
RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

OUR CONTROLLING SHAREHOLDERS

Immediately following the completion of the [REDACTED] and [REDACTED] (assuming the [REDACTED] is not exercised and without taking into account any Shares which may be issued pursuant to the [REDACTED] Share Option Scheme), by virtue of the Concert Parties Confirmatory Deed, Mr. Luan, Mr. HQ Luan, Ms. Liang and Springrain Investment (a company owned as to 59.85%, 37.10% and 3.05% by Mr. Luan, Mr. HQ Luan and Ms. Liang respectively) will be together interested in approximately 54.90% of the issued share capital of the Company. As they will together continue to control more than 30% of the issued share capital of the Company, they will be regarded as a group of Controlling Shareholders under the Listing Rules.

Concert Parties Confirmatory Deed

On 18 June 2021, Mr. Luan, Mr. HQ Luan and Ms. Liang entered into a concert party agreement, pursuant to which they acknowledged and confirmed that they had been acting in concert in exercising their rights as shareholders of Shandong Runhua before entering into the agreement, agreed to continue the same going forward and if they fail to reach a consensus for a certain resolution, Mr. Luan has the final decision-making power.

On the same date, Mr. Luan, Mr. HQ Luan and Ms. Liang further entered into the Concert Parties Confirmatory Deed, pursuant to which they reaffirmed that they had been acting in concert as shareholders of the Group before the date of the Concert Parties Confirmatory Deed, and shall continue the same thereafter. If they fail to reach a consensus for a certain resolution, Mr. Luan has the final decision-making power. For details, please refer to the section headed “History, Development and Reorganisation – Acting in Concert Arrangement” in this document.

DELINEATION OF BUSINESS OF OUR GROUP AND THE COMPANIES CONTROLLED BY THE CONTROLLING SHAREHOLDERS

During the Track Record Period and up to the Latest Practicable Date, save and except for the interest in our Group and Shandong Zhixin as more particularly described below, the Controlling Shareholders were interested in certain companies through the Controlling Shareholders Group. The main scope of business of these companies covered multiple industries which include but not limited to sale and service of motor vehicles, car rental, finance investment, pharmaceutical and other comprehensive business, provision of insurance services, and property development, which do not, and are unlikely to compete, directly or indirectly, with the business of our Group.

Hang Qian Group

Hang Qian Group is principally engaged in property development and hotel operations. It is the only member of the Controlling Shareholders Group engaging in property development business.

During the Track Record Period, Hang Qian Group generated: (i) the majority of its revenue from its principal operating subsidiary Shandong Diping Real Estate Co., Limited* (山東地平置業有限公司) (“**Shandong Diping**”), which is principally engaged in property development business; and (ii) a small amount of revenue from Shandong Meihao Shuxiangshijia Hotel Management Co., Ltd.* (山東美好書香世家酒店管理有限公司) (“**Shandong Meihao**”), a company principally engaged in hotel operation services. As confirmed by Hang Qian Group, during the Track Record Period, Shandong Meihao only generated small amount of revenue and the asset values of Shandong Meihao is insignificant compare to that of Shandong Diping.

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Set forth below is (i) the key financial information of Shandong Diping, which substantially represents the financial performance of Hang Qian Group, during the three years ended 31 December 2021 according to its audited financial statements prepared in accordance with PRC GAAP issued by the local auditor; and (ii) the applicable ratios under the “three red-line” regulations:

	For the year ended 31 December		
	2019	2020	2021
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
Revenue	1,486	557	478
Net profit	223	38	117
	As at 31 December		
	2019	2020	2021
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
Total assets	6,004	7,179	7,366
Total liabilities	3,981	5,119	5,189
<i>Applicable ratios under the “three red-line” regulations</i>			
Liability-to-asset ratio (excluding prepayments)	64.5%	29.6%	36.4%
Net gearing ratio	72.2%	61.7%	24.2%
Cash-to-short-term debt ratio	Nil	Nil	Nil

To the best knowledge, information and belief of our Directors having made all reasonable enquiries, the revenue of Shandong Diping decreased from approximately RMB1,486 million for the year ended 31 December 2019 to approximately RMB557 million for the year ended 31 December 2020 was mainly attributable to the substantial completion of the residential properties developed by Shandong Diping in 2019. The revenue of Shandong Diping further decreased to approximately RMB478 million for the year ended 31 December 2021 was due to the decrease in the residential properties undertaken by Shandong Diping in 2021 and the completion of the projects on hand.

