
CONNECTED TRANSACTIONS

Our Group has entered into a number of agreements with parties who will, upon completion of the [REDACTED], become our connected persons, and the transactions disclosed in this section will constitute continuing connected transactions of our Company under the Listing Rules upon the [REDACTED].

(A) CONTINUING CONNECTED TRANSACTION FULLY EXEMPT FROM THE REPORTING, ANNUAL REVIEW, ANNOUNCEMENT AND INDEPENDENT SHAREHOLDERS’ APPROVAL REQUIREMENTS

Trademark License

On December 3, 2019, a trademark license agreement was entered into between our Company and Guangzhou Times Development Enterprise Group Co., Ltd. (廣州市時代發展企業集團有限公司) (“**Times Development Group**”) (the “**Trademark License Agreement**”), pursuant to which Times Development Group agreed to irrevocably and unconditionally grant us a non-transferrable license to use certain trademarks owned by it in the PRC for a perpetual term commencing from the date of the Trademark License Agreement in the PRC on a royalty-free basis. For details of the licensed trademarks, please refer to “Appendix IV—Statutory and General Information—B. Information about our business—2. Intellectual property rights of our Group” to this document.

We believe that the entering into of the Trademark License Agreement with a term of more than three years can ensure the stability of our operations, and is beneficial to us and the Shareholders as a whole. The Sole Sponsor is of the view that it is normal business practice for agreement of this type to be of such duration.

As of the Latest Practicable Date, Times Development Group was wholly owned by Mr. Shum’s relatives. Mr. Shum is one of our Controlling Shareholders and Times Development Group is therefore a connected person of our Company for the purpose of the Listing Rules. Accordingly, the transaction under the Trademark License Agreement will constitute a continuing connected transaction for our Company under Chapter 14A of the Listing Rules upon [REDACTED].

As the right to use the licensed trademarks is granted to us on a royalty-free basis, the transaction under the Trademark License Agreement will be within the de minimis threshold provided under Rule 14A.76 of the Listing Rules and will be exempt from the reporting, annual review, announcement and independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

CONNECTED TRANSACTIONS

(B) CONTINUING CONNECTED TRANSACTION SUBJECT TO THE REPORTING, ANNUAL REVIEW, ANNOUNCEMENT AND INDEPENDENT SHAREHOLDERS’ APPROVAL REQUIREMENTS

1. Master Property Management and Related Services

On December 3, 2019, our Company entered into a master property management and related services agreement (the “**Master Property Management and Related Services Agreement**”) with Asiaciti Enterprises, pursuant to which our Group agreed to provide to Asiaciti Enterprises and its associates property management and related services, including but not limited to (i) property management services for the properties owned or used by Asiaciti Enterprises and its associates, (ii) pre-delivery services including (a) construction sites management services; and (b) display units and property sales venues management services, (iii) car parking lots management and leasing services, and (iv) preliminary planning and design consultancy services at the pre-delivery stage (the “**Property Management and Related Services**”). The Master Property Management and Related Services Agreement has a term commencing from the [REDACTED] until December 31, 2021.

The historical transaction amounts under the Property Management and Related Services during the Track Record Period are set forth in the table below.

	For the year ended December 31,			For the six months ended June 30,
	2016	2017	2018	2019
	(RMB’000)			
Value-added services to non-property owners				
– Construction site management services	18,837	20,638	41,242	20,410
– Sales assistance services	56,263	64,615	114,480	77,105
– Pre-delivery cleaning services	15,030	10,487	31,830	11,979
– Preliminary planning and design consultancy services at pre-delivery stage ^(Note)	–	–	–	–
	90,130	95,740	187,552	109,494
Property management services	15,575	23,983	30,569	25,737
Car parking lots leasing management services	2,465	3,037	4,102	3,219
Total	108,170	122,760	222,223	138,450

Note: Such service commenced in October 2019.

CONNECTED TRANSACTIONS

The fees to be charged for the Property Management and Related Services will be determined after arm’s length negotiations with reference to prevailing market price (taking into account the location and the conditions of the property, the scope of the services and the anticipated operation costs including but not limited to labor costs, administration costs and costs of materials) and the prices charged by our Group for providing similar services to Independent Third Parties.

It is estimated that the maximum amounts of service fee payable by Asiaciti Enterprises and its associates in relation to the Property Management and Related Services for the three years ending December 31, 2021 will not exceed RMB316.2 million, RMB435.1 million and RMB650.0 million, respectively. Please refer to the table below for an estimated breakdown of such annual caps.

