMG, the text of which is set out in Appendix I to this prospectus;

(c) the report from KPMG in respect of the unaudited *pro forma* financial information, the text of which is set out in Appendix II to this prospectus;

(d) the audited consolidated financial statements of our Group for the three years ended December 31 2023;

(e) the letter and summary disclosure of property valuation relating to the property interests of our Group prepared by APAC Asset Valuation and Consulting Limited, the texts of which are set out in Appendix III to this prospectus;

(f) the material contracts referred to in "Statutory and General Information – B. Further Information about Our Business – 1. Summary of material contracts" in Appendix V to this prospectus;

(g) the service contracts and appointment letters entered into between our Company and each of our Directors and Supervisors (as applicable) referred to in "Statutory and General Information – C. Further Information about Directors, Supervisors and Substantial Shareholders – 2. Further Information about Our Directors and Supervisors – (a) Particulars of Directors' and Supervisors' service contracts and appointment letters" in Appendix V to this prospectus;

(h) the legal opinion issued by Beijing Grandway Law Offices, our PRC Legal Advisors, in respect of our Group's business operations and property interests in the PRC;

(i) the written consents referred to "Statutory and General Information – D. Other Information – 7. Qualifications and Consents of Experts" in Appendix V to this prospectus;

(j) the PRC Company Law, the PRC Securities Law, the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies together with their unofficial English translation; and

(k) the industry report issued by China Index Academy.

西 安 經 發 物 業 股 份 有 限 公 司
Xi'an Kingfar Property Services Co., Ltd.