The current assets of Shandong Diping mainly consisted of inventories and cash and the non-current assets of Shandong Diping mainly consisted of goodwill and deferred income tax assets, while the current liabilities of Shandong Diping mainly consisted of other payables, receipts in advance, contractual liabilities and bills payable and the non-current liabilities of Shandong Diping mainly consisted of long-term loans.

During the Track Record Period, we generated revenue from the provision of property management services to the properties developed by our related parties, including Hang Qian Group. However, the provision of property management services to the properties developed by our related parties accounted for only approximately 10.8%, 11.6%, 9.9% and 8.7% of the total revenue generated from the provision of property management services for the years ended 31 December 2019, 2020 and 2021 and the six months ended 30 June 2022, respectively. Furthermore, based on the audited financial statements of Shandong Diping, as at 31 December 2021, Shandong Diping’s liability-to-asset ratio (excluding prepayments), net gearing ratio and cash over short-term interest-bearing loans amounted to 36.4%, 24.2% and nil respectively and complies with all of the “three red-line” regulations for real estate companies proposed by the Ministry of Housing and Urban-Rural Development and the People’s Bank of China. Considering the above, our Directors believe that the “three red-line” regulations will not have any material adverse impact on the operation of Hang Qian Group and the transactions between Hang Qian Group and our Group, as well as the operation, business and financial condition of our Group.

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Runhua Group

Runhua Group is principally engaged in the sale and service of motor vehicles, car rental, finance investment, pharmaceutical and other comprehensive business. Set forth below is a summary of the key financial data of Runhua Group during the three years ended 31 December 2021 according to its unaudited management accounts:

	For the year ended 31 December		
	2019	2020	2021
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
Revenue	17,914	18,639	19,089
Net profit	481	509	485

	As at 31 December		
	2019	2020	2021
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
Total assets	14,249	14,689	15,155
Total liabilities	7,124	7,396	7,501

The current assets of Runhua Group mainly consisted of inventories and cash and the non-current assets of Runhua Group mainly consisted of financial assets available for sale, investment in other equity instruments and fixed assets (such as buildings), while the current liabilities of Runhua Group mainly consisted of short-term loans and bills payable and the non-current liabilities of Runhua Group mainly consisted of long-term loans and bonds payable.

Runhua Insurance

Runhua Insurance is principally engaged in the provision of insurance services. Set forth below is a summary of the key financial data of Runhua Insurance during the three years ended 31 December 2021 according to its unaudited management accounts:

	For the year ended 31 December		
	2019	2020	2021
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
Revenue	151	113	29
Net profit	25	29	17

	As at 31 December		
	2019	2020	2021
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
Total assets	191	202	200
Total liabilities	6	4	6

To the best knowledge, information and belief of our Directors having made all reasonable enquiries, the revenue of Runhua Insurance decreased throughout the Track Record Period was due to the cessation of insurance renewal business operation as a result of internal business restructuring of Runhua Insurance.

The current assets of Runhua Insurance mainly consisted of cash and account receivables and the non-current assets of Runhua Insurance mainly consisted of long-term equity investment and fixed assets, while the

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current liabilities of Runhua Insurance mainly consisted of tax payables and accounts payable and the non-current liabilities of Runhua Insurance mainly consisted of deferred income tax liabilities.