	For the year ending December 31,		
	2019	2020	2021
	<i>(RMB’000)</i>		
Value-added services to non-property owners			
– <i>Construction site management services</i>	58,807	94,064	121,155
– <i>Sales assistance services</i>	169,677	187,358	302,656
– <i>Pre-delivery cleaning services</i>	37,369	51,802	79,844
– <i>Preliminary planning and design consultancy services at pre-delivery stage^(Note)</i>	3,000	34,200	48,000
	268,851	367,424	551,655
Property management services	41,428	58,530	83,740
Car parking lots leasing management services	5,867	9,130	14,590
Total	316,148	435,084	649,985

Note: Such service commenced in October 2019.

The following factors were considered in arriving at the above annual caps:

- the historical transaction amounts during the Track Record Period;
- the transaction amount of the second half was greater than it of the first half for each year during the Track Record Period;

CONNECTED TRANSACTIONS

- the estimated revenue to be recognized based on the existing signed contracts;
- the staff cost incurred for the related services during the Track Record Period;
- the estimated number of car parking lots to be owned and used by Times China Group, which is based on the properties under development and the land bank held by Times China Group as of June 30, 2019;
- the estimated size and number of properties to be delivered by Times China Group, which is based on the properties under development and the land bank held by Times China Group as of June 30, 2019;
- the estimated monthly management fee to be charged in respect of residential properties, shops or stores owned by Times China Group and the commercial properties used by Times China Group, which is based on the average monthly management fee charged for the year ended December 31, 2018;
- the service fee for preliminary planning and design consulting services provided at the pre-delivery stage which the Group has started to charge since October 2019, calculated against the properties under development and the land bank held by Times China Group as of June 30, 2019; and
- the expected volume of sale, number of sales offices, size and number of the properties of Times China Group to be managed by our Group based on the total GFA of properties developed by Times China Group under our management during the Track Record Period, the properties under development held by Times China Group as of June 30, 2019 and the estimated time of pre-sales and delivery based on public available information.

The credit term for the service fee payable by Asiaciti Enterprises and its associates in relation to the Property Management and Related Services is 30 days, in line with the credit term provided to Independent Third Parties.

As of the Latest Practicable Date, Times China was owned as to 61.54% by Asiaciti Enterprises. Asiaciti Enterprises is one of our Controlling Shareholders and Times China is therefore a connected person of our Company for the purpose of the Listing Rules. Accordingly, the transactions under the Master Property Management and Related Services Agreement will constitute continuing connected transactions for our Company under Chapter 14A of the Listing Rules upon [REDACTED].

CONNECTED TRANSACTIONS

Since each of the applicable percentage ratios under the Listing Rules in respect of the annual caps for the Master Property Management and Related Services Agreement are expected to be more than 5% on an annual basis, the transactions under the Master Property Management and Related Services Agreement constitute continuing connected transactions for our Company which are subject to the reporting, annual review, announcement and independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

2. Master Equipment Sales, Installation and Maintenance Services

On December 3, 2019, our Company entered into a master equipment sales, installation and maintenance services agreement (the “**Master Equipment Sales, Installation and Maintenance Services Agreement**”) with Times China. Our Group is an elevator distributor for a third party elevator manufacturer. Pursuant to the Master Equipment Sales, Installation and Maintenance Services Agreement, our Group agreed to (a) sell elevators to Times China Group and provide accessorial installation, maintenance and repair services of such elevators, and (b) provide intelligent engineering services, including but not limited to installation and maintenance of access control system, intercom system, surveillance system and broadband network facilities and consultation services in relation to such installation and maintenance for properties developed by Times China Group before the delivery of such properties to property owners (the “**Equipment Sales, Installation and Maintenance Services**”). The Master Equipment Sales, Installation and Maintenance Services Agreement has a term commencing from the [REDACTED] until December 31, 2021.

Our Group commenced the sale of elevators set out in (a) above to Times China Group in September 2019. For each of the years ended December 31, 2016, 2017, 2018 and the six months ended June 30, 2019, the transaction amounts under the Equipment Sales, Installation and Maintenance Services amounted to RMB1.4 million, RMB4.7 million, RMB16.2 million and RMB2.6 million, respectively. Please refer to the table below for details.