Shandong Zhixin

Shandong Zhixin is indirectly owned as to 90% by Ms. Liang. Shandong Zhixin is principally engaged in professional contracting of building refined renovation works. Shandong Zhixin was established as a project company in June 2018 to undertake refined renovation works projects under the XTJD Project — a large-scale property development project developed by Hang Qian Group with an aggregate GFA of approximately 632,000 sq.m. involving the development of 17 residential buildings, 12 commercial buildings and seven ancillary buildings and facilities. The estimated construction schedule of the XTJD Project is from August 2017 to October 2023. For further details of the background of the XTJD Project, please refer to the paragraph headed “Business — Our Customers — Sales to Hang Qian Group” in this document.

Set forth below is a summary of the key financial data of Shandong Zhixin during the three years ended 31 December 2021, according to its unaudited management accounts:

	For the year ended 31 December		
	2019	2020	2021
	(RMB million)	(RMB million)	(RMB million)
Revenue	7	38	28
Net profit/(loss)	(1)	0.5	2

	As at 31 December		
	2019	2020	2021
	(RMB million)	(RMB million)	(RMB million)
Total assets	171	60	56
Total liabilities	173	61	55

To the best knowledge, information and belief of our Directors having made all reasonable enquiries, (i) Shandong Zhixin recorded net loss for the year ended 31 December 2019 because Shandong Zhixin was at the stage of setting up its management team and only incurred relevant operation costs since its establishment in June 2018. Also, no business was solicited and undertaken until second half of 2019; and (ii) the increase in revenue of Shandong Zhixin for the two years ended 31 December 2020 and 2021 was mainly due to the increase in the number and scale of projects undertaken in relation to the XTJD Project.

The material fluctuation in total assets and total liabilities as at 31 December 2019, 2020, 2021 was mainly due to the movement in other receivables and other payables in 2019 and 2020 as a result of receipt and payment of amounts from/to the respective counterparties.

Reasons for exclusion of Shandong Zhixin

Our Directors are of the view that there is a clear delineation between the business operations of Shandong Zhixin and our Group’s operations based on the following factors:

1. the business model and focus of our Group is substantially different from that of Shandong Zhixin. Our Group is a comprehensive property management service provider with a primary focus on the provision

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of property management services, as well as provision of other services such as property engineering and landscape construction services. Our Directors are of the view that the provision of property engineering and landscape construction services is value adding and complementary to our property management services business as we see a demand for such services from our property management services business customers. Therefore, we strategically develop property engineering and construction landscape services with a view to maximise the synergy effect of our property management business. On the other hand, Shandong Zhixin is a project company established for the provision of refined renovation work services for the XTJD Project. Shandong Zhixin is not involved in the provision of other related-businesses and it does not provide services to other projects save for the XTJD Project. As confirmed by our Directors, during the Track Record Period, there was no significant demand for refined renovation work services from our major customers, which included hospitals, governmental bodies, private enterprises, property owners, property developers and tenants. Therefore, our Directors see little synergy effect from Shandong Zhixin;

- the scope of works provided by Shandong Zhixin is different from that of our Group. Although our Group also provides renovation services, alterations and additional works as an ancillary part of its property engineering and landscape construction service, such services and works are different from the refined renovation work provided by Shandong Zhixin. Set forth is a table summarising the difference between the scope of work of the renovation services, alterations and additional works provided by our Group and the refined renovation work provided by Shandong Zhixin:

	Interior renovation services, alterations and additional works provided by our Group:	Refined renovation work provided by Shandong Zhixin:
Scope of work	Interior renovation services include the basic renovation works such as tile paving, ceiling works and installation of sanitary fittings; and alteration and addition works involves works relating to building layout and structural works.	Refined renovation work includes mainly mechanical/ technical renovation works, such as installation of ventilation system, building and installation of kitchen cabinets and sliding doors, installation of home intelligent system and electric curtains.