	For the year ended December 31,			For the six months ended June 30,
	2016	2017	2018	2019
	<i>(RMB'000)</i>			
Installation and maintenance of elevators	–	233	9,681	1,529
Instalment of internet services	–	–	789	177
Intelligent engineering services	1,435	4,505	5,694	899
Total	1,435	4,738	16,164	2,605

CONNECTED TRANSACTIONS

The fees to be charged for the Equipment Sales, Installation and Maintenance Services will be determined after arm’s length negotiations with reference to prevailing market price (taking into account the location and the conditions of the properties, purchasing cost of the elevators and the anticipated operational costs including labor costs and material costs) and the prices charged by our Group for providing similar services to Independent Third Parties.

It is estimated that the maximum amounts of service fee payable by Times China Group in relation to the Equipment Sales, Installation and Maintenance Services for the three years ending December 31, 2021 will not exceed RMB30.7 million, RMB66.2 million and RMB95.7 million, respectively. Please refer to the table below for an estimated breakdown of such annual caps.

	For the year ending December 31,		
	2019	2020	2021
	<i>(RMB'000)</i>		
Sales, installation and maintenance of elevators	22,315	31,053	43,690
Instalment of internet services	4,869	10,045	14,863
Intelligent engineering services	3,470	25,049	37,064
Total	30,654	66,147	95,617

The following factors were considered in arriving at the above annual caps:

- the historical transaction amounts during the Track Record Period;
- the estimated revenue to be recognized based on the existing signed contracts;
- the revenue from the sales of elevators which commenced in September 2019 and our estimated undertaking/acceptance rate based on the rate for the year ended December 31, 2018;
- the estimated number of elevators to be purchased by Times China Group based on its land bank and projects under development as of June 30, 2019;
- the estimated price, estimated installation fee and estimated decoration fee of each elevator which is assumed to remain the same as that for the two years ended 31 December 2018;

CONNECTED TRANSACTIONS

- the estimated increase in demand for Equipment Sales, Installation and Maintenance Service from properties to be developed by Times China Group based on publicly available information and our estimated undertaking/acceptance rate based on the rate during the Track Record Period; and
- the estimated contract price per unit for instalment of internet services and intelligent engineering services based on that for the year ended 31 December 2018.

The credit term for the service fee payable by Times China and its associates in relation to Equipment Sales, Installation and Maintenance Services is 30 days, in line with the credit term provided to Independent Third Parties.

As of the Latest Practicable Date, Times China is owned as to 61.54% by Asiatic Enterprises. Asiatic Enterprises is one of our Controlling Shareholders and Times China is therefore a connected person of our Company for the purpose of the Listing Rules. Accordingly, the transactions under the Master Equipment Sales, Installation and Maintenance Services Agreement will constitute continuing connected transactions for our Company under Chapter 14A of the Listing Rules upon [REDACTED].

Since each of the applicable percentage ratios under the Listing Rules in respect of the annual caps for the Master Equipment Sales, Installation and Maintenance Services Agreement are expected to be more than 5% on an annual basis, the transactions under the Master Equipment Sales, Installation and Maintenance Services Agreement constitute continuing connected transactions for our Company which are subject to the reporting, annual review, announcement and independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

(C) APPLICATION FOR WAIVER

The transactions described in “—(B) Continuing Connected Transaction subject to the Reporting, Annual Review, Announcement 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 and independent Shareholders’ approval requirements of the Listing Rules.

In respect of these continuing connected transactions, pursuant to Rule 14A.105 of the Listing Rules, we have applied for, and the Stock Exchange has granted, waivers exempting us from strict compliance with the announcement and independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules in respect of the continuing connected transactions as disclosed in “—(B) Continuing Connected Transaction subject to the Reporting, Annual Review, Announcement 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).

CONNECTED TRANSACTIONS

(D) DIRECTORS’ VIEWS

Our Directors (including our independent non-executive Directors) consider that all the continuing connected transaction described in “—(B) Continuing Connected Transaction subject to the Reporting, Annual Review, Announcement and Independent Shareholders’ Approval Requirements” 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 annual caps of the continuing connected transaction in “—(B) Continuing Connected Transaction subject to the Reporting, Annual Review, Announcement and Independent Shareholders’ Approval Requirements” in this section are fair and reasonable and are in the interests of our Shareholders as a whole.

(E) SOLE SPONSOR’S VIEW

The Sole Sponsor is of the view (i) that the continuing connected transaction described in “—(B) Continuing Connected Transaction subject to the Reporting, Annual review, Announcement and Independent Shareholders’ Approval Requirements” in this section have been and will be entered into 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 (where applicable) of such continuing connected transactions are fair and reasonable and in the interests of our Company and our Shareholders as a whole.