- although Shandong Zhixin was one of our suppliers and customers during the Track Record Period, our Directors and Shandong Zhixin confirmed that save for the XTJD Project, our Group and Shandong Zhixin were not engaged in the same project during the Track Record Period. They also confirmed that as at the Latest Practicable Date, all the refined renovation works under the XTJD Project (the “**Excluded Businesses**”) undertaken by Shandong Zhixin have been completed in August 2021 and the inspection and acceptance of works of the refined renovation works has been completed in October 2021. Shandong Zhixin has ceased to participate in tendering or bidding activities and engage in new project since 30 June 2021 upon completion of the Excluded Businesses. Although Shandong Zhixin has completed its refined renovation works under the XTJD Project, it can only apply for deregistration until the inspection and acceptance procedure of the whole XTJD Project is completed, which is expected to be in June 2023. It is expected that Shandong Zhixin will complete the deregistration process in around September 2023; and

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4. during the Track Record Period, the directors and management team of Shandong Zhixin and our Company were different. Furthermore, the tender process of our Group are independent from Shandong Zhixin, and the negotiations of the terms of our projects and those of Shandong Zhixin during the Track Record Period were conducted on a case-by-case basis and were neither interconnected nor inter-conditional with each other. There were also no overlapping of suppliers, nor cost or resources sharing between our Group and Shandong Zhixin during the Track Record Period.

As Shandong Zhixin has different business focus and business model as compared to our Group, our Directors are of the view that there is a clear delineation between the business of our Group and Shandong Zhixin and Shandong Zhixin will not form part of our core business nor is it in line with our business strategy. Hence, Shandong Zhixin is not injected into our Group. By excluding Shandong Zhixin from our Group, our resources could be concentrated and streamlined on effective implementation of our business strategies. Therefore, our Directors consider that it is commercially justifiable to exclude Shandong Zhixin from our Group.

To the best knowledge of our Directors and as confirmed by our PRC Legal Advisers, Shandong Zhixin was not the subject of any material non-compliant incidents, claims, litigation or legal proceedings (whether actual or threatened) during the Track Record Period and up to the Latest Practicable Date. It has also undertaken not to undertake other new property engineering and landscape construction works that are in competition with our Group. Besides, the shareholders of Shandong Zhixin have also confirmed that it will proceed to deregister Shandong Zhixin upon completion of the inspection and acceptance work of the Excluded Businesses.

The table below sets forth the principal business operations of our Group and the Controlling Shareholders Group as of the Latest Practicable Date:

Our Group vs Controlling Shareholders Group

Our Group vs Controlling Shareholders Group	Principal business operations
Our Group	provision of property management services such as security services, cleaning, greening and gardening services, and repair and maintenance services
Runhua Group	sale and service of motor vehicles, car rental, finance investment, pharmaceutical and other comprehensive business
Hang Qian Group	property development, property marketing and hotel operations
Runhua Insurance	provision of insurance services
Shandong Zhixin	professional contracting of refined renovation works; general contracting of construction works; landscaping works; professional contracting of waterproofing, anti-corrosion and insulation works

Notwithstanding Hang Qian Group, Shandong Zhixin and our Group are engaged in the property industry in the PRC, they are engaged in different segments of the property industry chain. Hang Qian Group and Shandong Zhixin owned by the Controlling Shareholders Group are engaged in property development and professional contracting of building refined renovation works in the PRC, respectively, and do not provide the aforesaid property management services similar to our Group. For details of the delineation between the business of Shandong Zhixin and our Group, please refer to the paragraph headed “Reasons for exclusion of Shandong Zhixin” in this section above. The nature of the Controlling Shareholders Group mainly consists of

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sale and service of motor vehicles, car rental, finance investment, pharmaceutical and other comprehensive business, provision of insurance services, property development and professional contracting of building refined renovation works while the nature of our Group is a property management service provider. For details of the transactions between the Controlling Shareholders Group and our Group, please refer to the section headed “Connected Transactions” of this document.

Taking into account the clear differences between the principal business operation of our Group and those of Controlling Shareholders Group, and the differences in segments within the property industry chain in which the Controlling Shareholders Group and our Group are operating, our Directors consider that there is a clear delineation between our Group and the Controlling Shareholders Group and our Directors are of the view that there is no overlap or competition of the businesses of our Group and those of the Controlling Shareholders Group.

RULE 8.10 OF THE LISTING RULES

Each of our Controlling Shareholders, Directors and their respective close associates does not have any interest apart from the business of our Group which competes or is likely to compete, directly or indirectly with the business of our Group and which would require disclosure pursuant to Rule 8.10 of the Listing Rules.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Our Directors consider that our Group is capable of carrying out our business independently from our Controlling Shareholders and their respective close associates after [REDACTED].

Management Independence

Upon [REDACTED], our Board will comprise two executive Directors, three non-executive Directors and three independent non-executive Directors. For further details, please refer to the section headed “Directors and Senior Management” in this document. As of the Latest Practicable Date, the following Directors held major positions in the Controlling Shareholders Group.

<u>Name</u>	<u>Position in our Group</u>	<u>Major position(s) in the Controlling Shareholders Group</u>
Mr. Luan	Non-executive Director without involvement in the daily operation of our Group	Chairman of the board of Runhua Group Company
Mr. HQ Luan	Non-executive Director without involvement in the daily operation of our Group	Vice general manager of Runhua Group Company, chairman of the board of directors of Runhua Automobile Holdings Ltd.* (潤華汽車控股有限公司), subsidiary of Runhua Group Company, director of Hang Qian Holdings and director of Runhua Insurance
Mr. Cheng	Non-executive Director without involvement in the daily operation of our Group	Vice general manager of Runhua Group Company and director of Runhua Insurance

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<u>Name</u>	<u>Position in our Group</u>	<u>Major position(s) in the Controlling Shareholders Group</u>
Mr. Yang	Chairman of the Board and executive Director	Director of Runhua Group Company and director of Shandong Diping Real Estate Co., Limited (山東地平置業有限公司), a subsidiary of Hang Qian Holdings

Upon [REDACTED], Mr. Luan, Mr. HQ Luan and Mr. Cheng will not have any executive role in our Group and Mr. Yang will not assume any executive role in the Controlling Shareholders Group.

Further, our Directors consider that our Group will be able to operate independently of the Controlling Shareholders Group upon [REDACTED] for the following reasons:

- (i) although Mr. Luan, Mr. HQ Luan and Mr. Cheng hold directorship and/or senior management positions in the Controlling Shareholders Group, each of them only serves as a non-executive Director of our Company and they will not be involved in the day-to-day operations of our Group. As of the Latest Practicable Date: (i) Mr. Luan is a director of Runhua Property BVI and Runhua Development; (ii) Mr. HQ Luan is a director of Runhua Property BVI, Runhua Holdings HK, Shandong Runhua and Runhua Development; and (iii) Mr. Cheng is a director of Runhua Property BVI, Shandong Runhua and Runhua Development. Considering: (i) Runhua Property BVI, Runhua Holdings HK and Runhua Development are investment holding companies of our Group; (ii) although Mr. HQ Luan and Mr. Cheng served as a director of Shandong Runhua, our operating subsidiary, their respective roles in Shandong Runhua is similar to a non-executive director. Although they were not members of the senior management team of Shandong Runhua and were not involved in the daily operation and business decision making process of Shandong Runhua during the Track Record Period, they would also keep up-to-date with the business affairs of Shandong Runhua and assist in supervising and scrutinising Shandong Runhua’s performance in achieving its goals and objectives, as well as monitoring the performance of Shandong Runhua in order to fulfil their obligation as a director of Shandong Runhua through providing professional advice and attending business update meetings of Shandong Runhua. Furthermore, during the Track Record Period, Mr. Luan, Mr. HQ Luan and Mr. Cheng have not been found any violation to the PRC Company Law, which provides that a director must act in good faith and in the best interests of the company he manages and must not use their respective positions for personal gain; and (iii) Mr. HQ Luan and Mr. Cheng undertake that they will continue not to involve in the daily operation and business decision making process of Shandong Runhua after [REDACTED], our Directors consider that despite the directorships held by Mr. Luan, Mr. HQ Luan and Mr. Cheng in our subsidiaries, they have not and will not have involvement in the daily operation of our Group.;
- (ii) although Mr Yang holds directorship in the Controlling Shareholders Group while he is the chairman and executive Director of our Group, he only serves a non-executive role in the Controlling Shareholders Group and is not responsible for the day-to-day operations of the Controlling Shareholders Group;
- (iii) each of our Directors is aware of his/her fiduciary duties as a Director which require, among others, that he/she must act for the benefit and in the best interests of our Company and not allow any conflict between his/her duties as a Director and his/her personal interests. In the event that there is a potential conflict of interests arising out of any transaction to be entered into between our Company and our Directors or their respective close associates, the interested Director(s) shall abstain from voting on any Board resolution approving any contract or arrangement or any other proposal in which he/she or any of his/her close associates has a material interest and shall not be counted in the quorum present at the relevant Board meeting. In addition, we believe that our independent non-executive Directors can bring independent judgement to the decision-making process of our Board;

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- (iv) we have appointed three independent non-executive Directors to provide a balance between the number of potentially interested Directors and the number of independent Directors, there will be a sufficient robust and independent voice within our Board to counter-balance any situation involving a conflict of interest and protect the interests of our Company and Shareholders as a whole. Certain matters of our Company, including continuing connected transactions, must always be referred to the independent non-executive Directors for review and they will confirm in our annual report that our continuing connected transactions have been entered into in our ordinary and usual course of business, are on normal commercial terms or better and on terms that are fair and reasonable and in the interests of our Shareholders as a whole;
- (v) the daily operation of our Group is carried out by an experienced senior management team. We have the capabilities and personnel to perform all essential administrative functions, including financial and accounting, human resources, business management and research and development on a standalone basis;
- (vi) during the Track Record Period, save for the non-executive Directors who held management positions in the Controlling Shareholders Group, the Controlling Shareholders Group did not share any resources with our Group; and
- (vii) during the Track Record Period, there was no costs/expenses relating to our Group’s operations being borne by the Controlling Shareholders Group, any related parties or connected persons of our Group or any other third parties without being recharged to our Group.

Based on the above, our Directors are of the view that our Board as a whole, together with our senior management team, is able to perform the managerial role in our Group independently from our Controlling Shareholders and their respective associates.

Mutual and Complementary Relationship

We have a long-standing, synergetic and on-going relationship with the Controlling Shareholders Group since 1996. We have been providing property management, property engineering and landscape construction services to properties developed by Controlling Shareholders Group. During the Track Record Period, all of the properties developed/operated by the Controlling Shareholders Group were managed by our Group. The total revenue generated from our related parties was approximately RMB45.4 million, RMB95.9 million and RMB73.4 million for FY2019, FY2020 and FY2021 respectively, representing approximately 11.4%, 19.7% and 12.2% of our total revenue for the corresponding years. As confirmed by F&S, such business relationship between our Group and Controlling Shareholders Group is common among PRC property management companies and their related companies and has been mutually beneficial and complementary.

Our Directors consider that our long standing relationship with the Controlling Shareholders Group creates synergy which supports each other’s growth. The Controlling Shareholders Group is principally engaged in the sale and service of motor vehicles, car rental, finance investment, pharmaceutical and other comprehensive business, provision of insurance services, and property development and requires property management services for the properties they developed/operated. Benefiting from our expertise on property management services and our long-term relationship with the Controlling Shareholders Group, we were able to provide high quality property management services and a wide range of ancillary services which we believe that we will be able to enhance the brand image of the Controlling Shareholders Group. For details of our connected

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transactions with Controlling Shareholders Group, please refer to the section headed “Connected Transactions — Continuing Connected Transactions” in this document. At the same time, due to our long term relationship with the Controlling Shareholders Group, our Directors consider that we understand and are familiar with the requirements and quality standards of the Controlling Shareholders Group better than our competitors, thus enabling us to secure all of the Controlling Shareholders Group’s property management service contracts. Furthermore, we believe our long and close business relationship with the Controlling Shareholders Group has enabled us to gain a deep understanding of the real estate value chain, and such knowledge and skills accumulated over the years can be readily transferrable to serve our other independent customers.

In light of (i) the mutual and complementary relationship between the Controlling Shareholders Group and our Group; (ii) the time costs and expenses that would otherwise be occurred by the Controlling Shareholders Group to identify suitable property management services providers with similar expertise and familiarity to its requirements and quality standard if it elects to replace us; and (iii) our proven track record in providing satisfactory services and securing property management service contracts from the Controlling Shareholders Group, our Directors believe that there will not be any material adverse change in the relationship between our Group and the Controlling Shareholders Group, and we consider that we will continue to be able to secure future engagements from it and be able to maintain our revenue from the Controlling Shareholders Group upon [REDACTED].

Operational Independence

Although our Controlling Shareholders will retain a controlling interest in our Company after [REDACTED], we have full rights to make all decisions regarding, and carry out, our own business operations independently. We have established our own organisational structure, and each department is assigned to specific areas of responsibilities. We are also in possession of all necessary relevant licences, approvals and certificates to carry on our business and we have sufficient operational capacity in term of capital and employees to make all decisions on, and carry out, our own business operation independently. Therefore, we do not rely on our Controlling Shareholders or their respective close associates for our operations. Moreover, we do not rely on our Controlling Shareholders for access to suppliers and customers, as we manage our sourcing independently to whom we have independent access. We have our own headcount of employees for our operations and an independent management team (including our Directors and members of our senior management) to handle our daily operation. We have also established a set of internal control procedures to facilitate and maintain the independent operation of our business. As of the Latest Practicable Date and save as disclosed in the section headed “Connected Transactions”, our Group did not share any operational resources, such as sales and marketing and general administration resources with our Controlling Shareholders and their respective close associates.

Based on the above, our Directors are of the view that there is no operational dependence by us on our Controlling Shareholders and our Group will be able to operate independently from our Controlling Shareholders after [REDACTED].

Financial Independence

As of the Latest Practicable Date, (i) our Group did not have any unsettled loans and interest due from and to our Controlling Shareholders and their respective associates and (ii) our Group had not provided any

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share pledges or guarantees in respect of any loans of our Controlling Shareholders and their respective close associates and vice versa. As confirmed by our Directors, we do not intend to enter into any funding arrangements which are non-trade in nature with our related parties in the future.

We have established our own finance department with a team of financial staff, who are responsible for financial control, accounting, reporting, group credit and internal control function of our Company. The finance department is independent of our Controlling Shareholders. We can make financial decisions independently and our Controlling Shareholders do not intervene with our use of funds. We have also established an independent audit system, a standardised financial and accounting system and a complete financial management system. In addition, we have been and are capable of obtaining financing from independent third parties without relying on any guarantee or security provided by our Controlling Shareholders and/or their respective close associates.

Based on the above, our Directors believe that we have the ability to operate independently of our Controlling Shareholders and their respective close associates from a financial perspective and are able to maintain financial independence from our Controlling Shareholders and their respective close associates.

NON-COMPETITION UNDERTAKINGS

For the purpose of the [REDACTED], our Controlling Shareholders have entered into the Deed of Non-Competition, pursuant to which each of our Controlling Shareholders has irrevocably and unconditionally undertaken to us in the Deed of Non-Competition that he/she/it will not, and will procure his/her/its close associates (other than members of our Group) not to directly or indirectly conduct or be involved in any business (other than our business) that directly or indirectly competes, or may compete, with our business, which includes providing (i) residential property management services; (ii) non-residential property management services; (iii) property engineering and landscape construction services and (iv) value-added services for property owners and non-property owners (collectively referred to as the “**Restricted Businesses**”), or hold shares or interest in any companies or business that compete directly or indirectly with the business engaged by our Group from time to time, or conduct any Restricted Businesses, except where our Controlling Shareholders and their close associates hold less than 5% of the total issued share capital of any company (whose shares are listed on the Stock Exchange or any other stock exchange) 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 control 10% or more of the composition of 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 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 him/her/it or any of his/her/its close associates, he/she/it shall, and shall procure that his/her/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 such Competing Business Opportunity, the nature of the Competing Business Opportunity, the investment or acquisition costs and all other details reasonably necessary for our Company to consider whether to pursue such Competing Business Opportunity.

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Upon receiving the Offer Notice, our Company shall seek approval from a board committee comprising independent non-executive Directors who do 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 Group’s 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 written notice referred above, inform our Controlling Shareholders in writing on behalf of our Company its decision whether to pursue or decline the Competing Business Opportunity.

The relevant Controlling Shareholder shall be entitled but not obliged to pursue such Competing Business Opportunity if he/she/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 Shareholder, he/she/it shall refer such revised Competing Business Opportunity to our Company as if it were a new Competing Business Opportunity.

The Deed of Non-Competition will lapse automatically if our Controlling Shareholders and their respective close associates cease to hold, whether directly or indirectly, 30% or above of our Shares with voting rights or our Shares cease to be [REDACTED] on the Stock Exchange.

Each of our Controlling Shareholders has further undertaken to us that he/she/it will provide and procure his/her/its close associates to provide on best endeavour basis, all information necessary for the annual review by our independent non-executive Directors for the enforcement of the Deed of Non-Competition. They 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.

CORPORATE GOVERNANCE MEASURES

The following corporate governance measures will be adopted by our Company to monitor the compliance of the Deed of Non-Competition:

- (i) where a Board meeting is held for the matters in which a Director has a material interest, such Director shall abstain from voting on the relevant resolutions and shall not be counted in the quorum for the voting;
- (ii) our Board will consist of a balanced composition of executive and non-executive Directors, including not less than one-third of independent non-executive Directors, to ensure that our Board is able to effectively exercise independent judgement in its decision-making process and provide independent advice to our Shareholders. Our independent non-executive Directors, individually and collectively, possess the requisite knowledge and experience. They are committed to providing impartial and

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

professional advice to protect the interests of our minority Shareholders. For more information, please refer to the section headed “Directors and Senior Management- Directors- Independent non-executive Directors”;

- (iii) in the event that our independent non-executive Directors are requested to review any conflict of interests between our Group and the Controlling Shareholders, the Controlling Shareholders shall provide the independent non-executive Directors with all necessary information and our Company shall disclose the decisions of the independent non-executive Directors either in its annual reports or by way of announcement to the public;
- (iv) we have appointed Zhongtai International Capital Limited as our compliance adviser, which will provide advice and guidance to us in respect of compliance with the applicable laws and the Listing Rules, including various requirements relating to directors’ duties and corporate governance;
- (v) 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 favourable 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;
- (vi) on an annual basis, our independent non-executive Directors will review the non-competition undertakings provided by our Controlling Shareholders and their compliance with such undertakings; and
- (vii) our Controlling Shareholders will make an annual declaration of compliance with the Deed of Non-competition in annual reports of our Company.

Based on the above, our Directors are of the view that sufficient corporate governance measures have been put in place to manage conflicts of interest between our Group and the Controlling Shareholders and/or Directors to protect minority Shareholders’ rights after the [REDACTED].